

Pressure grows to control rapid hospital cost increases

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Loss of the British-owned oil rig Ocean Prince off the northeast coast of England is one of three incidents expected to have ramifications in London and the U.S., where insurers are trying to organize a rig insurance pool.

Wide World photo

Oil rig pool start date delayed as Texas, British rigs wiped out

NEW YORK—Two offshore drilling rig losses this month totaling an estimated \$11,000,000 are expected to have serious ramifications in the London market and also in the U.S., where insurers are trying to get a rig pool off the ground.

A loss of \$7,000,000 to the foreign-owned Ocean Prince in the North Sea was divided between London and U.S. insurers. An estimated \$4,000,000 loss to the rig Julie Ann off the coast of Texas was reported to be insured mostly in the London market.

Both losses are expected to dampen the enthusiasm of 110 insurance companies to participate in the American Marine Drilling & Exploration Insurance Assn., according to a oil rig insurance source. He indicated that the syndicate, which was formed last December to write offshore rigs, was having some legal difficulties in addition to other "snags."

A SPOKESMAN for Insurance Co. of North America, one of the companies which shared the Ocean Prince loss and which supports the offshore syndicate,

said INA is still interested in the pool. But he added that the two losses, in addition to the \$3,000,000 Chapparral loss last February, will delay the target date for writing coverage.

Industry sources were not sure what effect the three rig losses would have on the 9.75% standard rate charged by London underwriters. A spokesman for the U.S. syndicate indicated that rates on some rigs could be as much as 4% to 5% higher than the London rate.

An oil industry source indicated the U.S. companies would probably not be able to write much business if U.S. companies go beyond the 9.75% unless Lloyds ups its own rates.

ANOTHER PROBLEM with the U.S. syndicate, according to industry sources, is that it is not expected to write more than 50% on any one risk—meaning buyers will have to find the other half elsewhere.

A spokesman for the syndicate was not sure when it would start writing business but indicated an announcement could be expected soon.

The Atlantic Mutual Insurance Cos., Chubb & Son, Fireman's Fund American Insurance Cos., Great American Insurance Cos., INA and Marine Office of America are among those companies which indicated their interest in the syndicate.

Pension scale escalated in copper pact

NEW YORK—The first major breakthrough in the nine-month-old copper strike has been approved by Phelps Dodge Co. and 6,500 striking employees.

A spokesman for the United Steelworkers Union said that in addition to hourly wage gains averaging 19.1%, there were important gains in the area of employee benefits.

For workers in Arizona and Texas, where Phelps Dodge has its major locations, benefits include a doubling of the basic monthly pension from \$2.50 per

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Steers blocks bid to drop riot risk; bureaus ask special riot loading

BALTIMORE—Insurance Commissioner Newton I. Steers Jr. has blocked in his state a nationwide move by insurance companies to exclude liability coverage for bodily injuries and property damage caused by riots and civil disorders on government agencies' premises and at commercial buildings.

Insurance rating bureaus have also filed for rate increases to cover riot damage to properties covered under extended coverage provisions of fire policies on commercial establishments.

Mr. Steers told *Business Insurance*: "We are not about to have this riot coverage disappear. Riot protection is under consideration in the Congress and by various pool groups in the states. This is a move by the insurance companies to deny coverage they had included in government agencies' liability and business special multi-peril policies."

Mr. Steers said he might have gone along with the exclusion for government agencies' liability for bodily injury or property damage suffered by private citizens on agency premises, but "this is all part of a larger picture."

NOT ONLY, he explained, did the rating bureaus want to exclude this coverage, with the privilege to "buy back" at a higher price by the insured, but they proposed a 14% premium increase on SMP policies "for provisions which they themselves had voluntarily written in."

The Maryland Underwriters Fire Bureau withdrew temporarily its filing that would have excluded similar coverage for commercial properties insured under SMP policies.

Nationwide, the attempt by the insurance industry to exclude riot coverages and to load rates includes these moves:

- To exclude and then allow the "buying back" at higher rates liability coverage for government agencies. Whether this exclusion would deny coverage for incidents in streets away from public buildings depends upon individual policies covering municipalities and public agencies.

- To exclude and restore at "buy back" rates the coverage for commercial insureds holding SMP policies for bodily injury or property damage occurring on their premises to third parties

during riots or civil disorder.

- To add 2% to 4% to extended coverage premiums on commercial properties as a riot-loading premium. The 2% rate would apply to counties with less than 250,000 population and the 4% to counties with more than 250,000 population. The loading factor will generate additional premiums of \$100,000,000 annually, according to industry sources.

JOSEPH M. MUIR, general manager of the Mutual Insurance Rating Bureau, said "Some of state commissioners feel these exclusions and loadings are a matter of national importance that need consideration of the National Association of Insurance Commissioners or discussion within NAIC regions."

Mr. Muir maintained that the exclusions and rate increases "are an effort to recognize that premiums do not contemplate the kind of disorders of the past two years."

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Business units join opposition to safety bill

NEW YORK—Opposition to the proposed federal safety bill is building up from various segments of U.S. industry, including the National Assn. of Manufacturers and the U.S. Chamber of Commerce.

The administration proposal would give the Secretary of Labor power to set and enforce safety standards for industries involved in interstate commerce.

Industry's strongest objection has arisen over the enforcement section of the proposed bill.

Under the enforcement provisions, the labor department would have the right to enter and inspect any area of a firm where work is being performed—and could go as far as close down or curtail activities in a plant considered unsafe.

AN ORDER OF the labor department against a violating company would stand until hearings were held before the secretary of labor and the violation affirmed or disaffirmed.

An industry spokesman
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Pressure mounts to control rise in hospital costs

By RICHARD BJORKLUND

CHICAGO—Federal officials, primarily concerned in recent years with extending medical care to the poor and the aged, are turning their attention to another vexing problem: the rapidly rising cost of hospital and medical care. Items:

- The Senate government operations subcommittee, headed by Sen. Abraham Ribicoff (D., Conn.) will open hearings next month on the "fantastic rise" in hospital costs.

- President Johnson has promised legislation to relieve rising hospital costs by, among other things, promoting outpatient care to relieve the growing demands on existing hospital facilities.

- A National Conference on Medical Costs last June heard reports from professionals in the medical field and came up with concrete proposals for controlling the cost of hospital and medical care.

BUYERS OF CORPORATE insurance, particularly those who purchase employee benefit programs, are watching with keen interest the development of federal and local efforts to stem the rise in medical care costs, which in recent years have climbed faster than any item on the consumer price index. This article, keyed to hospital care costs, is the first of a *Business Insurance* series that will examine the prospects, causes and cures for the medical care cost

problem which threatens to cost American industry billions of dollars.

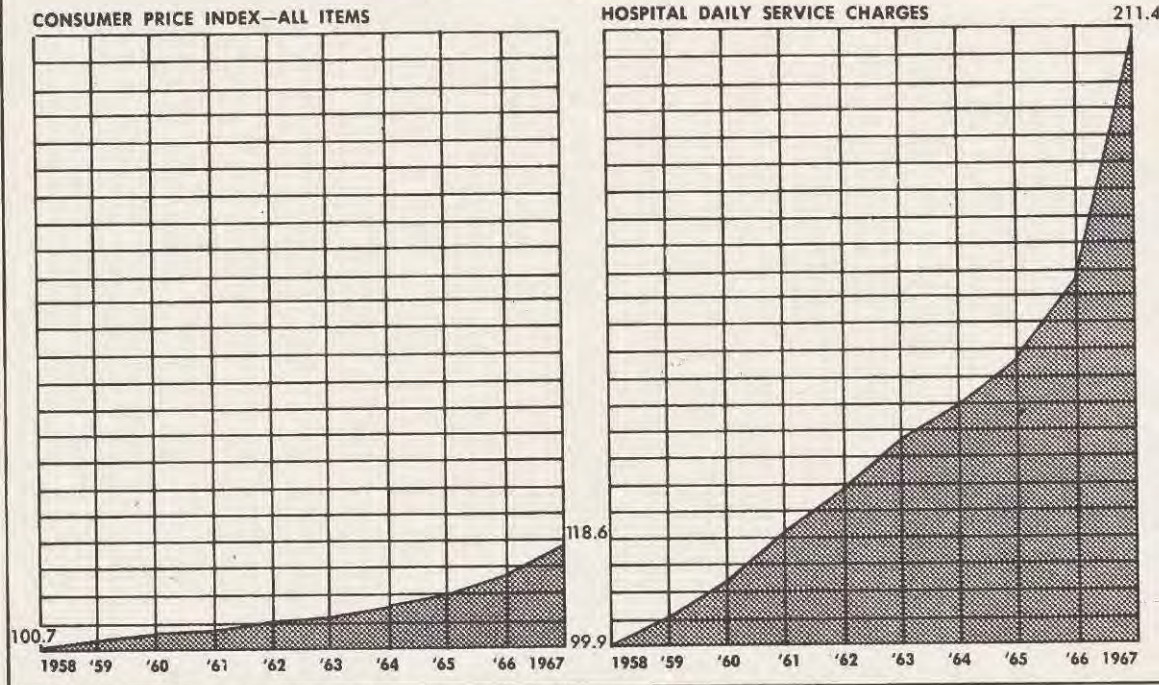
Dimensions of the hospital cost problem are apparent in the graph on this page which shows that in the past decade hospital daily service charges have more than doubled while the general consumer price index has climbed less than 20%. Last year alone, medical care cost the nation \$54 billion, up \$4.5 billion from 1966. Hospital charges accounted for \$17.6 billion, an increase of about 16% over 1966.

Average daily charges, which stood at \$35 in 1960, will approach \$62 this year and climb rapidly to a predicted average of \$100 by 1975. Some medical experts grimly forecast that average daily charges by the year 2000 will be \$300, \$500 or even \$700 in an economy with wages inflated far beyond their present levels.

NEARLY ALL observers agree, however, that hospital costs will increase in the immediate future at a rate far greater than the general cost of living because wage costs of hospitals have only begun to catch up with the economy. Wages and salaries, which represent 70% of a typical hospital budget, are skyrocketing for several reasons:

- Average earnings of hospital employees are climbing because of union agreements, increased minimum wage standards and a higher proportion of highly-paid skilled technicians on hospital payrolls.

Hospital costs: Doubled in a decade



Charts above contrast the rise in the consumer price index and the rise of daily hospital service charges from 1958 to 1967. The base period for medical charges and consumer prices is 1957-1959.

- Standard work weeks in hospitals have been reduced from 54 to 40 hours in recent years to keep pace with a similar trend in industry. Nevertheless, hospitals have remained open 24 hours a day, seven days a week to care for a continuing patient load that reached 30,000,000 nationwide last year.

- The number of hospital employees per patient continues to

rise. Twenty years ago a patient was cared for by 1.5 employees; today that figure is close to three hospital employees per patient.

Added to higher wage costs are burgeoning costs for hospital construction and maintenance as well as sharply rising expenditures required to keep hospital abreast of current medical technology. Sophisticated equipment, while it saves lives and restores

patients to useful lives, is extraordinarily expensive. A cobalt x-ray machine costs \$82,000; open-heart surgery equipment costs at least \$72,000 and a surgical sterilizer sells for in excess of \$17,000.

SOME CRITICS of hospital care costs suggest that an important approach to the control of

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2 airline hijackings stir coverage debate

NEW YORK—The recent hijacking of two jet air liners from the U.S. to Cuba has stirred the aviation insurance market to debate whether these actions can be considered acts of war or domestic thefts.

Although Fidel Castro, Cuban premier, so far has returned the airliners, he has threatened to keep planes hijacked in the future.

Most domestic airlines do not carry insurance against war risks. This coverage generally is written in Lloyds and includes confiscation and seizure risks. The airlines are, however, protected against theft under the terms of the normal hull insurance policy.

"MOST DOMESTIC airlines have not considered war risks coverage necessary," explained a source at Associated Aviation Underwriters.

A source at Lloyds anticipated that the major airlines would be buying war risks coverage soon. "When a DC8 with 58 passengers is seized, it makes headlines," he said. "However, this is not the first time that a plane has been confiscated. But because it only happened to smaller aircraft before, few people have known about it."

The question now arises whether a confiscation taking place over the U.S. can be considered a theft and covered under a normal hull policy.

Officially, the U.S. is not at war with Cuba, but should a plane be seized and permanently confis-

cated—as Premier Castro has threatened—the area of responsibility has not been settled.

"IT WOULD sound like an act of war," said the Associated source. The Lloyds executive said that the point has yet to be cleared.

"It's possible that a judge might consider it a theft," he said, "because we are not in state of hostilities."

American Motors, UAW pact almost ignores insurance area

DETROIT—American Motors Corp. and United Auto Workers negotiators agreed on a two-year automotive contract that emphasizes wage gains and almost ignores additional insurance benefits.

In effect, American Motors postponed consideration of a number of insurance and pension benefits by agreeing on a two-year contract, in contrast to three-year pacts adopted earlier by the big three auto makers.

The sole change in insurance benefits at American Motors would be the company's agreement to pay \$3 a month Medicare contribution for retired workers or their surviving spouses.

A prescription drug plan adopted by Ford, Chrysler and General Motors will not take effect until the third year of their contracts, so it is expected to be a bargaining issue when American Motors negotiations with the

Confusion cleared

ALBANY, N.Y.—Gov. Nelson Rockefeller's compulsory health bill, if approved this year, would provide almost every worker in the state with 120 days of hospitalization per illness.

Confusion had developed in Gov. Rockefeller's office and among insurance buyers as to what the governor meant by 120 days. According to the state health planning commission, the 120 days is per illness. Blue Cross-Blue Shield also bases benefits on a "per illness" schedule.

UAW resume in 1969.

The American Motors contract leaves unchanged the basic pension benefit of \$4.25 a month for each year of service. Big three contracts increased the benefit to \$5.25 and will relate it to wage classifications beginning next year. Thus, pensions may be a key issue for AM in 1969.

American Motors' 14,000 workers at plants in Milwaukee and Kenosha, Wis., were scheduled to vote on the contract last week. In an earlier vote, some 3,000 workers at the Kelvinator appliance division in Grand Rapids, Mich., rejected a separate proposal.

Generally, the Kelvinator contract provides less in benefits than does the automotive agreement, a difference the union wants to eliminate. American Motors offered to make two changes in insurance benefits.

One change would eliminate employee contributions for health insurance during disability leave and the other would provide health insurance coverage for survivors of retired employees if they pay the cost.

Thalidomide damages may hit \$6,000,000

LONDON—"Very substantial" damages will be paid to 62 children born malformed after their mothers had taken the drug thalidomide during pregnancy. It was marketed under the trade names of Distavel or Tensival.

Distillers Company (biochemicals) Ltd., which made and marketed the sedative under license in Britain, will pay 40% of the damages to which the families would have been entitled if the actions had gone to trial and been successful.

The exact figures have still to be worked out, but legal experts expect the total to be anything up to \$4,800,000, with each child possibly receiving between \$12,000 and \$108,000, depending on the degree of disability, special education and training required, and the replacement of artificial limbs in later life. It is hoped that all settlements will be made in the next three or four months. The overall cost to the company's insurers could be as much as \$6,000,000.

This is considered by both sides to be a fair settlement. The costs of a full trial have been estimated at \$600,000.

To have succeeded in the action, the families would have had to establish that a manufacturer owed "a duty of care" to an unborn child from the moment of conception. They would also have had to establish that, if such a duty existed, the manufacturer had broken the obligation.

Besides the 62 families who took legal action, there are estimated to be about 440 other families involved. The company has said that it is considering ways in which a substantial sum could be provided to help malformed children who will not benefit from

this particular settlement. It has already given \$600,000 to Edinburgh University for research in the field of congenital malformations.

As part of the settlement, the families are unreservedly withdrawing all allegations of negligence against the company. This is important because of the reputations of the doctors and scientists who assessed thalidomide on behalf of the company. They had always maintained that the effects of the drug were not foreseeable.

The drug, which cannot cause death through an overdose, became available on prescription early in 1958. It was not, however, until the end of 1961, when it was withdrawn from the market, that it was suspected of causing malformations to the fetus.

Views vesting law as stifling

WASHINGTON—The National Assn. of Manufacturers said mandatory vesting and funding provisions for private pension plans would "discourage establishment of new plans and increase the cost of existing ones."

Testifying before the general subcommittee on labor, H. C. Lumb, vp of corporate relations and public affairs at Republic Steel Corp., said, "whether vesting should be required by law is highly debatable."

Mr. Lumb also said that to require by law that any particular plan be funded according to a rigid statutory method would be "inappropriate, unrealistic and not applicable to specific plans."

Texas-sized coverages protect HemisFair '68

By MAURINE BLOCK

SAN ANTONIO, Tex. — As might be expected, HemisFair '68's insurance program is Texas-size in scope. So far its comprehensive general liability totals \$21,000,000 of coverage, including a \$20,000,000 excess umbrella liability policy.

In addition, HemisFair is protected by a \$7,000,000 business interruption policy, and a \$4,000,000 to \$5,000,000 all-risk fine arts coverage.

"HemisFair's \$20,000,000 umbrella coverage is probably the largest insurance coverage, to my knowledge, for any one venture," Robert G. Scruggs III, HemisFair's manager of administrative services, told *Business Insurance*. HemisFair is scheduled to open here in April and close in October 1968.

"DEVELOPMENT OF the total program is a result of very careful study by our staff consultants and insurer, Gulf Insurance Group, which began in February, 1967. The variety of types of coverages includes not only HemisFair owned and operated buildings and exhibits, but also concessions, domestic exhibitors and foreign government participants," he said.

The Gulf Insurance Group also provides a \$200,000 trade fair bond, which enables foreign countries to import their exhibit materials without the payment of duty. San Antonio Fair Inc. is operator for HemisFair.

The \$46,000,000 in construction is covered under builders risk policies which have been placed, to date, by various exhibitors and contractors with any carrier meeting HemisFair's requirements.

At present, there are 29 domestic and foreign exhibitors and 15 concessionaires, including food and entertainment. This does not include the attractions which will perform in the HemisFair's \$10,000,000 theater and civic center located on the 92.6-acre site. Nor does it include 46 con-

cessionaires who have contracted for space but have not begun building.

A minimum of \$1,000,000 basic general liability insurance coverage is required of each participant.

SINCE HEMISFAIR '68 was registered in October '66 by the Bureau of International Exhibitions, Paris, as an official world's fair, it has to operate within the framework of the rules and regulations of the bureau. It also has to operate according to the rules and regulations of Texas. A pooling arrangement like that which provided coverage for Expo '67 is not allowed under Texas law.

Gulf Insurance Group's special agent, Glenn Hancock, consultant to HemisFair, explained coverage began in March, 1966, and extends through 90 days following the end of the exposition.

It is the responsibility of the insurance department of HemisFair, in conjunction with the exposition's official carrier, the Gulf Insurance Group, to coordinate and supervise the exposition's insurance requirements.

THE LIABILITY insurance required of each participant is as follows: a Texas standard comprehensive general liability policy, certificate of insurance, a duplicate policy reflecting specific contractual coverage covering the lease agreement and indemnity agreement between the participants and San Antonio Fair, which will become part of the policy.

Coverage includes operations, standard form, libel, slander, false arrest and other usual personal injury insurance; elevators and escalators; contractual coverage for indemnity agreement; contractual; completed operations and products and independent contractor coverage liability to 90 days following termination date of the exposition.

AUTOMOBILE LIABILITY insurance is based on the comprehensive auto liability policy. It is to cover all owned, non-owned (including automobiles of employees used in the conduct of business of the participant), hired or leased vehicles of the participant. Participants are told to familiarize themselves with the provisions of the Texas State Financial Responsibility Law concerning furnishing of satisfactory evidence of financial responsibility in connection with the operation of licensed motor vehicles within the state.

The standard Texas comprehensive auto liability limits of \$1,000,000 single limit and \$5,000 medical payments will apply to all participants or other interested parties for all vehicles brought on to the exposition site.

All exhibitors, concessionaires and others (such as, service contractors) are required to maintain fire and extended coverage and vandalism malicious mischief insurance for at least 80% of the actual value including both buildings and contents dur-

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Western Union adds long-term disability plan effective April 1

NEW YORK—Western Union is installing a voluntary long term disability plan for 3,000 eligible management employees, effective April 1. The response has been "very enthusiastic," according to Raymond F. Hoffman, assistant vp of pensions and benefits. The plan makes allowances for rehabilitative employment, and injuries or sickness needn't confine an employee to his home.

To qualify, an employee must be making an annual salary of more than \$7,500 and have 30 days service. After a 26 week waiting period, which is covered under a basic plan, the new long term disability will pay 50% of basic monthly salary, subject to a monthly maximum of \$2,000 integrated with Social Security disability benefits.

"An unusual feature of the plan," Mr. Hoffman pointed out, "is that under some circumstances—for instance, when company disability benefits are combined with Social Security disability benefits—the maximum payments for all sources may increase up to 70%."

"IN OTHER words," Mr. Hoffman said, "the formula is a dual benefit—50% when not receiving any other income, but up to 70% when integrated with other sources."

Prior to age 60, an employee's contribution will be 0.25% of basic monthly salary, limited to a maximum monthly contribution of \$10. After 60, Western Union will absorb the costs.

The new plan does not prohibit rehabilitative employment and does not cut off benefits.

He explained that if an employee is disabled and decides to start rehabilitative employment, he can still receive benefits up to the first 24 months of the rehabil-

itative employment (subject to the insurer's approval). In such a case, the long term disability benefit would be reduced by an amount equal to 50% of the employee's rehabilitative employment earnings.

To explain the new plan to employees, Mr. Hoffman arranged a meeting of all the New York departments in March with representatives from Metropolitan Life, the carrier, and Marsh & McLennan, the broker.

Insurer pays \$355,000 in hijacking

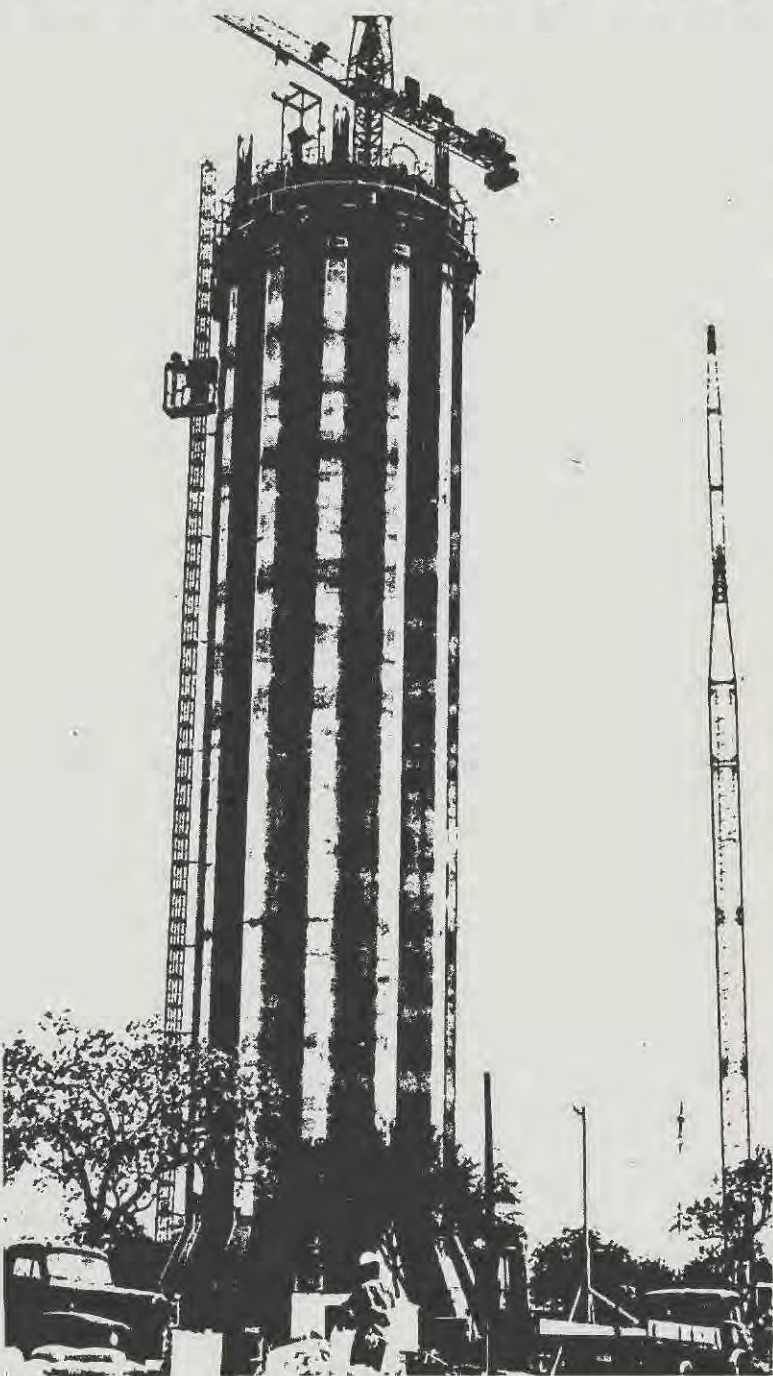
YOUNGSTOWN, O.—A London insurance company has paid out almost \$355,000 in claims as the result of the hijacking last December of an armed transport truck.

The payment of \$354,676 represents the cash losses in the robbery, the largest heist ever pulled off in this city. The armored truck was owned by Kane Secret Service Inc.

The insurance firm, Indemnity Marine Assurance Ltd., was the sole insurer of Kane at the time of the robbery.

Largest payment has been made to the Mahoning National Bank, which lost \$279,400 in the robbery. A loss of \$55,466 was incurred by the Dollar Savings & Trust Co. Metropolitan Savings & Loan lost \$21,589.

Indemnity Marine said a reward for information leading to recovery of the money still stands. The robbery took place Dec. 27 in the busy parking lot of a department store in the area, but few leads have been turned up so far.



The theme structure at HemisFair is a 622-foot high Tower of the Americas. A restaurant and three observation levels will top the tower. HemisFair, scheduled to open on April 6, now has \$21,000,000 worth of comprehensive general liability coverage.

Results of U. of Pennsylvania's group merchandising plan given

HARTFORD—A progress report on one of the nation's first major group merchandising plans was presented at a clinic sponsored by the Connecticut chapter of the Society of Chartered Property and Casualty Underwriters.

Rodney Pyfer, insurance manager at the University of Pennsylvania, explained that the plan, underwritten by the Insurance Co. of North America, is offered to all 13,000 employees of the university.

Since the operation began in March of 1967, INA has held 1,011 counseling interviews, Mr. Pyfer said. Out of these, 985 homeowners policies have been written, generating \$116,000 in yearly premiums. In addition 568 automobile policies have been underwritten, with annual premiums of \$98,000.

THE BIG MAJORITY of the auto policies—426—were taken out by senior faculty members, administration personnel and medical doctors. Forty were written for technicians and secretaries and 30 were taken out for foreign nationals, 15 of whom live in Philadelphia.

"Curiously," Mr. Pyfer said,

we haven't gotten through to Negroes."

Mr. Pyfer said he regarded himself as a "buying agent" for these employees, and pointed out that in talking about such large numbers, an employer has a "vital catalytic role." He must function on behalf of all the employees, who themselves are in no position to bargain with the insurance companies.

"We wanted the lowest cost comparable with the most complete service," Mr. Pyfer said, "and we secured a promise for standard INA rates without arbitrary cancellations, such as for foreign nationals or Negroes—and we also wanted an end to the industry practice of refusing to write people because of their residence or type of work."

IN ADDITION to standard rates, an arrangement was made for a dividend on homeowners or automobile insurance if the experience justified it. So far, he disclosed, there has been a 15% dividend on auto but none on homeowners.

"We have to do something about auto repairs," Mr. Pyfer told his listeners, pointing out that getting two or three estimates before going ahead with

repairs was time-consuming and costly. "I visualize an insurance company running a building where you could have complete repair service" he added.

Nowadays, an employer is "hard pressed" to come up with a new employee benefit, Mr. Pyfer continued. However, the university runs a travel agency and rent-a-car office, where services can be obtained for a discount.

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Rules pension sex bias illegal

WASHINGTON — Effective July 1, 1968 any pension or retirement plan which provides for a difference in optional or compulsory retirement ages based on sex will violate the 1964 Civil Rights act, the Equal Employment Opportunity commission ruled late last month.

Other differences in pension or retirement plan provisions based on sex, such as differences in benefits for survivors, will be decided as such case arise.

Testimony before the commission had charged that there was widespread discrimination against female workers.

New Jersey investment ruling could apply to nonauto lines

TRENTON—A New Jersey ruling which refused an automobile rate increase because investment income was not taken into account could be a factor affecting rates on other lines of property and casualty insurance, according to the department of insurance and banking.

Horace M. Bryant, deputy commissioner of insurance, did not specify what lines would be immediately affected, although he indicated the insurance department feels obligated to look at the investment income of other types of insurance.

He told *Business Insurance* that investment income is an

integral part of the insurance companies' operations and should be considered in ratemaking—thereby refuting an industry study which stated that investment income is not a subject to be included in rate applications.

THE REPORT, financed by the American Insurance Assn., stated that any change in the current treatment of investment income would threaten the financial structure of the entire industry.

Referring to critics of the New Jersey decision, who said the report should have been considered in the determination, Mr.

Bryant said the insurance industry had ample time to testify in behalf of the report.

The New Jersey insurance department "could not pick up side material submitted by the insurance industry after they had the opportunity to submit their arguments during the hearings," he said.

ACCORDING TO Mr. Bryant, the report served its purpose, which was to "defend the industry's view" against the use of investment income. But it was not considered a valid argument by the commissioner.

Mr. Bryant contended that it is

"unfair" not to give policyholders the benefit of income derived from investments gained during the time lag between the occurrence and payment of claims.

He pointed out that in automobile liability cases the average claim is not paid for 63 months, during which time the money is invested by the insurance companies.

AUTOMOBILE INSURERS have argued that rate increases, without considering investment income, are justified because many of the companies are losing money in underwriting automobile insurance. They maintain that investment income, which enables them to operate in the black, belongs to their stockholders.

Mr. Bryant said life insurance companies provide an anticipated return for their policyholders based on expected earn-

ings from investments. On a \$1 annual premium, Mr. Bryant explained, policyholders in some cases are billed 97¢; the life insurers get the other 3¢ through investment income on the unearned premium.

Mr. Bryant said the banking industry extends interest on investments earned from its customers' deposits, which is used to lower service charges. He maintained that insurance companies should consider such credits on unearned premiums.

The decision reached by Mr. Howell stated that "the formula used by the NBCU for rate increases on bodily injury liability charges the assureds for the increase in claims cost caused by the delay in paying claims. The assureds are not given any allowance in the form of a credit for interest or dividends earned on investments or the realized capital gains on investments acquired with premium dollars held in reserve to pay claims at a future date.

"I therefore conclude that income on investments and realized gains, both of which may vary from year to year, should be considered in determining the acceptability of any rate level change proposed by a rating organization or an insurer filing rates on an independent basis," said Mr. Howell.

High court rules on two liability cases

WASHINGTON—The Supreme Court took action on two liability cases last week, one involving autos, the other involving stock brokers.

The court agreed to consider whether investors can hold their brokers liable for wrong doing even if officers of the firms are unaware of such activity.

It also declined to review a lower court decision that a motorist can't hold General Motors liable in an auto crash when the car was driven at excessive speed.

In a case involving Kamen and Co., a New York brokerage firm, several registered representatives obtained business through a scheme whereby they "guaranteed" profits through sale of over-the-counter securities.

The Securities and Exchange commission argued that "investors should be entitled to assume that the firm will stand behind and be responsible for the acts of its employees." The case won't be decided until after the high court returns in October from its summer recess.

The GM case involved an Indiana auto accident in which a Chevrolet, being driven at 115 m.p.h., crashed into the rear of another car. A passenger in the struck car contended that the auto company should be held liable in the crash because it was negligent in building autos capable of "speeds far exceeding any legal or reasonable limit."

GM admitted it had a responsibility to make its autos reasonably fit "for their purposes and free of latent hazards." But the auto firm said it wasn't responsible for protecting drivers and passengers against the "obvious dangers of traveling at excessive speeds."

Stickles joins AMIA

James S. Stickles, formerly with Nationwide Mutual Insurance Co., has joined American Mutual Insurance Alliance, Chicago, as workmen's compensation specialist.

Having fiddled and frittered away the long hot summer, the grasshopper was unprepared for a cruel winter. MCRA: An adequate loss prevention program, like an adequate ladder, requires full time effort, 365 days a year. Loss Prevention is our business. Manufacturers Mutual Fire Insurance Company, 1500 Turks Head Building, Providence, Rhode Island 02901. Founding member of the Factory Mutual System.



Cahill calls Transportation's auto study 'waste of time'

WASHINGTON—Public hearings on auto insurance industry practices are vitally needed to air the opinions and suggestions of all interested parties including fleet operators and other commercial users of highways, Rep. William T. Cahill (R., N.J.) told *Business Insurance*.

Rep. Cahill, who has been highly critical of the auto insurance industry, termed President Johnson's proposal for a \$2,000,000, two-year study by the Department of Transportation a "waste of time." He pointed out that after the agency had compiled its huge stack of statistics at great cost, a Congressional committee would still have to hold hearings on the issues and draft its own proposals.

Last month Rep. Cahill proposed a federal auto insurance agency to compensate the victim of auto accidents without regard to fault. He told *Business Insurance* his plan would lower rates "tremendously".

He said such an agency would ease a corporate risk manager's work load because a major share of all accidents would never need to be litigated but would be settled by the federal agency.

Under Rep. Cahill's proposal, claims would be limited to a \$2,500 maximum. Financing the plan would require careful investigation and development of actuarial data and statistics in order to determine both the initial and operating funds necessary, he explained.

The plan, although a serious one, was offered primarily to keep the dialogue going on the subject of revising the present

system, Rep. Cahill explained. He said the much-discussed Keeton-O'Connell plan to establish a no-fault auto insurance system was a good one despite its many faults, simply because it had served to promote discussion.

BUT, HE told *Business Insurance*, further talk about the Keeton-O'Connell plan is fruitless. He said his proposal might provide something else to consider.

Rep. Cahill is a member of the House antitrust subcommittee which last October released a highly critical report calling auto insurance "slow, incomplete and expensive." The report recommended a \$1,500,000 two-year study of the industry by the Fed-



Rep. William T. Cahill

eral Trade Commission. Rep. Cahill disagreed with this.

He said he supported an investigation by the Senate antitrust subcommittee and said he would be testifying before that group.

Rep. Cahill also said he favored using investment income in rate making.

Air crash award is \$715,000

SALT LAKE CITY—A jury in U.S. district court for Utah has awarded \$715,456 in damages in a civil liability suit against United Air Lines as a result of a crash-landing of a Boeing 727 that killed 43 persons.

The crash, largest single accident in Utah aviation history, occurred Nov. 11, 1965, as the New York-San Francisco flight with 91 persons aboard fell 335 feet short of the runway and burst into flames.

In separate phases of the trial, the jury of seven women and five men awarded \$632,000 to three widows of passengers killed in the crash and \$83,456 to four persons injured.

SIX SUITS were originally filed in district court. One suit was settled out of court before

the trial and District Judge Willis W. Ritter ordered consolidation of the remaining five, handling them as one case. The five suits sought \$3,200,000 from UAL and Boeing Co.

In the first phase of the trial, suits against Boeing were dismissed on the grounds of insufficient evidence.

The suits had charged that the aircraft manufacturer was negligent in the design and manufacture of the Boeing 727.

The jury deliberated about five hours before returning a verdict of liability against the airline.

It was stipulated as evidence in the trial by all attorneys involved that the fire was caused by the right landing gear striking the fuel and electrical lines in the lower part of the fuselage.

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Home builders improve group insurance plan

OAKLAND, Cal.—Home builders who are members of the Associated Home Builders of the Greater East Bay will enjoy an increase in group insurance benefits during 1968.

William T. Leonard, exec vp of the group, told *Business Insurance* that the increased benefits have been obtained both on the basic and major medical portions of the association's group plan.

The plan is with Associated Medical Plans, of San Mateo, Cal. for the association's insurance trust, through Inter-Coast Life Insurance Co.

Basic board and room benefits for the home builders have been increased from \$28 to \$30 daily; hospital extras up, from \$300 to \$500; surgery from \$300 to \$1,000 and doctor calls from \$4.50 to \$6.

Convalescent hospital benefits also have been added, Mr. Leonard reports, and major medical benefits have been boosted from \$5,000 to \$10,000 per disability, and lifetime benefits up from \$10,000 to \$15,000.

The deductible has been dropped from \$150 to \$100, with a maximum of three deductibles per family per year. The new daily hospital board and room maximum will be \$46.

Monthly costs for members will range from \$7.75 per member and \$13 with dependents to \$14.75 and \$20 for the health plan and from \$1.92 per month per \$5,000 for life insurance to \$21.36 per month from age 64 to 69.

Sullivan explains intricacies of Florida workmen's comp law

CORAL GABLES, Fla.—A company supervisor unaware of the protection offered firms under workmen's compensation laws can prove a costly liability, the American Society of Insurance Management's Florida chapter was warned.

Florida workmen's compensation protects employees, but it similarly protects employers from unreasonable employee lawsuits, said John B. Sullivan, director of employee benefits for Florida Power & Light Co.

"It recognizes the fact that an individual accepts a certain amount of personal risk when he takes a job," said Mr. Sullivan, citing an example of a plant

manager for another company who failed to take advantage of this protection because he did not understand workmen's compensation.

Leaving work, an employee went to a company parking lot adjoining the plant, slipped on the ice and suffered an injury. The plant manager told the employee when he reported the accident that he was on his own.

"AS A RESULT, the employee went to his doctor and ended up with a lawyer, involving the company in a public suit," Mr. Sullivan explained. "It cost the company ten times what it would have cost if the employee had

been given medical attention under the workmen's compensation act."

The Florida act, Mr. Sullivan explained, "should be familiar to employees and employers alike." Benefits are extended to cover all employees who are injured without regard to who is at fault in the accidents. An employee bears part of the expense "since it is considered fundamental that no employee shall lose one of the primary incentives to avoid accidental injuries."

Since responsibility need not be assessed, "this tends to eliminate the concealment of fault in accidents by a spirit of frank study of causes," Mr. Sullivan



John B. Sullivan

said, "thereby helping to prevent future accidents, thus reducing cost and suffering."

HE SUGGESTED that a prompt investigation by local supervision and general office personnel "will help the overall accident record and thus keep the cost of workmen's compensation much lower."

Besides providing prompt and reasonable compensation to victims of on-the-job injuries, Mr. Sullivan said, the Florida approach:

- Eliminates the economic waste in payment of fees to lawyers and witnesses and saves the time consumed by hearings, appeals to the full Florida Industrial Commission and the Florida state supreme court. Mr. Sullivan noted that less than 1% of his company's injury cases are contested.
- Frees the courts from the delay, cost and tremendous workload of this mass of personal injury litigation—and at the same time eliminates the possibility of excessive settlements.
- Relieves public and private charities of the financial drain caused by accidents. "Industry," he said, "should volunteer the responsibility of on-the-job injuries and, therefore, not drain charities."

UNDER THE FLORIDA system, industry representatives—whether a self-insurer such as Florida Power & Light, or an insurance company—must provide further benefits.

"When an employee loses a leg in an industrial accident, for instance," Mr. Sullivan explained, "he is entitled to 200 weeks compensation at \$49 a week or \$9,800. This is paid to the employee over a period of 200 weeks, or \$98 bi-weekly, or the employee can petition to the self-insurer or carriers to receive this amount in a lump sum, provided it is approved by the Florida Industrial Commission."

"If this is done the company of the self-insurer or carrier, such as an insurance company, has the right to pay the present worth of 200 weeks or approximately a 4% discount."

HE CITED THE example of an employee with a back injury disability, such as a laminectomy operation. "The doctor would determine the amount of disability, such as 20% of the body as a whole, and it would mean 20 percent of 350 weeks. This being 70 weeks times \$49, or an amount of \$3,430."

He noted that the Florida Workmen's Compensation Law changes at various times.

"Presently, the injured employee receives 60% of his average weekly wage during the disability, not exceeding \$49 a week. The total amount of compensation payable to the widow in the case of death does not exceed \$15,000. At the present time, the total amount payable for permanent total disability will be for the life of the employee."

Florida Power & Light, he said, attempts to rehabilitate and relocate injured workers "with the hope that they would be able to perform duties responsible enough so they would earn the same amount of money as previously earned" to avoid financial hardship.

Germain named chairman

C. F. Germain has been elected chairman of Excess & Treaty Management Corp., New York, production and underwriting manager for Excess & Casualty Reinsurance Assn. Robert S. Gilliam Jr. was elected president of the corporation and L. M. Michel was named exec vp. The appointments are effective May 1.



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N.Y. unit says holding company 'unsatisfactory'

NEW YORK—The noninsurance holding company is "an unsatisfactory response to a modern challenge," a special committee of the New York state insurance department has reported.

"The risk that a controlling parent of insurance subsidiaries may draw too much from the assets of the subsidiaries is not a fancied danger," the committee warned.

To help insurers achieve the "legitimate objectives" of greater diversification, broadened activities, improved earnings and more ready access to capital markets, the committee recommended:

- Extending the list of ancillary activities in which insurance companies may be engaged through subsidiaries;
- Liberalizing the investment restrictions applicable to life insurance companies to provide them with a greater opportunity to participate in growth—as distinguished from fixed dollar—investments;
- Liberalizing the permitted capital structure of insurance companies to expand the range of techniques available to them for raising capital for insurance and ancillary purposes.

The committee suggested that

New York life insurers be allowed to invest up to 10% of admitted assets, or 100% of surplus, in common stocks.

Also, the committee urged that stock companies be permitted to issue senior equities "enjoying the ample range of preferences and rights which financial ingenuity has developed to meet the needs of American business for growth and effective performance." In addition, stock companies should be permitted both secured and unsecured borrowing, the report stated.

But because noninsurance interests "already control" insurance enterprises, the committee provides for "close regulation of them in an effort to forestall their becoming a vehicle for abuses which would damage the entire framework of insurance operations and weaken the protection for policyholders."

tection for policyholders."

THE COMMITTEE concluded its report by calling attention to a "manifest need for a reexamination and recodification" of the state's insurance regulatory machinery.

There exists, the committee stated, "considerable evidence that portions of the New York insurance statutes have been outmoded by events, have inhibited the insurance department's flexible regulatory response or should be revised to strengthen the ability of the superintendent to take all necessary regulatory action and to make regulation itself less rigid."

It's reported that the state insurance department is preparing legislation covering its recommendations, to be introduced in the current session.

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Radiologists oppose higher fee schedule

HARTFORD—The board of directors of the Radiologic Society of Connecticut has voted to oppose a medical insurance fee schedule that would pay its members more than their usual charges.

In taking this stand, the board maintains that the fee schedule is inflationary and not in the best interest of the public.

Moreover, the board opposes participation in the Connecticut Medical Service's proposed new century contract which provides for the higher fees.

Dr. Sidney L. Cramer told *Business Insurance* that the action took place at the society's last meeting.

THE BOARD rejected the idea that the high fees proposed in the century contract represent a cost-of-living adjustment.

Some of the proposed payments represent as much as 30% to 40% increases for everyday examinations, according to Dr. Cramer.

In some instances there are increases of 100% proposed.

Dr. Cramer added: "It is the feeling of the board that within another six months the on-going collection of data by the part B (Medicare) carrier will reveal a leveling-off and stabilization of radiologic charges in Connecticut.

"We are fearful that the new CMS schedule would serve to upset this stabilization because of inflation of charges."

Willcox joins brokers

Harry E. Yerkes has joined Willcox, Baringer & Co. as an assistant vice president in charge of domestic marine treaty business. He will make his office at the firm's headquarters at 90 Park Ave., New York. Mr. Yerkes has most recently been corporation secretary and a director of Transatlantic Reinsurance Company.

N.Y. Port Authority considers union asked for group auto

NEW YORK—The Port of New York Authority, at the request of its unions, is considering installing a group auto insurance plan for its employees.

According to Charles Levinson, insurance manager, "we have been approached by the unions to consider such a program." He added that this is becoming a common request of unions today.

Sal A. Mirenda, insurance analyst for the authority, said in a recent talk, "it was almost inevitable that, once unions ran out of variations of life, accident and health, dental and pension benefits, they'd turn to other fields to conquer. This search has focused attention on automobile and, to a lesser extent, homeowners group insurance."

HE SAID IN his talk that Professor Irving Field, an economist and insurance specialist at Washington State University, has estimated that group policies in the

auto and property insurance field, currently take in between 5% and 10% of the annual premium for those categories.

If the Port Authority begins scouting for an insurance carrier to underwrite such a plan, it wants one who'll give a 10% or 15% discount. "For one thing, we don't want employees paying any more than they pay for their own coverage now," Mr. Levinson said.

Mr. Mirenda pointed out in his talk that it has been reported that at least 20 companies, including some of New York's finest and largest, sell group auto insurance, often at rates that are about 15% lower than comparable individual coverage. He assumed that this savings was off the bureau rate.

At the Port Authority a group auto plan would be under the insurance department. The authority would offer a claims service to policyholders as well as arranging insurance and taking care of any policy changes necessary for its employees.

Should an employee terminate his employment with the Port Authority, his insurance would run until the end of the year. He, of course, would have to arrange to pay for the remaining months.

GROUP AUTO insurance works through a payroll deduction plan on a monthly basis. The plan would cover an employee and his spouse.

Mr. Levinson expects such a plan would start off gradually and as individual policies expired, employees would then consider coming into the group auto plan.

Mr. Mirenda listed several advantages of a group auto plan. For one thing, the plan can be installed with no premium outlay by the employer and he provides an additional valuable fringe benefit and has "supposedly improved employee morals."

He further said that the employer can institute his own accident prevention program and could conceivably lower his costs in his salary continuation and life insurance areas.

info for buyers

To make it easy for *Business Insurance* readers to get additional information offered in editorial items below and advertising in this issue, Reader's Service cards are bound in at page 9. These cards should be used only for items that are offered *without charge*. Items shown below with a price have the complete address of the supplier and your requests for such items should be sent direct to the supplier with payment, indicating that you saw the notice in *Business Insurance*.

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

• **"The Public Official and His Surety Bond,"** an 18-page booklet, presents a comprehensive view of the personal liabilities and responsibilities inherent in public office and the protective measures which should be taken by the bonded official in safeguarding his own interests. The booklet is released by The Surety Association of America and a complimentary copy may be obtained free by writing No. 158 on the Reader Service Card.

• **"Questions and Answers on NON-COM Fire Protected Wood"** explains safety features of this fire-resistant construction material, its workability, applications, effect on insurance rates, cost and availability. A NON-COM wood product bulletin is also offered with this free, 12-page booklet published by the Koppers Company, Inc. by writing No. 161 on the Reader Service Card.

• **"The 1967 C.L.U. Forum Report"** summarizes presentations at the 1967 Educational Forum on "Personal Investing and Retirement Planning . . . The Future Role of Life Insurance." This 87-page book is designed to have long-range educational value and may be ordered for \$2.25 from the American Society of Chartered Life Underwriters, 270 Bryn Mawr Avenue, Bryn Mawr, Pa. 19010.

• Various forms of independent valuation counsel, including insurance uses, are detailed by the American Appraisal Co. for schools, hospitals and other public institutions as well as private and public companies in its publication **"When Values are Vague . . ."** Also available with this 23-page booklet is a pamphlet describing the new "Boeckh Building Valuation Manual" which presents quantitative and specific cost data for building appraisals. Both books are free by writing No. 162 on the Reader Service Card.

• **"Captive Insurance Companies"** enumerates three factors which explain today's increased interest in this area. The bulletin, designed as a point of departure for development and evaluation of a self-insured program, is free to members of the Insurance Division of the American Management Assn. A price of \$2 is charged members of other divisions and the bulletin is available to nonmembers for

\$3 by writing AMA, 135 West 50th Street, New York, N.Y. 10020.

• The American Foreign Insurance Assn. has published the **"AFIA Guide Pacific,"** a comprehensive treatment of the insurance markets in Australia, Guam, Hong Kong, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, and Thailand. The guide lists insurance requirements and summaries of fire, marine and casualty classes and is available by writing No. 163 on the Reader Service Card.

• **"Guide for Emergency Care and Health Services for Construction Workers"** has been devised by Employers Insurance of Wausau to help contractors minimize medical and compensation insurance costs and to bring about earlier return to productive work of rehabilitated employees. Single copies of the six-page booklet are free by writing No. 164 on the Reader Service Card.

• **"Guidebook to a Modern Personnel Program"** discusses many of the problems and solutions for organizing the department, communications, employee services, grievances and insured employee benefit programs. The 60-page guidebook is released by The Mutual Life Insurance Company of New York and may be obtained free by writing No. 165 on the Reader Service Card.

• The American Society of Pension Actuaries has released a new instruction manual, **"Actuarial Calculations of the Auxiliary Fund in Pension Plans Utilizing Whole Life Insurance."** The manual is written to enable the layman to compute the annual costs of any combination plan using simple arithmetic and is supplied free of charge to ASPA members. Single copies may be purchased for \$12 by writing: American Society of Pension Actuaries, 304 Sinclair Building, Fort Worth, Tex. 76102.

• **"What Every Businessman Should Know about Pension and Profit-Sharing Plans"** details the factors which induce a retirement plan, the factors which aid in choosing the type of plan best suited to the company and the funding of a retirement plan. This 40-page booklet, offered by the Provident Mutual Life Insurance Co. of Philadelphia, may be obtained by writing No. 159 on the Reader Service Card.

• **"The Harvest Years Corporate Retirement Program"** sample kit includes a copy of "Harvest Years," a monthly publication geared to provide employees with up-to-date detailed information on retirement housing, financial planning, use of leisure, facts on Social Security and Medicare, an index of articles that appeared in 1967; a copy of the bi-monthly newsletter; and a partial list of corporations using the Harvest Years program. The kit, prepared by the Harvest Years Publishing Co., is offered free. Write No. 160 on the Reader Service Card.

• **"The High Cost of Burning"** points up premium savings resulting from the installation of an automatic sprinkler system and lists the cost of installing sprinkler systems in different classifications of buildings. For a

free copy of this brochure, published by "Automatic" Sprinkler Corp. of America, write in No. 144 on the Reader Service Card.

• **"Prudential Group Insurance Highlights,"** a 24-page booklet, describes how the employer and employee benefit from the Prudential group plan. The booklet lists eight vital emergencies and the protection afforded by this group insurance. Published by the Prudential Insurance Co. of America, a free copy is available by writing No. 147 on the Reader Service Card.

• **"Record Retention Timetable"** is a chart which lists over 125 different types of office records, together with a list of government authorities and the specified time the law demands that records be kept. Along with the chart, released by Electric Wastebasket Corp., is a two-page article describing the steps in a paper disposal program. Write No. 148 on the Reader Service Card.

• **"Coloramics"** discusses the use of color to promote better employee relations, to improve efficiency of operations and reduce accidents, to maintain quality of product and to ease strain on the eye in industrial situations. Published by Marsh & McLennan Inc., a free copy may be obtained by writing No. 151 on the Reader Service Card.

• **"How to Skid Costs Downhill"** lists specific precautions to be taken to reduce the possibility of accidents in logging operations. A free copy of this booklet, published by Employers Insurance of Wausau, is available by writing No. 152 on the Reader Service Card.

• Designed for mailings, handouts and distribution to employees is a folder covering a ten-point program of safety practices which will keep workshops safe from fire. Released by National Fire Protection Assn., a sample copy is available without charge by writing No. 153 on the Reader Service Card.

• **"Workmen's Compensation"** is a ten-page brochure that discusses the basic objectives of workmen's compensation and the services offered by Employers Insurance of Wausau. Write No. 154 on the Reader Service Card for a free copy.

• **"Fact or Fiction"** discusses some basic concepts of employee pension plans and analyzes the various factors which influence pension costs. This 20-page booklet, published by John Hancock Mutual Life Insurance Co., is available free by writing No. 156 on the Reader Service Card.

• **"Clean Up—Stop Fire"** reads the new Sparky poster which heads the list of 36 spring clean up and related items designed for both plant and home distribution by National Fire Protection Assn. Samples of spring clean up materials and the 1968 price list-order blank may be obtained free by writing No. 157 on the Reader Service Card.

• **"Driver Engineering Service"** gives a detailed explanation of the driver training program offered by Allstate Insurance Co. for company personnel. The two-day course includes six hours behind the wheel of a simulator trainer, ten hours of classroom instruction and testing and two hours on the road. For a free copy, write No. 143 on the Reader Service Card.

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Psychiatric care insurance beckons for attention from benefits managers

WASHINGTON—The statistic that one out of every ten Americans in the U.S. has some form of mental or emotional disorder requiring psychiatric care is so often quoted that it seems to have lost some of its impact.

This is unfortunate. The implications are fantastic and no group in the country, with the possible exception of those directly involved in the treatment of mental disorders, should be more aware of this than corporate employee benefit managers.

Statistics are not available on how many man hours of work are lost to industry each week by mental problems—both in hours off the job and in inefficiencies on the job—but the figure must be tremendous.

THE EVOLUTION of the mentally ill from chains to hospitals is one of the most dramatic chapters in the history of medicine, and the evolutionary process is by no means over. Primary thrust of the movement is no longer that of convincing the public that the mentally ill need help. It is making certain that they get help, and get it when they need it the most.

The power behind this movement in the U.S. is phenomenal and an increasing portion of it is certain to be applied to the business community and its employee benefit programs.

President Johnson in his health message to Congress earlier this month called for a broadening of insurance coverage to include "services not now included." One of the areas that may have been on his mind was mental health care, and employee benefit managers may expect to hear more of this proposal from Washington.

THE PROBLEM of how best to provide health insurance for mental illness is a complex one and deserves careful consideration by industry. Like most employee benefits, a well thought out mental health insurance program could be a very valuable asset.

The AFL-CIO at its constitutional convention in Florida last December declared that the best possible approach to the problem is through comprehensive direct service group practice plans which assume responsibility for the entire spectrum of health service.

"Mental illness, while potentially catastrophic, cannot be precisely defined and therefore fails to meet the test required by indemnity insurance that the risk must be measurable," an AFL-CIO policy resolution states.

Another charge levied is that patients are reluctant to use their insurance because employers then become aware that they are being treated for psychiatric illness and in many cases actually see the psychiatric diagnosis on the claim form submitted through the employer to the insurance company.

FROM A purely economical standpoint, the employee who

neglects to get psychiatric care when he needs it, because he fears that his employer will find out, or because he is not insured at all, will certainly end up costing his firm more in the long run than the expense of an adequate, well-conceived insurance policy.

A joint report recently released by the American Psychiatric Assn. and the National Assn. for Mental Health contains some facts which should be studied

carefully by corporate insurance managers.

"There are certain areas in the country in which only token or no benefits are provided by Blue Cross/Blue Shield for mental illness.

"Seventy-four per cent of patients seeing psychiatrists in their offices had no benefits and of those who did, many were provided less coverage than for other illnesses.

"Considerable evidence is uncovered that the plans of some carriers require that copies of physicians' reports must be sent to the patients' employers and that this inhibits utilization of available coverage.

"SCARCELY any commercial insurance carriers will write out-of-hospital coverage for mental illness in individual health insurance policies.

"Blue Cross/Blue Shield plans generally provide lower benefits for care in private or state psychiatric hospitals than for care in general hospitals. These restrictions have the potential of limiting hospital care to a relatively small number of facilities in many geographic areas, thus seriously compromising the value of the policies.

"Services of therapeutic and diagnostic personnel other than

Continued on page 16

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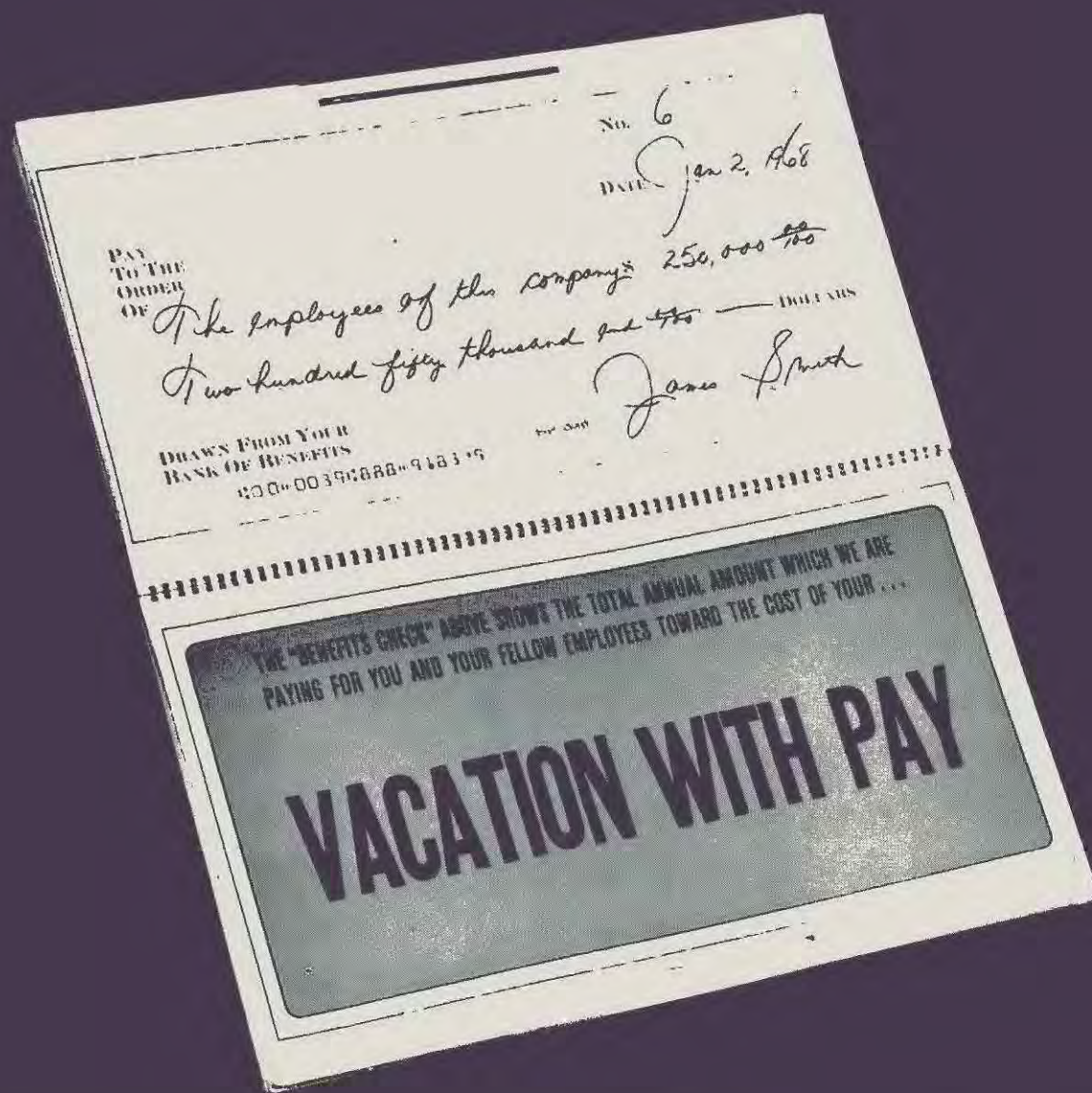
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N.Y. workmen's comp payments hit \$143,000,000 in fiscal year

NEW YORK—Workmen's compensation payments made in this state for the fiscal year ending March 31, 1967, amounted to \$142,953,986, according to the Workmen's Compensation Board.

Deducting payments made by municipalities, in active insurance carriers and former self-insurers, this figure was reduced to \$135,550,525. Of this amount, \$126,222,760 was paid out by insurance carriers and \$9,327,756 by self-insurers.

The figures don't include an estimated \$60,000,000 paid out to hospitals and other health services. "Workmen's compensation payments in New York amount to about \$300,000,000 annually,"

commented an attorney specializing in the field.

Other statistics were released by the special funds conservation committee about a lesser known aspect of the New York workmen's compensation law—the "fund for reopened cases" and the "special disability fund."

THE REOPENED CASES fund has been established to gradually take over liability for a "stale" claim which is being reactivated. To qualify for consideration, a case must have been previously closed and more than seven years must have elapsed from the date of injury. In addition, three years must have

elapsed since the last payment of compensation prior to reopening the case.

The special disability fund is a means of encouraging employers to hire physically handicapped persons. It protects such employers against a disproportionate liability in the event of subsequent employment injury. At the same time, the handicapped worker is guaranteed full compensation benefits.

As it is presently constituted, the special disability fund provides that all compensation and medical expenses shall be paid by the employer and carrier for the first 104 weeks. After that time, they can be paid from the special disability fund.

The reopened case fund is financed through nondependency cases, and through assessments made periodically against all carriers.

A nondependency death case is one in which there are no persons eligible to receive workmen's compensation benefits. In such a case, the employer or his insurance carrier pays the funeral expenses, not exceeding \$400, plus \$1,000 into a vocational fund to rehabilitate workers. Also, \$1,500 is paid into the special fund for reopened cases.

In the six-month period ending Nov. 15, 1967, there was an average of 200 claims a month reopened against the fund, and 1,044 cases were closed in the period.

During this time, one claim was awarded for permanent total disability with an estimated value of \$14,952. Five death cases were awarded with an estimated value of \$67,439, and five were denied with estimated values of \$93,004.

Thirty-one claims made against the reopened case fund were disposed of by lump sum settlements in amounts totalling \$84,835. The estimated value of these cases was \$261,283.

THERE ARE presently 6,015 claims against the fund. Of this number, 1,112 are pension cases on which the fund is obliged to make regular bi-weekly payments. The total estimated reopened case fund liability is \$17,875,881.

The special disability fund is supported by assessments levied each year against all carriers and self-insurers who have reported losses during the year. The rate assessed against self-insurers for 1968 is \$4.09 per \$1,000 of case payments made during the year ended March 31, 1967.

During the six-month period ending Nov. 15, 1967, claims against the special disability fund averaged 248 a month, compared to 239 for the preceding six-month period.

Some 60 cases charged to the fund were disposed of by lump settlements amounting to \$260,363. Decisions were made on 1,557 cases and awards were made in 521 of them.

Wants cover for trustees of pensions

NEW YORK—A director of the National Foundation of Health, Welfare & Pension Plans has told the board of directors that it should recommend officers and directors liability insurance to all member companies.

Curtis H. Mees, executive director of the New York and Suburban Lumbermen's Assn., feels



Curtis H. Mees

that trustees of pension and welfare funds are particularly susceptible to law suits involving mismanagement of funds.

"For almost every corporation there is a corresponding pension and welfare fund," Mr. Mees told *Business Insurance*, "and each of these funds has an average of about six trustees."

Also, Mr. Mees pointed out, trustees of pension and welfare funds operated by labor unions face similar problems. "Most of these trustees serve without any fees or remuneration," he continued, "yet they have tremendous fiduciary responsibilities."

The foundation is a non profit educational group of more than 1,000 jointly-trusted pension and welfare funds.

"It's a miracle," Mr. Mees said, "that all these funds are so well administered without some legal slip-up taking place. As a trustee of a number of pension and welfare funds, I worry all the time about situations which could cause a costly law suit."

"If a member of the board of directors of a corporation can buy this type of protection, then I think it also ought to be available for trustees of pension and welfare funds," he stated.

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Union Tank's business insurance management team in action (l to r) Edward D. Hansen, insurance manager; John F. Dolan, director of industrial relations; Arthur G. Cubley, director of employee benefits; Thomas P. O'Boyle, vice president—administration.



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opinions

Expanding employer liability concepts?

We were interested to read about the Supreme Court's decision which in effect ruled that insurance commission agents are employees of the insurers and not independent contractors.

Apart from the immediate significance of the ruling—that unions may now organize these agents in order to bargain with the insurance companies—we think the decision will have equally far-reaching effects on employer liability.

The courts are already coming to grips with this point of law. The New Jersey supreme court, for instance, has before it a case in which an accident victim is seeking to hold an oil company—as well as the service station where the accident happened—liable for damages.

Both the insurance agent case and the case involving the service station have one thing in common—both the agent and the service station manager were under exclusive contract with the insurance firm and the oil company respectively.

If courts were to accept the point of view that a company should be responsible for the activities of its exclusive agents, the development would certainly stretch the limits of employer liability.

For instance, what would prevent a court from holding an auto company partially liable for an accident on the floor of an auto dealer's showroom?

The National Labor Relations Board, in arguing that unions should be allowed to organize commission agents, said the Supreme Court decision could affect "countless other individuals who work on their own—traveling salesmen, collection agents, newsboys and milkmen."

If this is the case, we advise employers to prepare themselves for greatly expanded liability concepts governing suppliers. In the future employers could be held liable for the conduct of their exclusive agents—and the day after they might find themselves responsible for the activities of most independent contractors who serve them.

A plea for generalists

In our last issue we talked of the need for risk managers to attain a greater degree of professionalism and to have that professionalism recognized in the form of a certified risk manager designation.

We'd also like to point out, however, that the risk manager, once his certification is hanging on the wall, has another—and perhaps just as important—obligation to his company.

That obligation is for him to view his own job in the broadest possible context, to become familiar with the basic marketing objectives of his firm. We have been somewhat surprised, frankly, that insurance managers from time-to-time haven't been up to date on new products their companies have introduced or other noninsurance procedures their firms have instituted.

To get the ear of top management, it seems to us, it takes the ability to relate your job to the overall objectives of the company.

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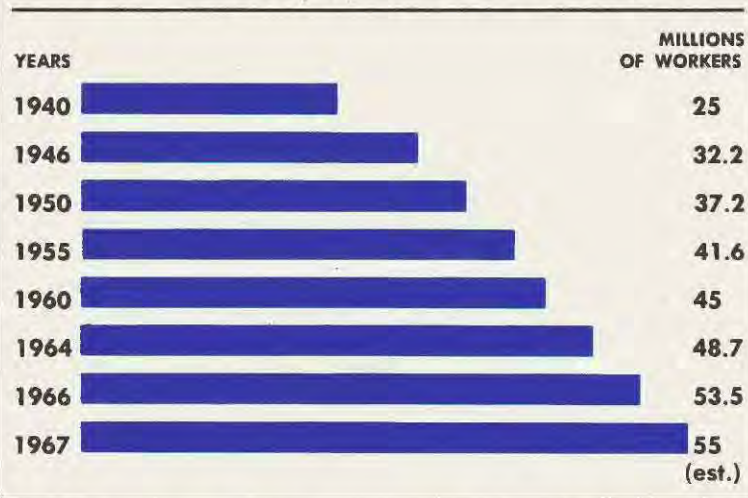
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COMP COVERS MORE WORKERS



Since 1940, workmen's compensation coverage for U.S. workers has outpaced the growth of the labor force. In that span, the percentage of the work force covered by workmen's compensation has risen from 70.8% to more than 80%. The estimates on workmen's compensation coverages are developed by the Social Security Administration, based on the number of workers covered in an average month, limited to employees of firms that have insurance, who submit proof of the ability to self-insure or voluntarily agree to be included under workmen's compensation rules. It also estimates workers covered by the Longshoremen's and Harbor Workers' Compensation Act and federal workers covered under the Federal Employees Compensation Act, but excludes railroad workers in interstate commerce and merchant marine seamen.

Source: Social Security Administration

For instance, a firm which produces goods with a fast turnover must put the job of attaining space on the supermarket shelf above all else.

It will be of small consolation for your company to have adequate insurance coverage on a fire which idled production if competition jumps in and takes over shelf space which was formerly allotted to your firm. All the business interruption coverage in the world can't stave off the inroads made by such competition.

We submit that just as important as mastering the art of risk management is the ability to view your job within the context of your company's overall objectives and strategy. We hope that any certified risk management program will take such a broad view.

It's our contention that top management will heed the advice of specialists far more enthusiastically when they learn to speak as generalists.

The high cost of being ill

How best to control the high cost of health care is occupying the time and attention of experts in many quarters these days.

President Johnson in his call this month to "mobilize America for health," included a proposal to identify and reward new approaches by medical societies, group practice organizations and hospitals for delivering better health care at lower costs.

And insurers last month devoted a large portion of a group health forum to the problem of rising medical costs, and they talked of possible ways of reducing such costs, including a greater emphasis on outpatient care and new methods of reimbursing hospital and doctors.

Both the President and the insurers seemed to believe that various types of outpatient care—as opposed to treatment in the hospital itself—hold great promise for reducing the soaring costs of medical aid. If treatment can be made outside the hospital, in a clinic or a doctor's office, the patient can avoid the \$50 or \$75 a day it costs to stay in a hospital, proponents contend.

The unions, which have voiced considerable concern about health costs, also appear to favor the outpatient concept. The Rhode Island AFL-CIO, as a matter of fact, is moving to establish its own prepaid health program, built around a union-financed clinic. The clinic would provide its subscribers with medical, dental and optometric services. Hospital service could be provided by a contracting hospital or by a hospital owned by the corporation which would run the health plan.

Employers interviewed by this publication, said they'd be willing to listen to details of the program.

Blue Cross, for its part, is also struggling with the problem. Blue Cross of Northeast Ohio announced a plan to give area hospitals a cash bonus for keeping their costs below average. If a hospital should have a lower-than-average increase, it will receive a payment of 20% of the difference between its own increase and the average increase of all the hospitals in the area.

The responses to the health care problem are many and varied, and all parties involved—hospitals and doctors, insurers, employers, unions and the government—are striving to come up with solutions. Beginning with this issue, we'll be taking a closer look at some of these responses.

letters

Outlines job

To the Editor: Your publication has certainly been a fine addition to my reading material.

This description of the job responsibilities of an insurance administrator may be of interest to your readers:

The basic function of insurance management is the protection of company assets and earnings against loss from fortuitous events and the administration of employee benefits.

Risk management contributes directly to profitability through cost control. This is accomplished through four basic steps:

1. Appraisal of risks and exposures to loss.
2. Selection of solutions (eliminate, assume or transfer the risk).
3. Implement the plan selected (revised procedures, record losses, purchase insurance).
4. Evaluate results (loss and premium costs, causes and sources of loss).

While the extent and types of employee fringe benefits are determined by company policy, the supervision of the benefits is the responsibility of the insurance administrator.

The administrator investigates, evaluates and recommends various types of benefits and means of financing. He supervises the payment of benefits and determines procedures of administration to be used.

The position requires an administrative capacity and a knowledge of insurance concepts. The ability to exercise sound business judgment, evaluate risks, minimize losses and effect efficient administrative procedures is essential.

R. K. Rappold,

Insurance Administrator, Peoples Drugstores, Washington, D.C.

'Must' reading

To the Editor: Your issues of *Business Insurance* have become a "must" on my required reading list.

I, personally, would like to see more about what other companies are doing in the area of effective accident and sickness claim control. When benefits are available to production workers for 52 weeks in amounts up to \$102 per week payable concurrently with their 13 weeks vacation, additional control systems are obviously required.

Your format is concise, informative and current. I find it impossible to be critical of a magazine supplying information heretofore unavailable in any one periodical.

Our best wishes for your success in this important new endeavor.

Mrs. K. A. Priestley,

Insurance Supervisor, Phoenix Steel Corp., Claymont, Del.

A little applause

To the Editor: As a practitioner of that which is your name, I believe I owe you a little applause. Keep it up.

Harold Nelson,

Harold Nelson Insurance, Bloomington, Minn.



london line

British auto underwriting results more favorable in 1967: BIA

LONDON—The underwriting results of the motor car insurance companies for 1967, so far, appear to be far better than those of the previous year. Although the final figures are still being collated, these results make it almost certain that there will be no general increase in the premiums for the next 12 months.

During 1966, insurers absorbed a 2.1% loss on their business, but it is expected that 1967 will show a small overall profit. The extent of this profit will not be known for another few weeks.

Some of the leading motor insurance companies have stated that the incidence of claims in 1967 was down 10% as compared with 1966. K. M. Bevins, deputy chairman of the British Insurance Assn., declared that "this was the most encouraging factor of the year's operations."

THREE IMPORTANT reasons given for the reduction in claims are: The new drink law; the 70 mph speed limit; and the wider use of safety belts on cars.

Another important factor for the reduction is the higher level of "no claims" bonuses, which make it less worthwhile to put in a claim for minor damage. Also, two mild winters in succession have been responsible for fewer accidents.

An urgent question that is worrying underwriters is that although there were proportionately less claims in 1967, the average cost of settling each one has increased by about 11%. This had been brought about by higher repair charges and higher personal injury awards, where cases had been taken to the courts.

IN ORDER TO counteract the problem of ever increasing motor repair charges, the British Insurance Assn. has appointed working parties to meet and discuss with the garage trade such matters as improving efficiency in repairs and keeping down costs. One of the major aims of these discussions is to agree on standardized times to carry out specific repair jobs.

The discussions are also expected to make attempts to assess standardized repair charges. These would have to be applied on a regional basis, because of the wide variations in labor

charges and overheads in different areas of Great Britain.

Many insurance companies, through their spokesmen, have stated that it is now time for the insurance industry as a whole to consider seriously the establishment of its own laboratory repair workshop for studying methods of improving efficiency in accident repairs. The BIA will also continue to retain its close contacts with the motor car manufacturers, with the object of persuading the manufacturers to develop cars which will be less costly to repair.



Terry L. Cochran, former wage and salary analyst for Kaiser Steel Corp., Oakland, has been named manager, compensation and employee benefits for Foremost Foods Co. here, a division of Foremost-McKesson Co., San Francisco.

Claim should be based on rates at time of detention, court rules

LONDON—Devaluation of sterling has brought a number of problems to the marine market. But one aspect has been established. In a case concerning the ship *Volturno*, where a claim for detention was assessed in Italian lire, Justice Hill held that the proper rate should be that ruling at the actual period of detention. This decision was subsequently confirmed by the Court of Appeal.

In the House of Lords (on a majority decision of four to one), Lord Buckmaster held that: "A judgment, whether for breach of contract or for tort, does not proceed by determining what is the sum which would, at the time of the hearing, afford compensation for the loss, but what the loss was actually proved to have

been incurred, either at the time of the breach, or in consequence of the wrong.

"Assuming," he continued, "that the breach complained of was the non-delivery of goods according to contract, the measure of damage is the loss sustained at the time of the breach."

Lord Sumner, in agreement, said that the cost of temporary repairs would be proved in the currency of the country where they were carried out.

In each case, he continued, these currencies would have been converted into sterling as at the date when liability for the several outlays accrued, because, when the damage is proved by the cost of repairs, the conversion of that cost completes proof.

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Three insurers fill WC slots

LOS ANGELES—Three insurance firms have made key appointments on the West Coast.

Wayne L. Barr, secretary of the Hanover Insurance Group, New York, has been named officer in charge of the Pacific Coast regional department. With headquarters in San Francisco, the region includes a six-state area.

Robert H. Priesmeyer has been appointed manager of Gulf Insurance Group's Pacific division, Los Angeles. The division supervises the company's operations in a four-state area.

George B. West has been made bond manager of the Los Angeles office of Northwestern National Insurance Co.

Ohio hospitals, work comp unit at odds over charges to patients

COLUMBUS, O.—The 208 hospitals with Ohio Bureau of Workmen's Compensation contracts are pulling from their files data to prove that the bureau is paying less for care of patients than anyone else.

Information is incomplete but one source estimated the discrepancy last year may have totaled in the neighborhood of \$1,000,000.

The controversy was aired at a recent meeting of the Ohio Hospital Assn. with representatives of the bureau.

SINCE THEN a series of negotiating sessions have been held. The outlook is hopeful, both sides agree. A solution is anticipated before the present interim agreement terminates next June 30.

Contracts between Ohio hospitals and the bureau habitually

Loss of lives in catastrophes down in '67

NEW YORK—The 1967 loss of life in national catastrophes has taken a sharp dip below the annual average for the past ten years, according to statisticians of Metropolitan Life Insurance Company.

Latest records indicate nearly 1,300 persons were fatally injured last year in catastrophic accidents (accidents taking five or more lives). The annual average for the past decade had been pegged at about 1,400 lives in the United States (excluding Alaska and Hawaii).

There were nine major catastrophes during 1967, each of which took at least 25 lives, and together, resulted in more than 400 fatalities. Five of these disasters involved accidents in civil aviation, the most serious of which occurred on July 19, when a scheduled plane and a small private aircraft collided near Hendersonville, N.C., producing a death toll of 82 lives.

The second heaviest loss of life was in the Nov. 20 crash of a scheduled airliner near the Cincinnati, Ohio, airport, which took 69 lives. The three other disasters involving commercial aircraft were: the explosion of a scheduled plane during a storm near Kenton, Ohio, Mar. 5, resulting in 38 fatalities; a collision of a scheduled plane with a private craft in the air near Urbana, Ohio, on March 9, killing 26 persons; and a plane crash near Blossburg, Pa., on June 23, which caused 34 deaths.

Tornadoes devastated several areas in northeastern Illinois on April 21, accounting for 55 fatalities. A suspension bridge between Mt. Pleasant, W. Va., and Kanauga, Ohio, collapsed during heavy traffic on December 15, taking 46 lives, (including those missing). Thirty-eight persons died in a fire which swept a prison camp barracks at Berrydale, Fla., on July 16; and 25 lost their lives in a fire which occurred in a penthouse restaurant at Montgomery, Ala., on Feb. 7.

Metropolitan statisticians point out that motor vehicle and civil aviation accidents each accounted for about 30 percent of the catastrophic deaths last year. Fires and explosions, caused more than one-fifth of the total. ■

have been for one-year terms, each starting on July 1. Hospitals agree individually to the schedule of rates to be charged.

Workmen's compensation involves paying the hospital expenses of persons who have on-the-job accidents or a job-oriented illness.

THE PRESENT argument broke into the open as result of a decision to charge self-insured businessmen and industrialists the full cost of such services to their employees. This resulted in higher charges than were being paid for Bureau of Workmen's Compensation patients, it was explained.

The Ohio Manufacturers Assn.

became interested.

Hospitals began questioning why they should be forced to subsidize employers, and why other patients should be forced to pay more in order to make up the reduced revenue.

Don Newkirk of the Ohio Hospital Assn. said most hospitals determined that the rates established by the state are inadequate to meet their actual costs.

JAY FLOWERS, recently appointed administrator of the Bureau of Workmen's Compensation, said he is eager to solve the problem he inherited.

No one knows yet how the rate should be adjusted to pay its way. The increase to be de-

manded by hospitals awaits completion of the compilation of data. It may be only 4% or 5%, or it may be 8% to 10%, one source estimated.

Outside accounting firms are studying hospital records and will make recommendations within weeks.

TWO OR THREE different systems of payments are being considered, Mr. Newkirk said.

Mr. Flowers said his bureau is "taking a further look" at the present formula as well as studying various alternatives.

The existing rate formula has been in effect 12 to 15 years, he noted. It was submitted by the Ohio Hospital Assn. and was based at that time on contracts recommended by the American Hospital Federation.

THE POSITION of most Ohio hospitals, Mr. Newkirk observed,

is that the state should raise all payments to actual cost for on-the-job accidents—those covered by workmen's compensation and others covered by private insurance companies.

As long as the state pays the hospitals less than actual cost for care of these people the general public will have to pay more to make up the difference, he said.

The hopeful part of the controversy is that both sides are willing to negotiate, no personality clashes are involved and the state expresses a willingness to abide by the facts.

"If we can be shown that the present contracts need updating, we're willing," Mr. Flowers asserted.

Any new schedule of hospital payments to be made by the Bureau of Workmen's Compensation must be approved by the Ohio Industrial Commission, policy making body for BWC. ■



How Oakland lost, regained cover told at government risk conference

TUCSON, Ariz.—How the city of Oakland, Cal., lost then regained insurance coverage after vandals caused \$250,000 damage last year was related here at the first annual governmental risk management conference.

Oakland, in 1962, secured a five-year blanket insurance policy covering all school property, with limits of \$61,000,000 and premium of \$155,500, according to Arthur B. Cole, managing underwriter, commercial property lines, Northwestern Mutual Insurance Co., Seattle.

From 1962 through 1966 Oakland experienced five losses totaling \$47,975, but, he said, "1967 was an entirely different story."

Between March 11 and May 31 of last year the city absorbed eight separate losses for a total estimated loss of \$215,000, ranging from \$3,000 to \$80,000, Mr. Cole told the conference, which was sponsored by the University of Arizona and the Arizona League of Cities and Towns.

Both of Oakland's insurance carriers canceled as of May 5, Mr. Cole said. The Oakland Assn. of Insurance Agents was able to obtain coverage on the 240 buildings and 88 locations involved in the total schedule to the anniversary date of the policy, June 30, but the amount of insurance in force was upped to \$87,500,000.

On May 31, Mr. Cole said, the insuring company requested an endorsement on this coverage providing for a deductible of \$50,000 per building and a maximum deductible for any one occurrence of \$100,000.

THE PREMIUM COST soared to \$125,000 per year, Mr. Cole said.

The city, in cooperation with the Oakland police department and fire department, adopted special security measures, including silent alarm systems in five schools and audible alarm systems in many others, Mr. Cole stated. Special security fencing and even the use of dogs is under

consideration, he reported.

Mr. Cole said that extended coverage encompassing fire, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft damage, vehicle and smoke damage "should be a mandatory part of every contract."

DESIGNED TO acquaint government personnel with the comparatively new field of risk management, the two-day seminar was attended by some 30 key public officials from such cities, in addition to Tucson and Phoenix, as Baton Rouge, La. Las Vegas, Palm Springs. Some 15 others represented the insurance industry.

L. F. EDWARDS JR., director, school of institutional division, Kemper Insurance Group, Chicago, had this advice:

"Know the content of any stat-

utes or court decisions affecting tort-liability immunity status of government agencies."

He pointed out that Utah, for instance, has waived governmental immunity except for negligent injury under certain conditions—including injury "arising out of or resulting from riots, unlawful assemblies, public demonstrations, mob violence and civil disturbances."

Mr. Edwards noted, too, that Arizona's revised statutes permit purchase of liability insurance to cover government agencies as well as all employees and that New Mexico permits liability suits up to the amount of insurance.

WHAT ABOUT PREMIUM financing for government bodies?

Here's what Louis P. Seidensticker, vp and regional manager of Afco, Los Angeles, has to say:

"The insured named in the policy must be authorized to borrow money to pay necessary operating expenses, including premiums. The official signing the premium finance agreement must be duly authorized by resolution, duly adopted by the body politic, to enter into an agreement indebteding the body for principle and interest. The remaining term of office . . . must be equal to or greater than the term of the loan."

Mr. Seidensticker said some bodies require bids with the stipulation that the low bid must be accepted. In such cases, he warned, it's important to determine the true effective rate.

OTHER BODIES, he noted, have carte blanche authority to borrow at a rate not exceeding a certain maximum percentage.

Afco has financed premiums for school districts, water districts, port authorities, cities and, in one case, the liability premiums for a state.

Professor Joseph S. Gerber, co-chairman of the seminar, said all governments should make detached examinations of their insurance programs to find the best approach possible, as West Virginia has done so successfully.

He said they also should emulate such firms as Humble Oil in making a thorough analysis of their insurance problems.

HUMBLE'S PHILOSOPHY, Claiborne R. Carter, head of its self-insurance program, said, "is one of self-insurance below the catastrophic levels."

Mr. Carter is vp of Petroleum Casualty Co., a wholly-owned Humble subsidiary, currently writing only workmen's compensation and a limited amount of fire and extended coverage but only for Humble and its affiliates—generally to meet legal or contractual requirements.

Continued on page 20

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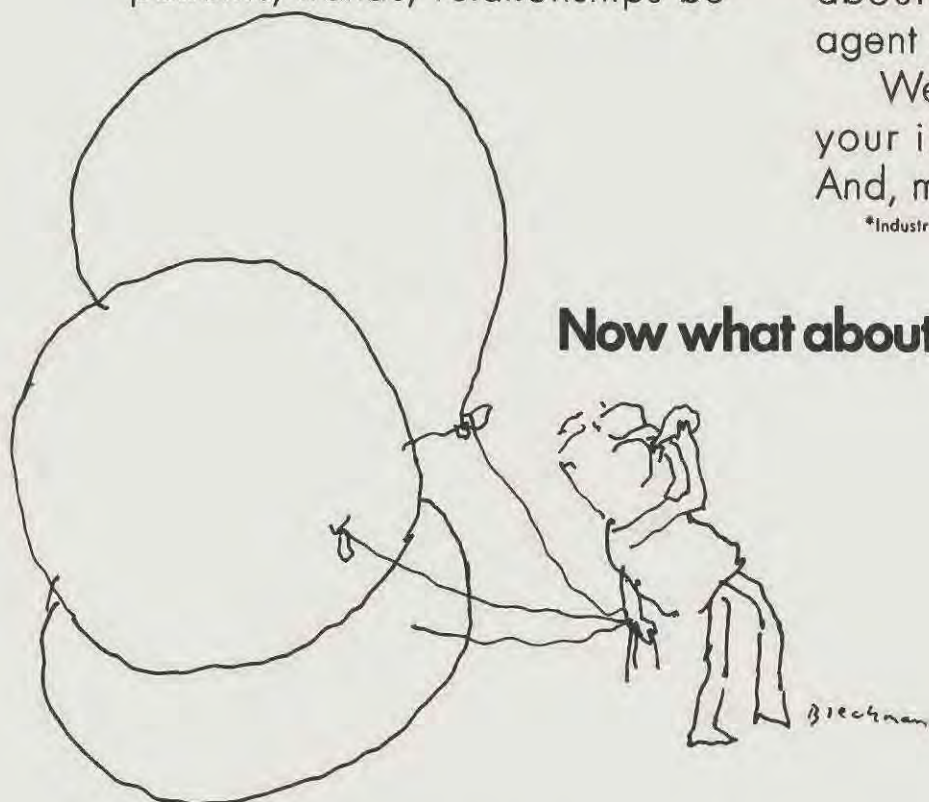
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Rooke hits 'illogical' division of traditional insurance companies

LONDON—An attack on the illogical division of insurance companies (and brokers) into fire, accident, marine and life departments has been made by R. W. Rooke, insurance manager of Berk Ltd., chemical manufacturer.

Mr. Rooke, who is a member of the Association of Insurance Managers in Industry and Commerce, was speaking to the Horsham and Crawley local committee of the Insurance Institute of Brighton.

"The split," said Mr. Rooke, "has become petrified and even hallowed, in so much that a new company recently advertised

with pride that it could cover risks in the traditional fire, accident, marine and life fields—without, apparently, ever asking whether, starting so late in the field, it could afford to survey critically the setup and approach of entrenched insurers and bring new thinking to bear."

THE ACTIVITIES and consequent hazards of large industrial companies, continued Mr. Rooke, no longer fit into these traditional compartments, but range over the whole gamut of insurable (and, at present, non-insurable) risks.

A far more logical division, ac-

cording to the needs of an insurance manager, would be property protection; loss of income; liabilities; and personnel.

Mr. Rooke suggested that property protection would include such risks as fire, accidental loss or damage, explosion, engineering, motor accidental damage, inland goods-in-transit, marine hulls and cargo and aviation hulls.

LOSS OF INCOME could cover not only consequential loss (both fire and special perils and engineering breakdown), but also fidelity guarantee, money and credit.

Having a special division for liabilities, suggested Mr. Rooke, would open for insurance coverage the whole field of liabilities or penalties under contract, whether arising from faulty workmanship or design, performance guarantees, infringements of patent, etc. "All such risks," continued Mr. Rooke, "tend at present to be spurned as 'trade risks,' it being held improper or even against the public interest for them to be covered by insurance. It could be merely lack of knowledge, or time to investigate the possibilities. It could also be that the present setup of insurers militates against it."

The fourth division could bring together all those types of insurance covering people and the disasters (or the inevitable natural processes) which adversely affect their working capacity, i.e., pensions, together

with life assurance schemes and personal accident.

CERTAIN TYPES of policy could be justified in more than one division, said Mr. Rooke. Legislation often presupposes the existing insurance setup, and could well be an impediment to radical alterations.

Mr. Rooke doubted whether any sudden change could be made. But he did think that the gulf between the present system and the needs of an insurance manager could be partly bridged, thus making a start to merging the points of view of consumers and insurers.

He did not see why engineering policies should not contain cover against third party liability. This, he suggested, could quite easily be inserted into a third party policy—thus making it slightly more comprehensive, and slightly less productive of gaps in cover.

"SIMILARLY, WHERE an industrial company has a pension scheme and a group personal accident scheme upon its employees, there is need to dovetail these two so that compensation does not grossly depend upon the manner of death. Surely personal accident could come under the wing of pensions, for the approach to cover is very similar?"

Finally, Mr. Rooke pointed out that size can bring useful opportunities, particularly with regard to simplification of procedure. "May I urge you to look afresh at some of the established, routine practices which may be quite appropriate for a small shop or factory, but are ridiculous for a company with thousands of employees? There is still too much time-consuming collection of special information."

Psychiatric . . .

Continued from page 9

physicians are frequently excluded.

"The limitations in existing group and individual policies are still unduly restrictive both in terms of the number of days covered and the deductible percentage usually applied."

ON THE BRIGHT side, the report discovered that:

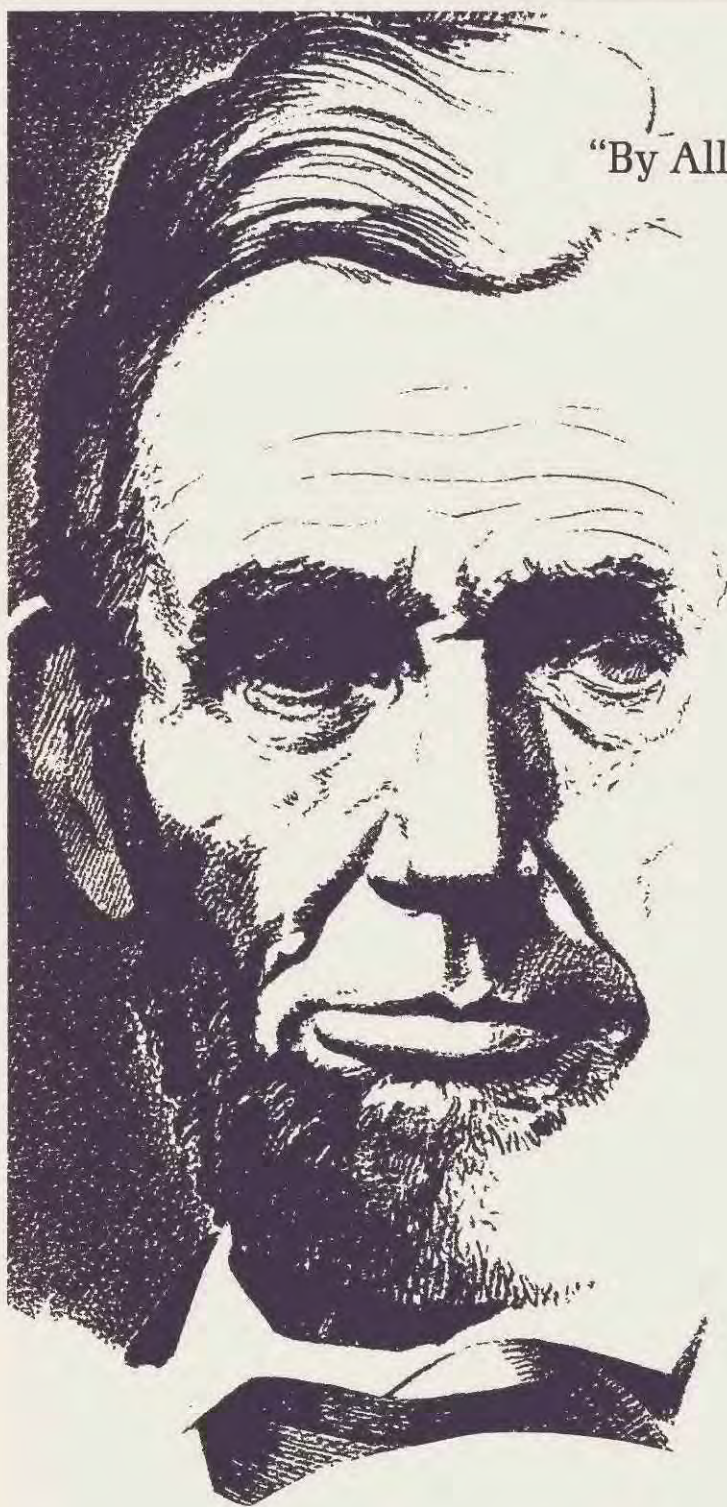
"Four out of every five of Blue Cross' 62,000,000 members had some degree of coverage for 'nervous and mental disorders' as of 1965.

"The commercial insurance companies pioneering in this field have now shown that coverage for mental illness in individual and group policies is financially feasible, and an increasing number of commercial companies appear to be following suit.

"Certain independent insurance plans have been trail blazers in initiating and demonstrating the practicality of new patterns of insurance coverage for the mentally ill.

"Blue Cross utilization data indicate that the length of hospitalization for mental illness by 1963 averaged only 13 days. This statistic should, more than any other, indicate to all insurance carriers that early coverage and attention forestall prolonged treatment, cost and misery.

"In a large sampling of patients seen in doctors' offices, 26% of the patients had insurance that reimbursed at least some part of psychiatrist's fee. Thirty-six per cent of those with coverage had 80% of the bill paid."



"By All Means, Don't Say 'If I Can,' Say 'I Will'"

Abraham Lincoln

Lincoln lived in a log cabin, went to school for twelve months and by today's standards might have been declared culturally deprived, poverty stricken, oppressed and a victim of his environment. However, being part of a free society, he worked hard, studied and became President of the greatest country on earth.

He believed in private property and said, "Let not him who is houseless pull down the house of another, but let him work diligently and build one for himself, thus by example assuring that his own shall be safe from violence."

Regarding laws he counseled, "Bad laws, if they exist, should be repealed as soon as possible; still, while they continue in force . . . they should be religiously observed."

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"America's Outstanding Insurance Market"

business insurance/perspective

New Brazilian insurance laws strengthen market, AFIA exec says

by James A. Morone
vice president
American Foreign Insurance Assn.
New York



James A. Morone

A host of new laws and regulations have been enacted in Brazil in the past three years which have changed some of the basic characteristics of the insurance market and brought to it a new vitality and, in the opinion of Brazilian insurance leaders, an overdue reform.

All the effects have not yet been completely felt, but the changes undoubtedly will contribute in the long run to a sounder, more stable market that will benefit insureds, brokers, and underwriters. While these effects are taking place, many insureds will have to review their coverages, and brokers and underwriters will similarly have to take searching looks at their own operations in order to serve their insureds fully.

The initial efforts to bring definite order into the Brazilian insurance market can be traced to January, 1965, the effective date of Law 4594 spelling out certain requirements for brokers. The most important points were that the broker must be a resident of Brazil, that the legal entity must have its head office in Brazil, and that: "The broker is responsible, professionally and at civil law, for any incorrect declaration contained in proposals signed by him, independently of any sanctions applicable to others for the infringement."

THIS LAW, AND THE regulations governing its operation, set the tone for much that was to follow, for it placed greater responsibility on those operating within the market and was the first step in a chain of new laws that imposed stricter controls on those operating within Brazil.

The second important step was in October, 1966. Insurance companies were then allowed to pay commissions only to licensed brokers and these commissions had to be those specified in the applicable tariffs. What this meant, of course, was that the government was now taking strong, affirmative steps to bring better balance into the insurance marketplace.

Previously, with each company being forced to stay competitive, commission payments were often excessive.

Now, all insurance premium collections were required to be handled through the National Banking System. Insureds who paid their entire premium immediately received a 10% discount. If payment wasn't made as directed and within the time limit specified, the policy would be canceled.

IN NOVEMBER, 1966, Decree #73 became effective. This is Brazil's new basic insurance law governing private insurance companies, both local and foreign, the Brazilian Reinsurance Institute, and producers as well.

Essential to an understanding of the law and how it affects insureds, brokers and insurance companies is an awareness of what the Brazilian government was seeking to accomplish. There had been for several years an inflationary spiral that had plagued the economy which, in turn, had serious effects on the insurance market. The capital foundations of some insurance companies were meager as a result and the pressure of the marketplace permitted many abuses of the system. Premiums were often paid late to take advantage of the inflationary forces at work; payments of claims by some of the smaller companies similarly took longer than might be necessary. Obviously, something had to be done to place the insurance market on a sounder economic basis which would eliminate some of these situations and bring greater order to the market.

At the same time, the Brazilian government recognized that many things were changing in the economy of the country as a new social consciousness became evident. Greater industrialization, more businesses, more cars and pleasure craft, made it obvious that changes in insurance were needed to keep pace with the growth and those who would be affected by it. Consequently, the new law embodied these two concepts: Put the insurance market on a sounder footing, and provide compulsory insurance where needed.

ONE OF THE MOST important elements of the new law, therefore, was to increase the minimum capital requirements that had to be deposited to sums that would be in keeping with economic reality. For property companies, the capital requirement was raised to NCr\$350,000 (\$100,000); for life companies, to NCr\$700,000; and for health companies, NCr\$100,000. The effect of this action will eliminate some of the marginal companies and force mergers of others.

By October, 1968, insurance companies will have to decide whether they wish to continue to operate under the new requirements and, if so, by October, 1969, they will have to put up the new capital. Foreign companies will be permitted to continue to operate providing, of course, they meet these requirements.

Insurance underwriters, under the new laws, will also have greater freedom within the market on terms that enable them to operate more efficiently. Companies, for example, will be able to retain a

greater portion of the risk and coinsurance requirements, which previously necessitated that 50% had to be ceded to national companies, have been eliminated. These measures, plus the abolition of compulsory investment of technical reserves in stocks and securities with long-term maturing periods, will be of assistance to the underwriters in keeping their financial operations more consistent with sound practices. And, in turn, this means they will have the ability to work towards lower rates.

LAW #73 ALSO MADE compulsory certain insurance covers, many of which the well-managed companies carried as a matter of practice and sound insurance principles. Increased penalties were provided for those failing to carry mandatory insurances. At the same time, the law continued the provisions that individuals or legal entities which effect insurance, reinsurance, or coinsurances not duly authorized in Brazil are subject to a fine equal to the sum insured or reinsured.

Together with subsequent laws and regulations, which spelled out in detail the requirements, compulsory insurances made mandatory were:

- Third-party liability by owners of motor vehicles for a limit of NCr\$6,000 for bodily injury per person for death and total disability; NCr\$600 for partial disability with no bodily injury limit per accident; NCr\$5,000 for property damage in excess of a deductible for NCr\$100. The compulsory cover includes passenger liability but excludes injury to members of one's own immediate family. Since Jan. 1, 1968, no vehicle may be licensed without proof of third party liability insurance.
- Third-party liability for owners of motor vessels on waterways subject to limits to be set for commercial craft; for pleasure craft, the liability limit will be at least to the value of the boat.
- Legal liability by cargo carriers to cover losses for all shipments with values in excess of NCr\$10,000.
- Shippers must provide insurance for cargo during transport whenever the value of the shipment is equal to or greater than NCr\$5,000. While this type of insurance was compulsory before the new law, insureds were required to have insurance when the value of the shipment was equal to or greater than NCr\$100. In other words, the limit has been raised substantially and is now more realistic.
- Third-party liability for contractors erecting buildings in urban zones for combined property damage and bodily injury is up to NCr\$20,000.
- Third-party liability insurance for aircraft owners with a limit of NCr\$800,000 per accident of aircraft of regular airlines and NCr\$400,000 for others.
- Passenger liability insurance for the owners of commercial aircraft as well as third-party liability for commercial aircraft.
- Rural insurance for livestock and crops for protection against accident and phenomena of nature.
- Of special concern to business is that companies must protect their properties

against fire when the total value of their properties is greater than NCr\$20,000; the old law provided for the equivalent of NCr\$500.

- Performance bonds for incorporators and contractors for any building valued at more than NCr\$21,000.
- For property given in guarantee for loans or financing from public finance institutions.
- Export credit risks when conceded by public financial institutions.

SHORTLY AFTER THIS basic law became effective, Law 5143 was enacted, which went into effect Jan. 1, 1967. On that date, the premium taxes on insurance transactions were abolished and replaced by a tax on financial operations which applied on the premiums of insurance transactions in the amount of 1% on life, personal accident and workmen's compensation and 2% on all other types of insurance excluding reinsurance, export credit insurance, and transport of merchandise in international voyages. For the insured, it meant that the premium tax he had been paying, which on some classes of insurance may have been as high as 20%, was now being abolished.

Generally speaking, the insurance industry applauded this series of legislative acts. It was evident that the reforms would contribute substantially toward the health of the insurance market. At the same time, however, the Brazilian Congress saw fit to examine workmen's compensation and enact a law which would gradually transfer workmen's compensation insurance from the private insurance companies to the social welfare institutes. This law was generally opposed by the insurance industry.

The law provided that no firm formed after Jan. 1, 1967, would be able to place or renew workmen's comp insurance in a private insurance company. Also, that effective Jan. 1, 1968, no workmen's compensation renewals in private insurance companies would be allowed for firms connected with the institutes of commercial, transport, or aviation workers. And that, effective July 1, 1968, workmen's comp renewals would not be permitted in private insurance companies for firms connected with the institutes of industrial, railroad, and public service workers. And that, effective July 1, 1969, this would also include banking firms and others not formerly connected with any Social Welfare Institute. In effect, by July, 1969, workmen's compensation insurance would be nationalized.

Nationalization of workmen's compensation may cause problems for insureds accustomed to dealing with private insurance companies. Except for this piece of legislation, the insured, underwriter, agent, and broker look forward to a Brazilian insurance market which is healthier, more stable and equitable during the years ahead. ■

James A. Morone, a native of Staten Island, graduated from Columbia University and joined AFIA in New York in February, 1947. Later that year he was transferred to the Rio de Janeiro office. In 1950 Mr. Morone was named manager of the Rio de Janeiro branch and in 1953 he was made manager of the Sao Paulo branch. In 1954 he was advanced to supervisor for Brazil and in 1957 he was appointed regional supervisor for Brazil, Argentina, Bolivia, Paraguay and Uruguay. Mr. Morone returned to New York in 1959 when he was named secretary. In 1961 he was named vp and supervisor of all AFIA's Latin American operations. He was recently designated vp in charge of field operations in all AFIA's territories.

perspective

Employee savings plans: low-cost benefit

by Elliot Beier
pension and profit sharing manager
Nuveen Corp., New York



Elliot Beier

(Mr. Beier's column is based on a talk he gave to an American Management Assn. seminar on life insurance companies and equity products Jan. 29.)

Employee savings plans, also known as thrift plans, are probably the fastest-growing type of retirement plan in the pension and profit-sharing field.

Developed in its present form only 15 years ago, the tax-qualified employee savings plan has become an important factor in the overall benefit programs offered by larger corporations to their employees. Forty-two of the top 100 industrial corporations, as ranked by sales, have savings plans. With a few exceptions, all were adopted in this 15-year period, and 11 of the 42 were adopted within the last four years. Of the companies listed on the New York Stock Exchange, one out of every nine now has a savings plan.

The employee savings plan has been most frequent in the oil and natural gas industries. Some companies having this type of plan are Amerada Petroleum, Mobil Oil, Standard Oil of New Jersey,

Shell Oil, Transcontinental Gas, Standard Oil of Indiana, American Natural Gas, Sun Oil, United Gas, Sinclair Oil and Pacific Gas and Electric.

COMPANIES IN OTHER industries that have thrift plans include Alcoa, General Motors, duPont, General Electric, Ford, U.S. Steel, Campbell Soup, Chrysler, Coca-Cola, General Dynamics, Gillette, Olin Mathieson, Montgomery Ward and Textron.

More and more small and medium-size corporations are installing thrift plans that provide low-cost employee benefits and at the same time compensate officers handsomely.

Taking a closer look at the thrift plan as a means of new business development are bank trust officers, life insurance company pension departments, mutual funds, stockbrokers, consultants and actuaries. The size of the potential market is indicated by the estimate that less than 2% of all U.S. corporations now have employee savings plans.

THRIFT PLANS ARE DESIGNED to encourage employees to save, to provide a fringe benefit and to help the company retain key, productive and motivated personnel. The essentials of a thrift plan are:

Employee contributions matched either partly or entirely by the company.

If the plan is "qualified" with the Internal Revenue Service, then employer contributions to the plan are tax deductible and there is a tax-free build-up of the plan's investments.

The employee contributes a percentage of his salary (generally 1% to 6%) while the company contributes a matching percentage, say of 25%, 50% or 100% of the employee contribution. The company's contribution sometimes is tied to its profit rate.

Employee savings plans are a hybrid form, falling somewhere between pension and profit-sharing plans. But as far as IRS is concerned, they are either one or the other—a pension plan if company contributions are fixed and definite, or a profit-sharing plan if contributions depend on profits.

SOME PLANS ARE short-term and provide for distribution of the contributions made by the employee and the com-

pany for a given year after a fixed period of time, such as two years or five years. However, most plans are long-term, with distribution when the employee retires, dies or is disabled. The long-term plan has the advantage of increasing the tax shelter on investment income and capital gains.

Employee savings plans are often combined with a company pension, profit-sharing or stock-bonus plan to encourage personnel to save and at the same time to supplement retirement benefits.

A thrift plan might be set up to provide a minimum contribution for a profit-sharing plan. Since the company's contributions depend on profits, and if business is slow, a number of years could go by without any contributions to the profit-sharing plan, the company could set up a thrift plan providing a minimum contribution by the employer to give a continuing incentive to the employees.

An employee savings plan can also be designed as a basic retirement plan, particularly for a company not yet in a financial position to install a substantial pension or profit-sharing plan. The advantage here is that the bulk of the retirement fund could come from employee contributions.

FOR EXAMPLE: XYZ CORP. sets up a thrift plan where average employee contributions amount to 4% of compensation, and the company matches to the extent of 25%. The cost to the company before taxes is less than 1% of the payroll of eligible employees. Administrative costs can be largely offset by forfeitures. On the other hand, an orthodox profit-sharing plan can cost as much as 10% to 15% of payroll.

Recent studies by the Chamber of Commerce and others show that fringe benefits in many companies amount to 25% or more of payroll. For the larger companies, thrift plans will be a growing vehicle to provide employees with a fringe benefit at little cost to the employer.

In the smaller corporation, an employee savings plan can be a medium for tax-sheltered investments for stockholder-employees, executives and key men.

For example: Joe Jones is president and sole stockholder of Jones Mfg. Corp., which has 10 employees. Jones draws a salary of \$30,000 a year; other employee salaries range from \$15,000 to \$5,000.

A thrift plan is set up that matches 100% of employee contributions up to 5% of earnings and allows 5% additional voluntary employee contributions (not matched by the company).

Mr. Jones contributes \$1,500 (5% of \$30,000) to the plan and Jones Mfg. matches this with \$1,500 (tax deductible to the corporation). Mr. Jones also voluntarily contributes \$1,500. Thus, he has \$4,500 annually deposited to and compounding in a tax-sheltered account.

The terms "savings" and "thrift" describing these plans are out-of-date because the investment trend has been away from governments and bonds and heavily toward common stocks—company common stock, a diversified portfolio or mutual funds.

THERE IS A TREND toward the use of diversified portfolio in savings plans," says Ralph W. Hemminger, vp in charge of the pension department of Bankers Trust. "Forty-two % of all the plans in the study provide such an investment option. Further defined, 48% of the newer plans and 39% of the older plans provide a diversified investment of funds."

At least five major company thrift plans provide for mutual funds as an investment choice: Campbell Soup; Marathon Oil; Mobil Oil; Swift and Co.; and Texaco.

Mobil Oil, for example, has an approved list of over 50 mutual funds and closed-end investment companies among which employees can choose.

A thrift plan is basically an employee payroll deduction plan. Life insurance companies have sold thousands of payroll deduction plans but without the tax shelter.

MANY MUTUAL FUND payroll deduction plans have been sold to companies—without having a tax-sheltered plan setup.

A tax-sheltered plan is, of course, much more attractive to the employee and employers in the long run.

By combining life insurance and mutual funds in a qualified thrift plan, the employee can be provided with a tax-sheltered vehicle for his personal life insurance and mutual fund investments, and the employer provides a valuable fringe at little cost.

Elliot Beier, a graduate of Columbia Law School, heads the pension planning division of Maxwell, Ohlman & Co. Prior to joining the firm, he was editor-in-chief of *Pension and Welfare News* from its inception in 1964 and associate editor of *Trusts and Estates Magazine*. Mr. Beier is a member of the New York bar, the American Pension Conference, National Foundation of Health, Welfare and Pension Plans Inc. and the Eastern Conference of Health, Welfare and Pension Plans Inc. He lives in Valley Stream, Long Island, with his wife and four daughters.

Distinction for the retiree

by Robert Newcomb and Marg Sammons

A short time ago, Edwin H. Gott, president of U.S. Steel Corp., presented a card to retired employee David P. Finney. Prior to his retirement, Finney had racked up a 50-year service record at the company's works at Clairton, Pa. The 74-year-old veteran has three sons employed by U.S. Steel, at three different works locations.

The wallet-sized, plastic identification card handed pensioner Finney is em-

bossed with the pensioner's name, retirement date and Social Security number. Inasmuch as more than 45,000 such cards have already been distributed to pensioned employees of the corporation or subsidiary companies, there was nothing particularly unusual in Finney receiving one, except for this: This was a specially-embossed card, given to retiree Finney in recognition of the fact that the retiree card idea at U.S. Steel originated with him.

Identification cards for retiring employees appear to be growing in popularity in industry, particularly in companies with consumer products or services. By now it is quite well established that these identification cards are useful for cashing checks when pensioners are traveling, in

renting automobiles, establishing identity at hotels or motels, etc. The biggest value, however, is a morale value: To the pensioner the company identification card is a mark of distinction, something he delights in hauling from his wallet and exhibiting to friends—we've seen it happen hundreds of times. The average business man carries a wallet bulging with identification cards of all types and descriptions; the average retired factory worker has no such abundance. The pensioner's identification card is a badge of service, and most pensioners carry it as such. Probably without being aware of it, they become good-will ambassadors among their friends and neighbors.

THE HEAD OF an industrial relations department in a large company once scolded, privately, the executives who approve the traditional marks of separation. "A retiring employee gets a watch," he pointed out, "although the chances are good he already has one he likes. Or he is the bewildered recipient of a set of

matched luggage, in spite of the fact he probably he won't ever stir far from his garden or his front porch. I like the identification card because it's a symbol of longtime affiliation. It's something that sets him apart, something that makes a special individual out of him." In this man's company the identification card links the holder with the so-called "Retirees' Club." It entitles him to immediate admission to the plant for visitation purposes at certain hours; it authorizes him to make purchases, at employee discount, at the employees' store. It marks him as a particular guest at the company picnic and the Christmas party. It labels him as the "unforgotten man."

A recent cross-check of companies disclosed that—based on the sampling—only about 30% include any form of retiree identification card in their pensioner program. The pensioner literature may bulge with pamphlets, manuals and essays on the use of leisure time, but contain nothing to show clearly that John Doe worked here.

The above article appeared originally in *Advertising Age*.

How a trade association disseminates benefits data to its members

by Ned A. Miller, partner
Romm, Miller & Lazarus
New York



Ned Miller

When we discuss the various aspects of communication of fringe benefits, we tend to limit our thinking to the traditional employer-to-employee relationship. However, another facet exists, much less widely known, but equally vital and informative to those who depend upon it. This is the dissemination of fringe benefit information from a trade association to its individual members.

Let's look at the United States Brewers Assn. as an exceptionally well-organized example of how information flows into the association where it is codified, compared

and capsulized and then disseminated to the membership.

It was back in the 1800's that the brewing center concept of bargaining first developed among brewers. Because their product does not have "make-up" qualities—the pent-up demand for a particular brand that would cause make-up sales at the end of a period of labor strife—the brewers realized that a strike against any particular company would probably put that company out of business. There would be no public pressure for the settlement of the strike.

THEREFORE, IT BECAME important for each company to know what each of its competitors was paying in wages, pensions, vacations and the myriad of other benefits. "Let the competition between brands exist in the marketplace," they said, "but keep it away from the bargaining table."

To be sure, over the years, some of the breweries in the major cities have left the group concept of collective bargaining to negotiate on their own, claiming the existence of unique wage and other economic factors in their particular markets. It remains vitally important, even to these companies, however, to know the details of competitive labor contracts, not only in their own localities but throughout the U.S. The advantages of having this information, timely and accurate, are obvious.

An important function of the United

States Brewers Assn., with its headquarters in New York City, is to serve as the clearing house for all of this material. The USBA compiles, codifies, coordinates and even coaches members, in all aspects of employee fringe benefits.

AS A MATTER OF departmental organization, this function has been assigned to the employee relations department. This department publishes its labor letters, labor contract service bulletins, and city-by-city breakdowns of contractual welfare plans. Primarily, the material is sent out to member firms. However, where it is felt the information would serve a valid employee relations function for the association itself, regular publicity releases go out to the trade press, financial press and the consumer press.

We recently spoke with W. Michael Aicher, vp-industrial relations for the association, about the methodology of this function of his department. He says that the information comes into his office in response to questionnaires which are sent out to the membership. To keep a common denominator for all members, the questionnaire follows the guidelines set up by the U.S. Chamber of Commerce annual studies. Members are also urged, wherever possible, to send along copies of the actual union contracts so that all of the nuances of union remuneration can be digested.

A section of the employee relations de-

partment, headed by John Pankow, then prepares the extensive annual compilation of all available life, health and pension plans under contract in the 16 major brewing centers of the country. This information, without identifying companies by name, is then forwarded to each member firm for whatever comparative or bargaining use it wishes to make of it. Each area's contractual welfare plans are broken down into:

- Employer's contribution
- Life insurance and accidental death and dismemberment
- Weekly disability benefits for accident or sickness; hospital extras; medical visits; special coverages
- Surgical benefits
- Contract pension plan with employer's contribution
- Non-pension benefits for retirees
- Welfare plan administration

THE ADVANTAGES TO EACH individual negotiating team in having this information available are obvious. Equally obvious would be the monumental job that each company would have if it attempted to assemble anything resembling a complete file for itself in these areas. It therefore becomes a legitimate and highly valued function of the association for its membership—and a very interesting offshoot from the traditional concepts of communication of employee fringe benefits.

Ned A. Miller, partner in Romm, Miller and Lazarus, New York, has been in the field of instituting and communicating fringe benefit plans since 1955. He graduated from Bucknell University and attended George Washington University School of Business Administration and New York University Law School. He is participating in a personnel management seminar at New York University.

\$41,000 for three days' work

by Bion H. Francis
corporate director of
employee benefits
Crucible Steel Co.

"What are you doing for me now?" In my last column, I pointed out that if an employee asks this question about his pension plan, the answer for many employees is "Nothing!"

It may be helpful to carry this further. Suppose an employee asks "When will this plan do something for me? At what time will its values accrue to me?" In this column, I am presenting an answer—not in general terms, but rather in the form of specific figures for an existing pension plan which is actually in force for a manufacturing company.

The plan is a typical one. Like most plans, it provides for normal retirement at age 65, and for early retirement between ages 55 and 65. There are vested benefits (on a less favorable basis) for employees who have completed 20 years service. And recently the company added provision for a full pension after 30 years of service.

SUPPOSE WE COMPUTE how values accrue under this plan for a specific employee. Let's assume that Joe Smith was born Sept. 10, 1921. He went to work for the company Sept. 20, 1946. His average final salary for computing his pension is \$1,000 a month. Here is the way Joe's equity accrues under this pension plan.

From the time he was employed in 1946, to Sept. 19, 1966, nothing is provided for him under the terms of this pension plan. If he leaves at any time during this 20-year period, he would receive nothing from the pension plan.

But he doesn't leave. He continues to work for the company. On Sept. 20, 1966, he acquires a vested right to an income of \$120 a month, starting at age 65. Using the assumptions in this pension plan, the income of \$120 a month has a value of \$7,718. Joe acquires a vested right to this value by working the one day, Sept. 20, 1966, which completes his 20 years of service.

NOW, JOE CONTINUES to work for a period of almost ten years, until Sept. 9, 1976. His vested benefits continue to increase. By that date he will have a vested right to an income of almost \$180 a month, beginning at age 65, with a value of \$15,226. During this period, the value of the pension plan increases from \$7,718 to \$15,226, an increase of about \$750 a year.

Now comes Sept. 10, 1976. This is Joe's 55th birthday. Perhaps his most valuable birthday present is represented by the fact that he is now eligible for early retirement and its more favorable retirement income. If he retires now, he will receive a retirement income of \$277.50 a month, starting at age 65. Using the actuarial assumptions in the plan, the value of this income will be \$24,073, computed as of Sept. 10, 1976. This was an increase of almost \$9,000 over \$15,226, the value of his pension the day before he was 55.

But the best is still to come. On Sept. 20, 1976 Joe completes 30 years of service. He is now eligible for a "30 year" pension. The amount of this pension is still

the \$277.50 a month to which he became eligible on Sept. 10. However, this 30 year pension will begin immediately. This increases the value of the pension from \$24,073 to \$48,840. Accordingly, his equity was increased by \$24,773 because he worked Sept. 20, 1976, the day which completed his 30 years of service with the company.

SUPPOSE THAT JOE continues to work. If he does, his retirement income will increase from the \$277.50 a month to which he is entitled if he retires on Sept. 20, 1976, to \$377.50 if he retires on his normal retirement date, which occurs immediately after Sept. 10, 1986. However, the cost of providing \$337.50 a month from age 65 is slightly less than the cost of providing \$277.50 a month from age 55. Consequently, Joe's accrued values drop slowly from \$48,840 at 55 to \$45,495 at age 65.

To summarize then, most of the value of the pension plan to Joe accrues to him in three working days:

Sept. 20, 1966	\$7,718
Sept. 10, 1976	8,847
Sept. 20, 1976	24,773
	\$41,338

Pension plans, and the actuarial assumptions used in computing their values, will vary. This could change the figures for specific plans. However, it is probable that no employee will compute specific figures of the type I have presented above. Nevertheless, employees are increasingly sophisticated about their

benefit plans. They watch their fellow-workers retire; they see what they get. Without computing the figures in detail, employees frequently have a good concept of what their pension plan will do for them, and what this is worth.

Now let me ask a question. Forget about pension plans for the moment. Suppose you were asked to develop an incentive plan for Joe. Would you prepare a plan which—

1. Would give him nothing for his first 20 years of work?
2. Would then given him \$8,000 for one day's work?
3. Followed by approximately \$750 a year for ten years?
4. \$33,000 for two days work?
5. And finally, in his last ten years of work, would take away from him more than \$3,000 of the value already accrued to him?

If you put such a plan in force, Joe would go along. Why not?—he might get something out of it. But he might feel that the plan is an arbitrary and illogical one. During most of his first 20 years, when he receives nothing from the plan—and when his attitudes toward his employer are being set in a mold—it is difficult to see how the plan would act as an incentive plan. For that matter, how much incentive does it offer him during his last ten years with the company when he has already received all the value the plan will offer him?

Bion Francis graduated from Massachusetts Institute of Technology with a degree in mathematics. He has served as insurance manager for Wellington Sears Co., West Point Pepperell, Olin Corp. and Crucible Steel. Currently, he is president of the Insurance Buyers' Assn. in Pittsburgh and was a director for seven years of the insurance division of the American Institute for Economic Research.

Kellogg awarded \$960,000 for crash of its executive jet

MIAMI—Insurers must pay for the loss of an executive jet plane that crashed off the Bahamas while its pilot was taking a woman passenger for an unauthorized joy ride.

That was the ruling of a federal court jury here as it awarded \$960,000 to the Kellogg Co. of Battle Creek, Mich., in the accident.

Companies which had underwritten the aircraft had fought the case on the grounds that the pilot, Albert C. Ackerman, 36, of Battle Creek, was flying without a co-pilot and that he had taken the plane outside the territorial limitations imposed in the policy.

The Nov. 21 crash took the life of the passenger and cost Mr. Ackerman his air transport rating.

SHORTLY AFTER Mr. Ackerman radioed for landing in-

structions on a flight from Miami to Freeport, Grand Bahama Island, a commercial pilot reported that he heard an explosion and saw what he described as a "brilliant fireball" as the Kellogg aircraft crash-landed into the sea.

The passenger, later identified as Mrs. Marcia Donnelly of Hialeah, was thrown out of the 10-passenger DeHavilland 125 twin-jet and lost at sea. Her body was never recovered, despite an intensive air and sea search. Identification took several days, because Mr. Ackerman said he had just met the woman, a waitress, and knew her only as "Marcia." He said she had come along for the ride.

Mr. Ackerman, Kellogg's chief pilot, who had come to Miami a week earlier ferrying company executives to a management session, escaped with cuts and bruises but bobbed in the ocean for eight hours before a pleasure boat picked him up.

WITH THE HELP of Civil Aeronautics Board investigators, the missing passenger's identity was established.

The Battle Creek cereal firm filed suit in January to force 30 insurance companies, headed by Aetna Casualty & Surety Co. of Connecticut, and operating as members of the U.S. Aircraft Insurance Group, to pay for loss of the plane. Kellogg also requested that the companies be ordered to defend it against any damage suit which resulted from the death of Mrs. Donnelly.

Kellogg charged in its federal court suit that Mr. Ackerman, although chief pilot for the corporation, stole the plane and converted it to its own use on the night of the accident. The insur-



Joseph E. Johnson, formerly assistant vp of Insurance Co. of North America, has joined Brown, Crosby & Co., New York insurance broker, as a director and vp. At INA, Mr. Johnson was primarily involved in the underwriting and servicing of the carrier's major corporate accounts.

ers, argued company attorneys, had refused to make good for the loss of the plane.

LAWRENCE WILKINSON, vp of U.S. Aviation Underwriters, contended that the plane was covered only when it was manned by both a pilot and co-pilot and when it was operating in the U. S., Canada or Mexico. Mr. Wilkinson said Mr. Ackerman carried no co-pilot at the time of the crash and was operating outside the territorial limits.

But Kellogg argued, successfully, that the \$1,500,000 jet was covered under the all-risk clause. Policy exclusions did not apply, jurors agreed, because the flight was not authorized by the company and because Mr. Ackerman was using the craft illegally.

Mr. Ackerman's air transport rating was pulled by the Federal Aviation Administration because he had failed to file a mandatory plan from Miami to Freeport and because he flew without the aid of a co-pilot, required by the FAA of a plane of the twin-jet's weight.

Federal court still must rule on a suit filed against the Kellogg firm by Mrs. Donnelly's husband, Michael. Mr. Donnelly asks more than \$10,000 for the loss of his wife.

That suit also names the Propeller Service of Miami and Cities Service Oil Co. as defendants, contending they had been negligent in servicing the aircraft.

A&A names Pray

Samuel W. Pray, a partner of Lukens, Savage & Washburn, insurance firm which merged with Alexander & Alexander last fall, has been named resident vp of A&A in Paris.

Explosions close Tokyo plants until cause of damage is learned

TOKYO—An explosion at a plastics plant in the middle of the Chiba industrial belt near Tokyo has touched off a wave of repercussions across Japan.

Because this was the second explosion at a low-density polyethylene resin production plant within one year, the government's Ministry of International Trade and Industry (MITI) has stepped into the investigation. It has also ordered teams to inspect all ten low-density polyethylene plants of Japan's eight makers.

Both plants which suffered explosions belong to Mitsui Polychemical Co. Ltd., a joint venture of Japan's Mitsui Petrochemical Industries Ltd., and E. I. du Pont de Nemours & Co. of the U.S. And both use du Pont's technology and equipment.

THE FIRST EXPLOSION occurred last May at Mitsui Polychemical's 45,000-metric-ton-a-year plant in Otake, closing down that facility for two months. The second occurred in late January at its 49,000-ton-a-year Chiba plant. The Chiba plant has been ordered by the Chiba prefectural government to suspend production indefinitely, until the accident's cause is found. Mitsui Polychemical also voluntarily closed shop indefinitely at its Otake plant.

The Chiba explosion, in which

39 workers were injured, destroyed the reactor and extrusion operations and caused relatively minor damage to subsidiary facilities, such as warehouses, laboratories and the compressor building. No damage estimates are available yet, but a spokesman figured the plant could be back on-stream within two months of a government go-ahead.

Insurance coverage, with Tai-sho Marine & Fire Insurance Co., totals \$11,600,000 for the facility. This includes \$9,700,000 on the buildings and machinery, \$1,700,000 on the products and raw materials, and \$235,000 on storage facilities.

Threatening to keep the Chiba plant closed until a satisfactory explanation for the accident is found, MITI has called upon du Pont to provide full details of technology, equipment and safety provisions. This information is customarily a company secret.

Oakland . . .

Continued from page 15

Mr. Carter said that when insurance is required for legal or service reasons it is purchased, to the extent possible, under arrangements whereby premiums are directly related to experienced losses.

"WE ARE NOT anti-insurance," he added, crediting the insurance industry with helping Humble tailor programs to cover specific needs.

He defined self-insurance as self-assumption of risk with or without reserves.

In Humble's opinion, he said, reductions in losses are savings to the "insured."

"In our organization," Mr. Carter declared, "self-insurance losses are borne by the operating units which experienced the loss. We have found this serves to impress on them the importance of controlling losses."

Mr. Carter's comments came on the heels of a warning against self-insurance by Lewis R. Plast, general manager, Multi-Line Insurance Rating Bureau, New York.

He cited the potential burden on the taxpayer should a catastrophic loss occur and "the pressures that would be exerted on public officials to use properly accumulated self-insurance funds for other purposes."

DISCUSSING retrospective rating plans, Carl Friedewald, ass't vp for special risks, Fireman's Fund American Insurance Cos., San Francisco, likened them to cost-plus insurance, offering more immediate rewards for good experience than experience rating plans—but a more immediate penalty for bad experience.

"The cost under all retrospective rating plans is primarily determined by the insured's own incurred losses, yet the insured has the advantage of insurance company services and protection against catastrophe losses," he said.

Chairman of the Tucson conference was Dr. Nester R. Roos, a professor in the University of Arizona college of business and public administration and consultant to President Johnson's Commission on Riot Risk Coverage.

Eddins adds employe cover at Gen. Foods

WHITE PLAINS, N.Y.—Carl L. Eddins has been named director of insurance for General Foods Corp., responsible for property and liability coverage and employe benefit programs.

Mr. Eddins, who was formerly manager of general insurance, joined GF in 1966 from the Ruberoid Co.

In his new post, Mr. Eddins takes over responsibility for the employe benefits, an area formerly handled by Marvin I. Crystal, who joined Metropolitan Life Insurance Co.



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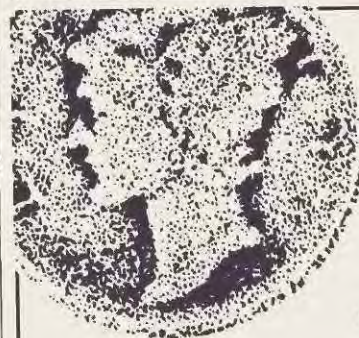
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Illinois denies rating board's bid to hike rates for autos

CHICAGO—Illinois Insurance Director John F. Bolton, Jr. dropped a bombshell on the State Rating Bureau last week when he denied a rate increase for automobile insurance policies.

Mr. Bolton said that this was the first rate increase he had ever denied, and the first turned down by the Department of Insurance since the mid-1950's. It is understood that key members of the Insurance Rating Board, which had requested the rate increase, were out of town when Mr. Bolton acted. The rating board represents stock companies that do about 12% of the auto business in the state.

THE BOARD had filed the rate increase seven months ago. Di-

rector Bolton called the rate increase "excessive."

The insurance companies involved have three alternatives. An insurance industry spokesman suggested to *Business Insurance* that the first alternative, doing nothing, would be "completely unacceptable to the industry and would shrink the market."

The second alternative would be a court appeal to overrule the department decision. The third alternative would be filing an amended schedule.

Director Bolton has promised to ask the state legislature for a file-and-use law and said the delay in reaching a decision on this rate filing only highlighted the "need to revise the insurance rate regulatory laws for the

State of Illinois." This suggestion was made to a joint Senate and House Insurance Study Committee last December.

MR. BOLTON'S executive assistant, Dennis O'Brien, told *Business Insurance* that such a law would represent a procedural change, and that although it would make the market more competitive, the department would still have to review rates.

Mr. O'Brien said that considerations about investment income in ratemaking were not a factor in the denial.

The rating board asked for a property damage 18.2% liability rate increase on commercial vehicles. In addition, the board asked for an 11.8% increase for bodily injury and a 13.1% increase for property damage.

The board asked a 16.8% increase for private passenger automobile bodily injury coverage and a 14.1% increase in property

damage. A proposal that automobile medical payment rates remain the same was denied. The department contended the rate should be lowered.

The board was allowed to reduce rates for private car comprehensive 7.3%. A 7.7% increase for \$50 and \$100 deductible collision was denied.

IN OTHER ACTION, Director Bolton appointed a ten-member panel to study and revamp procedures for examinations of persons seeking a state broker's license. The panel is a result of disclosures that \$60 payoffs were made to an employee of the state by persons who received broker's licenses without taking state examinations.

The panel will study licensing agents and brokers in Illinois and propose any needed legislation. It will also choose a private consultant to set up procedures and types of examinations. ■

Hold gripman for involuntary manslaughter

SAN FRANCISCO—Arthur Coats, gripman on a cable car which crashed and killed two persons and injured 37 others last December, has been charged with involuntary manslaughter.

The charges resulted from the findings of a coroner's jury which also found that the Municipal Railway had failed to train cable car operators "fully and adequately."

After the coroner's jury had issued its report, the Public Utilities Commission fired Mr. Coats, a probationary employee. The PUC also fired Louis Ables, a conductor. The Ables case, a limited tenure employee, will be reviewed. ■

Kansas bill sidetracked by insureds

TOPEKA, Kas.—A House proposal to regulate nonadmitted insurers, modeled after the so-called Wisconsin-type legislation, has been held in committee at the request of several insurance buyers.

The action came after representatives of the Kansas insurance department refused to agree to a broad industrial exclusion applicable to property, casualty and group coverages, it was learned.

The legislature adjourned at midnight, March 8.

The insurance department did accept, however, an amendment excluding the Teachers Insurance and Annuity Assn. from taxing, but the insurance department, according to a source, "did not make an effort to meet the requirements of large industrial insureds having interstate and international operations and insurance problems."

A SIMILAR proposal in Arkansas, which was expected to pass easily, was withdrawn when it became clear that several carriers, including Lloyds of London, were aligned against it.

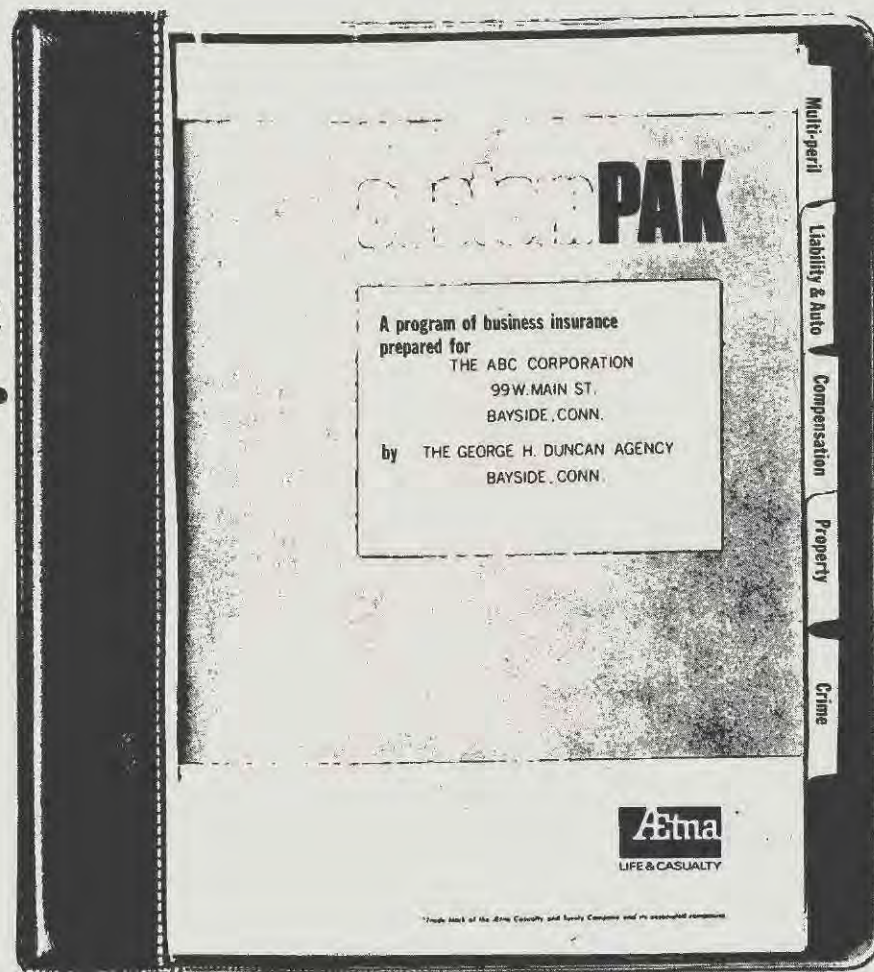
Meanwhile in Vermont, the Senate passed mail order insurance legislation without an industrial exclusion. However, the House added an amendment exempting industrial insureds with \$25,000 of insurance in force and with insurance executives.

Sponsor of the House version, State Rep. Hollis Putnam, (R., Springfield), said the commerce committee has added six amendments to the Senate version, but he said he didn't expect the bill to pass this year. Rep. Putnam said the legislature was scheduled to adjourn last week but added that the bill probably will be reintroduced next year.

ANOTHER AMENDMENT to the direct mail legislation would exempt the Teachers Insurance Annuity Assn. from having to be certified in the state and pay a tax on premiums collected in Vermont.

In Tennessee, the House has passed a similar bill with the Teachers group but not an industrial exclusion. There will be an effort to introduce an industrial exclusion when taken up by the Senate. ■

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Gold crisis stirs concern, gloom, 'c'est la vie,' buyer survey finds

NEW YORK—Opinions among insurance managers over the current gold crisis range from a feeling that it won't make much difference to one of deep concern, a *Business Insurance* survey of buyers has revealed.

The gloomiest opinion was expressed by the insurance manager of one of the country's five biggest companies. "The worst that could happen," he explained, "is that a run could develop against the pound which would weaken the whole British economy and drag the insurance industry in as well."

However, he felt that the agreement reached between the U.S. and six other members of the London gold pool to maintain the official price of gold at \$35 an ounce for governmental dealings "may take the speculation out of the open market and restore much needed financial responsibility."

The tightening of the money market "is bound to result in capacity problems," commented an insurance manager who frequently visits London. "Unfortunately, analyzing fluctuations in the world's money markets isn't like conducting a test in a college laboratory—the results aren't predictable."

HE POINTED out that greater governmental control of spending in both the U.S. and Britain, "will be responded to in other spheres in which insurance will play its part."

Another insurance manager

wasn't unduly pessimistic. "The latest devaluation of the pound hasn't really affected the domestic market," he said. "Anyway, since Lloyds maintains a dollar balance in this country and conducts all its business in U.S. currency, it won't make much difference."

He did concede, however, that a tightening of capital, with a corresponding increase in interest rates, "could well mean that companies might decide to cut down on their expansion pro-

grams." Indirectly, therefore, this will mean that insurance won't be needed, and this will slow down the industry's growth.

"Don't forget," the insurance executive continued, "that for some sections of the industry, the tightening of money won't have such an adverse result." He observed that life insurance companies invest heavily in real estate. "When money becomes tight, real estate values naturally increase, and so holdings become more valuable."

Safety bill...

Continued from page 1

pointed out that the red tape usually involved in any government activity would probably find its way into the safety program and could cause indefinite slowdowns or shutdowns of any plant in the U.S.—large or small.

Insurance managers and safety directors polled by *Business Insurance* indicated they preferred less federal control and more regulatory power at the state level. General indications were that most companies felt they could maintain superior safety programs backed up with assistance from the states and independent organizations like the National Safety Council.

According to Howard Pyle, National Safety Council president, Chicago, more than 11,000 U.S. corporations participate in its safety programs.

He said he was "surprised" at how many businesses do not have safety programs, and he indicated that Walsh-Healey has not been enforced, although he said some of its marine sections have been very effective.

As evidence of the reduced accident toll in the marine business, Secretary of Labor W. Willard Wirtz cited a 44% reduction of shipyard injuries, and 38% reduction in long-shoring injuries over a seven-year period since 1960 when a comprehensive safety and health regulation portion was added to the Longshoremen's and Harbor Workers' Compensation act.

A spokesman for a state manufacturers' association said the proposed safety bill would be hard to oppose if the efforts on the part of the government to reduce accidents are sincere and not politically motivated.

HOWEVER, HE indicated that in many cases the loss prevention services of insurance companies would be duplicated by those of federal inspectors and suggested that the federal government might consider working with the insurance industry as part of an effort to improve safety programs. He said the standards set by insurers through workmen's compensation regulations would probably far exceed efforts of federal inspectors.

According to Andrew Kalmykow, counsel for the American Insurance Assn., "casualty and property insurance companies, in connection with their various coverages, spend \$185,000,000 annually for safety work for the benefit of employees and their employers."

He said, "It is this vast delegation of power to one man that causes concern. We have extremely high regard for the present secretary, but he and his successors, under the bill, would have the power to vitally affect the life of every working man and woman in the U.S. and their employers."

Steers...

Continued from page 1

One industry spokesman said, "It just means that we aren't going to give it to them free anymore." Mr. Muir added, "What happened last year and the year before was unheard of. Who would have thought that such disorders could have occurred in Newark, Detroit and other cities?"

Mr. Steers answered, "What is insurance for, if not for protection against uncertainty? The insurance companies predicated coverage on a stable society, but now they want to take that coverage away. I think that they are moving too fast, before the federal decision on the question of riot coverage and before the coverage decisions of riot pools in various cities and states."

A bureau spokesman said, "This is an effort to recognize that premium rates do not contemplate riot or civil disorder. Companies can always make a special filing at higher rates to permit insureds to buy this coverage that we must exclude."

Another spokesman said, "Mr. Steers must object to our taking away coverage under liability lines. There's just no other way to handle it. Our exclusion applies only to policies issued in the future; there is no cancellation of coverage involved."

He did not indicate whether policies renewed would be subject to the riot damage exclusion or surcharge.

Pension scale...

Continued from page 1

year of service to \$5. This increase will be retroactive to July 1, covering workers who retired during the strike. For workers who retired before that date, the benefit has been raised to \$3.50 per year of service.

Workers may now retire after 30 years of service, provided they are 60 or over. A monthly supplement of \$130 will also be paid to a pensioner until he qualifies for Social Security.

Two separate unemployment benefit plans have been replaced by one contract, under which a laid-off worker can draw a weekly benefit of \$25 for 26 weeks, increasing to \$50 for the next 26 weeks—or a total of \$1,950.

At the Yonkers, N.Y., and Fordyce, Ark., plants, workers will receive wage gains identical with those in Arizona and Texas, but pension increases will not be as generous. The monthly pension benefit will be \$3.25 per year of service rather than \$5 and will eventually rise to \$3.75 in the third year of the pact, which expires in March, 1971.

Hospital...

Continued from page 2

hospital charges is to set up local pools for the sharing of sophisticated medical equipment. "In areas where easy transportation is available, it is ridiculous for a number of hospitals to maintain expensive equipment that is rarely used," one observer says. "It is up to local hospital planning councils to make the most humane and economical use of facilities by sharing the miracle machines of modern medicine."

An insurance industry spokesman says that the portion of hospital bills paid by Medicare and Blue Cross, estimated at two-thirds to three-fourths of all hospital charges, provide no incentive for lower hospital charges. The reason, he explains, is that both Medicare and Blue Cross pay on a cost-plus basis, reimbursing the institutions on the basis of their actual costs plus a minor percentage as a service charge. Hence, he continues, the private accident and health insurance industry is paying an inordinate share of the rise in hospital costs.

"Economy motives are missing in this cost-plus arrangement," the insurance man says. "Any increment over cost that hospitals make must come from patients who are self-insured, have private insurance or, more commonly, have group hospitalization coverage paid for in part by their employers."

SOME INSURANCE companies underwriting hospitalization coverage have developed a defense against exorbitant charges. They compare bills submitted by insureds from hospitals and doctors and, if bills are at substantial variance with local averages, they apply pressure on offending hospitals and doctors to bring their bills into line.

One corporate risk manager points out that employee benefits managers and risk managers constitute the largest and most cohesive consumer group affected by rising hospital and medical costs.

The National Conference on Medical Costs came up with these practical suggestions for controlling hospital costs:

- Hospitals should work closely with local health planning councils.

- More use should be made of ambulatory care, home care, and extended facilities in place of more expensive hospital care.

- Week-end hospital utilization should be comparable to weekday use.

- Facilities, including laboratories, computers and laundries, should be shared and there should be area integration of obstetrical, pediatric, specialized radiological and special surgery units.

- Drug formularies and generic drugs should be used whenever possible.

- Cost records and cost control systems should be maintained.

- Social and other services should be used to plan for the discharge and after-care of patients.

A panel at the conference also suggested a proposal of special interest to Blue Cross and commercial insurance companies: Comprehensive insurance and prepayment coverage that would encourage out-of-hospital services and services in other facilities after discharge from the hospital. This would encourage patients to use relatively expensive hospital accommodations only if necessary.

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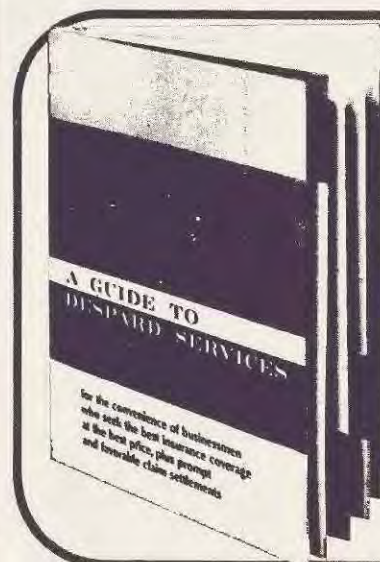
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Kaiser medical plan expands building, Medicare programs

SAN FRANCISCO—The Kaiser Foundation Medical Care Program, one of the biggest insured medical care systems, is engaged in a major expansion of its physical facilities.

Construction projects are scheduled for nearly every location in Northern California, including the completion of an addition to the hospital in Sacramento this month.

Construction will begin on a three story addition to the San Francisco hospital. By the end of April, a new Redwood City medical center will be ready.

WORK ON A 94-bed addition to the Santa Clara hospital and a four-floor clinical addition in Walnut Creek will be completed early next year.

Extensive remodeling also is planned for the Vallejo medical center along with construction of a new medical office building for 14 doctors at Richmond.

A new clinic and hospital addition also is planned at San Rafael, along with a new medical center at South San Francisco and major expansion of the Oak-

land, Hayward and Sacramento facilities.

The new addition in San Francisco, adding 35,000 square feet of floor space including an expanded emergency department, will be ready in April.

The new Redwood City medical center will have a licensed capacity of 204 beds and offices for 57 physicians.

KAISER AND its permanent Medical Foundation is now publicizing the second general Medicare open enrollment period, which will continue through March 31 for persons 65 and over.

When Medicare was created,

many Kaiser insured members were uncertain how it would affect them and their membership in the insured health plan.

With the exception of members enrolled under the Federal Employees Health Benefits program, covered under different provisions of Medicare, Kaiser members over 65 are urged to enroll in both the hospital and the medical portion of Medicare.

Kaiser's special Medicare supplemental coverage provides some benefits not included in Medicare as part of a "coordinated benefit package."

"WHETHER OUR over-65 members pay directly for their

membership or have it paid as a fringe insured benefit," a Kaiser spokesman said, "the broader benefits at less cost make the Medicare and Supplemental Coverages an attractive combination at substantial savings."

Cost of the Medicare part b medical insurance currently is \$3 per month, with an increase expected in the near future.

DURING 1967, the spokesman added, "a substantial amount of industrial medical care" was provided by the Permanente Medical Group and Kaiser Foundation Hospitals. Payments were made by workmen's compensation and not the health plan.

An additional substantial amount of industrial medical care was provided health plan members who failed to state their injury or illness was related to their job.

Blue Shield unit adds podiatry benefit

HARRISBURG, Pa.—Pennsylvania Blue Shield has added podiatry services to its schedule of benefits.

Treatment to be covered includes removal of infected toenails, incision and drainage of infected tissues of the foot, and fractures and dislocations of foot bones.

Cost of the broadened coverage will be met from Blue Shield reserves.

"Obviously," the plan spokesman explained, "this failure to report a job relationship to injury or illness results, sooner or later, in the need for more premium payments from Health Plan members."

Results...

Continued from page 3

"The whole area is pregnant with possibilities," he pointed out.

RICHARD M. COFFEY, divisional manager, personal security plan, the Continental National Insurance Group, Chicago, told attendees that "unless we use 21st century techniques of merchandising, certain segments of the insurance industry will disappear."

Mr. Coffey pointed out that there are 6,200 ways of rating a driver. "The fact is" he said, "the unions want group coverage." By 1975, Mr. Coffey predicted, the automobile insurance industry will account for \$21 billion of coverage, "and 50% of this will be made up of group insurance."

James A. Cotter, vp, Middlesex and Lynn Mutual Insurance Cos., Concord, pointed out that although the group coverage concept has gained widespread acceptance, it is "not sacrosanct."

"DOESN'T THE CONSUMER want something besides price?"

Mr. Cotter asked "Does he want his employer and certainly some of his fellow employees to see all and know about his private affairs?"

Mr. Cotter said that it was a "bromide" to say that the employee has the right to put his coverage elsewhere. "Having the right and exercising it are not the same," he said. "Not when the employer has lent his implied approval, and the sponsoring agent has the franchise, and the employee is bombarded with a single insurance company's propaganda."

The insurance executive did not agree with previous speakers that there was a large demand for group merchandising of automobile insurance. He pointed out that public cries are not for reforms in distribution methods, but are rather pleas for lower cost and more flexible underwriting. "The market for group automobile has been contrived by the innovators," Mr. Cotter asserted.



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Labor unions push for mental health benefits

By WILLIAM GUEST

NEW YORK—The nation's number one health problem—mental illness—is receiving considerable attention these days from organized labor, whose officials contend that the insurance carriers and Blue Cross are not offering adequate protection in the areas where it is most needed.

Melvin A. Glasser, director of Social Security for the United Auto Workers, maintains that "despite the fact that some 45,000,000 people are now covered by health insurance, experience with psychiatric care has not been good."

MIKE GORMAN, executive director of the National Committee against Mental Illness, said the industry "seems governed by hysterical fears that we are a nation of hypochondriacs, and that people will use every device to catch schizophrenia so that they can bilk the insurance companies."



Melvin A. Glasser

The treatment of mental illness and the type of health insurance necessary to provide coverage has changed radically since 1963, with the passage of the Community Health Centers Act authorizing \$150,000,000 of federal funds to build community health centers for rehabilitative therapy.

The prevailing attitude prior



Bert Seidman

to 1963, according to Mr. Gorman, was "to dump people into massive human warehouses where the workingman received the short end of the stick in this disgraceful abandonment of people whose only crime was that they had broken temporarily under the stresses of living."

At the time the act was adopted, helped by active lobbying on the part of the AFL-CIO, President Kennedy called for the eventual abandonment of massive isolated mental institutions and the creation of 2,000 community mental health centers within geographic and economic reach of all citizens.

SO FAR, SOME 160 centers are being developed in 46 areas with the intention of serving 27,000,000 people. The act was extended to 1970 in July, 1966, and another \$238,000,000 was appropriated.

Bert Seidman, director of Social Security for the AFL-CIO, commented that "labor has a direct interest in expanding outpatient mental care. Until the federal program was enacted in 1963, mentally ill workers rarely received any kind of treatment—good or bad. They usually ended up in institutions receiving custodial care rather than active therapy."

Mr. Glasser made a similar point. "Because of economic barriers, educational limitations and the orientation of the mental health profession, the largest single group in our population—the working class—have not had equal access to services overcoming what two Presidents have called America's number one health problem."

Statistics about mental illness



Mike Gorman

are staggering: 19,000,000 Americans—or one in ten—suffer some form of mental illness severe enough to warrant treatment.

According to one estimate, more people are hospitalized with mental illness at one time than all other diseases combined, including cancer, heart disease, tuberculosis and every other killing and crippling disease.

From industry's point of view these statistics have serious implications. Emotional disturbances are said to account for 59% of industrial absenteeism at a loss of \$5 billion annually.

THE UAW TOOK steps to reverse this trend last year when mental health coverage was obtained for 3,000,000 employees and members of their families.

The UAW plan provides for 45 days of in-hospital care, including in-hospital physician's services. For outpatient care, there is a maximum benefit of \$400 per patient per calendar year. Early outpatient treatment is encouraged to prevent an illness from becoming aggravated.

A UAW worker gets his first five visits to a psychiatrist free—"no co-insurance or deductibles"—and pays 15% of the cost of the next five visits, 30% of the third five, and 45% of all other visits.

A worker pays nothing for the services of a psychologist or social worker at a hospital, outpatient clinic, mental health clinic or other facility.

THE PROGRAM is underwritten for most UAW members by Blue Cross and Blue Shield units throughout the country.

Mr. Glasser is adamant that the UAW does not have a special

psychiatric program. "We have health coverage for our membership, which we expanded a couple of years ago to include coverage for mental health, and this year expanded to include prescription drugs," he said. "We don't think you can divide health into neat little compartments."

Mr. Glasser said that the single area of most urgent need is in out-of-hospital coverage for prepayment and insurance. He would like to give priority to this area and reverse the pattern of general medical care, where patients have to end up flat on their backs before they can get coverage.

INSURANCE COMPANIES do not seem to agree with Mr. Glasser's evaluation of outpatient care. The Prudential, for example, reimburses outpatients for 50% of psychiatric costs and will only count the first \$20 as reimbursable expense. Coverage is restricted to 50 visits per calendar year.

"There have been a fair amount of people in this area," explained Richard G. Merrill, director of group sales and services. "We pay normal room and board for inpatients and pay the costs of convulsive therapy."

The Metropolitan writes coverage along the same lines. In most group cases 50% maximum payment is allowed for outpatient psychiatric costs with a \$20 limitation restricted to 50 calls.

MR. GORMAN, however, doesn't feel it necessary to insist upon a 50% co-insurance clause as a deterrent, and he said that partial hospitalization and private psychiatric visits can be adequately covered.

Using the Federal employees health benefits program, which covers approximately 7,600,000 people, as an example, Mr. Gorman pointed out that on the basis of a six-year experience study of the 36 insurance carriers which write the coverage "utilization was over estimated by a country mile."

As a result, the Blues, which write 58% of the federal employees, have dropped the worker contribution from 50% to 20%. They have also added coverage for day and night hospital care and group and family therapy.

Twenty-five other plans have also increased their coverage, Mr. Gorman said, and most of them either added partial hospitalization services, particularly day and night care, or benefits for visits to a psychiatrist.

"THE HEALTH INSURANCE industry, by divesting itself of its insistence upon 24-hour hospitalization for psychiatric care, can cut down its benefit costs and do a better job of coverage," Mr. Gorman asserted.

The December issue of "Psychiatric News," published by the American Psychiatric Ass'n., shares this viewpoint. "To the limited extent that it is available, day treatment typically costs about half the 24-hour care. With general hospital costs soaring, the insurance companies are certainly doing themselves no favor by ruling it ineligible for reimbursement," the publication stated.

Mr. Gorman also said that during a tour of the psychiatric facilities of the Soviet Union, he noticed that in a country of 236,000,000 people the "thrust is al-

Continued on page 26



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Jury finds against Volkswagen; manufacturer itself not involved

LOS ANGELES—A superior court jury here has awarded \$1,021,275 in damages to David G. Wilcox, 23, who suffered crippling injuries when his 1956 Volkswagen overturned in a 1961 accident.

The unanimous verdict was returned against Volkswagen Pacific Inc., distributors of the German-made automobile.

Mr. Wilcox is now confined to a wheelchair with a neck injury. He claimed in his suit and the jury of eight men and four women sustained him, that the design of the rear axle suspension system of the car was faulty.

MR. WILCOX had asked the court for \$2,500,000. Also named with VW as defendant was C&M Sales, Inglewood, Cal.

The finding by the jury is the first in the U.S. against the design of the Volkswagen, long the largest selling imported car in this country.

The suit was based on the contention that a "tuck under" of the rear wheels caused the car to travel on the sidewalls of the tires instead of the tread and that this caused the VW to roll over.

Mr. Wilcox, through his attorneys, reportedly refused to accept an offer by Aetna Insurance Co. of \$500,000 to settle his suit.

OTHER ATTORNEYS in the case indicated that Aetna might challenge the original verdict and the jury award to Mr. Wilcox of \$1,021,275.

Attorneys for the distributor and dealer said the damage award would be appealed and

that they would have "no comment" pending the appeal.

Volkswagen of America Inc., New York sales subsidiary of VW, said the manufacturer did not have an importer's license for the U.S. until 1957.

New York executives of VW pointed out that the Wilcox car "must have been imported by the original owner from Germany to California." They added that the manufacturer was not involved in the Los Angeles suit.

Volkswagen of America carries products liability protection on all of its products. Coverage, however, applies only from 1957 on and not to models made prior to that date.

for the record

PROVIDENCE, R.I.—A majority of the Rhode Island House gave the green light for legislation that would provide state paid group life insurance of \$5,000 and dismemberment coverage for all regular municipal policemen and firemen with at least three years service.

The measure, which was backed by 75 of the 100 members, went to the finance committee.

WARREN, O.—Employees of Hillside Hospital no longer pay for their medical and hospital insurance; Hillside was one of the first Trumbull County organizations to agree to pay the entire cost of insurance.

CLEVELAND—Dental expenses are now covered by a new insurance program for full-time food industry members of Local 880 of Retail Store Employees Union.

The three-year contract underwritten by Occidental Life Insurance Co. covers examinations, cleaning, X-rays, extractions, fillings, emergency treatment for pain, oral surgery, root canal treatment and bridges. The plan is financed by employers.

TRENTON—The assembly approved and sent to the senate a bill prohibiting credit card companies from selling insurance to card holders.

Speaking on behalf of the bill, assemblyman Douglas E. Gimson, who operates an insurance agency, said people who buy insurance through their credit card companies are deprived of the advice and services of agents. On the opposing side, Assemblyman Ralph R. Caputo said the bill might deprive New Jersey residents opportunities to buy insurance giving better benefits at lower rates.

DOVER, Del.—After three years in the making, a revised insurance code has been sent to the senate.

The new code gives the insurance commissioner authority to impose administrative penalties on errant insurance companies.

NEW PHILADELPHIA, O.—County commissioners awarded Blue Cross-Blue Shield a contract to provide hospitalization coverage for county officials and their employees. Total annual cost will run approximately \$12,000 annually.

NEW YORK—Continental Insurance Co., has been licensed to write various classes of insurance and reinsurance in France. Pierre Barthelemy, head of the Group Barthelemy, Paris, has been appointed Continental's general agent in France.

SPRINGFIELD, O.—A \$3,835.40 contract for insuring voting machines has been awarded by the Clark County Board of Elections to Springfield Insurance Service. The contract is for three years.

AUGUSTA—Maine Insurance Commissioner Frank M. Hogerty Jr. has announced the formation of a committee to conduct a major study of the automobile insurance system in this state.

Mr. Hogerty said he will request the committee give "serious consideration" to the pros and cons of the Keeton-O'Connell basic protection plan.

TUSCARAWAS, O.—The City Council has approved appropriations for a multi-peril insurance policy for the village. The policy covers all trucks, equipment and buildings in the village for \$610 per year for a three-year period. The figure represents a savings of about \$700 from previous years when separate policies were held.

SYLVANIA, O.—The Ohio Inspection Bureau said it is prepared to advance this city's classification for fire insurance to a "more favorable rating" as soon as a proposed \$22,700 waterline improvement is finished.

The project would result in an average decrease for residential and commercial property of between 5% and 10%, it was estimated.

BOSTON—The Automobile Legal Assn. has reported that motorists in Boston pay more to operate their cars than drivers in 14 other key U.S. cities. A Boston car owner who drives 10,000 miles a year pays 18.2¢ a mile.

The figure, which includes the cost of a \$10,000/20,000 liability insurance policy, was 1.27¢ per mile more than for New York motorists. Others (by rank) were Chicago, San Francisco, Newark, Providence, St. Louis, New Orleans, Hartford, Rutland, Vt., Cleveland, Portland, Me., Miami, Denver and Manchester, N.H.

Virginia hikes work comp pay and gets officers' liability bill

RICHMOND, Va.—A bill introduced in the current session of the Virginia General Assembly would give stock corporations the power to insure their directors, officers, employees and agents against liabilities incurred in their duties. The bill was referred to the House committee on insurance and banking.

Several Senate bills involved unemployment compensation and workmen's compensation.

One would amend existing law so that the term "wages" as applied to remuneration for personal services shall not include "unemployment benefits under any private plan financed in whole or in part by an employer."

Another bill would require the employer to repair or replace artificial or "other prosthetic devices" damaged in an accident and "furnish proper fitting thereof, the total cost not to exceed \$1,000."

The General Assembly increased the maximum weekly compensation to an injured employee to \$51 (from \$45) and the total that may be thus paid to \$20,400, from \$18,000 under existing law. The bill also increased the maximum benefits payable to certain of the dependents of a worker who died from on-the-job injury.

Weekly maximum for unemployment benefits was increased from \$42 to \$48.

Insurance bill 'dead,' Ohio Senator admits

COLUMBUS, O.—A Cleveland senator has admitted his bill to create a five-man board to rule on auto insurance rates in the state is "dead."

The bill would change Ohio's present file-and-use system for auto rate changes to one requiring prior approval by the insurance board.

"I couldn't even get a hearing on my bill in committee," stated Sen. Anthony Calabrese, who sponsored the bill.

Tighten safety requirements for trawlers

LONDON—Following the loss of three British trawlers and 58 crewmen in atrocious weather conditions in northern waters, the board of trade has tightened safety requirements for the vessels.

Under the new provisions, stricter inspections will be given before any trawler can leave port, and the ships must carry radios.

A depot or "mother" ship will be in the fishing area during the season, to give advice and assistance to the trawlers, should they be required. It will also be compulsory for every trawler to make radio contact with the depot ship every 12 hours.

With these new board of trade regulations, it is not expected that insurance rates for trawlers will go up. The largest percentage of trawlers operating from the United Kingdom are insured through the Hull Steam Trawler Mutual Insurance and Protection Co. Ltd., an organization with a title that is self-explanatory. These are the boats that are owned or part-owned by the skippers. Members of the crew are also part owners; there are many cases of family-owned trawlers.

Larger concerns, such as the Ross Group, which are also wholesale fish merchants and frozen food packers, also own a dozen or so trawlers. These are usually insured through Lloyds.

There is one syndicate at Lloyds that covers trawlers, which is part of the marine insurance section. The Lloyds brokers that manage this syndicate is Laurence Phillips & Co. It is interesting to note that two members of the Ross family are members of the underwriting syndicate.

Appeal case of worker hurt on way to work

MADISON, Wis.—The state Industrial Commission and FWD Corp., Clintonville, Wis. will appeal a circuit court decision that a person injured on a public sidewalk while walking from his employer's parking lot to the plant is entitled to workmen's compensation benefits.

Circuit Court Judge Richard W. Bardwell had overruled the commission and said the state supreme court should change its interpretation of the Wisconsin law that limits compensable benefits to on-premises injuries.

In the case, Benjamin Fisbie, 60, injured his back when he slipped on a railroad track which crossed a public sidewalk near the entrance to the FWD plant. Mr. Fisbie had parked his car in the company parking lot across the tracks from the plant.

Judge Bardwell pointed out that once Mr. Fisbie reached the parking lot he was at work and did not deviate from his employment status by using the only means reasonably available from the lot to the plant.

Murdered wife covered by WC

SACRAMENTO, Cal.—A wife murdered by her estranged husband while on the job was covered by workmen's compensation, the California supreme court has ruled. The court held that an injury can arise out of employment even though the employer had no connection with or control over the injury.

In upholding an award to a surviving daughter, the court said it could see "no sound reason to deny compensation to an employee whose duties expose her to a peculiar risk of assault merely because the assailant was motivated by person animus." It pointed out that if the woman had been injured under the same circumstances by a stranger there would have been little doubt that she would have been entitled to compensation.

"The mere fact that the 'customer' was her former husband who had arranged an elaborate ruse to facilitate the commission of the assault does not . . . exclude her employment as a contributory cause or vitiate the implied finding of the Board that the assault was sufficiently connected with her employment to be an incident thereof."

Six oil firms ask to testify in liability suit

TRENTON—Six major oil companies doing business in New Jersey have asked the state supreme court for permission to testify in a suit which attempts to hold Tidewater Oil Co. partially liable for an accident at one of its service stations.

The companies—American, Gulf, Humble, Mobil, Shell and Sunoco—contend they have a major interest in the case, which pivots on Tidewater's advertising Flying A service station personnel as "our" station managers.

Sources close to the case said the court is also interested in the position of producers throughout the industry, and in effect invited the six companies to jointly file a brief defending Tidewater's contention that the tv commercials have no bearing on the independent status of Flying A station operators.

As reported in the Feb. 12 issue of Business Insurance, a lower court had dismissed the accident liability case against Tidewater and its subsidiary, Tidewater Leasing Co. The appeal seeks to restore them as defendants.

Golf pro files \$16,000 claim for disability

REDWOOD CITY, Cal.—Nationally-famed professional golfer Ken Venturi has filed a court action here seeking to collect \$16,000 from Security Benefit Life Insurance.

Mr. Venturi claims in the suit, that Security owes him the money for a hand disability he suffered that kept him off the pro tour during 1965.

The insurance company contends it is not required to pay on Mr. Venturi's accident policy because the disability "was not incurred accidentally and was more of a disease."

Mr. Venturi contends the disability "resulted from an accident which impaired the flexing ability of the wrists."

Roddis calls surety cancel waiver illegal

SAN FRANCISCO—California Insurance Commissioner Richard S. L. Roddis has warned surety insurers that they cannot abrogate a statutory duty by requiring a waiver as a condition to coverage.

In a letter to all insurers authorized to do surety business in California, Mr. Roddis referred to the insurance code relating to blanket fidelity bonds and reasons for cancellation of coverage under such bonds.

"Investigation confirms," Mr. Roddis said, "that some surety insurers take applications or other statements relating to eligibility of employees for coverage under blanket fidelity bonds. Such applications are required to be signed by the employee."

"Included is a statement whereby the employee agrees that the surety insurer may decline to issue coverage, or, if issued to cancel the same, and in neither case is the insurer under obligation to disclose the reasons therefor, any provisions of law to the contrary being expressly waived."

"This means," the insurance commissioner said, "that since any waiver of right to disclosure of reasons for cancellation is void, all surety insurers are expected to disclose such reasons for cancellation notwithstanding any such waiver."

Mr. Roddis also said no form containing any provision purporting to waive the right of an employee to be advised of reasons for cancellation may lawfully be used in connection with blanket fidelity bonds.

Surplus lines unit

Licensed surplus lines agents in Georgia have formed an association to assist the state insurance department in promoting high standards of business practice. Officers are Leyton B. Hunter, president; Dudley L. Moore Jr., vp, and John F. Ellis, secretary-treasurer.

Mental health..

Continued from page 24

ways upon outpatient treatment. All of the top personnel are concentrated in outpatient services, and as an end result, only the failures are in hospital."

However, George R. Berch, associate director of the Blue Cross Assn., Chicago, the coordinating agency for the nation's 75 Blue Cross plans feels that this trend is catching on in the U.S. as well.

"Since outpatient psychiatric care offers greater accessibility and economy than hospitalization," he said, "the Blue Cross Assn. encourages plans to participate in hospital related outpatient psychiatric services."

INSURANCE MANAGERS and employee benefits specialists had kinder observations about the insurance companies.

"All insurance companies are concerned about psychiatric care," said the employee benefits manager of a New York firm. "They know and recognize the need for hospital treatments. However, what they really fear," he explained "are couch treatments—where a top executive can carry on his job adequately but goes to a psychiatrist twice a week. From an insurance point of view this isn't a disability."

A point to remember, according to a specialist at Marsh & McLennan, is that insurance companies won't pay for preventive medicine but will only pay for a claim resulting from diagnosis and tests. Therefore, they don't want to handle psychoanalysis, "which is a very long and deep process," the broker explained.

ANOTHER EMPLOYEE benefits manager of a company with over 55,000 employees confided that an analysis run by his company revealed that 2% of claimants were collecting 90% of the benefits in the area of psychiatric treatments.

"Nobody is quarrelling with psychiatric treatments," he pointed out, "providing they are therapeutic." As a result of the survey, his company inserted a maximum of \$20 a call limited to

50 calls a year.

"Psychoanalysis is the target," he said. "We found that people were using up the maximum major medical benefit allowed and suddenly they got well again. In general, I sympathize with the insurance companies."

THE INDEPENDENT non-profit community fee-for-service plans also are gun shy of psychoanalysis. The Health Insurance Plan of Greater New York, for example, with 750,000 subscribers, recently announced that mental health insurance would be offered this year to members.

According to James Brindle, president of HIP, the plan will operate through three proposed mental health centers, where psychiatrists, psychologists and social workers will provide therapeutic techniques aimed at returning the patient to a functioning level as soon as possible.

"A patient will be treated twice a day if necessary," Mr. Brindle said, "and psychiatric services will be open-ended with patients receiving treatment as long as necessary, including in-hospital treatment."

However, HIP will not cover psychoanalysis, considered by Mr. Brindle as a "deep and long term" type of mental therapy, nor will it cover chronic alcoholics.

"The main advantage such a plan has over an insurance company," explained a spokesman at Johnson & Higgins, "is that a patient goes to a center for service, and so the costs are more controllable." He also pointed out that a doctor at such a center sees a lot of people, and if the required services "aren't really needed," he won't take the time with them.

"Insurance companies don't have this form of cost control," he pointed out.

HemisFair . . .

Continued from page 3

ing construction and until removal of contents or commencement of demolition. The exposition will carry fire insurance on its structures leased or occupied, but they will be charged a prorata share of the insurance cost. Any alterations, additions or improvements made or installed by a participant will be insured for their actual value under the exposition's fire insurance policy but at participant's own cost.

Although Mr. Scruggs is manager of administrative services, he also handles HemisFair's insurance. He reports to Jack D. Traywick, HemisFair's controller. Frances Aschbacher, coordinator, is the tie between HemisFair's manager and Gulf's consultant. In Dallas, home office and Southwest division headquarters of Gulf, a ten-member special advisory committee of specialists is headed by Gulf's chief national underwriter, Jim Chase.

HEADING THE CLAIMS department at HemisFair is Gulf Insurance Group staff examiner, Dick Caldwell. There will be three to 15 on-site people to assist him, plus a stand-by crew of seven in Gulf's San Antonio office. Gulf's set-up will be a central control office for all of HemisFair's insurance operations as well as that of its participants. The Gulf Insurance Group of Dallas was selected official carrier by HemisFair's executive committee from among about six companies who were invited to

exhibit and make presentations. It will be an exhibitor at the exposition and will also provide a service facility for HemisFair visitors.

So far, no major losses or injuries have occurred at the site. Gulf has retained the services of a full-time safety engineer, Dudley Powell.

HEMISFAIR'S CHIEF of security is Jim Frazier, with a staff of 35 men now, and eventually about 125. An assistant to the San Antonio chief of police is on full-time assignment. The San Antonio Fire Department along with a number of its employees, makes daily checks of the grounds. Hydrants are tested and have been approved by the fire underwriters.

HemisFair is located just one and a half blocks from the historic Alamo, which adds to the fire safety factor. But this also means the site is close to the downtown fire protection system.

At the north and south entrances to the fair there are fully equipped major fire stations. The latest modern chemical fire-fighting methods are utilized.

Emergency reporting telephones for the public are in every building. An emergency switchboard can pinpoint the source of the call and a recording of the conversation may be made.

So far fine art has not been invoiced, but its value is expected to be in the \$4 to \$15,000,000 range. The San Antonio Fair will maintain museum security and protection coverage. The all-risk policy covers everything, including flood and earthquake damage. The only exclusion is nuclear war.

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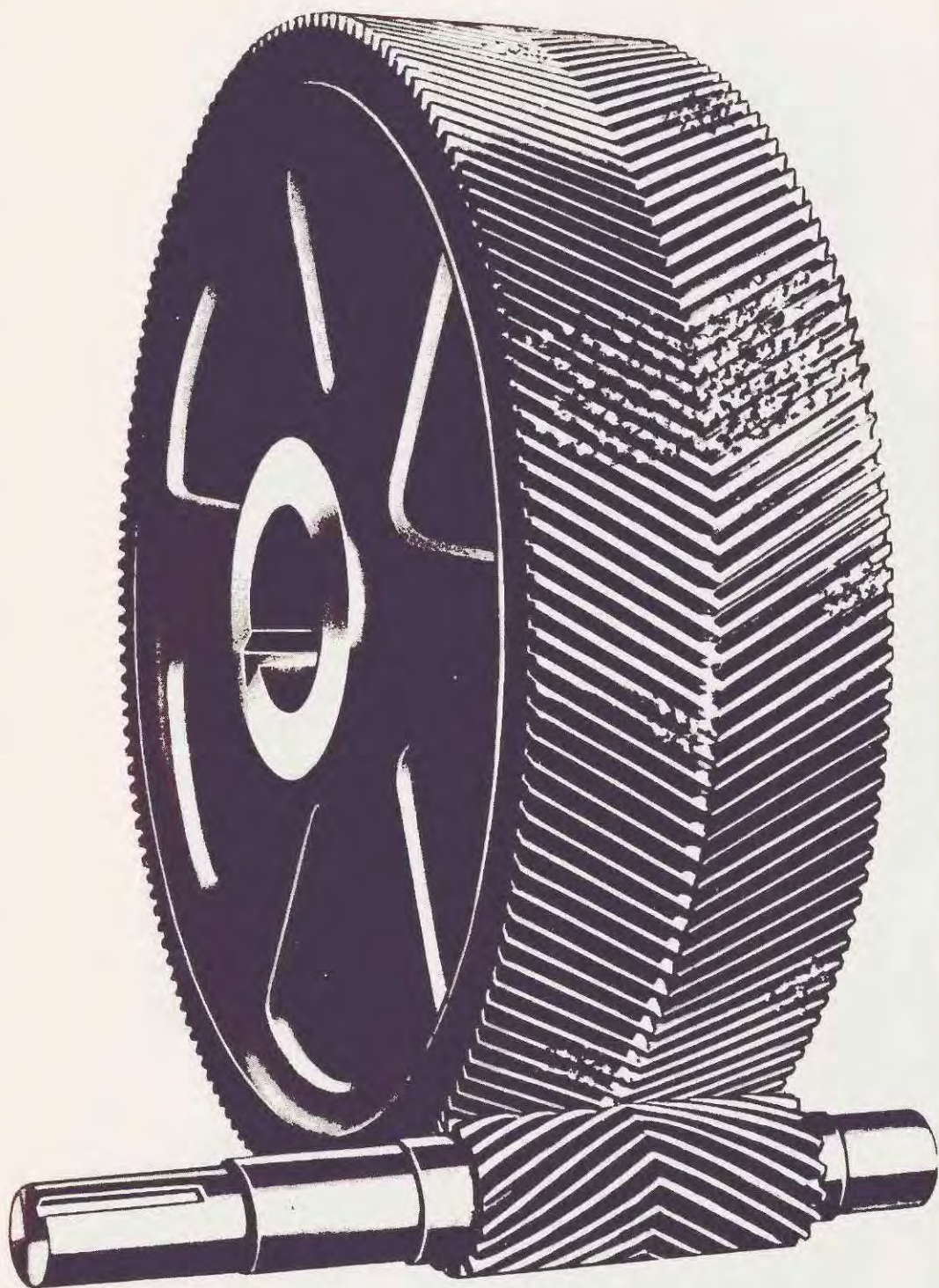


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An aluminum manufacturer for whom we provide boiler and machinery insurance reported on October 18 that the bull gear in his west coast cryolite recovery plant had stripped 12 days earlier. We hadn't been notified, because replacement problems were not expected.

One of our west coast boiler & machinery engineers rushed to the plant . . . and smelled trouble. The bull gear, over 8 feet in diameter, had been made in Philadelphia. All patterns had been destroyed. It could be replaced only from steel stock, which the manufacturer was then collecting.

Our insured had enough cryolite to run his plants to December 4, after which a \$150,000-a-day loss would result. His target date for returning the mill to action was December 17—a projected loss of almost \$2,000,000—a lot of money, whether to a major insurance company or to a major manufacturer. Zurich-

American went into action, from coast to coast, around the clock.

The new bull gear consisted of two 180° segments. Each had an outer ring to which 12" internal segments were being hand welded by two welders working around the clock.

Our engineers had this procedure changed to a semi-automatic process using a machine equipped with coil-type welding rod for continuous deposit on a 24-hour basis. A second set of jigs was set up, so both segments could be made simultaneously. Zurich-American assumed expediting and overtime costs.

The gear was finished 12 days ahead of the original schedule. Now the rough-machined pieces had to be precision cut. There were three machines in the country capable of cutting a herringbone gear this size.

We chose the one in Chicago. Now, once a gear is installed on such a cutting machine, it is impossible to remove it in favor

of another job and then return the first gear for completion. The cutting operation is continuous until completed. And the next job scheduled for the machine would take six days.

So our engineers contracted for the profits on the machine until the bull gear would arrive in Chicago 1½ days later, on a special truck with two drivers to assure non-stop delivery. We had a rigging crew standing by to load the gear when cutting was complete. Plus another special truck to O'Hare Field . . . another loading crew waiting at a cargo plane. In a few hours the plane was in Seattle.

On December 1 the rod mill was back in operation, well ahead of deadline. After a few hours, precious cryolite was again being recovered.

Our insured didn't lose a pound of finished product.

What can Zurich-American do for you? Ask your Independent Agent or broker.



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