NFL clash over players' benefits

By PATRICK THOMAS

WASHINGTON—A dispute over payment of premiums for football players' group insurance may well transform tough contract talks between the National Football League Players Assn. and the NFL Management Council into a real blitz.

The premium dispute infuriated many players when the management council declared earlier this year that team owners would cease paying the $64,000 monthly group premium at the end of March. The contract between the players and owners expired Jan. 31.

The benefits plan, written entirely by Lincoln National Life Insurance Co., Fort Wayne, In. provides active players with $20,000 life insurance coverage and $20,000 accidental death and dismemberment benefits.

The medical insurance portion of the plan provides major medical benefits of $50,000 for each active player and $50,000 for each dependent. The present group insurance plan carries a $25 per illness or injury deductible and pays 80% of all costs above that, according to a

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business insurance®

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Tent safety

Product liability cases involving fast-flaming tents are springing up. The industry provides a classic look at the struggle to build safer products, and, at the same time, market them successfully. **Page 54.**

Franchise insurance

Kentucky Fried Chicken franchise-holders are taking part in a package insurance offering in greater numbers. A Nashville-based broker put together a special property-casualty recipe that involves good leverage for lower prices. **Page 11.**

Meatpacker safety

Meatpackers and butchers have some of the worst safety records around, making the Top 5 OSHA list of industries with the most injuries. Companies in the business are working on new safety programs to slash the number of accidents. **Page 26.**

Asphalt producers

An asphalt industry trade association commissioned a review of industry risks, and found them improving. The result: at least one underwriter is lowering property insurance premiums by 10 to 15%. **Page 34.**

Police liability

The city of Seattle is paying heavily for false arrest claims against its police officers filed in greater numbers after campus disturbances in 1970. The bad experience is increasing liability insurance costs for the municipality. **Page 52.**

Lloyd's broker hunts new U.S. clients

By SUSAN ALT

BOSTON—Lowndes Lambert International, one of the five largest Lloyd's brokers in the world, established a U.S. office here and is making a major drive to increase its—and Lloyd's—group and individual life and accident underwriting market share, *Business Insurance* learned.

Edward A. Dipple, a Lloyd's floor broker for ten years, is now in charge of the Lowndes Lambert USA Inc. operation along with Thomas P. Carrigan, CPCU. Mr. Dipple has been given the unprecedented authority to enter into accident insurance contracts which bind Lloyd's for as much as $1 million on any one individual.

THIS IS THE largest single Lloyd's binding authority ever given to one individual.

Mr. Dipple, who came here nearly a year ago, for several months has aggressively sought new group and individual accident insurance clients for Lloyd's, working through U.S. brokers.

LOWNDES LAMBERT is writing accident insurance of all kinds, particularly policies involving highly unusual risks, as well as industrial accidental death benefit covers, travel accident policies, war risk accident covers, pilot policies, offshore drilling personnel policies, and famous persons policies. The firm is not writing hospitalization coverage, as such.

The broker reportedly has already finalized several substantial policies: one an individual accidental death cover with a $4.5 million limit on the president of a major oil company, and a second on some 42,000 employes of American Cynanamid Co. for work-related accidental death benefits over the statutory workmen's compensation levels.

Although Mr. Dipple declined to make any detailed projections of Lowndes Lambert's or Lloyd's goal in the U.S., he did say that in the last six months the new branch has captured some $500,000 in premium business and is bidding on several other large group plans right now.

Lowndes Lambert USA Inc. has the authority of all 70 Lloyd's accident insurance syndicates to represent them in soliciting this business.

A source close to Lloyd's told *Business Insurance* that only a year ago Lloyd's estimated it had

Continued on page 2

Worst air disaster hits London for $40 million

PARIS—The Mar. 3 crash of the Turkish Airlines DC10 superjet here, killing 345 and making the disaster the worst in aviation history, sparked worldwide reaction because of the giant property loss to insurers, looming prospects of huge liability and life insurance payouts because of the collective loss of life, and the possibility that the plane's manufacturer might be hit with product liability suits.

The hull of the McDonnell-Douglas-produced aircraft was insured for $20 million, and passenger liability will add another $10 to $20 million, sources in the London market said.

LLOYD'S STATED in London that at least 80% of the DC10's hull value was reinsured either with its members or with the London market.

With Lloyd's and other U.K. underwriters scheduled to pay out another $10 million on top of this for the British Airways super-VC10 which was hijacked and burned at Amsterdam airport the same day, the aviation market suffered serious setbacks.

Aerospace manufacturers are watching this case closely for the impact it will have on aircraft product liability, hull and casualty insurance rates. Aviation prop-

Continued on page 2

Gains shown for group auto plans

NEW YORK—The large majority of companies offering group automobile insurance to employes over the past five years are satisfied with the arrangement, according to a survey sponsored by the American Society of Insurance Management and U.S. News & World Report.

At the same time, however, the study pointed out that companies which do not offer the benefit exhibit mixed feelings towards it.

The study, conducted for ASIM and U.S. News by Sidney Hollander Assoc., showed that 83% of the employe benefits managers at companies which offer the benefit feel that it is a good or very good idea. The main reason given for the positive feeling about the coverage was that it is a benefit that can be offered at little or no company expense.

ONLY 4% OF employe benefits managers feel group auto is either a very poor or poor idea, all expressing the fear that the company might one day have to assume the costs of the benefit.

This same fear is high on the list of reasons why 82% of the companies which do not offer the coverage have chosen not to. The managers of the companies feel that group auto would tend to create administrative problems and costs as the main reason their companies had not yet offered the coverage. Fear of having to pay the costs in the future was cited by 22% of these benefits managers while administrative problems were listed by 24%. However 46% of the firms which do not now offer group auto insurance said they expect to have such a plan eventually. Also, 44% of them said they do not know enough about group auto, but would like to learn more.

Some 44% of the companies which offer the coverage said that their own personnel are involved in one way or another, most often in the payroll deduction process, with the administration of the plans.

Insurance Co. of North America was named by 19% of the companies offering the plans as their carrier. The Travelers Insurance Cos. was named as carrier for

Continued on page 51



A product liability question is arising out of crash in Paris of Turkish Airlnes jet, killing 345. —Wide World

Airliner disaster . . .

Continued from page 1

erty/casualty rates are about to be reviewed and were thought to have been headed upward this spring in any case.

Following the crash, Lloyd's surveyors and investigators from the U.S. National Transportation Safety Board converged on the Paris site. Alarmed by preliminary findings that the DC10 had lost a cargo door in flight, the Federal Aviation Administration issued an airworthiness directive alerting other DC10 operators to this possible cause of crashes and describing special safeguards which must be implemented.

AN FAA SPOKESMAN told *Business Insurance* his agency was afraid improper latching of the cargo door might have been a factor in the crash because of a similar incident involving the near-crash of an American Airlines jet in July, 1972. That jetliner lost a cargo door near Windsor, Ont. and control cables running from the cockpit to the tail were severely damaged. The pilot was able to land the plane safely, however, despite loss of brakes and engine.

After the American Airlines incident, McDonnell-Douglas made modifications in the door system and was confident the malfunction would not recur. Until the Paris disaster, none had been reported.

Loss of the door could cause sudden depressurization of the cargo hold, which would in turn cause the passenger cabin floor to buckle. This could sever or damage the lower control cables and make the jet go out of control, the spokesman explained.

At present, McDonnell-Douglas, like Boeing and Lockheed, is known to have aircraft product liability policies with dollar limits of $150 million. Until recently, the firm reportedly had a much lower limit of about $100 million on its product liability cover.

The new airworthiness directive from the FAA, which has the force of U.S. law for domestic DC10 operators, requires the cockpit crew to perform a careful preflight inspection of all hatch covers.

Modifications of the door include use of heavier wiring in the electrically-actuated locking mechanism, strengthening of the mechanism itself and installation of a window allowing crew inspectors to visually double-check the latch from outside the plane to make sure that all locking pins are in place.

MCDONNELL-DOUGLAS Corp. had wired all its customers urging strict compliance with service manual instructions for protecting the cargo door even before the FAA made its directive, the spokesman added.

The FAA spokesman added that compliance costs for the new modifications and those in 1972 were paid by McDonnell-Douglas, "so there really isn't any reason why an airline wouldn't go along with this directive." He added that FAA inspectors will check to make sure the modifications are being made. ■

Lowndes . . .

Continued from page 1

only about one-half of 1% of total accident insurance business written in the U.S. Lloyd's is said to be making a concerted effort to increase business in all classes, worldwide, and the U.S. drive for accident premiums is just one area seen lucrative over the next few years.

Group insurance managers who've talked with Lowndes Lambert USA recently said they've been told the firm is aiming to generate over $10 million in premiums for Lloyd's in the next year or two, based on policies being bid right now. Mr. Dipple declined to confirm or deny those figures.

FURTHERMORE, initial reports of Lowndes Lambert's U.S. activities indicated the firm is highly interested in handling reinsurance of captive carriers, especially those involved in underwriting employe coverages. Mr. Dipple said he has not concentrated on that business, but neither is it precluded from being part of his plans.

This magazine learned that the policy recently finalized on the president of an oil company involved Lloyd's underwriting $1 million of the coverage, with the rest placed in the general markets.

American Cyanamid in Wayne, N.J. reportedly awarded its work-related death benefits coverage to Lloyd's as a result of a Lowndes Lambert bid for the business, at a "significant" savings to Cyanamid. Continental Casualty Co., part of CNA, was previously the carrier for this account, sources said. The premium is about $350,000 over three years. Although Cyanamid insurance managers declined to comment on the change, the coverage under the policy was reportedly broadened and simplified. ■

Lawyer's first loyalty is to insured client

HOUSTON—In the growing number of instances in which conflicts of interest arise among insurers, insureds and attorneys, current legal opinion is holding that a lawyer's highest allegiance is to the insured he represents and not to the insurance company that pays him.

That was the view expressed at the recent midwinter meeting of the Federation of Insurance Counsel by an experienced trial attorney, Wyatt Jacobs, of the Chicago firm of Jacobs, Williams and Montgomery.

"The interests of an insured, primary insurer and excess insurer, for example, will conflict under certain circumstances. The lawyer is paid by the primary insurer, to which he certainly has at least a contractual obligation. He appears in court for the insured as his representative. And although he has no direct link with the excess insurer, his conduct and decision may well affect its interests." Mr. Jacobs said.

"THE TREND OF modern opinion," he continued, "according to commentators and a few court opinions, seems to be that although the attorney has an obligation to the insurer, the insured is the client and it is for his benefit that the attorney should exercise his independent professional judgment."

Mr. Jacobs said full disclosure of possible conflicts was the key to resolving the legal and ethical dilemmas. "Once concurrence is obtained by both, no conflict is present," he said. "If concurrence is not possible, then at least the parties have been forwarned of the conflict and the attorney's ethical dilemma is resolved."

However, another speaker, David J. Kreager, of Orgain, Bell and Tucker, Beaumont, Tx., warned that such concurrence may be possible to get but difficult to maintain.

"We are aware generally," he said, "that we can represent clients with conflicting interests so long as they fully understand the conflict—underline the word fully—and so long as they're willing, knowing the conflict, to permit such representation. That platitude doesn't quite seem to work out in real life, because it's amazing how clients who understood the conflict before don't understand it after the verdict." ■

Insurance shift seen

John T. Gurash, chairman of INA Corp., speaking at the World Insurance Conference in London, noted that the industry is experiencing a shifting revenue pattern, with relatively less coming from traditional insurance premiums, and more income resulting from fees for services. "Revenues will be distributed differently—relatirely less to insurance underwriters; more to banks, consultants, and insurance companies who offer risk management services," he said. "And more will be retained by the insured himself, in the form of captives and self-insurance," he added.

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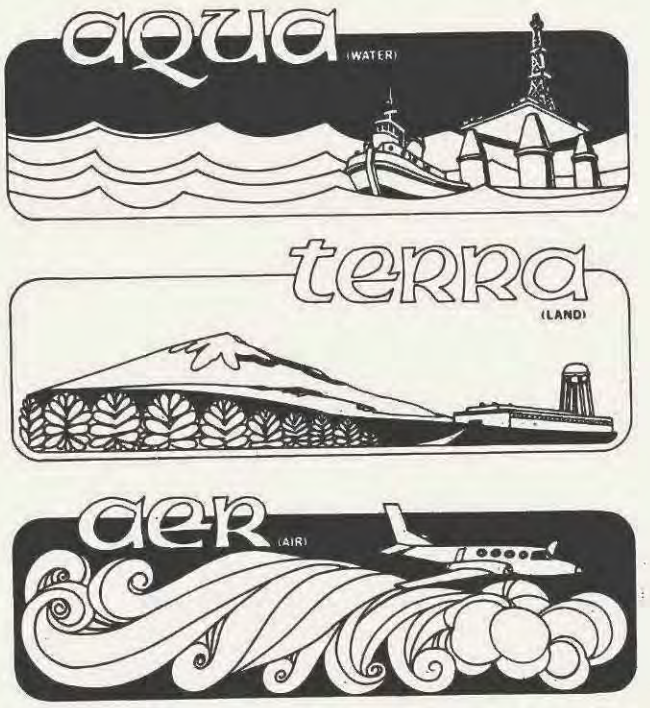
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Pension reform bills go to conference

House bill sets 5-year transition; benefit ceiling

By TOM WALSH

WASHINGTON—Under terms of the just-passed House pension reform bill, private pension plans would have five years to fully comply with one of the three alternative vesting standards.

The bill would set minimum vesting requirements for private plans under any of three methods: a ten-year service rule, providing 100% vesting after ten years of participation; a graded, 15-year service rule, allowing for 25% vesting after five years of participation and percentage increases over the next ten years; or a "rule of 45" which provides 50% vesting when age plus years-of-participation equal 45, and 10% increases annually thereafter.

At least 50% compliance with one of the three alternatives would have to be achieved in the first year following enactment of the bill, with 10% increases in compliance over each of the next five years.

THE HOUSE BILL, passed Feb. 28 by a surprising 375 to 4 vote after months of wrangling, also proposes to limit contributions and benefits paid, so that a tax exempt fund cannot provide an annual annuity higher than $75,000, or 100% of an employe's average three year pay, whichever is lower.

Contributions to profit-sharing, stock bonus and money-purchase plans would also be controlled, so that they could not exceed $25,000 per year or 25% of each participant's salary, whichever is less.

The measure would also establish a Pension Benefit Guaranty Corp., administered by the Labor department, to insure benefits from being lost through termination of plans that are at least five years old. The federal insurance agency would guarantee benefits up to a maximum of $20 a month for each year of participation in the plan.

PREMIUM RATES ON the pension termination coverage would not exceed initially 0.1% (0.025% for multi-employer plans) of the difference between a fund's present value of vested benefits and the present value of a fund's assets. All plans with 26 or more participants would be required to carry this federal termination insurance.

Unlike the Senate pension reform bill passed last fall (*Business Insurance,* Sept. 24, 1973), the House legislation does not provide for any federal portability clearing house for transfer of vested pension right from one qualified plan to another. The House bill does, however, require plan administrators to furnish the Social Security Administration with statements of vested rights of terminated employes, detailing the amount and form of benefits due.

The House measure says similar statements must be provided to the terminated employe.

Multi-employer plans are exempt from this requirement under the House bill.

Thus, the congressional push for pension reform moves into Senate-House conference to resolve legislative differences. Few persons here expect any quick resolution of the measures.

HOUSE PASSAGE of Rep. John Dent's (D-Pa.) bill came without any decision on the thorny question of what federal agency will enforce provisions of the bill. As sent to conference, the House bill says both the Treasury and Labor departments will enforce identical participation, vesting and funding regulations.

The Labor department is scheduled to have sole jurisdiction over fiduciary standards and termination insurance.

The Senate bill, however, gives the Internal Revenue Service, part of the Treasury department, complete jurisdiction over vesting, funding and participation provisions.

Conference committees will also iron out such differences between the two bills as:

- vesting and participation options. The House bill provides three alternatives for vesting, and two participation options, while the Senate bill provides a set standard in each area.
- "party-in-interest" transactions. The House bill takes a more liberal stance on pension fund investment in debt and equity issues of the employer company, while the Sentate bill prohibits such arrangements entirely.
- pension termination insurance. The House bill asks Labor department control, while the Senate measure allows for input from the Commerce and Treasury departments as well.

Sen. Jacob Javits (R-N.Y.) one of the newly-named Senate conferees, said he hopes some resolution of differences will be possible by the end of this year. Michael Gordon, minority counsel on the Senate's pension study group, said he "finds difficulties with literally every title of the House bill." ■

New cover introduced

NEW YORK—The Home Insurance Co. introduced a new "custom-cover" commercial insurance policy designed to provide a means of using one policy for various types of coverage.

There are no mandatory coverages—property, casualty, or crime coverage may be included in a single contract, The Home said.

Custom-cover is not intended to take the place of the company's package policies, but was designed for producers to use to develop and sell accounts rather than separate policies, the carrier noted.

The policy may be written for one or three year terms or on a continuous basis. ■

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Pipeline firm indicted for negligence in explosion; may spur liability fracas

NEW YORK—The Texas Eastern Transmission Corp. was charged with 40 counts of criminally negligent homicide as a result of the explosion and fire at a liquefied natural gas tank on Staten Island last year which killed 40 workmen (*Business Insurance,* Feb. 26, 1973).

If the company is convicted, it could face a fine of $400,000—$10,000 for each count of the indictment. The gas pipeline firm would not be covered by insurance for that eventuality, according to insurance sources.

"You can't insure against the public interest," said a risk manager who said he had faced similar circumstances. "I don't see where you could buy an insurance policy that would protect you against something like this and the courts would probably throw it out if you could."

But insurance coverage of the liabilities growing out of the explosion, as they are affected by the accusation of criminal acts, is another question.

"Criminal negligence is definitely not covered," a broker noted, "but if any liability claims have already been paid, I don't know what would happen. It would make an interesting law case."

TEXAS EASTERN declined to comment.

At the time of the incident, it was learned that Insurance Co. of North America would pay the vast bulk of the workmen's compensation death benefits on employes of the Sinapp Co., a local contracting firm whose employes were repairing the huge tank's Mylar lining when the fire broke out. Sinapp employed 37 of the dead; three were employed by Texas Eastern.

The property insurance was written by the Oil Insurance Assn., Chicago, under an "installation floater with all-risk coverage." The policy carried a $40 million limit with a low deductible. The 600,000 gallon tank, which has not been used since the accident, was valued at $31 million.

The company's small primary layer of liability insurance was carried by Continental Insurance Co. with the remainder written in several layers by a number of companies. At the time, insurance and oil experts did not expect the liability claims to go beyond the second layer of the policy, underwritten by Lloyd's of London.

ACCORDING TO the New York penal code, criminally negligent homicide can be charged when a defendant fails to perceive a risk which results in a death because of "gross deviation from the standard of care that a reasonable person would use."

The indictment was handed down after a year's investigation which showed that repairmen left the tank several times because of pockets of gas trapped beneath the tank's insulation. On contact with air, the liquid gas vaporizes and turns into a combustible gas.

The district attorney's probe of the incident also showed that electrical appliances could ignite the gas and that such appliances had been used in the repair of the tank's lining. The investigation alleges that Texas Eastern monitored the atmosphere within the tank.

When the accident occurred, according to the report, a gas pocket vaporized and was ignited by an electrical appliance. The explosion set fire to the tank's insulation, which then burned for several hours.

It was estimated by the investigators that the 40 men in the tank at the time of the blast could not have survived for more than 90 seconds.

Texas Eastern has filed a plea of not guilty in the state supreme court here, following the grand jury indictment.

The tank had been put into service in 1970. In early 1972, a leak was discovered and the LGN, stored at 260 degrees below zero, was emptied from the tank so the heavy insulation could be repaired. ■

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Carl Brown associate is fined in Ak.

LITTLE ROCK—The Arkansas insurance department has fined Paul D. Peevy $500 and put him on a year's probation for sharing insurance commissions from his Springdale agency with Phillip Wilson and Carl Brown, partners in the Bank of Sark scandal.

The Paul D. Peevy & Assoc. agency was sold last November to Tarheel Properties Inc., which is partly owned by Messrs. Wilson and Brown. A controversy soon raged over whether Mr. Wilson signed his name on the notarized contract in Springdale when he was supposedly in a Baltimore jail (*Business Insurance,* Jan. 21, 1974).

OTHER QUESTIONS were raised over the legitimate value of Tarheel Properties, allegedly valued at $2.8 million. A local tax office in North Carolina reportedly appraised the property at $120,000. When Mr. Wilson and Mr. Brown bought the Peevy agency and incorporated it, they put up $50,000 in 25 common shares of Tarheel stock as securities in escrow. The two partners each owned 44 shares of the new corporation, and Mr. Peevy owned two shares.

In January the state insurance department held a hearing here to determine if the sale violated Arkansas law. The fine and probation—meaning Mr. Peevy's insurance license may be revoked if he is found guilty of additional violations of the state's insurance laws—resulted from that hearing.

"MR. PEEVY as a licensed agent shared commissions with that unlicensed agent (Tarheel Properties)," said Mr. Fennell, assistant insurance commissioner. "That's the violation. Any corporation or agent receiving commissions in Arkansas must be licensed by the insurance department."

After rescinding the sale of his agency Feb. 1, Peevy bought out Mr. Brown and Mr. Wilson but retained the agency's new incorporated name.

The Arkansas insurance dept. said it originally learned about Carl Brown's involvement in the Paul D. Peevy agency through a story in this magazine. Mr. Wilson's activities were also covered by the Wall Street Journal. ■

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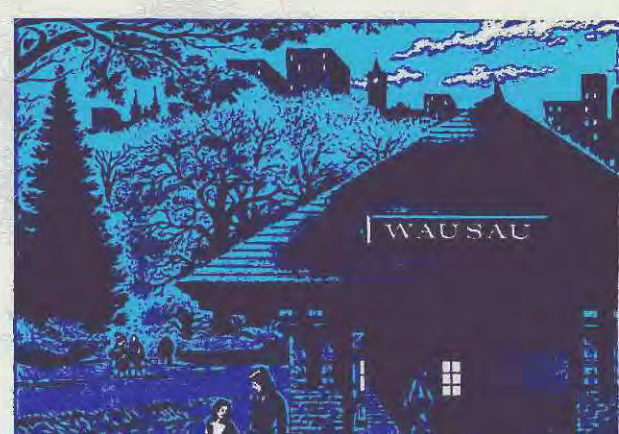
But some people lean toward the idea that the government should be the sole supplier of certain kinds of insurance. We believe that would *weaken* insurance service. Who would set the competitive pace?

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NFL owners, players clash over fringes . . .

Continued from page 1

spokesman for the management council.

The players also have a group dental plan for both themselves and their families which pays $500 a year above a $25 annual deductible.

Though the wording of the 1970 labor contract is somewhat vague on the payment of premiums, the owners took the position that players can either pay their own premiums after April 1 or extend the entire old contract until the first game of next season, the management council spokesman said.

"The March 31 cutoff date is right there in the contract," he noted. The owners argue that the majority of the contract's provisions should not be allowed to expire while the insurance continues.

THE MANAGEMENT spokesman said the owners' offer to pay the premium until the beginning of the next season if the contract was extended was unacceptable to the players association.

"The players union is apparently unhappy about the pre-season game pay scale so they refused to extend the entire contract through the exhibition season," he said.

The players, on the other hand, contend that the owners are bound by the contract to pay the premium until the first game of next season. Even though they feel the owners have acted in bad faith by using a "literal interpretation" of some of the contract wording, according to Ed Garvey, players association executive director, they are not taking any chances.

The association, with the help of International Administrators Inc., a Chicago broker, is looking for a new group insurance plan of its own to cover players and their families. The players group says it cannot afford to continue with the present Lincoln National plan.

"WE CANNOT allow our members and their families to be without health and hospital benefits," Mr. Garvey said. Under the new plan, the association would pay approximately $35,000 in monthly premiums for the first month of protection after which the players would pay for their own coverage. That estimated cost is about $30 a month per player for the association's 1,200 members. Retroactive payments of these costs will be sought by the players.

Mr. Garvey and Dick Berghelsen, assistant executive director for the players group, said that the coverage being sought would, by necessity, carry a much higher deductible than the present plan—somewhere between $200 and $500—and would not have a provision for dental benefits.

"We are looking for the best possible deal," Mr. Berghelsen said. "We want to make sure that any major medical problem will be covered."

"EVER SINCE the owners decided to do this, which I think is an incredible thing to do," Mr. Garvey told *Business Insurance*, "every insurance company in the world has called wondering what they could do for us.

"I think the owners only did it so I'd have to spend the rest of my days worrying about the coverage and talking to insurance companies," he added, "but I'm not about to do that."

Mr. Garvey said that employe benefits will take a back seat in the contract negotiations, which began last Saturday. What he called the "freedom issues," such as the right of a player to play for the team he chooses and other mobility-associated issues are top-priority.

But, he added, benefits will not be totally ignored.

"In the benefits area," Mr. Garvey said, "our primary concern will be the protection of the injured player, and widows and children of former players.

"Ten of our players have died since 1970," he continued, "and some of their widows are only getting $200 a month, which is not right."

THOSE BENEFITS were based on "an arbitrary minimum figure," he claimed. Under the present benefits plan, he explained, widows receive 50% of what the player would have received from the pension plan at age 55, the group's normal retirement age, but not less than $200 a month.

Disability pensions will also be high on the list of players association priorities in the negotiations.

Mr. Berghelsen, in describing the disability plan, said, "The most an injured player gets is his accumulated pension credit which works out to about $100 per month per year of vesting at age 55.

"We have a rookie who broke his neck," Mr. Berghelsen continued, "and he only gets $100 a month because he only had one season. He is totally disabled, can't work at all and he gets $100 a month."

The management council spokesman is somewhat piqued at published reports of the players representatives openly complaining about the disability pension. But, the $100-a-month figure is "in the ballpark," he acknowledged.

"What the players did not say was that there are also disabled players, with longer terms of service, receiving a great deal more," the owner representative declared. One of these disabled players is getting $850 a month."

Whatever the benefits injured players are now receiving, the disability pension is still a matter of great concern to the players association.

"It's in the nature of the game," Mr. Garvey commented. "You have to anticipate disability in the game of football."

While the players will also be seeking a sweetening of the pension pot, into which the owners have paid an annual $4,425,000

Continued on page 7



Edward Garvey, NFL Players Assn. representative, said the accident and health insurance can't help but be a major issue when players present contract demands Mar. 18 in Washington.

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World wide products .....
Employees as named insureds .....

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underwriter. You can get these
endorsements. But the flexibil
this standard of protection in o

Continued from page 6
since the last contract talks in 1970, retirement will not be as high on the list.

Mr. Berghelsen said the plan was a fixed amount plan, with no cost-of-living adjustment and was not available to most players until after a long wait, if at all. Less than half of all retiring players at all, he said.

"The pension plan contains a five year vesting period," he pointed out, "and the average career in the National Football League is four and a half years. For those who do play more than five years, they can't collect until they are 55 years old.

"WE DO HAVE an early retirement option at age 45," he continued, "but then the player only gets about 40% of his earned pension benefit."

Mr. Garvey, who was quoted by a New York newspaper as saying the pension issue is "a joke," stressed that the emphasis in the negotiations would be on disability but straight retirement would be up for discussion.

"As far as the retirement pension goes," he told *Business Insurance*, "well, you tell a 22-year-old that he'll get $1,000 a month in the year 2015, and what does that mean? That will probably buy a loaf of bread and a tank of gas."

Both players association men said that a cost-of-living adjustment in the pension plan would be sought, as well as a shorter vesting period.

AS FAR AS the pension benefits go, the management representative said the owners really had very little to do with deciding who received what and in what amounts.

"In the 1970 negotiations, management wanted more emphasis put on former players in the pension plan but the union wanted more benefits for present players," he said. "Many of the problems they have now are a result of that thinking."

(One of those problems is a suit in U.S. district court in Rhode Island brought by players who retired from the league before 1959, the pension plan's cut-off year [*Business Insurance*, Oct. 23, 1972]. The suit seeks equal pension benefits for the older players who helped bring the game and the league to prominence. The suit is still in the discovery stages.)

"IN THE NORMAL course of labor negotiations," the owners representative continued, "management usually decides how much goes into the pot, labor decides how it will be parcelled out."

Aside from the benefits and freedom issues, the players will also be after improvements in working conditions, or playing conditions. A high priority item here is artificial turf, which, according to Mr. Garvey, the players almost universally despise.

So it may be a good thing that football games are played regardless of the weather conditions because these contract talks are very likely to be rather stormy. At least the participants will be used to it.

The spectre of another strike like the walkout in 1970 hangs over the talks. Such gridiron luminaries as O.J. Simpson, although not a member of the NFLPA, has gone on record predicting a strike.

"We hope there isn't a strike," Mr. Garvey said, "because everyone gets hurt. But we will strike if we have to. We have been preparing for one for four years." ■

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Kansas sets liability for negligence

TOPEKA—Owners or operators of motor vehicles can now be held liable for injuries to guest passengers caused by "ordinary negligence," according to Kansas insurance commissioner Fletcher Bell.

The Kansas supreme court recently declared unconstitutional a "guest statute" which said only "gross and wanton negligence" established liability.

All insurance companies have been directed to amend their claims procedures and now consider payment of claims that would have been previously denied solely because of the guest statute.

IT IS NOT YET clear what will happen to claims that were denied before the court ruling.

Commissioner Bell said the absence of the guest statute will have an unfavorable impact on Kansas automobile bodily injury liability rates. "Additional claims will be paid and premiums will increase accordingly," he said.

The effect will not be immediately significant, according to the commissioner, but he has advised insurers to implement a statistical gathering procedure that will assist in determining the ultimate insurance cost of the court ruling. ■

washington watch

Product safety agency gearing up to set standards; toughens more rules

WASHINGTON—The Consumer Product Safety Commission (CPSC) is looking to expand its role of protecting consumers from product-related injuries by regulating the design and manufacturing of hazard-prone products.

At a meeting with the press, a CPSC spokesman said public hearings will soon be held to investigate the shock and fire hazards associated with television sets. The commission official said that although the design of TV sets is safe, the manufacturing processes utilized may be creating potential hazards.

THE COMMISSION scheduled public hearings for April 23 and 24 here and asked the television manufacturing industry to provide detailed technical information at the hearings, including a summation of TV industry efforts to correct television set-related hazards since the National Commission on Product Safety held TV hearings in 1969.

The CPSC plans to set mandatory safety standards for television sets after the public and TV set manufacturers have their say. Whether those standards will include regulations covering manufacturing techniques depends, CPSC officials say, on the information presented at the hearings.

"I don't want to be presumptuous and say that we'll be issuing mandatory standards in the manufacturing area, but we definitely have the authority to get into the manufacturing area," Harvey Tzuker of the commission's office of standards coordination and appraisal said. "We are checking out a number of avenues of approach, and we'll be devising a whole slew of either mandatory or voluntary rules after we have a look at the problems and statistics presented during the hearings. Hopefully, there will be enough information presented to allow the commissioners to evaluate which direction to go at this thing from."

The commission says it has received nine notices from TV manufacturers that some 140,000 television sets now in use may contain shock and fire hazards. The CPSC also said it has received "numerous" reports of shock and fire accidents that "appear to be associated with television receivers."

"The volume of the reports and the seriousness of the injuries reported indicate that consumers may have been—and perhaps are being—subjected to unreasonable risks of injuries associated with TV receivers," the commission said.

THE COMMISSION has asked interested persons to present testimony or submit written comments on a number of TV-related subjects, including: personal use experience; potential hadards of TVs in connection with design, construction and material technology; TV tube explosions, TV receiver-related accident data; quality control and quality assurance plans, and specific manufacturing trends and design techniques.

Radiation hazards associated with TV sets will not be covered by the hearings because radiation exposure falls within the jurisdiction of the Food and Drug Administration.

* * *

At the same time, the Consumer Product Safety Commission issued final regulations requiring manufacturers, importers, distributors and retailers to notify the CPSC within 24 hours after determining a product defect could injure consumers.

The new rules were first proposed by the commission last August, and, since then, have been informally adhered to. Over 80 defect notices have been received by the commission since then, involving more than 12 million items produced by manufacturers who warned the CPSC of possible hazards.

THE NEW RULES require the chief executive officer of the notifying company to sign and certify any information provided to the commission. This responsibility the CPSC claims, can be delegated, but only if the commission is notified in writing.

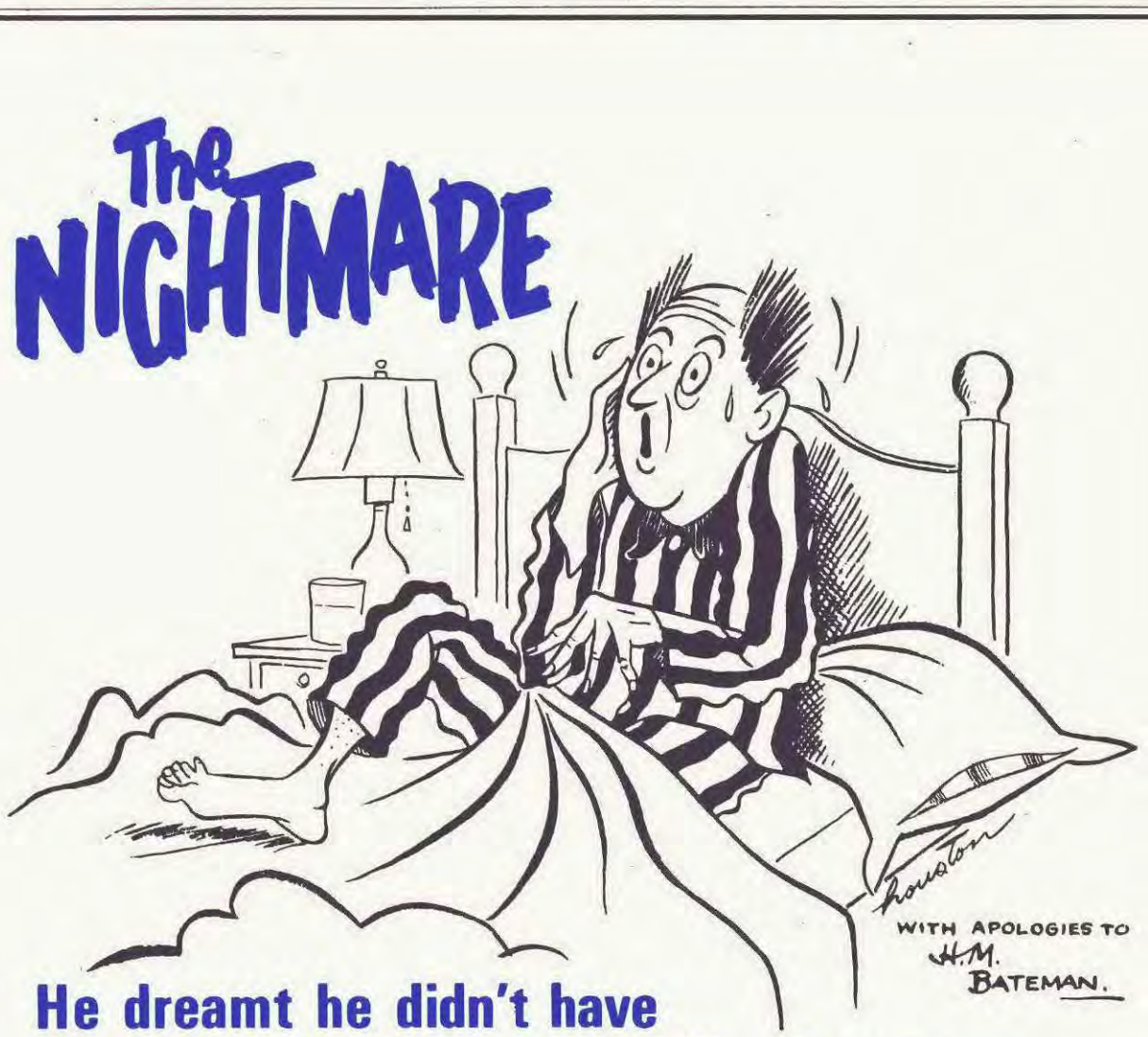
Failure to report a known defect or to furnish required information to the commission could result in civil penalties as high as $500,000.

Persons reporting defects must identify the product, and give the name and address (if known) of the manufacturer and every distributor and retailer. The data must also specify the nature and extent of the defect or how the product fails to comply with existing product safety rules. Finally, the name and address of the person informing the CPSC must be included.

FORTY-EIGHT HOURS after the initial notification, the commission requests that more information about the possible hazard be submitted, if available. The manner in which the hazard information was obtained, copies of any consumer complaints related to the possible hazard and other data detailing any injuries, the number of product units involved and any identifying marks or numbers on the potentially hazard products "should," the commission says, be reported.

Manufacturers, importers, distributors and retailers are also expected to inform the CPSC of any action to be taken to correct the defect, to notify product consumers and to refund, replace or repair products in the hands of consumers.

All notifications should be addressed to the Director of Compliance, Consumer Product Safety Commission, Washington, D.C. 20207. The information may also be transmited over the phone at 301-496-7631. If phone notification is used, however, written confirmation must be received by the commission within 48 hours. ■



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Preventing unnecessary claims by computer

Connecticut General starts chain of dental claims offices for groups

HARTFORD—A new insurance claims system has been devised to approve dental coverage treatment before a patient can say aaah.

The pretreatment approval system designed by Connecticut General Insurance Co. employs computers designed to overcome one problem that has made dental coverage a difficult area for loss control—unnecessary tooth care.

"There are three reasons why claims service is being used exclusively for dental insurance," explained David Chichester, assistant secretary in the claims department. "The field is not accustomed to third party involvement like peer review. Secondly, lost dentist work is elective. There is also a certain element of incompetence in the profession."

THE FIRST OF eight dental claims offices is already operating in Los Angeles, where CG has a 50,000-member dental plan for the city's unified school district. By Sept. 1, there will be regional offices in White Plains, N.Y., Detroit, Mi., Kankakee, Il., Buffalo, N.Y., and Kansas City, Mo.

"If a treatment plan is to exceed $100 the dentist sends a description in of the treatment plan with intended charges. We review it, calculate the benefits that would be due under the contract and return it to him. This way the patient knows what's been approved before the treatment is done.

"In each of our claims offices we have people who are dental hygienists. They do the early screening. They pass on any questionable claims to consultants who are qualified dentists. However, if there's still a question of what's going on, it comes down to our dentist talking to the patient's dentist.

The backbone of the system, Mr. Chichester noted, are the dentist "contacts" the company will have scattered around the country. These professionals will be called when needed to confer in person with a dentist who has proposed disputed dental work.

"We have literally hundreds of dentists who we will contact when we need help," Mr. Chichester explained. "All the state dental associations will be contacted for this service."

ANOTHER AID in the pretreatment claims service will be about 24 computers costing $30,000 each, Mr. Chichester said. The computers will hold full dental records for every person covered by CG dental plans. And they will quickly indicate where false claims are being made.

Mr. Chichester pointed out that the system has already prevented a few fake claims from being paid. One dentist reportedly announced his plans for putting a crown on a patient's tooth. But computerized records showed that he had already replaced the tooth with a bridge two years earlier.

Although CG recently became dental carrier for General Motors following approval of last year's union contract with the United Auto Workers, Mr. Chichester said there are no places to expand the number of pre-treatment claims offices. "We have not made any definite plans beyond these eight. But we do have ambitious sales plans for the next five years."

Mr. Merwin E. Soper, vp group insurance sales, said he expects the popularity of dental insurance will continue to grow rapidly, due in part to UAW contract demands accepted last year by the auto industry.

"When the steel and auto industries go with dental coverage then it no longer becomes a luxury coverage for all the industries. I don't know how to put a time on it, but its general acceptance will come in a matter of years." ■

Bank reveals $1.5 million kidnap cover

NEW YORK—A major bank headquartered here holds a $1.5 million kidnap-ransom and extortion insurance policy protecting its over 20,000 worldwide employes, directors, officers and their families.

The coverage, underwritten by Lloyd's of London, includes kidnap risks in South America but excludes extortion risks because extortion coverage is outlawed there.

The one-year policy term is based on a $50,000 premium and a "six-figure deductible," according to the bank's insurance manager who bought the policy through Marsh & McLennan Inc. last June. "I think our deductible is larger than most non-banking companies purchase in a limit," he said.

"Because the $1.5 policy limit is both per loss and in the aggregate, a single kidnaping could wipe out the policy," he said, noting that "we're looking into buying more coverage, although rates are getting higher and higher in this volatile market.

"When we bought the policy last June, market conditions were with us and we were able to get the policy with no coinsurance participation," he said. Sources in the insurance industry reported that Lloyd's now requires a 5% coinsurance participation and American International Underwriters, a 10% coinsurance participation. ■

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Barrel of good-time covers and costs offered to Kentucky Fried franchises

By KATHRYN BLAIN

LOUISVILLE—Kentucky Fried Chicken offers some "finger-lickin' good" insurance rates to its vast marketing chain of franchises as well as similarly good food through the chain.

The organization, through mass purchasing, obtains lower insurance rates for nearly one-fourth of the franchise stores under the sign of Col. Sanders. And the number is expanding.

In a recent interview, William Coffey, vp of Jack Brandon Insurance Agency, Nashville, Tn., described the property and casualty package administered by him for franchise-holders in the chain.

In three years, about 700 stores, represented by about 75 franchise holders, have been brought under the package p&l program, he noted.

KFC OFFICIALS asked the Brandon agency in 1971 to draw up the program for franchisees, the same year Heublein Inc., bought the fast-food chain and transferred the 800 company-owned stores from the Brandon agency to Heublein's own group program.

The St. Paul Cos. of Minnesota underwrite the insurance program, which provides property and liability coverages required by the franchise agreements. Also included are a variety of options—workmen's compensation, business interruption insurance and commercial blanket bond to name a few.

In pricing and concept, the program is "designed and built around the KFC image store," Mr. Coffey said. To set rates, St. Paul studied KFC company-owned stores:

KFC strives for uniformity in its image and cooking techniques used to duplicate Col. Sander's secret chicken recipe, so franchise stores are very similar to company-owned stores.

Hence, only a limited amount of information is needed from the franchisee and no audits are required, except the mandatory workmen's compensation audit, Mr. Coffey said.



Since franchise holders are independent businessmen, the package is optional to them. But 75 of the several hundred franchise holders in the U.S. have joined the program in the past three years, he said.

Savings averaging 25 to 35% attracted most of the store owners, he said. But an added attraction is the convenience of having one company handle a variety of coverages.

A company spokesman supported Mr. Coffey's claims, pointing to favorable remarks by franchise holders quoted in a KFC publication.

The biggest savings were cited by franchisees with five or fewer stores, where company size didn't offer a competitive advantage for rates.

HOWEVER, FRANCHISEES with as many as 50 stores have signed up for the program and Mr. Coffey is currently negotiating with two of the largest franchise chains—one representing 170 stores in California and a larger one in Colorado.

"Obviously the franchisee with 40 to 50 stores has a more sophisticated program,. but in every case, we saved substantial dollars in his insurance cost by putting him in the KFC program," Mr. Coffey said.

The 700 stores insured under the program are nearly one-fourth of the total franchise stores. KFC has 4,000 stores in the U.S.; 800 are company-owned. There are another 1,000 KFC stores in 32 countries or territories.

As one of the largest fast-food chains in the world, KFC is one of Heublein's largest subsidiaries, making up about 25% of its gross annual sales.

THIS CONNECTION with the Heublein conglomerate is not emphasized by KFC spokesmen, however. KFC's folksy connection with Col. Sanders and his rags-to-riches story plays an important part in the highly com-

Continued on page 12

000,000

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A major risk for the 700 KFC franchisees is food product liability.

Kentucky . . .

Continued from page 11

petitive fast-food business.

(Col. Harland Sanders and his wife, incidentally, recently filed a $122 million suit against Heublein, claiming Sander's name, image and picture are being misused in promoting products that he has had nothing to do with.)

Franchise holders are required to protect KFC's image by carrying insurance that names KFC as an additional insured and by carrying $300,000 public liability coverage, particularly product liability.

The only other KFC insurance requirement is a 30-day cancellation clause, Mr. Coffey said.

WITH MILLIONS OF people eating fried chicken a year, product liability becomes the biggest risk, Mr. Coffey said, although workmen's compensation has the highest loss ratio.

Food poisoning claims or spoiled food claims are risks faced in any restaurant. But in the fast-food market, such a claim can easily lead to the "contagious claims syndrome," a phrase used by Mr. Coffey to describe fraudulent or imaginary claims arising from publicity about one incident.

ONE ALLEGATION about bad food can easily lead to other unfounded claims, sometimes at difunrelated food products, he said.

"We resist these claims," Mr. Coffey said. "We often find the person abused his stomach the night before, either by drink or lack of sleep."

Kentucky Fried Chicken, which has "spent millions of dollars on image," has never gone to court on a spoiled food claim, Mr. Coffey said.

The basic franchise insurance program provides comprehensive general liability of $300,000, including public and product liability, contractual liability, personal injury including employes and coverage of non-owned autos.

A low loss ratio for public liability permits extremely good rates, Mr. Coffey said. "The spread of risk gives a better than average loss ratio."

The basic package also provides fire and extended coverage for the actual cash value of the building and contents, with no deductible if state laws permit.

FULL COVERAGE FOR fire often eliminates a handful of policies for franchisees, Mr. Coffey said. A restaurant classification is a prohibitive class to some insurance companies, because of fire loss, he said, so some will write policies for only part of the risk.

Workmen's compensation insurance is one of ten options in the plan and it provides statutory benefits, employer's liability with a $100.000 limit, voluntary compensation coverage and all-states endorsement.

Valued business interruption insurance is available to franchisees in most states, providing $100, $150 or $200 per day for four months or 120 days.

Other options are all-risk building insurance, storekeeper's burglary and robbery with a $1,000 limit, commercial blanket bond with a $10,000 limit, mercantile open stock burglary, all-risk for free-standing signs, glass coverage and felonious assault coverage with a $25,000 limit for owners/managers and $10,000 for employes.

Optional commercial catastrophe umbrella coverage has a $1 million limit per occurrence, a $10,000 deductible, full defense coverage and broad extensions, including advertiser's liability. Certain franchisees can get a low-cost version of this option.

Group health, pension and life insurance for Kentucky Fried Chicken franchisees are handled by another Louisville firm, Group Insurance Administrators.

ST. PAUL COS. provides extensive loss prevention assistance to franchisees, another advantage Mr. Coffey cites in the centralized KFC plan.

St. Paul uses statistical coding to pinpoint trouble areas, then sends safety engineers to inspect stores with high loss ratios, to reduce losses, Mr. Coffey said. Inspections are also done routinely when a new account is written.

"Most franchisees will welcome this because they don't want adverse publicity about losses," he said. "They get the advantage of traveling engineers, whereas, otherwise it would be a cost item to them."

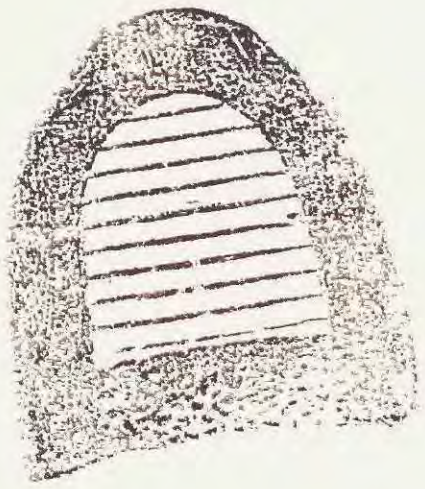
This mass marketing approach to commercial insurance is not a new one, Mr Coffey points out. The concept is being used primarily by trade associations, and is now being expanded to franchise organizations.

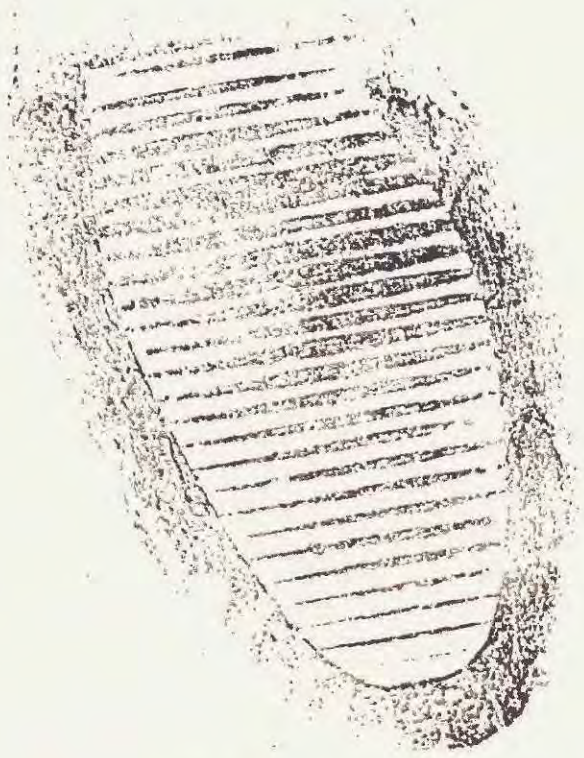
Nonetheless, as agents for franchisees in the rapidly-growing fast-food business, "we get a lot of attention," Mr. Coffey said.

And, despite the Kentucky Fried Chicken endorsement, a lot of competition. ■

Work comp upped

Indiana workmen's compensation benefits were increased to $90 per week and the variable maximum for dependents was eliminated with passage of two bills recently. The minimum benefit was increased to $50 and total maximum benefits were raised to $45,000. The waiting period was reduced to 21 days, after which an injured worker is paid for the first seven days.





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Federal pension legislation

DuRose takes issue with ASIM stance

MADISON—Wisconsin insurance commissioner Stanley C. DuRose, a long-time proponent of state regulation of private pension plans, has told the American Society of Insurance Management in no uncertain terms that he is not happy with the risk management group's support of federal pension legislation.

For years ASIM joined Mr. DuRose in his fight to maintain and strengthen state control of pension funds, but, in January, the group sent a letter to Senate finance committee chairman J. William Fulbright (D-Ak.) that said, "it is our belief that the establishment of minimum, uniform federal standards for all pension plans will be in the best interest of all Americans."

IN A LETTER sent to Mr. DuRose and other insurance commissioners, ASIM said further regulation of pension plans would (1) result in an unmanageable variety of regulations rendering administration of an otherwise sound pension plan difficult (2) increase administrative costs, thus reducing funds that might otherwise be available for benefits, and (3) serve "no justifiable purpose" and be generally non-productive." (*Business Insurance*, Jan. 21).

"I must respectfully disagree with the stated position of your society in respect to state regulation of pension and welfare plans," Mr. DuRose said in a recent letter to William Hollingsworth, chairman of ASIM's legislative committee. "The three points that are set forth in your position are not based on fact, are not based on any documentation, and represent superficial and unsound logic.

"Your letter states that the position of the society is that minimum federal pension standards be sustained and supported by the respective governments of the states. That is in direct contradiction to the three points enumerated in the position statement," Mr. DuRose said. "The complete preemption of state law, as to all matters involving pension and welfare plans, prevents and prohibits the states from sustaining and supporting any standards or requirements contained in the federal law.

"I think it incongruous," he said, "for your organization to strongly advocate a complete federal takeover that prohibits state action and then attempts to tell the state insurance commissioners that your position is that federal standards should be sustained at the state level."

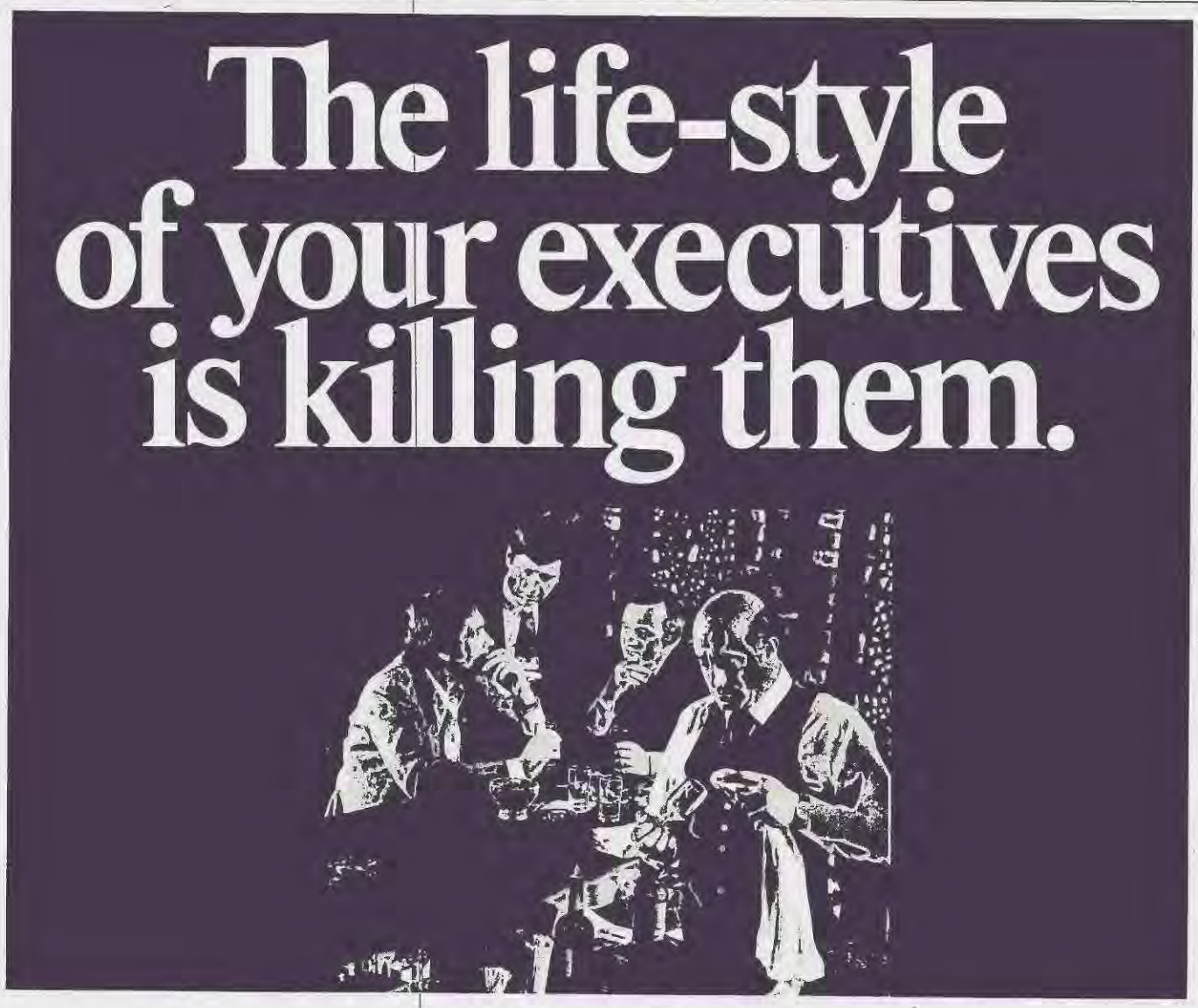
MR. DUROSE also reminded Mr. Hollingsworth of the position on pension reform taken by the National Assn. of Insurance Commissioners, a position that can be summarized, Mr. DuRose said, "as favoring federal standards but with provisions for participation by the several states in enforcement and in the providing of consumer protection services as respects the treatment of employes.

"The National Assn. of Insurance Commissioners, in this era of consumerism, cannot accept, as an adequate protection of the interests of the many hundreds of thousands of employes participating in small plans, the provision that an inquiry or grievance must be resolved by engaging an attorney and commencing action in federal court," Mr. DuRose said.

"The 18 years of experience in Wisconsin with the regulation of fiduciary standards legislation convinces me that those persons advocating complete federal preemption of all state laws for all plans, both intrastate and interstate in nature, will, in due course, be haunted by consumer protection issues that have not been resolved.

"The decision by big business, big labor and big insurance companies to work to prevent the several states from protecting the rights and interests of their citizens is a grievous error of judgement," Mr. DuRose stated. ■





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Homebuilders settle on carrier for massive insured warranty program

CHICAGO—The National Assn. of Home Builders, representing some 30,000 builders facing increased activity in court over shoddily-built housing, said American Bankers Insurance Co. of Miami will underwrite its new insured home warranty plan.

American Bankers agreed to provide coverage at a premium said to be $1 to $1.65 per $1,000, after many months of NAHB talks with some 30 carriers. (*Business Insurance*, Dec. 17, 1973.)

Because no such policy has ever been written before, the carrier said it based its bid rate on a "long and careful evaluation of the English program." A somewhat similar home warranty program which is insured has been underway in Britain for many years.

Within the first year, American Bankers is targeting that premiums paid by builders (the cost of the warranty will ultimately be absorbed by consumers in the price of the house) will be several million dollars. The actual warranty charge to builders will be $2 to $2.20, including administration charges.

"ULTIMATELY, if widely accepted, this program could mean potentially $30 million in premiums, if you figure an average insured warranty cost of about $30 a unit (the average home sells for about $30,000) on about one-half of the two million units built in 1972," said B. C. Young, vp of American Bankers.

He pointed out that there is really no way of knowing what payouts will be under the plan. Rates will be adjusted after the first year's experience to reflect costs, he noted.

Some carriers told *Business Insurance* that they were unwilling to even bid on this account since the NAHB did not want the carrier to play any active role in arbitration or claims adjusting, a disagreeable prospect.

The NAHB planned that its own local warranty councils, with the help of local homebuilders' groups, would administer the plan and arbitrate all claims.

It's thought at this point that although American Bankers has signed an agreeent with the NAHB to underwrite the risk, the actual claims-handling process is still being ironed out. The NAHB, however, is merchandising the program as one that is practically "internal," with builders (The Home Warranty Registration Council) setting product standards, doing the inspections to certify quality, requiring builders to meet certain financial and competence tests, and trying to conciliate grievances of dissatisfied homebuyers.

THE WASHINGTON-based NAHB plans that the American Arbitration Assn. will resolve any disputes not settled through conciliation, to determine if claims are justified.

However, an inside source at American Bankers Insurance Co. told *Business Insurance* that "we're in the process of establishing the claims handling process. We feel in the end we will be able to exercise a strong degree of control over the amount of payout," once arbitrators have determined that a claim is justified.

Of the $2 to $2.20 rate to be charged per $1,000 coverage, about half is to cover the proposed cost of the administration.

SO ONLY HALF the NAHB warranty charge is going to the carrier, it is said.

American Bankers is reinsuring the policy with American Reinsurance Co. and Lloyd's.

The Los Angeles-based Council of Housing Producers, counting among its members 15 of the largest homebuilders in the nation, doesn't want to participate in the new NAHB plan.

Rene A. Henry, consultant to the council, said he is seeking an alternate plan that offers at least the benefits the NAHB is saying its plan offers. The council has the Zinman Group, a Philadelphia-based brokerage firm, looking into several alternative plans which might be more amenable to council members.

They are looking at a straight insurance program like the NAHB's but at a lower rate, taking off that 50% of the charge for administration because council members want to continue administering everything within each of the respective member companies.

They are also looking at a third party bonding cost-plus arrangement with minimum premium based on the assumption of a zero-loss factor.

"WE FEEL there should be preference given to the large volume homebuilder based on whether or not he's a member of the Council of Housing Producers, and based on the record of his past performance along with financial stability and net worth," said Mr. Henry. Several big builders have stated they don't have any intention of subsidizing the so-called fly-by-night small producers, or even smaller builders with heavier loss histories.

"Most of the Council members already have active warranty policies and programs, and are self-insuring on this," Mr. Henry added.

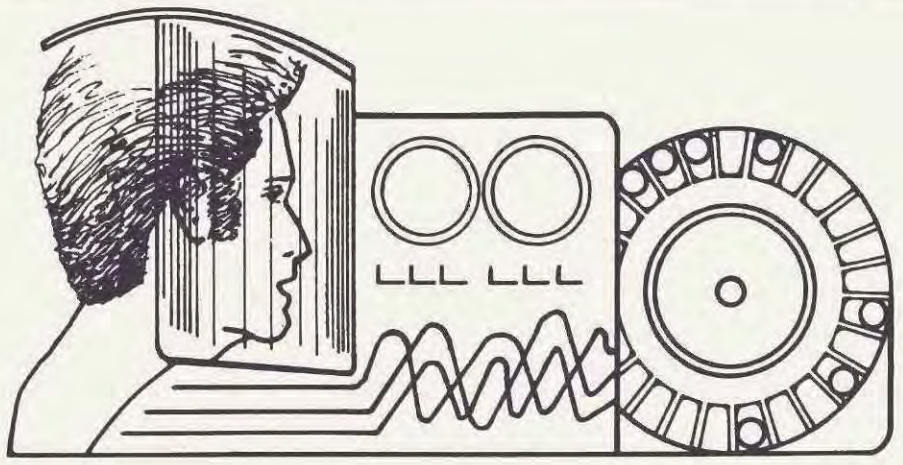
Any program Zinman puts together would be for individual homebuilding companies in the council; it would not be a council plan, per se, he added.

He said Zinman so far has talked with Aetna Life & Casualty, CNA, Hartford Insurance Co., Travelers, Allstate Insurance Co., Fireman's Fund American, and Chubb & Sons about putting together a program for council members. Mr. Henry also posed the possibility that "American Bankers may want to offer a separate rate structure when it has some experience with the NAHB plan." ■

Chicago ASIM elects

The Chicago chapter of ASIM held its annual election meeting Thurs., Feb. 21 and elected its slate of leaders for the upcoming year. Arthur B. Bostwick, McGraw-Edison Co., was named president. John F. Ross, Nalco Chemical Co., is the new vp and program chairman. Geoffrey J. Burns, Continental Illinois Nat'l. Bank and Trust Co., retained his post as treasurer, as did Ann Auerbach, Goldblatt Bros. Inc., secretary.

Three new directors were elected. They are Robert H. Siepka, Allied Products Corp., Richard L. Schmidt, DeSoto Inc., and Betty J. Wagner of Marshall Field & Co. To complete the slate George W. Swanson, Fansteel Inc., and Arnold Saret, Apeco Corp. were appointed to fill unexpired terms as directors.



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Liability suits growing for design engineers

TORONTO—Pointing to a number of cases in which a design engineer was retained "equally for the amount of his insurance coverage as for his competence," a speaker at a conference here warned a group of engineers that the amount of monetary awards in construction project professional liability suits is growing at an alarming rate.

William I. Marcovitch, president of William I. Marcovitch Associates, Toronto-based consulting and design engineering firm, told the fourth Canadian Structural Engineering Conference that design engineers will have an increasingly difficult role in construction projects.

THE INSTANCE of third party liability litigation has risen along with this trend, accompanied by a growing tendency by the courts to spread the responsibility for projects among the various parties involved in them, Mr. Marcovitch commented.

"Indeed," he said, "of particular concern to design engineers is the tendency of the courts to mete out justice on the basis of legal arguments which can hinge more on the legal nuance of a lawyer's presentation than on the engineering substance of his arguments."

He noted that a design engineer's involvement with his designs once they leave his hands vary from comprehensive involvement to ensure all aspects of the design are fulfilled to a virtual cutoff of responsibility for any fabrication and construction operations.

"From the designer's point of view it is becoming abundantly clear that more and more courts are ruling that inspection is a part of the design-only role," Mr. Marcovitch said, adding that legal opinion is based on the assertion that the engineer is selling services for a fee, not simply selling plans.

He said that the design engineer, even if he is not held legally liable in the event of a failure, ends up suffering a good deal of mental strain and could be stuck with a guilt by association label. ■

Alcoholism added to state's cover

SALEM—The Oregon Employes Benefit Board recently added treatment for alcoholism to state employe insurance coverage.

The board's decision to include 80% of the cost of a one-time, one- to three-week visit to an alcoholism treatment center became effective early this year.

Prior to that state employes were covered if they required hospitalization to recover from a drinking bout but not if they wanted to enter a treatment facility to arrest their disease, noted Ralph Bolt, insurance manager for the board.

Including alcoholism in a group insurance package is relatively inexpensive, Mr. Bolt noted. The board estimated $16,000 of the $10,000,000 state government employers and employes will pay for insurance this year will go for the alcoholism coverage. Mr. Bolt estimated the cost per employe at two to four cents per month.

Hal Parker, Salem district manager for Blue Cross of Oregon, which has the state employes' contracts said about 95% of the Blue Cross contracts include the provision. ■

Pension hike included

A new one-year contract agreement signed last month in Phoenix between striking produce truckers and warehousemen and four local produce companies includes a 5¢-an-hour employers' contribution to pensions. The settlement calls for a 35¢-an-hour wage hike and a 5¢-an-hour increase in employers' contribution to group insurance, said Edward Saunders of the Arizona Employers Council who represented the firms.

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Growth predicted in self-insurance of auto, liability

By JOANNE GAMLIN

LOS ANGELES—Self-insured auto and general liability exposures may grow as fast in the future as self-insured workmen's compensation coverage has in the past,

At least Bob Finnigan, president of Employer's Self Insurance Services, (ESIS) a division of INA, said his research indicates that this is the trend.

A *Business Insurance* survey of southern California risk managers and brokers, however, uncovered wide diversity of opinion on the question of future growth of self-insurance programs.

Two brokers, for example, contended that the high deductible form of self-insurance still has its best growth prospects in workmen's comp.

A FEDERAL PUSH for states to standardize both temporary and permanent disability benefits at levels could mean a virtual doubling in insurance costs for companies affected in certain southern and northwestern states, one company noted.

Scott Wetzel of Scott Wetzel Services, San Francisco, recently forecast (*Business Insurance*, February 18) that this upgrading will result in a sizeable jump in business for his firm which specializes in administering self-insured workmen's compensation programs. Out of a total of $6.7 billion to workmen's comp premiums this year, he estimated that $1.1 billion will spring from self-insurance programs.

By contrast, Mr. Finnigan said that in 1973 ESIS drew 60% of its revenues from auto and general liability programs. This represents a dramatic reversal of the 1970 picture, he said, when fully 95% of ESIS revenue was derived from workmen's comp.

Increased cash flow with a concommitant decline in the need to borrow is the paramount advantage of self-insurance programs whether they take the form of high deductibles, captive insurance companies, self-retention programs or retrospective rating plans which relate a company's premium to its immediate previous loss experience. About the only drawback complicating higher cash flow stemming from self-insurance, point out observers, is the possibility that taxes will increase.

MR. FINNIGAN stated that a major factor in ESIS's recent increase in auto and general liability business "is the fact that underwriting losses have been high in this area.

"Self-insurance programs tend to be counter-cyclical," he explained. "When capacity in any area dissipates, self-insurance immediately becomes desirable."

The fact that the courts have shown a penchant for handing out constantly higher damages, he continued, is a second factor expanding interest in self-insurance for liability exposures.

A risk manager for a multinational corporation told *Business Insurance* he agrees with that view. "The new consciousness of the power of litigation and the chance of winning big at court will eventually drive many manufacturers into thinking self-insurance," he maintained.

His firm, he said, is 100% self-insured in workmen's comp in states where that is permissible. More important, it is also substantially self-insured in auto and general liability coverage.

"In auto and general liability, we have a $1 million self-insured retention," the risk manager said. "The excess layers are placed in the domestic market and with Lloyd's of London."

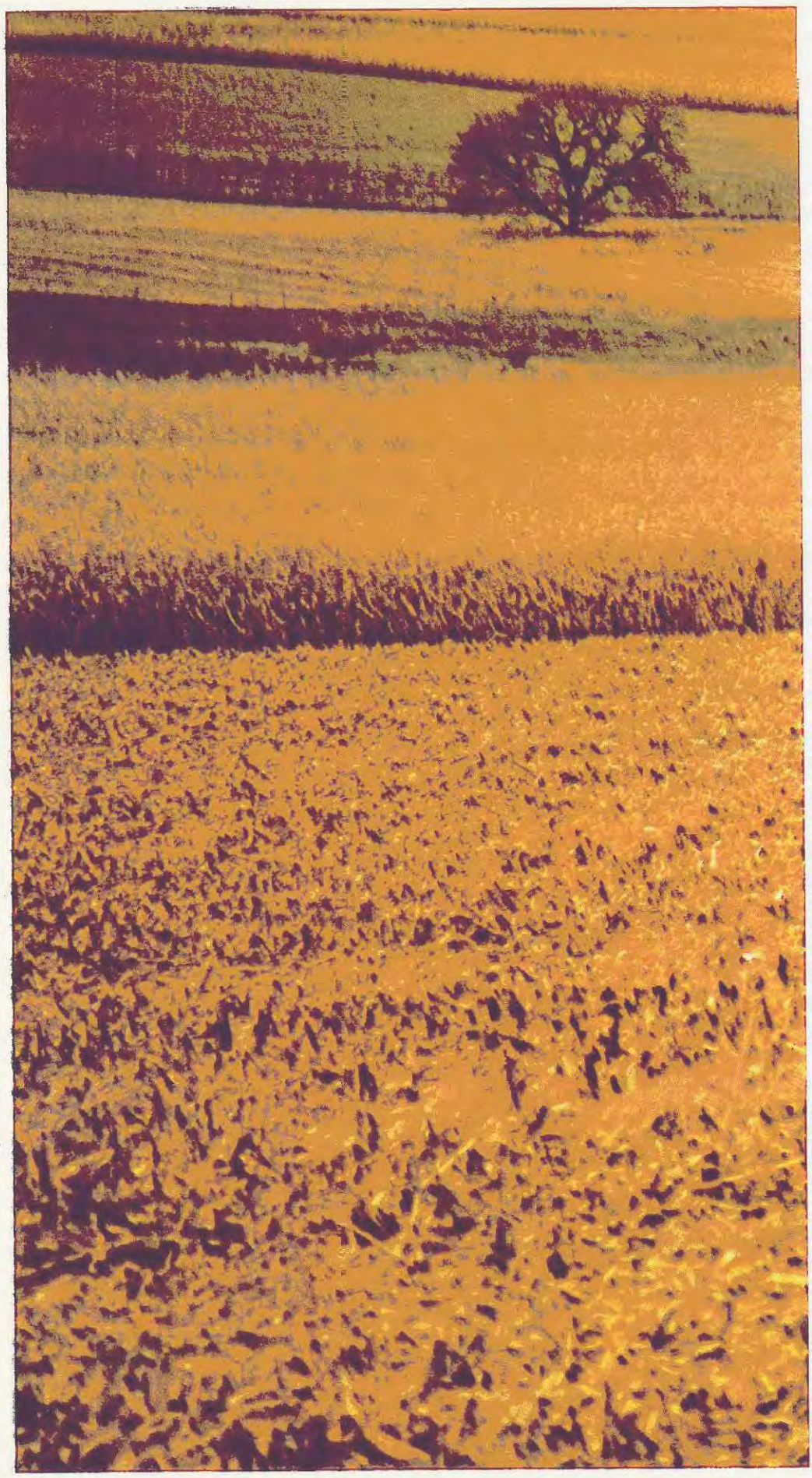
For workmen's comp and the liability policies, he said his firm relies on a service administrator. But it self administers its $500,000 self-insured retention in property, and thereby secures a whopping 25% savings in administration costs, according to the spokesman.

Oil companies with huge, unpredictable risks—some of which have been shunned by commercial carriers—are a major market for self-insurance programs. Accordingly, the risk manager for a large oil company said his firm depends heavily on high deductible self-insurance to protect such risks as seepage and pollution liability that find no market among commercial carriers.

HE EXPLAINED that his company is a member of Oil Insurance Ltd., an industry carrier formed in the wake of the Santa Barbara channel blowout to take care of insurance needs that could not be met in the traditional mode. From OIL he buys a policy that protects the company's wells on-and-off-shore and covers pollution liability and seepage. The policy has a per occurrence deductible in excess of $5 million.

"In addition," he continued, "we have a $1 million deductible on our marine tanker fleets and a $1 million deductible on machinery loss and cargo." Another

Continued on page 19



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Continued from page 18

policy with a $1 million deductible covers protection indemnity, encompassing crew injuries and third party liability.

In workmen's comp, this risk manager added that his company is self-insured in all states where that is an option.

A large refinery company's risk manager said that although his firm is not yet wed to the notion of a comprehensive self-insurance program, it is intensely exploring the idea of adopting that form of insurance for certain large exposures. Giant drilling rigs are a likely self-insurance target, he suggested.

"WE INTEND to experiment with all forms of self-insurance: captives, high deductibles, self-retention programs and the retrospective rating method.

The only barriers to implementation of this firm's self-insurance outlook, he added, are the subsidiaries. As separate profit centers, they are fighting the self-insurance route because they feel it might siphon off potential earnings.

Several brokers said product liability will be a fertile ground for future self-insurance growth. The reasoning goes, one broker explained, that lawyers, deprived of business by no-fault insurance laws, will try to compensate by avidly pursuing product liability.

Another broker argued that self-insurance will never be a big factor outside of workmen's comp. Especially in product liability where defense costs are spiraling, he maintained that an insurance company is needed to provide guidance and expertise.

"HOWEVER, THE growth prospects are bright in workman's comp," he said. "Statistics are voluminuous and the risks are predictable, two conditions necessary for self-insurance."

Mr. Finnigan of ESIS, pointed out that, after years of only moderate sales growth, ESIS in the last three years has enjoyed robust 30% annual increases.

"Based on our experience, we believe that self-insurance programs are exceeding the growth of primary (deductibles below $10,000) by 20% a year," he asserted. He noted that one risk manager recently went on record predicting that by 1980 about 90% of commercial insurance programs will be handled by some form of self-insurance, although he labeled this an exaggeration.

"That figure embraces captives," he said. "But at ESIS we have already begun to do business with a couple of those." ■



Store looks for new plan for customers

CHICAGO—Insurance Services Inc., a wholly owned subsidiary of the department store Carson Pirie Scott & Co., is looking for a new group insurance plan to offer charge customers, general manager Herbert Klapper said.

For almost nine years the retail store has offered charge customers accidental death, term life and hospital indemnity coverages, underwritten by Fidelity Bankers Life Insurance Co., Richmond, Va. Mr. Klapper explained this market has "pretty well been tried and tested" now they are looking for something "innovative."

Carsons was "one of the first major retailers to offer this to customers," he said, and there are "still not too many (retailers) involved." Not very many retailers are "equipped to handle this specialty type of (insurance) service," he claimed.

Carsons has about one million charge customers and Mr. Klappers said "many thousands" take advantage of this financial service and monthly billing on regular charge accounts. ■

OSHA issues new carcinogen standards

Almost two years after investigations began into cancer-producing chemicals used in industry, the Labor department has approved permanent standards designed to protect workers from the ill effects of 14 carcinogens. The permanent rules follow closely the dictates of emergency standards issued last May. The new rules were finalized after the occupational Safety and Health Administration (OSHA) reviewed results of new studies on the substances and comments received through letters and public hearings. The 14 new rules cover contamination, hygiene, medical surveillance programs, employe training and employer reporting. The new rules became effective Feb. 11.

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Non-marine market faces problems of over-capacity and inflation

LONDON—Non-marine underwriters are becoming as anxious about what they see as problems created by over-capacity and "premium chasing" as their fellow underwriters in the world-wide marine market.

Rates are still regarded as being generally on the decline to a great extent because of this over-capacity. Many insurance people are blaming financial experts who seem to be more interested in investing premiums at the present high interest rates than making a profit on underwritings. This has the effect of forcing down the rates to an uneconomical level to keep up their premium cash flow.

However, unpredictable losses such as those resulting from two major storms which raged not long ago through Sweden and other parts of Scandinavia, and also recent disastrous floods in Brisbane and western Australia may well cause underwriters to harden their attitude.

Meantime, good risk management and loss prevention can also help keep rates down, say top executives of Willis, Faber & Dumas, one of Britain's leading insurance brokers.

Frank K. Thomson, director of U.S. non-marine business, told *Business Insurance*, "Most companies are now accepting the view they should only insure those risks which they cannot afford to carry themselves. This involves cancellation of many minor forms of cover accepted in the past. Also being changed are excesses on the covers which continue.

"Coupled with this is a growing acceptance that more claims mean more premium so minds are being directed toward loss protection by way of sprinklers and other means, or, in other words, better housekeeping.

"Our surveyors, together with insurance company surveyors, are spending more and more time on this aspect and in many cases it has already resulted in improvements in claims experience and, thus, lower costs."

Inflation is still the buggaboo of the market, says Mr. Thomson. Inflation makes it more and more difficult to assess the possible exposure to loss by the underwriter, and for the insured to calculate the values for which he should seek cover. There is really no solution to this problem other than a change in the method of application to "average," Mr. Thomson said.

Discussions are presently taking place, he added, to remove from the insured the present necessity of forecasting inflation trends, but, at the same time ensuring that underwriters receive the appropriate premium.

* * *

DENIALS THAT underwater submersibles of the Pisces type are unsafe have been issued by Vickers shipbuilding executives. A British Parliamentary committee is studying the submersibles.

Sir Leonard Redshaw, group chairman, referred to the mishap to the mini-sub Pisces Three which sank off the Irish Coast last fall. Its two-man crew was rescued.

Sir Leonard said, "Lloyd's underwriters are supporting our insurance, and the design meets the requirements of Lloyd's Register and the rules of the American Bureau of Shipping.

"All Vickers Oceanics submersibles are insured with Lloyd's underwriters, and there have been more than 2,000 commercial dives in Pisces submersibles without accident."

He agreed that for rescue purposes a detachable capsule might be an ideal feature for the mini-subs, but capsules might actually create operational hazards and endanger the lives of the crewmen. It was just like saying that every airline passenger ought to have his own safety capsule which would eject in case of accident, argued Sir Leonard.

* * *

SWEEPING NEW LAWS for the safety of spectators at football games and other big sporting events are being introduced by the British Government.

Football club owners can be punished if violations of the new safety code occur. For flagrant violations the penalty could be two years in prison. This is only likely if fatalities arise. Fines will be imposed in other cases.

The new moves are being made in response to a disaster where 66 people were killed at the Glasgow Rangers football ground in Scotland two years ago. The metal "crush" barriers collapsed when spectators tried to leave the ground.

The new laws are the most stringent Britain has ever introduced, and will naturally help insurance liability cover, which most clubs hold. The new standards will apply to all sports grounds holding more than 10,000 people. Municipal authorities will confer with police and fire authorities on crowd safety and then lay down statutory requirements for each sports center in their area.

* * *

PRIORITIES FOR a world-wide pollution check-out have been drawn up by delegates from 45 nations at an international conference under United Nations environmental auspices.

They include such hazards as sulphur dioxide, cadmium, nitrates, mercury, lead, carbon dioxide, petroleum hydrocarbons, asbestos and mycotoxins.

The aim is to have a global monitoring system which will detect any harmful presence of such materials in the atmosphere, or in food, water, or other products which man consumes.

* * *

PROFIT RATIOS for the General Accident insurance group in the U.S. dropped last year. Statutory underwriting profit from its American business fell from $27.77 million in 1972 to $17.57 million in 1973, and the operating ratio rose from 88.94% to 93.4%. Net premiums written rose from $286 million to $302 million. ■

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editorial opinions

GUEST EDITORIAL

Insurers have not been slow to respond

The following guest editorial has been submitted by the Insurance Information Institute:

WE AGREE WITH the editorial opinion expressed in this column Feb. 18 to the effect that insurance rates should be adjusted to reflect any reductions in insurance company claims and costs—in either the personal lines or commercial lines coverages—as a result of the energy crisis.

But we disagree with the editorial's assertion that the insurance industry has been slow in responding to changing conditions brought on by the crisis which may affect insurance and thus insurance rates, particularly in the area of auto insurance.

Early in the crisis, most major auto writers, either independently or through Insurance Services Office, began offering premium discounts to motorists who cut back their driving by joining car pools or switching to mass transit for traveling to work or school.

Furthermore, an insurance industry advisory committee has been working since November with a special energy crisis task force appointed by the National Assn. of Insurance Commissioners to study the effects of the energy crisis on the property and liability insurance business.

The advisory committee promptly developed for the duration of the crisis an unprecendented "fast-track" system for monitoring auto insurance claims, which will help insurers identify quickly changing trends in claim frequencies and claim costs—the two principal factors on which auto insurance rates are based.

When the first results of the fast-track program are ready April 15, insurers will have a better perspective from which to base their judgments concerning the effects of the energy crisis. This picture will become increasingly clearer as more data is accumulated through subsequent monthly reports and will put regulators and insurers in a position to be promptly responsive to changed conditions.

The advisory committee also has submitted to the task force a comprehensive report titled "Inflation—The Other Crisis." It indicates that the accelerating rate of inflation—currently at more than 9%—may offset any savings realized from a reduction in accident frequency. The conclusions point to a rapid increase in the costs of things paid for by the auto insurance premium dollar, including hospital bills, physicians' fees and auto repairs and maintenance.

The report also points out that price control limitations and an intensely competitive insurance market have forced auto rates down by some 3.6% countrywide since August 1971, while the cost of living for the same period has risen 13.4%, an indication that many rates currently being charged may be inadequate. Indeed, the report cautions that rate increases may be necessary in some cases.

In the area of commercial insurance, a risk manager told a recent meeting of the Houston chapter of the American Society of Insurance Management to expect in 1974 an "insurance shortage" at current prices because of similar inflationary and competitive pressures.

We think that the steps being taken by the insurance industry to gauge the impact of the energy crisis on insurance and insurance rates are highly responsive. They will provide accurate barometers for measuring and meeting consumer needs on a prompt basis during this time of national emergency.

Saving a reader premium dollars

OFTEN WE HEAR from a reader who says that something he has read in the news columns of *Business Insurance* led to more efficient risk or employe benefits management at his particular corporation. There are times, too, when we know that something we report—a legislative news development affecting risk and benefits management, say—will cost our corporate insurance consumer reader more money. It's a real pleasure, then, when we hear from someone who says we've helped save money.

Such was the case with a letter we got the other day from the treasurer of a substantial corporation in the midwest. Its subject was one that has been well-ventilated on these pages—directors and officers liability insurance—and we think it speaks for itself:

> "I read with interest your latest comments concerning directors and officers liability insurance in the Feb. 4, 1974, issue of *Business Insurance*. I had been previously alerted to the especially good results carriers were experiencing in this line of coverage in the editorial which appeared Nov. 5, 1973, in your publication.
>
> "Our coverage expired Dec. 31, 1973, and I went out for quotations to several firms. I thought you might be interested to know that premiums quoted on identical coverage for $5 million of directors and officers liability, with a $20,000 officers deductible and a $25,000 corporate deductible, were as follows: $27,995, $18,000, $22,397, $20,000 and $8,436. The low quote of $8,436 was obtained solely through my insistence that the prior quotes were exorbitant and I had based my thinking on the editorial in *Business Insurance*.
>
> "I am amazed at the wide discrepancy in premiums quoted and especially between the maximum and minimum. All of the companies quoting were rated at least 4AAA+ by Best's.
>
> "So, in conclusion, keep up the good work—there must be a lot of premium dollars in the D&O pipeline."

As we've said before, we think it's high time for D&O underwriters to level with buyers and come up with some credible loss statistics vs. premiums paid. There's something wrong somewhere.

letters

This column is a reader's forum. Letters are welcome. Address Letters to the Editor, Business Insurance, *708 Third Ave., New York, N.Y. 10017.*

Docu Books

To the Editor: In your February 4, 1974 issue, there appeared an article entitled "Books tell surgical risks, ask for 'release'," written by Joanne Gamlin. It concerned a firm in San Diego called Health Communications Inc.

As I would like some information from this firm, I would greatly appreciate it if you could tell me how to reach them in San Diego.

W. B. Davenport
President, Independent Benefit Plans Inc., Indianapolis, In.

To the Editor: We are interested in the DocuBooks referred to on page 3 of the February 4, 1974 issue of *Business Insurance.*

Can you please tell us where we may obtain these books.

M. L. Jespersen
Director of employe benefit plans, The Pillsbury Co., Minneapolis, Mn.

Editor's note: Dr. Spencer Johnson, M.D., a principal of Health Communications Inc. which publishes the DocuBooks, can be reached at Suite 434, Union Bank Bldg., San Diego, Ca. 92101.

Exact citation

To the Editor: In the February 4, 1974 issue of *Business Insurance,* there appeared an article, "Dispute over pregnancy as disability to spark appeal." The last sentence of the article read as follows:

"And the state of California has asked the (U.S. Supreme) Court to rule on whether or not pregnancy should be treated as an injury or illness, entitling pregnant women to disability benefits."

We should appreciate your advising us of the exact title and citation of the case referred to in the just-quoted sentence. A check with the pertinent FEP "loose-leaf" services available to us (published by DNA and CCH, respectively) does not disclose any such case as pending in any court.

J. L. Bernheim
Michael, Best & Fredrich, Milwaukee, Wi.

Editor's note: The California case is Geduldig vs. Carolyn Aiello, U.S. Supreme Court number 73-640. The court is expected to argue the case in March or April. It was appealed by the state of California's Department of Health, Education and Welfare after the U.S.

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business insurance

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

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Letters to the editor . . .

Continued from page 22

district court for Northern California ruled in favor of Ms. Aiello, a public schoolteacher.

The district court found California's unemployment insurance code unconstitutional where it exempts pregnant women from state disability insurance until 28 days after the termination of pregnancy. General Electric, currently being sued over its own maternity exclusions in employe benefits, has reportedly filed a brief in the case supporting the state of California.

In two related cases, the Supreme Court decided Jan. 21 by a vote of 7-2 that mandatory maternity leaves for teachers were in violation of the 14th Amendment's guarantee of due process of law. The court recommended that no arbitrary date for pregnancy leave be set. These cases were 72-777, Cleveland Board of Education vs. La Fleur; and 72-1129, Susan Cohen vs. Chesterfield County (Va.) School Board.

Black Sea & Baltic

To the Editor: I recently received a letter from the Black Sea & Baltic General Insurance Co. Ltd. in London regarding the Nov. 19 Perspective article captioned "Risk management spreads via joint venture to eastern nations."

It was pointed out by the Deputy Managing Director R.M. Shuravin that the Black Sea & Baltic Insurance Co. stands as a subsidiary of the Ingosstrakh Insurance Co. of the U.S.S.R. dealing with foreign insurance, while the Gosstrakh is entirely confined to domestic insurance without any operations on the foreign markets.

He made this point so it is understood that Black Sea & Baltic is intended to serve the foreign trade between the West and East and that their place in London facilitates this purpose.

Robert E. Abrahamson
Corporate insurance manager, Control Data Corp., Minneapolis, Mn.

Loss control

To the Editor: Many of us are already well aware 1973 was one of the worst loss years in system history. For those whose jobs do not regularly involve them with our losses, let it suffice to say that six disasters alone in 1973 resulted in combined damages that can still only be estimated at around $70 million.

Yet what is most sobering about last year's experience is that the causes of major contributing factors in each of the six disasters (and far too many of all the other losses we suffered) were all so fundamental that their prevention was the cornerstone upon which Factory Mutual was founded and has grown for almost 140 years. In recent years, though, we have become involved with many of the new problems presented by modern industry (things like high rack storage and plastics) but perhaps in our involvement with these new challenges we have been guilty of neglecting the basic things.

We have unfortunately been straying too far from the basic principles of loss prevention. It is for this reason that in 1974 we are, in a system-wide effort, redirecting our efforts to get back to the fundamental, yet still critically important, aspects of property conservation. Accordingly, new programs and procedures have been developed for both our own personnel and our insureds. Still, however, we will need constant reminders to keep this effort uppermost on everyone's mind.

The disasters we suffered this year have repeatedly made one single point over and over again. We have taken great technological strides forward in the field of loss prevention but, in doing so, we have mistakenly slighted the basic, fundamental principles of loss prevention upon which all these scientific advances were founded. Our six largest losses this year vividly underline this fact: a $7.5 million explosion at an improperly designed chemical plant where operator error resulted in a chain reaction; a nearly $8 million cannery fire because sprinklers were not provided; a $10 million boiler loss because of a human element failure in leaving a burner cock open; a $10 million mine collapse because of a design or construction miscalculation or error; a $13 million cooling oil fire because a PEO was ineffective and flammable liquids were poorly controlled; a $20 million mill fire because an impairment was improperly handled.

During the period of 1963-1972 our loss analysis shows that of all large F.M. insured fires 20% can be attributed to a closed sprinkler valve. An additional 30% were caused by lack of sprinklers. Other protection deficiencies such as inadequate water supplies, plugged piping, etc. contributed to an additional 23%. That is, of all the large fire losses for that period a total of 73% of them can be directly attributable to sprinkler production defects.

Bruce P. Mattoon
VP and director, public information div., Factory Mutual Engineering, Norwood, Ma.

Flying tigers. *Meet Lee G. Barnes and a squadron of his "flying tigers" from the Sky-Life camp near Edinburg, New York. ☐ Lee, a former Navy and commercial helicopter pilot with over 10,000 accident-free hours, founded Sky-Life in 1963. It's the nation's oldest flying camp and the first one designed for the purpose of teaching youngsters to fly. ☐ To date, Lee has graduated over 250 licensed teenage pilots. Over sixty of his students have soloed on their 16th birthdays; many have gone on to earn higher ratings, and not a single one has ever had an accident during or after his Sky-Life training! ☐ Lee is justifiably proud of Sky-Life's safety record, but he's prouder still of the boys themselves. "They've made this camp what it is today", he says, "they built it, they run it, and they believe in it." ☐ USAIG believes in it too. We have insured Sky-Life from its inception and we are proud to be sharing in its growth and progress.* **USAIG** UNITED STATES AIRCRAFT INSURANCE GROUP
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Propose new life insurance protections

HARRISBURG, PA.—Herbert S. Denenberg, until recently this state's insurance commissioner proposed state legislation that would protect life insurance policyholders against carrier insolvencies like the Equity Funding scandal.

The legislation would require the life insurance industry to collectively honor contracts made by any individual company should one of the carriers fail.

"With the tragedy of the Equity Funding scandal still fresh in our minds the time is ripe for the kind of protective legislation we have proposed," Mr. Denenberg said.

"THE CONCEPT IS as natural as insurance itself," Mr. Denenberg contends. "Insurance companies protect individuals against their losses. We are simply extending the concept by asking the insurance industry to protect individuals by insuring each other against financial failures."

Mr. Denenberg added that legislation has already been passed in Pennsylvania that creates similar financial guarantees for property and liability insurance companies.

The state insurance department would develop lists of problem companies to help identify potential trouble, he noted. And it would "step up" the audit function of the department in order to keep a closer watch on all companies.

"These steps would help cut down on the possibility of fraud or other failures. The legislation we have proposed would ensure that if failure does occur, the individual policyholder would not be the one left holding the bag."■

$21 million expected from new malpractice cover

LOS ANGELES—A new group medical malpractice policy covering some 7,300 members of the Southern California Council of Physicians is in its first quarter here, with Travelers Insurance Co. expected to take in over $21 million in annual premiums, based on individual minimum limits of $1 million and excess layers of $2 million and $5 million.

The Travelers coverage for the council of doctors from seven southern counties of the state was arranged by brokers Johnson & Higgins after their client's former carrier, Hartford Insurance Group, said it planned to double its $16.3 million premium on a comparable malpractice policy at renewal time.

In recent years, California has led the nation in high malpractice settlements and court decisions, including a $4 million settlement in February 1973 (*Business Insurance*, Feb. 12, 1973) and another, which could reach $21 million in June (*Business Insurance*, June 18, 1973). Insurance companies are increasingly hesitant about underwriting medical malpractice coverage, particularly in California.

DOCTORS IN New York, another state with record malpractice payouts, are currently seeking a carrier for their coverage, following an announcement by Employers Insurance of Wausau that it plans to move out of malpractice insurance in the state.

Although Travelers' premium reflects an overall rate hike of 30% over the 1973 Hartford premium, the new policy increases the minimum limits from $100,000 to $1 million. As Robert Vermillion, insurance director for the Los Angeles County Medical Assn. (LACMA), said, "With recent malpractice decisions and settlements as high as they have been, there's no question that most doctors need the extra protection."

MR. VERMILLION, who noted that about 5,200 LACMA members have bought the coverage, said a punitive deductible clause from the Hartford policy is continued in the Travelers policy, along with a voluntary deductible available to groups of five or more doctors who are willing to assume part of the losses in exchange for lower rates. The punitive deductible of $1,000 or $2,000 or $5,000 can be levied on any policyholder showing poor experience regardless of the size of his policy.

Travelers dropped a clause, however, through which Hartford paid compounded 4% interest on unused reserve funds as well as guaranteed 86 cents out of every dollar would go toward loss reserves. Instead, Travelers guarantees that 95 cents out of each premium dollar will go toward expenses, without paying any interest, Mr. Vermillion said.

"Actually, the policies are not that different," he said. "In fact, they are comparable except for that 4% interest on unused reserves which we'll get once all the cases are settled. Not having an interest tacked on anymore, we feel the new contract is not quite as good," he added.

In 1970, when Hartford originally became the carrier, it agreed to offer the malpractice coverage for at least five years. However, Mr. Vermillion noted that no limit was put on rate increases in the fourth year, although Hartford did not take the 5% maximum increase in 1972 and raised rates only 8.8% in 1973.

"THEN IN 1974, they wanted to raise it 100% at first, although we later talked them down to 75% before we started negotiating with other carriers," he said. He indicated that the 92% of doctors formerly covered by Hartford had bought the Travelers policy.

He noted that loss experience from the Hartford policy is so far inconclusive, because "patients have four years from date of the alleged injury or a year from the date of discovery to file a claim. Then, two or three years pass before the case comes to trial, with inflation unpredictable although always expected," Mr. Vermillion said. "So far, claims of just over $3 million have been paid for the 1970-71 period, with more to come."

Mr. Vermillion said that the policy does not cover county, state or veteran hospital staff or school doctors because these professionals are covered by their institutions. ■

Vail drops freestyle competition

DENVER—Scott Magrino, permanently paralyzed in an aerial mishap during a freestyle competition at Vail, Co., last spring, has named Vail Associates, the ski-area operators, and the co-sponsors, Skiing Magazine and Chevrolet, as defendants in a $5,000,000 lawsuit charging negligence in assuring safe conduct of the event.

About mid-January Vail canceled its participation in this year's scheduled national freestyle competition in the Skiing-Chevrolet series but denies that the Magrino lawsuit was the decisive factor.

FRED OTTO, general counsel for Vail Associates, conceded that the suit was a point of discussion but the decision to no longer sponsor freestyle events was formulated "over a long period of time."

Mr. Otto revealed that Vail's involvement in the lawsuit has been taken over by its insurance company (not identified).

A similar mishap just two weeks earlier at Steamboat Springs, Co., resulted in the paralysis of freestyler Peter Hershorn, but no definite legal action seems to have been taken in this incident. ■



It started out as a small fire

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Ansul Solves Fire Protection Problems

Meatpackers carve poor safety record with costly cuts on job

By STEPHEN GOOD

CHICAGO—To meat packers and butchers, cutting accidents are just a slice of life.

The profession has one of the worst work accident records for any occupation. Meat cutters are easily hurt by a flick of the wrist. And falls are common on wet or greasy floors where workers carry heavy loads.

These dangers have earned the meat packing industry a place on OSHA's list of five accident-prone "target industries." Various attempts are now being made to reduce meat industry accidents and take it out of the work safety spotlight, despite some overwhelming obstacles.

"I THINK WE HAVE problems in our industry that others don't have—health and contamination," said Robert Thomas, Esmark's (formerly Swift and Co.) safety director. Due to U.S. Department of Agriculture (USDA) safety standards, many work area safety measures cannot be instituted because they might result in food contamination, he explained. Once a cutting injury occurs, there is double trouble. Infection of the worker's wound must be prevented, and bacterial contamination of the meat is a danger while the cut is healing.

Consequently, the meat packing industry's 550,000 workers have a high incidence of disabling accidents and work hours lost. According to OSHA statistics for 1970, meat packers suffered 46.9 injuries per million man hours worked. This compared to 15.2 injuries for all manufacturing. In the "food and kindred products" category in 1972, OSHA found that 19.3 injuries or illnesses requiring hospital treatment were experienced for every 100 full-time employes a year. This was broken down into 12.6 non-fatal injuries, and 6.7 work days lost a year for every 100 full-time employes. ". . . which is quite high," an OSHA spokesman said. "That's even higher than contract construction's statistics."

Injury-caused absences are generally lengthy, OSHA spokesman added. About 14 days were lost for every accident in 1972, due to convalescence or transferral to another job.

To combat these high injury rates, "we developed a complete safety program," said Swift's Mr. Thomas. "It's been working out. Between 1972 and 1973 we had a 17% reduction in accident frequency. And we have another goal of 15% for 1974."

MUCH OF THE cutback in accidents is credited to Swift's safety awareness program. "I think the biggest thing we did was put that in," Mr. Thomas noted. "And we can always use more training. That's a key point. Overall it's an area that surely can be improved."

As the largest American meat packer, Swift's management and 25,000 food processors are not alone in the struggle to reduce accident hazards while keeping food standards high. OSHA inspectors regularly frequent meat plants because of the industry's "target" rating. The Department of Transportation watches shipping procedures to assure clean handling. Finally, the USDA is ever present with its blue stamps.

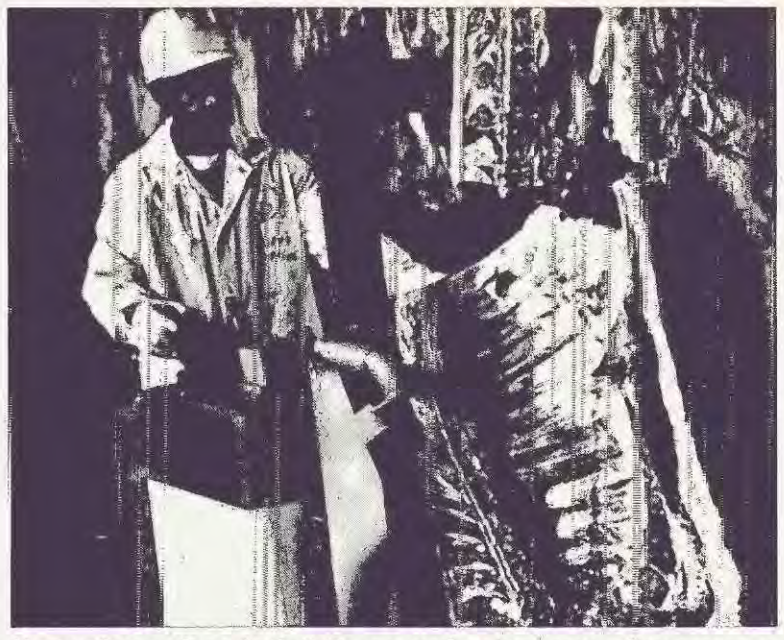
"We've got USDA inspectors who live with us in the operations day in, day out," Mr. Thomas commented.

In addition to government agencies, Swift is working with the National Safety Council's (NSC) Meat Industry Safety Concensus Committee, made up of more than 30 representatives from meat companies, associations and unions. Mr. Thomas himself has a strong involvement in the NSC as its general chairman of the meat and leather section.

"The concensus committee is working with OSHA on standards," he explained. Where OSHA directives and USDA regulations conflict, the committee tries to iron out the inequities by seeking special exemptions from agency standards. One rule enforced by the USDA, for example, prohibits structures that a line of meat might bump against. But OSHA requires railings for high platforms that sometimes come in contact with the meat. The NSC committee is now working to exempt the meat industry from OSHA's railing rule.

Another issue is the use of protective gloves by meat cutters. Steel mesh gloves are worn whenever possible by some companies, including Swift, to decreases cutting accidents. But since the mesh tends to gather bacteria-producing matter, they are prohibited from certain pack-

Continued on page 27



Meatpackers such as Swift & Co. are undertaking new safety programs to combat the industry's traditionally high injury rates.

Make



Meatpacker safety . . .

Continued from page 26
ing operations. The NSC committee is currently working on standards for the sanitary use of steel mesh gloves that would slash knife injuries an estimated 12% or more.

Ralph Quatrocchi, assistant safety director for Amalgamated Meat Cutters and Butchers of North America's Local 342, said that the conflicting work standards have done little to improve meat packing job safety.

"I don't see any significant evidence that it's improved generally. OSHA has just alerted the industry that they have to provide safer work places."

But since OSHA began monitoring accidents in the industry, solid evidence has been gathered on meat packing's safety shortcomings, he added. "Prior to OSHA there was no uniform way of keeping accident records. The employers reported what they wanted to report."

Mr. Quatrocchi credited union locals like his own for much of the industry's new safety awareness. Local 342 of New York City is still the only local with a full-time safety director, he said, although more and more are developing their own safety training programs and committees.

"OUR PROGRAM is a model for locals around the U.S. It's been in existence now for eight years, sponsored by a joint industry-union safety committee."

The local's 13,000 members, who are scattered around the city, are cutting back their work injuries impressively, Mr. Quatrocchi maintained.

"We've had one or two supermarket chains report they save $90,000 to $100,000 in one year, and they said it was a direct effect of our safety program."

Ray Smith, NSC staff representative of the meat and leather section, explained that numerous factors make a job injury in meat packing very expensive. "One-fifth is usually the direct accident cost. The other four-fifths are indirect costs like worker training and replacement, order delays, and lost sales. If you figure the amount of gross sales you have to produce to make a profit, that's quite a stack of sales."

One unnamed meat packer suffered in just one year $10 million total work injury costs, Mr. Smith noted, cancelling out profits on about $500 million in gross sales.

These losses, he added, contribute to the meteoric rise in meat prices.

A successful safety program can produce equally dramatic savings in profits and insurance premiums. Harry Jones, vp and plant supt. of Southern Foods Inc. in Columbus, Ga., recounted that his company installed a work safety program for his 200 non-union employes in 1968.

"THE YEAR BEFORE we had 58 work injuries. In 1968 we had 18. Only two of them were serious. This shocked our carrier up enough so that they sent an engineer down here to see if we were lifting all our injuries out of the records.

"When the contract was ready for renewal we found our premium had dropped $1,200 a year (from an $11,000 total)," he said. Because indirect costs from a work injury compound the loss six times for Southern Foods, "we netted a profit of $7,200, plus a premium saving of $1,200, or $8,400 in one year just by furnishing a safety program."

Mr. Jones explained that the program was simple. "We equipped our workers with mesh gloves, arm guards and hard hats. Some of them who were hard to convince at first have marks on their hats now. We made believers out of them."

The plant also has eight supervisors with Red Cross certificates, a safety committee, and numerous safety message display boards.

"It puts us in a real good bargaining position when we talk to the insurance company," Mr. Jones said. ■

ASIM raising dues; expands activities

HOUSTON—The American Society of Insurance Management plans to raise dues and expand its activities dramatically in the next year.

E. W. "Bill" Altstaetter, first vp of ASIM and corporate insurance manager for Rockwell International Corp., told the chapter meeting here that ASIM is currently working toward having articles in national journals, a speakers bureau, problem-solving clinics, handbooks for operations, a confidential rating service, and a referral service for chapters to use lining up hotels and speakers for meetings.

AND, IF THE directors vote approval at the Toronto convention, a technical services division will be created, Mr. Altstaetter said.

He noted that this technical services division would be responsible for creating and managing task forces to study and report on pension plans, group insurance, captives and other risk management alternatives, and product liability.

Mr. Altstaetter said a dues increase is presently a thorny topic. He said ASIM is targeting 25% of association income from each of four areas—conference, magazine, dues, and other sources—although presently only 20% of income is derived from dues. ■

Death from alcohol ruled 'accidental'

RENO, NV.—A U.S. district court judge ruled that a woman who died from drinking alcohol was covered under terms of an accidental death insurance policy.

Henry A. Minton sued the Stuyvesant Life Insurance Co. to collect $30,000 on a policy insuring his wife who died Sept. 30, 1970. Evidence showed she was a chronic alcoholic. On the day before her death, she was found unconscious in a bathtub full of water; she died the next morning at the hospital.

An autopsy showed there were second and third degree burns over part of her body. Her blood alcohol level was very high and tests showed other alcohol-induced afflictions.

The judge said he was not concerned with the distinction made in many precedents between "death by accident" and "death incurred by accidental means." He said it would have been easy to exclude injury which was caused or contributed to by alcoholism or consumption of alcohol or drugs, but the policy did not do so. ■

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Portland 207-773-1758/Saginaw 517-799-9690/San Francisco 415-982-2702/Seattle 206-622-2461/Syracuse 315-475-2131

Miscarriage ruled valid reason for paid leave

WASHINGTON—An arbitrator settled a benefits dispute between Newspaper Guild Local 35 and the Washington Post by ruling that women employes are eligible for maternity leave even if their pregnancies result in miscarriages.

Under conditions of the Guild contract with The Post, pregnant workers are entitled to six months leave of absence with full pay for the first four weeks. The newspaper denied such leave time to a Local 35 member whose pregnancy resulted in a miscarriage, claiming that such a condition was covered under sick leave and not under maternity benefits.

During arbitration hearings, the Post reportedly agreed that an employe on maternity leave who has collected four weeks' pay would not be required to reimburse the newspaper if she later miscarried.

"I cannot buy the proposition that an employe having a miscarriage shortly after taking leave is any more entitled to the maternity leave pay than one who has the misfortune of having the miscarriage without first going on leave," the arbitrator said. ■

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• **Yes You Can Buy Earthquake Flood Crime Insurance** explains the higher limits of coverage available under the Flood Disaster Protection Act of 1973. Available from the Insurance Information Institute, the leaflet is designed to inform property owners of earthquake, flood and crime insurance. The price is $2 per 100 copies. Write Insurance Information Institute, 400 Montgomery St., San Francisco, Ca. 94104.

• A 32-page booklet, **On the Alert,** is being offered business executives concerned with guarding against shoplifting, employe theft, bad checks, robbery and burglary. Published by the California Department of Justice, copies of the pamphlet are free by writing to the Office of Correspondence Unit, 555 Capitol Mall, Sacramento, Ca. 95814.

• **Who's Responsible** is a new ten minute color sound/slide presentation that investigates a serious construction accident. A feature of this safety measure is that it allows a place to show your own problem areas. Write for a free brochure: United Safety Services, P.O. Box 27276, San Francisco, Ca. 94127.

• **Do Your Employes Know the Dollars and Cents Value of the Benefits You Provide Them?** has been recently published by The Connell Co. The brochure shows why Connell's personalized benefit inventory is an effective way to inform employes of your complete benefit package. For a free copy write to Communications Dept., Connell Co., 275 Wyman St., Waltham, Ma. 02154.

• The National Headquarters of the American Society of Safety Engineers has made available a **National Directory of Safety Consultants** to *Business Insurance* readers. The price is $5.00 and is available from the National Headquarters of the American Society of Safety Engineers, 850 Busse Highway, Park Ridge, Il. 60068.

• Royal-Globe Insurance has prepared a 64-page booklet entitled Burglary Protection Devices. It is profusely illustrated with lock and alarm system diagrams, and includes pointers on how to protect against burglary. Cost of the booklet is $1. Requests should be mailed to Joseph Venturelli, Corporate Communications Dept., Royal-Globe Insurance Co., 150 Williams St., New York, N.Y. 10038.

• **Classrooms Where Experts Learn** describes the Safety First Products Corp.'s fire school where corporate executives can acquire first hand experience in fighting all types of industrial fires with the latest dry chemical techniques and equipment. Write E. T. Robinson, Safety First Products Corp., 3684 Meadow Lane, Department BI, Cornwells Heights, Pa. 19020.

• **Group Survivor Income Benefits,** available from Northwestern National Life Insurance Co., describes the company's plan which provides a continuing monthly income with an optional lump sum death benefit. Survivor benefits are expressed as a percentage of an employe's monthly salary. For a copy of the brochure write Northwestern National Life, 20 Washington Ave. S., Minneapolis, Mn. 55440.

• Fire Protection Co. has come out with a 28-page illustrated brochure entitled **Halon Vapor and its 10-Second War Against Fire.** It reviews in depth the Halon qualities in automatic fire protection. The brochure is informative and profusely illustrated. For a free copy write R. C. Elder, Norris Industries, Fire & Safety Equipment Div., P.O. Box 2750, Newark, N. J. 07114.

• **Aviation Insurance Producers Packet,** released by Associated Aviation Underwriters, includes guidelines to aviation insurance



briefings, for agents to distribute to their insureds and prospects. Write AAU, 90 John St., New York, N.Y. 10038.

• A brochure titled **Top Security** is available from Multra-Guard Inc. The company's Multra-Sonic 2 system, a sound detection system that allows a monitor to "listen" to noises on protected premises is highlighted. For a free copy write Lon B. Fugate, vp, Multra-Guard Inc., 1930 E. Pembroke Ave., Hampton, Va. 23663.

• **This is OSHA,** a U.S. Dept. of Labor film on job safety and health, is available on a free loan or purchase basis throughout the country. The 16mm color film reports progress in the agency's first two years and covers standard-setting, inspections, training and education, state programs and voluntary compliance. The film may be obtained by free loan from any of 27 film libraries of the Modern Talking Picture Service in 19 states and D.C. For additional information about the film and others, write the U.S. Dept. of Labor, Occupational Safety and Health Administration, Washington, D.C. 20210.

• Nationwide Boiler Rentals Inc. publishes an **Emergency Steam Plan Analysis** which shows how to develop a company plan for emergency boiler outages, with suggestions of how to analyze steam demand and minimize plant interruption in case of boiler breakdown. For a copy write Richard K. Bliss, Nationwide Boiler Rentals Inc., 175 S. San Antonio Rd., Los Altos, Ca. 94022.

• Insurors Press is offering a **Protection of Assets Manual.** The two-volume handbook touches on all aspects of security, including structural barriers, locks, alarms, insurance on the protection of assets, data processing operations protection, theft and fraud prevention. It will contain an index, and supplements will be printed monthly. Cost of the manual is $135 the first year and $75 each following year. Inquiries should be sent to George Nordhaus, Insurors Press, P.O. Box 1430, Santa Monica, Ca. 90406.

• Justin S. Lencke, an insurance consultant, offers a brochure entitled **Insurance Is a Puzzlement** which gives suggestions about how to examine your policy to find what it doesn't cover, where it restricts your rights, and in what ways it fails to provide for your exposures. For a copy write Justin S. Lencke, Consultant, 2528 Columbus Way South, St. Petersburg, Fl. 33712.

• **No Time For Bugs** is a booklet containing humorous case histories illustrating the right and wrong ways to handle medical situations. It was originally published by Time Insurance Co. for its own policyholders, but is now widely available. Its objective is to show readers how they can hold down medical expenses and inconveniences, particularly where hospitalization is required. For a copy write Communications Dept., Time Insurance Co., 515 W. Wells St., Milwaukee, Wi. 53203.

• Haws Drinking Faucet Co. has published a 12-page brochure called **Haws Safety Equipment—Catalog No. 571.** This is a miniform reproduction of 40 pages of the company's safety equipment catalog. The product line of emergency eyewash equipment, drench and decontamination showers are described. For a free copy write R. D. Johathan, Haws Drinking Faucet Co., Fourth and Page Sts., Berkeley, Ca. 94710.

• **OSHA Consultation Services** explains NATLSCO's services: compliance program verification, special technical services, precompliance analyses and compliance status surveys. The brochure describes the types of problems each service can resolve and details on how their consultants work with client's personnel. For your free copy write National Loss Control Services Corp., Long Grove, Il. 60049.

• Insurance companies can offer J. K. Lasser's **Your Income Tax,** as a premium and business-builder. This is a special printing for insurance companies' promotional use and low quantity-discount rates are available. Interested companies should contact Jim Street, Director of Insurance Service Division, Benjamin Co. Inc., 485 Madison Ave., New York, N.Y. 10022.

• **Commercial Inland Marine Kit,** released by Improved Risk Mutuals, contains seven different pamphlets. Information on commerical inland marine lines, a partial list of policy holders, answers to inquiries about IRM facilities and a description of their quick service is included. The kit is free by writing the advertising department, IRM, 15 N. Broadway, White Plains, N.Y. 10601.

• **Directors and Officers Liability** is a new brochure available from Stewart, Smith Management Corp. The purpose of the brochure is to give some insight into the legal exposures of directors and officers and illustrate how properly designed D&O can protect them. The brochure is available free from the company, 116 John St., New York, N.Y. 10038.

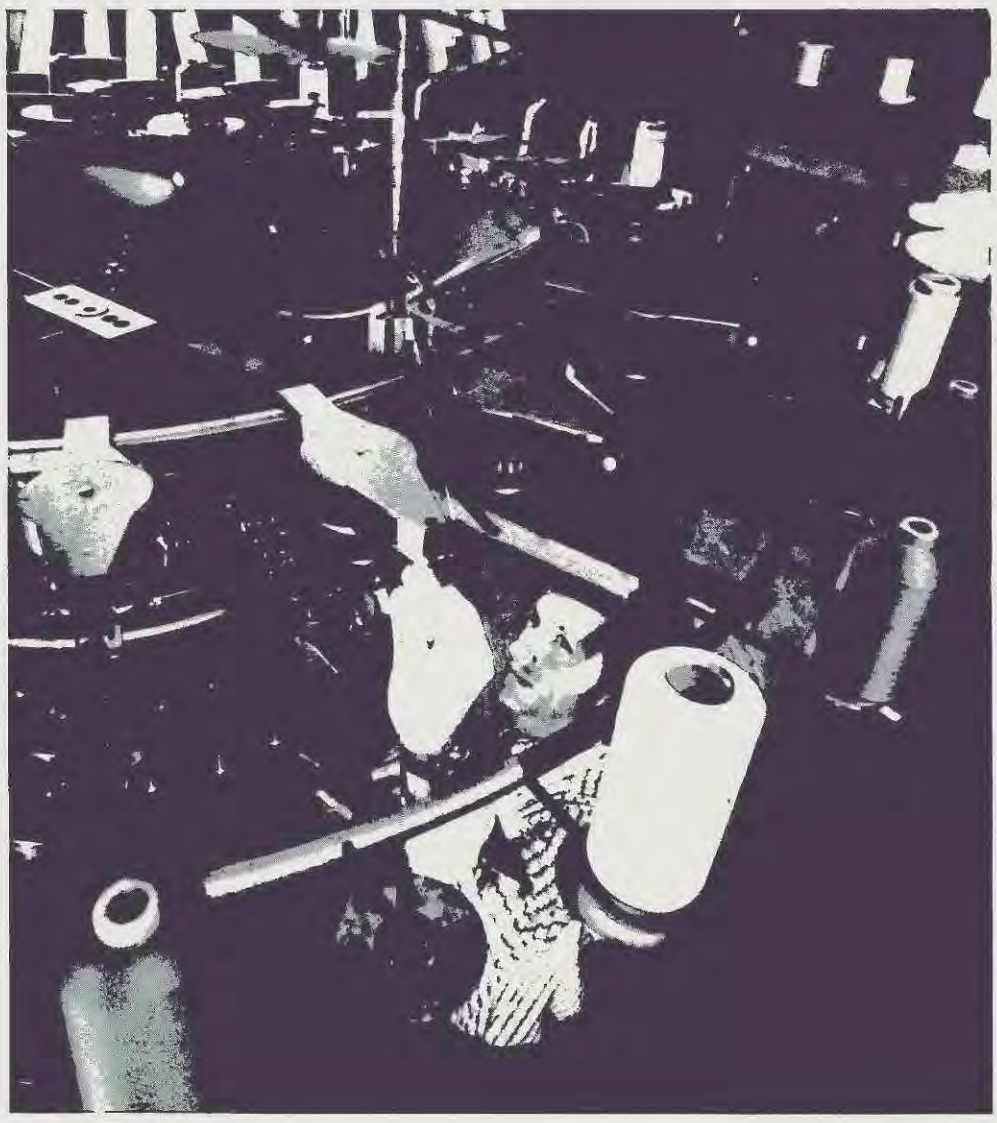
• **1973 Survey Report—Savings/Thrift, Profit Sharing Plans if Comprehensive Annual Personal Benefit Statements** has been published by Kwasha Lipton Inc. The report is the result of a survey of the "Forture 1,000" industrials, and contains data about the growth of savings/thrift and profit-sharing plan, the use of comprehensive annual personal benefit statements, information about the frequency of plan valuations, frequency of communication with employes, the production of benefit statements, plan administration and record keeping. For a free copy of the report write Henry F. Magnusen, Kwasha Lipton Inc., 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

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Seminar told fires following quakes could 'bankrupt' liability carriers

SAN FRANCISCO—Insured property losses from fires following devastating high Richter magnitude earthquakes in California "could bankrupt" liability carriers.

The only way to reduce insurance losses or even to keep fire and earthquake premiums "at reasonable levels" is through organized and careful long-range planning by agencies at every level.

Those are the two major conclusions emerging from a day-long earthquake and fire seminar at Treasure Island jointly sponsored by the northern California and Nevada chapters of the Society of Fire Protection Engineers and the California Fire Chiefs Assn.

Nearly 400 delegates to the seminar met in the icy-cold U.S. Navy theater on Treasure Island, to explore emergency procedures, review fire protection engineering and design problems and to prescribe methods and procedures for reducing the fire potential following major earthquakes.

"THIS PROBLEM should be a major concern to everyone but particularly to insurance companies," delegates were told by Kenneth R. Long, deputy chief for operations of the Los Angeles fire department.

"Earthquake losses for insurance companies," Mr. Long said, "probably would not be too great, simply because so few people, including business establishments, carry such insurance. But the liability losses from fire could be devastating."

Mr. Long reported that southern California alone had 14 known major earthquakes last year and that 28 quakes throughout California registered 4.5 or more on the Richter scale. He added that "about every four years California also gets a quake of a Richter 6 or better.

"All of these produce damage, of course," he said, "but the most costly damage usually comes from the fires which inevitably follow earthquakes. Someone has to pay for the repairs or the rebuilding and it often, in the case of fire damage, is an insurance company."

Mr. Long told the group, many of them representing fire departments, "get your equipment out of the fire station at the first evidence of a quake. Otherwise you may find your fire fighting equipment immoblized in the debris."

THE SEMINAR was told that a maximum credible earthquake occurring in the San Francisco area from either the San Andreas or Hayward Fault, could result in as many as 10,400 deaths if the quake occurred at 4:30 p.m., with serious injuries totalling four times the number of deaths.

At least 33,000 residents would be made homeless by a quake from the San Andreas Fault and 48,000 from the Hayward Fault, with hospital bed losses of 18,000 and 16,000

The least susceptible to damage of non-earthquake resistive buildings are small wood frame structures or dwellings of not over 3,000 square feet and not more than three floors, or single or multi-floor steel frame structures with concrete exterior walls, floors and roof.

High-rise buildings, Mr. Long said, are "relatively safe from fire damage after quakes, except for the potential panic of building occupants.

"An earthquake," Mr. Long said, "is probably the psychologically most upsetting event that can occur to a human. The earth is supposed to be stable. When it moves, the movement destroys a person's sense of security and panic easily ensues."

MR. LONG urged insurance companies as well as business and industry to "develop long-range programs designed to reduce or preclude such panic. Such plans will help substantially to reduce damage and hence can contribute to lower premium rates as well."

Donald B. Wallace, manager of fire protection and industrial safety at Sunnyvale for the Lockheed Missile and Space Co. reported on problems created for Lockheed by the 1971 southern California earthquake.

"You have no idea how the alarms went off at our Burbank plant," Mr. Wallace said, "Out of 300 sprinkler systems in the plant, 18 had to be shut down, although we had some 15 of those back in service by evening. Multiple alarms went off and the entire system had to be re-set."

Mr. Wallace said that quake damage to the four floor building "increased ten times as you went up each floor, with the fourth floor literally a shambles of upset file cabinets, racks and items that had been stored on the tops of cabinets.

"Conversely," Mr. Wallace said, "in the warehouse we found that the anchored racks proved relatively stable during the earthquake, although the breakage of windows and glass partitions was considerable."

FUEL PUMPS went out as the power went off and many of the larger machine tools in the Lockheed plant buildings had to be realigned. The Van Nuys plant remained closed for a week after the quake because both telephone and water supply service had been knocked out.

After the quake, according to Mr. Wallace, Lockheed clamped rigid controls on all access to the plant buildings and a double shift of guard and maintenance staff went into action, using an internal radio system for communication.

"There were no deaths and no injuries," Mr. Wallace said, "but, essentially, this was because of the time the earthquake occurred. We were very fortunate that at 6 a.m. there were very few people around. Had the quake been in midday, the result might well have been substantially different."

"One of the results of that earthquake," Mr. Wallace said, "was an intensification of our already rather extensive program of training our employes in first aid. At our Sunnyvale operation, for example, more than 250 of the employes have such training.

"After the quake we made a number of shake-rattle-and-roll surveys which produced a number of changes in our physical arrangements, particularly in our chemistry laboratories.

"Such a simple thing as keeping cyanide and acids completely separated added considerably to our safety and, hopefully, lowers fire insurance rates. All cabinets

Continued on page 19



EXPECTED MAXIMUM EFFECTS FROM MAXIMUM CREDIBLE EARTHQUAKE

	San Francisco Area		Los Angeles Area	
	San Andreas fault	Hayward fault	San Andreas fault	Newport-Inglewood fault
Population	4,600,000	4,600,000	10,100,000	10,100,000
*Deaths at 4:30 p.m.	10,400	6,700	12,400	20,800
Serious injuries	4 times the number of deaths			
Homeless	33,000	48,000	46,000	182,000
Hospital bed loss	18,000	16,999	7,500	13,300
Debris in streets	Not available	Not available	44,000 tons	114,000 tons
Water main breaks	Not available	Not available	1,200	3,600

*Less at other hours. Excludes deaths from dam failure.

Sources: National Oceanic & Atmospheric Administration, "A Study of Earthquake Losses in the San Francisco Bay Area" and "A Study of Earthquake losses in the Los Angeles, California area."

Quakes . . .

Continued from page 18

have been anchored and lipped and containers are labeled and stored properly with non-compatible items separated.

"The same has occurred in our warehouse storage areas where we have instensified floor bolting and cross bracing of racks and heavier machinery. We also have made certain of the proper distribution of stored products, to lower the center of gravity."

Lockheed has a disaster prevention committee and has organized 11 emergency operation units which include: fire protection, repair and salvage, medical, plant protection, office operations, transportation, safety, government security, public relations, finance and legal.

The communications setup, for example, includes 117 lines and a cordless board, as well as fixed, mobile and pocket plant radios, a county radio system, fire alarm systems, provision for emergency power and a method of "constant review" of requirements.

"We realize an earthquake can happen at any time," Mr. Wallace said, "and the type of motion, epicenter and intensity can produce a wide variety of problems. Our goal has been to analyze potential problems, take reasonable precautions and have at hand basic operational guidelines for emergency actions."

The seminar was moderated by Harry C. Bigglestone, second vp of the Society of Fire Protection Engineers and staff supervisor, public protection for the Insurance Services Office Pacific region at San Francisco.

TYPES OF STRUCTURAL damage to be expected were outlined by structural engineer Henry J. Degenkolb while the northern California earthquake potential was presented by Karl V. Steinbrugge, chairman of the advisory groups to the joint legislative committee on Seismic Safety.

The committee has just completed its final report, ending four years of study and work by more than 70 technical advisors.

Committee chairman, state senator Alfred E. Alquist, said "as a result of advances in technology as well as lessons learned from the tragic 1971 San Fernando earthquake, we now have the knowledge necessary to substantially reduce earthquake risks.

"The potential for earthquake catastrophe, however, continues to increase as our population concentrates in urban centers and hazardous structures remain in use. It is primarily the structures built in seismic regions," Mr. Alquist insisted, "that create the earthquake hazard." ■



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New cover for state bar

SAN FRANCISCO—A program of professional liability insurance coverage for all active members was officially endorsed by the California State Bar Assn.

The approved program was devised by Mel Winrod, marketing manager for Barney & Barney Co., brokerage firm in San Diego, and will be underwritten by The Travelers Insurance Co.

Attorney Seth Hufstedler, president of the state bar, said the new insurance program "will be geared to accomodate attorney practices of all types at very competitive rates."

First policies will be written effective March 15 according to Bruce Moore executive partner of the San Diego company who said the scope of the program "will exceed that of any attorney professional liability policies now written." ■

Sprinklers in code

SAN FRANCISCO—A lengthy campaign by the Western Assn. of Insurance Brokers ended with inclusion in the San Francisco Building Code of a Life Safety System requirement for all high-rise buildings, including mandatory automatic sprinklers.

The program, according to Alfred Goldberg, superintendent of the bureau of building inspection, is applicable to all structures 75 feet or more in height, thus establishing a "local definition" of the term high-rise. Included are offices, hotels and apartment structures.

The insurance brokers began their push for adoption of rigid fire safety rules early in 1973.

labor beat

Steelworker talks: Employers are glad to have cap on pension costs

By PATRICK THOMAS

PITTSBURGH—The United Steelworkers of America, whose contract demands are approaching the momentum of an irresistable force, settled with the major container firms under terms very similar to those reached earlier this year with the aluminum industry.

Though there are some differences in agreements between the union and the two industries, the steelworkers pacts with container manufacturers contain the cost-of-living escalator in the pension plan first reached in the aluminum talks.

A SPOKESMAN for one of the container manufacturers told *Business Insurance* that the cost of the new pension agreements, while still considered a definite high-cost item, might not be as catastrophic as some persons have suggested.

"This is definitely a breakthrough for the union," said Eugene Ecker, administrator of corporate benefits at American Can Co., one of the four major container manufacturers. "But we now have a cap on the pension. Through the company pension plan and Social Security, the maximum pension is 85% of salary. From a company point of view, this is more meaningful than the CPI escalator."

As in the aluminum contracts, the three-year contracts with American, Continental Can Corp., National Can Corp. and Crown Cork & Seal Co. provide for a cost-of-living escalator in the pension plans of 65% of the annual inflation rate as stated by the government.

"Looking to the future," Mr. Ecker commented, "this will be very costly but that cap is very important. Social Security benefits have broadened greatly and are projected to continue doing so.

HE SAID THAT the 85% of salary cap prevented the potential situation of retirees leaving the company with pensions in excess of what they had been making on the job. "Without the cap," he noted, "this would scare the hell out of us."

The new contracts also call for an increase in the amount of the pension. Container industry steelworkers will now receive basic monthly pensions of $11 to $15 a month times their years of service, which is the same as mandated by the aluminum settlements.

However, the new rate, which is based on wages, is "a little stronger than in the aluminum contracts," according to a union spokesman. The old multiplier for the container employes was $8.50 while the aluminum industry has used a $9 multiplier.

The retirement age was lowered from age 65 to age 62 and the container workers also received the unique early retirement provision because of layoffs or plant closing that was first won by the aluminum employes.

Under this provision, which Mr. Ecker said was not really new, but rather updated, those employes who are displaced by prolonged layoffs or plant closing could be eligible for a full pension plus $230 a month until age 62, when the extra payments would cease.

THIS OPTION would be open to any employe whose age and service add to to between 70 and 80, as long as he has at least 10 years of service.

Similar benefits had been available under old contracts in the container industry, which has faced a number of plant closings, but that the amount of the monthly payment had increased to $230 from the previous $130.

The pacts also contain a provision which includes payment of closing costs for new homes, transfer bonuses of more than $2,000 and the preservation of the transferred worker's seniority.

Also like the aluminum agreements, retirees covered under past contracts will receive increases in their pensions of from $15 to $60 a month, based on their present pension level.

The container employes won improvements in their sickness and accident benefits. Under the new contracts, benefits range from $115 to $163 a week, depending on the worker's wages. The old sickness and accident plan was a hard money contract which paid 70% of weekly wages, based on the position of the corporate funds which the companies paid into.

If the position of the fund was weak, the amount of the weekly benefit would decrease though a worker would not receive less than $75 a week.

"It was a poorly designed plan," Mr. Ecker said. "Now there is guaranteed payment for 104 weeks on a schedule."

The union also got a prepaid dental plan, the first in the industry. While it does not go into effect until August, 1975, the plan will have a $750 annual maximum for each worker and each of his or her dependents.

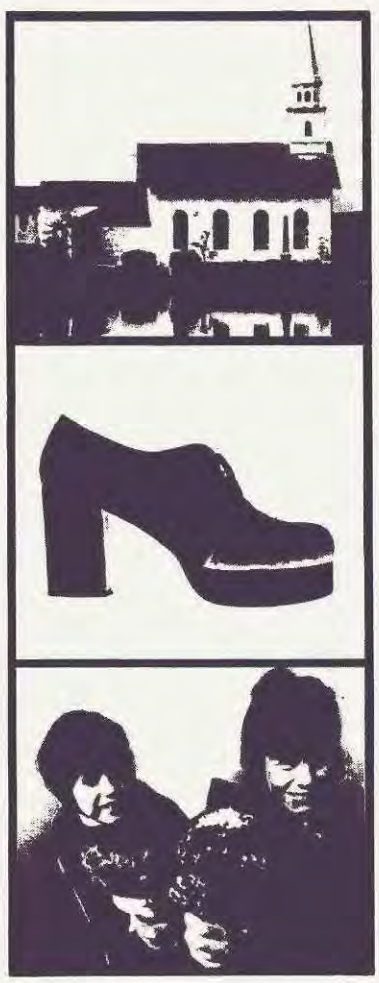
IN THE WAGE area, the container workers won a revision in the cost-of-living escalator, as did the aluminum workers. Under the new pacts, wages will go up one cent an hour for each 0.3 point increase in the consumer price index, using 1967 as the base year.

The container workers received wage increase totalling 61¢ over the three year contract, not as high as the 70¢ won by the aluminum industry workers. This is due, in part, the USW man said because the aluminum contracts will run 40 months while the container pacts is three years.

The contracts cover some 37,700 employes at the four major manufacturers. Another 9,200 workers are employed by 53 smaller container firms, which traditionally follow the example set by the major companies.

Many observors of the labor field, as well as union executives, feel that the aluminum and container settlements will put the basic steel industry, which is now bargaining with the steelworkers, under heavy pressure to match the benefits. ■

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Malpractice continues to be distressing issue

MILWAUKEE—The State Medical Society is taking another look at the idea of offering its members group malpractice insurance through a single carrier.

The move follows a get-tough attitude adopted by risk firms facing higher losses as patients' claims grow and lawsuits increase.

A subcommittee of the society's board of directors has undertaken preliminary studies aimed at obtaining group coverage for the doctors.

The society explored the same subject in 1971 but shelved the idea because a membership survey showed lack of interest, according to Earl Thayer, the society's executive director.

"BUT IN LIGHT of recent substantial rate increases, and St. Paul's action, we decided we had to rapidly seek out the possibility of a single carrier," he said.

St. Paul Fire and Marine Insurance Co. has stopped writing new policies for anesthesiologists, emergency room doctors, gynecologists, orthopedists and plastic surgeons. Existing policies with those doctors will be renewed, however, a spokesman said.

In addition, Medical Protective Co. of Fort Wayne, In., which claims to insure about half of the doctors here, and Aetna Insurance Co. of Hartford, Ct. said they would continue to write new policies only after close scrutiny of applications.

The St. Paul spokesmen said that nearly 97% of the premium money collected between 1968 and 1972 has been paid out as losses. That doesn't include such expenses as legal fees and paperwork on the policies, he added.

THE COMPANY has lost money on its malpractice business every year since 1965, a spokesman said. "Overall, it's a pretty terrifying picture," he added.

Medical Protective said it has handled 100,000 lawsuits against its 500,000 policyholders over the last 75 years.

"The average dollar loss per claim resolved has doubled and doubled and doubled again in the past 10 years," said Robert J. Miller, vp, Medical Protective Co.

"The most distressing aspect of today's malpractice situation is the willingness of juries to award large sums of money to a plaintiff and the willingness of the courts to uphold these verdicts even in the absence of proof the doctor did anything wrong," Mr. Miller added.

"OUR SOCIETY has developed an acute awareness of injured individuals and, it would seem, desires that injuries be compensated irrespective of responsibility."

Consequently, a company official said, rates are expected to increase about 50%, this year. They have risen 25% to 50% a year for the last several years.

An Aetna spokesman said that the company was paying 80% of its premium collections back out in the form of compensation for claims against its policyholders. ■

Sprinklers demanded

SAN FRANCISCO—A demand that the San Francisco Board of Supervisors adopt an ordinance requiring mandatory installation of automatic sprinkler systems in all new buildings more than seven floors high has been made by the Insurance Brokers Assn. of California.

Eugene J. Sullivan, executive secretary of the association, said the demand was stimulated by the most recent tragic high-rise fire in Brazil.

"Insurance industry leaders," Mr. Sullivan said, "are determined to do everything they can to see that such a tragic fire does not occur in this country."

A resolution calling for the sprinkler system requirement was adopted by the association last April and sent to the Board of Supervisors which has not yet acted in response. ■

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IN CANADA: CAFO

HALIFAX MONTREAL TORONTO EDMONTON VANCOUVER

Asphalt plants improve risks; carrier cuts rates

By VALERIE MACKIE

BALTIMORE—Asphalt contractors may not be steamrollered into paying high property insurance premiums much longer.

United States Fidelity & Guaranty, a leading underwriter of property policies for asphalt contracting firms, said it will soon lower by 10 to 15% premiums for coverage on asphalt plants.

This reduction comes on the heels of a National Asphalt Pavement Assn. (NAPA) study by Caperton and Shepherd, insurance consultants, of asphalt industry risks.

USF&G's assistant vp William McCardell said the carrier had been thinking of a rate change, but the study "really focused attention" on asphalt plant rates.

THE STUDY concluded that "hot mix asphalt plants have become dramatically improved insurance risks. Rates charged by the insurance industry should be substantially lowered because of those significant changes." Caperton and Shepherd is the insurance consulting arm of Charleston, W. Va.-based brokers McDonough-Caperton-Shepherd & Goldsmith.

One of the most significant factors in reducing loss potential has been automation, the study said. Where it once took a crew of five or more men to produce an asphalt batch, an operator in an air-conditioned control room can now produce the same product.

The three-year-old Occupational Safety and Health Act required the asphalt industry to make significant changes that lowered loss potential considerably, the study pointed out.

The third major cause of risk improvement is the new air pollution standard called for by the federal Environmental Protection Agency. The study explained these guidelines have had a substantial effect on plant housekeeping, plant operations and performance standards.

THE IMAGE OF an asphalt plant is a "dirty, black building with gravel and mud all around it," Gaston Caperton, president of the consulting firm which did the study, said. "But that's not true anymore," he protested, "why there's even a plant that's painted pink."

Generally asphalt contractors are paying the same rates now that they paid three years ago, even though the whole industry has changed, Mr. Caperton said.

Construction on asphalt plants has improved so much in the past few years that USF&G has not had to deal with a total loss of property in five years, Mr. McCardell said. "Before, we always had a fear about asphalt plants." They discouraged agents from seeking new policies and offered to share policies with other underwriters, he explained.

"But now we've told people in our branch offices when policies come up for renewal to change the rates if the insured has a good operation." USF&G has even told agents to be more aggressive about seeking more plants to insure, according to Mr. McCardell.

USF&G's rate changes will depend on several factors: the size of the contractor's schedule, past experience, safety programs, locations and the size of the deductible.

Mr. McCardell said USF&G encourages higher deductibles because when there is a loss, it usually amounts to several thousand dollars.

The majority of losses in asphalt plants are caused by fires. Burners or fire heaters needed to keep the asphalt hot can explode or rupture and take a lot of equipment with it, he explained.

ON THE AVERAGE, an asphalt plant is covered up to about $100,000; premiums average $1 per $100 value covered, Mr. McCardell said. Right now the average deductible is $250.

Ratrie, Robbins, Schweizer Inc., an asphalt company located here, is currently negotiating with its broker, Tom Brooks Co., to raise the deductible to $10,000. Presently, it stands at $250, Harry Ratrie, president, said.

This NAPA study "really woke us up," he said. As contractors, not insurance men, Mr. Ratrie's firm didn't know as much as it should have about insurance costs, Mr. Ratrie feels.

Asking for a higher deductible "will change our premiums considerably—say 20 to 30%," he said.

The plant is insured against catastrophe for $500,000 and total property insurance costs are about $150,000 a year, according to Mr. Ratrie. The companys' sales are close to $7.5 million a year.

Charles R. Leo Jr., president of Ward Pavement Inc., in Haverstraw, N.Y., said "the average NAPA member gives the policy to a friend and doesn't realize what it costs him."

PAMPHLETS containing the study's findings were mailed to 50 insurance companies and to all members of NAPA. The association represents over 900 asphalt companies accounting for 74% of the total tonnage of hot mix asphalt produced in 1972.

NAPA does not have any plans to offer insurance coverage to members. Mr. Caperton explained that his company has not recommended it because "the individual company can be better served locally by a local underwriter. Each contractor has a particular need." ■

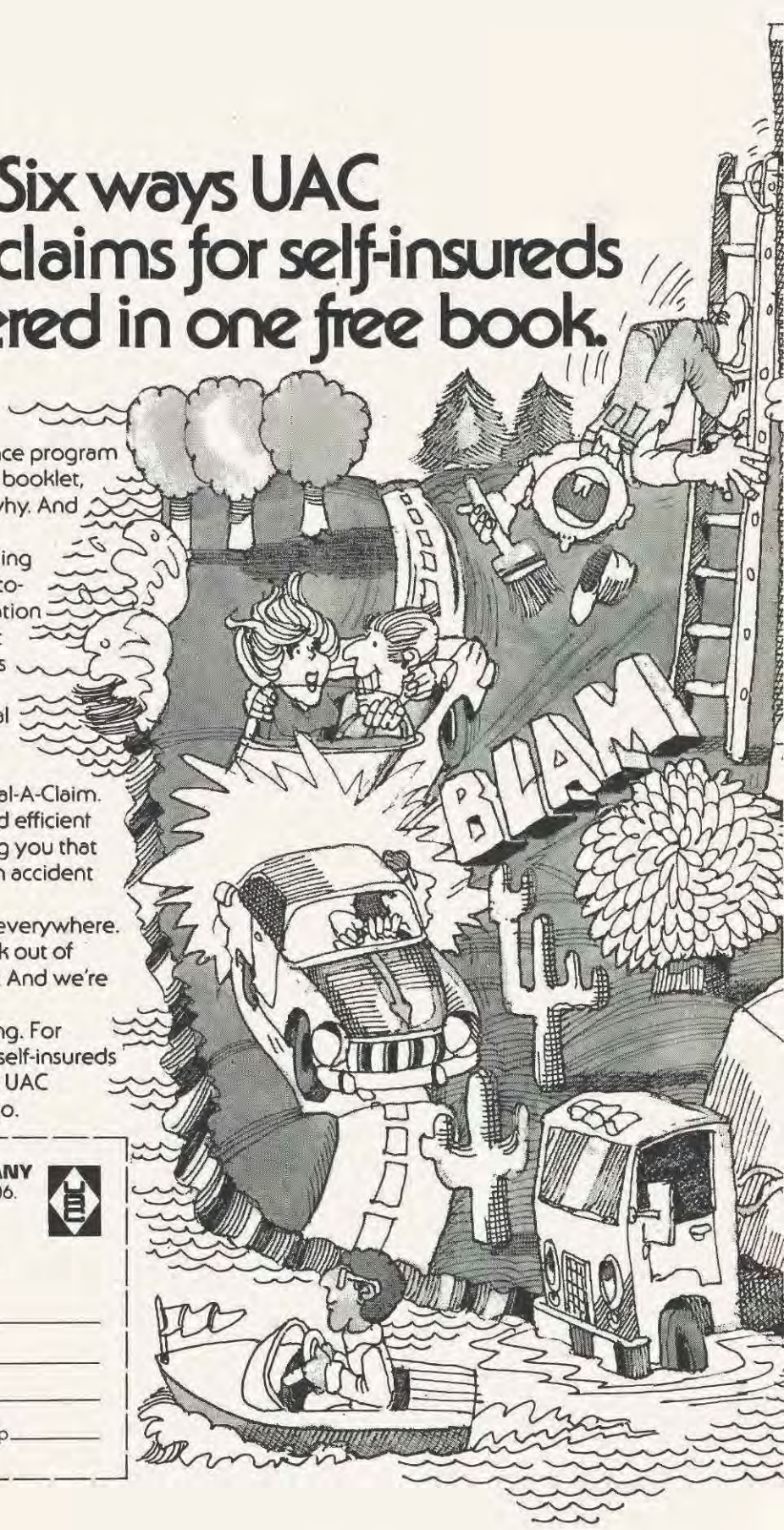
Budget ups OSHA funds

WASHINGTON—The Nixon Administration recommended in its record budget request that appropriations for the Occupational Safety and Health Administration (OSHA) be doubled.

OSHA received $23 million over fiscal year 1974, and the new requests call for appropriation of $64 million over FY 1975. The increase in funding will be used, the Labor department claims, to make grants to 30 states expected to be operating soon federally-approved job safety and health programs and to boost the size of the OSHA compliance officer ranks from its present level of 800 to 920.

With the new inspectors, OSHA predicts job-site inspections will increase by 35% in FY 1975 to over 200,000. ■

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BI 3/18/74

Don't want to strike

Cleveland's police and firemen fight City Hall over health cover

CLEVELAND—Police and firemen here are angry. The mayor twice vetoed increases in their hospitalization coverage, and now they have no health benefits at all.

"I don't think you'll find too many men happy with what the mayor did," said one policeman. "We don't want to strike, but we're doing everything possible to make our protest known to the public."

That publicity came on the morning of Feb. 25. At a demonstration in front of City Hall, a group of 300 patrolmen and firemen blocked all doorways into the building, letting no one inside for three hours.

The controversy began back in May, 1973, when the Cleveland Fraternal Order of Police (FOP) reached an agreement with the city on gradually increased health benefits. The 2,400 policemen and 1,300 firemen were receiving a $14.53 monthly contribution from the city toward health coverage. The agreement called for a monthly contribution of $25 beginning last July. This would be increased to $35 in June, 1974, and to $45 in 1975. By 1976 the city would pay for all hospital coverage.

Police and Fire Forces currently have a choice between two health plans. The traditional hospital care program from Blue Cross costs $72.83 for a family or $29.00 for a single person. A Kaiser community HMO plan costs $66.27 for a family, $44.18 for a couple, and $22.09 for one.

"HOSPITAL BILLS from on-the-job injuries are paid by workmen's compensation," the police source explained. "Pay is not docked for sick time either. We have two officers on the sick list from the '68 riots who are still being paid full salaries."

Another organization, the Cleveland Police Patrolmen's Assn. (CPPA), decided that the FOP's agreement with City Hall was too gradual and persuaded the city council to pass a bill that immediately authorized fully-paid coverage.

"IT WAS A political arrangement with the city council," said a spokesperson for the office of Mayor Ralph J. Perk. "All the newspapers and TV stations editorialized against it. The move infringed on the administration's role of negotiating with labor groups. There are 20 city employe unions and only three are for the safety forces. You can imagine what would happen if they all played one side against the other to get their salaries and benefits increased."

Mayor Perk vetoed the bill July 23, and the council failed by one vote short of a two-thirds majority to override the veto. But then the political climate changed after November's city elections, when 31 Democrats and 2 Republicans were elected to the Council. Mayor Perk, a Republican, also regained his post.

With new vigor, the city council passed another ordinance last month, authorizing full payment of the health benefits for police and firemen. After Mayor Perk vetoed it, the council overrode his veto by a vote of 27-3.

"Then about a week later one of the members of the city's law department said they couldn't pay the benefits because of a technicality," noted the police source. "Everybody thought it was law, but they claimed there wasn't a proper budget appropriation for the ordinance. So legislation was introduced in council making an appropriation. It passed. Now I think the Mayor is going to let it slide through."

THE MAYOR'S office spokesperson would not predict the outcome. "He had not announced what he is going to do." But she added that soon after the new ordinance was passed, Mr. Perk went to Florida "on doctor's orders" because of a case of viral pneumonia. If the vacationing mayor has failed to veto the bill within ten days, it is automatically law.

Meanwhile another battle is depriving the Cleveland police and firemen of all hospital coverage contributions from the city. On Jan. 22, a visiting common pleas judge ruled in a taxpayer's class action suit that the city cannot pay $25 a month toward monthly benefits costs.

"The city is fighting that decision," said the mayor's spokesman. "As soon as this can be settled the city will restore to policemen and firemen what has been taken out of their pay."

A dispute remains over whether the city can afford paying all the safety forces' health benefits. Due to a 1968 charter approved by the voters, police and firemen in Cleveland must receive 3% more than the average salary paid any other large Ohio city force. With two years' seniority, a police patrolman in Cleveland currently makes $12,386 a year. Next year's increase is expected to be about $700, bringing salaries up to 3% higher than those of second-place Columbus.

"THE CITY SIMPLY doesn't have the funds at this time budgeted for fully-paid hospital benefits," commented the mayor's spokesman.

But Richard J. Faragher, president of the FOP, said the city could find the money if it searched hard enough. "The budget can be changed, there's no doubt about that."

Mayor Perk's political future may be slightly tarnished if the health benefits controversy drags on. In January he announced his intention to run for U.S. Senate this year on the Republican ticket. But he needs the continued support of Cleveland's voters, where registered Democrats outnumber Republicans eight to one. ■



Try flexible job hours

More than 1,000 employes of Metropolitan Life are engaged in a three-month flexible work plan. Selected departments of the insurance company are permitted to vary their hours by working a full day beginning any time between 7:30 a.m. and 10:00 a.m. The experiment will end May 31, when the company will determine whether the plan can be adopted by all 55,000 Metropolitan Life employes.

ASIM conference schedule

Group sets property-casualty, benefits program

NEW YORK—Sen. Jacob K. Javits (R-N.Y.) and Leonard Woodcock, president of the United Auto Workers, are scheduled to be highlight speakers at the American Society of Insurance Management risk management conference in Toronto.

ASIM spokesmen say they expect more than 1,800 registrants and more than 3,000 attendees at the risk management group's 12th annual conference, to be held the week of April 28-May 3 at Toronto's Four Seasons-Sheraton Hotel.

As at past conferences, the Wednesday through Friday property/casualty sessions will be preceded by two-and-a-half days of sessions and panels on employe benefits. The conference theme is "The Critical Path."

In addition to general and split sessions on employe benefits and property/casualty, about 25 industry sessions have been planned. Among the industries which will hold specialized sessions are banking, chemicals, construction, data processing, steel, foods, maritime, oil, municipal government, trucking and professional sports.

ONE PROPERTY casualty session includes a panel composed of a risk manager, a representative from Fortune magazine and several insurance company executives discussing Fortune's study, "How Major U.S. Industrial Corporations View Property/Liability Insurance."

Another property/casualty panel made up of Frederick D. Watkins of Aetna Insurance Co., Waverly G. Smith of St. Paul Fire & Marine, Charles W. Pachner of Frenkel & Co. and E. Laurence Gay of Amfac will discuss risk management.

G. William Glendenning, dean of the Insurance Institute of America (IIA), the IIA's director of risk management education George L. Head and Bernard L. Webb, Georgia State University professor of actuarial sciences and insurance will talk about how risk managers can keep up with changing rates, skills and markets.

Bryant Balcom, secretary of Royal-Globe Insurance Cos. and David Schmeltzer, assistant general counsel for standards development of the U.S. Consumer Product Safety Commission, will present their views on consumer product safety.

A SEMINAR on plant, EDP and cargo security will be moderated by Daniel D. Gaitley of Chrysler Corp. His panel will feature John R. Hitt, vp of Pinkertons Inc., Joseph J. Wasserman, president of Computer Audit Systems Inc., and Carroll J. Hunt of McLean Trucking.

Fire protection and control will be discussed by National Fire Protection Assn. president Charles S. Morgan, Underwriters Laboratories president Baron Whitaker, and Furman Co. vp Robert B. Angle.

A seminar on claims handling will feature Exxon's vp Hunter Long, E. W. Whitmore of the Factory Insurance Assn. and Edward R. Reilly Jr., president of the National Assn. of Independent Insurance Adjusters.

A panel on how the risk manager functions without an agent or broker, using such devices as self-insurance, captives and/or direct writers, will consist of A. Grant Whitney, executive vp of Belk Stores, Joe H. Bridges of Amfac, Harry House of Verlan and Edward R. Lloyd of Dan River.

A SESSION ON international risk management will feature Burton J. Carbino of Schlumberger, William Crowley of AFIA, Michael J. Twomey of American International Underwriters, Paul Pinkham of Johnson & Higgins, William Manson of Marsh & McLennan and William Bray of Alexander & Alexander.

The employe benefits sessions will cover the relationship between the benefits manager, the consultant and the carrier, moderated by Alan Macdonald, McGraw-Hill director of employe benefits, and including Paul Gregg, first vp of John Hancock Mutual Life Insurance Co., Edwin C. McManus, director of employe benefits at Rockwell International, and Robert O'Meara of Hewitt Associates.

Kent Barker of Control Data Corp. will talk about mass marketing of employe benefits with Thomas Clark, Johnson & Higgins, vp, and George G. P. Knapp, vp of Chubb & Son.

Benefits claims control will be the topic for Brendon McHugh of SCM Corp., John Kajander, vp of employe relations at Pennzoil, Noel Killiher of Aetna and E. Gordon Rossiter, Alexander & Alexander vp.

JOSEPH W. DUVA, SCM director of employe benefits, and Keith H. Cooper, vp of Towers, Perrin, Forster & Crosby, will talk about extending U.S. benefits programs into Canada.

Four persons representing Kwasha Lipton Inc.—Leonard Zimmerman, Harry F. Bremer, Theresa Stuchiner and Kenneth J. Hunt—will give a presentation on profit, thrift and savings plans.

The *Business Insurance* Employe benefits communications awards for 1974 will be made at the ASIM luncheon on Tuesday, April 30.

This year's conference will feature an expanded exposition center. So far, 25 firms have reserved booths to display services, product or programs. ■

Fireman's pension bill

Washington Gov. Dan Evans last month vetoed the portion of the state's recently passed firemen's pension bill that limited it to first-class cities of over 200,000 population. The bill now permits former employes of all first-class cities who are employed by the fire department in the same city to transfer their pension credits from the city to the fire department retirement system.



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Modification of 30-and-out retirement is union issue

CHICAGO—United Auto Workers (UAW) struck ELTRA Corp. March 1 after union and management negotiators failed to agree on a new three-year contract with watered down UAW retirement provisions.

Union pension demands for the ELTRA contract are not as strong as the 30-and-out plan accepted last fall by General Motors, Ford and Chrysler (*Business Insurance*, Dec. 3, 1973).

"We're asking well below the UAW pattern set last year," commented a union spokesman. "We've been negotiating for two weeks, seeking a cost-of-living formula, and new pension, life-health-accident insurance and SUB (supplemental unemployment benefits) agreements."

NINE OF THE company's 52 domestic plants and three plants in Canada were closed by the 3,500 striking UAW workers. ELTRA manufactures automotive electrical products, as well as industrial batteries, telephone components and footwear. The company has a total of 27,100 employes.

"We're not asking for the regular 30-and-out," the union spokesman explained. "Our last offer on this was a retirement age of 58. The pattern now is 58. These three years make a lot of difference in cost."

An ELTRA company source called the union retirement demand a 30-and-out plan "in modified form." Normal retirement age would remain at 62, but workers with 30 years' seniority and 58 years of age could leave with $550 a month until normal retirement benefits began at age 62.

IN A RELATED development, more than 5,000 UAW workers employed at the Toledo-based Champion Spark Plug Co. reached a new three-year contract settlement last month.

Benefits gained in the new agreement include a comprehensive dental care program, the UAW's full 30-and-out retirement plan and increased group insurance benefits.

"We regard Champion as the most profitable of any company of its kind," a union representative said. "Champion is never in a position to plead poverty, which can be somewhat unusual for a supplier company." Champion makes spark plugs and other automotive aftermarket products for worldwide distribution.

Some parts of the contract plan will take effect in 1975 and 1976. Beginning next year on Feb. 1, a dental program will pay 100% of all costs for cleaning, fillings, and children's space maintainers. Fixed bridges will be 50% covered, and orthodontic work for any children up to 18 years old will qualify for 50% coverage up to $500 a year. All other dental services are going to be 85% paid, up to $750 a year for every employe and dependent.

In Feb., 1976, expanded health insurance will begin, but specific coverages have not yet been chosen. The union representative explained that options include improved out-patient therapy and psychiatric coverage, obstetrical lab services, chemo-therapy cancer treatment and pap smear tests.

Other benefits provided by the contract settlement include:

- A maximum $12,500 in basic life insurance until age 65. Extended disability benefits are expanded to a limit of $500 a month, and sickness and accident coverage is increased to $125 a week.

- Enlarged supplemental unemployment benefits. By May, 1976, Champion will pay all premium costs for health care coverage, and will increase SUB contributions up to 9-14 cents an hour from the previous 6-7 cents.

- The UAW's regular 30-and-out retirement plan for employes at any age in the U.S. and at 55 in Canadian plants. The Canadian agreement includes a provision for reopening the 30-and-out plan discussions in 1977. ■

Insurance capacity, like energy, in short supply

LOS ANGELES—A commercial insurance capacity crunch—not unlike other current shortages in such things as gas or plastics—is likely to emerge within three or four years, George Handley, senior vp of Marsh & McLennan, New York, told the southern California chapter of ASIM.

Mr. Handley asserted that because of the upsurge in new technology stemming from efforts to cope with the energy shortfall, resulting in mammoth new exposures, "the insurance industry is already running out of capacity."

Domestic life insurance companies with large reserves and the foreign insurance market will probably have to be tapped to avoid a serious property insurance shortage in the future, he said.

Mr. Handley warned that in the scurry to protect the new technological exposures, the large carriers are apt to "grab up all the good risks."

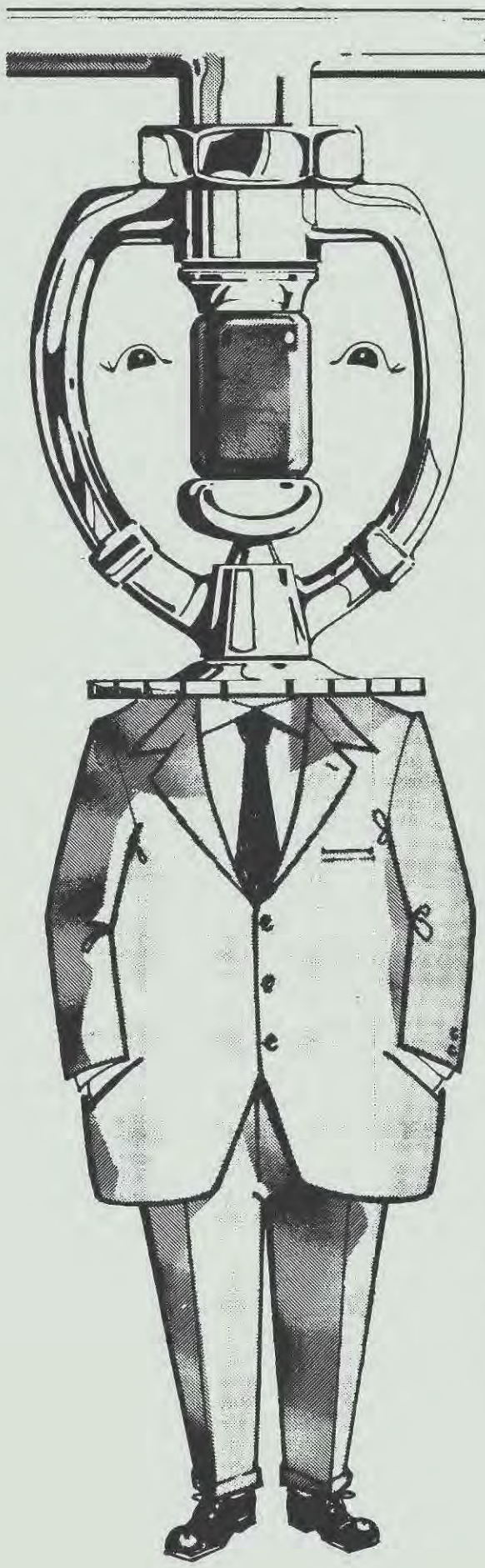
ZEROING IN on the energy industry itself, Mr. Handley, a marine insurance expert, termed "awesome" the new exposures in energy exploration. No previous loss records or underwriting experience can simplify the job of adequately insuring and managing the complex emerging risks, he said.

Risks that will demand an increase in insurance capacity in the future, he said, are oil pipelines, large and ultra-large tankers, new drilling rigs, ships that operate under ice, and floating nuclear power generating stations. He illustrated: "Two floating nuclear power generator stations cost about $800 million."

MARINE LIABILITY, in fact, is a $3 billion-plus premium business worldwide, he noted. "Marine pollution liability is another new need," he continued. "Where will the capacity come from to write the marine pollution liability policies that will be needed in the future?"

"And what happens if new oil refineries are nationalized and expropriated?" he wondered.

Although Mr. Handley conceded that in the past few years insurance capacity has risen sharply, he maintained that the insurance industry right now falls far short of offering the capacity and coverage needed for new energy technology exposures. ■



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business insurance PERSPECTIVE

Critic assigns CPSC low marks for first year's achievements; still-awesome powers



BY MARSHALL W. REAVIS
Dept. of business administration
Governors State University
Park Forest South, Il.

(Editor's note: A little over a year ago, on December 27, 1973, President Nixon signed into law, what this writer six months ago called the most potentially dangerous legislation ever enacted under our Constitution, the Consumer Product Safety Act. Why does he believe it so dangerous? Primarily because he feels it has the potential to totally change our system of manufacturing and marketing while the only limitations appears to be in the administration and interpretation of the law. Now that a second six months has passed has his opinion changed? Not really.)

IN THE YEAR SINCE the Consumer Product Safety Act became law many things have happened to our country, our government and our economy which have tended to overshadow this significant legislation. Thus, it seems important at this time to review what has happened under the Act during this year as the agency and its enabling legislation matured.

One thing that happened which was unexpected in bureaucratic Washington was that the new agency did not take off like a rocket. Instead its trajectory has been rather like that of a lumbering cargo plane . . . slow and unsteady as it seeks altitude to keep aloft.

The law called for five commissioners to be appointed (3 Republican and 2 Democrat) and stated that the transfer of functions from other departments would take place in 150 days or upon appointment of the third commissioner. This activity took from December until May, 1973.

The nucleus of the new agency was to be the Bureau of Product Safety, part of the Food and Drug Administration, itself part of the Department of Health, Education and Welfare. The bureau had been formed as a result of the studies published by the National Commission on Product Safety (1968-70). The first sign of trouble was when the FDA made overtures that it would not release this bureau or at least would try to retain the national electronic injury surveillance system it contained (NEISS).

There was throughout industry, the insurance companies, Congress and government a great deal of speculation as to who would head CPSA, how it would function, and what effect it would have on the business community of the United States. Within Washington the speculation was more inclined towards who would get all those new jobs. Much jockeying was done by both appointees and civil servants.

It was perhaps most unfortunate that the commissioners were appointed and many of the key staff jobs filled before the Watergate hearings. This is because there is some indication that much of the staffing of this agency had to have been based on political reward or bureaucratic friendship rather than overt skill. Another factor, of course, was that the queuing for position was taking place while the newly elected President held "resignations" from the various Washington appointees and agency shuffling was taking place as new assignments were given as rewards for the 1970 campaign.

THERE IS, IN FACT, some doubt about the ability of some of the commissioners within the area of consumer product safety.

One commissioner, formerly headed Vista, the domestic peace corps. On the surface it would seem that she would be more qualified as a consumer advocate than to set engineering standards for our products in the marketplace.

A second commissioner, formerly a White House adviser on women's rights, also seems to be more qualified for consumer advocacy than Consumer Product Safety.

The third commissioner came from the Bureau of Standards, which was remarkable considering the track record of appointments. The concern here is that he may be too standards-oriented and have little consideration for manufacturing and marketing concerns. It is hoped his decisions are not too myopic.

The fourth, as Chairman of the Commission, was a former deputy Secretary of Commerce (a job usually reserved for Nixon campaign advance men). This DOC relationship may explain his pyro-hangup left over from the days when DOC had responsibility for the Flammable Fabrics Act, now the domain of CPSA.

The fifth commissioner was only re-

Continued on following page

All-risk forms contain big exclusions

"However, it is possible in most cases for an insured to buy insurance against many of the perils that typically are excluded from the broad forms of policies."

BY WILLIAM H. RODDA
Marine Insurance Handbook, Inc.
Chicago, Il.

THE "ALL RISKS" CONCEPT of insurance is to cover against "all risks" of physical loss or damage but with exclusions applying to those perils for which the insurer is unwilling to provide coverage. There is no such thing as complete all risks insurance—all of these policies have serious exclusions.

Insurance companies are unwilling to insure against some perils because of the chances for catastrophic loss. Flood is a good example of this. Insurers are also reluctant to cover an individual peril if the insured has an obvious exposure. Water damage in an old building is an example of this situation. However, it is possible in most cases for an insured to buy insurance against many of the perils that typically are excluded from the broad forms of policies.

An economical method of buying a broad form of insurance protection is to use a standard form of package insurance as a basis and then add a supplemental package such as the "difference in conditions" policy. The usual package policy is adequate for the average policyholder but is deficient for any businessman who has out-of-the-ordinary exposures. The purchase of insurance against some specific peril usually is expensive. Underwriters are reluctant to cover a single peril if the insured has an obvious exposure to that peril. The result is likely to be a high cost and perhaps a restricted coverage. The difference in conditions policy, described later in this article, often is an economical way of getting a group insurance for several perils.

THE BUREAUS AND insurance company personnel in their efforts to conserve paper have produced an unfortunate result in that exclusions appear in several places in the typical policy. One such mechanical arrangement puts the war risk (or governmental action) exclusion and the nuclear exclusion in the policy jacket in an entirely different location from the set of exclusions that appear in the form which describes coverage. These war risk and nuclear exclusions are used in all policies and it is a convenience for the policy printers to place them in the jacket. This may cause them to be overlooked or to be considered as so routine that they can be ignored. This should not be the case.

The war risk exclusion deserves special attention. It is also called an "exclusion of loss from governmental action" in some of the newer forms. This is more appropriate because some of the provisions have no relation to war risks. An exclusion of the true war risks is reasonable. No private insurer could provide insurance against the perils of war to property that is situated on land during actual hostilities between countries. Ocean marine policies do cover war risks to a certain extent under some circumstances. Such ocean marine coverage, however, is outside of our discussion here.

The trouble with the war risks exclusion of the package policies is its exclusion of perils that are not related to war. It also excludes loss from "seizure or destruction under quarantine or customs regulations; confiscation by order of any government or public authority, or the risks of contraband or illegal transportation or trade." The placement of this provision at the end of the war risk exclusion and in a separate location from the bulk of the policy exclusions may cause it to be overlooked by the insured.

THE POSSIBILITIES of loss are illustrated by a Texas case. A California insured under a transportation policy arranged for the carriage of a load of liquor by a trucker. Unknown to the insured the liquor was routed through Texas which requires certain documents for passage through the state. The truck was stopped for a highway inspection, the driver failed to produce the liquor consignment sheet which is required by Texas law and the cargo was seized. The insured successfully defended the action and was able to secure the release of the cargo since the shipment was legal. The only reason for the seizure was the failure of the driver to produce the liquor consign-



ment sheet. The insurer of the shipment refused to pay the legal costs for the recovery on the ground that the loss was excluded as a seizure of contraband.

How could the insured, a thousand miles away, know all of the rules and regulations that might be involved in the transportation of his property? It is impossible for the businessman to know and comply with every regulation that affects the shipment of his merchandise, and this is especially difficult where the shipment may be on a carrier over whose actions the owner of the goods has little or no control. This "war risk" exclusion is so broad in its implications that a modification of it is essential for the full protection of the insured.

The episode of the liquor shipment in

Continued on following page

British employer denies 'retire-at-50' reports

LONDON—The massive U.K. industrial group, Imperial Chemical Industries, which employs vast numbers of workers throughout Britain, is discounting what it calls alarmist reports about a "retire at 50" threat

Because it is Britain's biggest employer, there was understandable concern among pension experts and trade union leaders who felt the company was planning such a move.

Normal retirement age in Britain is still 65 for plant workers in industry, and 60 or over for office employes. There was a fast reaction when I.C.I.'s personnel director, Jack Lofthouse, was widely quoted in the media saying that white-collar employes ought to start thinking of finding new jobs at 50.

Surveys have shown that a growing number of business executives in Britain are being forced into early retirement, sometimes in their mid-fifties, especially in times of economic crisis.

BUT IT WAS a shock to many people that I.C.I., with its reputation for personnel relations and liberal pension benefits, was reportedly thinking along retire-at-50 lines.

To combat this fear, which arose from an off-the-record meeting with staff at a small northern England plant employing only 2,000 people, the conglomerate made it clear it was dealing only with long-term future social trends and has no intent to pay off staff on pensions at 50.

Mr. Lofthouse told employes at the meeting that I.C.I. is still a long way from developing a second career concept. But he felt it wise to draw attention in a personal sense to a possible developing problem throughout industry in the future, and thought it useful to promote some discussion on the implications to society if such a theme of a second career plan at 50 or later should gain momentum at some time in the future, *Business Insurance* learned.

His aim was to assess the reception by the staff of such a concept, he maintains.

"However, this must be in relation to long term trends, with no doubt many possible solutions which might be put forward. We have to assess trends which we can see may come, however speculatively, and to think about their implications for society if perhaps they exist in other companies in Britain as well," Mr. Lofthouse stressed.

Initial press reports, later denied, forecast that white-collar employes would increasingly be expected to find new jobs after 50, and this might lead to early retirement as corporate policy.

STANLEY DAVISON, a managerial union organiser said: "To me it seems a hidden way of making retirement appear to be something different."

But a spokesman for Imperial Chemical Industries assured the union that its aim was to explore problems in the "capital intensive" industry of the future, and that some employes might wish to look for a choice of options in both career prospects and retirement, with a secondary career at 50 as an attractive option. This could in time lead to a new pattern in working life. ■

Urge marine writers to cooperate, not bicker

LIVERPOOL—A call for unity was sounded by the marine insurance underwriters in this seaport city, hoping to end bickering between London and New York markets.

"At no time have we more needed a measure of cooperation between the various interests in our market and between international markets themselves," Peter Quaile, chairman of the Liverpool Underwriters Assn. told the group's annual meeting. "But instead we have competition," he lamented.

Harking back to a decade ago when marine losses were quite heavy and corrective action by insurers was drastic, Mr. Quaile commented, "Today, events are comparable but, perhaps in consequence, the scale will be vastly greater."

HE PREDICTED that marine underwriters are on the verge of conceivably hitting a record-setting low point in the business cycle, even though the growth of the world's fleet might hide the truth for awhile, particularly if over-tonnage appeared.

"If the wheel is allowed to turn unchecked for too long," he pointed out, "we run the risk that future corrective action must be of a magnitude that will threaten the very existence of the marine markets as we know them.

"Indeed, as I see it," he continued, "this is the real threat posed by the present weakness throughout the world. The repercussions that will flow from the underwriting losses we seem bent on creating will be infinitely more dangerous to the future of our business than the losses themselves—serious as the latter may well prove."

Reinsurance, however, received the greatest amount of criticism from LUA's leader.

"To my mind, the prostitution of reinsurance is the fundamental cause of weakness in the market today," he said. "It breeds a preoccupation with premium income that is mortgaging the future for us all," he declared.

NOTING THAT many underwriters are accepting large risks but farming out the greatest percentage of them to reinsurers and retaining more premium in doing so, Mr. Quaile asked, "How many of our colleagues throughout the world are no longer underwriters in the nomenclature of risk-takers but financial manipulators working from within a cocoon of reinsurance and more interested in assessing the cash flow than the risk?

"The competition we suffer is in great measure based on the reinsurance facilities we ourselves provide," he said. "In consequence, we have lurched from crisis to crisis while much of the remedy is in our own hands." ■

Denenberg leaves

Pennsylvania insurance commissioner Herbert S. Denenberg announced his candidacy for the Democratic nomination to the U.S. Senate March 4. Mr. Denenberg handed in his resignation as insurance commissioner Feb. 28, and said he will leave his post March 29 to devote full time to the campaign.

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- **Risk Management in Europe and the United Kingdom (January 1974):** A practical guide to risk management exposures in Europe. How they differ from those in the United States and how the U.S.-based risk man should deal with them.
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OSHA is impetus for hearing loss test firm

NORTH HOLLYWOOD, CA.—"OSHA and Cal/OSHA can make or break me by the way they police" compliance with the rules.

Don Moberly, head of Pacific Acoustical Engineering, knows whereof he speaks. His infant firm aims to generate its volume from the newest pollution of them all—noise.

In his traveling van, which doubles as company headquarters, Mr. Moberly seeks to test hundreds of industrial workers at $4 a head for hearing losses stemming from noise in plants.

A CERTIFIED industrial audiometrist and former acoustical engineer, Mr. Moberly said he got the idea for his company in 1971 when the Federal Occupational Safety and Health Act was revised to contain noise levels standards applicable to all firms involved in interstate commerce.

What Pacific wants to do is test workers across the nation to discover whether they have suffered any hearing loss from exposure to noise of 85 to 90 dBA (decibels) in the "A" scale, the range that is most attuned to the human ear. OSHA regulations state that companies with employes exposed to noise levels of 85 dBA for eight hours or 90 dBA for four hours must either remove the workers from the noisy site or provide ear protectors. The companies must also measure the employe's hearing threshold.

For a company with workers subjected to damaging noise levels that is found to be in noncompliance, the penalty can run high, Mr. Moberly underlined. OSHA can levy fines between $500 and $1,000 a day. What's more, the aggrieved worker can file a suit under workmen's compensation for as much as $12,900, at least in California.

"It is now a serious violation to neglect an employe's hearing," he declared.

A TYPICAL HEARING test in the roving Pacific van works this way: The worker being tested is sequestered in a sound-proof booth and equipped with headphones and a hand buzzer. Then he is instructed to press the buzzer the instant he detects a sound and to release the buzzer the instant he no longer hears that noise. An audiometer outside the booth is simultaneously recording the button pressing on a long graph which furnishes a composite hearing profile of the subject to a waiting audiometrist, usually Mr. Moberly.

"With these graphs, we obtain a complete picture of a person's hearing, indicating every weakness and loss," he explained, noting that he customarily prescribes molded ear plugs as the best ear protectors. These can be obtained from distributors.

For the moment, Mr. Moberly intends to confine his testing to a single van in Southern California. Eventually he would like to acquire additional vans to conduct tests in the Midwest and the East.

THE AUDIOMETRIST believes there are a legion of noise violators quietly defying the regulations in California and elsewhere.

Paper, canning, punch pressing, toy and furniture-making are among the industries that are the biggest noise makers, he said, adding that any plant with heavy machinery is possibly injuring the ears of its workers. RCA and Ampex have signed up as Pacific customers.

"Typically, a worker does not know for years that his hearing is deteriorating. A man often does not realize until the last moment that he will be deaf."

To publicize the need for preventive hearing loss testing, Pacific will sponsor a seminar in Los Angeles this spring having as its main function the training of industrial nurses to be audiometrists.

Meanwhile, Mr. Moberly is hoping that the energy crisis will soon ease sufficiently that companies can estimate with more certainty than is now possible how many employes need to be tested. Since the energy situation has caught the spotlight, he said, a total of nine companies, with between 300 to 600 employes each, cancelled dates with Pacific because of anticipated payroll erosion. Employers pay for the testing programs. ■

OSHA sets rules for state plans

WASHINGTON—The Occupational Safety and Health Administration (OSHA) published a set of proposed rules that would tie the provisions of federally-approved state-administered programs to any changes in the federal OSHA laws.

Some 30 states are expected to soon begin operating their own job safety programs that enforce standards either identical to or at least as stringent as those mandated under federal law. The new rules outline how states must go about amending their laws to conform with any changes in federal law.

"When any alteration in the federal program could have an adverse impact on the 'at least as effective as' status of the state program, a program change supplement to a state plan would be required," the recently-published rules read in part. "A federal program change that would either not affect or result in no diminution of the effectiveness of a state plan would not require action by the states."

EXAMPLES OF federal program changes that would require state action include: adoption or modification of standards, including emergency standards; revisions in enforcement policies or procedures; and legislative or regulatory changes in the federal program, including record-keeping and reporting requirements.

The proposed rules also state that states must amend their programs within 30 days in the event that the federal government announces emergency temporary standards. States that feel the emergency standards do not cover practices used within their jurisdictions may request exemptions from the Labor department.

States may also request exemptions from other federally-implemented changes, but, in all cases, they must show "good cause" in order to qualify.

Persons wishing to comment on the proposed rules should do so in writing. Correspondence should be addressed to the Office of the Director, federal and state operations, Docket No. SP-2, Room 850, 1726 M Street N.W., Washington, D.C., 20210. ■

Giles on the law

Duty of manufacturer: Make product safe for intended use

By JOHN W. GILES
Attorney at law

WASHINGTON—The following liability case involved a 1956 Volkswagen bus which, at the time in question, was 16 years old.

The owner of the bus had parked it lawfully in a parking lot, where it had remained standing for more than a month. It was not in operation at the time the plaintiff ran into the left rear side of it, in broad daylight.

Plaintiff, an eleven-year old girl, was playing with her little brother in the parking lot. She threw a ball to him, then ran after him and as she ran along the side of the bus, she caught her right ring finger inside the air vent for the motor. Her finger was severed through the proximal phalanx.

Her complaint, in which she demanded judgment against the defendant for $200,000, alleged that the cutting of her finger was caused by a sharp concealed piece of metal. She did not know how she happened to come in contact with the bus. Was this a proper case for summary judgment for the defendant?

There was no claim that the vent protruded from the side of the bus. It is clear that plaintiff's injury to her finger was caused by the child's insertion of her finger inside the vent itself.

The dissent pointed out that it is the duty of a manufacturer to use reasonable care under the circumstances to design his product as to make it safe for the use for which it is intended, not accident or foolproof. This duty includes a duty to design the product so that it will fairly meet any emergency which can be reasonably anticpated. The manufacturer is not an insurer that his product is, from a design viewpoint, incapable of producing injury.

In a recent Michigan case, the court said if the manufacturer does everything necessary to make the machine function properly, for the purposes for which it is designed, if the machine is without any latent defect, and its functioning creates no design or peril that is not known to the user, then the manufacturer has satisfied the law's demands. We have not yet reached the state where a machine is accident proof or foolproof.

In this valuable dissent, Judge Weick cites other important decisions where liability was denied under very similar facts. (*Green v. Volkswagen of American Inc.*, 1973—485 Fed. 2nd 430.)

* * *

WHAT IS THE DUTY of a municipal corporation to an individual regarding fire protection?

The court of appeals of Arizona has discussed this and holds that the duty of the municipality and the fire department, who made an annual inspection of the premises, was a duty owed to the public and not a duty to an individual plaintiff.

John Dietz, owner and operator of the business in question stated that the gas heater was located on the floor in proximity to where the plaintiff was working; that the Tucson fire department made periodic annual inspections on the premises; that the gas heater had been located in the same position for approximately ten years at the time of the fire and that the fire department was insistent that there could be no drains for gasoline upon the floor for safety precautions, so that if something did drain upon the floor, it was either scrubbed up or dried out. Plaintiff further stated that he relied on the fire department as experts in detecting unsafe conditions and that if the fire department had advised him that the gas stove on the floor was not safe in an area where gas was to be drained, he would have taken the heater out.

He further assumed that if the fire department had found anything dangerous or hazardous, it would inform him of that condition. Further, after the fire in question the fire department did inform him that he could not have a gas heater in the plant. In spite of this, the court said the fire department owed no duty to the injured employe as the result of the fire.

Abrogation of the doctrine of governmental immunity removes the defense of immunity, but does not create any new liability for a municipality. Even though the doctrine of governmental immunity has been abrogated, the plaintiff, in order to recover against the city, must show the breach of duty to him as an individual and not merely the breach of an obligation owed to the general public.

We do not agree. Certainly the plaintiff here was a member of the public and as such, entitled to protection against hazardous fire conditions. (*Duran v. City of Tuscon*—500 Pac. 2nd 1059.)

* * *

MONTANA HAS ADOPTED the rule of strict liability of the seller of defective products. The action in the following case was brought by the administratrix of the estate of the decedent for injuries and death allegedly occasioned to the decedent when the automobile in which he was riding left the road and overturned.

He was thrown from the vehicle when its fiberglas top separated from its body. The lower court granted judgment against the manufacturer and dealer who appealed. The appellate court sustained the judgment. The court quoted an Arizona case in its opinion, 467 Pac. 2nd 256, in which that court set out the reasons for the application of the doctrine of strict liability.

The public policy considerations are:

- The manufacturer can anticipate some hazards and guard against their recurrence, which the consumer cannot do.
- The cost of injury may be overwhelming to the person injured while the risk of injury can be insured by the manufacturer and be distributed among the public as a cost of doing business.
- It is in the public interest to discourage the marketing of defective products.
- It is in the public interest to place responsibility for injury upon the manufacturer responsible for its reaching the market.
- That this responsibility should also be placed upon the

Continued on page 46

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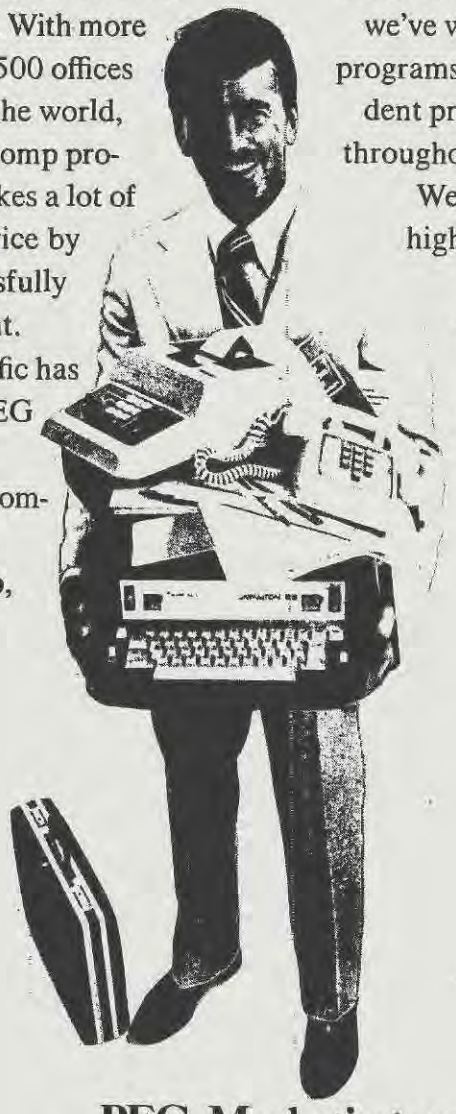
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Teamsters' group carrier under supervision

DALLAS—In a bizarre set of circumstances, the underwriter of the Teamster Union's health insurance, Republic National Life Insurance Co., was recently put under a "state of supervision" at the same time that the union's agent was indicted for allegedly defrauding the Teamster pension fund.

But according to Texas insurance commissioner Don B. Odum, "there is no connection whatsoever," between his department's move concerning Republic National and the federal grand jury indictment of Allen Dorfman, one of seven men charged with defrauding the union pension fund of more than $1.4 million.

REPUBLIC NATIONAL has carried the Teamsters' central states health and welfare insurance for about 18 years, now covering about 190,000 members. The company has paid Mr. Dorfman a commission on behalf of the union for acting as the insurance agent.

"We have about 25,000 stockholders who are upset by this," commented a Republic National spokesman. "It's been most misleading. We have nothing to do with the Teamsters pension fund in any way."

Republic National, Dallas' largest life insurer with more than $11 billion worth of life policies in force, was placed under state supervision Feb. 27. On April 29 it will appear before the state insurance commissioner to show it has plans for improving "any deficiencies of an investment" as requested by Texas law.

The commissioner's action was taken after the company's auditors Peat, Marwick, Mitchell & Co. said large losses could occur in real estate and mortgage loans. Several weeks ago Republic National boosted its ready reserves from $7 million to $23 million to cover such losses. Soon afterward the Securities and Exchange Commission stopped all trading of Republic National stock.

"WE HAVEN'T lost a dime yet," said the company spokesman. "The commissioner's office just wants to know what's going on between us and our auditors." He added that late developments have improved the real estate side of Republic National's investments. The company recently earned $1.5 million on the sale of some California property, he said.

Mr. Odum explained that the state of supervision is "far removed from receivership but unfortunately many refer to it as one."

Compounding the misunderstanding is Republic National's business association with Mr. Dorfman. The company usually chooses the agent who handles a group's insurance package, Republic National's spokesman said. "In this case they (the Teamsters) picked Mr. Dorfman, and we paid him a commission for his work set by the union."

INDICTED WITH Mr. Dorfman in the pension fund fraud were two of the fund's 16 union trustees, an Illinois bail bondsman, and three others with reputed crime syndicate connections. The indictment, handed down in Chicago, also named three front corporations in the fraud: American Pail Corp., Gaylur Products Inc., and R&D Engineering Inc.

According to the indictment, two union trustees named Jack Sheetz and Albert Matheson, as well as bail bondsman Irwin Weiner, Ronald De Angeles, Anthony Spillotro, Joseph Lombardo and Mr. Dorfman sank $1.4 million of the pension funds into the three corporations. Then they allegedly used the money to pay for two houses, an airplane, an automobile, a Las Vegas gift shop and other expenses.

Mr. Dorfman and the two union trustees could receive maximum penalties of 45 years in prison and $26,000 in fines. Mr. Weiner and Mr. DeAngeles may face 53-year maximum prison terms and $41,000 in fines. And Mr. Lombardo and Mr. Spillotro could receive five years imprisonment and $10,000 in fines.

The Teamsters union declined to comment on whether the pension fund is insured. ■



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Giles on the law . . .

Continued from page 45

retailer and wholesaler of the defective product in order that they may act as the conduit through which liability may flow to reach the manufacturer, where ultimate responsibility lies.

- Because of the complexity of present day manufacturing processes and their secretiveness, the injured plaintiff's ability to prove negligent conduct by a producer is almost impossible.
- The consumer does not have the ability to investigate for himself the soundness of the product.
- The consumer's vigilance has been lulled by advertising, marketing devices and trademarks. (*Brandenburger* v. *Toyota Motor Sales, U.S.A.—Inc.*—513 Pac. 2nd 268).

* * *

IS A CITY LIABLE if it fails to keep its sewer plant abreast of developing needs? The supreme court of New Jersey says no.

The action was against the city of Newark for damages and injunctive relief on account of flooding of plaintiff's premises. The lower court awarded damages and the city appealed. The court held that owners and lessees of low lying land were not entitled to damages and injunctive relief against the city on account of flooding. The flooding resulted from an increasing incapacity of the sewer system because urban development increased the volume of tributary waters, decreased the storage capacity of meadows and cut down on the carrying efficiency of run-off ditches. Since the city did not have a positive duty to keep the sewer plant abreast of developing needs, the official decision making process was grounded in governmental judgment and discretion.

The court quoted the language in *Harrington* v. *Woodbridge* 56 At. 141, "The general doctrine on this subject is that in devising a plan for the construction of public sewers, the public authorities discharge a quasi-judicial duty, involving the exercise of judgment and discretion with regard to general convenience, and that their wisdom in the performance of that duty is not subject to review in a private suit brought to recover damages because of their error. They owe to no individual the duty of devising such a plan as will afford to him sufficient drainage."

The court stated that the view that liability for property damage does not attach for defects in the general plan of a municipality sewerage system is that generally held and cited a number of New York cases.

The court also stated that the doctrinal problem posed is not one of governmental immunity to suit, but rather of the absence of a substantive basis for imposing liability in such circumstances. (*Barney's Furniture Warehouse* v. *City of Newark*, 1973—303 At. 2nd 76.)

* * *

HOSPITALS will not be surprised to learn that they must keep a special watch on patients who may attack other patients. This patient plaintiff was hit over the head with a chair by the offending patient. The jury found the hospital liable for the patient's injury on the theory of negligence. (*Doctors Hospital* v. *Kovats*, 1972—494 Pac. 2nd 389.) ■

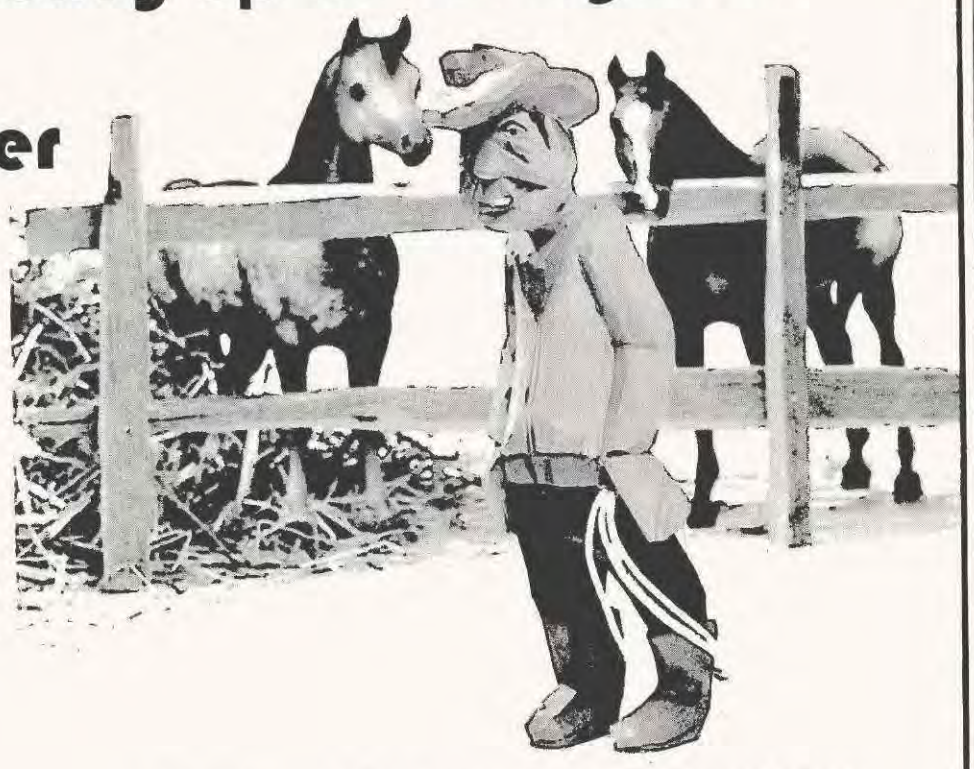
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A good news magazine not only reports the news---it makes it.

Since starting publication in October, Pensions & Investments has been mentioned by Business Week, The Christian Science Monitor and The New York Times, among others.

The following article appeared in the January 29, 1974 issue of The Christian Science Monitor. It has so many pertinent things to say about what Pensions & Investments is all about, that we asked the newspaper for permission to reprint it. The reprint follows:

Who, what, why of pension management

Magazines scrutinize complex fund world

By Ron Scherer
Business-financial correspondent of The Christian Science Monitor

New York

One of the economic facts of life, Steve Gilkenson says, is that pretty soon a large chunk of the world is going to be owned by pension funds.

Mr. Gilkenson, as editor of Pensions & Investments magazine, is in a position to know. He also is in his position precisely because of this economic fact of life. His editorship is a new one, on a new magazine (published by Crain Communications) designed to compete with a growing number of publications for the readership of the elite group of men who run the almost $300 billion of pension fund money.

Among the other competitors in the field are Institutional Investor (II), which has incorporated its pension magazine into its award-winning investment monthly; Money Manager magazine, a product of the Bond Buyer; Pension & Welfare News; and Trusts & Estates, both published by Communication Channels, Inc., as well as scores of newsletters and investment commentaries.

'Burgeoning field'

As Gilbert Kaplan, editor in chief of Institutional Investor, notes, "The field is enormously burgeoning." And because of the growing importance of pensions in corporate planning, the influence of these small-circulation publications is growing.

For example, within the four months that Pensions & Investments (P&I) has been in existence, it has found at least one company, Raybestos-Manhattan, that is being sued in a class action suit by former employees for closing down a plant in Passaic, N.J. The employees charge that the plant was closed down in mid-1973 because the company had not properly funded its pension fund. The State of New Jersey even passed a special law, says Michael Clowes, executive editor, to get at Raybestos. Raybestos challenges the suit.

"At any rate, it would be a terrible black eye for the pension industry if the charges prove to be true," Mr. Clowes says. "But," he adds, "by printing the story it may help other companies plan better."

Mergers called off

Mr. Clowes has found that some mergers have been called off because one of the merger partners discovered an "unfunded liability" on a balance sheet. An unfunded liability sometimes is a pension plan for which the company failed to provide adequate funds.

Institutional Investor, likewise, has had its successes on the investigative front. For example, its investigation of how banks pass out commissions to stockbrokers resulted in re-examination of the system and an award for the magazine.

However, II's chief, Mr. Kaplan, says the magazine also hopes to give the pension fund manager an idea of how others are doing their jobs. "We are a cross between journalism and management consultants," Mr. Kaplan says. As an example he cites a recent II study of new techniques to determine who should manage assets, what are the best screening techniques, who is best with bonds, and who is best with stocks.

Tailored magazine

Likewise, Mr. Gilkenson from Pensions & Investments says his magazine will be tailored to help the man who is running only $6 million find out what kind of performance he can expect from the men running his company's pension fund. "We are going to be more than just another trade magazine," Mr. Gilkenson says.

In its efforts to provide the smaller pension fund manager with an appraisal of top management, Pensions & Investments recently examined the pension fund management at Chase Manhattan, the nation's third-largest bank. And so will Institutional Investor in its February issue.

Customers lost

Chase came under scrutiny (in which the bank agreed to cooperate with both publications) because the bank had lost about $1 billion in pension fund accounts. In light of the $16 billion-plus Chase manages, it may not seem like much, but on Wall Street it produced interesting chatter around the shrimp cocktail at Oscar's, a Wall Street retreat.

Well, what both magazines discovered was that Chase had lost a fair number of customers because they were in the wrong stocks at the wrong time — notably, Chase started buying the nifty 50 at about the same time a lot of people started selling them. Moreover, Chase also had a lot of internal problems, including accounting foul-ups and poor internal communications.

In the II story the end result seems to be that Chase has at least come to realize its shortcomings, and because of its flexibility in the stock market, will come out ahead. (For 1973, in fact, it did better than most, but over three years it fared poorly.) The P&I approach was more negative, particularly of David Rockefeller, chairman of Chase, who was given space of his own in the magazine to reply.

Within Chase, it is known that officials of the bank felt they did not realize P&I was going to write such a negative article. "We at least would have known what we were up against," one Chase official explains. On overall accuracy, however, P&I was very good, bank officials add.

'A big dent'

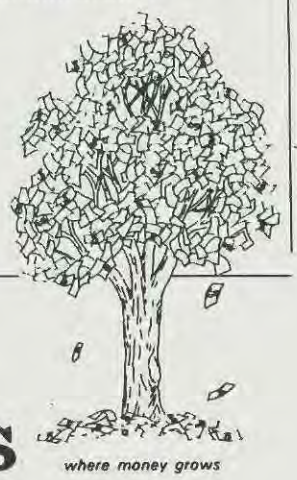
And among those who read that magazine as well as II, it rates high. Helen Brady, director of research at Hoenig & Strock, Inc., a New York Stock Exchange member firm that also is involved in performance measurement and evaluation for pension funds, says, "They have the right ideas and ask the right questions. It's going to make a big dent in Gil Kaplan's world." To this, P&I replies that it is not competing with II; and II says that Pensions & Investments did a very nice job of covering their recent pension fund seminar.

One successful Boston-based bank pension and trust fund manager says II has become the Fortune-type, or top-tier, magazine, whereas P&I acts more like a Police Gazette. "I travel to many corporations where a fellow either part time or full time watching a pension fund is pretty much in the dark in regards to news. Now P&I is on all of their desks and is considered a lot of fun and very informative," he says.

Eight reporters

P&I, which has a circulation of 18,000 (as well as 9,000 giveaways) functions on a staff of only eight reporters. However, their ability to tap the corporate rumor wires already has drawn a combination of admiration and consternation from bank pension fund managers. "They find out things, like who dropped whom from pension management, barely after the ax has fallen," one official says.

"And why," asks Mr. Clowes, "shouldn't it be published? Companies are discovering the importance of the pension fund; it can make a guy into a hero in a firm if he runs it correctly. After all, some of the funds are discovering that the local bank has lost a packet for them." "Of course," he adds, "what one management group does with one fund may not be indicative of how they do with another."



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Unstable economy to help stabilize risk field

HARTFORD, CT.—Hot competition among insurers is gradually waning as the insurance industry watches the economy's steep inflationary pattern with a wary and fearful eye.

In an interview with Aetna Life and Casualty Co.'s vp of national accounts, Oliver Patrell, *Business Insurance* was told that risk managers as well as carriers are becoming more and more careful about insured risks as the economy remains unstable.

"The market is not as aggressive as it was. Carriers are more conservative, and risk managers are too," Mr. Patrell said.

"In my opinion, there was a situation close to hysteria earlier among risk managers trying to get the best rates. And the brokers were very harried. I have seen a settling-down of that trend.

"I'VE ALSO SEEN an increased trend for buyers to stay with carriers they've been with for a few years. There's a greater reluctance in the large risk area to move around than there was even six months ago—a greater inertia."

But as the economy continues to wobble, the insurance market is beginning to stabilize, Mr. Patrell believes. "There are signs in the casualty area that carriers who once followed a highly competitive and aggressive pattern of price-cutting are having second thoughts. But competition is still intense, especially in the property field."

Carriers are becoming more "selective" in their acceptance of risks, Mr. Patrell observed. But he quickly added that "I'm not willing to say we're in a tight market yet. There is still plenty of room."

Mr. Patrell complained that the insurance industry's whole rate structure is based on statistical records that take years to compile, while a rocky economy can change trends quickly and dramatically. Inflation's effects on costs and the insurance market also create problems for an industry based on the competition in rates.

"INFLATION HAS HAD a tremendous effect on the cost of medical treatment, real and personal property, which is not necessarily offset by premium levels. There is a delayed loss development—a tremendous problem to the insurance industry. Rapid inflation is one of the root causes for delayed loss development.

"A stable economy always works to the advantage of an insurance carrier because it lends credibility to its insurance statistics," Mr. Patrell noted. If they don't figure their tables right, carriers are in deep trouble." Rampant inflation can result in underestimated cost trends, and unexpected losses for the carrier.

Some carriers and risk managers have found themselves faced with unforeseen losses in the workmen's compensation area, Mr. Patrell said, because of underestimated benefits cost increases.

"There has been an overall trend to increase workmen's compensation benefits. While some of these additional benefits are reimbursible from second-injury funds, many companies find that the cost of increased workmen's compensation payments are over the projected estimates made earlier."

While risk managers are tending to stay with traditional carriers, they are fighting insurance costs in other ways, Mr. Patrell said. "Many are experimenting with large deductibles. Others are planning captives. But the move toward independent control of insurance by corporate risk managers is limited.

"We've seen some signs of it actually going the other way, with risk managers returning to traditional insurers. There are many headaches in self-insurance. And many risk managers don't have the expertise, even for modest loss levels, he contended." ■

Rubber union gets unusual 25-and-out retirement

AKRON—The United Rubber Workers Union achieved a contract settlement with Mohawk Rubber Co. which includes a 25-years-and-out retirement plan.

The provision, while not unheard of in the annals of unionized manufacturing business, sets a precedent for the rubber workers. Most of the rubber workers settled on new contracts last year, starting with the Uniroyal agreement at midyear.

The 340 affected workers at the Mohawk Rubber plant here adopted the bulk of the Uniroyal plan. A spokesman for Mohawk said a few scattered steelworkers are presently the only other union employes to have a 25-and-out provision with no age limit. The old retirement provision was the normal 55/30 stipulation.

THE PLAN BECOMES effective Sept. 1 and permits eligible employes who have not reached the age of 62 but have completed 25 or more years of service with Mohawk to retire with a pension of $12 per month per year of service, plus a $200 supplement.

A 48-year-old worker with 25 years of service, for example, may retire with a monthly payment of $500—a pension of $300 plus the $200 supplement. A worker with 30 years of service would receive a total of $560 a month.

The agreement provides that the total number of retirements allowed under the plan will be limited to 10% of the total eligible employes for each retirement year. Mohawk asked for the limitation because its workforce is comparatively older than many other plants in the U.S., with average worker age over 44 years and average service over 19 years.

The company views the 25-and-out ageement as a "very expensive" benefit, although neither company nor union spokesmen would put a dollar figure on the provision. It is thought, however, that the 25-and-out concession was made to the union in lieu of approximately 35 cents per hour per employe in wages.

In addition, pension benefits were raised to the $12 per month per year of service from the previous $10. ■

R. B. Jones expands

R. B. Jones Corp., broker headquartered in Kansas City, said it has reached an agreement to merge Less-McCune Agency Inc., St. Louis broker, into R. B. Jones. Less-McCune is expected to contribute about $700,000 to Jones' net earned revenues.



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Employers, employes like group auto plans . . .

Continued from page 1

16% of these firms and Chubb & Son provides the coverage for 13%.

However, Travelers appears to be doing the most to get a larger share of the business, according to the survey: 57% of benefits men at companies not having a group auto plan said they had been approached by insurers about the coverage—16% of them by the Travelers. INA had approached 8%, while Aetna, fifth among the companies which offer the coverage, was in the third spot. Aetna had approached 7% of the companies.

OF THE COMPANIES providing the coverage for employes, 94% of the respondents feel group auto is a good or very good idea from the employe's point of view, chiefly because of the money saving aspect of the coverage, as well as the case of payments through payroll deduction.

Some 84% of benefits managers feel that the coverage is a good or very good idea from the insurance company standpoint—24% of them because of increased profit, business and cash flow and 23% of them because of the decrease in marketing costs generated by a group auto plan.

From their own point of view, benefits managers indicated that any negative feelings about the coverage are brought about because of a number of potential problems: 36% mentioned the possibility that employe unhappiness with the insurer might rub off on management; 34% are uneasy about maybe having to pay the costs in the future; and 29% feel that problems would develop if the coverage ever had to be discontinued.

Benefits directors at companies which did not offer the coverage admitted (77%) that employes would get coverage at lower cost and attributed negative feelings toward the coverage to the same reasons as those at companies which have the plans.

Seventy nine percent of the companies without the coverage said their employes might like the idea of getting the coverage at lower rates but 60% believe their employes would rather continue doing business with their own agents. Some 53% said that their employes are concerned about the potential problems created if they changed jobs.

A substantial portion (17%) of these benefits managers predicted that between 50% and 59% of their employes would sign up for group auto insurance if the company offered it. Of those who already have the coverage, nearly one-fourth said that 10% to 19% of their employes had joined the group, which almost half said was about the percentage they thought would have signed up.

Most benefits administrators indicated they had first heard of group auto coverage more than five years ago while only small percentages had first heard of group auto insurance within the past year.

THIRTY EIGHT PERCENT of the companies offering group auto indicated that they had provided the coverage between two and five years: 19% have provided it for five or more years and 23% for less than one year.

In 93% of those companies, the employe pays the entire premium for the coverage.

The largest proportion of both groups were comprised of manufacturing companies with more than 2,500 employes.

The data in the report are based on replies to a questionnaire sent to 2,050 companies, some offer group auto insurance and 860 companies which do not. Of all the firms which received the questionnaire, there was a return of 46%, or 946.

A copy of the complete, 55-page study can be obtained from Arnold Gluskin, Director of Advertising Research, U.S. News & World Report, 45 Rockefeller Plaza, New York, N.Y. 10020. ■

Drive carefully Duck-crossing

PORTLAND—A duck, flying an estimated 30 miles per hour, may cost the Herbert Malarkey Roofing Co.'s insurance carrier as much as $350,000.

That's the amount being sought in U.S. district court here by David Smith, La-Center, Wa. ironworker, who claims the duck collided with the windshield of Smith's car while it was being driven 45 miles an hour.

The blame for the flying duck, the accident and the resultant loss of sight in Mr. Smith's right eye, as well as permanent scars, rests with the Portland-based roofing company, according to the suit, because the roofer built a duck pond on its property a few years ago and stocked it with the waterfowl.

The accident occurred June 18, 1972 when, according to Mr. Smith, "it seemed as though someone had thrown a rock through the windshield."

The car was found to have an 8 inch hole in the windshield. The inside was covered with glass, feathers and pieces of duck which, Mr. Smith contends, came from the roofing company duck pond.

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Police liability insurance covers more costly after campus riots

SEATTLE—Dramatically increased costs for police liability coverage were revealed here following final settlement of 11 false arrest claims arising out of campus disturbances at the University of Washington in 1970.

While a jury award and consequent settlements of the claims totaled $52,300, total costs to the city may well exceed $200,000 for the following four years.

One of the disturbances, known as the "Lander Hall incident," occurred on May 7, 1970 as an outgrowth of the Kent State killings and the Cambodian invasion. The 11 personal injury and property damage claims resulted from what student and faculty claimants characterized as unprovoked attacks by police deployed to quell incidents of rock throwing by students.

DR. MONCRIEFF SMITH, a psychology professor at the university, and one of the Lander Hall claimants, recalled that he and other faculty members had tried to "monitor activities on campus, hoping, by our presence, to exert a moderating influence." The faculty members carried "non-violent" placards and wore white arm bands.

Dr. Smith reported, "I was standing on the sidewalk behind Terry Hall when a busload of police arrived—Seattle tactical police I presume. The rock throwing stopped as soon as they arrived and there were no confrontations that I could see.

"There was no order to clear the area and I stayed, hoping vaguely and naively that my presence might restrain the retaliation. However, as the police deployed one of them ordered me to get into Terry Hall, and his tone of voice persuaded me not to argue.

"I turned and walked toward the nearest door, but was met on the way by two police who yelled at me 'get in, get in.' I said I'm going, and walked past them. As I did, one of them gave me a shove with his left hand and simultaneously hit me from behind with the club in his right hand."

ALTHOUGH SEVERAL stitches were needed to close the wound to Dr. Smith's head, other claimants were injured more seriously. Wayne Robert Vierira, a university freshman from Hilo, Hawaii, sued the city for $40,000 claiming that he had lost seven teeth and suffered a cracked jaw along with facial cuts and bruises.

Mr. Vierira was awarded $30,000 in the only Lander Hall case completed before a jury. The balance of settlements were negotiated out of court for amounts ranging from $900 to 8,500. Dr. Smith received $1,950.

While the settlements totaled $52,300, the loss to the underwriter on the city's false arrest policy may have approached $60,000, according to Wolfstone, Donley, McMannama Inc., the Seattle brokerage firm which negotiated the settlements. Attorney's fees, administrative and investigative costs have added as much as $35,000 to an underwriting loss of $23,758 suffered by the carrier, California Union.



However, during the four subsequent years, including 1974, the city will have paid some $217,000 in premiums over and above the $33,263 annual premium negotiated with the Wolfstone firm and California Union for 1970.

IRONICALLY, another broker and insurer are beneficiaries of the higher premium in subsequent years. According to the city's purchasing agent, Tomeo Terao, "The city has no way it could renegotiate the deal at a higher price without changing our specifications. As long as our requirements remain the same, we can't change our specifications. So they (California Union) had no choice but to cancel."

On November 10, 1970, Industrial Fire and Casualty represented by Robert O. Fleming & Co., here, picked up the broad, false arrest policy at a first year premium of $80,885. In that year, $7,900 was paid to settle 51 false arrest claims. Legal and investigative expenses came to $33,709 and reserves of $27,000 were set aside for 13 open claims.

In the second year, the $80,865 premium negotiated by the broker exceeded claims, reserves and expenses by $20 737. Third year figures are not yet complete, but a premium of $31,195 was paid and the incomplete figures were used by the city's assistant purchasing agent Leonard Metzger to substantiate a proposed 1974 premium of $108,165.

Asked why increases totalling some $217,000 over 1970 rates have been allowed in subsequent years, Mr. Metzger says, "we've tried to interest other carriers, but we can't get them interested. We have a police guild contract which incorporates this false arrest policy, and the breadth of the terms are complete, and this makes a potential insurer unwilling or unable to bid."

IN ADDITION TO false arrest, the policy covers assault and battery and wrongful death; libel and slander, violation of privacy, discrimination, wrongful entry or eviction and the type of property damage claims that might result from collision of a police vehicle.

Up to $100,000 may be paid to any one person and up to $300,000 may be paid in each policy year. The form provides both on-and-off-duty coverage for all officers and city employes who have power of arrest.

Mr. Metzger attributed part of the increased premium costs to the policy's broad provisions: "We're presently restricted to this form, which is quite broad coverage. Part of the Guild contract helps the police, giving them very broad coverage, off duty as well, and provides for the defense of the policeman charged with a criminal offense. So the contract is to the policeman's advantage. But I suppose when you have a sensitive market like false arrest and we're restricted by what must be covered, it works

Continued on page 53



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Group life and health administrators accused of negligence; mishandling

TORONTO—The Civil Service Assn. of Ontario (CSAO) has accused the provincial government of negligence or mismanagement in the handling of the government's group life and health insurance plans.

CSAO officers, using information provided them by a consultant, said that both provincial employes and taxpayers have been deprived of millions of dollars since the plan began in 1965 because of the government's "mismanagement" in awarding the employe benefit plan contracts.

The association's consultant, John Korkoran, told the CSAO that the benefits it receives for its members, and other public employes, are overpriced by about $650,000 a year.

The plans, written by a consortium in which London Life Insurance Co. writes the largest part (28% of the group medical and surgical business and 30% of the life insurance book) and also administers the plan, cover some 45,000 members of the CSAO and another 20,000 public employes.

THE CSAO CLAIMS that the massive $650,000 annual savings could be made in the following ways:

- If semi-private hospital coverge, now provided by Blue Cross, were bought from a private insurer, a premium savings of $300,000 would result;
- Opening the basic compulsory life insurance plan for new bids would reduce operating costs by a minimum of $17,000, this based on information given the association by other insurance companies;
- Major medical premiums could be cut by $100,000 and operating expenses reduced by $34,000;
- Supplemental group life insurance rates could be cut by $200,000 and the benefits improved.

This last figure, according to Mr. Korkoran, was supplied by Commercial Union Assurance Co. Ltd., Toronto, which is not a member of the consortium now covering the public employe group.

The other members of the consortium besides London Life are The Canada Life Assurance Co., Confederation Life Assn., The Crown Life Insurance Co., Excelsior Life Insurance Co., Imperial Life Assurance Co. of Canada, Manufacturers Life Insurance Co. of Canada, The Mutual Life Assurance Co. of Canada, North American Life Assurance Co. and Travelers Insurance Co.

THE CSAO ALSO charged that "as long as a consortium reigns supreme, competition is effectively stifled and the spirit of competitive bidding is destroyed."

As an example of this, the association said that Sun Life Assurance Co., Montreal, was urged to bid on the coverage in 1970 but was reluctant to make a quote because of the lack of competition.

Also in 1970, the government allowed three weeks for the return of bids which, in the CSAO's view, gave the advantage to London Life because it was already the primary underwriter on the existing plans. London Life's quote was 60% above that of the lowest bidder, the association said, but the government stood firm in insisting that it keep London Life.

When the government asked the carrier to reduce the amount of its bid, the CSAO said, the insurer did so.

"This final example of government favoritism of the London Life consortium convinced CSAO there was no way to change the situation," an association fact sheet said, "and in order to preserve our integrity we withdrew from further joint consultation with the government."

Also claiming that London Life has failed to pay interest on disability claims reserves, the CSAO, whose members pay about 60% of the costs of their coverage, bargained with the government in an effort to force new bids on the plans.

THE GOVERNMENT agreed to hear new offers from insurers and further agreed to allow the CSAO an equal voice in the selection of the carrier.

However, the government would not go along with a CSAO demand that any impasse in the carrier selection be turned over to an arbitrator. The government apparently felt that its opinion must take precedence if such a situation happened to arise.

This, too, has irritated the association because it was the government which first imposed compulsory arbitration on the CSAO under the Crown Employes Collective Bargaining Act. ■

Police . . .

Continued from page 52
to our disadvantage."

But Mr. Metzger also cited an increased incidence of claims and a more liberal attitude of judges and juries: "Seattle has had more than its share of false arrest incidents, and that's one reason cost is so high. And we find that there is a definite correlation between publicity about our false arrest policy, and claims filed," he said.

"Generally speaking, the courts are making more liberal decisions concerning liability in general," which is bound to affect false arrest cases, he added.

However, purchasing agent Tomeo Terao discounted the effects of more liberal court awards and judgements. "Our premiums are rising because of rising costs. It often takes five years to get a case to court, so that is a lot of bookkeeping. Trying to administer these cases is raising the cost rather than the claim settlements."

Mr. Metzger also sees this side. "Generally, our experience has been good, but some cases have a long tail, i.e., the case is reopened or subsequent events take place to reopen a case that you thought was long ago closed." ■

Revised plan for agents

A newly-liberalized Fireman's Fund American Insurance Cos. agency agreement will give agents broader binding authority and greater indemnification for company's errors and omissions. The revised plan also extends reporting time from three to ten days and rescinds the former "cash with application" requirement for direct billed policies. Senior vp Woodward Melone, said agents now can bind higher limits for homeowner, bodily injury and property damage liability, medical payments and single limit bodily injury policies.

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Tent makers are at forefront of classic product liability duel

By MARY ANN CALLAHAN

NEW YORK—In the growing number of product liability cases involving flammable fabrics, there is a new defendant: the tent manufacturer whose product, unless specially treated, has been shown to be a potentially fatal firetrap.

A precedent-setting $900,000 award in May of last year to a San Antonio boy who suffered severe disfigurement after a backyard tent blaze has fueled discussions of this previously unpublicized camp hazard. Two other children died in the same 1971 tent fire, although no product liability suits have been filed in connection with their deaths.

Olin Corp., manufacturer-defendant in the case, now says it will use only chemically-treated, fire retardent fabrics for its tents, but only after Lloyd's of London and INA paid off the $900,000 settlement.

OLIN IS CURRENTLY facing at least four other claims including one in which a retailer of its products, J.C. Penney Co., has already paid $25,000 in Jacksonville, Fl. J.C. Penney's loss was paid by Travelers Insurance Cos. Employers of Wausau has written the Olin product account since January, according to a source there.

Franklin Houser, attorney for the San Antonio boy, said he has a similar case pending against Olin in which he seeks $4 million in damages for his client. "Frankly, I don't expect to get all of $4 million, but I feel the case is easily worth $1 million," he said.

He noted that Edward Swartz, Boston attorney and consumer advocate who wrote "Toys That Don't Care," is also fighting cases against tent manufacturers. Mr. Swartz said he has at least five cases against various tent manufacturers. He said a related problem, the flammability of comforters and sleeping bags, is also being tested in the courts. He recently won a $1.4 million settlement for a client severely burned in a sleeping bag which caught fire and melted "like molten lava."

Mr. Swartz said he first became aware of the tent danger when he was researching his book on the hidden hazards of children's toys. "I studied a 'play tent tunnel' and showed that the inexpensive cheesecloth used by the manufacturer burned faster than paper," he said, "and it's logical to go from there to pup tents and larger tents, including collapsible tent units.

"IN ONE CASE, I represented two survivors of a tent fire, a mother and her grotesquely disfigured little boy who were luckier than the father, daughter and dog who were burned alive when the tent ignited," Mr. Swartz said. "Unfortunately, all of my tent cases look alike. Here we have a body count, but we shouldn't need that before we investigate and correct a safety hazard."

Mr. Houser mentioned a case in Burns, Or., where a 25-year-old man was denied damages after he suffered burns from a Coleman camping unit fire. "Apparently, he was a strong young man and was able to rip his way out of the tent," Mr. Houser said.

He said the Oregon jury case was the only tent case to go all the way through the courts, although the out-of-court settlement in San Antonio came after three days of trial testimony. Mr. Houser said his study of current tent cases shows that generally Lloyd's of London carries excessive coverage for manufacturers, with a number of casualty underwriters involved at the primary levels. Product liability insurance is often included in the manufacturer's comprehensive general liability policy, he said.

Paul Optelt, spokesman for the Canvas Products Assn. International (CPAI), a trade group which includes tent manufacturers among its members, predicts that by 1975 most tent makers will voluntarily manufacture fire retardant tents. He expects to see national regulation by 1976. He has been in the forefront of the development of CPAI's tent safety standard, called 'Code 84,' now being adopted in Massachusetts and Michigan for tents sold after October, 1975.



'Flame resistant techniques are basically on the same order and don't vary that much from manu-

Continued on page 55

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Tent safety drive . . .

Continued from page 54

facturer to manufacturer," Mr. Optelt said. "Rather than using straight wax (paraffin) or polyvinyl acetate to finish the cotton fabric, they chlorinate whatever base is being used for the finish, adding antimony trioxide to make the material fire retardant," he said.

Manufacturers and retailers are quick to point out, however, that the fire retardant solution adds about one-third to the weight of a tent as well as between 10% and 15% to the retail cost.

Appropriately, the Boy Scouts of America have been trailblazers in the field of tent safety since 1949, according to attorney Swartz. Although both Boy and Girl Scout officials indicate it is impossible to control which tents are used by individual scouts or even troops, the official catalogues of both organizations set an examply by carrying chemically treated, fire-retardant large tents and tight-weave slow-burning smaller tents.

"We were the first to offer the fire retardant tent and to go on record in favor of a national standard," said Mark Clayton, a Boy Scout spokesman.

A SPOKESMAN AT Eureka Tent Inc. said that a 1973 test marketing of non-flammable tents by retail stores around the country went so poorly that it stopped making the fire-resistant tent this year. Eureka now makes a "less flammable" tent in a tight-weave material and labels all the tents with a red-and-black warning that they are potentially flammable and hazardous.

The tight-weave tents won't burn as quickly, the spokesman said, noting that paraffin-coated tents can go up in flames in a matter of seconds, which is just what happened to the three youngsters in the San Antonio case. According to a report on WNBC local news in New York the wax-filled tent fabrics burst into flames much like a candle-torch, trapping whoever may be inside.

He said that Eureka has never had any liability suits brought against its products.

"From a liability standpoint, the tent manufacturer simply cannot afford to take a chance, even though distributors trying to market the tents are having a hard time in the absence of regulations," Mr. Houser said.

"Some legislators want to impose the National Fire Protection Assn. standards applicable for large public-occupancy tents, to the smaller individual use tents, but that's really too strict," one manufacturer stated.

"Unfortunately the NFPA standard (701 code), which was written after the tragic Ringling Brothers Barnum & Bailey Circus tent fire in Hartford in 1944, is the only regulation we have right now and there is no scaling down of the regulation for smaller tents," he added.

THE FEDERAL Consumer Product Safety Commission in Washington, ranks "tents, cots and sleeping bags" number 178 out of over 400 categories, in terms of frequency and severity of injuries, and although spokesman June Needle said CPSC has not begun formal research, she indicated it unquestionably has the power to regulate in the field of tent fire safety.

She said manufacturers and retailers who fear their fire retardant tents will be at a sales disadvantage to the unprotected models should petition the CPSC to create a nationwide safety standard which will force all manufacturers to make only fire retardant tents. She said the petition can be in the form of a letter which CPSC must answer within 120 days. "However, lack of resources of the commission could be a reason for turning down such a request," she said.

Attorney Houser said he petitioned CPSC to test the kind of backyard tent his young client was using, but received a flat rejection.

"However, the Consumer Products Safety Commission was concerned a little while ago that certain glues might be too strong and someone might glue two fingers together," he said, adding "somehow, that does not seem to compare with the loss of life in tent fires."

He said he does not consider the CPSC injury statistics to be reliable, because "according to them, injuries from tents are comparable to injuries sustained at billiard tables. How is someone injured in billiards? How can they say that, when we've got a list of fatal and severe injuries? I asked them once and they didn't really answer me," Mr. Houser said. ■

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Inspection and Insurance

SAFECO's policy limits increased

SEATTLE—Many commercial policies at SAFECO Insurance Co. will be amended to automatically increase property limits in line with inflationary asset values.

Commercial policies may become outdated before regular policy updates because of the rising labor and building costs. Therefore, this amendment will allow up to 10% additional coverage to take care of losses exceeding policy limits.

This fluctuating value endorsement will waive the coinsurance penalty if a building loss occurs and it will provide automatic annual adjustments in building values based on varying construction costs.

Once this amendment is approved by the states, the increase will be automatic and will not cost extra. ■

Lawyers are self-insured

SACRAMENTO—A self-insurance fund in excess of $700,000 has been accumulated by California's 38,000 attorney members of the state bar to cover losses suffered by clients through default, embezzlement or other actions by lawyers.

Approximately 40 claims are now pending against the Client Security Fund, totalling $390,000, according to Carl Heil, state bar disciplinary counsel.

Attorney members of the California Bar are being assessed $10 this year, in addition to their $90 membership fee, with the assessment allocated to the reimbursement fund.

"Before the legislature established the system," Mr. Heil explained, "an attorney's client who had suffered a loss of money could get a court judgment only to find the attorney had gone bankrupt or that there was just no money available." ■

OPIC set to start transferring political risks to private sector

WASHINGTON—With more than a little help from Sen. Jacob Javits (R-N.Y.) a bill calling for a drastic change in the nature of the federal government's political risk insurance activities passed the Senate after being stripped of many of its controversial provisions.

As passed 56-35, the bill would extend the life of the Overseas Private Investment Corp. (OPIC) until Dec. 31, 1976, and direct the agency to begin a "systematic transition" of its $6.4 billion worth of political risk coverages to the private insurance sector.

The original proposal would have set "sudden death" conversion deadlines, but, after heated debate between Mr. Javits and the bill's sponsor, Sen. Frank Church (D-Id.), the Senate voted to remove the percentage limitations.

The Church bill's original language said private insurance companies would have to write 25% of new expropriation and inconvertibility business during 1975 and 11.5% of new war risk coverages in 1976. If those percentages were not achieved, OPIC's authority to issue insurance for those lines would terminate.

THE JAVITS amendment contains no goals and requires OPIC only to report to Congress periodically on the progress it is making toward private absorption of the government's insurance portfolio.

One provision considered sticky by both OPIC and Mr. Javits survived intact. As passed, the bill would require any private reinsurer, who absorbs a portion of OPIC's risks to agree to an annual deductible equal to 50% of the amount of its highest exposure. For example, if a private insurer purchases reinsurance from OPIC with a face value of $50 million in countries A, B and C, and for $100 million in country D, the deductible would equal $50 million.

Mr. Javits argued strongly that such a provision would limit OPIC's ability to attract the interest of private insurers, and he even charged that it would force Lloyd's of London to reassess its position towards direct underwriting of some of OPIC's current exposures.

During 1972, Lloyd's took on $284 million of OPIC reinsurance, and, in 1973, upped its involvement to $410 million. This year, Lloyd's has agreed to increase its ceiling on reinsurance from $14 million to $18.3 million in any of the 90 countries where OPIC has exposures.

OPIC officials now say that the narrow defeat of Mr. Javits' attempt to remove the deductible section has Lloyd's somewhat upset.

"IN OUR DISCUSSIONS with Lloyd's we've considered many different possibilities for their involvement," one OPIC source said. "One of these is the possibility of Lloyd's assuming the role of direct underwriter. But, if this reinsurance provision of the Church bill stands up, they won't do it."

The odds that the controversial provision will hold up seem slim. The House has demonstrated sympathy for OPIC's complaints that strict Congressional mandates will make the job of recruiting private insurers even harder. The House will soon consider its OPIC bill, and the details of the final legislation will be hammered out in conference.

SEN. CHURCH strongly criticised the lack of percentage goals for private involvement. "Sen. Javits suggests that OPIC be required to issue periodic reports on the advisability of ending the U.S. government's role as a direct insurer of political risk," he told the Senate.

"To have OPIC issue such reports is like allowing the fox to recommend security measures to protect the chicken coop."

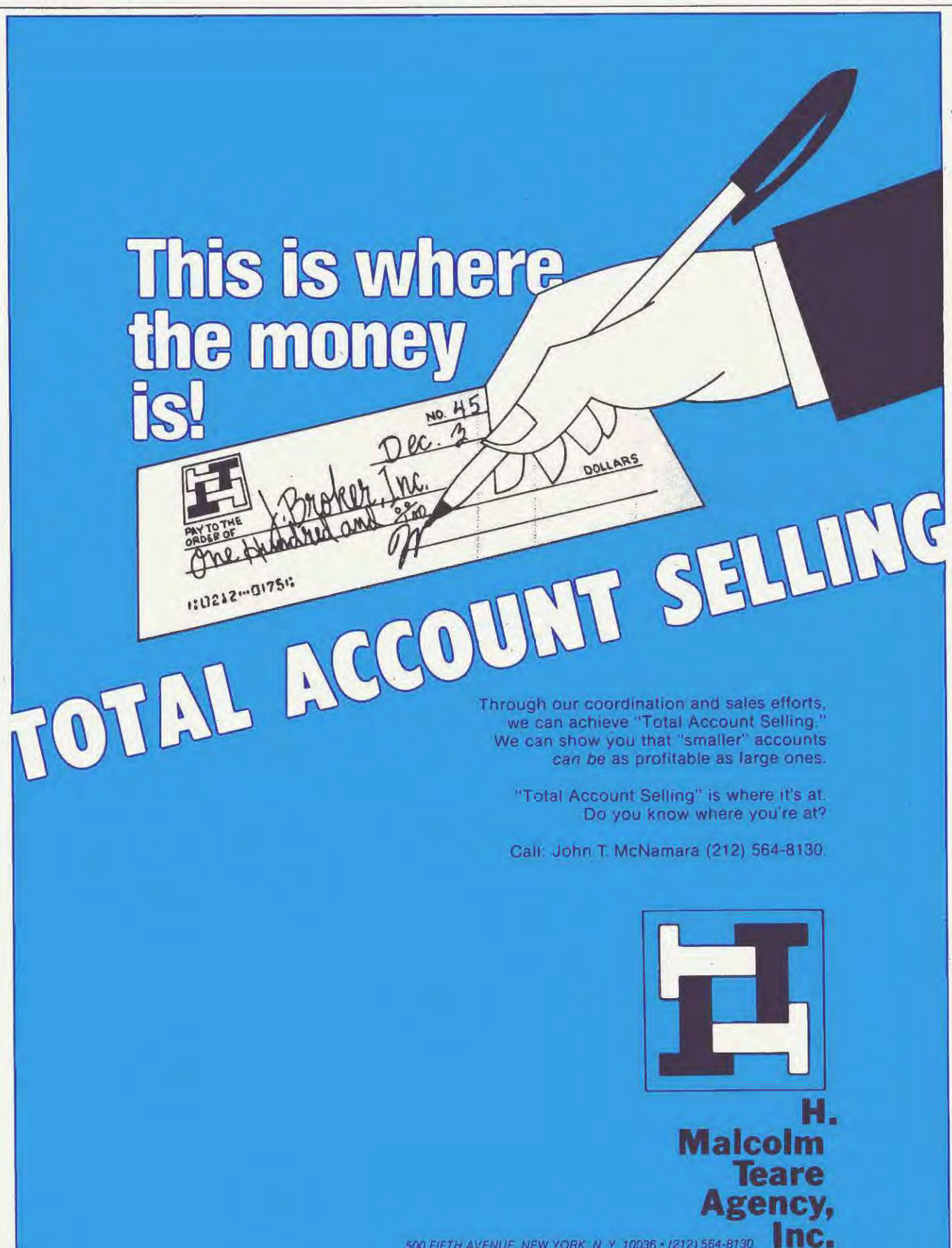
Mr. Church and other sponsors of the original legislation had very few nice things to say about the federal insurance agency, more than one characterizing OPIC as "socialism for the rich."

"We are not taking the position that big American companies or anyone else ought not to be insured against special risks that can be incurred abroad," Sen. Church said, "but we do not see why that cannot be done by the private insurance community rather than by the government."

AFTER POINTING OUT that 83% of OPIC's present coverage goes to 25 of the top Fortune 500 corporations, the Senate majority leader, Mike Mansfield (D-Mt.), joined Mr. Church in criticizing OPIC's status quo.

"These are truly the interests that can well afford to participate in what we cherish as a system of free enterprise and yet we have to undermine that system by subsidizing them and undertake the payment of insurance where there is no justification for it under any fact whatsoever," he said. "This trend to establishing government assistance for wealthy and powerful business interests while neglecting the interests of the small and weak business enterprise must be reversed.

"What we are creating otherwise," he said, "amounts to free enterprise for the poor and socialism for the rich." ■



FAIR plan expanding in Maryland

BALTIMORE—Maryland's FAIR plan (Fair Access to Insurance Requirements) is expanding throughout the state to provide essential insurance protection tc all insurable properties, according to the Insurance Information Institute.

Before March, the plan only applied to eight cities and parts of three counties.

Administered by a pool of insurance companies called the Joint Insurance Assn., the plan is designed to assist property owners who are not able to obtain insurance protection in the normal market.

Properties are considered insurable as long as they meet reasonably underwriting standards. Environmental hazards, beyond the control of a property owner, such as deteriorated neighborhoods, are not grounds for denying insurance protection, the institute said.

Applications for the FAIR plan are obtained from insurance agents, brokers or the Joint Insurance Assn., which arranges for a physical property inspection. ■

H & R Block markets tax services as benefits to more group clients

KANSAS CITY—H & R Block is aggressively merchandising its tax preparation services to employers as group benefits.

Block said it presently has 14 group clients, and is in the process of finalizing agreements with ten new large group accounts, according to Lou Cupp, director of group tax services.

Block's clients include Dayton-Hudson Corp., a Minneapolis-based diversified retail firm, Oakland Press in Flint, Mi., and Charles A. Stevens, a Chicago retailer.

The Gillette Co. only recently signed up for the H & R Block service as a benefit for its employes.

Dayton-Hudson Corp., Block's largest group client, offers a blanket policy to 265 employes in its eastern region, Richard Vida, regional personnel manager, said. For some 20 years, Dayton-Hudson provided tax preparation services to employes through a number of different accounting firms at higher cost, he added.

Dayton-Hudson was paying between $20 and $30 for each return prepared by an accounting firm. On an average, at least half of the firm's eligible employes have used the service.

H & R Block said it prepared nearly 8.5 million income tax returns last year at an average fee of $13. For every employe participating in a group program, Block tells the employer to expect to pay about $15, less discounts. H & R Block takes 5% off the price once 50% of the eligible employes use the service; 10% off when 75% of eligible employes sign up, and a 15% discount for over 75% participation.

BLOCK'S PRACTICE is to bill the employer each month, with the discount tallied and subtracted from a final bill in May.

The tax service benefit is usually bought as a blanket benefit for all employes, but some employers are offering the plan only to non-union employes, Mr. Cupp noted. At this point, Block is working only with firms employing more than 50 people.

At The Oakland Press, the employer pays about half the cost of tax preparation, a spokesman said. The newspaper employs about 250 full time workers and close to 100 use the tax service each year, the firm added. Employes using the service pay their half the bill upon completion of the tax preparation, and the other half of the bill is sent directly to The Oakland Press.

At Charles A. Stevens in Chicago, full and part time employes are offered the tax preparation benefit, personnel assistant Michele Cusentino said.

Stevens pays up to $10 for every employe who uses the service. In the current year, only two employes out of 1,200 eligible workers rang up Block bills of more than $10, and the employes paid the difference, she said. Stevens excludes executives from this employe benefit, she added.

So far this year, 42 employes have had 1973 income tax returns prepared by Block, which will handle as part of this benefit plan joint returns and medical bills. Under the benefit plan, however, Block puts limits on stocks and bonds and ownership of property to be handled as part of simple tax preparation. ■

Underwriter expands

St. Paul Cos. disclosed an agreement in principle to acquire John Nuveen & Co., a national investment banking firm specializing in fixed income securities. Carl B. Drake, president of the diversified company, said the acquisition would be a further step in St. Paul's goal to strengthen its position as a major financial services company. St. Paul is the parent company of several insurance underwriters, including St. Paul Fire & Marine.

Claim nuclear covers stifled by carriers

OTTAWA—A Canadian atomic energy official charged here that a federal act designed to give the public financial protection against nuclear accidents has remained stifled since its passage almost four years ago because insurance companies are against it.

J.F.D. MacIssac, legal advisor for the Atomic Energy Control Board (AECB), claimed that insurance companies did not like a section of the act which states that nuclear power plant operators will be liable for "personal injury" caused by explosions, leakage or other incidents involving radioactive material.

The insurers, according to Mr. MacIssac, want the liability restricted to bodily injury or property damage, which could exclude claims for mental anguish, genetic damage or accumulative injuries.

Adopted in June 1970, the Nuclear Liability Act states that operators of licensed nuclear power installations must carry up to $75 million in insurance coverage but it does not specifically state that such coverage must be written by insurance companies.

THE ACT was written with the proviso that it would not become effective until proclaimed by order-in-council, which has still not happened. Until the act is proclaimed, the federal government is responsible for claims.

Mr. MacIssac's contention that the act was passed without sufficient hearings for insurers was seconded by W. G. Seaton, manager of the Nuclear Insurance Assn. of Canada.

Mr. Seaton, however, did say that his association, which represents some 100 insurance companies proposing to form a pool to carry $30 million of the $75 million in coverage called for by the act, might accept the terms later in the year.

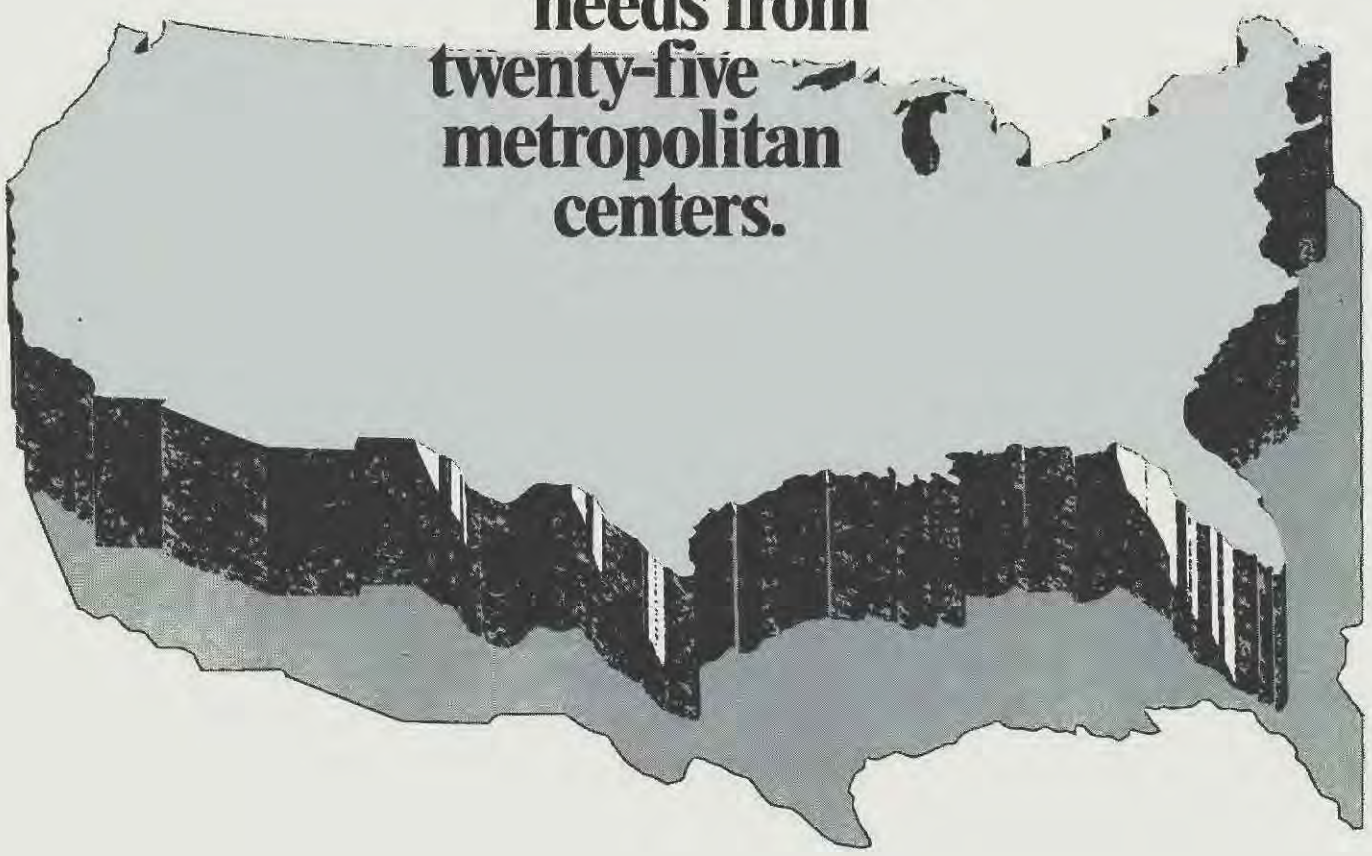
As set up, the federal government would cover the members of the pool for any claims beyond the proposed association's $30 million capacity.

While the Canadian nuclear power industry has grown rapidly with no major accidents, the increased likelihood of such a disaster as the industry gets larger has made the insurance companies somewhat wary of the act's provisions.

"We don't expect the accidents will be frequent," Mr. Seaton noted, "but we could get a dandy."

The act excludes the operator from liability for injuries or damages occurring from armed conflict in wartime or a period of insurrection. ■

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Surfus to Los Angeles

Jerry Surfus was named to the new post of chief risk manager for Los Angeles County, effective Apr. 1. He was formerly risk manager for the city of Madison, Wi. This position is greatly expanded since risk management research was done for the county by Warren McVeigh, Griffin & Huntington. Robert Frenchick, previously L.A. County's administrator for property-casualty insurance, resigned in early 1973.

* * *

Harold C. Lang, formerly asst. insurance manager at Squibb Corp. in New York, was named insurance manager at Bunker-Ramo Corp., Oakbrook, Il., a post which had been vacant since P.F. Downes resigned in October, 1972. Bunker Ramo is a major industrial manufacturer of electronic components, computer systems and knitted fabrics.

* * *

G. Robert Doyle was named insurance supervisor at Warner-Lambert, in New York. Mr. Doyle was formerly asst. insurance manager. **Ronald A. Torre,** formerly asst. insurance manager at Alexander's Department Stores, is now asst. insurance manager at Warner-Lambert, succeeding Mr. Doyle.

* * *

Joseph B. Dunn was named to the newly-created position of manager, employe benefits administration, for Jeffrey Galion Inc., Columbus, Oh. Mr. Dunn's chief responsibility will be employe insurance programs under a consolidated system serving Jeffrey Mining Machinery Co., Jeffrey Mfg. Co. and Jeffrey Galion Inc. Mr. Dunn was manager, employe services, Jeffrey Mfg. Co.

* * *

James P. Corcoran was named manager of the Soflens Insurance Co., a wholly-owned subsidiary of Bausch & Lomb, Rochester, N.Y. He reports to Charles F. Watson, treasurer of Bausch & Lomb, and acts as consultant to Bausch & Lomb on corporate insurance matters. The Soflens Insurance Co. provides replacement coverage to Soflens contact lens wearers. In this position, Mr. Corcoran works closely with Jan Podds, Bausch & Lomb manager of insurance and retirement.

* * *

Robert Bieber, the former insurance administrator for the City of Yonkers, was named Westchester County director of risk management. Mr. Bieber, who explained that the county position has been upgraded from a low level government post to one directly under the county executive's office, said he will concentrate on the planning for the upcoming Occupational Health & Safety Act for municipal employes, studying unique risks and exposures at the Westchester County Airport, Rye Playland, and the Westchester County Center, as well planning overall risk management programs.

* * *

Lee Kern is joining Quaker Oats Corp., Chicago as manager of employe benefits. He was with Baxter Laboratories Inc. as benefits manager. No replacement has yet been named. At Quaker, he succeeds **Robert MacPhail** who left to join Dart Industries in Los Angeles.

* * *

Bill Oppenheimer was named asst. secretary of Gambles, in Minneapolis. He retains his title of corporate insurance manager. Mr. Oppenheimer succeeds Charles Gauck in this position in which he will be responsible for all corporate insurance and risk management programs. Mr. Gauck was promoted to secretary of the merchandising corporation.

* * *

Harry G. Lauritzen was named accounting administrator in the department of finance for the city of Pasadena, Calif., effective May 1, succeeding Paul Duffee who is retiring. The post includes the duties of risk manager. Mr. Lauritzen was formerly a budget officer for the city. ■

dates for buyers

Meetings and seminars of interest to corporate risk managers, employe benefit administrators, safety and loss control engineers and others involved in managing commercial insurance programs will be considered for listing in this column. Please send dates and programs to Business Insurance, *740 Rush St., Chicago 60611.*

March 18-22: International Loss Control Institute's first of a conference series. These are designed to teach the latest in loss control management and help newly appointed safety or loss control personnel how to develop and manage their own program. Write Frank Bird Jr., Executive Director of the International Loss Control Institute, 33 Gilmer St., Atlantic, Ga. 30303 (912-477-3375).

March 19-20: Factory Mutual System's seminar on designing for fire safety and hazard control, at the company office building, Norwood, Ma. For applications write P. G. Lasky, Program Coordinator, Education Dept., Factory Mutual Engineering and Research, 1151 Boston-Providence Turnpike, Norwood, Ma. 02062 (617-762-4300).

March 20-21: University of Illinois, Chicago, will host a two-day basic accident prevention course, at the Chicago Circle Campus. This course has been designed to assist management safety directors and coordinators to fulfill and supplement their own in-house training programs. Write C. G. Dewey, American Mutual Insurance Alliance, 20 Wacker Dr., Chicago, Il. 60606 (312-346-5190).

March 20-21: Society of Chartered Underwriters will hold a seminar on practical risk management at the Chicago, Marriott Hotel. The program will include discussions on a practical application of risk management, includng such aspects as the identfication of risks, alternatives available, evaluation and future trends. Write Director of Continuing Education, Society of CPCU, P.O. Box 566, Media, Pa. 19063.

March 21: Massachusetts Insurance Buyer's Assn. will have its fifth annual spring conference at the Colonial Hilton Inn, Wakefield, Ma. Risk managers will speak on how to identify control and retain and transfer risks. Write Edward B. Smith, First National Bank of Boston, 100 Federal St., Boston, Ma. 02110.

March 25-26: Society of Actuaries meeting, Statler Hilton, Boston, Ma. Write Walter Rugland, Connecticut General Life Insurance Co., Hartford, Ct. 06005.

April 3-4: The American Management Assn. will hold a seminar on employe information systems—applications for the benefit manager, at AMA headquarters in New York City. Write AMA, 135 W. 50th St., American Management Assn. Bldg., New York, N.Y. 10020.

April 8-10: American Mutual Insurance Alliance and two other associations will sponsor a mutual engineers' conference at the Dearborn Inn, Dearborn, Mi. The conference is designed to inform loss prevention personnel at the staff and field level, but also includes sessions for others. Write Frederick H. Deeg, American Mutual Insurance Alliance, 20 N. Wacker Dr., Chicago, Il. 60606.

April 17-21: International Foundation of Employee Benefit Plans will host another institute in Houston Tx. Write the foundation, 18700 W. Bluemound Rd., P.O. Box 69, Brookfield, Wi. 53005.

April 22-24: American Management Assn.'s reinsurance management seminar will be held in New York City. Write AMA, AMA Bldg., 135 W. 50th St., New York, N.Y. 10020.

April 28-May 1: Health Insurance Assn. of America's 1974 annual meeting/group insurance forum will be held in the Drake Hotel, Chicago. It will feature three panel discussions, three major addresses, elective seminar sessions and functional conferences. Write the Health Insurance Institute, 227 Park Ave., New York, N.Y. 10017.

May 1: American Society of Insurance Management Inc.'s 1974 conference on employe benefits, at the Four Seasons Sheraton Hotel, Toronto, Canada. For more information about the mini-seminars write ASIM, 205 E. 42nd St., New York, N.Y. 10017.

May 5-8: International Foundation of Employee Benefits meeting, Sahara Tahoe Hotel, Lake Tahoe, Nevada. Write the foundation, 18700 W. Bluemound Rd., P.O. Box 69, Brookfield, Wi. 53005.

May 12-14: New York State Society of Certified Public Accountants and the Foundation for Accounting Education Inc. will host the 1974 accounting show at the New York Hilton. Contact the Charles Snitow Organization, 331 Madison Ave, New York, N.Y. 10017 (212-682-4802).

May 15-17: Purdue University will have a course on fundamental approaches to noise control, in West Lafayette, In. Lectures will be presented mainly by engineers from industry who are experts at reducing the noise of fans, compressors, diesel engines, etc. Write Prof. M. J. Crocker, School of Mechanical Enginering, Purdue University, West Lafayette, In. 47907 (317-749-2155).

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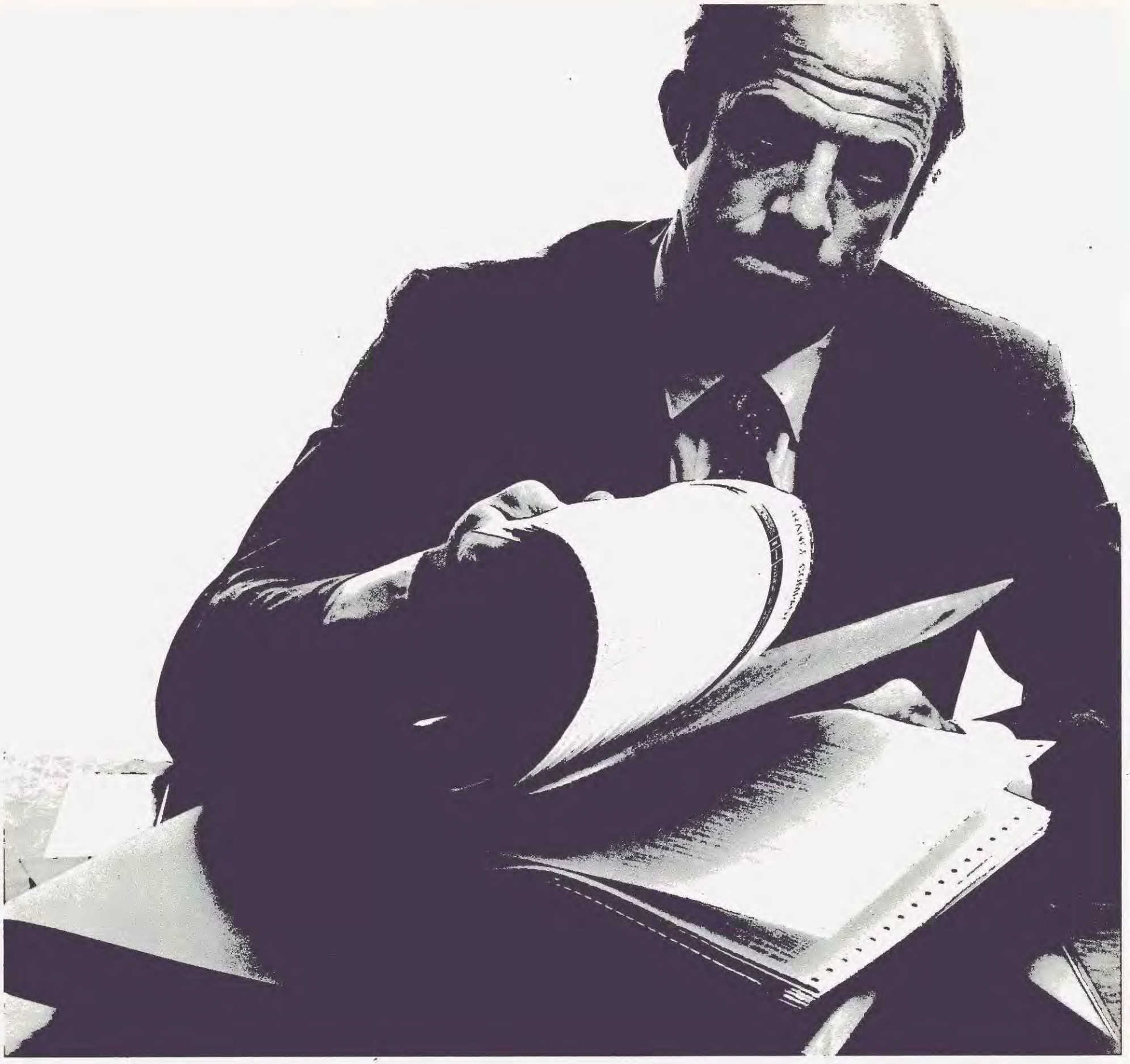
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