Connecticut insurers ask protection against conglomerates

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March 17, 1969

Sen. Hart plans Federal act on insolvencies

WASHINGTON — Senator Philip Hart (D., Mich.) will introduce a bill soon to establish a Federal insurance guarantee corporation to protect the consumer against insolvencies among all property and liability underwriters.

The Federal corporation would be similar to the Federal Deposit Insurance Corp. The proposed bill is almost the same as the one introduced by Sen. Thomas Dodd (D., Conn.) in early 1967 except that the Dodd bill only included auto insurers. The Hart bill will ask for a premium of 25 cents per $100 to support the Federal guarantee pool. The pool will have a Federally established ceiling.

Sen. Hart has been holding a highly explosive round of hearings into insurance company insolvencies in which it was revealed that 109 auto insurance companies went under between 1958 and 1968.

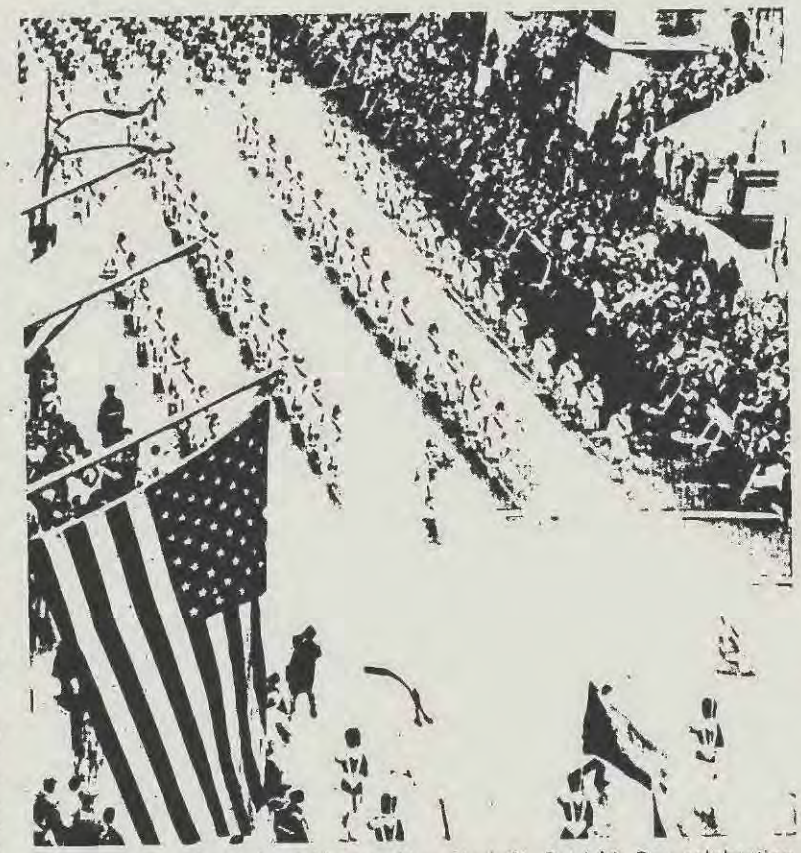
Sen. Hart plans two more rounds of hearings into auto insurance. This summer the senator plans to take a close look at rating practices and in the fall he will study the myriad solutions to the auto insurance problem such as the Keeton-O'Connell plan and others. ▪

DOT refuses to add ASIM to consumer auto insurance unit

WASHINGTON — Officials of the Department of Transportation's auto insurance study refused to add the American Society of Insurance Management to the study's consumer advisory committee. DOT officials said that ASIM could make its views known without membership on the committee.

William S. Mortimer, ASIM president and director of insurance for Norton Simon Inc., said he will write to Transportation Secretary John Volpe to ask once more that ASIM be added to the consumer advisory group because commercial firms spend more than $3.5 billion annually in auto insurance premiums. Mr. Mortimer said that it was an editorial in *Business Insurance* titled "Buyers bypassed again" that "blasted open the question of ASIM membership."

Mr. Mortimer said that ASIM considers itself an important voice for all insurance consumers, not only for corporate risk managers.



Thousands parade in the Fifth ave. New York St. Patrick's Day celebration each year without the protection of insurance. They put their trust in the patron saint. In Chicago, however, the sponsors of the parade are protected by $100,000-$300,000 bodily injury and $50,000 property damage coverage provided by United States Fidelity Co. —World Wide photo

Wheeling, L. C. Paull move to dismiss suit

WHEELING, W. Va.—A damage suit brought by Wheeling Steel Co., charging that its ex-insurance agency had bought coverage "far in excess" of Wheeling's requirements, has ended after both parties involved in the dispute moved for dismissal.

The action was requested by Wheeling-Pittsburgh Steel Corp., the corporate entity that resulted from the merger in December of 1968 between Wheeling and Pittsburgh Steel, and L. C. Paull Inc., Wheeling's insurance agent from 1934 to 1966.

In a one paragraph statement Wheeling-Pittsburgh said the suit was dismissed without payment "by one party to the other." The company also said that the Paull firm could bid competitively on its future insurance business.

THE 1967 SUIT, in which Wheeling had asked $5,400,000 in damages, had stirred up considerable attention in the insurance industry because it sought to hold an agent liable for buying too much coverage.

Also, insurance buyers focused on the case because Wheeling contended that the company could have spotted needless coverage if it had employed a professional insurance manager.

The Wheeling suit charged that the Paull agency bought insurance for Wheeling "far in excess of its needs and at costs grossly disproportionate to losses reasonably to be anticipated based upon Wheeling's own experience."

THE SUIT contended that Wheeling, in each of the years from 1959 to 1966, paid "in excess of $200,000 more in insurance premiums than it would have paid for the same or superior insurance coverage."

Wheeling said that it had been paying from $500,000 to $700,000 annually for insurance pre-

Continued on page 37

(Mailing label here)

Insurance buyers work out risk merger details for Richfield-Sinclair

NEW YORK—Atlantic-Richfield and Sinclair Oil, which have merged to form the nation's seventh largest oil company, are working behind closed doors to mesh their two insurance programs.

Although insurance executives (John Long at Atlantic-Richfield and Edward Kettel at Sinclair) declined to discuss the insurance implications of the merger, *Business Insurance* learned that the two companies have at least several things in common from an insurance point of view.

They both have property coverage through the Oil Insurance Assn., Chicago, although Sinclair is said to assume first dollar dollar losses while Atlantic Richfield takes a $1 million deductible. Also, both companies use Marsh & McLennan as their broker. Probably getting primary attention from the newly merged company's insurance personnel will be liability coverages, since this area (including auto and workmen's compensation) involves "an awful lot of claims," as one insurance expert put it.

Sinclair has an all-risk liability policy covering auto and public liability, workmen's comp and employers liability and protection and indemnity insurance through Continental Insurance Co. and Marine Office-Appleton Cox, subject to a single retrospective rating plan.

ATLANTIC-RICHFIELD, also through a retrospective plan, is insured for liability coverage through Aetna Life & Casualty. Aetna also handles Atlantic-Richfield's group life insurance program.

As part of the merger deal, British Petroleum bought $100 million of Sinclair's marketing assets in the southeastern U.S. and $300 million of Sinclair's marketing and refining facilities in 11 northeastern states.

It was learned that BP's insurance manager, David Southworth, who has been traveling between here and London, has arranged for insurance coverage on the new operation in the U.S. market.

BOTH SINCLAIR and Atlantic-Richfield are said to have similar philosophies on insurance. That is, unlike some of the other giant oil companies such as Standard Oil and Mobil, which are largely self-insured, the new entity buys "a helluva lot of commercial insurance," as one industry source put it.

Nevertheless, one source close to both companies said the property insurance programs of Sinclair and Atlantic-Richfield "are not compatible, but they will probably continue in force as they are until both companies are completely digested by the emerging parent of both. These merger things are not always handled the same way from an insurance aspect as some are decided in advance and others are not."

The merged firm, the result of the biggest oil merger in history, will be known as Atlantic Richfield Co., with corporate headquarters in Atlantic's offices here. The new company will have assets of about $3.4 billion and had combined net income of $225.7 million for 1968. The buy was estimated to have cost Atlantic about $1.9 billion. ▪

Late news

Wants Federal loan insurance rates

WASHINGTON—Look for a bill from Sen. Philip Hart (D.-Mich.) to give the Federal Reserve Board the power to set rates on all accident, health and life policies written in connection with credit transactions. Such rates are now filed with state insurance commissioners who generally have the power to approve or disapprove credit insurance premiums.

CBS increases employe benefits

NEW YORK—CBS has approved sweeping changes in its employe benefits program after a year-long study. Included are boosts in medical and life insurance coverage, improvements in disability and survivor benefits and provisions for early retirement and terminations. CBS' contributions towards purchase of company stock through payroll deduction will almost double, and employes can now purchase noncompany securities. Some elements of the program are subject to shareholder approval.

Visit to Lloyd's helpful: Union Tank's Hansen

By RICHARD BJORKLUND

CHICAGO—Every corporate insurance manager who spends substantial amounts on insurance premiums at Lloyd's should visit London to learn about the workings of the world's insurance center and to negotiate the most favorable policy terms.

That's the advice of Edward D. Hansen, insurance manager, Union Tank Car Co., and immediate past president of the Chicago chapter of the American Society of Insurance Management. Mr. Hansen visited Lloyd's and London, this month in the company of his Chicago insurance broker, Edward N. Murray of Youngberg-Carlson Co., and Robert E. Spiller, vice president-finance, Pabst Brewing Co., Milwaukee.

While Mr. Hansen does not yet know the results of his visit, he is confident that his going to Lloyd's was of substantial benefit in renegotiating terms on three important coverages:

- A multimillion dollar umbrella excess liability policy covering widespread Union Tank operations.
- A travel-accident policy covering to five times the annual salary those 400 to 500 employes of Union Tank who travel in the course of their employment.
- A contractors installation floater, a property damage coverage with limits in excess of $1 million that covers the value of jobs and the value of the equipment used by Union Tank.

"THESE THREE coverages were coming up for renewal on a three-year basis this year," Mr. Hansen explained, "and what we did was bring in a presentation aimed at putting before Lloyd's a renewal package that included some favorable elements, like the umbrella policy together with the contractors installation floater, and a property damage coverage in a market beset by capacity problems and unfavorable loss ratios."

Mr. Hansen told *Business Insurance* in an informal debriefing session, that he is hopeful the visit to London will recompense his company for a modest expenditure for air fare and a week of meetings with Lloyd's brokers and underwriters.

The group met with the London broker associated with Youngberg-Carlson, and informally with underwriters from Lloyd's who will make the ultimate decision about the renewal of the coverage and the rate that will be charged. At stake for Mr. Hansen's company were policies with aggregate premiums of more than $160,000.

His Lloyd's broker, Robin Lewin from Harris & Dixon Ltd., agreed that it was worthwhile to have Mr. Hansen in London. "It's the greatest thing in the world to have corporate insurance buyers come here," the broker said. "All buyers should come here to give us the fullest information about the risks we propose to underwrite."

TWO QUERIES from Lloyd's underwriters point up their acuity and the value of an American risk manager's visit to London:

- Mr. Hansen was asked about language in Union Tank's annual report that indicated that his company was supplying automotive parts. Lloyd's underwriters were keenly aware of the recent recall of 4.9 million vehicles by General Motors Corp. Mr. Hansen was able to assure them on the spot that the parts provided by Union Tank would not be subject to products liability claims.
- Lloyd's underwriters who met with Mr. Hansen and his American broker were also aware of the recent Time magazine article that spotlighted railroad derailments. Union Tank's Mr. Hansen was able to assure the Lloyd's underwriters that his company did not bear liability after its cars have been accepted by railroads.

Mr. Hansen, by tradition, could not go onto the floor of Lloyd's and present material to underwriters. He did, however, discuss his corporation's insurance proposals with Lloyd's underwriters at lunches, leaving the pitch on the floor to his Lloyd's broker.

"I DON'T KNOW whether our visit has done any good," Mr. Hansen confessed on his return from London. "But our Lloyd's broker believes it's well worthwhile for a corporate insurance manager who spends substantial amounts of premium dollars to come to London and explain his company's situation to those who underwrite the risk.

"They were interested, for example, in our intention to set up a holding company for Union Tank." This query gave Mr. Hansen an opportunity to explain why increases in his company's sales should not necessarily result in increases in premiums charged by Lloyd's for the three policies in question, particularly that new sales of Union Tank did

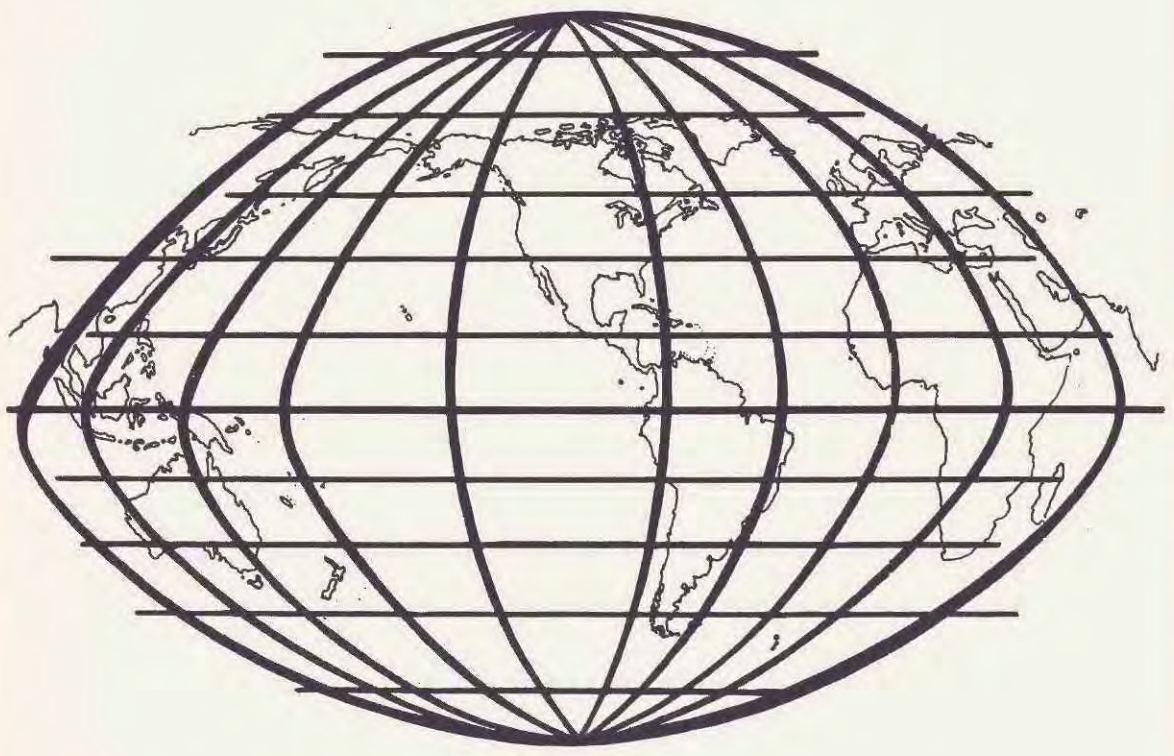
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Student protesters have campus risk managers in state of unrest

By THOMAS LUTZ

CHICAGO—University insurance managers and student demonstrators have both suffered considerable unrest lately.

"God knows what will happen in the future," a lawyer involved in the insurance program at Brandeis University, Waltham, Mass., told *Business Insurance*. Arson there recently caused $50,000 damage following student demonstrations. The loss, the lawyer said, was completely covered by insurance.

"If we were going to try to obtain fire insurance now, it would be extremely difficult," William Wadman, insurance officer at the University of California at Berkeley, said. A mysterious fire there recently caused close to $500,000 damage, believed to be the largest loss at an American university that can be associated with student unrest. Because the building was a gift to Berkeley, state law allowed it to be insured. Berkeley's insurance carriers will foot about half the bill, Mr. Wadman said.

IN MONTREAL, about 90 students at Sir William George University wrecked a $1,500,000 computer and caused $2,300,000 total damage, a loss which *Business Insurance* (March 3) reported was almost completely insured.

Elsewhere in California, Stanford University has suffered more than $200,000 damage. San Francisco State student and faculty protesters have been blamed for about $20,000 in damages from November, 1968, to February, 1969. When *Business Insurance* called that college to ask for the total damages, a spokesman replied, "Do you mean last night's damages?" A bombing that night in the school's Creative Arts Center destroyed between $400 and $500 in property. The next night, a freshman student was blinded and crippled in the 10th bombing at San Francisco State's strike-ridden campus. Authorities there are openly discussing the possibility that someone may soon be killed.

Another spokesman for San Francisco State said the entire $20,000 loss was an "out of pocket expense." The school's lawyers explained that state law limits the ability of the college to insure. "We're in for more and more," the spokesman said. "These problems aren't just ours. They're going to start filtering into other schools."

Acting college president S. I. Hayakawa has gone further than that. Speaking to a group of businessman, Dr. Hayakawa predicted that the problems of the campus today will be the problems of business tomorrow.

INDICATIVE of how critical the situation is on some campuses, a spokesman for Columbia University — after conferences with the school's treasurer—declined any comment to *Business Insurance* about damages. Equally guarded was the University of Chicago, although an early tv report said that insurance wouldn't cover any damages caused by students who recently held a three-week sit-in at the university's administration building.

For the immediate future, however, the assistant insurance supervisor at the University of Illinois' Chicago Circle Campus, Milan G. Oklepek, believes that the quieter campuses, such as his own, won't have insurance headaches. "Those that do have much student militancy are going to have the problems," he said.

Even at the sometimes-troubled University of Wisconsin, Gerry Surfus, risk manager, evaluated the situation this way: "To the best of our knowledge, the unrest hasn't affected premiums yet."

Many other university insurance managers discount the student unrest as a threat to their insurance programs. After all, they say, a university risk has been a profitable risk for carriers. Up until a year or so ago, panty raids, snowball fights and over-stuffed telephone booths were the greatest threat to campus property.

ASKED IF he expects a get-tough policy by his insurance carriers, Charles A. Reddy, insurance officer, Notre Dame University, said flatly, "No." Notre Dame, he explained, hasn't suffered an insurance loss yet because of student unrest.

Even Berkeley's Mr. Wadman looks for no significant insurance problems. "We stuck with our carriers in good times," he said. "Now they're sticking with us." He credited the stability of his insurance program to Berkeley's ability to take "large deductibles."

Also, Mr. Wadman confided, the University of California doesn't have glass breakage and other minor coverages, which cover items that had taken the brunt of the student violence. The "multiversity" size of the University of California, Mr. Wadman told *Business Insurance*, "lends itself to self-insurance." Like a big corporation, Berkeley only insures against a total loss.

As for the University of Wisconsin demonstrations, Mr. Surfus said, "The unrest wasn't as bad as it was reported to be." Total damage to the university's property was put at $5,000, 80% of which, Mr. Surfus said, was insured. The part not covered was largely damage to landscape.

James R. Gallivan, supervisor of insurance at the University of Illinois, Urbana campus, doesn't anticipate rate increases or a capacity squeeze because of the student unrest there. With only a $4,000 loss, caused by a sit-in at the university's student lounge, Mr. Gallivan said that the damage to property has not been great enough to affect his insurance market.

Continued on page 40



Coverage on the new Pennsylvania governor's mansion, through CNA insurance, includes $1,569,273 on the building, $250,000 on the contents and $350,000 on fine arts. The mansion contains seven bedrooms, several fireplaces, a dining room that seats 132 people and a sauna bath in the basement.

Warn about using risk values in mergers

MILWAUKEE—Two executives of American Appraisal Co. have warned that insurance values on property and equipment have no relation to values for mergers and acquisitions.

In a special interview with *Business Insurance*, they said that several mergers have been based in insurance values, much to the chagrin and sorrow of the acquiring company.

The appraisal firm also released a cost-trend study which shows construction costs for industrial-type buildings increased about 6.2% from 1967 to 1968.

A spokesman for American Appraisal said the study can be used by insurance managers as a guide in determining property replacement costs. For example, a building that costs $100,000 to construct in 1967 would require $106,200 to replace in 1968.

THE INDEX covers cost trends of building trades, labor and several construction materials. The 1968 index was 971, up from 909 in 1967. The firm has released cost-trend studies each year since 1913, the base year in which building costs were pegged at 100.

The chart uses figures from four industrial-type buildings, frame, brick, concrete and steel, exclusive of building fixtures and averaged for 30 U.S. cities.

Other cost comparisons from 1967 to 1968 in the study include common brick costs up 21 points to 689; lumber, up 96 to 863; cement, up 12 to 345; steel, up 9 to 421; copper, up 18 to 263; and wages, up 85 to 114. In contrast, the U.S. Department of Labor all-commodities index was up from 264 in 1967 to 291 in 1968, the report said.

John C. Lichter, assistant vp and head of the continuous service division of American Appraisal, noted that insurance values are based on a "replace-in-kind" valuation and take into account physical depreciation.

HOWEVER, in mergers and acquisitions, the values must be determined according to profit potential or need, he said. For example, it costs about $35 to $40 per ton of capacity to build an open-hearth steel shop, he said. But it is not likely that anyone would want to replace a hearth because cost of construction of a basic oxygen furnace, a better method of producing steel, is estimated at $20 per ton. So acquisition values must be adjusted accordingly, he said.

Wayne D. Jorgeson, vp and head of the appraisal division, said that top management should look to the insurance manager to report on values of property and machinery in acquisitions.

He said that the insurance buyer could be expected to prepare a report both on insurance values and acquisition value for senior management.

He said that all too often management calls on the insurance manager after-the-fact to prepare a valuation report. Mr. Jorgeson warned insurance managers to stay away from book values, however, in appraisals in light of today's accelerated depreciation methods. ■

Bill would revise Wash. work comp

OLYMPIA—Major revision of the Washington State workmen's compensation law was proposed in House Bill 551 introduced by Rep. Sid Morrison and nine other legislators.

The bill was described as a "model" program for industrial accident insurance. Rep. Morrison said it would extend coverage to virtually all Washington workers, boost benefits and relate them to the injured worker's wages.

The measure would simply present appeal procedures and require that benefits be paid within 14 days after the employer had been notified of the injury.

FARM WORKERS would receive unlimited medical benefits immediately, but the required payment of benefits for time-loss and permanent disabilities would not become effective until July 1, 1973. Clerical and retail trade workers would be exempt if their employer has fewer than six employes, but the exemption would expire Jan. 1, 1972.

Present law requires coverage only of employes of extrahazardous occupations, about 60% of the state's work force, the legislator said. ■

Bear star covered by $5,000 policy

SAN FRANCISCO—A new coverage twist has been produced by Fireman's Fund American Insurance Co., long famed for insuring glamorous movie stars against misfortune during movie production.

The movie star apparently has moved aside for a winsome Australian-born Koala bear, from the San Diego Zoo.

The Koala recently starred in two television commercials produced at San Diego for Qantas Empire Airways Ltd. by San Francisco's Cunningham & Walsh Inc.

Coverage of the Koala was written by the company's excess and special risk department here.

A $5,000 animal mortality policy covered the legal liability of the ad agency for the Koala bear while it was in the agency's care. Before the insurance was issued, the Koala was certified as being healthy by the San Diego Zoo veterinarians.

The policy required Cunningham & Walsh to pay for services of two professional handlers who fed and cared for the Koala during filming and travel.

In 1967 Fireman's Fund insured three other Koalas during filming of another Qantas commercial.

Mortimer clarifies his position on broker-buyer relationships

FULLERTON, Cal.—William S. Mortimer, director of insurance for Norton Simon Inc. here and newly elected president of the American Society of Insurance Management, clarified his stand on the relationship between brokers and corporate insurance managers.

Mr. Mortimer was inaccurately quoted on buyer-broker relationships in an article in the Feb. 17 issue of *Business Insurance*, which reported a speech the ASIM president gave to the Northern California chapter of ASIM. To correct the misinterpretation of his remarks, Mr. Mortimer issued the following statement:

"I strongly feel that the qualified producer has a very important place in the risk management picture whenever insurance is considered. Our firm uses brokers and intends using them in the future. We may perform some functions usually performed by producers, but we will always want to have the expertise of the insurance producer to assist us in carrying out risk management functions.

"WE WILL DO much of the routine work, but will always consult with the outside experts about the more difficult facets of our program. I consider the intelligent use of brokers a must for any risk manager, no matter how qualified he may be.

"There is a changing relationship brought on by two major changes in the approach to the handling of insurance for industrial concerns. One is the increasing competence of risk managers and the other is the advent of the risk management concept. There is a relationship between the competency of the risk manager and the complexity of programs he administers. The less complex the program and the greater the qualifications of the risk manager, the less need for the producer's service.

"On the other hand, the more complex the program and the less competent the risk manager, the greater the need for the producer's service. Obviously the degree of the producer's involvement should tend to be different for each account and the producer should tailor his service to fit the client's requirement and not feel that all clients have to have the full service.

"The increasing use of risk management concepts is also a factor because of the reduced use of insurance. The producers must change their insurance-oriented thinking to the broader risk management concept and develop their facilities to be able to provide full risk management service for their accounts desiring it," Mr. Mortimer concluded. ■

washington watch

Medicare faces financial crisis; suggest control of medical costs

WASHINGTON—Medicare is in financial trouble. Not dire trouble, of course, because there is enough money in the program to fund it for a year or so. And, in the meantime, payroll taxes can be hiked enough to keep it actuarially sound. An additional $45 billion in taxes over the next 25 years will do it.

This was the thrust of the annual report from the trustees of the Medicare program. The trustees did offer another solution to Medicare's financial woes besides hiking taxes. That was to halt the rapidly-rising costs of medical care, primarily doctors' fees and hospital charges. This solution has been around for as long as Medicare, and during this three-year period, has been very much like Mark Twain's weather —everyone talks about it, but no one does anything about it.

President Nixon has yet to even talk about it. But, finally, a group of powerful Senate Democrats and Republicans have proposed legislation to do something —at least about the government's share of the health dollar.

In introducing the first of the two related bills, Senator George Aiken (R., Vt.) charged that the "Medicare dream is fast becoming a nightmare.

"Every citizen who has private health insurance such as Blue Cross-Blue Shield—not just those over 65—is threatened by the costly consequences of Medicare's highly inflationary methods of payments for medical services," Senator Aiken said.

The Aiken bill, designed to put the clamps on doctor fees, was cosponsored by Senate Majority Leader Michael Mansfield (D., Mont.) and Sen. Winston Prouty (R., Vt.).

The Aiken proposal later picked up the especially potent support of Sen. Clinton Anderson (D., N.M.), the second-ranking member of the Senate finance committee, which will take up the legislation.

Sen. Anderson was the original sponsor of the second of the two medical-cost-checking proposals. His bill is aimed at placing "reasonable limitations" on payments for hospital, extended care and skilled nursing home care under both Medicare and Medicaid. Sens. Aiken, Mansfield and Prouty are all cosponsors of the Anderson bill.

THE ANDERSON plan would start out by establishing that in no case would Medicare or Medicaid pay more for inpatient or outpatient hospital care than is payable to a given hospital by Blue Cross for like services.

This means, Sen. Anderson explains, that if a Blue Cross plan pays a hospital an average of $60 a day for a total of 15 days' care in a semiprivate room, Medicare and Medicaid would not pay more than that amount for care in the same type of accommodations. Similarly, if Blue Cross paid $10 to a hospital for an outpatient visit by one of its subscribers, the government programs would not pay more.

The real guts of the proposal however comes in a later section which is "designed to require hospitals to exercise some reasonable self-discipline and proper management with respect to their costs."

Under this section, Medicare and Medicaid leave Blue Cross as a guide in the second year and require that no payments could be made under either program "to the extent that a hospital's daily costs in a given year exceeded those of the previous year by more than the annual percentage increase in the medical care price index for that geographic or metropolitan area."

THIS PROVISION could only be waived in certain circumstances where the character of the hospital underwent a change, such as assuming additional responsibilities as a teaching institution, Senator Anderson explains.

The Aiken bill, which deals with doctor fees, takes a somewhat similar approach. Under the Aiken bill, Medicare will not pay more for a given medical procedure than the average payment for that same service by the local Blue Shield plan during the previous year. This limits what Medicare pays to the same average amount Blue Shield pays for persons under 65.

The bill does not contain the provision pegging the maximum annual increases to the medical care price index, but it was introduced prior to the Anderson bill and it is reasonable to assume that such a provision will be considered when it comes before the finance committee.

In introducing his measure, Sen. Aiken pointed to the fact that ever-higher dollar levels of Medicare payments are forcing the private insurance firms to raise their premiums and their own benefit payments.

"I do not want to see some form of national health insurance program enacted, but we are heading in that direction unless we apply moderate, traditional and community-responsive limitations on payments for physicians' services under Medicare," Sen. Aiken said.

There are too many "ifs" involved to make a legitimate guess at this time about the chances of the Aiken and Anderson proposals in this Congress.

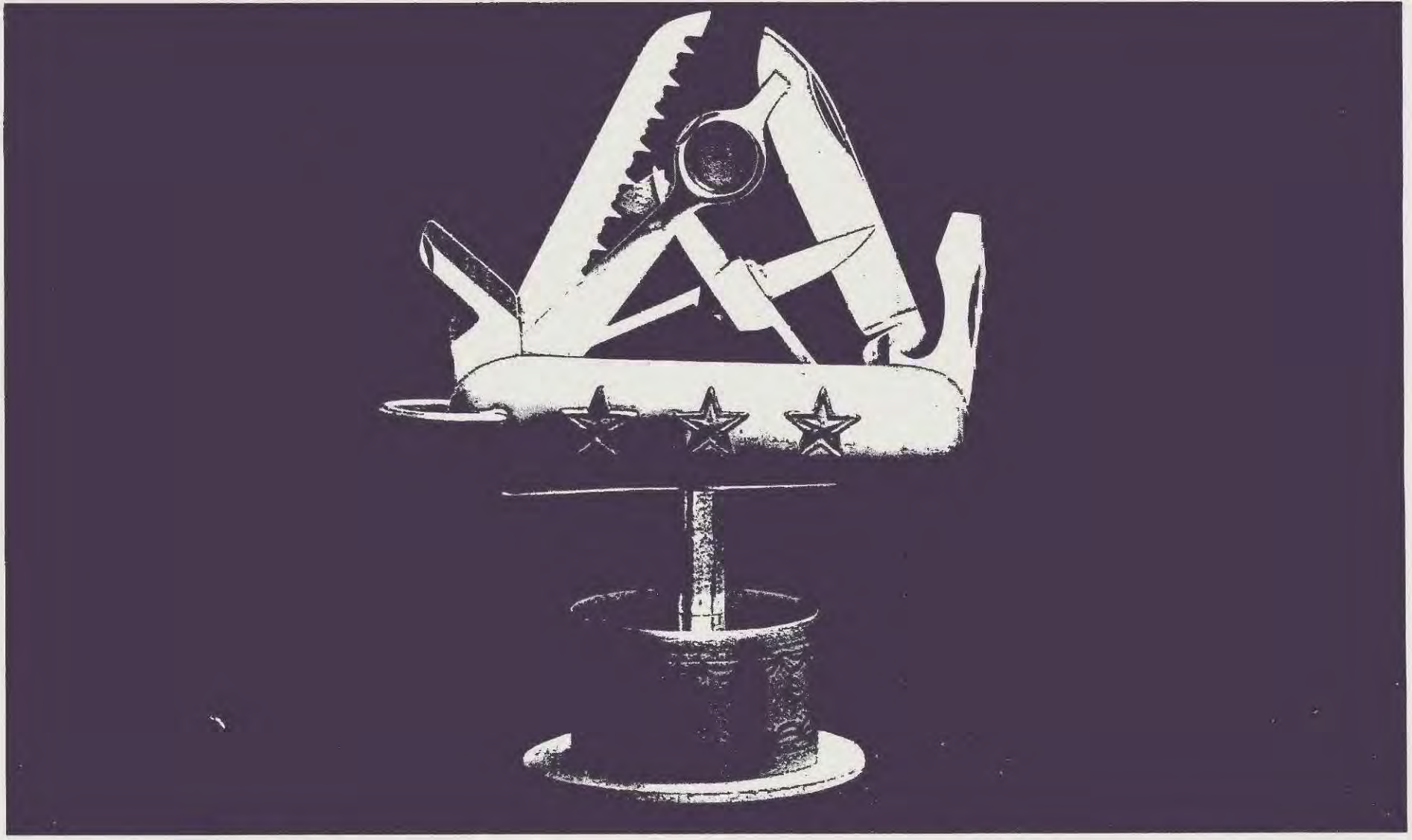
An even tougher question is whether strict government controls over Medicare and Medicaid costs such as the two bills proposed will hold down all medical costs across-the-board, and thereby hold down the increasing expense of private health insurance. Or, if such a move by the government will push costs of medical care to the private sector up even higher by prompting the doctors and hospitals to subsidize their government business by increasing charges to the private sector. ■



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We think reality is its own reward. That's why we're the people who know business insurance like nobody else in the business. And that just about wraps it up.

Except, Jack better be nimble.

Employers Insurance of Wausau



The famous Thunderbird Motel of Minneapolis personalizes its insurance protection with a WAUSAU SMP.



Get the flexible Wausau Story for yourself.

New Francis book predicts wane of U.S. private pension system

By LOUIS HAUGH

CHICAGO — Predicting the eventual wane of a system that has generated more than $100 billion in assets, such as the U.S. private pension system has done, takes a certain amount of courage and a great number of facts.

However, in his new book, called *Employe Savings Plans: The Coming Trend in Retirement Planning*, Bion H. Francis predicts, "Savings plans, within 10 to 20 years, will perhaps form the backbone of most benefit programs."

Published by Advertising Publications Inc., publishers of *Business Insurance*, the book presents a look at the history of the private pension system in the U.S. and discusses in detail activities on the Federal level to regulate pensions.

MR. FRANCIS, a columnist for *Business Insurance*, cites 10 reasons "why pension plans may be considered unsatisfactory today and some of the measures and dangers the system will face over the years ahead."

Among these are the large number of present pensioners who are not happy with what they are receiving, Mr. Francis writes. He also charges that pension plans are unsatisfactory as incentive plans and as savings plans, have high fixed costs, and have an enormous contingent liability for employers.

Mr. Francis contends that employers have lost control of pension plans to the accountants and will soon lose even more to the Federal government. In addition, he says the private pension system is in competition with Social Security. Despite the fact that it was originally thought of as providing minimum benefit levels, Social Security benefits have kept pace with private benefit levels, Mr. Francis charges.

Finally, Mr. Francis charges that the private pension system provides improper protection against inflation, is inflexible, and that individual intitiative is thwarted because the tax advantages of the system are denied a large proportion of population.

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MR. FRANCIS ALSO cites a number of reasons why he feels employe savings plans will flourish. He defines an employe savings plan as a system which provides for the accumulation of employe contributions together with some degree of matching contributions by the employer.

Some of the advantages of an employe savings plan, according to Mr. Francis, include prompt vesting of the employer's contributions, receives enthusiastic employe response, provides incentives for employes, increases stock ownership by employes, protects against fixed expense because the employer's contributions are based on profits, protects against contingent liability for the employer.

As the fund grows, employes can see the accumulation of equity, he writes, and the employe can control his portion of the fund.

Mr. Francis then outlines several ways employers with retirement plans can change over to savings plans, including stock bonus plans and profit-sharing plans.

Mr. Francis also outlines steps to take to provide tax advantages for employe savings plans, the provisions such plans should have, how they should be administered, how to determine contribution levels for the plan, how to invest the assets, and finally a model plan.

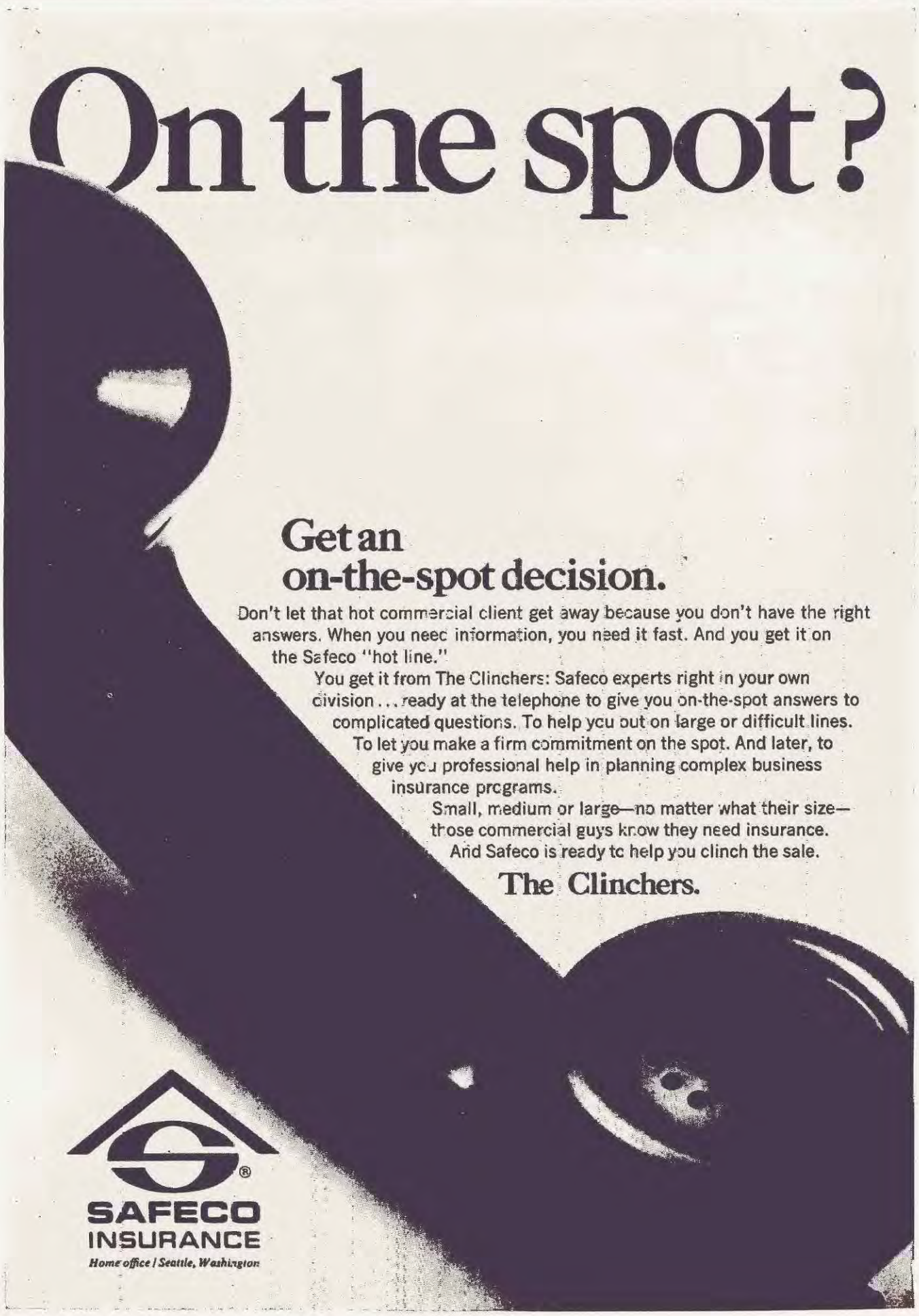
ALTHOUGH THE book is addressed to "the growing number of corporate employe benefit managers," it is written in language understandable to any director, officer and other executive with financial responsibility in pension and employe savings matters.

Mr. Francis is manager of benefits planning of Colt Industries Inc. and a life member of the American Management Assn.'s All-AMA council.

He was formerly director of the insurance division of the American Institute for Economic Research, head economic analyst of the Federal Home Loan Bank board, pension consultant for the Savings Banks Assn. of Mass., the Mass. bankers Assn. and the Savings Banks Assn. of New Hampshire; insurance manager of Wellington Sears Co., West Point Manufacturing Co., Olin Industries Inc., Olin Mathieson Chemical Corp., and Crucible Steel Co.; and corporate director of employe benefits of Crucible Steel Corp. ■

Pension bill gets Oregon consideration

A bill has been introduced in the Senate, Salem, Ore., as SB 269 which deletes 25- and 30-year limitations in formula for computation of public employes' life pension in public employes' retirement provisions, with effective date to be Dec. 31, 1970.



Some buyers indicate support for U.S. rule

NEW YORK—A surprising number of insurance buyers cornered by *Business Insurance* reporters during the seventh annual conference of the American Society of Insurance Management last month backed the concept of Federal regulation of the industry.

The straw poll corresponded with results of a survey taken for ASIM by Woodward & Fondiller, in which 24% of U.S. members indicated they were in favor of Federal regulation.

Of 18 U.S insurance managers approached by this publication, five leaned toward U.S. regulation. Jack L. Koblin of Chrysler Corp., Detroit, said he was for it "if necessary, when the insurance industry can't regulate itself—and it is moving toward that point."

PETER J. MULLEN, Microdot Inc., New York, said he favored Federal regulation "on some lines. Some lines are well suited to Federal regulation because exposure is so great." He mentioned auto and workmen's compensation coverages as two such areas.

Sal Scuderi of GAF Corp., New York, said: "I guess you might say I am a maverick. I am all for the Federal government getting involved in insurance. The government, through social programs, is in our mainstream of life. If insurance is set aside because of insurmountable problems to individuals, and state control cannot take care of it, we must look to the Federal government for control."

Two other buyers favored Federal regulation on a limited basis. D. Howard Partin, insurance manager of Liggett & Myers, said he favored "Federal help as far as safety regulations are concerned but not in the insurance area."

GEORGE H. COOK of Virginia Electric & Power, Richmond, contended that the Federal government "can assist but it should not destroy private insurance."

Corporate buyers also talked about their major insurance problems. Chief among them, as might be expected, was capacity woes.

But B. W. Strausberg of Alberto-Culver Co., Melrose Park, Ill., thought loss control was his biggest worry. His main job, he said, "is to control or reduce where possible the risk exposure, therefore minimizing losses."

SEVERAL BUYERS defined the extent of their capacity problems. Richard E. Welsch of Northwest Industries, Chicago, said most of the company's problems centered around obtaining coverage for the Chicago & Northwestern railroad. He said the company's manufacturing activities did not pose as much of a problem as the railroad.

The exposure on the railroads to high losses "requires us to have sizable amounts of coverage with large deductibles.

"Over the years," Mr. Welsch said, "insurance managers have been responsible for trying to lower the costs of the coverage, and now it's coming back to haunt us."

Mr. Cook of Virginia Electric said that his company carries a deductible of $100,000 on $25,000,000 excess liability coverage. The utility has plans for construction of three nuclear power plants, with coverage on each of between $75,000,000 and $82,000,000. "This is insufficient," he said, because one plant alone will be valued at over $300,000,000.

JOHN FOUNDY of Foremost McKesson, in New York, said his company carries a deductible of $25,000 for the corporation and $2,500 for each division. "At present," he said, "we are trying to make our division managers conscious of losses in hope that they will cut down on them."

Mr. Foundy also said that Foremost McKesson's biggest problem was driver education and avoiding accidents. ■

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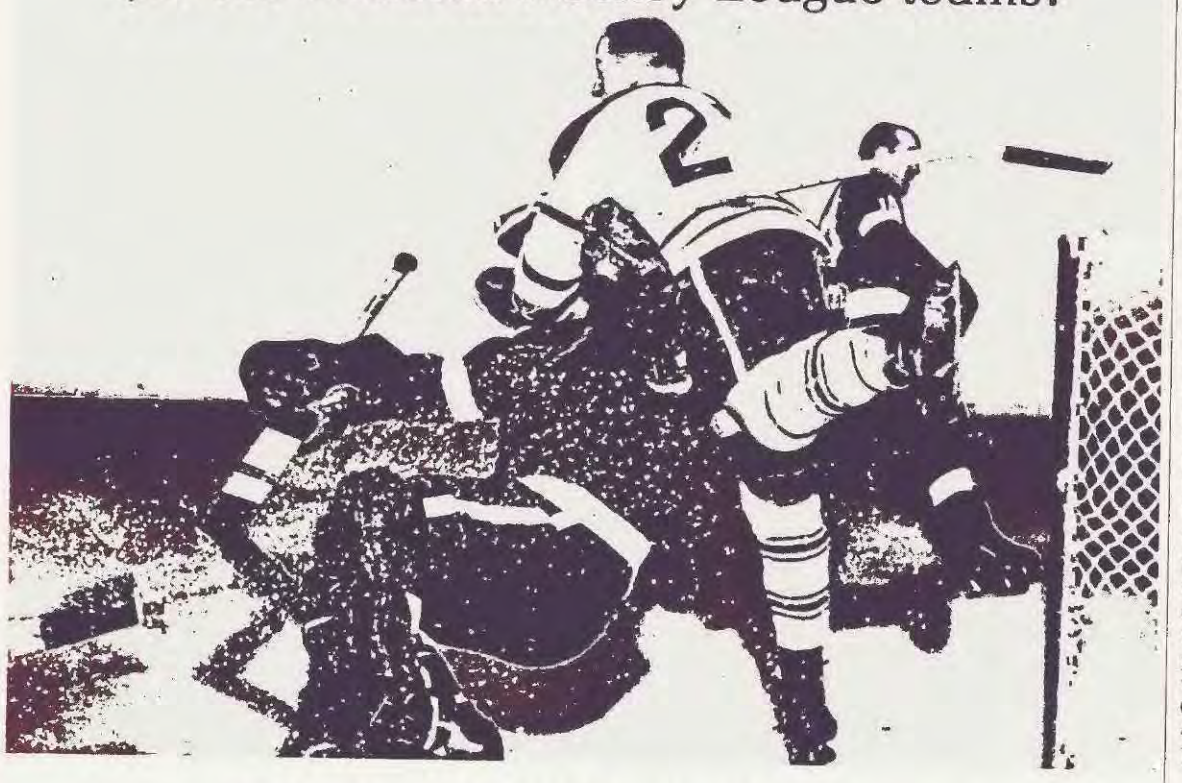
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info for buyers

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

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

• **INFIGHTER** is a man-powered emergency vehicle, designed to squelch fires in the first critical moments. Bulletin 96810, from the Young Fire Equipment Corp., Lancaster, N.Y. 14086, illustrates INFIGHTER, which has compartments for storage of fire extinguishers and additional emergency equipment specific to the hazards of an individual building or worksite.

• Copies of **Fringe Benefits in the Conglomerate Company,** an eight-page address by Geoffrey N. Calvert of Alexander & Alexander Inc., are available from the personnel coverages division of the company at 225 Broadway, New York, N.Y. 10007. The talk details, with examples, pitfalls affecting mergers and problems peculiar to the conglomerate.

• A new employe and association-member benefits program, to help the small businessman or trade association manager compete for people or members at little or no cost, is described in **Pick and Choose Personalized Insurance Protection Plans.** Published by Bankers Life & Casualty Co., the color brochure explains various coverages and options and lists ways in which other organizations have used the program to strengthen employe/member relations. A worksheet is included. Write George H. Hunter, Dept. P.I.P., 4444 W. Lawrence Ave., Chicago, Ill. 60630.

• An illustrated release from Shaw-Walker, **Only the Victims Know . . .**, describes Fire Files, which protect records and files from disintegration during fires. For a free copy of the item, write the company at 32 Division St., Muskegon, Mich. 49443.

• In 1968 a bill requiring that adequate security measures be taken by all financial institutions under the jurisdiction of Federal regulatory agencies went into effect. One of the security standards called for was automatic recorded visual surveillance for all banking areas carrying on cash transactions. A closed-circuit tv video surveillance system, providing 60 hours of continuous bank surveillance, has been jointly developed by Diebold, Inc. and the Ampex Corp. The videotape recorder can scan a complete line of teller stations providing surveillance for up to two weeks on a single role of tape. For further information, write Jay DeBow & Partners Inc., 40 E. 49th St., New York, N.Y. 10017.

• **50 Ways to Reduce Crime Losses** is a check list of proven accounting safeguards for crime protection published by Kemper Insurance. It stresses a company's obligation not only to provide proper crime loss coverage but to take reasonable means to stop losses before they happen through internal controls. Copies are available by writing Joanne Twomey, Public Relations Ass't., Kemper Insurance Cos., Mutual Insurance Bldg., 4750 Sheridan Rd., Chicago, Ill. 60640.

• A free booklet from Huggins & Co. Inc. incorporates January 1969 Revenue Rulings applicable to tax-qualified pension and profit-sharing plans in convenient form. Summary of **Rules for Integration of Qualified Plans with Social Security** may be obtained from the company at 1401 Walnut St., Philadelphia, Pa. 19102.

• Pyrotronics Inc. offers two books, **Pyr-A-Larm Fire & Smoke Protection for Air Conditioning and Ventilation Systems** and **Pyr-A-Larm Fire & Smoke Protection for Computers and EDPM Systems.** Illustrated with pictures and diagrams, the books also include listings of organizations presently using the plans. For copies, write Pyrotronics at 2343 Morris Ave., Union, N.J. 07083.

• A 16-page brochure outlining in case-history form services that corporation counsel may obtain from Lawyers Title Insurance Corp. is offered free. Cases in land acquisition, refinancing, merger, and employe transfer are presented. For a copy of **What Is a National Division,** write to the corporation at P.O. Box 6-J, Richmond, Va. 23215.

• **Living Insurance for Business from Equitable** is a 20-page leaflet which discusses key-man insurance, employe benefits, the family business and fifth dividend option. Copies are free from Sidney H. Brandt, representative of Equitable Life Assurance Society, 401 N. Michigan Ave., Suite 505, Chicago, Ill. 60611.

• **Five to Drive By** is a brief, illustrated pamphlet released by the National Safety Council to discuss the five features of the professional driving job. When requesting the booklet, ask for #294.05. The council is located at 425 N. Michigan Ave., Chicago, Ill. 60611.

• Arizona's newly revised workmen's compensation act, which became law Jan. 1, may have national significance in similar legislation being considered by other states. A digest, compiled by Employers Insurance of Wausau, highlights important points and emphasizes changes which form an emerging national pattern. **Changes in Arizona Workmen's Compensation,** nine pages, is free to Arizona companies by writing to Employers at 4502 N. Central Ave., Phoenix, Ariz. 85012. Interested firms and individuals in other states may contact the insurance company at its national headquarters, 2000 Westwood Dr., Wausau, Wis. 54401.

• **Your Insurance Program: An Impartial View** is an explanatory brochure put out by Corporate Policyholders Counsel Inc. Reasons for using an insurance consultant are detailed and objectives of the CPC team approach to developing a property and casualty program are listed. Employe benefit programs are also discussed. For a free copy write R. Maynard Toelle at Corporate Policyholders Counsel Inc., 20 N. Wacker Dr., Chicago, Ill. 60606.

• Employe saving plans and the integral role they play in building and maintaining a work force with high morale and productivity are explored in a newly released book. **Employe Savings Plans—The Coming Trend in Retirement Planning** is written by Bion Francis, manager of benefits and planning at Colt Industries Inc., and a regular *Business Insurance* columnist. The 320-page book covers topics such as: retirement plans and inflation, encouraging individual initiative, employe planning before and after retirement and a draft of a model saving plan for tomorrow. The book, at $12.95 per copy, may be purchased by writing: Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

• A two-page pamphlet introducing Starr Technical Risks Agency Inc. as a new insurance market for oil and petrochemical risks is free from the agency at 102 Maiden Lane, New York, N.Y. 10005. It explains why the agency was formed and gives examples of installations and typical perils covered.

• **Property Protection during Civil Disturbances** is a detailed check list from Factory Insurance Assn. Organizational planning and protective equipment are the two main topics of the brochure, which was designed to help plant managements develop appropriate emergency plans. Copies may be obtained by writing the association at 300 W. Adams St., Chicago 60606.

• United Coverage Consultants, Inc. has offered reprints of its article **Risk Management Techniques Solve Business Problems,** by Philip M. Schlussel. Single copies of the three-page article are free by writing the author at United Coverage, located at 60 E. 42nd St., New York, N.Y. 10017.

• Bayly, Martin & Fay Inc., international insurance brokers, have published a booklet entitled **Engineered Insurance and Risk Management Counsel.** A table coordinating loss exposure and available protection is included, as well as a chart explaining what the client should expect from the broker and what the broker expects from the client. For a free copy, write William M. Bauman at the company at 3200 Wilshire Blvd., Los Angeles, Cal. 90005.

• The Cookson Co. offers its **Catalog 6801** on rolling steel doors. Each type (fire doors, counter doors, coiling grilles and operable walls) is presented in detail to define its scope of function and security aspects. These closures are **not** designed for home installations. To receive a free copy of the 28-page book, write the company at 700 Pennsylvania Ave., San Francisco, Cal. 94107.

• The dilemma of the modern businessman in trying to provide a true employe "benefit" program is faced in **Operation Claimtrack.** The 12-page booklet points out that claims analysis and control can prevent the costly drain of premium dollars resulting from ignorance and abuse of the group insurance program, and that Operation Claimtrack's objectives are to: provide a comprehensive picture of the operation of the group plan and participate in protecting its efficiency. For a free copy of the item, write John McGuire, Agency Ass't., Continental Assurance Co., 310 S. Michigan Ave., Chicago, Ill. 60604.

Labor quits IAIABC over safety stand

WASHINGTON—The AFL-CIO has cancelled its long-time membership in the International Assn. of Industrial Accidents Boards and Commissions because IAIABC "has shown little interest in the labor federation's stand on workmen's compensation and work safety."

Business Insurance reported the labor federation's withdrawal from the IAIABC briefly in its Late News section on Feb. 17.

Bert Seidman, social security director of AFL-CIO, told *Business Insurance* that IAIABC "has made little effort to improve the lot of organized labor, especially on the national level. There is no reason to continue the window dressing of labor support for the workmen's compensation administrators' organization."

M. Roscoe Lowery, IAIABC president and Georgia's workmen's compensation administrator, admitted that his group "is disturbed" by the withdrawal of the AFL-CIO. "We feel they decided to withdraw because of our opposition in principle to the Federal occupational health and safety bill."

Mr. Lowery said that IAIABC felt that if the Federal government can step into the safety area, "it can happen to workmen's compensation."

THE IAIABC president added that the AFL-CIO "did not understand" IAIABC's opposition to the imposition of Federal standards on state authorities regulating the compensation of uranium miners.

Mr. Seidman noted that AFL-CIO has gone on record for uniform Federal standards for workmen's compensation benefits and coverage. A similar stand was taken by retiring Secretary of Labor W. Willard Wirtz, whose comments were reported in the last issue of *Business Insurance*.

The AFL-CIO leader admitted, however, that the labor federation "does not expect much from the present Congress in the way of action on Federal workmen's compensation standards."

Mr. Seidman, in making his announcement, said that the AFL-CIO "has cancelled its long-held associate membership in IAIABC. A number of AFL-CIO affiliates and its state central bodies have done likewise."

AFL-CIO, Mr. Seidman said, was "greatly distressed" when the association opposed the Federal occupational health and safety act when it was before Congress.

"The last straw," he said, "was a resolution opposing workmen's compensation for uranium miners adopted at the association's convention which seems to have repudiated the standards which had long guided all supporters of effective workmen's compensation, including labor, in their efforts to obtain enactment of strong, viable laws fully geared to the protection of injured workers and their families."

Mr. Lowery rebutted this charge by saying the uranium miners would be covered for pre-existing conditions under the proposal. •

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Security planning should start at earliest stage, experts advise

NEW YORK—Keeping confidential data and plant equipment out of harm's way is a job that should begin at the earliest stages of planning, two security experts have advised.

The two—Saul D. Astor, loss prevention consultant and head of Management Safeguards, and Harry Levine, president of Zelex International—contended that corporations should be ready with "information containment" techniques and countermeasures should a security gap suddenly need plugging.

"Any businessman who fails to build security into his physical plant is playing a dangerous game," according to Mr. Astor.

He stressed that security planning should be integrated into the design of each new or remodeled building. "It's a whole lot easier to plan your way past future security problems than to dash around trying to close loopholes that creative crooks from inside to outside find and exploit."

INFORMATION IS the life blood of many U.S. industries and businesses. Yet proper management of much of that information is still in an exploratory, incubative stage, the two men maintained.

Many businessmen turn away from questions of security, believing that espionage is an unattractive and foreign affair. As Mr. Levine of Zelex expressed it, "most men feel that their associates are entirely honest and above-board in their dealings. This feeling about human nature is entirely justified—until a small minority of data pilferers gets hold of secret information." Then that same businessman understands the value of preplanned information containment.

As industry becomes increasingly competitive, secret information gains in value. Much of the information each company compiles and controls would undoubtedly help a competitor. Pricing policies, research data, merger plans, marketing plans, proprietary product information or promotional ideas for test marketing a new product and information of such caliber is almost always of a classified nature.

PREVENTION BEING better than cure, business and industry should take measures to assure "information containment," the security experts said.

Mr. Astor recommended that all windows be key-lockable and all security doors be locked with dead bolts or padlocks. Fitting all windows with key locks makes it difficult for thieves to break in or out and prevents dishonest employes from re-entering the building after working hours through windows they have intentionally left unlocked (providing that key-control is administered as it should be).

Another crucial installation is a zone alarm system, with each major department or area zoned with its own alarm. Each department may be placed on alarm individually when it closes for the day.

ALARM CONTACTS are best installed with one-way screws so that it would be difficult to remove them without breaking the alarm circuit. Imbedding the contacts in the door frame or floor ensures even further prevention of tampering.

Noise alarms, such as sirens or claxons, are also efficient security devices. A high level of noise, triggered suddenly, serves the dual purposes of calling immediate attention to the area and also disorienting those close to the area.

For further protection, some plants might find closed-circuit television effective. Monitoring of "hot" areas (receiving, assembly, warehousing, shipping, etc.) offers the alternatives of either exposed-camera deterrence or concealed-camera watchdog security.

FOR AFTER-HOURS, in-plant security, Management Safeguards recommends the use of motion detectors. The presence of loitering or concealed employes remaining within the premises can be detected and reported automatically with this equipment.

As a deterrent to potential burglars, Mr. Astor suggested unsparing use of exterior lighting as an economical yet extremely effective safeguard.

According to Mr. Astor, mechanical control is only half of any loss-prevention program. "People control" is equally important. Sometimes, when information or property is leaking out from company premises, it is an inside job.

Among his ideas for people control is a tight system of key control. A minimum number of authorized key-carriers and a corresponding record of such key privileges cut down on security risks, he said.

He also suggested that a system of limited area access be established where feasible, and that employes keep their coats, purses and other personal belongings in lockers removed some distance from work stations.

"EVERY ASPECT OF security has to be planned," emphasized Mr. Astor. "If you go about it on a hit-or-miss basis, the chances are you'll miss. And when assets of a company are at stake, a single miss can be disastrous."

In agreement with that thesis, Mr. Levine explained that it is extremely important for each corporation "to assess its 'information position' and to consider what countermeasures need to be taken at the very outset."

Electronic devices that can be "planted" almost anywhere for eavesdropping pose serious threats to information security. Microminiaturization in electronics has made possible all sorts of threatening devices, from the commonly used wiretapped telephone to the more bizarre "bugged" Martini olive, Mr. Levine said.

Wiretapping equipment is difficult to trace—and it is often impossible to discover who "planted" it, he added. Any competitor or individual ordering a "bug" runs almost no risk of discovery, even if his "bug" is snagged.

Countermeasures against electronic and other forms of "infiltration" may involve sensitive office or laboratory areas or may blanket an entire plant area, Mr. Levine explained. ■



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Giles on the law

Condemnation doesn't change value of building, court decides

WASHINGTON—If a condemnation order is outstanding requiring that a building be removed in 30 days—and the building is insured—can the owner recover the real value of the building if it is destroyed by fire?

What is the effect of a legal duty to demolish the building upon the value of the building?

This case occurred in Oklahoma but other jurisdictions have refused to exonerate the insurer under these circumstances. The Oklahoma court said that the length of time the insured has to make use of the building is of little consequance.

The liability of the insurer is for indemnity against loss to the property and attaches upon occurrence of the loss. The insurer's obligation is not one of reimbursing out-of-pocket loss but rather "the measure of the insurer's liability is the real value of the building as such and not its relative value to the insured." (CAIO: *Bailey* v. *Gulf Ins. Co.* 1/21/69.)

A TRUCKER PAYS insurance premiums to protect himself from claims arising out of the process of loading and unloading. What happens when he sets the products down beside a sidewalk chute and a passerby falls down the chute which has been opened to receive merchandise?

In this case the injuries are not compensable under the trucker's insurance policy.

When such a claim was made recently, the supreme court of Massachusetts said that despite a tendency in some courts to apply the so-called "complete operation" very broadly, its decisions have not gone so far. When the named insured trucker or his employes have become engaged and are still engaged directly in the loading or unloading process, or should be thus engaged, or doing something reasonably connected with the process, there is reason for construing the motor vehicle coverage broadly to protect them.

The situation should be different, as to the coverage of third persons, when a trucker and his employes have made the delivery they were reasonably expected to make and have ceased to participate. (Mass. Sup. Jud. Ct. *F. W. Woolworth Co.* v. *Lumbermens Mutual Casualty Co.* 1/15/69.)

Eleven months passed uneventfully but happily for an Illinois farmer after he purchased a hammer. But one day he was driving a tractor hitch pin with his hammer, and a chip from the hammer head flew into his eye, destroying the sight.

It was the manufacturer's best quality hammer, suitable for its purposes, and he subjected it to no unusual use. The court said that the rule that the defect in the product must have existed when the product left the manufacturer's control does not mean that the defect must manifest itself at once.

The jury concluded that considering the length of time and type of its use the hammer failed to perform in the manner that would have been reasonably expected, and that this failure caused the plaintiff's injury. (Ill. Sup. Ct. *Dunham,* v. *Vaughn & Bushnell.* 1/25/69.)

A TEXAS BANK agreed that it would make a loan on condition that the borrower would instruct his broker to sell the stocks the broker held for the borrower within the 90-day term of the loan and forward the proceeds of the sale to the bank.

The bank received a telegram, supposedly from the borrower, conforming to the bank's conditions and the loan was made.

After all attempts at collection from the borrower had proved futile, the bank inquired of the broker, who disclaimed ever having any such stock and that the telegram was false and unauthorized. The court said that the bank granted the loan in good faith on a "document or other written instrument."

The term blanket bond indicates its coverage is to be wide and that it is not unfair to interpret the telegram in this manner. The court said further that the telegram in question is a writing which is commonly relied upon in business or commercial transactions as evidence of debt or property rights.

The telegram can be construed as the broker's acceptance, as agent, of the borrower's offer to that firm to pay brokerage fees for their sale of the stock and its transmittal to the bank.

Hence the bank that made this bad loan in reliance on a forged telegram can recover against the insurer under the bankers' blanket bond, insuring it against loss resulting from credit extended on the basis of "documents or other written instruments." (See U.S.D.C. N. Texas: *Snyder National Bank* v. *Westchester Fire Ins. Co.* 12/27/68.)

IF YOU ARE interested in the legal definition of a "blanket policy," a late case says this: "The expression 'blanket policy' is a term of art in the insurance field and contemplates that the risk is shifting, fluctuating and varying, and is applied to a class of property rather than to any particular risk or thing. A blanket

Continued on page 30



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Product safety hearing examines approval seals, advertising claims

WASHINGTON — Advertisers and agencies were put on notice last month that legal concepts of liability arising from advertising claims have changed in recent years, and that misuse of seals and of terms such as "foolproof" and "safe" can lead to costly consumer lawsuits.

The warning came from attorney Irving D. Gaines of Milwaukee, who testified at hearings of the National Commission on Product Safety. The commission was studying whether voluntary industry standards provide sufficient protection for consumers and whether seals actually help the consumer.

The hearing also produced testimony on the use of the Underwriters' Laboratories seal in advertising, and a denial by Willie Mae Rogers, director of Good Housekeeping Institute, that the institute functions as a standards-making organization or a commercial testing laboratory.

THE TIE BETWEEN advertising and product "seals" was explored by Mr. Gaines, who reported suing a vaporizer manufacturer five times in the past few years for accidents involving children. He told how advertising and literature for the vaporizers, manufactured by the Hankscraft Co., Reedsburg, Wis., stressed product safety and displayed the seals of Good Housekeeping, Parents' Magazine and Underwriters' Laboratories Inc.

From another Milwaukee attorney, who was a Travelers Insurance Co. claims supervisor until last year, Mr. Gaines said he learned that there were more than 100 claims open and pending against the company.

There have been "very few suits," primarily because the concept of breach of warranty from advertising representations evolved in recent years and the "vast majority" of claimants are unaware of their rights, he said.

In a 1967 deposition, Paul Staedtler, a vp of Arthur Towell & Co., Madison, Wis., the Hankscraft agency, testified that all the company's advertising was designed to attract customers with children, and that the agency had used language such as "foolproof," "tip proof" and "safe" in advertising and product literature at the request of the manufacturer.

NOTING THE USE of seals in Hankscraft advertising. Mr. Gaines charged that "the public is lulled into a sense of security by these so-called 'seals of approval.' The consumers of this nation would be appalled to learn that most anyone who contracts with *Good Housekeeping* and *Parents' Magazine* for a stipulated amount of annual advertising in their publications can usually obtain the 'seals of approval' for their product in the same package," he said.

The Underwriters' Laboratories approval is limited to the product being electrically safe, he added. Published UL standards provide that "the stability of a heating appliance shall be such that it will not be overturned readily in normal use," but the Hankscraft product involved in the suits could be easily tipped by a child and was not tested for this by UL, he said.

Baron Whitaker, president of Underwriters' Laboratories, said, in response to questions, that UL may approve component parts of a product, while not accepting the product as a whole. He acknowledged that UL could list the names of products which do not pass its tests, but he contended this would reduce the benefit to the public because many manufacturers would stop submitting their products.

His explanation was challenged by Arnold B. Elkind, commission chairman, who questioned whether the real reason was the loss of public benefit. "My interpretation," he said, "is that UL's income would be reduced."

WILLIE MAE Rogers, director, Good Housekeeping Institute, who refused to give up her position to take a consumer post with the Nixon administration, declined to appear at the hearings, but submitted a letter for the record.

In her letter, Miss Rogers said that in 1941 *Good Housekeeping* began an editorial policy of advising readers in each issue that "before we would accept a product for advertising . . . we would satisfy ourselves to the best of our reasonable ability . . . that the product was, in our opinion, both a good one and the claims made for it in our pages truthful."

The consumer "buys with confidence," Miss Rogers said, because *Good Housekeeping* offers a money-back guaranty for an approved product that is proved defective.

"The investigatory service our institute performs is for our guidance alone," she said. The investigations help in: (1) deciding the acceptability of a product and related claims; (2) authorization for an advertiser to use the consumer's guaranty seal; and (3) financial responsibility.

"WE DO NOT select the products to be investigated by us but rather confine our activities to those products or services for which advertising is offered to our magazine," she said. "Our guideline is reasonableness and fair treatment," she added.

"We are neither a standards-making organization nor a commercial testing laboratory," she said. "We do not certify products and we know of no way this could be done by us," she added.

The National Commission on Product Safety had a surprise for the gas industry, which has had standards since 1925, and awards a blue star seal for appliances which meet American Gas Assn. standards.

A Baltimore engineering company hired by the commission disclosed that it had found a solution to overheating grills on gas floor furnaces in three weeks, although the AGA standards committee has wrestled with the problem for 10 years. The commission has testimony estimating that as many as 65,000 children are burned seriously by these appliances annually and that they have been banned from several cities.

Frank E. Hodgdon, director, American Gas Assn. Laboratories, said the standards committee "simply did not know any technology and apparently didn't think of any, and didn't perhaps have enough incentive to think of any" to correct the problem. ■

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benefit tax slants

Retirement plan covers employes of IBM, domestic subsidiaries

By JOSEPH S. ROBINSON

NEW YORK—It's not unusual for a corporation to set up a wholly-owned subsidiary for strategic business reasons. When this occurs, certain employes could be asked to transfer to the new company. These employes may be unhappy with the change because it may mean losing some valuable benefits under the parent company's profit-sharing plan.

Internal Revenue has come up with a solution to this problem. It will permit a parent company to set up a joint qualified profit-sharing plan with its subsidiary.

Here, both companies can adopt a common trusteed plan under which contributions are combined and allocated to the accounts of the individual participants in the same proportion that each participant's salary bears to the total compensation of all participating employes of both corporations. (Technical Reference: Rev. Rul. 69-35.)

A TRUSTEED, non-contributory retirement plan covering substantially all employes of I.B.M. and its domestic subsidiary companies has been in effect for years. In addition, certain subsidiaries outside the U.S. have separate retirement plans under which funds are deposited with trustees, reserves are provided, or annuities are bought under group contracts. The cost of all such plans totaled some $80 million last year.

I.B.M. offers other attractive incentives to its employes. The company handed out over $3 million in 1968 for employe ideas that were adopted. In one instance, a technician suggested a way to save previously rejected memory devices. He received $75,000 in prize money for his contribution.

Then, of course, there's the valuable stock option plan for I.B.M. officers and other key employes. Here, options may be granted for the purchase of I.B.M. unissued stock at 100% of the market price on the date the option is granted.

THE OPTIONS run for a five year term (to conform to the tax rules) and purchases can only be made in installments commencing one year after the date of grant and extending over the following four years. In 1968, I.B.M. received almost $11 million for the 94,000 shares bought under this arrangement.

Rank and file employes of I.B.M. (those who do not participate in the stock option plan) may purchase I.B.M.'s unissued stock one share at a time through payroll deductions—but not exceeding 10% of their compensation. The price is 85% of the market price on the annual offering date or on the date he has accumulated enough money to buy the share—whichever price is lower. Last year, employes purchased roughly 650,000 shares for which $150 million was paid to I.B.M. ■

Transit men get improved hospital pay

SEATTLE—A new two-year contract between Seattle Transit System and Local 587, Amalgamated Transit Union, was recommended for acceptance by union's nine-man wage committee and 15-man executive board.

The 1,000 transit employes were believed voting heavily in favor of the new agreement.

Among benefit improvements granted all transit employes was an increase from $45 to $50 a day for hospital room under the health-insurance program. Coverage for surgical fees was increased from a top of $330 to $379.50, and $300 supplemental coverage was added.

Coverage for doctors' office calls was boosted from $6 to $8 and time-loss coverage, raised from $10 to $11 a day.

Between 850 and 875 of the employes are operators. The operators are provided a $50,000 life insurance policy in case of death by robbery or other violence and up to $125 for loss of personal property in such cases either on the job or going to and from the job. ■

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Connecticut insurers want strong protection from conglomerates

HARTFORD—Insurance interests based in this city would like to see Connecticut enact hard-headed legislation that would set up legal barriers against raids on domestic companies by free-wheeling conglomerates.

New York Gov. Nelson A. Rockefeller has also proposed legislation to curb the conglomerates' run on insurance firms. A similar measure has been passed by Pennsylvania, and Washington State Insurance Commissioner Lee I. Kueckelhan has adopted 'emergency rules' to guard against a surprise takeover of insurers by conglomerates.

In Connecticut, however, the state legislature's insurance committee seemed hesitant during a hearing to move with speed on a measure that would serve to cool off out-of-state combines seeking to assume control of Connecticut enterprises.

The proposed bill, which spokesmen for three major insurance companies supported, would require full disclosure of financial background by any interest trying to gain control of a Connecticut firm.

SOME STATE capitol sources told *Business Insurance* after the hearing that insurance committee members consider the proposed measure too sweeping in what it would demand of a financial group. It is considered probable that a toned-down bill will come out of committee sessions.

Sen. Raymond Lyddy, Bridgeport Democrat, remarked that no action could be taken until a mid-March executive meeting.

State Insurance Commissioner William R. Cotter attended the hearing and voiced his support for swift committee action.

The threat, Mr. Cotter asserted, was imminent that some of Connecticut's biggest companies would be vulnerable to takeover moves, the target companies, in effect, "waking up some morning and finding themselves in the hands of thieves."

Spokesmen for the insurance industry included B. M. Anderson, Connecticut General Insurance Corp., and attorneys John Graham, Aetna Life & Casualty, and James Hallett, Travelers Cos.

Mr. Anderson commented that "a lot of wheeling and dealing" has been detected in the acquisition field of late.

The bill submitted to the insurance committee, he admitted, would give Commissioner Cotter "a lot of power over us, but we feel it is in the public interest."

STATE BANKING Commissioner Philip Hewes informed the committee members that he intended to seek similar legislation in his field to protect against stockholder enticements that could lead to acquisition of Connecticut banks.

The anti-raid legislation would stipulate that any entity, if a target company so requested of Mr. Cotter, must disclose the identity of persons (an individual, corporation, partnership, joint stock company, trust, *et al)*, interested in the specific acquisition.

Moreover, the entity would have to reveal its source of funds, its earnings and financial condition for the past five years, plans for liquidation and related information.

Mr. Cotter could also demand to know how many shares the proposed buyer intended to acquire, terms of its offer, and what it would do with assets it could acquire.

The insurance commissioner contended that he is powerless now to step in as legal protector against what he labeled "raids" on domestic companies. ■

Lawyers join to lift Arizona court pressure

PHOENIX, Ariz. — Between now and May 1, the Phoenix Assn. of Defense Counsel and the Phoenix chapter of American Trial Lawyers Assn. will carry on a joint effort to settle "a large number" of pending personal injury and property damage lawsuits.

The collaborative effort is intended to help ease the pressure on Arizona courts.

Both organizations, in seeking lawyer participation in the program, have stated that "neither organization finds the Keeton-O'Connell proposed plan, or similar plans, to be in the best interests of the public.

"Therefore," they continued, "we favor a continuation of the judicial method for the disposition of tort claims."

Proposed is a review by lawyers for both sides of all pending cases; contact with each other; and agreement to "seriously attempt settlement" of the cases.

A list of 20 names has been established to provide a "panel of mediators" for cases in which settlement cannot otherwise be achieved. ■

Canada sets Medicare cost at $335 million

OTTAWA—The federal government has budgeted $335,000,000 in the next fiscal year for medical care insurance, assuming all Canadian provinces enter the plan.

At present only Saskatchewan and British Columbia are covered by the act, under which Ottawa pays half the cost of approved plans. Several other provinces are expected to enter next year.

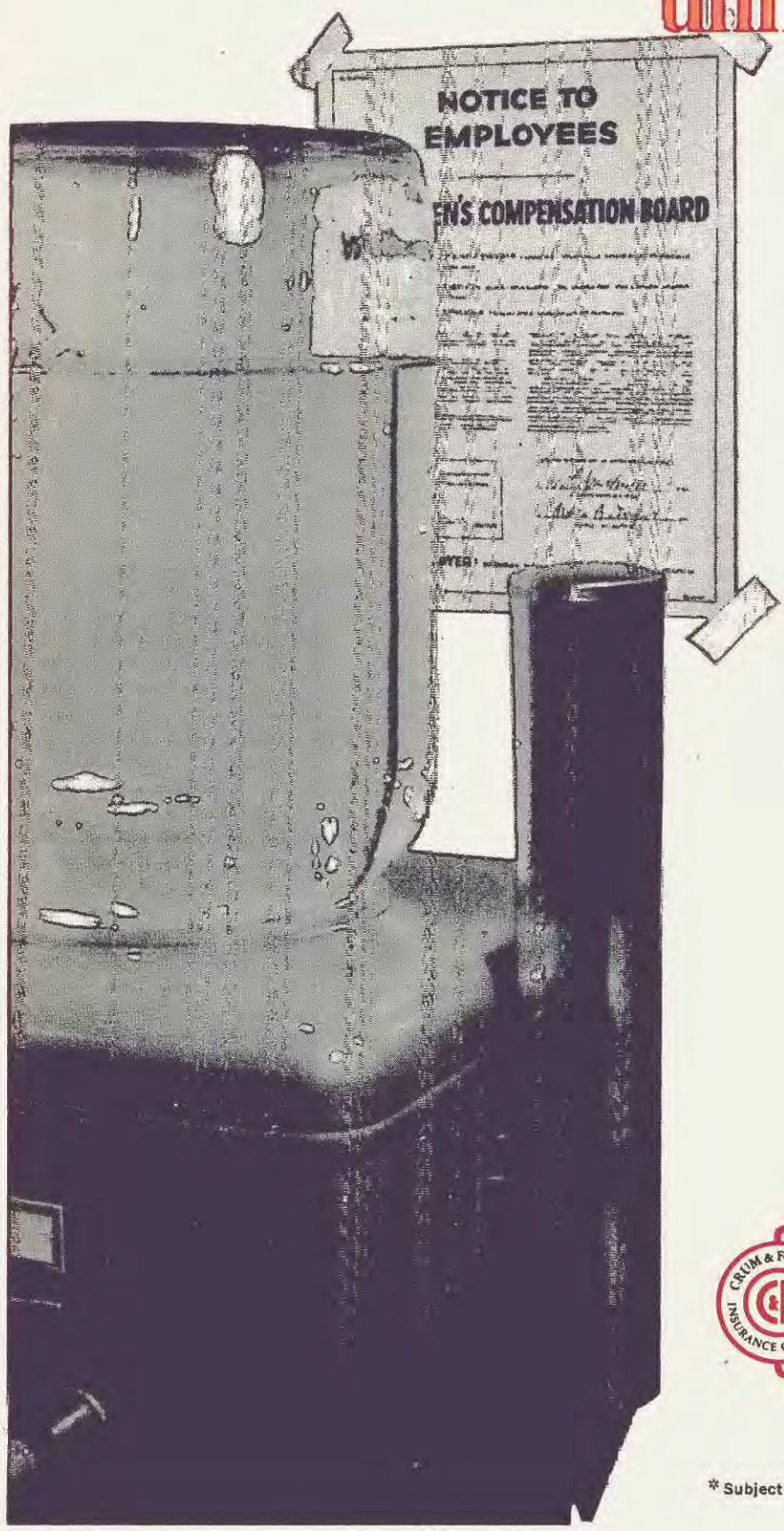
For the current fiscal year ending March 31, the government has estimated medical care expenses of $35,000,000 covering only British Columbia and Saskatchewan.

It was also announced that starting in the 1969 tax year medical expenses paid under one of the approved provincial plans will be excluded in computing medical expenses for tax purposes.

At the same time, the definition of medical expenses would be broadened to include rental or purchase cost of an artificial kidney or equipment to administer oxygen.

Both changes would be made by amending the Income Tax Act. ■

the often unnoticed notice



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U. S. backs six-state prepaid medical plan

By ALLEN M. WIDEM

NEW HAVEN—The first prepaid group practice plan in the six-state New England region has been granted $300,000 by the U.S. Department of Health, Education and Welfare.

Known as the Community Health Care Center Plan, Inc., with headquarters here, the plan is to use funds for further research studies and evaluations.

The grant is first of three to be made during the next three years.

THE PLAN, which will become effective in February, 1970, will provide comprehensive health care for some 10,000 families in metropolitan New Haven when fully functional.

Isidore S. Falk, Yale University professor emeritus in public health, and the plan's vice chairman, said that minimum operating costs will exceed $600,000. Remainder of the necessary funds will be derived from plan subscribers.

The $600,000 will be used for organizing the physicians' staff, hiring personnel, equipping and maintaining the center, purchasing supplies and enrolling members.

PRIOR TO FEBRUARY, 1970, the directors must find and equip a suitable site and there are indications this will be situated in the general periphery of the Yale-New Haven Medical Center, with which it is affiliated.

Eventually, the plan will care for some 30,000 persons.

In its Yale-New Haven Medical Center affiliation, the plan will have access to specialists in all phases of medicine. Services will include full hospitalization, physician care in the health center, in the hospital and in the home.

ALSO TO BE provided will be such preventive care as physical examinations, eye examinations, immunizations, diagnosis, X-ray, laboratory tests and the like.

Also envisioned are dental examinations, to begin with, and some limited dental care for mothers and children.

"The national interest is focused on the experimental development of the group practice team and the design of the group practice facility, on administrative and service innovations that are being built into the plan, and to the training of future practitioners for participation in a group practice setting," according to a spokesman for the Yale-New Haven center.

As for explicits of charges, the cost-per-family is yet to be determined. Whatever the figure, this phase must be approved by State Insurance Commissioner William R. Cotter.

SUPERVISORY administrative details are assigned to a board of directors comprised of one-half, community representatives; one-quarter, health professionals; and one-quarter, to be designated by the subscribers themselves.

First such group practice plan financed by the Office of Community Health Service, U.S. Department of Health, Education and Welfare, the community-sponsored approach will be watched with more than passing interest by medical planners and insurance men across the U.S.

The 1967 session of the state legislature authorized the project, initially sponsored by the Greater New Haven Labor Council and later evolved into a community-wide medical plan open to other groups in the immediate New Haven area.

PROF. FALK remarked that the plan will provide a complete range of medical services—"more than the average person is now getting, without additional costs to the subscribers."

It is hoped, moreover, that the plan will reflect "substantial" economies in health service cost through improved efficiency in the utilization of admittedly expensive equipment and costly personnel.

Greater savings, Prof. Falk continued, will be achieved through the reduction in the use of expensive in-patient hospital care, because the health center will maintain diagnostic facilities.

The plan, he said, will attempt to provide comprehensive quality health care without the further escalation of the costs of medicine to the subscribers.

SIGNIFICANTLY, the approaching New Haven plan was bitterly opposed in the state legislature two years ago by the Connecticut State Medical Society, the region's organized medicine interests finally managing to have the measure authorizing the proposal restricted to metropolitan New Haven.

(The 1969 session of the state legislature is considering other measures that would permit the New Haven concept to go statewide).

The nation's largest prepaid comprehensive program is maintained by the Kaiser-Permante group in California, functioning with its own hospitals and providing the same sort of complete health coverage promulgated in Connecticut's second largest city.

IT IS EMPHASIZED by those interests backing the New Haven project that once in full swing, the plan will be self-sustaining except for costs of research and teaching activity.

Elsewhere across the country, the Harvard Community Health Plan got under way for metropolitan Boston last November. Harvard University, some of its teaching hospitals, Massachusetts Blue Cross and major insurance companies in the region are joined in an effort to offer total health care to an economic and social cross-section of the community next fall.

A key element is use of the Boston plan in teaching new physicians. ■

Mc Graw-Hill releases property adjustment text by Thomas

A new text in the property loss field, "Adjustment of Property Losses," published by McGraw-Hill, has been co-authored by Paul I. Thomas and the late Prentiss B. Reed. Mr. Thomas, vp and general adjuster at Kemper Insurance Group, is also the author of "How to Estimate Building Losses and Construction Costs," published by Prentice-Hall Inc.

He has been with Kemper since 1956 and is a member of the Insurance Company Educational Directors Society and the advisory committee of the Insurance Institute of America for the program in insurance adjusting.

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Health adviser panel urged by McNerney

DETROIT—President Nixon must have expert advice on health and welfare problems, according to the national head of Blue Cross.

Walter J. McNerney, president of the Blue Cross Assn., proposed the creation of a national council of health advisors. The council would include representatives from industry, labor and the medical profession, Blue Cross told *Business Insurance*, as well as an economist and spokesmen from the insurance industry, and institutional and consumer areas.

"Such a council," Mr. McNerney told the Detroit Economic Club, "could formulate broad goals, establish performance indicators and evaluate progress . . ." Reports would be published periodically.

IN VIEW OF THE fact that acute illness alone caused the loss of 234,000,000 work days at an estimated wage loss of $5 billion in America in a recent year, Mr. McNerney said that this nation cannot afford to get sick. "In a word," he said, "we do need a new system, in my opinion, and we should face up now to how to achieve it."

He proposed reforms that would:

- Increase the productivity of health professionals.
- Give greater support to area-wide planning of health facilities.
- Provide incentive reimbursements to doctors and health institutions.
- Broaden health insurance benefits for the entire population.

State laws prohibiting the group practice of medicine should be repealed, Mr. McNerney declared. He was also critical of overspecialization in medicine and among technicians and as a remedy proposed that hospital staffs and doctors have greater control over the use of paramedical people and that more "technical generalists" be educated to work with the doctors.

Organizations like Blue Cross can strengthen area-wide planning, he pointed out, by relating "their payments to community needs by paying less to institutions not involved in area-wide planning."

To facilitate more predictable and controllable health costs, he recommended that "the provider must share in the risk so that he has the incentive to seek efficiency." To this effect, Mr. McNerney said, target rates must be negotiated between insurance carriers and providers.

"The practice of full payment to providers and health practitioners—in the absence of competitive checks and balances—and with more money available each year through prepayment and government programs, is coming under increasing scrutiny," he said.

The Blue Cross president called for increasing the percentage of the health care dollar covered by insurance from approximately 35% to 80%. Financing comprehensive health care coverage, he said, could be done by making government payments to the needy which would be inversely related to income, and by creating an employer-employe payroll tax. ■

Hits copter insurance ordinance

BUFFALO, N.Y.—A spokesman for Aviation Service Inc. told the City Council's legislation committee that the insurance requirements of the city's proposed helicopter ordinance amendment would "eliminate" any helicopter landings in the city.

Robert J. Stein, attorney for the aviation service firm at Greater Buffalo International Airport, said experience elsewhere has shown the present insurance requirements to be adequate.

The proposed amendment calls for $1,000,000 coverage for injury to a single person, $3,000,000 for injury to more than one person and $1,000,000 for property damage.

Mr. Stein said helicopter operators already carry $300,000 for injury to one person, $1,000,000 for injury to more than one and $200,000 for property damage.

Anthony Manguso, corporation counsel, said the higher coverages were proposed by the law department to protect the citizens. "We didn't think they'd affect the premiums substantially," he said.

The amendment would give the city license director power to approve helicopter landings on sites not permanently designated for the purpose and would require three days' advance notice.

Mr. Stein asked for flexibility in the notice requirement to allow for rescue and other emergency operations. ■

Sees lower rates for work comp unit

TUCSON, Ariz.—This year's rates of the State Compensation Fund, which functions as a workmen's compensation carrier, will be 10% lower than those charged by private companies, according to Fred Drexler, president of Industrial Indemnity Co.

He said that the fund will also receive the benefit of a temporary 1% tax levied on the premiums paid to all carriers until the deficit in its loss reserves is covered.

He likened workmen's compensation to parachutes or fire extinguishers—"the lowest price is more often a warning than an inducement to the wise customer."

ADDRESSING THE annual convention of the Arizona Assn. of Insurance Agents, Mr. Drexler said, "the final cost in workmen's compensation is not measured by the initial premium or the rating plan. Rather, low final cost will come from accidents that are avoided or minimized, from quality medical service and speedy return of injured workmen to gainful employment."

Mr. Drexler noted that the reorganized State Industrial Commission will no longer regulate insurance carriers, nor will it provide insurance coverage to employers. Instead, Mr. Drexler explained, it will administer the Arizona workmen's compensation laws for the benefit of employes and employers alike.

Thus, it will adjudicate contested workmen's compensation claims, determine awards and control related matters such as attorneys' fees and medical charges. ■

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FM Engineering Corporation/Association

london line

British industrialists not taking big fire losses seriously: Bigland

LONDON—Top management in the United Kingdom has been accused of taking a ho-hum attitude toward fire prevention—an attitude that will force a boost in premium rates here following record fire losses of $239,450,000 last year.

E. F. Bigland, chairman of the British Insurance Assn.'s central fire liaison panel, complained that companies had been more careful about fire risks in the post-war period when all forms of equipment were in short supply.

"Until top management in industry starts taking these losses seriously," Mr. Bigland said, "they will continue."

TOTAL FIRE LOSSES this year exceed the previous 1967 peak by some $23,945,000. When related losses are included, such as consequential loss of profits, the total amount of loss due to fire may have reached as high as $718,350,000.

Mr. Bigland said British underwriters would be forced to increase premiums to offset these losses, but stressed that increases would not be on an across-the-board basis.

Where adequate fire precautions are taken, for example, by the installation of sprinkler equipment in an office building, hospital or other place, there might well be a reduction in premium rates, Mr. Bigland said.

FIRE LOSSES IN the United Kingdom have more than quadrupled in the past ten years, climbing from $57,707,450 in 1958 to last year's record $239,450,000.

This continued rise in fire damages has also been caused in part by the increased risks in modern manufacturing, including the wide use of such flammable materials as chemicals and plastics, Mr. Bigland said. Insurance companies, he added, would welcome tighter government regulation to prevent fire damage to property.

Meanwhile, marine underwriters in the United Kingdom are suffering from a downward trend that began in 1950 when marine surcharge and basic cargo rates were merged, according to R. Powell, Liverpool Underwriters Assn. chairman.

IN NEARLY 20 years, little improvement in cargo rates has taken place, and rates charged to shippers of general merchandise are "still far too low," Mr. Powell said at the association's annual meeting.

Recommendations for increased rates for certain commodities and additional premiums for older vessels have recently been made, Mr. Powell reported. Nearly 70% of all tonnage lost last year involved vessels in service for 11 to 25 years.

Earlier, the association had reported a total of 157 vessels with an aggregate gross tonnage of 675,054 completely lost for all causes last year, a slight improvement over the 1967 record.

Ships built in the years 1941-1945 sustained the greatest number of total losses, and ships sailing under the Greek, Liberian and Panamanian flags accounted for nearly half the total lost.

Thirty-three ships totalling 152,035 gross tons were lost to fires or explosions at sea last year. Nine of these ships were tankers, while heavy fire losses were recorded in cargoes of coal, coke, oil and timber. ▪

Strict liability doesn't apply to professions

PHILADELPHIA — The doctrine of strict liability, often applied to products law, doesn't apply to professional services, the third circuit court of appeals reiterated in the case of *La Rossa* v. *Scientific Engineering Designs Co.*

Scientific designed, engineered and supervised construction and initial operation of a chemical plant for a large manufacturer of chemical products. The surviving wife of a plant employe sued, claiming that her husband contracted throat cancer as a result of exposure to chemical dust during Scientific's performance of its contract.

Rejecting the complaint, the circuit court held that professional services "do not ordinarily lend themselves to the doctrine of tort liability without fault because they lack the elements which gave rise to the doctrine.

"There is not mass production of goods or a large body of distant consumers," said the court, "whom it would be unfair to require to trace the article they used along the channels of trade to the original manufacturer and there to pinpoint an act of negligence remote from their knowledge and even from their ability to inquire.

"Thus," continued the court, "professional services form a marked contrast to consumer products cases and even in those jurisdictions which have adopted a rule of strict product liability a majority of decisions have declined to apply it to professional services."

Justice Freedman quoted the ruling from the case of *Gage* v. *Buttram*, Cal., in part, which said: "The general rule is applicable that those who sell their services for the guidance of others in their economic, financial and personal affairs are not liable in the absence of negligence or intentional miscount. . . . Those who hire [experts] . . . are not justified in expecting infallibility but can expect only reasonable care and competence. They purchase service, not insurance." ▪

Gercken appointed

Jerome R. Gercken has been named manager of the non-marine claims department of Frank B. Hall & Co., San Francisco.

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Ballplayers, mindful of tv loot, win dental plan in new agreement

NEW YORK—Major league baseball players, perhaps thinking of the extra dividends a bright smile and even white teeth can bring in tv interviews and commercials, won a new dental insurance program as part of a three-year agreement signed last month with the team owners.

The dental plan, part of a package which calls for management to put $5,450,000 into the players' pension fund every year, will pay 80% of normal charges and 60% of orthodontic work, after a $25 deductible. Coverage will not include cosmetic-type services.

Equitable Life Assurance Society of the U.S. has handled the players' pension, life insurance and welfare benefits for the past 22 years, and the insurer—although "not too excited" about the prospect—will probably take on the dental program, according to a spokesman for the Major League Baseball Players Assn.

THE NEW agreement between the major league baseball teams and the players will give retired ballplayers an extra $10 a month for each year of service up to 20 years.

The pact allows players to become eligible for retirement benefits after four years, instead of five years, of playing time.

Baseball players who retire at age 50 will get $30 a month per year of service as a fixed benefit (through the First National City Bank of New York) and $30 a month per year of service as a variable benefit (through Equitable). This is up from $50 a month per year of service under the old agreement, which went into effect April 1, 1967.

In addition players will receive $20 a month per year of service as a fixed benefit for the second ten years of service, up from $10 under the old pact.

A BALLPLAYER, after finishing his career, may elect to receive a portion of his retirement benefit in a lump sum under the new contract, with the privilege of reinstating his full pension by making an "appropriate" reimbursement.

The level of improved benefits is based on actuarial assumptions of 4.5% interest and 25 years' funding, together with certain conclusions regarding turnover gains and dividend anticipation, "which would place the operation of the plan in a more realistic posture," the new agreement stated.

The players also won improvements in life and health insurance and in disability and widows' benefits.

The teams agreed to pay a widow's benefit equal to a player's fixed retirement pay plus $50 per month per dependent child. Formerly, there was no provision for dependent children.

AS DISABILITY pay, the players will get $700 per month —up from $500—plus $50 for each dependent child. This benefit increase is provided for all inactive vested members (except retired members), as well as for active members.

Whereas players and retired players formerly received from $12,500 to $50,000 life insurance coverage, depending on their length of service, the new contract was amended to give $50,000 life cover for each active member and $25,000 for each inactive vested member.

In the area of health benefits, the new pact increases maternity payments to include 80% of the costs between $500 and $750, with the first $500 totally reimbursable. Under the old contract, maternity benefits paid a flat $500.

Maximum health care benefits have been raised from $15,000 to $25,000, and the $50 deductible clause has been eliminated with respect to surgical costs. ▪

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Architects, contractor pay damages

MONTREAL—When a new office building set on the edge of Montreal National Airport turned out to be almost six feet higher than local zoning allowed, the contractor and two architects involved were assessed $101,899 damages for negligence.

Superior Court Justice Ignace J. Deslauriers fixed damages of $72,785 against architects Allan Spevack and Mortimer D. Gross and $29,114 against the Secant Construction Co.

The part of the building exceeding the height limitation had to be torn down and the space lost made up by making additions to the length of the building when efforts to persuade authorities to overlook the zoning violation proved unsuccessful. The building is directly in the line of one of the landing runways of the airport.

EMBLEM Investment Ltd., the plaintiff, charged that these changes added an additional $199,650 to the original estimated cost of the building. But the court ruled that Emblem itself was to blame for a 30% share of the total damages, which were held to be $145,571.

In his ruling, Justice Deslauriers noted that Department of Transport representatives had advised Secant that there were zoning regulations to be observed, and that this information had been relayed to Emblem.

He added that Emblem had been made aware of the restrictions in general by its notaries when the land was bought in 1963.

Justice Deslauriers observed that "the palintiff, the architects, and the construction company were presumptious in believing that everything was in order and vaguely hoping that there would be tolerance if the building was only a little higher than the limits." ▪

Beaumont joins United's group insurance division

J. M. Beaumont has been appointed assistant manager of the group insurance and retirement division of United Air Lines, Chicago. In his new capacity he will concentrate on improving communications of insurance benefits.

Mr. Beaumont was formerly in United's personnel administration department at O'Hare Airport.

Midway, BART saves $5 million in premiums

SAN FRANCISCO—Northern California's 75-mile Bay Area Rapid Transit (BART), ranked as the nation's outstanding engineering project by the National Society of Professional Engineers, is an imposing $1.2 billion complex of tunnels, underwater tubes and surface and aerial lines and stations.

The project, which is scheduled for completion in 1971, will employ more than 8,000 persons, account for more than 75,000,000

First of two parts

man hours and will require in the magnitude of 1,100 workers in underground subway sections within a 24-hour period.

Total insurance premiums for the duration of the project will be $40,000,000 to $45,000,000, and the complexity, size and unusual nature of BART's operations—particularly during the construction phase—required a unique concept in approaching its overall insurance program.

BART CREATED TOTALLY new challenges of insurance concept, marketing and implementation, and there was need for an approach of complete creativity in tailoring a program to its needs.

This fundamental approach of creativity led to formation of Transit Insurance Administrators—a partnership involving Leland J. Hoagland; Fred S. James & Co.; Kindler, Laucci & Day; Levinson Insurance; Putnam, Knudsen & Weaver; John T. Schroder Inc.; and Transwest Insurance Brokers.

Mr. Hoagland said that TIA is at midpoint in its responsibility of administering BART's insurance program. "Innovations spawned by complete planning for the $1.2 billion project have indicated excellent success in controlling and minimizing risk," he said.

Results are encouraging, with approximately one-third of the estimated premium project fully earned. The loss ratio under the workmen's compensation program is slightly below 36% on an incurred-to-earned basis. More than 15,000,000 man hours were recorded with an accident frequency rate of 22.7—well below the recorded frequency rate for heavy construction.

To date, the overall estimated premium savings under BART's coordinated insurance program is slightly more than $5,000,000.

Careful considerations of all factors in the BART project led Transit Insurance Administrators to propose that it provide the services of an "insurance department" which would work with the transit district's board of directors and individual committees which covered the specific areas of liability, property, compensation, employe benefits, fidelity and surety, safety and engineering, claims and losses, and accounting and statistical controls.

COMPENSATION WOULD be a flat annual fee, charged in addition to approved direct expenses. Its total cost to the district, with all insurance placed net of commission, would be considerably less than normal brokerage commission.

"BART is the key to the Bay Area's future growth," said Mr. Hoagland, "and we strongly felt that normal insurance commissions for a project of BART's magnitude and economic and social importance would be too high."

Mr. Hoagland said that, aside from obvious cost advantages, this basis of placement immediately opened world markets—regardless of the insurance carrier's organization.

"WE WERE ABLE to present Transit Insurance Administrators as an insurance counseling group which was free of any prejudice in the market place and free of any self-interest regarding companies and individual insurance firms," said Mr. Hoagland.

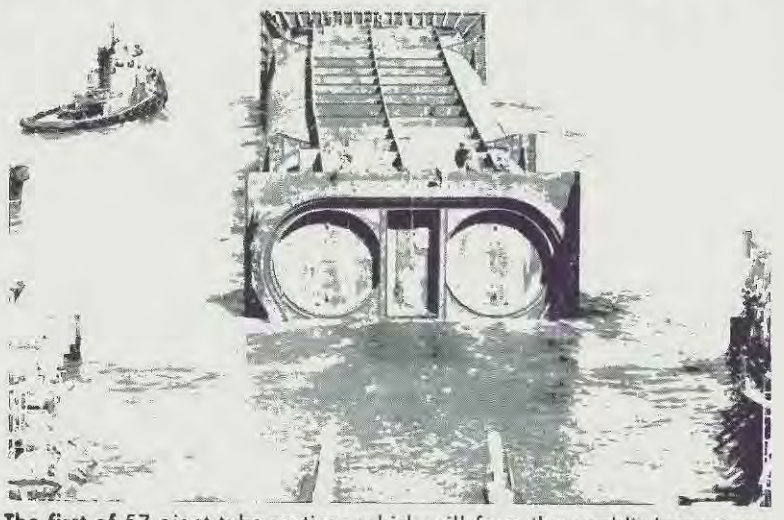
He noted an additional benefit was that all cost duplication possibilities were eliminated by the concept, because its only incentives were achievement of maximum protection and minimum cost.

BART and Transit Insurance Administrators signed a mutual agreement on March 30, 1964, which provided for these basic proposals, and an intensive study of BART's insurance needs was made.

IT WAS DECIDED that a "wrap-up" insurance program would best serve the interests of the district. Savings, broader coverage, uniformity of engineering and safety requirements, and centralized safety and loss prevention control were facts favoring the "wrap-up" program.

Transit Insurance Administrators determined that selection of insurance carriers would be based upon the four factors of financial stability, scope of coverage, premium cost and service

Continued on page 31



The first of 57 giant tube sections which will form the world's longest underwater tube—the four-mile Bay Area Rapid Transit Trans-Bay Tube—is shown being launched at the Bethlehem Shipyard in San Francisco.

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opinions

The 1969 insurance buyer: forceful and articulate

We have the distinct feeling that the insurance industry—and Washington legislators—will be listening this year when corporate insurance buyers register their views.

Until recently, it must be admitted, the industry didn't exactly wait with bated breath for pronouncements from buyers. This was so for a number of reasons: the corporate insurance men lacked unity, they didn't recognize their own strength, and nobody listened to them.

If this state of affairs was once the case, it certainly isn't any more. There's no doubt that insurance buyers are now registering their viewpoints in more forceful terms, especially in the legislative area.

At their seventh annual conference in New York last month, members of the American Society of Insurance Management let it be known in no uncertain terms that they were going all out to gain a "free market" for corporate buyers.

In fact, ASIM members served notice on the big industry groups that insurers could not afford to ignore the ASIM position. "We ought to know who our friends are," was the way one insurance manager put it.

We are delighted that the buyers are laying it on the line. We are also happy that ASIM spokesmen are as articulate as they are in defining the goals of the society and of corporate insurance executives.

In an interview with Managing Editor Richard C. Bjorklund, ASIM's new president, William S. Mortimer, had some straight-from-the-shoulder advice to insurers and brokers. Some of the things in the last issue of *Business Insurance* he had to say might even have caused some ASIM members to gulp.

But we think Mr. Mortimer is dead right in his assessment of the changing conditions of the insurance market.

In supporting an "industrial insured" exclusion in state legislative measures designed to restrict nonadmitted carriers, Mr. Mortimer acknowledged that ASIM is "on a collision course with agents and some segments of the U.S. insurance industry who wrongly believe that they can keep business for themselves by shutting out nonadmitted carriers."

Mr. Mortimer said that "what this short-sighted position fails to recognize, however, is that risk managers are fully prepared to turn to noninsurance or self-insurance programs. . . . Admitted insurers have not provided needed capacity in the past or present when given an opportunity to do so."

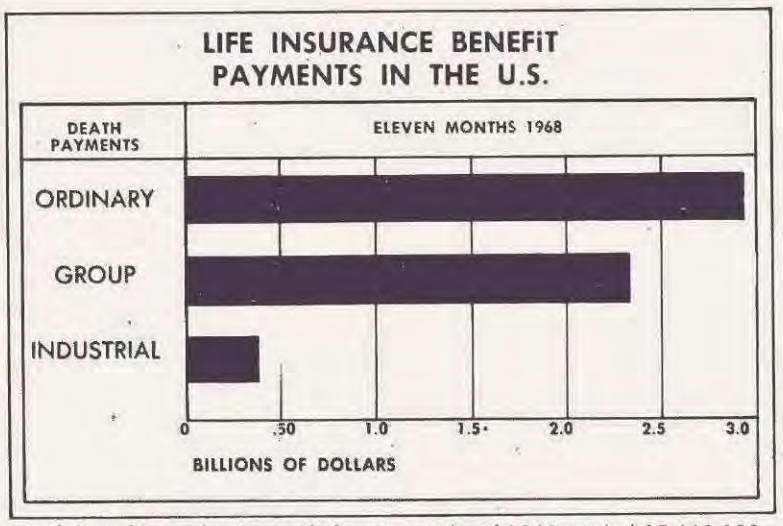
One of the big changes in the thinking of the buyers, in our eyes, is that they no longer automatically accept the standard industry line. For instance, a survey conducted for ASIM and shown to members for the first time at the conference revealed that 24% of U.S. members favored Federal regulation of the industry and 32% thought the present state workmen's compensation system was inadequate.

Mr. Mortimer himself, while preferring state regulation, said that if ASIM can't get "reasonable uniformity" in state laws, "then we would be forced to reluctantly favor or at least not oppose Federal regulation."

The new president of ASIM also had some words for brokers. He predicted a change in the relationship between brokers and risk managers because of "the growing ability and competence of corporate risk managers and their use of risk management concepts.

"Producers in the future will have only a limited role in many risk management functions if they continue to concentrate their efforts to sell insurance. The producer is presently oriented to insurance; we're moving in another direction," said Mr. Mortimer.

The insurance industry had better take a new look at the 1969 insurance buyer. He thinks he's not getting as good a deal from the traditional insurance market as he might, and he's perfectly willing to explore new approaches—which just might leave the industry sitting on their renewals.



Death benefits paid to insureds for 11 months of 1968 totaled $5,668,100,000. Disability benefits, including premium waivers, totaled $178,600,000, with ordinary life contracts paying $65,900,000, group contracts paying $105,500,000 and industrial paying $7,200,000. The label industrial group is used to describe a situation in which employes of one employer form together for group insurance. Source: Institute of Life Insurance

In defense of group auto

Although it didn't surprise us much to hear one speaker at the American Society of Insurance Management warn ASIM members to resist the mass-merchandising approach "with all the vigor at our command," our eyebrows were raised when both of our luncheon companions during the conference were equally adamant against group auto.

And we were downright startled when we learned that a survey conducted for ASIM showed fully 85% of members responding turned thumbs down on mass-merchandising and group-auto programs.

Nathan H. Siegel, secretary of Detroit Steel Co. and the man who advised ASIM members not to give in to the advocates of group-auto plans, gave fairly sophisticated arguments for his position. He said that group auto "will simply redistribute the costs from one segment of the population to another," with the employer acting as "merely a conduit."

He based his premise on estimates that the 20,000,000 union-affiliated workers, representing about 25% of the total work force, will be the major recipients of group-auto plans. We have the notion, however, that many other employes will benefit from the group concept.

From what we have gathered from talking to risk managers and employe benefits men, they are mostly against group-auto plans for more down-to-earth reasons: They oppose mass merchandising because it will make their lives more complicated.

We don't think this is a very good reason. We believe that tomorrow's corporation will offer employes a whole package of financial services on a payroll-deduction basis, which will allow workers to make wiser use of their money.

Let's plug the liability leak

U.S. Department of the Interior lawyers blushed slightly the other day when *Business Insurance* raised a question about the leasing contracts for undersea oil well operations on the Continental shelf off the coast of California.

While collecting information for our page-one story on the Santa Barbara, Calif., oil slick (Feb. 17 issue), we asked the department what the liability insurance requirements are for leasees. A department spokesman was as surprised as *Business Insurance* is to discover that "no specific requirement for liability insurance" could be found in the contracts.

At the moment, because of the oil slick, the department is making a study of those contracts. "This point about the liability insurance," the department spokesman promised, "will be taken into consideration."

We agree that it should be considered, and we urge that some specific requirements be made.

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letters

Endorses jumbo jet liability scheme

To the Editor: As you might expect, I find Charles Levinson's solution for the jumbo jet insurance problem sparkling! It is the kind of thinking we have come to look for from him.

Progress comes, not as the clean trend line of a chart, but from the collection of position dots that indicate a directional pattern. Charlie's plan is another definitive pattern dot.

The pattern I see so clearly evolving is that society, the law, and insurance planning are all moving to accept the concept that if a technological advance does harm to some members of society, then those who enjoy its benefits will pay for that harm. Forget old fashioned rules of who hit whom! If the airplane kills somebody, the consumers of airplane rides pay the bill—never mind who's at fault!

This is apparent in the no-fault concept of auto liability (which is just beginning to take its final shape—the end result will probably be a fund flowing from a gas tax) and in the strict liability in tort concept of products liability, in the Montreal agreement for international airline liability.

Something like Charlie's suggestion will be the ultimate—lump all the potential defendants in one pot, and accept the fact that eventually the passenger must pay the costs. From the standpoint of the potential co-defendants, it also avoids throwing rocks at each other, and building up the plaintiff's case. It also avoids besmirching a product out of which everyone has to make a living after the litigation is over. I've been working for a couple of years with the Aerospace Industries Assn. on a draft of a law which would make an action against the aircraft operator the exclusive remedy of the passenger—the operator to accept absolute liability, but with a limit. This is an approach to the same goal, obviously to solve some of the very problems Charlie delineates. I think absolute liability is part of the package.

There are a number of practical obstacles to the Levinson plan, none of which are insurmountable if everyone wants to achieve his end result (and I'd be glad to join the parade). You know them all, I'm sure. The roughly 25% added cost burden to the fantastic outlay for new aircraft (plus and minus a number of pre-payment credits and debits); the problem of pre-rating this type of risk for 5-10 years; the problem of rating differentials based on operating records and regimes; the carve out of part of the operator's insurance program, etc.

All of these yield to reason, but they also represent vested interest areas that succumb slowly. But succumb eventually they will.

Again, congratulations on having something to say on your always new ideas.

Waller B. Smith
Manager, Corporate Insurance and Claims, United Air Lines, Chicago, Ill.

'Big Brother'

To the Editor: I am disturbed that a magazine of your prestige should join the "let Big Brother do it" ranks. In the February 17, 1969, *Business Insurance* issue, you editorialize that workmen's compensation has fallen behind

Continued on page 22

Almost simple.

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THE ANSUL SYSTEM

letters

Continued from page 20

what it ought to be. This is an understandable editorial position.

However, you then suggest that Federal standards are the only answer. This unfortunately has been the "answer" that too many institutions and people have suggested for too many problems, rather than solving problems at the levels at which they occur.

I'm not too certain that the insurance industry would fare too well with Federal standards; it does not appear that in other situations where the Federal government is involved that this has been the case.

W. A. Smetts
Manager — Industrial Relations, Warner Electric Brake & Clutch Co., Beloit, Wis.

Editor's note: Our editorial, "Mr. Wirtz may be right" (Feb. 17), was not intended as an endorsement of the former secretary of labor's suggestion that Federal standards are needed for workmen's compensation. "But," as the last two sentences of the editorial read, "we must concede that Mr. Wirtz may be right. Our state system of workmen's compensation is perhaps so completely out of date that its replacement by a Federal-state system with Federal standards is the only answer." Earlier in the editorial we said, "We must promptly improve our standards of state workmen's compensation. The penalty for failure would be the certain adoption of Federal standards that might place an initial compliance burden on states and some individual employers."

Detailed discussions

To the Editor: In a recent mail poll sent to this office concerning our rating of various insurance publications, we listed your publication Number One.

Business Insurance is regularly read by all of our personnel and, while it is primarily written from the point of view of the insurance buyer, we feel that it is extremely valuable in keeping us posted on the types of questions we might encounter.

We have arranged for several of our accounts to take your publication, and various articles have generated some very detailed discussions.

From our point of view, also, some of the articles you have had make it a bit easier for us to put our message across. We are facing some difficulty today in this business and it is a help when our customers know that, for example, capacity is becoming a national problem.

Russell J. Brewer
Vice President, Barksdale Bonding & Insurance Co., Jackson, Miss.

A rabid romantic?

To the Editor: Bill Street (Letters, Feb. 17) calls me a rabid romantic! I always thought of myself as a revolutionary. As a matter of fact, his protestations of pragmatic realism are so enmeshed in his florid, mid-Victorian prose that I can't help but wonder what century he wants us to live in.

Just because we are a low-paying industry (and this lies at the root of some of our problems), it doesn't mean that we should *avoid* hiring blacks. Just because companies have sustained losses in ghetto areas doesn't mean that the industry should attempt to get out or pass the responsibility over to the government. Positive support of loss control and better maintenance is, I agree, a step in the right direction.

Just because we exist within the bounds of "unnecessary" legislative walls doesn't mean that we can't try to break out. My whole point is that we cannot accept the status quo. Commissioner Stewart has proposed a "file and use" law in New York. Professor Denenberg has proposed changes to the D.C. code, hopefully leading to a Federal "model." "No fault" basic protection plans are being considered in a number of states.

We can and should support these challenges to the encrusted status quo, to the "establishment" of the insurance industry. *Aux armes, mes amis!*

John Street

More law suits

To the Editor: I think it would be informative if you could publish law suits that have been acted upon that cover workmen's compensation, performance bonds and general liability. I know you do publish workmen's compensation cases, but I think a page on various types of awards and cases tried in these fields where the average producer never hears of them would fill a big gap.

George M. Comas
General Insurance, New York, N.Y.

Dodge held not guilty in auto suits

SPRINGFIELD, Mass.—The Dodge division of Chrysler Corp. has been found to be not guilty for a 1965 automobile accident by a Hampden County superior court jury.

Defendants' verdicts were returned to Judge John M. Noonan in suits brought against the Dodge division by Mrs. Anita L. Jacques and Stanley F. Cyr, both of Springfield.

Mrs. Jacques was awarded $10,000 for injuries suffered in the accident Mar. 17, 1965.

Mr. Cyr claimed that the brakes on his new car were defective, causing him to hit the rear of Mrs. Jacques' car on River St., West Springfield. ▪

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speaking of security

Audio detectors effective way of spotting unwanted personnel

By WILBUR CHARLES

MIAMI—One of the most effective methods that has been developed to detect the presence of unwarranted personnel in an area is through the use of automatic audio detection systems.

These systems use microphone-speaker units (or "audio detectors") that are installed in an unoccupied area to listen for suspicious sounds. Any strange noises, such as those made by a vandal or burglar, are immediately picked up and reported to an alarm panel at guard headquarters (or any other desired location).

The sensitivity of these systems can be adjusted to pick up the exact level of sound needed for each application—a tap on a window, a muffled cough, footsteps, whispering. Any sound above the prescribed level instantly sets off an alarm at the remote monitor panel. In special applications, a guard can listen to the actual sounds to determine how many intruders there are and what they are doing.

IF THE SITUATION warrants it, the panel guard can dispatch a guard patrol to the scene. While the patrol is on its way, the headquarters guard can continue to listen in. When the patrol arrives he can give instructions and continue to monitor the situation, thus assuring complete control at minimum jeopardy to the responding patrol.

In some instances, the two-way communication feature is used by the headquarters guard to issue scare commands to frighten or confuse the intruder.

The walls, floors and ceilings of an area can be protected at low cost and with exceptional reliability through the use of electronic vibration detection systems.

HIGHLY SOPHISTICATED "contact" microphones are affixed to the surfaces to be protected and connected to an electronic control panel. Any attempt to penetrate the surface is instantly detected and an alarm signal is transmitted to guard headquarters or other locations.

Sensitivity is adjustable to meet specific requirements. For example, protecting glass surfaces requires much finer sensitivity adjustment than concrete walls.

The system also provides for alarm discrimination. This is a form of electronic filtering that prevents alarms being transmitted due to normal vibration conditions which may occur: Someone inadvertently tapping on a protected vault, raindrops on a protected window, normal building vibrations, and similar occurrences.

AUDIO MONITORING and intercommunication capabilities may be added to any electronic vibration detection system, using the same wiring network, so as to permit a guard to listen in to the area when an alarm occurs and to communicate with the investigating guard.

The most sophisticated intrusion detection systems detect actual movements of an intruder in a protected area. Properly applied, these systems offer an extremely high degree of protection. However, application engineering can be critically important. Improper or poorly designed installations may either yield so many false alarms that confidence in the equipment is destroyed or be so insensitive as to be worthless against a clever intruder. The most reliable motion detectors utilize the following principles:

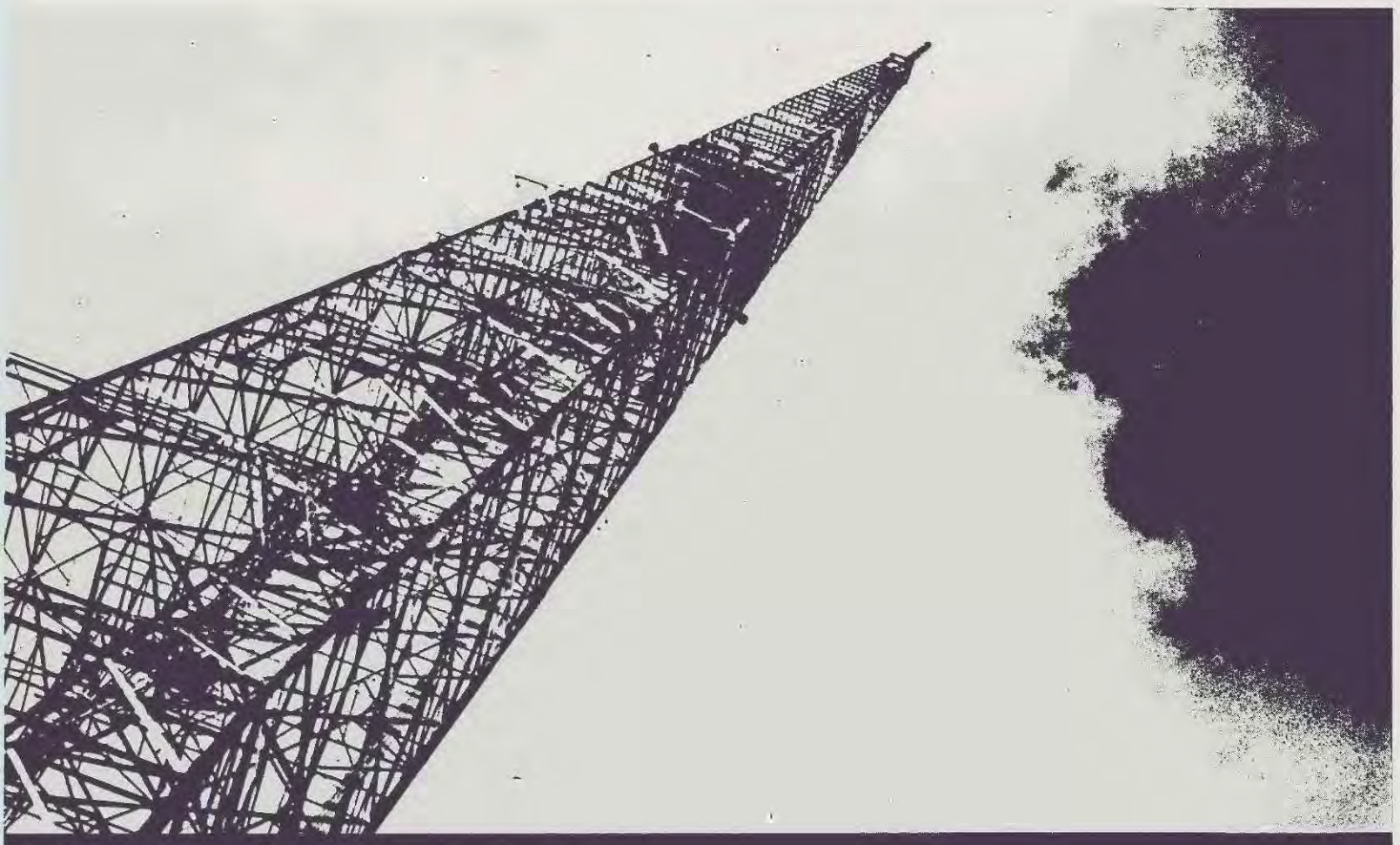
Capacitance change motion detectors. Any metallic substance can be made an antenna for a capacitance change motion detector. The antenna may take any form. In fact, ordinary objects such as desks, tables, picture frames, filing cabinets, etc. may be transformed into antennae for the system. Any person coming within several feet of the antenna will cause a capacitance change in the system, which is detected at a control panel and converted to an alarm signal.

Because the antenna can be almost any object or group of objects as well as being an independent antenna in virtually any configuration, the detection system is totally unobtrusive even to expert intruders. Yet, capacitance change motion detection is unusually stable in operation, providing a high degree of alarm reliability.

As with most detection systems, audio monitoring and intercommunication capabilities can be superimposed on the capacitance change motion detector.

Ultrasonic motion detectors. The sonic wave pattern system

Continued on page 30



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safety and security

Security measures in Montreal intensified in wake of bombing

MONTREAL, Que.—Strict security measures backed by armed guards are being enforced ty the Montreal industrial and business community in the wake of recent terrorist bombings.

A Montreal police spokesman said the number of telephone calls to the department concerning possible bomb plants runs about 10 a day, compared with at least double this number a week ago.

The new measures were taken, or increased, after the Feb. 13 bombing of the Montreal and Canadian stock exchanges, the third in the city that week, which disrupted trading and resulted in 27 injuries. Damage from this explosion alone could run up to $1,000,000.

OFFICE BUILDINGS and other business and retail establishments mobilized their security forces and placed guards on the alert to keep an eye on entrances and to check bags and parcels entering the premises.

There have been no bombings since the explosion at the stock exchange, which climaxed a series of earlier blasts.

Practically every major business or industry in the Montreal area received bomb scares in recent weeks, forcing the evacuation of some of the premises. In a number of cases, bombs actually were found.

There have been a number of arrests—some of the cases still are before the courts—after telephone bomb scares, but those picked up have turned out to be juveniles or other pranksters.

BELL CANADA has made available to police its highly sophisticated call-tracing equipment and the use of the apparatus has been helpful in some arrests.

Business leaders could not estimate the cost of enforcing preventive measures, but they all agree the steps, regardless of cost, were necessary for the protection of their employes and equipment.

Regular security forces are working overtime and companies that found themselves short of guards recruited help from private investigation agencies, which are now operating at full capacity.

Officials were reluctant to reveal the extent of the new measures, but one only has to walk into any major office building, hotel, or other business enterprise to find a wall of security measures.

THE BEEFED-UP security is Montreal's answer to the series of terrorist activities that have sprouded again in the metropolis after a relatively quiet period since the 1963 mailbox bombings.

Guards at the railway stations, who in the past had spent much of their time in backroom offices, now are conspicuous in doorways, and entrances and in strategic locations.

Guards are also seen in office buildings, department stores and banks. The Royal Bank of Canada installed armed guards on each of the six floors of its headquarters in Place Ville Marie. ▪

Stiens, Lenhart join risk unit at Borg-Warner

CHICAGO—A restructuring of corporate responsibility at Borg-Warner Corp. here has brought the safety and fire protection departments under the direction of the corporate insurance manager, Arnold Berg.

The move will allow the company to "move into increased self-insurance and higher deductibles," said Mr. Berg.

Recently the corporation announced that William L. Stiens had been appointed director of safety engineering. He joins Thomas Lenhart, the corporate fire protection engineer, a casualty expert, and Mr. Berg in what he described as "a new concept—total loss prevention."

"This is a concept that most insurance managers would like to have," Mr. Berg told *Business Insurance*. Because loss prevention is "tied in so closely to insurance costs," he said, the corporation is bound to appreciate a better insurance buying position.

"Previously," Mr. Berg explained, "we waited until there was a loss prevention problem." Now the company is getting at these problems before they result in a loss.

MR. STIENS CREDITS his boss for the inspiration of the restructuring. "He sold this concept to the chairman."

Mr. Berg contends that because of the new program his company will be instituting a "worldwide concept of insurance" and all Borg-Warner operations will now follow American standards of fire prevention and safety. ▪

Lloyd's asks air cargo theft figures pooled

LONDON—The chairman of the Lloyd's of London underwriters association has called for the pooling of statistics by marine underwriters to classify the causes of loss and the commodities and locations according to vulnerability.

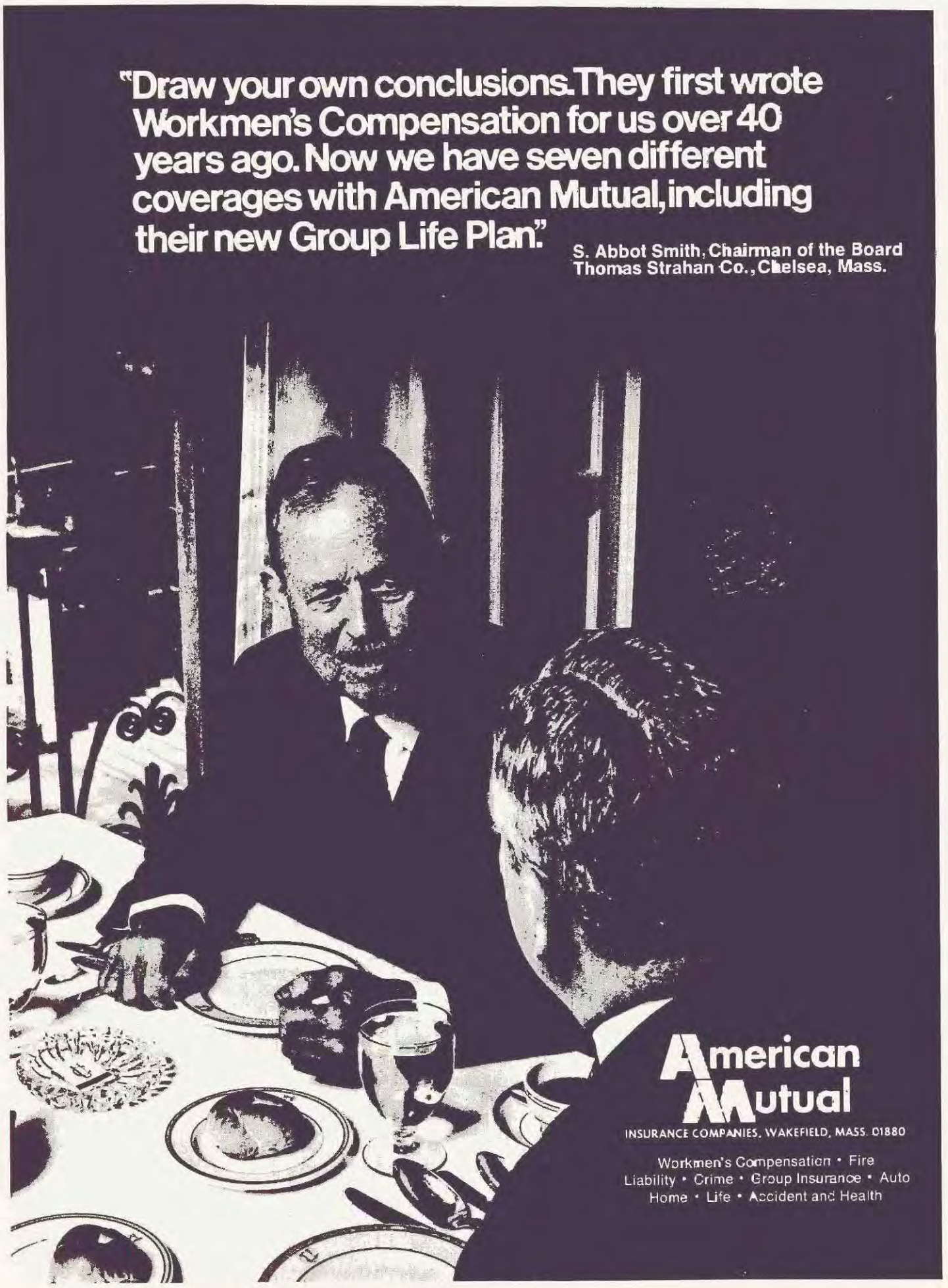
R. C. J. Gordon, chairman of the association, said that global statistics of this sort would greatly assist insurers in calculating cargo premium rates. He applauded U.S. insurers who determined that losses at Kennedy International Airport were $5,800,000 for the first six months of 1968.

He said that British underwriters were not able to supply comparable figures for London airport.

Mr. Gordon also reported that there were encouraging signs that progress has been made to improve the profitability of marine business. However, he said that the current premium levels still did not provide an adequate profit margin. ▪

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What is a heart transplant worth?

by Bion H. Francis,
manager of benefit planning,
Colt Industries, New York



Bion H. Francis

The stories you have read on heart transplants have concentrated on the wonder and the technical miracles of this new scientific breakthrough. But heart transplants are now an accomplished fact, and will be a commonplace within a few years. It is time for insurance men to do some thinking about the price tags.

What is a heart transplant worth?

In a sense, that is similar to asking, What is a life worth? The first transplants were probably "on the house" with the cost borne as part of a research expense. The patient perhaps made a full payment by gambling his life.

MANY GAMBLED AND LOST—but the lives perhaps were in forfeit anyway. Whatever the circumstances, the cost—in both money and lives—was paid to advance the sum total of human knowledge and accomplishment.

But the breakthrough is now an accomplished fact, and the operation will soon be an everyday affair. Perhaps we can not ask the question 'What is a heart transplant worth?' But we can—and must—ask the question: What should a heart transplant cost?

$10,000? $20,000? $30,000?

Recently, I saw figures for the surgical and hospital bill for a transplant. In the issue of February 3, 1969, *Business Insurance* mentioned the first successful heart transplant in Chicago. The surgical and hospital bill came to $11,328.65.

WHO WILL PAY such a bill? How will this affect the cost of medical expense insurance. Let us look at the more important kinds of group insurance involved.

In at least some industries, unions and employers have bargained for basic medical expense insurance to pay for "reasonable and customary" surgical expenses. These usually do not involve a limit on individual operations.

For salaried employes, there is major medical insurance, with limits to $20,000 being common. In recent years, even higher limits have been written. So insurance money is available to pay for such operations. The money will be paid. Let us consider the consequences:

HEART TRANSPLANTS will undoubtedly follow the course of many other surgical techniques. As knowledge of the technique spreads, there will be more and more operations. These will be performed with increasing skill and facility.

We might normally expect the increase in facility to bring down the cost. But we are dealing with an activity governed in part by a number of large scale agreements to pay "reasonable and customary" expenses. What are the reasonable and customary expenses for a heart transplant? The only figure I have seen is the Chicago figure quoted above. Does this mean that the reasonable and customary expense of a heart transplant is $11,000?

Nor will this necessarily be limited to heart transplants. Our bodies are wonderful affairs with many specialized organs to order our lives. In perhaps not too many years, we may be selecting new organs in somewhat the same way that we select accessories for the family car.

THIS WILL COST. And it will tend to hold up all surgical costs.

As I have mentioned, employers and unions have bargained to cover the reasonable and customary cost of surgical operations. Commonly, there is no limit on individual operations, but the two parties probably did not have in mind individual operations that cost $10,000 to $20,000. It may be necessary to take another look at these agreements.

For salaried employes, under what is perhaps still the most common arrangement, their financial protection against such operations will be provided only in small part by basic medical expense insurance. This assumes the insurance pays for surgical expenses in accordance with a schedule of benefits, rather than on the basis of reasonable and customary expenses. The remainder, which may be the largest part of the expense, would be derived from major medical insurance.

ONE EFFECT OF THIS will be an increase in limits. What good is a limit of $5,000 in major medical insurance if the cost of a single operation can be much more?

There may be equal criticism of the coinsurance feature. If an operation costs $10,000 to $20,000, the employe may have to put up $2,000 to $5,000. Will the salaried employe be satisfied to pay this amount toward a single operation—especially if he knows that the union employes need pay nothing?

And what about those who are not employes of a great and beneficent corporation? If they are rich, they will be protected by their money; if they are poor, they will be protected by the taxes paid by the great middle class. But if they are members of the middle class without being employes of a great organization will they have protection that they would consider satisfactory against the financial burden of an expensive operation of the order of a heart transplant?

This adds up to a challenge to the insurance industry. For if the industry does not provide financial protection against costly operations, this will add to the demand for an extension of government activities in this field.

There is a final aspect of the subject to be considered. Where will the hearts—and other organs—come from? This problem has already raised legal difficulties, and caused us to re-examine the question: When does a man die?

Is it possible we could have competitive bidding for human organs? What am I offered for a healthy heart—for life itself? $1,000? $5,000? $10,000? What do these figures mean to a millionaire who believes that heart means survival? The figures could be much higher if *two* millionaires both believe that heart means survival.

SUCH BIDDING SEEMS somehow improper. You may say that the heart should be awarded on the basis of need or on the value to society of those involved. Would you care to make the award?

There may be other difficulties. The principle of allocation implies no payment or only a nominal payment. Suppose we have a young father of a family, fatally injured in an auto accident. Conceivably his heart—and his other organs when we learn to use them—could be the major asset of his wife and children. The dying man himself might want his body used for the financial protection of those he loves.

Should the cost of the heart and other organs be an expense to be covered by insurance? If the answer is *NO*, should we allow for bidding on the basis of wealth? If the answer is *YES*, and we provide insurance to purchase hearts, how do we control the cost?

Perhaps the best answer is to remove, as promptly as possible, the legal and medical difficulties which now fequently prevent the use of a healthy organ to save a life. An unnecessary delay in removing these difficulties is inexcusable. ▪

Importance of self-assumption of loss

by David Warren,
partner,
Warren, McVeigh & Associates
risk management consultants,
San Francisco

Practices of companies in assuming some of their own risks of loss vary so widely that no systematic body of thought has been put into effect by operating executives. Many large firms insure almost to the first dollar of loss while a number of smaller enterprises deliberately assume losses up to six-digit figures. However, academicians and sophisticated risk managers agree that it is usually uneconomical for a firm to insure against losses which would not seriously disturb its financial equilibrium. Why, then, this drastic difference in approach?

A remark made by a leading financial officer of one of the country's largest corporations probably contains the answer. In 1967, this corporation had annual sales around $10 billion (repeat, billion) and bought fire insurance with a deductible of $10,000. To visualize the disproportion, if an individual with a $10,000 salary (his equivalent of annual sales) were to set his auto collision deductible in proportion, he would carry a one cent deductible. Looked at in another way, if the large corporation were to take a risk equivalent to that of a $10,000-a-year man with his customary $100 deductible, its deductible would be $100 million.

When the financial officer was asked about the reason for the small deductible, this honest and perceptive individual said, "I guess we just haven't thought it through." I suspect he was right, especially since this company is now giving indications of restructuring its entire insurance program.

The question that this situation points up is that if this large and well-informed company was so slow to develop major deductibles and loss assumption, can we expect anything different from others? Indications are that this situation does prevail in general, though there does seem to be an increasing trend toward more and higher loss assumption by insurance buyers. But why, we might ask, has it taken so long for this very simple concept to achieve acceptance? Some conjectures might be as follows:

1. **Tradition.** Full insurance to value has been the rule for so long that it has achieved a dignity far beyond its intrinsic worth. Further, as has been proudly stated by so many insurance company executives, insurance is a conservative business.

2. **Desire for stability.** There are some

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perspective

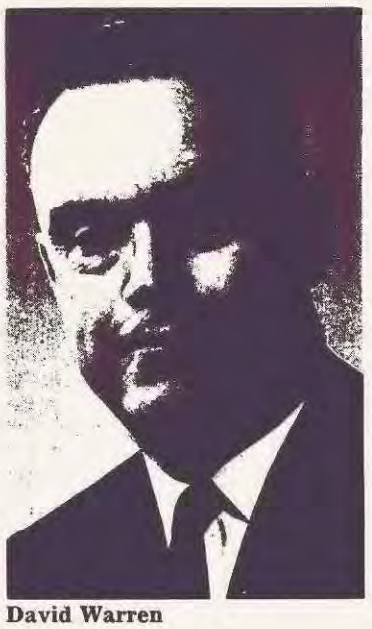
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situations in which a manager is willing to pay a price for the knowledge that his costs are fixed. This is a rational reason for full insurance, but is not frequently encountered, at least in the extreme form of full insurance.

3. **Service needs.** Another rational reason for complete insurance is the need for skilled claims handling and loss prevention services available from large insurance companies only through low deductible programs. However, this reason is becoming obsolete as more highly skilled independent firms offer such services and as this competition is being met by some insurers who will sell these services on what amounts to a fee basis.

4. **Influence of insurance spokesmen.** Because their investment income is so much more profitable than underwriting income, insurance companies have strongly opposed major deductibles because of their adverse effect upon cash flow. It was just a few years ago that its member companies would not allow the Factory Insurance Association to offer substantial deductibles. Because these groups represent the mainstream of insurance thought, their influence has been enormous.

5. **Psychological factors.** Many persons have a definite, pervasive feeling—hidden to a great extent—that unforeseen and unpleasant contingencies should be taken off their hands. If a loss occurs, it is reassuring to have someone else bear it. They will therefore pay to relieve this uncertainty.

6. **Statistical naivete.** Many persons who do not carry high deductibles say that "the credit just wasn't enough." If asked why it isn't enough, they might say: "Just one loss would wipe out the entire savings for five years." Such a statement is meaningless without a reasonably good knowledge of the actual incidence of loss at various levels of self-



David Warren

assumption. The fact that large losses are infrequent often makes it appear that credits are insufficient when dollars alone are examined.

THESE SIX factors have varying degrees of validity, but even the most significant of them are less important than the fundamental and overriding facts that:

- It costs money to transfer risk—both large and small losses. With the 50% to 60% loss ratios prevalent today, this cost about equals the losses themselves. The reduction of uncertainty brought about by insurance carries a cost which must be measured to appreciate its effects.
- When the buyer self-insures, he has a direct financial stake in reducing losses—a participation which does result in better loss control. This is recognized by underwriters both in their rating and in their maximum line limits. It thus opens the way toward package policies offering broader contracts as well as lower premiums.
- The stimulation of loss control mentioned above develops even greater benefits than improved insurance in the actual reduction of losses. Since loss reduction is the principal goal of risk management, this constitutes a major tool for the risk manager.

These three factors—lower cost, broader coverage, and improved loss control—represent the fundamental benefits available from the judicious use of deductibles. But in all cases they must be accompanied by management awareness of loss prevention needs. The better the control, the more the savings, but a point of diminishing returns exists where additional expenditures for loss prevention do not return an equivalent amount in losses reduced. Where to fix this point is a difficult decision, calling for expertise in both loss prevention and management.

IT WOULD SEEM clear that, in general, insurance should be purchased only where loss potentials exceed the tolerable limit of self-assumption as determined from analysis of the company's own financial and operating conditions. Current offerings of the insurance market should be secondary. Too many insurance managers attempt to gauge their deductible level by a comparison of credits allowed by one or two markets at a particular time. That this is not a sound practice can be seen by the facts that:

- Insurance companies can measure allowable credits more accurately than most insurance managers.
- Since net premium is the most important consideration, more than one or two markets should be tested.
- Many underwriters will consider an offering carrying a high deductible which they would reject for first dollar coverage.
- Underwriters are wary of a buyer who meticulously weighs credits at numerous deductible levels. They have more respect for the buyer who knows exactly what he wants, is willing to assume all losses that occur with any degree of regularity, and is looking for a long-term association.

For these reasons, the most fundamentally sound approach to risk management is for a concern to assume its own losses to as high a level as can be tolerated by the financial structure. Loss prevention, claims, defense and other services offered along with insurance coverages are also vital considerations which should be evaluated for their own worth rather than lumping them into the overall insurance premium where cost accounting for all factors becomes fuzzy.

Some, of course, will be apprehensive about the few years when loss assumptions exceed premiums that would have been paid; however, as stated in a recent text on risk management, "Enlightened speculation is essential to profitability in any area of business activity—risk control included." ▪

David Warren, is a partner of Warren, McVeigh & Associates, risk management consultants in San Francisco, prior to which he was manager of client services with EBS Management Consultants. He spent ten years with the Insurance Department of Kaiser Aluminum & Chemical Corp., and was a district fire prevention engineer with Liberty Mutual Fire Insurance Co. Mr. Warren did undergraduate work in applied physics at California Institute of Technology with graduate courses in insurance and finance at Golden Gate College, where he now teaches insurance.

What Esso Inter-America expects from its insurers

by Paco O. Munoz,
employe relations department,
Esso Inter-America,
Coral Gables, Fla.

(The following talk, here presented as a two-part series, was given at the third Western Hemisphere group seminar in Puerto Rico, sponsored by American International Underwriters Corp.)

My comments will center around the problems and expectations of the corporate insurance buyer, and what we expect in the way of service, communication and general administration. If yours is a truly international operation, such as ours, our problems may be very similar.

What do our affiliates look for and desire in selecting an insurer of those benefit programs that, for one reason or another, it is preferable to insure.

Service. Ability to provide prompt and efficient service and accurate review of claims and the payment of benefits: One of the most important things from the employe's standpoint is the manner in which, and the speed with which, claims are paid.

This is particularly true in the area of hospital, medical and surgical benefits, where in many cases the employe is paying out-of-pocket until he is reimbursed by the insurance company. From the survivors and public relations viewpoint, it is very important to have death claims paid promptly.

Payment of retirement income is the least troublesome in that, almost without exception, preparation is made well in advance. Nevertheless, it is very important that annuitants receive their payments promptly.

Flexibility of insuring provisions. We endeavor to develop the provisions of our various programs in a manner that we believe will meet the more important needs of the employe group expected to participate. The insurer must be willing to enter into contracts that meet our needs, rather than to provide an easier or perhaps more customary program.

Reasonableness of premiums. Our affiliates, as well as we in Coral Gables, analyze the loss experience under existing contracts. Analysis of loss ratios and reimbursement ratios leads to an evaluation as to what the premium should be. This is always subject to the similar review and concurrence of the insurer.

We believe that, particularly with long-standing contracts, the premiums should be related to loss experience. We, or our affiliate, may misjudge the cost of changes in the contract, and we look to the insurer to keep us or our affiliate from "going overboard."

Retention. Retention is of crucial importance to the insurer, and, in our view, it is the most significant element of cost. It is in this area that we have some difficulty with insurers of our programs in countries south of the U.S.

Esso Inter-America believes that retention is an area to which our friends in the insurance business in Latin America should give some additional serious attention. If this is done, it is our view that everyone will profit—including the insurance carriers.

In expressing these views concerning retention, I wish to make it clear that we don't expect this business to be handled without profit. We believe the insurer should make a profit. Any contract should be mutually beneficial. The real question then, is, how much profit?

THE RECORD CLEARLY establishes that it has been our affiliates' policy to continue to insure with those companies in which they have confidence. We and our affiliates look very carefully at proposals from competitive companies to insure programs at materially lower premiums. We hope we and our affiliates can recognize "come on" proposals.

While I know each of you is familiar with our affiliates and their arrangements in your own countries or areas, a brief descriptive statement may help explain operations in our region.

Esso Inter-America Inc., the Coral Gables office, is a management group engaged in overall coordination, technical service and financial advice to operating affiliates of Standard Oil Co. (New Jersey) in Central and South America and the Caribbean, other than Creole Petroleum Corp. in Venezuela and Lago Oil & Transport Co. in Aruba. Esso Inter-America Inc. conducts no other activities.

THE LARGER AFFILIATES, such as in Argentina, Brazil, Colombia and Peru, have been staffed for years with qualified benefit plan personnel. Under our present corporate organization they seek advice on changes in their benefit plans and programs as well as on the establishment of new ones, and any related insuring arrangements.

New operating units were established about two years ago in Central America and the Caribbean under the supervision of three area offices located in San Salvador, covering Central America; in San Juan covering the Caribbean, Suriname, Guyana, etc.; and in Kingston, covering Jamaica, the Bahamas and Bermuda. As these area headquarters offices operate with small staffs, we in Coral Gables work more closely with them in the development, amendment and analysis of the plans and programs in their areas.

(An outline of Esso Inter-America guidelines and objectives in the area of employe benefits will be included in the second segment of this series.) ▪

The answer man

This feature is designed to give *Business Insurance* readers an opportunity to get answers to questions related to risk management and employe benefits administration. Ask the Answer Man about sources of information, a special problem in your company, a market for a particular line of insurance. You may wish to ask for information on an insurance carrier or on particular facets of an employe benefits program. Send your questions to the Answer Man, *Business Insurance,* 740 Rush St., Chicago, Ill. 60611.

Dear Answer Man:

The Feb. 3, 1969, issue of Business Insurance contains an article on page 24 concerning a survey made by A. S. Hansen Inc. on employe benefits. We would very much like to obtain copies of this report.

Can you put us in touch with someone in that organization?

Jim P. Spradley
Rector, Means & Rowland, Inc., Little Rock, Ark.

ANSWER MAN SAYS: *Business Insurance* worked with Bill Dreher at the company concerning the study. Mr. Dreher is at 200 Park Ave., Suite 5312, New York, N.Y. 10017. A. S. Hansen also has offices at 1 N. La Salle St., Chicago, and 1080 Green Bay, Lake Bluff, Ill.

Sorry about your common bond. It was just an accident.

This year your corporation had only 140 basic hospital-surgical claims. Your competitor had 360. With insurance averaging, that comes to 250 claims apiece. And that's what you'll both pay for.

Perhaps, next year your corporation will have more accidents. And you and your competitor will even out the claims.

Inequities are a fact of life with reserve averaging—when reserves are determined by averaging risks of similar large businesses. But many insurance companies do it.

CNA doesn't.

We have a system that makes sure you don't support anyone's broken legs but your own. We study your past records. Your physical operation. Your risks. And we determine our group insurance rates on just one company. Yours.

There are no common bonds with competitors. And there are two important benefits. You use every dollar you spend, on yourself. And you can make accurate fiscal projections from those costs.

Our employee benefits system is designed like all our CNA systems. They fit into corporate financial systems to help make them work. Not just to reduce the cost of insurance. But to lower the cost of doing business.

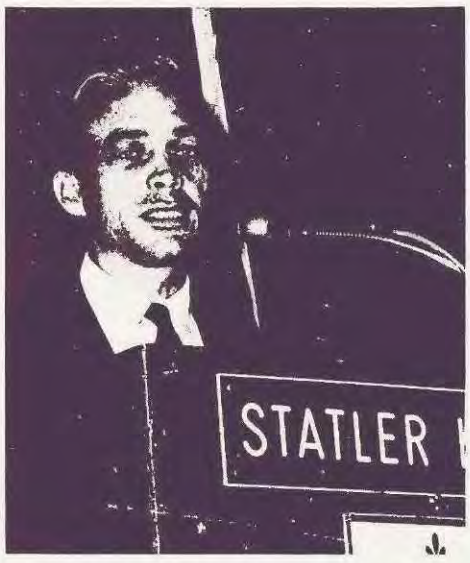
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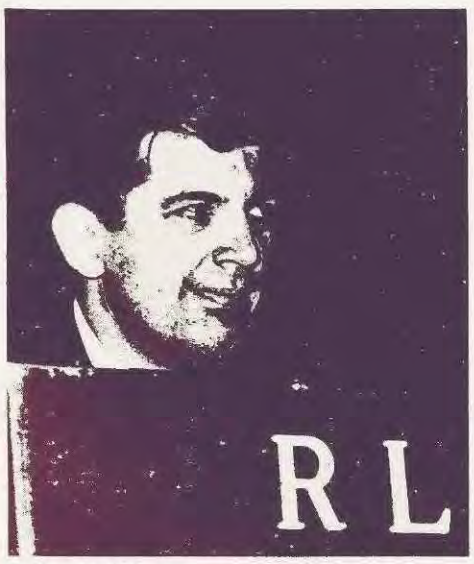
Speaking to the annual meeting session at the ASIM conference is Robert E. Rich, insurance manager of the Cotton Producers Assn., who was chairman of ASIM's 1969 conference committee.



Speakers at a panel at the seventh annual conference of the American Society of Insurance Management included, left to right, George B. Schmidt, manager of insurance plans and programs for RCA; William M. Rodgers, corporate traffic management services, RCA; C. E. Barnes, manager of claims and insurance for Burlington Industries; George F. Gerth, treasurer of Allegheny Airlines, and Richard A. Ehmer, secretary of Spatola Wines of Pennsylvania Inc. and office manager and controller of General Public Warehouse.



Gathered to talk about risk management at the ASIM conference in New York's Statler Hilton Hotel are, left to right, Dick Ackerman, assistant director of insurance, ITT Continental Baking Co.; Richard Johnson, insurance manager, Universal Terminal & Stevedoring; N. E. (Ed) Nilsson, supervisor of insurance and finance, Walgreen Co.; Jay A. Misicka, assistant secretary, General Portland Cement Co., and William J. Carroll, assistant treasurer, Title & Trust Co. The ASIM conference was the best attended meeting the group has ever held.



Rollyn L. Storey, manager of insurance and safety, SCM Corp., participated in a panel titled "Risk Manager—Stand Up." Mr. Storey has been elected first vice president of ASIM for the coming year.

Luncheon at ASIM's conference (right photo) brought together these risk management executives and their friends. Standing, left to right, are Neil H. Swartz, insurance manager, Gamble Skogar Inc.; Joe Matt, national account executive, Employers Insurance of Wausau; Charles H. Groves, director of insurance, CF&I Steel Corp.; Norm Forrester, manager of insurance and pensions, Joy Manufacturing, and Gordon Hanau, manager of insurance, Consolidated Natural Gas Service. Seated, left to right, are John Miller, national account executive, Employers Insurance of Wausau; Dick Hinds, insurance department manager, Potomac Electric Power Co.; Jim Owens, insurance manager, Florida Power and Light Co., and J. M. Niefer, insurance manager, New York State Electric & Gas Corp.





Among those at the ASIM conference were, left to right, Jack Douglas, insurance manager, Ford Motor Co. of Canada; Burt Kelley, assistant vice president, Commonwealth Services Inc.; Peter J. Mullin, insurance manager, Microdot; Ken Fleischhauer, insurance administrator of the Western account area, Flintkote; D. J. White, insurance manager, North American Philips Inc., and Arnold Nelson, assistant treasurer and assistant insurance manager, American Bank Note Co.



Hubert (Hugh) McCommon, superintendent of insurance management, Memphis Light, Gas & Water, tells ASIM's legislative goals at a panel on unauthorized insurer legislation and the industrial insured exclusion. Mr. McCommon has been named ASIM vice president for legislation.

Auto maker held liable for fragility of brakes

HOUSTON—Liability for defective products can be extended to mechanically perfect products that are too fragile to withstand anticipated use, the Texas first district court of civil appeals has ruled.

The case, Sharp vs. Chrysler, involved an injury resulting from brake failure in a car that had been in previous accidents with no apparent damage to the factory-encased brake system.

Even though the system might not have been mechanically defective at the time it was sold, the car manufacturer has an obligation to make sure that the brakes are not too fragile to withstand an accident or two, the court said, in upholding the plaintiff's right to a jury decision on his absolute liability claim against Chrysler.

If the manufacturer, the court said, "places into the channels of trade a product so fragile that anticipated use is likely to create a dangerous condition, he has distributed a defective product." The fact that the brake system was encased preserves the inference that any defect was a defect at the time of manufacture or assembly and authorizes a valid jury conclusion that the defect existed at the crucial time. There was no evidence in the case that the brake system had been tampered with in any way or that there had been an intrusion into the casement.

THE COURT made it plain that it was not suggesting that the injured party was entitled to a verdict in his favor, "but only that the jury may draw an inference that a defective condition existed at the time possession and control was surrendered by the manufacturer of the product" and apply the doctrine of absolute liability.

Chrysler argued that the case was comparable to the same court's decision in a case involving injury from a Coca Cola bottle. But the court found that a difference lay in the effect of the potentiality for tampering with goods exposed for sale as contrasted with articles encased or contained in mechanisms or containers which afford protection from tampering or misuse.

In the Coca Cola case, it pointed out, since the possibility that damage could occur "with respect to articles exposed for sale by many persons who would have an opportunity and desire to handle the merchandise, we required that a claimant negate the probability of such intermediary damage. Where, however, the defect exists inside an encased mechanism or container, absent from the necessity to invade the mechanism, the inference is that the defective condition existed at the time of manufacture or assembly. The fact that the unit is encased protects the inference and authorizes a valid conclusion by the jury that the defect existed at the crucial time." ■

Burbank bar group asks for lawyers' cover

SAN FRANCISCO—The Burbank Bar Assn. has proposed to the Conference of Delegates of the California State Bar Assn. that it obtain lawyers' professional liability or errors and omissions insurance on a group basis.

The proposal envisions an agreement between the State Bar of California "and one or more insurance companies" or through an "adequate program of self insurance conducted under auspices of the State Bar of California."

The resolution by the Burbank lawyers declared "It has become increasingly difficult and expensive to obtain errors and omissions insurance coverage on an individual lawyer or law firm basis."

The resolutions committee disapproved the Burbank group's proposal. ■

Sommers' goal: unify insurance

CHICAGO — Raymond F. Sommers, newly appointed risk manager for Nationwide Industries, said one of the biggest challenges he is undertaking with the conglomerate is "finding out what coverages they now have and then consolidating them."

Mr. Sommers, 33, has been with Insurance Company of North America for 10 years and has served as a line underwriter and assistant superintendent. He will complete his work toward the CPCU designation this year and plans to enroll in risk management studies.

The risk manager assumed his duties with Nationwide this month. ■

Foreign insurers dominate Greek business: Tambouras

NEW YORK—The Greek government is encouraging nationals to set up their own insurance companies, according to Alexander F. Tambouras, president of the Tambouras Organization S.A., Athens.

To date 107 insurance companies operate in Greece underwriting all lines of insurance.

Out of these 65 are foreign and 42 Greek. Also, by special privilege, the Agricultural Bank of Greece writes insurance virtually monopolizing agricultural risks. Out of the 42 Greek insurance companies, seven are bank sponsored.

Mr. Tambouras said that Greece is the second merchant marine power on the world. The gross tonnage of Greek-owned ships is estimated at 22,888,000 and the total yearly marine premium paid amounts to more than $150,000,000.

Yet hull insurance service for almost all its merchant marine is mainly distributed among British, French, German and American insurers, he stated. "This issue is so important to the economy of the country that it became one of the main goals of the government."

The Greek banks have an unfair advantage and interfere with insurance coverage, Mr. Tambouras contended. Before granting a loan, the client must agree to take out an insurance policy usually in excess of his needs with an insurance company that is sponsored by the commercial bank. ■

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Audio . . .

Continued from page 23

uses a transceiver which transmits and receives back a characteristic pattern of sound waves. When the protected area is normal (no movements), the pattern transmitted and the one received are in balance. Man-made movement in the area distorts the sonic wave pattern. This distortion is detected at the control panel and translated into an alarm signal which is instantaneously sent to guard headquarters.

In small areas, the transceivers are usually grouped to provide protection for the entire space. In large areas, the devices are scientifically located to provide protection zones or traps.

The total system is designed to be highly responsive to the frequency disturbances caused by man-made movements but insensitive to motion created by air distribution systems and other normal movements in a protected space. Built-in alarm discrimination circuits further insure the reliability of alarm signals.

THE FINAL GOAL of an intruder is frequently an object such as a safe, cabinet, desk or specific thing. Accordingly, the following systems are provided to protect the object itself whenever possible. Sonic wave pattern motion detectors, contact devices, and many other systems can be employed in particular situations. But the most frequently applied systems are of the following types.

Safes are the objects most frequently subject to attack and **capacitance detection** is the system most widely used to thwart such attacks. In this application, the entire safe is made an antenna for the capacitance detector. Anyone approaching the safe is immediately detected and causes an alarm to be actuated. Detection and alarm occur before the safe is actually attacked.

The system is identical in principle of operation to the capacitance change system used for area protection. The difference lies in the detection range and sensitivity.

Other objects may be protected using the same principle. Typically protected objects include paintings, displays of valuable items, storage repositories and models.

Electronic vibration detection was discussed previously under area protection. It is also widely applied in safeguarding objects.

Inconspicuous contact microphones specifically designed for this type of application are affixed to the object to be protected and wired to a control panel. Anyone touching, hitting, moving or otherwise upsetting the object is instantly detected.

Low cost and simplicity of application make this system popular for protecting cabinets, files, desks, display cases and a host of other objects. Sensitivity is easily adjusted to meet the requirements of the installation.

ALL SECURITY SYSTEMS in general use today have wires to connect the various detecting devices with the alarm receiving equipment. Frequently, these wires are leased telephone lines, but they may be wires of almost any kind.

A short circuit, a broken wire, or other serious malfunction would render the security system inoperative. Therefore, all well designed systems must have provisions for automatically checking circuits and actuating an emergency signal in the event of line failure. This is generally known as simple line supervision and is quite common in fire alarm, equipment surveillance and security systems.

In addition, the best designed security systems provide tamper supervision. This feature is required to guard against someone tampering with the wires without causing an actual short circuit or broken connection. Security systems which do not provide this feature can be defeated or compromised with surprising ease by expert intruders. ▪

Giles . . .

Continued from page 11

policy is ordinarily regarded as excess insurance over and above specific insurance and does not apply until the specific insurance has been exhausted." (See *Jorski Mill & Elevator Co.* v. *Farmers Elevator Mutual Ins. Co.* 404 Fed 2nd 143.)

DOES THE doctrine of last clear chance in the law of negligence disappear when a state adopts the comparative negligence rule?

Maine says that it does.

Maine's comparative negligence doctrine became effective in 1965. It provides that a claim shall not be defeated by the claimant's contributory negligence but that the claimant's damages shall be reduced to such extent as the jury thinks just and equitable, having regard to the claimant's share in the responsibility for the damage.

The statute provides further that if the claimant is found by the jury to be equally at fault, he cannot recover.

The court noted that in at least two of the six states that have a form of comparative negligence of general application, the doctrine of last clear chance still exists. But in these states, Nebraska and South Dakota, the court explained, the comparative negligence statutes are limited to cases in which the plaintiff's negligence is "slight" and the defendant's "gross by comparison," a circumstance that reduced the inconsistency of the two doctrines. (*Cushman* v. *Perkins* 245 At. 2nd 846.)

IF YOU GO TO the Virgin Islands this winter on a tour and are poisoned by fish that you eat in a restaurant, you have a chance of recovering any damages you suffer, but this risk does not apply to the old residents.

The plaintiff was a guest at the defendant's restaurant. She orderd fish and did not know or have means of knowing that it was poisonous. After the meal she became violently ill.

But she was a long-time resident of the Islands and admitted that other residents had contracted fish poisoning. The plaintiff had contracted ciguatera fish poisoning, which is apparently caused by a toxin.

Unfortunately when this condition occurs in a fish, neither care in the handling, or selection of the fish, reveals the presence of the poisoning, and cooking does not destroy the poisoning.

But this plaintiff was denied recovery. The court said that since she had been a resident of the Virgin Islands, and was aware that persons eating fish do sometimes suffer from ciguatera fish poisioning, that she assumed the risk when she orderd the fish.

However, if you go down there, it may be well to waive your tourist privileges and order ham and eggs. Sometimes this fish poison is fatal. (*Bronson* v. *Comanche Club, Inc.* Virgin Islands District Court. June 29, 1968.) ▪

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BART...

Continued from page 19

facilities.

Any single carrier would have to provide broad experience in safety and accident control, claims and loss handling and statistical control facilities.

AFTER MONTHS OF study and conferences with potential markets, Transit Insurance Administrators made the decision for a joint undertaking of Argonaut Insurance Cos. and Fireman's Fund American Insurance Cos.

"When all conditions of carrier selection were equal, we favored insurance carriers which maintained home offices in the State of California," said Hoagland.

"It was our aim to syndicate all, or at least a substantial number, licensed to write the major types of insurance required by the district."

WORKMEN'S COMPENSATION premiums were estimated at $30,000,000 and there was distinct advantage in writing all with a separate insurance company exclusively set aside to handle the BART account. The amount of earned surplus available for dividend consideration would be clear, because there would be no carry-over from previous workmen's compensation activity and no mingling with other activities.

Workmen's compensation insurance was awarded to National Surety Corp. of California, a wholly-owned subsidiary of Fireman's Fund which used the combined service facilities of Argonaut and Fireman's Fund.

The liability program should be underwritten by the same insurer to guarantee maximum use of service facilities, and interested insurers submitted their proposals on a combination basis during negotiations.

BART WOULD REQUIRE substantial limits of liability, and it was essential to secure a commitment for a high primary limit. This would provide the base for achieving a total coverage of $75,000,000 for minimum cost.

Coverage was of prime importance since a wrap-up program had been proposed. Contractors would expect broad coverage—or that at least equal to what is normally available in the market.

The premium for the liability insurance program would in final analysis have direct relationship to incurred losses, so bidders were instructed to submit lower limit pricing formulae based upon losses. This approach presented the critical question of expense factors.

The Argonaut/Fireman's Fund proposal provided a primary general liability limit of $10,000,000. This was considerably over the minimum primary limit proposed by TIA, but the proposal showed lower premium costs and expense factors on a comparative basis.

AFTER SELECTION of the primary insurer, TIA proceeded with placement of the required excess limits of liability.

Three separate excess liability placements are now in effect: First excess—$30,000,000 excess $10,000,000; second excess—$10,000,000 excess $40,000,000; and third excess—$25,000,000 excess $50,000,000.

The coverages are underwritten in American and London markets. Lloyd's and English insurers have the largest share, but there is wide and substantial American participation—with 15 separate placements in the domestic market.

PREDETERMINED EXCESS premiums were established for each excess liability placement. These provided for extension of expiry at a premium adjustment to be agreed.

There remained the difficult task of arranging property insurance protection to protect contractors' interests in property consumed by the project. TIA also had the basic responsibility of protecting BART's interests during the property acquisition and engineering design phases, during construction and during operation of the system.

TIA designed a single, all-inclusive program to protect all interests. It was divided into four parts:

(1) All risks course of construction—To protect contractors and sub-contractors for physical loss or damage to property consumed by the project.

(2) Completed values — To protect BART's interests in property which has been completed and accepted and in all other real and personal property.

(3) Business interruption and extra expenses — To protect BART in the event of total or partial suspension of normal operations. This also included contingent business interruption and extra expenses incurred to continue normal operations.

(4) Errors and omissions—To protect BART for the cost of modification, correction, repair and loss of use of property.

BART WOULD REQUIRE a large limit of liability, including earthquake, and TIA was faced with the task of offering this insurance to markets with heavy earthquake commitments in the San Francisco Bay Area. Coverage was effected for $50,000,000 after extensive foreign and domestic negotiations. According to Mr. Hoagland, the $50,000,000 limit has been maintained despite recent and pronounced shrinkage of the London market.

The services of TIA extend for a seven-year period and general liability and all-risk property insurance programs were arranged for a seven-year term, with agreed premium and cost factors where feasible.

It was decided that all policies, endorsements and other documents required by contractors would be issued by TIA. This immediately gave contractors the policies which BART had agreed to provide under contract documents. All procedures were streamlined into a successful management program, with TIA performing many of the functions normally associated with an insurance company.

Argonaut and Fireman's Fund established a completely independent BART service office with specialized claims, statistical and safety engineering personnel in the quarters of TIA at 785 Market St., San Francisco. This insured immediate liaison among insurers, contractors, the transit district, engineers and claimants.

TIA then directed its responsibilities toward the critical area of risk management, because, in final analysis the insurance costs of the project will bear direct relationship to the sum total of the losses. ■

OIA offers scholarship

The Oil Insurance Assn. has announced the availability of a four-year scholarship for the Illinois Institute of Technology's fire protection engineering program. Inquiries concerning the scholarship should be directed to F. A. Gorham, general manager, 175 West Jackson Blvd., Chicago.



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Impose more control on hospital expansions

HARTFORD—Stronger control over hospital expansion plans will be exercised by the Connecticut Hospital Planning Commission under newly announced rules.

The private organization of hospitals and other major health and welfare groups in the state will begin a two-step review procedure of expansion plans.

To be considered first is "planning approval" of the basic ideas of expansion—*i.e.*, if they fit within community needs, alternate resources and hospital long-range objectives.

THIS PHASE will be followed by "project endorsement" after consultants and architects and fund-raising survey supervisors have concluded their work and the commission has reviewed the individual institution, its plans and specifics of the expansion.

Heretofore, commission approval was sought often only after architects and consultants had been hired and other activity was under way.

Commission executive director G. Pierce Taylor remarked that now "ill-planned or unneeded projects can be eliminated or corrected earlier in the development process."

Connecticut hospitals do not need commission endorsement, Mr. Taylor admitted, but they stand to gain stronger community and financial support with Commission approval. ▪

Mann-Kline and M&M merger: 'No comment'

KANSAS CITY, Mo.—Officials from Mann-Kline Inc., a broker here, and Marsh & McLennan are reportedly discussing the possibility of a merger. However, spokesmen for both firms would not comment on the story nor deny that talks have taken place. The Kansas City broker is affiliated with Alexander, Sexton & Carr Inc. Another affiliate of this firm, Charles W. Sexton Co., Minneapolis, previously reported to be engaged in merger talks with Marsh & McLennan. It is understood one stumbling block in the proposed merger is that Mann-Kline does not want to give up its identity. They have several commercial accounts, including Trans World Airways.

Award $151,000 in negligence settlement

HARTFORD — A negligence action stemming from an accident at Raphael department store in New Britain, Conn., has resulted in a $151,000 Hartford county superior court settlement.

The Embassy theater was being demolished when its east wall collapsed on the store's rear, burying Mrs. Diane Boncek (who is also called Diane Piskorski) and Miss Alice R. Branch.

According to the settlement, Mrs. Branch received $50,000; Mrs. Boncek, $41,500; and Mrs. Boncek's father, Lucian Piskorski, $1,500.

ALSO INJURED in the wall collapse, Elizabeth Partyka, was given $1,800. All three women were store employes.

The court, however, ruled that Mrs. Branch return $5,939.37 in workmen's compensation, and Mrs. Boncek pay back $4,433.50.

Settlements were also made with Raphael's Department Store, $42,000, and the Leonard Building Corp., $15,200.

AN $1,800 AWARD was made to the city of New Britain, for loss of revenue from ruined parking meters in the Hansen Parkade at the rear of the New Britain City Hall.

Louis Vasile, operator of the cosmetics department at Raphael's, was given $700 for damage he said was done to his counter.

Judgments against each defendant were: Valley Construction Co., $59,000; Roger Sherman Transfer Co., $56,000; Stanley Warner Management Corp., $20,000; the city of New Britain and building inspector Laurino Salvio, $10,000; and the Leonard Building Corp., $6,000.

THE PLAINTIFFS sought $606,000 in damages. Twelve lawyers handled the complicated action on both sides.

It was a late fall afternoon five years ago that tons of bricks and debris ripped through the department store's rear roof and fell into the main sales floor.

The near-catastrophe brought nearly every piece of New Britain city rescue equipment racing to the scene in the busy downtown business district. Barricades were thrown up and the block on Main St., from the former Church St. to the railroad tracks, was declared a disaster area.

Demolition work was later completed by the Manafort Bros. and the site now serves as a parking area. ▪

Bill revises workmen's compensation

OLYMPIA, Wash.—Ten members of the state legislature here have introduced a bill that would revise substantially the state workmen's compensation insurance law.

Republican Representative Sideny Morrison explained the measure would "extend coverage to practically all of Washington's workers and would boost benefits, relating the benefits to wages."

The bill also would simplify existing appeal procedures and would require that benefits be paid within 14 days after the employer had been notified of an injury.

AGRICULTURAL WORKERS would receive unlimited medical insurance benefits immediately. However, the required payment of benefits for loss of time and for permanent disabilities would not become effective until July 1, 1973.

Clerical and retail trade workers would be exempt if their employer had fewer than six workers. This exemption would expire on Jan. 1, 1972.

The measure also would create a new Department of Workmen's Compensation to supervise all employers and the present division of industrial insurance within the Department of Labor and Industries would be converted to a state-operated insurer. ▪

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Life insurers' pledge money goes to ghetto area businesses

HARTFORD—America's 163 life insurance companies pledged to participate in a $1 billion program for the country's urban and ghetto investments late in 1967 have found the bulk of the money is going into activity the companies would never have anticipated a few years ago.

The list includes: New stores and offices for a Chicago ghetto; a new factory in Detroit to preserve jobs for ghetto dwellers; experimental prefabricated houses in impoverished Alachua, Fla.; loans to a predominantly Negro college; home mortgages for low-income families in a number of major municipalities.

Six Hartford firms have collectively committed $109,600,000—nearly 11% of the national total.

Connecticut Mutual Life, for example, pledged $15,000,000 and has committed most of this figure, although tentative commitments may exceed the total.

SOME $11,400,000 went for projects in Hartford, Memphis, St. Louis and Seattle, the more unusual including a building addition to Group Health Cooperative of Puget Sound, which provides prepaid health and hospital services to more than 100,000 members paying an annual membership fee. The hospital, situated in Seattle's core area, employs many area residents. With Connecticut Mutual financing, the addition is creating additional jobs.

Connecticut Mutual is also backing the remodeling of St. Louis' Metropolitan Technical School and expansion of the Hamilton Medical Convalescent Center. The school is training ground for the unskilled, leading to jobs at the convalescent center.

AT 1968'S END, Aetna Life & Casualty had issued firm commitments or had loans in progress exceeding its $38,800,000 share. It was among the first firms to meet full loan quota.

Some $2,200,000 has been projected for homes and apartment projects in metropolitan Hartford. About $1,000,000 covers loans on one-to-four-family houses. Aetna authorized another $1,200,000 as its share of the financing of the Van Block and Sheldon Oak apartment projects. Aetna is participating in the Hartford Housing Now development, stimulating home ownership among lower income families, encouraging housing integration.

On a national basis, Aetna committed loans for a number of projects in some 25 states—apartment buildings, service and retail outlets, a predominantly Negro college and homes.

The $1 billion total includes a Phoenix Mutual commitment of $3,673,500, covering underwriting loans to develop apartment complexes and single- and two-family housing units in Hartford; an office and shopping center bordering a ghetto area in Chicago. The latter will create 200 jobs for ghetto residents.

A PHOENIX Mutual spokesman added: "These commitments have been made in areas which would not have been financed under normal business practices because of their location or risk."

The Hartford Life Insurance Co., the life insurance arm of the Hartford Insurance Group, has committed $1,000,000, primarily in Hartford. The firm has boosted its original $100,000 commitment to Hartford Housing Now to $500,000.

Harry V. Williams, Hartford Insurance Group board chairman, said, "The company's good experience in providing mortgage money for five different families with $100,000 it had originally put into Hartford Housing Now prompted this increase."

A Hartford Life Insurance commitment of $150,000 has gone to the Charter Oak apartment development here. ▪

Clarify dock worker act

BALTIMORE—The Federal Longshoremen's and Harbor Workers' Compensation Act covers *all* injuries sustained in the course of their employment, a divided Fourth U.S. Circuit Court of Appeals has emphasized.

The majority held Marine Stevedoring Co. liable for injuries or death of four longshoremen incurred while they were working at mooring and loading operations on piers several hundred feet from shore.

Noting that the remote piers were high enough for small boats to pass under them, the court majority ruled injuries on such docks were "upon the navigable waters of the United States" as required by the statute.

Since a longshoreman killed while working in a ship's hold would be entitled to recovery, the majority said it would be intolerably harsh and incongruous to deny the same benefits to a longshoreman injured while performing the same tasks on an adjoining pier.

The judges cited the same court's previous opinion that the language of the law should be "broadly construed" and not "frustrated by needless refinements." ▪

Broken toe earns reduced court award

SPRINGFIELD, Mass.—A broken toe was worth $500 less in Springfield superior court than in Springfield district court for a former city woman who was awarded $1,586 for the injury she suffered in 1962 when a frozen turkey fell on her foot.

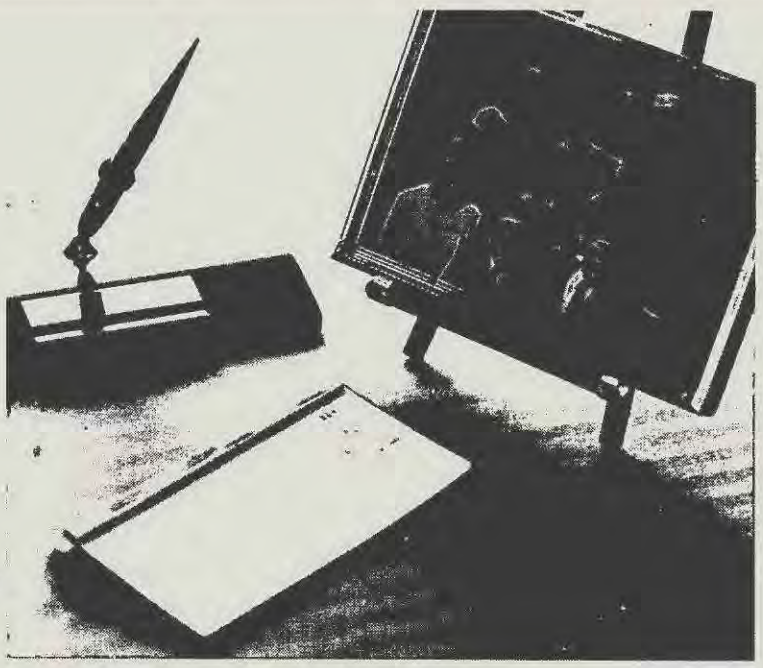
A superior court jury awarded Mrs. Hedy Baclawski of San Jose, Calif., $1,586.

She had appealed the $2,086 award of district court Judge Michael Donohue.

The case was heard on appeal from the defendant, Chicopee Falls Provision Inc.

Mrs. Baclawski, then a chiropractor living here, bought the turkey Dec. 7, 1962. A store attendant put it into a bag which broke and the turkey fell on Mrs. Backlawski's toe as she lifted the bag onto a counter.

"You don't think much of her big toe," remarked Judge Henry J. Chmielinski to the jury when the award was announced. He complimented them on their understanding of the complaint. ▪



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Major losses due to alcoholism sobering fact to U. S. business

NEW YORK—One of every 20 business executives is an alcoholic. So are 3.5 million industrial workers.

These are sobering facts that cost the industrial community some $4 million to $8 million a day in inflated insurance premium rates and in dollars paid out to problem drinkers under the guise of fringe and "welfare" benefits.

Concrete loss is measurable in terms of absenteeism (three times that of nonalcoholics), benefits paid while not working or during long-term treatment, lost performance and accidents related to the effects of alcohol. Problem drinking also results in more frequent lateness, inefficiency and low morale.

The American Medical Assn. and others advise industry to approach alcoholic problems initially through the medical department of the company, accepting an alcoholic case as a curable physical condition.

SEVERAL INSURANCE companies and personnel departments of large companies accept that premise and try to catch the problem at early stages. Lower management is trained to note telltale signs of possible alcohol problems.

Supervisory personnel, without intruding or prying, refer potential patients to the labor relations department or directly to the health clinic. As a representative of the National Council on Alcoholism said, "Forget the notion that alcoholism in an employe is entirely a personal matter."

In the past, corporate policy has been largely to overlook indications of a drinking problem in an employe until his work suffered seriously. At that point the company would either drop him from the payroll or pay him sick leave on repeated occasions.

Either action is exceedingly expensive particularly in light of the growing number of problem drinkers in the young-middle-age group.

THE COMPANIES and their insurers are beginning to notice the heavy financial burden of this approach and are looking for more effective methods of dealing with the problem to the mutual benefit of the workers and their employers.

The National Council on Alcoholism, with branches in eighty metropolitan areas, disseminates information to the public on the nature of alcoholism and the means and methods of establishing recovery programs.

The industrial division of NCA tries to get companies to recognize that alcoholics are ill and that treatment rather than condemnation is a more profitable attitude for all involved.

RUSS VON WIEGAND, NCA industrial consultant at the New York agency, emphasizes to corporate executives that the role of the industrial community is to initiate pre-treatment. NCA notes that industry does not undertake continuing treatment of any chronic illness under its group health program.

Consistent then with the definition of alcoholism as a disease, the employer needn't oversee total recovery of an alcoholic. That is the job of outside treatment from a private doctor or an independent agency.

Industry is well suited to combat alcoholism because of its organizational structure, its position of respect and power in the employe's eyes and its leverage of job security.

Currently one-third of the United States' top companies are affiliated in some way with programs to spot problem drinkers and introduce them if possible, to methods of recovery and rehabilitation.

NCA ASSISTS interested companies not yet offering personnel such assistance. The council provides employers with the capabilities to set up their own pre-treatment programs with pertinent information on alcoholism as a disease and on the facilities available for treatment, such as Alcoholics Anonymous, hospitals or clinics.

Industry as a whole can point to an overwhelming rate of recovery for treated patients. Of those who accept treatment, approximately 60% recover fully. This may be partially because those treated are often helped in early stages of the illness and are not yet unemployable. Deteriorating job performance is a reliable tip-off for early detection.

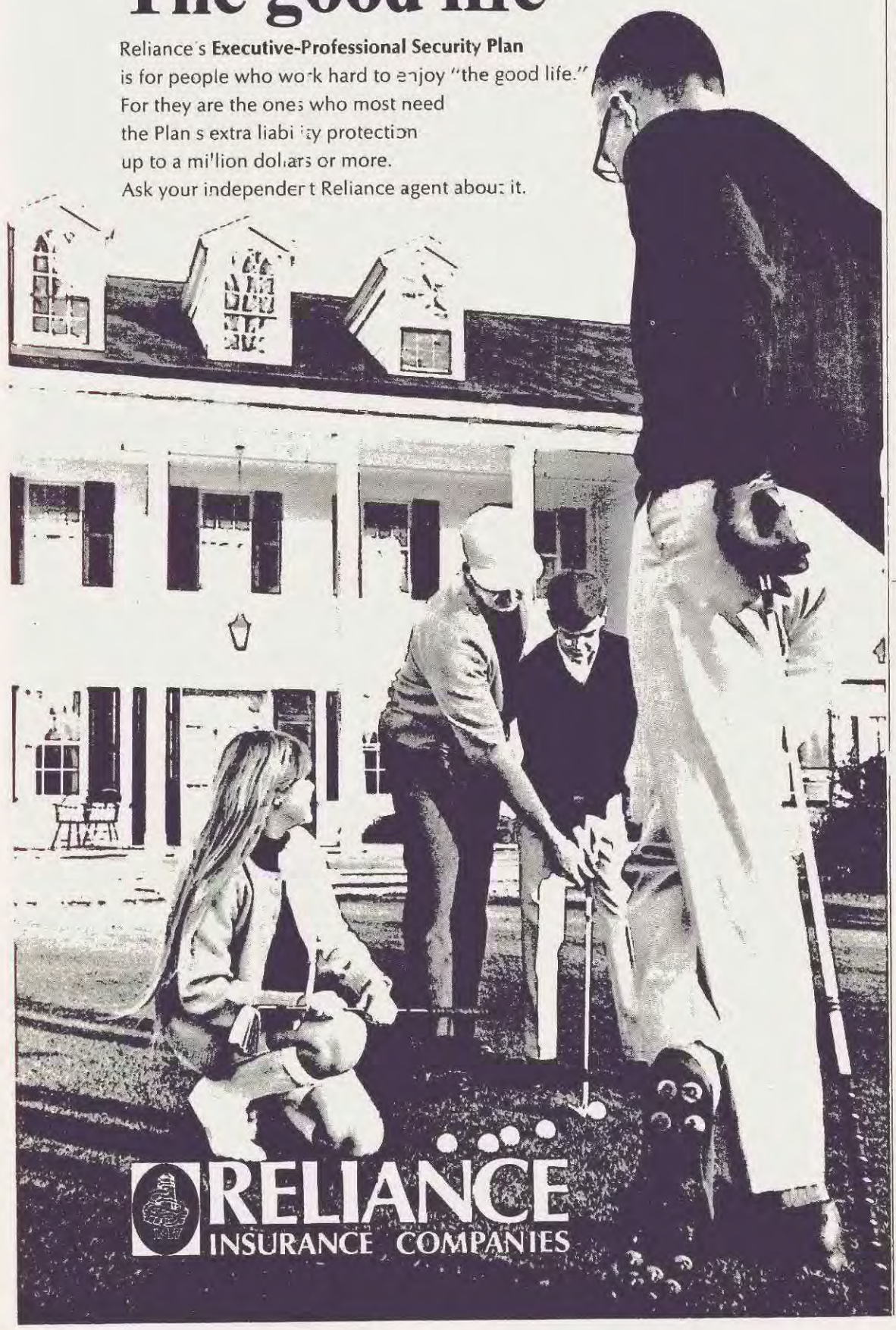
The Boeing Co.'s Vertol division is one of a growing number of companies to initiate such "early warning" programs. Supervisory personnel at Boeing are expected to report to the clinic those workers with recognizable symptoms of alcoholism. Both the labor relations department and the medical department now give help to individuals with drinking problems.

ANOTHER COMPANY facing the issue head on is Du Pont. Dr.

Continued on page 39

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March 17-19, Corporate Seminars Inc., Motivating employes with financial incentives, Waldorf-Astoria, New York.

March 17-19, AMA, Modernizing your approach to workmen's compensation costs and coverage, AMA Management Center, Chicago.

March 17-19, AMA, New trends in employe benefits programs, AMA Management Center, Chicago.

March 19-21, AMA, Risk retention—self-insurance via deductibles, excess covers and noninsurance, AMA Management Center, Chicago.

March 19-21, AMA, Mass merchandising in the insurance industry, AMA Management Center, Chicago.

April 14-18, Greater New York Safety Council, 39th Eastern regional safety convention & exposition, Statler-Hilton, New York.

May 8-9, Pension & Welfare News, Third annual conference on employe benefits, Statler-Hilton, New York.

Sept. 9-12, International Rendez-vous, Monte Carlo.

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Sues over treatment to 'sensitize' blood

BUFFALO, N.Y.—A woman who claims she nearly died as the result of attempts to make her rare blood more valuable for donor purposes is bringing a $1,525,000 suit in supreme court.

Mrs. Joan T. Fiedler of Springville, N.Y., is suing along with her husband, Robert W. Fiedler. Defendants are Mirsa Inc., North American Biologists Inc. and at least two individuals.

A hearing in supreme court will determine whether the court has jurisdiction over North American Biologicals.

NORTH AMERICAN claims it does not, since it has not done business in New York State. However, the plaintiffs charge that Mirsa Inc., which has solicited blood donors, is a division of North American.

Eugene C. Tenney, attorney for Mr. and Mrs. Fiedler, said an employe of Mirsa Inc., identified as Wayne Smith, came to the Fiedler home about 10:30 PM Sept. 12 and, after two hours of discussion, persuaded her to undergo treatment to "sensitize" her blood, the suit alleges.

Mrs. Fiedler has RH-negative blood, which is much-sought by women with the same type who want to have children, Mr. Tenney said.

Mrs. Fiedler was given two injections of blood which, she was told, would make her own blood more useful for donating, her attorney maintains.

About a half-hour after the second injection and after Mr. Smith had left, Mrs. Fiedler went into shock and began to bleed, the suit charges.

Mrs. Fiedler is still being treated and examined by blood specialists and other doctors, her attorney said.

Mr. Tenney said he is attempting to serve a Florida man who believes is principal stockholder in both Mirsa and North American. The suit asks $1,000,000 in punitive damages and $525,000 for injuries. ■

Legislators act to control gas line explosions

ATLANTA—In an effort to prevent repetition of a gas line explosion that killed nine children and two adults here last May, the Georgia House of Representatives has unanimously passed a bill requiring blasters and excavators to know where gas lines are before they begin work.

The explosion in May occurred when a front-end loader being operated by a landscaping company employe broke an underground gas line and fumes leaked into the basement of an adjacent day nursery building.

Lawsuits filed in behalf of three of the victims and an injured nursery employe have totalled $2 million. Defendants are the nursery, the Atlanta Gas Light Co. and William Spearman and Richard Paula, who were identified in the suits as being connected with the landscaping and excavating at the nursery site.

UNDER A BILL introduced by Rep. Dick Lane of East Point, gas companies in Georgia would be required to file with county superior court clerks maps showing where their lines and mains are located.

Any person planning to excavate or blast anywhere in the state would be required to study the maps and notify the gas company if work is planned within 200 feet of a gas line. The company then would be required to place stakes above the lines.

Rep. Mac Pickard, who is an official of a gas company in Columbus, Ga., and is chairman of the House Industry Committee, spoke in favor of the bill. The measure was supported by gas companies throughout the state and passed the House by a vote of 169 to 0. ■

IIA surveys feasibility of adjuster reciprocity

The Insurance Institute of America, Bryn Mawr, Pa., is conducting a survey of state laws and regulations to determine the feasibility of interstate reciprocity for licenses of fire and casualty adjusters.

Reciprocity would be based on completion of parts of the IIA adjusting program. "We are moving to obtain similar recognition to that given by Rhode Island and Washington from all other states requiring the licensing of fire and casualty adjusters," said Frederick R. Hodosh, director of legal and adjuster education.

"A reciprocal agreement between these states would give qualified adjusters a national mobility and assure the states of professional claim personnel in the time of catastrophe," Mr. Hodosh said.

Retailer who sells out still covered: Court

PORTLAND, Ore.—Judge Gus Solomon in U.S. district court has ruled that operators of a retail store, who buy insurance protection on the merchandise they sell, continue to be covered even though they dispose of the store.

The ruling meant that First Insurance Co. of Hawaii must pay to Carol Lee Chapman of Portland a judgment of $125,000.

She was injured when a grass hula skirt, bought from a Honolulu store, burst into flames.

Store operators Mr. and Mrs. Charles E. Brown had bought insurance coverage protecting them from such claims. They said a branch manager for the insurance firm had assured them they remained protected on what they had sold even though they no longer owned the store. The company said the policy covering the store had been discontinued.

Judge solomon held that it would be unreasonable to expect merchants to realize that they would have to keep insurance policies in force after they leave the business. ■

Wohlman named

Louis A. Wohlman has been named manager of the employe-benefit department of Grosenick, Maier & Sargent, Seattle insurance brokerage firm. He formerly managed the Seattle office of a life insurance company, it was reported.



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CG to finance hospital, insure new prepaid medical program

HARTFORD—The Connecticut General Life Insurance Co. will insure a new comprehensive prepaid medical care program in Maryland and finance a $3,750,000 loan for construction of a hospital to accommodate patients enrolled in the new plan.

Johns Hopkins Medical institutions in Baltimore announced the first "major university of medicine working with private industry to put together such a plan."

Johns Hopkins medical director David Rogers said that similar programs have been initiated in other parts of the country with insurers contracting with doctor groups.

The program, to be offered to residents of the new city of Columbia, Md. (midway between Baltimore and Washington), will include a broad range of medical services with regular checkups and out-patient care for a set fee.

According to Mr. Rogers, the cost to patients will be about the same as for existing health insurance coverage.

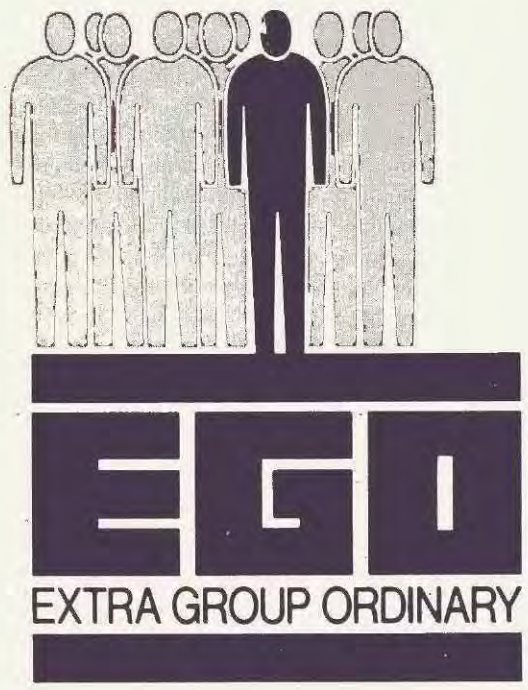
Connecticut General has also agreed to absorb any deficit in the prepaid plan for five years, in addition to making previous financial investment in the development of Columbia, Md. ▪

Bill adds business risks to FAIR

SACRAMENTO, Cal.—Assemblyman Robert Moretti, former chairman of the assembly insurance committee, plans to introduce legislation that would change provisions of the California FAIR plan.

Mr. Moretti's proposed new legislation would provide that the state layer of reinsurance be funded out of the general fund of the state and would also provide for extension of the existing plan to include commercial business, which now is included only on a voluntary basis. ▪

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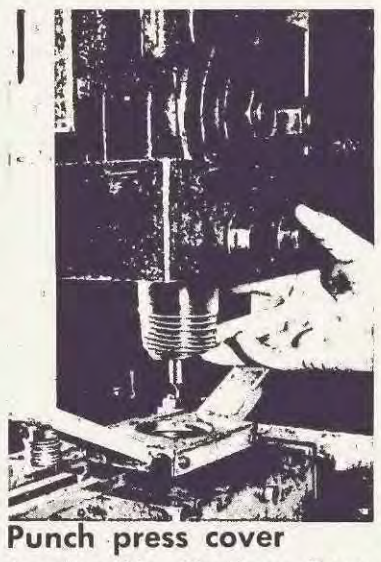
New Products is a *Business Insurance* feature designed to point out safety and security products of interest to the corporate executive. Detailed information on items may be obtained by writing the manufacturer at the listed address.

Abrasive floor coating

An abrasive compound manufactured by Epoxo Coating Div. of Falcon Safety Products Inc. is designed to reduce the frequency of falls on slippery surfaces. The manufacturer states that approximately 22% of all industrial compensation claims are the result of this type of fall. The nonskid coating is comprised of synthetic binders and abrasive particles and is easily applied to surfaces by trowel, brush, roll or spray operation. Drying time is about six hours and Epoxo makers state that the product withstands deteriorating action of oils, gasoline, alcohol, detergents, fire and traffic. Epoxo's bonding action protects against weathering, corrosion and wear of steel plates, concrete, aluminum, linoleum and asphalt. One application is said to last five years. Epoxo, available in red, green, gray, black, white and safety orange, is used on almost all U.S. Navy aircraft carrier flight decks. The company is at 20 Stern Ave., Springfield, N.J. 07081.

Standby power source

Cummins Engine Co., Columbus, Ind., is marketing an auxiliary power system which quickly integrates different sources of power in case of blackouts. Hospitals, schools and public buildings vulnerable to power failures often have only partial standby power. Makers of the Cummins system state that it is economical to buy a relatively small unit and add more capacity as needed, and that the cost for a 500 kilowatt unit has been cut, through technical development, by at least 10% and units of 1,000 or more kilowatts by up to 50%. The Delta Airlines computer center in Atlanta, Ga., and Bronson Hospital, Kalamazoo, Mich., have Cummins installations.



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Storage drum valve

The threat of explosion of volatile liquids stored in drums can be reduced by a Vent-A-Drum valve. The pre-set safety device can be installed by hand and automatically controls pressure changes and seals the drum to stop leakage if it is overturned. In the event of fire, integral fire screens prevent travel of flame into or out of the drum. Fuel loss through normal evaporation is also reduced, says the Central Safety Equipment Co., because of the constant equalization of pressure. The manufacturer is at 6601 Marsden St., Philadelphia, Pa. 19135.



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CPC CORPORATE POLICYHOLDERS COUNSEL, INC.

Lockheed starts new payroll plan March 24

SUNNYVALE, Cal.—Lockheed Aircraft Corp. believes its new program of auto and other optional insurance coverages for its more than 70,000 employes in California and Georgia is unique among aerospace firms in scope of its benefits.

Under the new program, which is effective March 24, most of the firm's salaried and hourly-paid employes in the two states will be able to buy auto, special accident and permanent life insurance through payroll deductions.

The life insurance is in addition to the existing company-paid group life coverage. Participating hourly-paid employes also will have an opportunity to buy long-term disability insurance, which already is available to salaried employes.

Travelers Insurance is also underwriting a similar program for Grumman Aircraft Engineering, Bethpage, N.Y. Employes at Grumman's Savannah plant began submitting applications for the increased insurance coverage three weeks ago. Travelers said that out of 1,000 employes, 292 applications have been received: 187 for auto insurance, 31 applications for homeowners insurance and 74 applications for a total of $1,200,000 in individual life policies. ■

Insurers fear new premium tax may drive buyers to self-insure

HARTFORD—Gov. Dempsey's proposed 5% sales tax on insurance premiums will have the effect of driving corporate insurance buyers to markets outside the state or to self-insurance.

This was the fear of industry representatives who showed up in force this month at the state capitol to voice strong protest to the impending tax hike.

In a joint statement 17 Connecticut-based insurance companies said they were "shocked" at the tax burden Gov. Dempsey proposed they assume.

"THE COMPANIES are prepared to carry their fair share of the tax burden, but they believe that it is unfair to ask the insurance industry and its customers to pay almost 20% of the entire amount sought in increased taxes," the 17 insurers said.

"The governor's plan would levy a 5% direct sales tax on the premiums paid by all policyholders, and, in addition, would increase the taxes on Connecticut companies to 2½ times present levels. It would cost insurance buyers $104,000,000 and the Connecticut insurance companies $52,000,000 in the next two years," they stated.

Herbert P. Schoen, exec vp of Hartford Accident & Indemnity, told the finance committee during the course of four hour hearings that the 5% sales tax proposed by the governor will drive large insurance buyers to foreign (out-of-state) insurance markets or to self-insurance, thus evading Connecticut taxation completely.

William N. Seery, a senior vp of the Travelers Insurance Cos., asserted that the tax proposals would jeopardize jobs and sound "the death knell for group insurance. Furthermore, a virtual monopoly by the nontax-paying Blue Cross-Blue Shield plans, with all of its evils, would result."

JOHN A. HILL, Aetna Life & Casualty, predicted that the tax would serve to "trigger retaliatory taxes" in other states. ■

Wheeling. . .

Continued from page 1

miums, and that commissions received by the Paull agency ranged from $100,000 to $150,000 a year.

The steel company added that it didn't uncover the availability of "substantial savings" until after the agency's chairman, Lee C. Paull Jr., had ceased to serve as a Wheeling board member. Either Mr. Paull Jr. or his father had served on the company's board from 1934 to 1965.

ALTHOUGH NEITHER Wheeling-Pittsburgh nor the Paull agency would comment on why they both moved to have the suit dismissed, one insider said that Wheeling's legal staff was opposed to dropping the suit.

Sources close to Wheeling said that at one point the Paull agency offered to settle out of court for $1,000,000 if Wheeling agreed to give all its business to the Paull firm at least until the agency had earned back the money in commissions.

Attorneys for Paull denied that the agency had made any settlement offer to Wheeling.

IT WAS ALSO reported that Wheeling, after severing ties with Paull, had saved $250,000 a year on insurance premiums. A spokesman for Wheeling, when asked about this report, said that "he was not authorized to proceed beyond the text of the announcement, which we consider to be sufficiently explanatory."

Other sources pointed out, however, that the suit against Paull was one of five damage suits that Wheeling's old management, headed by financier Norton Simon, had filed against suppliers. With the dismissal of the Paull suit, all five actions have been "concluded."

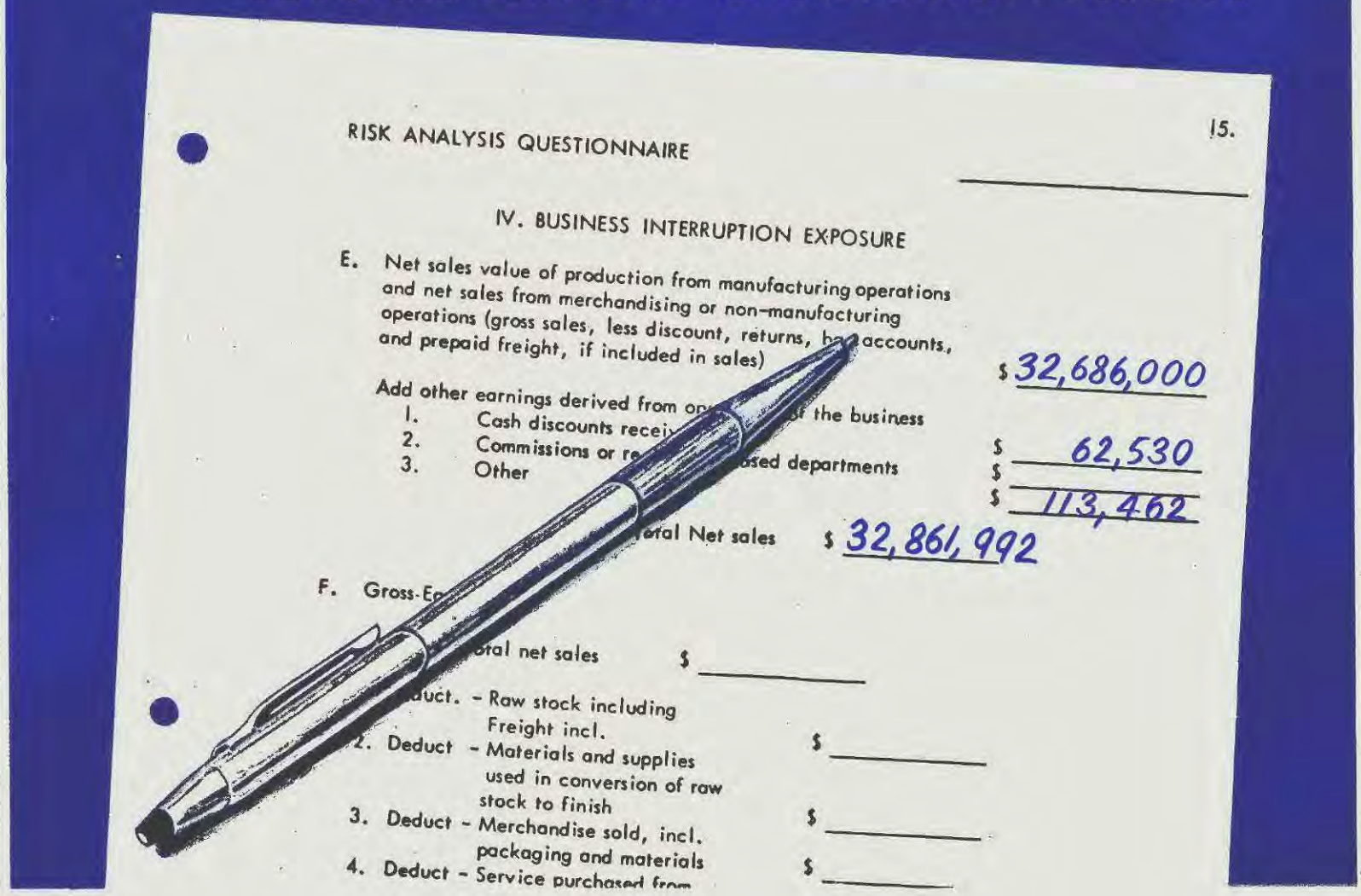
Mr. Simon, *Business Insurance* was told, was "bucking the system," and the new people he brought into Wheeling were treated as outsiders by the steel fraternity.

"THE STEEL PEOPLE never accepted the people Simon brought in," one source said. "They weren't even invited to Iron & Steel Institute functions."

Furthermore, as the Paull agency itself pointed out in letters sent out to clients and prospects after the suit was dismissed, the Wheeling action was taken after the Paull firm filed a suit against Wheeling contending that it refused to furnish the agency with a list of its stockholders.

The Paull agency dropped its case against Wheeling in May of 1967. ■

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Professors, insurance managers have 'special kinship': Denenberg

PHILADELPHIA—The university insurance professor and the corporate insurance buyer should feel "special kinship" in developing public policy relating to insurance, according to Herbert S. Denenberg, Loman professor of property and liability insurance at the University of Pennsylvania's Wharton School of Finance and Commerce.

In a speech to the Delaware Valley chapter of the American Society of Insurance Management, Mr. Denenberg emphasized that the University and ASIM are in a unique position to bring "an informed, responsible and effective voice" to public policy determination of insurence.

He believes that policy relating to insurance is often determined in a field of forces in which the consumer has little impact or effective influence.

"The insurance industry all too often has the dominant voice. Regulators all too often become captives of the regulated industry," Mr. Denenberg said.

HE CHARACTERIZED the industry as resistant to change, "maintaining status quo until crisis or catastrophe overtakes it (as demonstrated so dramatically by the riot and auto problems)."

Mr. Denenberg said that insurance buyers have already demonstrated their capacity to innovate new products and marketing arrangements. They should utilize the same "expertise and imagination," he advised, to solve more basic insurance problems—involving auto coverage, center-city insurance and the holding company.

THE ALLIANCE of ASIM and the universities, according to Mr. Denenberg, should originate ways to avail large and small buyers of more adequate markets, to solve the social problems stemming from our automobile insurance system and to bring new problems stemming from our automobile insurance system and to bring new force and vitality to state regulation. ▪

Dental plans 'old hat' to union fund trustees

NEW YORK—Pension and welfare fund trustees attending the eastern conference of health, welfare and pension plans found nothing new in two dental plans described at the meeting.

Edwin R. Werner, vp of associated hospitals of New York and United Medical Service (Blue Cross and Blue Shield), pointing out the need for dental insurance, said that 95% of the population suffer from dental disease, and of that figure only one in three goes to a dentist once in five years.

He emphasized, "our dental care plan has a basic assumption: if you neglect your dental health, it will not correct itself; it will only get worse."

James King, senior vp of Group Health Insurance, reminded his audience that GHI has been providing dental coverage for the past 15 years to more than 350,000 subscribers.

Blue Cross also hopes to begin an eye coverage plan, Mr. Werner said. "Today 85 million people wear glasses and it is estimated that 48 million more need them," he explained.

JOSEPH GAGLIANO, administrator of the mason tenders district council pension and welfare funds, told *Business Insurance* that his funds already have a self-insured dental plan, in which the money is given directly to the member for payment to the dentist. "For us, self-insurance is the least expensive way," he said.

The United Federation of Teachers welfare fund also provides its members with dental and eye care coverage. With the exception of hospitalization and dental care the fund is self-insured, said Raymond Lizza, director.

Edward Cross, secretary-treasurer of local 147, a construction union, said "many of us still have financial doubts about Blue Cross trying to begin a dental insurance plan. Our union is small, but in 1965 we began paying $7.50 toward our members' dental bills."

LOUIS BERNSTEIN, administrator of the Bartenders Union welfare trust fund and United Retail Liquor Dealers Bartenders Union trust fund, said that "dental and optical plans may be new to other union, but we have had a dental plan since 1949 and an optical plan since 1948.

"We are self-insured and operate a dental center with ten dentists," Mr. Bernstein said. The members get free dental service, paying only for false teeth.

"We charge our members laboratory costs. They can get a full set of teeth for $80."

Mr. Bernstein added that the union has provided its members with podiatry care since 1963.

"I think it should be stressed," he said, "that trustees of funds should not go after the most popular benefits at the moment, but should look for the most pressing needs of their members. ▪

Lloyd's visit...

Continued from page 2

not bring with them liability or recall possibilities.

One day during his week in England, Hansen went to the Sussex home of his Lloyd's broker to sit in a drawing room and discuss such matters as the American stock market and the possibility of devaluation of the franc in France which faced a general strike. "Neither the British pound nor your American dollar could withstand franc devaluation," the Lloyd's broker predicted.

"The three covers that we discussed in London might be difficult to place in the American market," Mr. Hansen said, "and so it was a good investment for my company to send me for a week in London."

Mr. Hansen believes that London—more than New York, Hartford or Chicago—is the insurance center of the world. "Anyone who's in corporate risk management owes it to himself and his company to make a trip to London," he said. ▪

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MEMBERS OF ASSOCIATION OF CONSULTING MANAGEMENT ENGINEERS, INC.

Spotlight auto race track's coverage after crash

COVINGTON, Ga.—A drag strip near here where 11 persons were killed and 46 injured by an auto traveling 180 miles an hour that careened into spectators has been called an "outlaw" track by several drivers who have raced here and by spokesmen for major car racing organizations.

The Yellow River Drag Strip was operating without sanction from either of the two hot rod associations. Included as part of the sanction is a minimum insurance requirement of $100,000/$300,000 liability limits.

The National Hot Rod Assn., located in Los Angeles, has a group insurance plan with Agricultural Insurance Co., Waterloo, N.Y., that has a combined single liability limit of $1,000,000.

James Tice, president of the American Hot Rod Assn., Kansas City, told *Business Insurance* that his association's group contract with Universal Underwriters, Inc., is "virtually the same" as its competitor's.

The NHRA plan includes general comprehensive liability, a spectator death benefit, a loss-of-pay provision for contestants of $40 per week for up to one year (after a two-week waiting period), and medical expense coverage with a $10 deductible. The AHRA plan is the same without the $10 deductible.

A SPOKESMAN for the NHRA said that all but four dragstrips use the package plan, and those four are covered by other plans.

The NHRA sponsored 2,550 races in 1968 with 440,000 contestant entries; the AHRA sponsored about the same number of events with its group liability contract covering close to 5,000,000 spectators. The NHRA spokesman said that from 1965 to 1968, of the 6,600,000 persons who purchased pit passes at NHRA races, only 12 made insurance claims, the most costly of which was for a broken ankle.

Some professional dragsters win up to $65,000 annually, but 75% of them are in the stock car class.

Both of the major association have a legislative goal to make all outdoor amusements show evidence of insurance.

AT YELLOW RIVER, the racer crashed into an embankment near the quarter-mile finish line, went through a chain link wire fence into the crowd. At sanctioned meets, the NHRA spokesman said, the closest a spectator could get to the strip would be 100 feet at the start and this is extended to 375 feet at the quarter mile post.

In addition, he said, there are guard rails, safety fences and hay bales used to protect spectators. In addition, at sanctioned races, no alcoholic beverages are sold and off-duty policemen or other security guards are used for crowd control.

He said the key to a sanctioned meet is organization and supervision.

A spokesman for the Sports Car Club of America said the Yellow River accident "further emphasizes that operations outside the framework of organized racing are dangerous and should be stopped.

Spokesman for two other automobile groups, the National Assn. for Stock Car Auto Racing and the United States Auto Club, also urged that established safety precautions be enforced.

A spokesman for the AHRA said that Yellow River was operating under totally unsafe conditions. A contestant who has driven at the track said the two-lane highway is raised several inches from the surrounding terrain and that spectators are allowed to congregate much closer than at most strips.

The owner of the Yellow River track has declined to comment on the accident. ▪

Alcohol...

Continued from page 34

C. Anthony D'Alonzo, medical director of Du Pont's 8,700 employes, contends that "alcoholism is self-induced . . . that one has the power to refrain from drinking whenever he develops the will to do so."

Business insurance costs traceable to alcoholism are exceedingly high, and insurance companies themselves have a particular interest in heading off problem drinking.

The Insurance Co. of North America, Philadelphia, decided recently to conteract both the financial costs of alcoholism in industry and the social consequences of problem drinking.

IN COORDINATION with the Delaware River Valley branch of the National Council on Alcoholism, INA recently sponsored a month-long opposition drive against alcoholism in the Philadelphia area.

INA itself established a policy on alcoholism, which provides competent professional assistance to those employes whose work is affected by excessive drinking. The decision to accept treatment is individual and voluntary.

By coordinating their activities with independent agencies such as the NCA and the AA, rehabilitation programs in the industrial community have met with increasing success.

Workers often eliminate their drinking problem without losing seniority, employment or weekly pay. Correspondingly, their employers ultimately save significant sums of money by not paying out "sick-pay" benefits, by not losing trained personnel and by obtaining a more satisfactory level of work efficiency from each employe. ▪

Housewife sues city for price of clothes wash

Mrs. C. L. Smith, Pittsfield, Mass., is labeled a housewife of demonstrably modest intent, fastidious and resolute.

When a city water main broke the other day, flooding her clothes-laden washing machine with gooey mud, she sued the city of Pittsfield—but not for any particularly extravagant sum.

IN HER SUIT for $6.15, Mrs. Smith said that she was forced to wash everything three times to get rid of the mud.

And here is how she figured a "fair" compensation:

Soap, 50¢; depreciation on her washing machine, $1.90; and three hours' labor, at $1.25 an hour, $3.75.



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Fire-fighting expert tells Chicago how to retain second-class rating

CHICAGO—The second class fire insurance rating granted this city by the American Insurance Association in 1964 is not in jeopardy, according to Gerald L. Maatman, president of the National Loss Control Service Corp., a consulting firm owned by Kemper Insurance Cos. Second-class rating means a premium savings to Chicago businesses and homeowners of more than $1,000,000 annually over what a third-class rating cost.

In a 100-page report recently released, the consulting firm proposes a 38-point package recommendation to the city that would, in Mr. Maatman's words, "move the city securely into the second class rating." But "if nothing is done, the city will probably remain in the second class," he added.

Some of the manpower recommendations in the report are not strictly in accord with AIA standards. "However," the report says, "the provision of supplemental manpower at fires which will be provided by the recommended manpower squads will, in effect, increase their manning, particularly where four-man companies are involved." AIA standards call for five- to eight-man companies, but the report contends that six "flying manpower squads" could provide the necessary back up for the four- and five-man forces now in operation.

IN THE WAKE of the report, John Tebbens, president of the Chicago Fire Fighters, local 2, has called the manpower recommendations "sheer folly." The report recommends an elimination of 306 fire-fighting jobs.

Highlighted in the report was "re-establishing an adequate degree of salvage service in the fire department as recommended" if the city is "to remain safely within its present, second-class category."

The city and Mr. Tebbens have, at various times, called for the insurance industry to re-establish patrols to perform all the salvage work. The industry says this is a public function that should not be performed by private industry.

Mr. Maatman contended that the main reason the city will not lose its second-class rating is that it would be too costly for the AIA to review the rating until 1980 or 1985—unless some member companies of the AIA request such a review.

NEW YORK CITY, which also has a second-class rating, has never been completely inspected by AIA, Mr. Maatman told *Business Insurance.*

Hardware improvements — 55 pumpers in five years and 24 aerial ladder trucks in three — are recommended. ▪

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Protest...

Continued from page 3

The assistant treasurer at Michigan State University, Merrill Pierson, handles the insurance matters for that school. He, too, is fairly optimistic about his insurance market. But, he added, "I can tell you that our professors have been calling to find out how much insurance we have."

Specifically, Mr. Pierson said that the computer research department and the art curators suddenly became interested in the university's insurance after the computer wrecking at Sir William George University. "If we hadn't been carrying much insurance," he said, "it would be difficult to get it now."

Authorities at the University of Wisconsin, Mr. Surfus told *Business Insurance,* have taken steps to "spread the probability of damage" to their computer. Duplicate tapes and cards have been stored separately on the campus.

At Rutgers University, New Brunswick, N.J., a wire screen has reportedly been put around the university's computer center in anticipation of trouble, while at Berkeley the campus police force has been beefed up. State police stand by ready to reinforce campus police.

San Francisco State, which has had perhpas the greatest student unrest problem thus far, has 14 regular security guards roaming its campus while local police stand a 24-hour guard on the school's computer center. Television crews must bring guards with them before they are allowed on campus with their cameras.

Many other schools are now taking security steps to protect property. Universities haven't been equipped to cope with violence. As a number of college insurance managers asked *Business Insurance* about security matters, "What's everybody else doing?" ▪

BART grants awards for safety that lower compensation costs

SAN FRANCISCO—Major awards have been given by the Bay Area Rapid Transit District (BART) to its consulting engineering firm and two of its construction contractors, for exceptional safety records that helped keep insurance rates lower.

The joint venture engineering firm, Parsons, Brinckerhoff, Tudor, Bechtel (PBTB), racked up a record of 912, 853 accident-free man hours during a work period of nearly two years.

"This kind of accident free record," said BART president James P Doherty, "on a big construction job such as this, is pretty impressive.

THE TWO contractors also given awards were a joint venture of Fruin Colnon Contracting Co. and General Construction Co., and Trans-Bay Constructors

The former organization worked through an entire one-year period without a single lost time accident during the 142,014 hours.

Workmen for Trans Bay, builders of the underwater trans-bay tube, worked 342,720 accident free hours during a six month period.

PBTB has nearly 300 engineers and inspectors working on safety programs out of 35 field offices around the 75 mile system.

PBTB project director, William A. Bugge, reported "the loss ratio for workmen's compensation is only 34.89 per cent here, compared with an average for California construction of 51.15 per cent. BART accidents, as a result, have cost only $34.89 per $100 of premium, as contrasted with the $51.15, which California construction normally costs."

Construction men on the BART project have totalled more than 17 million man hours of work thus far, with an accident frequency rate of only 20.4 per million man hours. The national average frequency rate for heavy construction contractors is twice that, or 42.73 per million man hours. ▪

Unemployment insurance less today than in '38: AFL-CIO

WASHINGTON—An AFL-CIO spokesman here has claimed that there is "less real protection against 'temporary' unemployment today than when the nation's unemployment insurance system began more than 30 years ago."

James O'Brien, assistant director of the AFL-CIO department of social security, said that the lack of Federal standards for unemployment insurance has led to "serious deterioration" of the system, and he called for an updating of the unemployment compensation system.

Mr. O'Brien said that maximum benefits have fallen from 65% of the average weekly wage in covered employment in 1938 to about 30% today.

THE UNION official pointed out that some 18,000,000 workers —many of them public employes, farm workers and domestics— are still denied protection of unemployment insurance. He said this "stands out like Pikes Peak in our present system of income maintenance."

Mr. O'Brien deplored harsh disqualifications that rule out protection for many who would otherwise be eligible for temporary help while looking for work.

The union spokesman also said that of the 11,000,000 people out of work at some time during 1966, only three of 10 drew even the "benefits that allow less than poverty-level subsistence."

The long-sustained growth of the nation's economy and the relatively low unemployment levels, according to Mr. O'Brien, tend to lessen the sense of urgency to modernize and update the unemployment compensation system. But, he urged, "this would be the most opportune time to make long-overdue improvements."

"REFUSAL to improve the system at this time is like the position of a farmer who refuses to fix his tractor in the wintertime because he will not need it until spring," he said.

Mr. O'Brien's remarks were aired on a public affairs broadcast titled "Labor News Conference." ▪



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Lawyer urges use of video-tape in company accident reports

CHICAGO—A lawyer here who specializes in products liability, subrogation and negligence has created two devices that may revolutionize his field. Called Depovision and Trialvision, they are video sound recorders that respectively tape depositions and trial proceedings.

"I can envision the day when, in small cases, all the testimony will be put on a tape and handed to a judge," Edmund W. Sinnott told *Business Insurance*.

Beyond that, the attorney is now advocating that "every large company ought to have a video system to use where accident reports are taken." The tapes would be valuable when workmen's compensation claims are disputed, he said. In addition, Mr. Sinnott contends that video systems have a bright future in the fields of safety and security, monitoring worker performance and keeping a watchful eye on shipping docks.

A PARTNER in Pope, Ballard, Kennedy, Shepard & Fowie and an amateur movie maker, Mr. Sinnott mixed business and pleasure to come up with Depovision and Trialvision.

"In products liability," he explained, "there are a number of experts who are called upon to testify." Often "they are scattered throughout the country." Like many other lawyers, Mr. Sinnott found reading a deposition "in monotone" to a judge and jury left much to be desired —inflection, demeanor and general forcefulness of personal presentation.

"To film depositions is too costly," the lawyer contended. But "the cost of Depovision doesn't measure up to the cost of a witness hanging around two to three weeks to testify." A Depovision system, he said, costs about $2,000.

One advantage of video taping a witness' testimony, Mr. Sinnott told *Business Insurance*, is that "you get him while the facts are fresh in his mind.

"MOREOVER, professionals, like doctors, investigators and handwriting experts, are not always available when needed," he said, adding that the same problems exist with ill, infirm and aged witnesses.

Most importantly, Mr. Sinnott said, "a lot is lost in written depositions."

For a current case, the lawyer will use Depovision for testimony from scientists as far away as Germany. "The only way this could be done is with depositions, and the only effective way at a reasonable cost is with Depovision," he said.

Trialvision, Mr. Sinnott explained, is a more elaborate video system. "The state courts—in Illinois—have conducted experiments with Trialvision," he said. "Hundreds of complete cases are on tape."

Presently, "administrators in the supreme court of Illinois have recommended it. Money is slowing them up right now," the lawyer added. He predicted it was merely a matter of time before all courts would use video taping systems.

Video recording a complete trial, Mr. Sinnott told *Business Insurance*, would enable judges to spot legal errors and decide whether there were grounds for an appeal. "Many judges and lawyers have encouraged us to expand our experimenting into their states," he said.

Another area in which the lawyer believes video taping will be used some day is in demonstrative evidence. Rather than using scale models or photographs, Mr. Sinnott said, a complete demonstration of an accident could be presented—even at the location of an accident. But, he added, "the courts will move slowly on this." ■

Suit follows high court no extension rule

SPRINGFIELD, Mass.—A $10 million damage suit, charging breach of contract, has been filed in Hampden County superior court against Jordan Marsh, Boston-headquartered department store chain, by the Springfield Mall Trust, of which Michael Albano is the principal trustee.

The action contends that Jordan Marsh "wrongfully" refused to grant a time extension he requested in 1966 to permit him to build a $13 million shopping center in Springfield.

The state supreme court ruled in June, 1968, that Mr. Albano was entitled to the extension he requested, but Mr. Albano said, "the extension came too late."

INSURANCE authorities said that typically a general liability insurance would protect the department store chain in the event that it lost the suit. Surety bonds guarantee the performance of a contract.

Mr. Albano's first request to Jordan Marsh for more time was made in writing in December, 1966, he said. An oral request was submitted in March, 1967, and a second written request made in September of 1967.

"Had they acted on any of these requests," Mr. Albano said, "I could have proceeded with construction of the center."

He explained that by the time the court had ruled in his favor, "construction costs and the cost of money" were too high to allow him to proceed on the original basis of his contract.

MR. ALBANO said that he had sought to renegotiate the 1964 Jordan Marsh lease, "but they wouldn't renegotiate." He could not "carry through at the old rent," he added.

Despite the filing of this Hampden County superior court action, Mr. Albano said that "the door is still open for Jordan Marsh to go forward on any equitable basis."

Last December, a Jordan Marsh spokesman said the company was still interested in locating in Springfield, but was not negotiating for a location.

In his first action against Jordan Marsh, Mr. Albano contended that he was unable to keep his lease commitment to have the framework for the store's building in the center ready by February, 1968, because of "unavoidable delays" beyond his control. He cited taxpayers' suits to block city efforts to extend Allen St. to Cooley St., and difficulties in obtaining steel for construction. ■



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Farmers receive $2.25 million compensation: eight-year high

WINNIPEG, Manitoba—Manitoba farmers, hard hit by disastrous weather conditions in the 1968 harvest season, are receiving $2,250,000 compensation for losses from the province's Crop Insurance Corp.

At mid-February, 4,050 claims had been received, most of them from farmers in the Red River Valley. Amounts ranged from a few hundred dollars to more than $20,000.

Premium income of $3,200,000 —$2,400,000 paid by 14,481 farmers who insured their crops, the balance the 25% share contributed by the federal government —was more than enough to pay all claims without drawing on the corporation reserve fund or without using the reinsurance agreement between the federal government and the province.

THE 1968 CLAIMS are highest in the eight years of crop insurance, three times the amount in 1966 and 1967 when annual claims were about $750,000.

A three-way weather attack damaged last year's crop—a spring drought in the southwest, almost continuous rain in the harvest season and early frost in some northern areas. Harvesting is about 96% completed, with a big portion of crop left over the winter north and west of Brandon.

Field adjusting is completed until spring. Partial payments are being made to insured farmers, part of whose crop is under the snow.

Further adjustments will be made, depending on how much of their crop can be salvaged this spring.

This season, 14,459 farmers, about 50% of all the agriculturalists in the province, insured 2,250,000 acres of crops. Of the total $3,100,000 in premiums, they paid $2,300,000 and the federal government paid the rest.

THREE ADDITIONAL crops were insurable in 1968. For the first time since crop insurance started in 1960, farmers were able to insure up to 80% of the 25-year average yield of eight different crops—wheat, oats, barley, flax, fall rye, rapeseed, fall mustard and sugar beets.

Total coverage of policies issued was $37,500,000. ▪

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Insurer balks on liability award draft

ALBANY, N.Y. — The insurance company representing one of the two losers in a suit brought by Dr. Albert Vander Veer II, whom a jury awarded $453,000 for golf cart accident injuries, has refused to honor its own bank draft for $100,000.

The existence of a suit against the insurance company, brought by Dr. Vander Veer and his attorneys, is disclosed in an order of attachment issued by Supreme Court Justice Edward S. Conway.

The order directs the sheriff of Kings County, or any other county in New York State, to seize any assets in this state of State Fire & Casualty Insurance Co., based in Miami.

THE ALBANY surgeon and his lawyers also ask for a judgment for $100,000.

Dr. Vander Veer was injured seriously Oct. 3, 1964, at the Albany Country Club when he was struck by a golf cart operated by Dr. Thomas I. Tyrell, a golfing companion. The cart, manufactured by Victor Comptometer Inc., was purchased by Willig & Brown, and leased to Robert K. Mix, the club's pro.

Victor Comptometer, Willig & Brown, Mr. Mix, Dr. Tyrrell and the club were sued. The jury's award of $453,000 was against Willig & Brown and the club, exonerating the others.

The verdict was under appeal when a settlement for an undisclosed amount was reached, meaning that Willig & Brown and the club agreed to pay less than $453,000.

THE CLUB'S insurance company paid its undisclosed share of the settlement.

Willig & Brown's insurance company, State Fire & Casualty, agreed to pay $100,000 as its share of the settlement, and extended a draft in that amount to Dr. Vander Veer and his lawyers, in exchange for a "release" from the doctor and lawyers. ▪

Name Reynolds director and officer

Robert J. Reynolds has been elected a director and officer of Richard N. Goldman and Co., San Francisco insurance consultant firm.

First Arkansas million-dollar suit settled in post-trial hush

LITTLE ROCK—A personal injury suit in which the largest single judgment in Arkansas history—$1,250,000—was awarded has been settled out of court in the midst of post-trial litigation.

Dr. John M. Hundley, a Little Rock orthopedic surgeon, won the huge judgment Dec. 20 against James H. Penick Sr., chairman of the Worthen Bank and Trust Company of Little Rock.

The suit grew out of a seemingly minor accident on June 3, 1966, in which Penick's Lincoln sedan allegedly bumped the rear of Dr. Hundley's station wagon stopped on a Little Rock street waiting for the car in front to make a turn.

THE SURGEON contended that as a result of injuries suffered in the accident he had partially lost use of his hands, leaving him unable to continue his practice.

A Pulaski County circuit court jury that included three insurance men decided on the award, the full amount asked for by Dr. Hundley.

Reportedly, the suit was settled out of court for about $500,000.

One stipulation of the settlement was that neither side would disclose the amount.

LAWYERS, PHYSICIANS and the man-on-the-street in Arkansas were particularly interested in the case because of the prominence of the men, the impact the award would have on liability insurance and the amazing amount the physician claimed he was worth.

The suit was dismissed by Circuit Judge Tom F. Dibby "with prejudice," meaning that it can not be refiled.

Two days before the Hundley suit was dismissed, the judge dismissed with prejudice a $250,000 suit that Charles E. Broussard of the Kaplan, La. area, a rancher and rice grower, had filed in December against Penick alleged that he, as a passenger in the Hundley vehicle, also had been injured.

Reportedly this dismissal also was another condition of the settlement in the Hundley case.

It could not be determined whether an out-of-court settlement had been made in this case.

The car Penick was driving at the time of the accident was owned by his bank and reportedly insured by St. Paul Insurance Companies with an umbrella policy that fully covered the settlement.

Penick's lawyers had filed several motions after the trial, contending irregularities on the jury. ▪

Allow switch of pensions to new state unit

PHOENIX—Superior Court Judge Yale McFate has cleared the way for transfer of $12,000,000 of the Phoenix, Ariz., police pension fund from the city to the new state Public Safety Retirement System.

The judge granted a motion by the city to dismiss a petition by three Phoenix policemen for an injunction to block the transfer.

The policemen contended they might lose their vested interest in the fund if it were handled in accordance with the statute that set up the state system.

LEVEN FERRIN, attorney for the policemen, contended controls over the investment of the fund under the new system are too weak and the police would have less to say about its administration.

The city argued there would be no loss to the policemen but rather a gain because the fund would be invested in higher interest securities.

Also being transferred to the state retirement system is $8,000,000 in the Phoenix firemen's pension fund. ▪



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We also believe you need protection from the trouble-spots that spawn claims. Your end of the bargain is to put up with a very determined loss prevention engineer who may want to consult with your architect, your office planner, your floor waxer or even your mail boy. Our end? To stabilize your premiums.

Finally, we feel it's only fair to protect you from inflexible underwriting and the stand-pat package plan. Our underwriters have the experience to judge a property (and its owner) on its own merits. Because we don't have to compensate for underwriting errors, we don't have to insist on minimum coverage requirements either.

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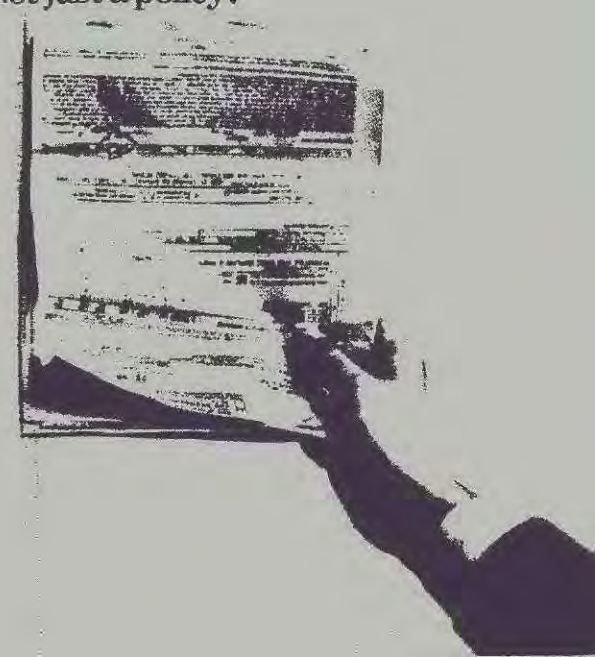
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