

# What corporate status for risk managers?

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# business insurance

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

## Danbury bombings are insured

DANBURY, Conn.—Danbury's bomb-throwing bank robbers, in addition to making off with an estimated \$40,000, caused some \$500,000 in damages as a result of their incendiary diversion.

Danbury's police station, originally a 16-room school house, was completely demolished by a time bomb planted by the robbers to create the confusion necessary to cover their getaway.

Richard Nahley, Danbury corporation counsel, estimated that the damages would run the limits of the building's \$397,000 policy and the policy covering the contents with a limit of \$50,000. The policies, written for the city by Mutual Insurance of Hartford, have a \$10,000 deductible, he told *Business Insurance*.

**ON ENTERING** the bank, the robbers ushered everyone out of the bank's main room as they emptied the tills. On leaving the premises, one robber lobbed a bomb through the window of the bank. The damage ranged between \$20,000 and \$25,000 according to an advance estimate obtained by a spokesman for Hodge Insurance Agency which handles a multiple peril policy written for Union Savings Bank by Zurich American. The policy, which has no deductibles, stipulates a \$256,000 limit on the bank's building and a \$50,000 limit on bank's property contained within the building.



Distressed families of Swissair passengers killed in Zurich crash wait at Tel Aviv airport. —Wide World photo

## Swissair crash raises war risk cover question

NEW YORK—While investigators sought to verify charges that a barometer-detonated bomb caused the crash of a Swissair jetliner last weekend, insurance experts here were up in the air as to just how the disaster might

be covered.

According to reports, the Swissair Coronado jet with 47 aboard crashed shortly after takeoff from Zurich, Switzerland, killing all occupants. The crash was attributed to an explosion that occurred after takeoff, allegedly from a bomb planted inside an air parcel by terrorists of the Arab "unified command" who initially took "credit" for the incident.

"The whole area of war risk coverage—the line that will probably be involved in this incident—is very 'grey' at present," said one aviation insurance expert. "While most insureds, as a practical matter, attempt to negotiate the language of their war risk policies to cover all such risks across the board, all the specific risks covered under such coverage have not been defined," he continued, explaining that the insurance community had not met this problem head on.

*Business Insurance* learned that Swissair insures through Winterthur, a large Zurich-based insurance firm. Whether the airline has war risk coverage was not immediately known. However, one source told *Business Insurance* that air carriers consider this line an integral part of overall coverage today.

The war risk line of coverage is written exclusively by Lloyd's of London. There has been a heightened interest in the coverage internationally since the 1967 Arab-Israeli war.

## Fleet insureds 'baffled' by absolute liability in New York no-fault plan

NEW YORK—Superintendent of Insurance Richard E. Stewart's no-fault auto insurance plan, which has the sweeping endorsement of Gov. Nelson A. Rockefeller, is being looked upon with cautious skepticism by fleet insurance managers who are somewhat baffled by the exclusion of so-called "commercial vehicles" under the plan.

The proposal as it now stands would hold commercial vehicles strictly liable for damages to other parties in accidents in which they are involved, regardless of fault. The same exclusion also applies to drunken drivers involved in collisions.

According to the 155-page report, commercial vehicles are described as trucks and taxi cabs and other vehicles that must carry commercial license plates. Busses would be excluded from strict liability under the plan, however, because of their "large financial exposure for injuries to passengers."

A SPOKESMAN for the state insurance department told *Business Insurance* that the commercial vehicle exclusion would not apply to private passenger cars, such as a salesman's four-door sedan, being used for commercial purposes. However, he referred to a footnote in the report that suggests the legislature might wish to include such vehicles under the plan.

The note states: "Even within the general principle of secondary shifting of costs to commercial vehicles, however, there is ample room for reasonable men to differ; and the legislature might wish to omit certain kinds of commercial vehicles from strict liability, to extend such liability to certain kinds of private passenger cars principally used for business or to require that a

given commercial vehicle has in some way caused the accident before costs would be shifted."

Under the commercial vehicle exclusion in the Rockefeller-Stewart proposal, such conveyances would be treated this way:

In a two-car accident involving a commercial truck, taxi or auto and a private car, the occupants of the private car would, as usual, recover against the insurer of the private car. Thereafter, however, costs would be shifted from the insurer of the private car to the insurer of the commercial vehicle. The commercial vehicle would thus be liable for the property damage to the private auto and for injuries to the driver of the car, in addition to his own property damage and injuries. Costs, however, would be

Continued on page 28

## UAW to ask for bigger pensions and bonuses

DETROIT—Walter Reuther's United Auto Workers may add new dimensions to fringe benefits in their negotiations with the Big Three auto makers that will begin early in July.

The UAW's annual convention in Atlantic City, April 20-25, will consider contract demands in a "general and broad way," according to a union spokesman. Nevertheless, UAW regional units have already taken up with the membership the broad outlines of contract demands that would sharply upgrade fringe benefits.

Among contract proposals that may be part of the union's formal demands in July are:

- Year-end cash bonuses for UAW members similar to those now given to executives of General Motors, Chrysler and Ford. Such bonuses, a form of profit sharing, would in Mr. Reuther's view provide "equity" for unionized employes.

- Dental care coverage to augment health insurance benefits already provided by auto makers for UAW members and their families.

- Improvements in pension programs that would provide monthly pensions of at least \$500 after 30 years' of service. Higher benefits would also be sought for present pensioners who now receive a maximum of \$400 a month at age 60.

Observers have pointed out that Mr. Reuther may not press the "30 and out" pension proposal if it becomes a stumbling block in negotiations for other union demands. It is estimated that the pension plan would cost 70¢ an hour per man if it were promptly funded.

## Late news

### Author's clause cost \$100,000

LONDON—A court here has made a \$100,000 libel award against a British author. The verdict was against David Irving, author of "The Destruction of Convoy PQ17," and the award went to Capt. John Boome, commander of the PQ17 that was destroyed during World War II while on its way to Russia with wartime supplies. The author must pay the damages due to a clause in his contract with the publisher that reads: "The licensor hereby warrants to the publishers that the said work is in no way whatever an infringement of an existing copyright and that it contains nothing obscene or libellous and the licensor will indemnify the publishers against loss, injury or damage. . . ." Apart from a case in 1961 in which the judgment was later set aside on appeal, the award is the highest ever made in a libel action in England.

### Equitable to offer relocation service

NEW YORK—The Equitable Life Assurance Society of America will soon begin offering an employe transfer service to corporations faced with real estate dilemmas when executives are relocated, according to J. Henry Smith, president and chief executive officer. Under the program, which is scheduled to begin "within a month or so," the Equitable would purchase an employe's home and help him find and finance a new one where relocated. At a press conference held in conjunction with issuance of Equitable's annual report, Mr. Smith also said that the company is thinking of augmenting its financial services. "We might find it desirable," he said, "to acquire an investment firm to help us manage our assets and perhaps sell services."



# ASIM-insurer groups review pollution, capacity

CHICAGO—A meeting here between executives of Kemper Insurance and members of the American Society of Insurance Management to discuss problems of both sides was generally acknowledged as "extremely valuable." The gathering was one of a series being held between ASIM members and executives of insurance companies throughout the country. Employers Insurance of Wausau and Allstate Insurance Co. have participated in similar group discussions.

Paul Harvey, corporate insurance supervisor of Fluor Corp., Los Angeles, and organizer of the meeting with Kemper, told *Business Insurance* that he valued the opportunity to sit down with an insurer to air problems of corporate insurance buyers and carriers. He believes that "professionalism among risk managers has led to the insurers' willingness to talk with us."

One of the topics that arose, he said, was pollution and it was the consensus of the gathering that each corporation "has its own pollution-control obligation—this is a personal problem and not one for the insurers."

"KEMPER EXECUTIVES were very honest in their dealings with those in attendance," he said. "I think we should have more meetings like this and I look forward to them."

Speaking for Kemper, Walter R. White, vp in charge of commercial sales, said that although he found the unstructured talks very beneficial an advance agenda with assigned topics would have led to more concrete discussion. The size of the group, nine Kemper executives and nine risk managers, he concluded, was just right. "We tried to have representation from every type of industry and a wide geographic area so that diverse problems could be aired. A smaller attendance would have been less representative," Mr. White added.

"I think that it was recognized by both sides that these meetings are just a start," said James Mascarella, insurance manager of Quaker Oats Co., "and that perhaps meetings of even smaller groups could be held." He suggested that even more might have been accomplished if only two or three risk managers were present.

"I was very favorably impressed with the meeting and the way it was handled," Mr. Mascarella said. "There was a lot of input from the group toward long-range solutions to the capacity problem. No definite resolutions resulted but we all admitted that the large corporate in-

surements were going to have to take on more of their own risks than they have been."

ONE RISK manager-participant commented that this might create a problem with brokers, but that direct dialogue between the insured and the insurer was the only way to solve some of the risk managers' problems. "Frankly," he said, "the brokers have nothing to worry about but I don't know if you could convince them of that."

One insurance manager who attended the meeting candidly expressed deep disappointment in the session.

Blaine Wiltse, director of insurance and pensions of General Telephone & Electronics Corp., told *Business Insurance*: "I was very, very disappointed in the

meeting. I had looked forward to the opportunity; I had felt I would learn something. I felt that we—the insurance buyers—had more to learn of the insurance company's problems than they did of ours. They are the insurers, they should know of our problems, but we don't always know about theirs."

"Coming away from the meeting," Mr. Wiltse continued, "I felt as though we had hardly touched on the insurance company's problems. We spent most of the time with the insurance managers talking. I feel a little guilty and embarrassed about the whole thing. ASIM here had taken up two days' time—very valuable time—belonging to Mr. Kemper and other Kemper executives." He added that he personally felt the

meeting was completely mishandled by ASIM.

ANOTHER participant at the session, Rollyn Storey, manager of insurance and safety at SCM Corp., said that he came away satisfied.

"There was a good exchange of conversation between us and the top people in the Kemper organization," Mr. Storey said. "I guess the thing that impressed me the most was the willingness to even sit down and talk about problems between risk managers and insurance executives."

Mr. Storey is first vp of ASIM and in line to be its next president.

Edward Lalley, insurance manager for Kraftco Corp. in New York, told *Business Insurance* that

he found the "unstructured conversation extremely valuable because insurance managers had a chance to learn the problems of insurers without going through an intermediary."

"What impressed me was that the whole top flight of Kemper officers, from the president on down, stayed with us for a day and a half," said Ralph Low, manager of insurance at Westinghouse Electric Corp. in Pittsburgh, "and the continuing discussion was very profitable for me."

James Brierley, insurance manager at Ethyl Corp. in Richmond, Va., commented, "Not too many new ideas came forth but that's because these meetings always take place with different risk managers and insurers present." ■

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### City held liable for jet aircraft noise

LOS ANGELES—This city has been held liable by Superior Court Judge Bernard S. Jefferson for \$1 million in damages caused by jet aircraft noise to property adjacent to International Airport.

Judge Jefferson, in a 75-page opinion, ruled that 589 parcels of land adjacent to the airport had suffered losses in value ranging from as little as \$400 to as much as \$6,000.

The action resulted from a suit in which approximately 750 owners of residential property in the area had sought \$15 million in damages, claiming that jet noise during 1963 had caused the drop in the market value of their homes.



# washington watch

## Predict 20%-25% average rise in Federal workers' health costs

WASHINGTON—A disturbing report prepared for the Civil Service Commission predicts Federal employees' health insurance premiums will increase between 10% and 35% every two years averaging between 20% and 25%.

Because the Federal plans are considered industry bellweathers, experts point out that premiums on non-government plans can be expected to increase at a similar pace.

The report was prepared by one of the nation's top actuarial consulting firms, Milliman & Robertson. It was submitted to the Commission Jan. 24, 1969, but was not made generally public until recently.

**THE REPORT** based its predictions of drastically higher health insurance premiums on the feeling that "significantly higher payments for doctors' services are yet to come as well

as higher hospital costs" related to higher wage averages, more expensive equipment and greater administration costs. Higher doctor payments will result in part because of the "usual and customary" fee payment basis, the report states.

On June 30, 1968, there were 2 million enrollees in the government plans. Thus, including their families, these plans covered about 8 million people. Of the 2 million enrollees, 1.5 million had

opted for coverage under the Blue Cross-Blue Shield service plan—about 1.3 million for the high option Blue plan.

There were 541,372 enrollees in the Federal indemnity plan written by Aetna Life & Casualty. Of these, just over 400,000 had high option coverage.

Annual premiums on the most comprehensive Blue Cross-Blue Shield plan will climb to over \$800 by 1975 from the present \$460, even with no improvements in benefits, the report estimates. This projection is based on increases—from the \$423 premium in 1969 when the study was made—of 28.1% in the two years through 1971, 21.1% in the next two years and 21.2% in the next two years.

**WITH A 5%** improvement in benefits in the months of January 1971, 1973 and 1975, the premium would increase to over \$900. The government's contribu-

tion toward these premiums will remain at the present legal maximum of \$106.56 a year, unless Congress acts on legislation pending before it to boost the government's share.

The report made lengthy suggestions concerning the basic operations of the Federal plans, but admitted that the Civil Service Commission probably couldn't do anything to alter rapidly rising health costs.

As if to ease the Commission's feelings, it pointed out that "there is a general feeling of frustration among employe benefit plan managers caused by their inability to change the fact that hospital and medical costs keep climbing.

"This fact is noted here not because we believe it possible for the Federal Employees Program to alter the course of hospital costs, but to call attention to the general frustration of all benefit managers."

**WITHOUT** specifically recommending changes in the Federal plans, the report did point out a number of trouble areas—surely encountered also by private plans.

As coverage has expanded, it noted, the deductible and coinsurance features of the (government's) indemnity plan are a smaller part of the total claim reimbursement and consequently are less effective in controlling utilization, the number of claims per year per subscriber.

In fact, it said, there is serious doubt as to whether they are much of a deterrent at all to utilization, but rather just an introduction of a \$25 (in the case of hospital extras only) or \$50 (in the case of all charges deductible) payment by the claimant.

A health care plan which is meeting hospital semi-private room rates, paying a high proportion of usual and customary fees is particularly subject to inflation, it continued. "Thus, stringent enough controls to hold down premiums cannot reasonably be expected."

**IN THE CASE** of both government plans, the report noted, hospital care benefits increase automatically with increases in hospital charges since both plans gear their benefits paid or provided to the cost of hospital service.

"Therefore, the government-wide plans provide increasing benefits as hospital costs increase, but, of course, at increasing premiums," it said.

In contrast, it continued, many hospital plans found in industry provide for specific dollar limitations on benefits payable for room and board benefits.

### Free life insurance obtained by correcting minutes

SAN FRANCISCO—Directors of the Bay Area Rapid Transit system this week got \$10,000 in free life insurance, by correcting the minutes of their last meeting.

The directors had previously thought they had voted for the insurance but they really hadn't.

The board wanted to include the \$10,000 insurance for themselves in a package of employee benefits which they approved. However, the resolution they finally voted on at the last meeting gave them only \$5,000 insurance.

Director Harry R. Lange, Oakland, suggested that "directors ought to pay their own premiums" but his suggestion failed due to lack of support.

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# Touchy Question #86

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Alcoholism isn't a personal problem. It's a corporate problem. And it won't go away.

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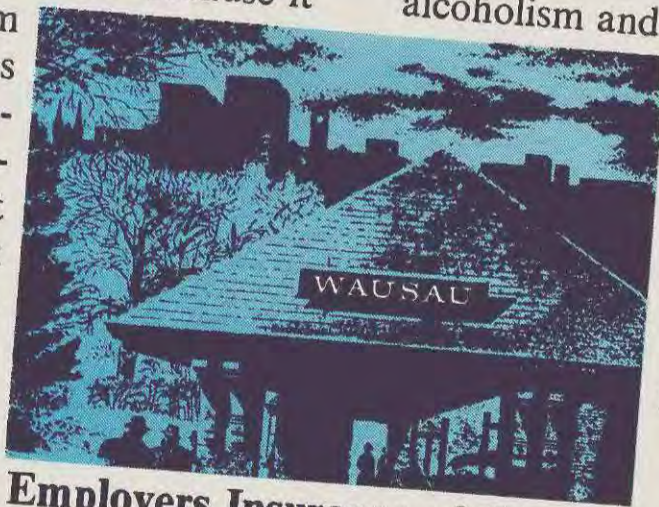
Why should an all-lines insurance company get into this particular act? Because it belongs there. The problem of the employee who drinks too much is definitely a problem for the employer's insurance carrier. He's more apt to get hurt. He's more apt to hurt someone else. He's more apt to expose his em-

ployer to claims or lawsuits of every kind. (We know. Don't think we've never had employees who drank too much.)

We offer our policyholders specialized consultation on management systems to deal with problems arising from emotional disturbances and the misuse of drugs or alcohol by their employees. Our safety and health consultants are trained in this field by Mr. James S. Ray of our staff, an experienced counselor on alcoholism and related problems.

The solution to the problem of the worker who drinks too much is seldom to get rid of the worker. It's to resolve the problem for the company as well as the individual.

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# Eclipse-inflicted eye damage: Do insurance companies cover?

NEW YORK—The March 7 sun eclipse, which will be the last one of the century visible all over North America, may leave a lot of insurance companies in the dark as to how to handle accident policy claims for solar ray eye damage.

According to a *Business Insurance* survey of claims directors and underwriters, the big problem is determining if eclipse injuries are self-inflicted or accidental. Because the sun is blackened people can look directly at it without feeling the glare, but harmful rays still come through and could blind the viewer. Since there is so much publicity about the hazards, a direct look might be considered deliberate and un-

insurable, but, then again, it might not. It depends on who is talking to you.

"There have been many claims made against insurance companies for this kind of injury," a Nationwide Life Insurance Co. man said. He explained that the claims were not filed with Nationwide, but that he knew the attorney who was familiar with the cases. "Three cases actually got all the way to the Supreme Court. One defendant was awarded payment. The other two were not."

**THE POLICYHOLDER** receiving payment had looked through a telescope with a broken filter, but was unaware of the faulty equipment. The other defendants

had looked directly at the sun and it was ruled that they had enough scientific background to know better.

"Experience of the individual is one of the key factors," the Nationwide Life Insurance Co. official said. "Age doesn't matter. A 15-year-old with a telescope and lots of books on the subject would know what he was doing and probably wouldn't be covered. But a 45-year old office worker who casually looked at the sun and was unaware of the danger probably would receive payment."

He noted that several cases came up after the last eclipse in 1963 and that he expected them in the coming weeks.

An Aetna Insurance Co. claims director hopes they won't come up.

"**THERE ARE** a million 'ifs', in that kind of situation and it would be almost impossible trying to determine who was at fault and who wasn't," he said.

St. Paul Fire and Marine, Allstate, Interamerica and Equitable Life agreed and said they couldn't even conjecture without all the details of an individual case.

"The first reaction of most insurance companies would be not to cover," the St. Paul claims man said. "But it's a very ticklish situation. You can't really give a general answer."

According to Massachusetts Casualty and the Health Insurance Bureau of Information, however, the answer is a definite 'yes.'

**"ANY COMPANY** that tells

you they don't know if they'd have to pay is handing you a bunch of baloney," said a Massachusetts Casualty underwriter. "If somebody goes to the beach and gets a severe burn, that's covered. Solar eclipse blindness is like anything else—a medical expense and it has to be paid."

A Health Insurance Bureau official said policy holders who have been on LSD trips and looked directly at the sun have been paid for medical expenses.

"An eclipse is like an act of God," he said. "You can't say someone is responsible for it."

But insurers and spectators won't have to worry about the problem at all if they follow the Hayden Planetarium's suggestion and watch the eclipse through black and white film. Film should be exposed and developed and held directly in front of the eyes during the eclipse.

The sun will blacken in New York from 12:25 pm until 2:54. At 1:42 it will be at the mid point and will be 96% covered.

The next eclipse will occur on Feb. 26, 1979, but will be visible only in the far northwest of the country.

# Can your company profitably set up its own insurance company?

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This is neither facetious nor flippant. To meet the particular needs of some clients, our answer has been "yes." We have then helped to organize and have often aided these clients in the management of their insurance companies.

In other cases, our evaluation has indicated that setting up a captive company is not in the client's own best interests. So we have devised another, and better, solution. We have no special axe to grind.

To us as brokers, a captive company is simply one more way to handle a corporate insurance program. We examine every aspect impartially. Objectively. In the light of your industry's insurance needs. And in the light of achieving maximum profitability for you.

So whether it's "yes" or "no," you can be sure of one thing: Our answer will be based solely on what is demonstrably best for you.

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

## Funds hold \$50 billion on N.Y.S.E.

NEW YORK—Corporate and other private noninsured pension funds held almost \$50 billion of New York Stock Exchange-listed stock at the end of 1969. The sum is considerably more than any other institutional type, according to a report by the stock exchange.

The proportion of New York Stock Exchange-listed stock held by all institutional investors was estimated at 24.1% at the end of 1969, up from 23.5% in 1968. Large net purchases of common stock by these funds in 1969 increased their proportionate holdings of listed stock from 7.5% in 1968 to 7.8% in 1969, the report notes.

Mutual funds, the second largest institutional block, held almost \$40 billion of listed stock in 1969, or 6.3% of the total list, the same proportion as reported in 1968.

In addition, the stock exchange reports that net purchases by life and property-liability insurance companies and state and local pension funds also increased in 1969, raising their proportionate share of holdings of listed stock. The share of nonprofit institutions, common trust funds and mutual savings banks remained about the same.

## Investigate sea pollution in England

LONDON—Industrial chemicals are blamed for the deaths of thousands of sea birds off British coasts in the past six weeks. Scientists are now trying to find the source of this pollution threat, believed to come from the group of poisonous substances known as polychlorinated biphenyls.

These are used in a wide range of manufacturing processes, including plastics and paints, and may have reached coastal waters through river drainage from dense industrial areas.

Government health experts have been called in to survey the problem of factory waste reaching the sea in spite of careful precautions.

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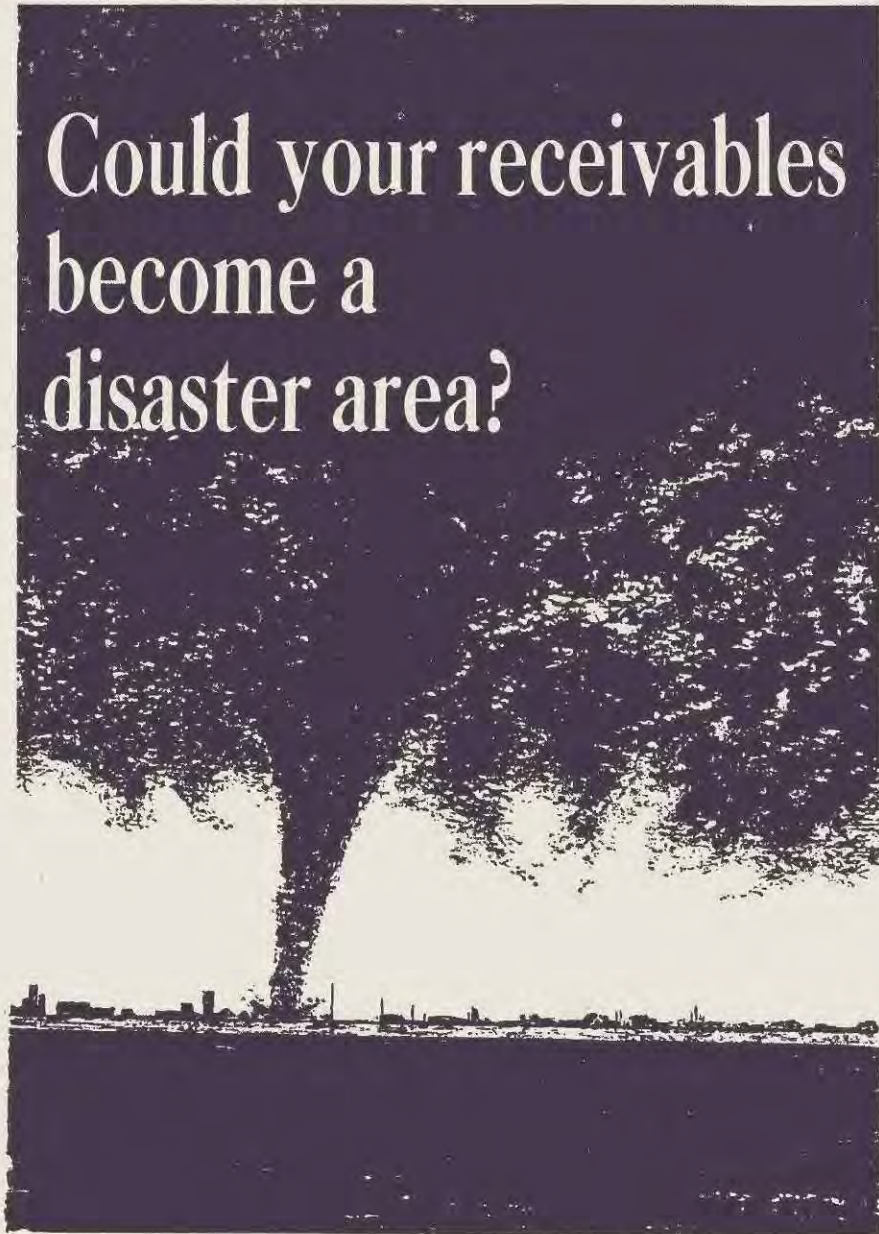
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# info for buyers

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

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

• **Safe Lifting** is an eight page booklet published by the U. S. Government Printing Office, Washington, D. C. 20402, listing and diagraming the eight steps involved in lifting heavy loads. The booklet is available for 15¢ from the Superintendent of Documents.

• **Chimneys, Fireplaces and Venting Systems** (No. 211), is a 36 page pamphlet released by the National Fire Protection Assn. The booklet deals with the safe installation and use of chimneys, fireplaces and venting systems in residential, commercial, and industrial applications. A copy can be obtained from the NFPA, 60 Batterymarch St., Boston, Mass. 02110 for \$1.

• The U. S. Government Printing Office, Washington, D. C. 20402, is offering a 29 page booklet dealing with employe drinking problems and programs for handling these problems. **The Key Step** defines alcoholism and its stages and lists a directory of some sources of rehabilitative assistance and information excluding Federal Health Units and local chapters of Alcoholics Anonymous. The booklet can be purchased for 25¢ from the Superintendent of Documents.

• The National Fire Protection Assn., offers a 100 page pamphlet for \$1.75 dealing with the general requirements, inside hazards, exterior storage tanks, spray foam systems, monitor and hose systems of **Foam Extinguishing Systems**. The booklet can be ordered from the association at 60 Batterymarch St., Boston, Mass. 02110.

• The Wolfe Auto-Surveillance Super-8 is a fully automatic and battery-powered camera system that offers a continuous range of programming from one exposure every second to one exposure every minute for up-to 60 hours of time-lapse photography. The unit is 6x7x7½" in size, offers automatic through-the-lens exposure adjustment over a range of 25 to 250 ASA, and the zoom lens may be adjusted from 8.5mm wide-angle to 35mm telephoto. The system is priced at \$420 f.o.b. Seattle. More information can be obtained from the company, Wolfe Security Products, Inc., Second Floor, Pier 59, Seattle, Washington, 98101.

• **Recommended Safe Practices for Outside Storage of Logs** (NFPA No. 46B-T), a new, tentative text designed to minimize the fire hazard in log yard storage areas, has been published by the National Fire Protection Assn. The 16-page work, which does not yet have official status, resulted from requests of indus-

tries that use logs and on occasion must store them for various periods of time. Provisions of this work apply to log yard areas containing saw, plywood and pulpwood logs stored in ranked piles. The text covers controlling the arrangement and spacing of log piles and exposures to and from these piles, adequate fire prevention and protection, and prompt detection and suppression of fire. Copies of the item are 75¢ each from the association at 60 Batterymarch St., Boston, Mass. 02110.

• The Factory Mutual Engineering Corp., 1151 Boston Providence Turnpike, Norwood, Mass. 02062, has recently made available **The Automatic Sprinkler, Firesafety Fundamentals Vol. 4**. The need for sprinklers and how they control fires are among topics illustrated in the book. Types of sprinklers and systems and sprinkler temperature ratings are explained through diagrams. A sample copy is free of charge. Quantity orders are 10¢ each.

• A revision of the 1955 edition of the **Safety in Quarry Operations Standard** has been completed by the National Safety Council. The 43-page document contains an illustrated appendix and sells for \$5 per copy. (Discounts are allowed for larger orders.) Write the American National Standards Institute, 1430 Broadway, New York, N. Y. 10018.

• **101 Ways to Save Money on Your Car** is an eight-page brochure released by the National Auto Club. Points covered include: getting more miles per gallon; making tires last; saving money on insurance; maintaining the appearance of the auto; saving on engine repairs; getting longer battery life. The item would be useful and appreciated as an employe-handout and would be especially valuable to drivers of fleet cars. For each copy send 35¢ in coins to the club at Box 2368, Elmont, N.Y. 11003.

• **A Practical Safety and Security Program for Small and Medium-size Plants** is a 38-page book published by Dartnell. It deals with the causes of accidents and where responsibility falls as well as covering elements of a successful safety program and avoiding false claims. Product liability and its relation to safety and preparations for dealing with civil disorders are also discussed. Copies are \$2 from Theron Miller, Executive Consultant, 228 N. LaSalle St., Suite 1964, Chicago, Ill. 60601.

• A pamphlet issued by the Kemper Insurance Group contains a complete check list to be followed in winterizing plant buildings and yards and roadways and fire protection systems and equipment. **Winterizing Your Plant** also lists action to take when a freeze-up does occur. Copies may be obtained by writing Combined Property Dept., Kemper Insurance, 4750 Sheridan Rd., Chicago, Ill. 60640.

• A new line of wrenches featuring a spring-loaded ejection device has been manufactured by Miracle Instrument Co., 1569 Third Ave., New York, N. Y. 10028. The devices prevent the tools from remaining in position after a chuck has been tightened and pressure on the wrench has

# Spider bite not fault of shopkeeper

LITTLE ROCK, Ark.—If a woman is bitten by a brown recluse spider while trying on a pair of slacks and is hospitalized 30 days as a result of the bite, is the shopkeeper responsible for the bite through liability negligence?

The Arkansas state supreme court ruled no, the shopkeeper isn't negligent. The decision might set a national legal precedent.

Mrs. Gladys Flippo of Batesville, Ark., filed the law suit about two years ago and asked \$25,000 in damages. The suit was against Mrs. Rosie Goforth, operator of the Mode O'Day Frock Shop at Batesville, and Mode O'Day Frock Shops of Hollywood, the parent company and manufacturer.

MRS. FLIPPO charged that the

shopkeeper was negligent by allowing the spider to reside in the pants. Her original suit also said that there was an implied warranty on the slacks and the goods weren't up to market standards, and that restatement torts provide that goods on the market shouldn't be marketed if they are unusually dangerous.

The Independence County circuit court refused to hear arguments on the two latter allegations and concentrated on liability negligence. The jury found in favor of Mrs. Goforth and the chain stores.

Mrs. Flippo appealed to the supreme court. One of the bases for her appeal was that there was an implied warranty that the slacks were fit for the purpose for which they were purchased

but in reality they were not fit for purchase because the spider was lurking inside.

The court said that it couldn't agree that the implied warranty law was applicable. It said that the slacks weren't dangerous and did not cause harm to Mrs. Flippo.

MRS. GOFORTH said that the Mode O'Day company carried a group liability insurance plan, to which she contributes a monthly payment.

John Norman Harkey, Mrs. Goforth's lawyer, said that the court decision was, in effect, new law. He said his research in defense of the case didn't turn up any law in the United States that covered a specific case of spider bite related to the issues in the trial.

One of Mr. Harkey's main arguments was that the brown recluse spider was abundant in Arkansas, but rare in California; and a spider's movements and actions aren't necessarily governed by man or his laws.

## Shadur, LaVine & Gallop open Chicago office

Shadur, LaVine & Gallop, Encino, Cal., founded in 1963 to specialize in employe compensation, benefit programs, insurance and investment planning, will open a Chicago office later this year. The firm also has just been named to handle the \$375,000 investment account of a Chicago wholesale seed processor, the first major client east of the Mississippi.

been released. The items sell for between \$10.80 and \$34, depending upon size. Write the company for illustrations and information.

• National Automatic Sprinkler and Fire Control Assn. Inc. has released **Automatic Sprinklers in Building Codes**, a 16mm, color, sound film. Narrated by Lowell Thomas, the film is directed primarily toward building officials, architects, engineers, fire prevention officers and urban renewal planners. The film details the basic principles of building codes and the part that automatic sprinklers play in providing for maximum public safety, design flexibility and reduced construction cost. Copies may be purchased directly from the association at 2 Holland Ave., White Plains, N.Y. 10603 for \$110 per print. Or you may contact one of the 28 nation-wide offices of Modern Talking Picture Service Inc.

• **How Creative Insurance Management Protects You** is a free booklet offered by Paige O'Brien Russell, 40 Broad St., Boston, Mass. 02101, describing how the firm manages an account and lists some of its customers. The booklet can be obtained by writing the company.

• **Financial Services—Putting More Venture into Capital** is a 16-page industry survey discussing trends in the insurance and financial fields and the development of the financial services company. Explanatory tables are included. To obtain a copy write Goodbody & Co., 55 Broad St., New York, N. Y. 10004.

• The U.S. Bureau of Mines conducted radiation ventilation studies in six large underground uranium mines to investigate the extent of radium exposure experienced by the miners and to analyze the ventilation systems to see what changes were required to achieve recommended radiation standards. **Radiation-Ventilation Relations in Six Underground Uranium Mines** can be purchased for 30¢ by writing, the Superintendent of Documents, U.S. Printing Office, Washington, D.C. 20402.

• Industrial Insurance Management Corp., insurance consultants, has prepared a booklet outlining the firms' operating divisions including data on the heads of the divisions and a list of its customers. For a free copy write the company at 909 East Boulevard, Post Office Box 3842, Charlotte, North Carolina 28203.

• **Safety Inspecting For** is a booklet that discusses types of inspections, steps in a safety inspection, and tips on how to conduct inspections. It can be purchased for 10¢ from the Superintendent of Documents, U.S. Printing Office, Washington, D.C. 20402.

• Detectalarm is a product of Alarmtronics Engineering, Inc., 154 California St., Newton, Mass. 02195. It is an electronic audio detection system designed for economical protection from burglary, intrusion and vandalism. For further information write the company.

• A non-slip material that conforms to any surface has been developed by the 3M Co. **Safety Walk** is made of mineral coating and is applied by removing its paper liner and setting in place. Write 3M for a free sample and descriptive literature at BS & CP Div., Bldg. 224-5W, 3M Center, St. Paul, Minn. 55101.

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## Beechum is in midst of overseas risk study

CLIFTON, N.J.—Beechum Inc. is in the midst of pulling together an evaluation of its overseas risks, but the maker of Bryl-cream hair grooming aid and Macleans toothpaste is finding it "a long hard road."

This is the word from Robert McEntee, treasurer of Beechum, who explained that finding the proper limits of coverage, on a worldwide basis, is "one of the hardest things to pinpoint."

One of the problems, he told *Business Insurance*, is that Beechum has greater exposures in the U. S. than it does in the rest of its marketing area (mostly in Latin America). What Beechum is after, Mr. McEntee said, is a rate structure for worldwide umbrella cov-

erage, "which properly reflects the balance of our sales."

**THE BEECHUM** exec said that its limits aren't yet at the \$100 million level, but he did say the company is "continuing to increase our coverage. We'll ultimately get up there," he said, although such levels of insurance are "exceedingly hard to acquire."

There is no particular "rhyme or reason to the cost of particular excess insurance layers," Mr. McEntee contended. "It's just based on what's available and who's in the market."

Mr. McEntee said that Beechum hadn't yet "run head on into not being able to get adequate coverage," but he acknowledged that "the cost is going up substantially and the available market is drying up."

The Beechum financial exec finds the somewhat specialized language of insurance causes him "a bit of an exasperation." Mr. McEntee said he's not prepared to accept "complex presentations" on the subject.

"In many cases, until you get down to simple business terms the experts tend to overwhelm you," he noted.

Beechum several years ago switched from a "career average" pension plan to one based on the five highest years of earnings within the final ten years of employment. Benefits, said Mr. McEntee, would have been "inadequate" under the old formula.

# Insurance pains?

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## Airlines lose money on luggage

SAN FRANCISCO—Lost or mishandled luggage cost American Airlines \$2,500,000 during 1969, requiring "all the profits from the sale of \$25 million worth of air travel tickets" to pay the bill.

Baggage losses by all airlines at this city's huge international airport, during November, approximated \$6,000 per month, compared with \$8,000 at Los Angeles and \$10,000 in New York.

American's new figures cited its baggage loss of \$6,532 at San Francisco airport in October alone and a total of \$14,463 for October when costs of damage claims and of delivering delayed baggage were added.

**FIGURES FOR** American included total luggage loss or mishandling in Chicago at \$26,661 for October and \$20,000 for that month at Kennedy Airport in New York, Los Angeles Airport and at La Guardia in New York.

Other airlines refuse to answer questions about their baggage losses or whether such losses are covered by the airline insurance policies.

The Air Transport Association recently reported all of the commercial airlines have been paying baggage damage or loss claims in excess of \$1,000,000 yearly.

Officials of TWA here said that carrier's loss in San Francisco is one and a third bags per 1,000, with a cost to TWA of approximately ten cents per passenger.

United, biggest of the carriers, admits "this is a very serious problem" but refused to comment beyond that.



# london line

## Hint limited liability syndicates for Lloyd's to meet expected boom

LONDON—Disclosures of big changes in Lloyd's administrative set-up are expected shortly from the report of the investigatory committee under Lord Cromer. It is now in the hands of Lloyd's committee of 16 members who are anxious to keep Britain's place in the world insurance market.

Hints that it will recommend the use of syndicates with limited liability, to work side by side with the traditional unlimited liability of the existing 300 syndicates, are current.

R. J. Kiln, a leading Lloyd's non-marine underwriter, reflected the views of many insurers when he urged here recently that the presence of non-marine as a single class of cover should be ended.

**HE WOULD LIKE** to see it replaced by three separate classes—property, liability, and personal accident—each with its own premium limit. Other existing markets, such as aviation, would remain as well.

The Cromer committee began work 14 months ago, and is trying to keep Lloyd's at peak efficiency so that it can meet future capacity problems without difficulty.

According to Mr. Kiln, who was speaking to the Insurance Institute of London, there could be good profits, and perhaps even a boom, in Lloyd's in the next two or three years, with a possible fall in profits starting around 1975.

He believes its premium income will be \$205 million by the mid-1970s, and that in the next five years the average Lloyd's member will make an underwriting profit of not less than \$12,500 a year, with \$2,500 a year capital appreciation on invested premiums, to compensate for losses suffered in recent years.

**THE BRITISH** government has hiked its insurance scheme for export firms from 10 billion to \$16 billion.

This is provided by the Export Credits Guarantee Dept., which guarantees British exporters against the risk of not being paid by foreign customers.

Deals have to be accepted as commercially sound before they qualify for the scheme, and liability for payments is naturally rare.

But for 50 years, since the scheme started in 1919, the average British manufacturer has

known that he has the backing of the government's Board of Trade in meeting his bills to foreign firms if they are unable to settle them through some sudden disaster.

**DEPARTMENT** store chiefs in Britain fear that the new fashion for maxi-coats will lead to more shoplifting. They suspect that girls who start to wear them may be tempted by the lure of hiding stolen articles under their swirl-

ing folds. Eleven thousand shopkeepers have been warned by one detective agency to be on the look-out for thefts from clothing stores, supermarkets, and similar business premises. Most business girls in London are known to be honest, but it is feared there may be some newcomers to the city who fall for the ease with which they can smuggle goods out of stores simply by wearing their new maxi-clothes and concealing their loot beneath them.

## A&A agency established

TORONTO—Alexander & Alexander Insurance Services (Agency) Ltd. has established offices in Canada to "add full insurance brokerage services on pension and group insurance to the actuarial consulting service rendered by Alexander & Alexander Services Ltd."

Headquartered in Toronto, the new agency will also operate through offices in Montreal, Calgary and Vancouver. Included in services are pensions, annuities, group life, survivor benefits, accidental death and disability, travel accident, long-term disability and health and medical coverages.

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**Insured cargo loss up  
\$4 million in 2 years**

NEW YORK—John F. Kennedy International Airport here has been singled out as the scene of the costliest single insured air cargo loss and the greatest number of losses in 1969, according to a report by the American Institute of Marine Underwriters (AIMU), which also concludes that claims for global air cargo losses against American insurance companies have almost tripled in the last two years.

John Hermar, AIMU secretary, notes that paid insurance losses increased from \$2.2 million in 1967 to \$6.3 million last year and that most of these losses are directly attributable to organized crime.

Calling on the air transport in-

dustry to take immediate corrective action to stem this "astounding rise in theft claims," Mr. Herman said it is distressing that "many, if not most air carriers are extremely lax in their security measures, and that the restrictions on air carrier liability for cargo loss and theft encourage this laxness."

"With the advent of the jumbo Boeing 747 and the Lockheed L-500 transport, more and more of the world's commerce will be transported by air. In these circumstances, shippers and insurers must insist that effective security standards at U.S. airports be instituted by all airlines."

The report, which covers American insurance companies' reports on claims worldwide from Algiers to Zurich, and throughout the U.S. from Anchorage to Miami, notes that the single most costly loss was at JFK when a robbery of currency and jewelry last July produced a claim of \$478,000.

Claims directly traceable to losses at JFK numbered 217 in 1969 and amounted to \$2,143,123. They numbered 130 more and cost \$1,805,620 more than losses sustained there in 1967. The same airport was a transfer point for cargoes involved in 373 additional claims amounting to \$1,802,029 during 1969. "We do not know the extent of losses on shipments insured abroad or on those that were self-insured," Mr. Herman added, "but there were five such losses last year totaling \$1 million recorded at this airport by the Port of New York Authority." ■

**Pensions up  
investments  
in stocks**

WASHINGTON—According to a study just concluded by the Securities and Exchange Commission, private pension funds invested more than half of their receipts in common stocks last year. Moreover, pension funds now have more than 50% of their assets in stocks.

Noting the "striking" change in the distribution of pension funds assets during the past decade, the report compares the distribution of assets in 1958 with that of 1968. In the former year, for example, the funds invested only 27% in common stocks as compared with 50.2% reported in 1968.

The one other dramatic change in investments of pension funds is the share U.S. government securities is getting. In 1958, 10.2% of pension funds were invested in these. It has since slipped to 3.2%.

Investment in corporate and other bonds, reported as 50.8% in 1958, has since decreased to 32.6%. Mortgages had 2.9% of the pie in 1958. Ten years later the mortgage share was 4.8%. Other investments accounted for the remainder of the assets—9.1%, which is only a fraction higher than it was in 1958.

In terms of dollars, total assets of private noninsured pension funds increased \$8.4 billion during 1968. The book value of assets at year-end 1968, the SEC notes, was \$80.3 billion, an increase of 12% over the previous year. ■

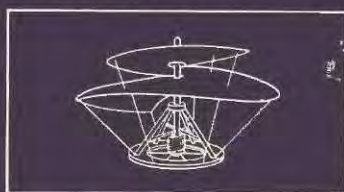
**Joins MOAC**

George S. Zacharkow, formerly secretary in Continental Insurance Cos.' claim department, has joined Marine Office-Appleton & Cox, New York, as vp in charge of inland marine claims.

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# Supreme Court rules on jury trial for suits against company directors

WASHINGTON—Two courts—the U.S. Supreme Court and the Delaware Chancery Court—recently pinned down two important issues in cases involving stockholder suits brought against corporations.

The first decision, handed down by the Supreme Court, ruled that corporate stockholders who bring a derivative action for the benefit of the corporation are entitled to have their cases tried by a jury. The decision could conceivably encourage the filing of such suits by minority stockholder groups in the belief that such suits are more likely to be successful when tried by a jury instead of by a judge.

The Delaware action, on the other hand, found Sinclair Oil Corp. liable for damages yet to be determined in its dealings with its 96.994%-owned subsidiary Sinclair Venezuelan Oil Co.

**THE** Supreme Court ruling settled a key procedural question in a suit brought by certain stockholders of Lehman Corp., a large investment company, against Lehman Brothers Corp., the securities firm that is the former company's investment adviser and principal broker.

The suit against Lehman Corp. was brought by several stockholders in Federal district court in New York. It sought damages from the directors of Lehman Corp. and from Lehman Brothers, contending that Lehman Brothers controlled Lehman Corp. and used its control to obtain excessive brokerage fees from Lehman Corp.

Neither firm has directors' and officers' liability coverage.

**THE STOCKHOLDER** suit has alleged that some securities transactions executed by Lehman Brothers for Lehman Corp. on the New York Stock Exchange could have been executed at a lower cost in the over-the-counter market. In addition it is also alleged that some of the investment company's transactions in unlisted securities could have been executed at net prices, thus avoiding payment of brokerage commissions. It also challenged certain payments to brokers who provide investment advice to Lehman Brothers.

The case involving Sinclair Oil is the first phase of an action which has been regarded as a key test of a parent company's obligations to minority stockholders of a subsidiary.

Sinclair was merged into Atlantic Richfield Co. last March. Atlantic Richfield now holds 96.994% interest in Sinclair Venezuelan and would be liable for any payments ordered by the court in a separate trial yet to get underway. However, if a verdict is reached Atlantic Richfield would, in effect, be paying most of the settlement to itself.

**THE ACTION** by a minority stockholder of Sinclair Venezuelan is a result of an earlier court case in which it was found that Sinclair Oil was liable for waste and violation of its duties to minority stockholders in the payment of "excessive" dividends by Sinclair Venezuelan.

In another unrelated Supreme Court action, the High Court has let stand a lower court decision that

## Wm. A. Niccolls merges

William A. Niccolls Co. has been merged into French & St. Clair, both of San Francisco.

held that a bank, in addition to certain of its officers, can be sued for damages in connection with a "credit bubble" that allegedly was created in connection with the purchase of securities.

The case involved the First National Bank of Lincolnwood, Ill. The bank had been sued by Link, Gorman, Peck & Co., a Chicago securities dealer and by the bankruptcy trustees of Ed-

ward N. Siegler & Co., a similar Cleveland concern, who charged collapse of the alleged "credit bubble" scheme caused Link large losses and Siegler to file for bankruptcy.

In its brief filed before the Supreme Court, First National Bank claimed that the lower court decision constituted a "significant extension" of the Securities and Exchange Commission's

antifraud rule.

**THE ORIGINAL** court suit had alleged that under the scheme, securities were purchased from Link and Siegler and the two brokerage concerns were caused to finance the purchases through delays in payment.

First National has since said that the suit by the two brokerage firms involved former employees of the bank; Leonard A. Brody, a vp, and Stuart Projansky, an assistant vp. In a separate suit in July 1968, the bank sued its former president, Arthur C. Keller, and a former board director, Irving Projansky, for an alleged \$221,000 loss the bank

suffered on four loans.

In another case, the Supreme Court agreed to consider whether a Greek sailor injured aboard a Greek ship in a United States harbor could seek damages in United States courts.

The New Orleans district court had awarded a judgment to Zacharias Rhoditis, a sailor aboard the Hellenic Hero who was injured while the ship was in the port of New Orleans.

The shipping lines, Hellenic Lines Ltd., had argued that Mr. Rhoditis should have sought damages through Greek courts since he was a Greek citizen injured aboard a Greek ship.

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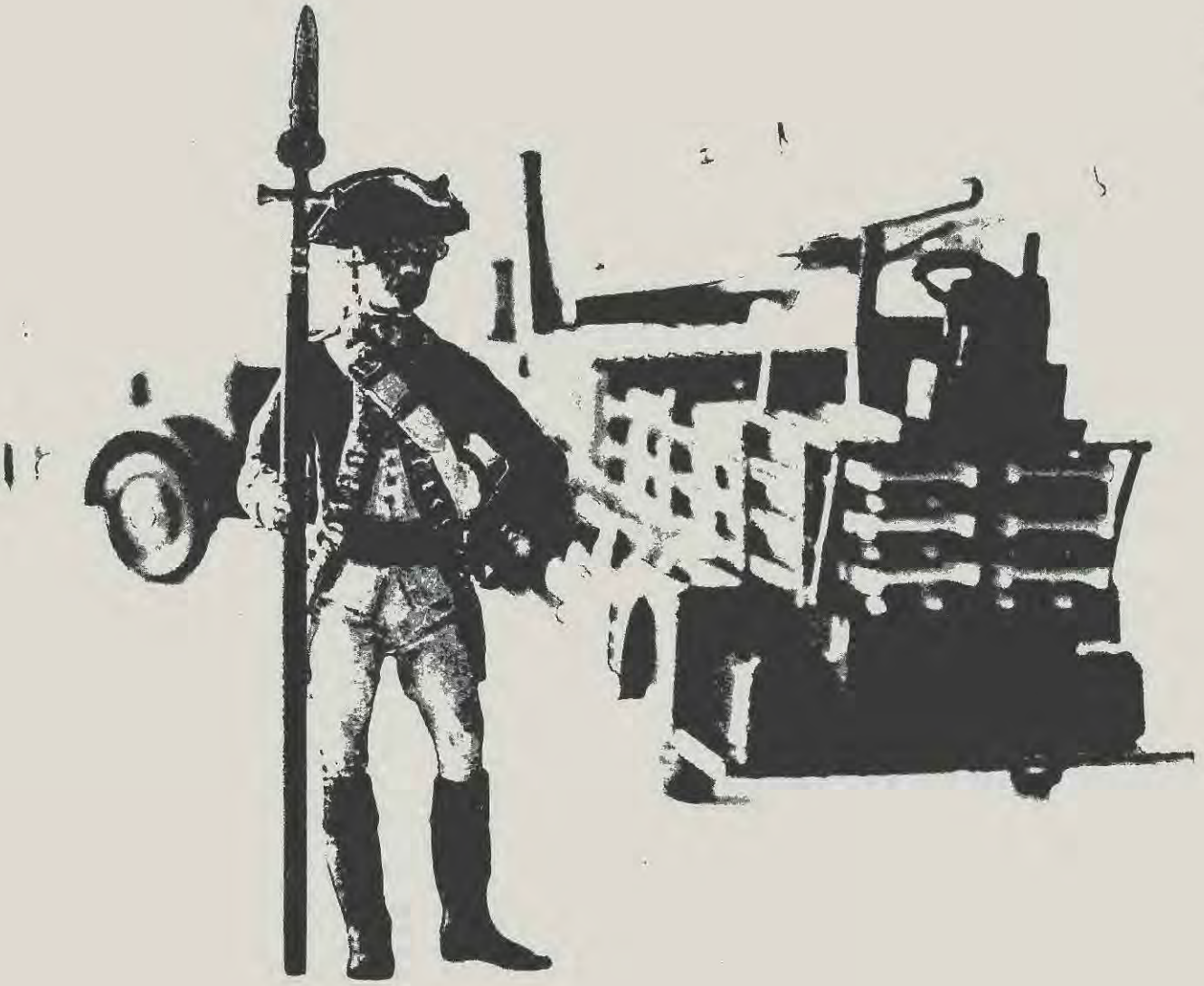
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## Investment trust?

Ralph Nader, appearing on a recent tv interview program, offered the opinion that the insurance industry has failed to live up to its potential as a force for health and safety. Insurers, according to Mr. Nader, have become a form of "investment trust" interested in collecting more premium dollars. Insurers, he charged, have largely ignored their capacity to promote road, occupational and product safety.

As usual, Mr. Nader's comments are both trenchant and on target. Insurers, historically, have not played a role in safety that is in keeping with their vast role in the economy and their direct interest in the prevention of losses. But there is strong evidence that loss control will occupy greater interest and larger expenditures on the part of property-liability and life insurance companies.

Mr. Nader himself cited the organization in recent years of the Insurance Institute of Highway Safety, an agency supported by the entire auto insurance industry, which distributes meaningful grants for improvement of driver licensing, road engineering and vehicle safety. IIHS, operated by a staff of professionals, is the first major effort of auto insurers to apply funds to improve highway safety generally.

Yet neither Mr. Nader nor others should ignore the significant achievements of insurers in improving the safety records of auto fleets. Principles of defensive driving developed by insurance safety specialists for fleet insureds are now used by the National Safety Council and other groups to educate motorists.

Moreover, there is considerable evidence that workmen's compensation insurers have contributed to on-the-job safety procedures that have reduced the occupational death rate among workers by 42% since 1945. During the same period, on-the-job injuries have increased only 10% while the worker population has grown from about 50 million to more than 70 million.

On the other hand, there is little evidence that insurers have paid much attention to such key safety matters as vehicle design, environmental pollution, harmful additives in food or some of the occupational hazards inherent in new technology.

Nonetheless, there are strong reasons now for insurers to give keen attention to loss control. One wellspring of interest is the growing tendency of corporations to emphasize risk management as opposed to insurance buying. More and more companies now expect that executives formerly called insurance managers be risk managers who are primarily concerned with eliminating risks before they spend money to insure against them.

This emphasis on risk management has encouraged the growth in some areas of safety consulting firms that provide sophisticated loss prevention advice that eliminates hazards and lessens loss payments. Some conventional property-liability insurers, in fact, have organized subsidiaries that provide safety consulting services at a fee independent of the purchase of insurance coverage.

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## EMPLOYE GROUP LIFE PURCHASES

Type of group	Number of members	Insurance in force	Percentage of total
Employer-employee Union; joint employer-union	34,636,000	\$298.5 billion	83.9%
Professional society	6,205,000	22.4 billion	6.3%
Employe association	614,000	7.6 billion	2.2%
Other employe program	1,547,000	10.8 billion	3.0%
Group not related to employment	650,000	5.0 billion	1.4%
	19,136,000	11.1 billion	3.2%
	62,788,000	\$355.4 billion	100.0%

Group life insurance, a rapidly growing form of coverage, accounted for 37% of all life insurance in force with legal reserve life companies in the U. S. at the end of 1968. This table shows that the major share of group life insurance is held by groups related to employment or occupation, which account for fully 96.8% of the total group life insurance in force. Employer-employee groups alone account for more than 83% of such insurance. The average amount of insurance per member of employer-employee groups was \$8,618 at the end of 1968. Among group members only professional society members stood higher—at \$12,490 average life insurance each. More than 85.2% of group life insurance in force was held by members of groups of 500 persons or more.

Source: Institute of Life Insurance

Unless property-liability insurers provide full and effective safety services in years to come, they may find that some of their premium dollars will be lost to risk management departments that will purchase the safety services they need to augment self-insurance programs.

Another factor that militates for greater insurance industry interest in loss prevention stems from the very investment trust concept spoken of by Mr. Nader. A number of property-liability insurers have already been taken over by conglomerates that eye the assets of such insurers for their investment potential. Indeed it has been said that such conglomerates will at last show insurance companies how to effectively use their money.

Inflation and loss ratios, however, have cut so deeply into the underwriting profits of insurers that in recent years many have depended for profit margins on the success of their investments. Those insurers that are now taken over by conglomerates will be viewed as profit centers, expected to turn a profit from underwriting alone. This expectation can be met only by insurers improving their loss ratios, in part through loss prevention.

Mr. Nader, therefore, was right about the failure of insurance companies to live up to their potential for promoting safety.

But new realizations by insurers about their obligation to society, fresh demands created by risk management and increased expectations of underwriting profits may well turn insurers' eyes increasingly toward loss prevention as one of the vital ingredients of their service to business and society.

## Single consumer voice

The American Society of Insurance Management meeting in Miami in April will undoubtedly take up again its legislative program, one that has grown enormously in the states and in Washington within the past several years.

ASIM has properly assumed the role of the voice of the corporate buyer of all lines of insurance. It has articulated the corporate buyers' voice in hearings on open rating plans, the industrial insured exemption and, recently, on proposals to create a Federal fund against insurance insolvencies. In the individual states, the ASIM voice has been clear or faltering, depending upon the vigor of the local chapters and their legislative chairmen.

What ASIM has failed thus far to consider—and ought to take up in Miami or at an early meeting—is its potential leadership role in gathering together all insurance buyers to lobby collectively for those bills and rulings that would aid the consumer's position in the marketplace.

ASIM ought to be working closely with consumer advocates, both governmental and private, in Washington and at the local level. Informed risk managers who are members of ASIM have an obligation to speak out not only for their corporations but for the employees of their companies, who may find difficulty purchasing at reasonable prices the automobile, homeowners and family protection insurance that they need.

## Value in dissents

What good are dissenting opinions in insurance cases? We think that they serve a very useful purpose.

In the first place, they may be exactly correct and more productive of justice than the majority opinion. Secondly, they serve as a guide to lawyers and judges who may consider, in the future, cases with similar or identical facts. The object of the law is justice and it may well be that when the same case arises in California, or any other state, the California court may well appreciate and adopt the views of the dissenting judges. Also, the dissenting opinion can form the basis of powerful arguments for the lawyers in preparing their brief on their side of the issue.

We would encourage lengthy dissenting opinions by the courts, as it is our view that only by this method can the law progress in wisdom and justice for all.

## Capacity crisis

To the Editor: It is unfortunate that we did not talk prior to the writing of your Feb. 2 lead editorial concerning the National Assn. of Insurance Brokers' efforts to help relieve the present market capacity crisis.

Speaking as its chairman, NAIB's market capacity committee has stressed the importance of the industry finding its own solutions—certainly not, however, to the exclusion of corporate risk managers or others who are involved with corporate insurance programs! The fact that two members of our committee are also dedicated members of the advisory committee for the program in risk management should dispel any thought that we are unaware of the important role played today by corporate buyers. Reference to the industry finding its own solutions meant that Uncle Sam will find them for us if we don't.

During the past few months, members of the NAIB committee have had discussions with insurance company executives, producers, consultants, and many risk managers. Our deliberations thus far have convinced us that there is ample capacity to handle all of the insurance needs of American business. Our immediate task is determining and promoting the best of several methods of harnessing that capacity—and convincing underwriters that the method selected can be profit-oriented. We envision all kinds of carriers—stock, mutual, direct writers—as participants in this venture.

Comments and contributions from all segments of the industry were and are most welcome. We have a long way to go and so little time in which to get there. . . . and thank you for your fine words of encouragement!

Joseph E. Johnson

Vice President, Brown, Crosby & Co., Inc. New York, N. Y.

## Kelly Girl article

To the Editor: The recent article entitled, "Ad for Kelly Girl Liability Stirs 'Temporary' Ire," *Business Insurance*, Feb. 2, states the displeasure of our competitors very accurately.

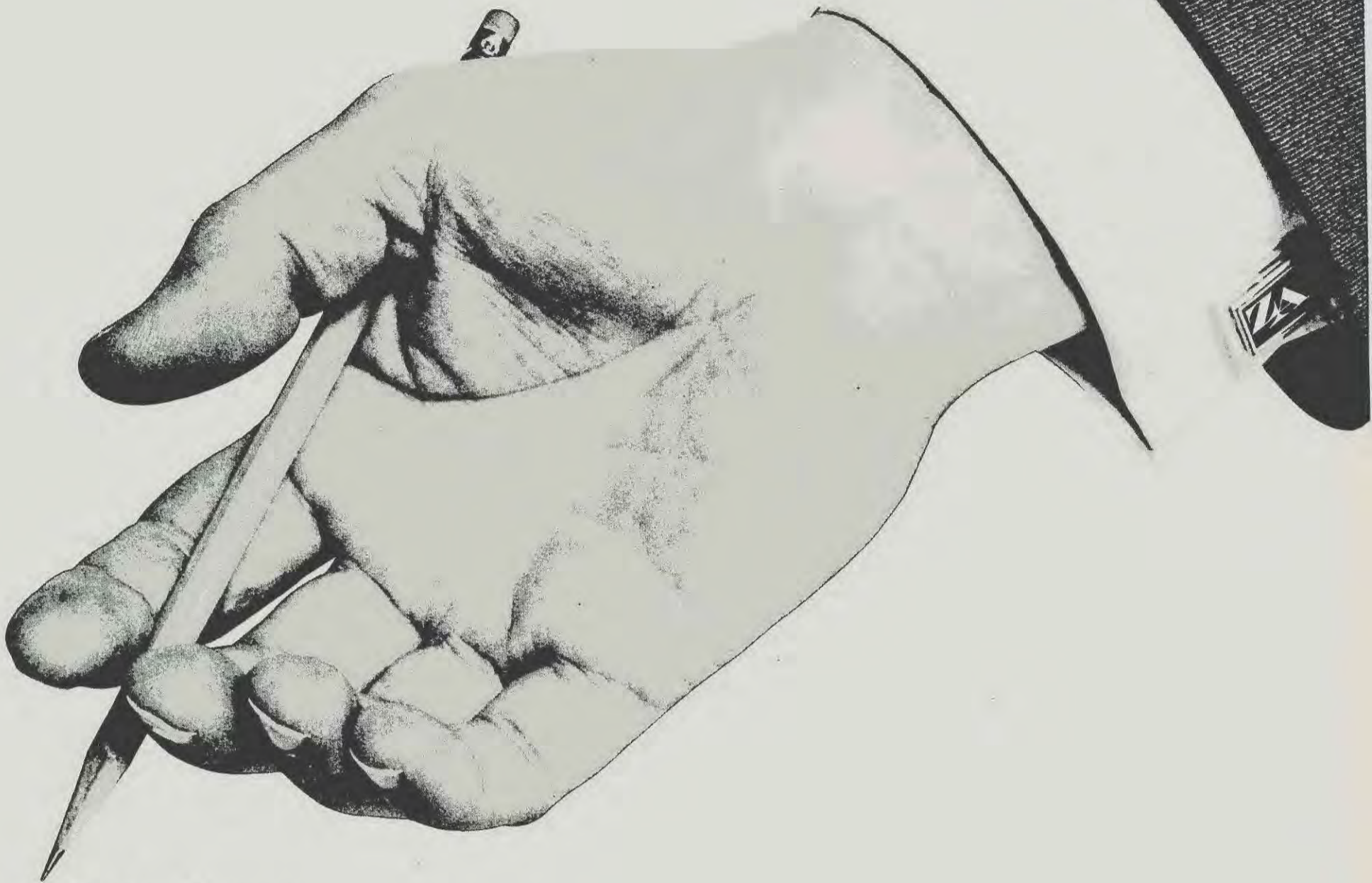
However, it fails to mention the salient message of the ad. That message is not our insurance vs. competitors' insurance coverages as the article leads one to believe. The intent was to state our position in regard to our customer's total protection, which is but one reason why all temporary help firms are not "just like Kelly Girl!"

By total protection we mean that if something is our fault, it won't cost our customers money. This is the intent of our 100% unconditional guarantee and it is also the intent of our position as concerns liability.

Your knowledgeable readers are aware, I am sure, that regardless of insurance coverage, claims can develop that are in excess of, or outside of, the coverage of many insurance policies. In these cases our customers can look to us, and our reputation and financial resources are such that our customers are totally protected. And, because we have no franchises in our Kelly Girl operation, that protection is automatically applicable to all of our Kelly Girl customers.

This does put our customers in a stronger position than the customers of those competitors who

Continued on page 16



# It takes an experienced hand to help with Group follow-through.

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details. We work out a plan for you, set up the program administration, settle claims promptly, provide dependable service. In fact, regular service calls are made by claim representatives. This is an advantage to you from an employee relations standpoint, because, when an employee has a question, it generally involves a claim—and the seasoned claim man can give an on-the-spot answer.

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# financial briefs

**TOTAL SALES** were \$116 million, up from \$103 million, reported Standard Security Life Insurance Co. of New York. Group sales were \$15.87 million, down from \$21.1 million, for the nine months ending Sept. 30, 1969.

A net gain of \$175,504, from operations was recorded (after dividends to policyholders) for the nine months ending Sept. 30, up from \$102,226 for the same period last year.

**NET ADJUSTED** earnings of \$46.9 million for the first nine months of 1969, down from \$65.1 million in the same period last year Aetna Life & Casualty Co., Hartford, reported. Total premium income for the nine months was up 12% over a year ago to \$2.2

billion. Life and health insurance and annuity premiums gained 16% to 1.3 billion, Aetna said, buoyed by "important" rate hikes in group health lines and "substantial" gains in sales in the profitable group life and annuity areas.

Casualty and property premium growth was "purposely limited," the firm said. The 6% gain to \$820 million came almost entirely from rate increases rather than from new business.

**FIDELITY** Corp., Richmond, Va., insurance and financial holding company has formed a new subsidiary which will operate as a savings and loan holding company. The unit, called Northern Financial Corp., will receive Fidelity's 99.96% interest in the Akron Savings & Loan Co.

It's contemplated that 95% of the stock of Northern Financial will be distributed via a public offering headed by investment banker Dean Witter & Co.

**NINE-MONTH** figures for Metropolitan Life Insurance Co., New York, showed group life business up 12% to \$1.8 billion in 1969. Total life sales reached \$8.8 billion, an increase of 10.7%.

**LIFE AND** Casualty Insurance Co., Nashville, passed the \$500 million dollar mark in assets at the end of the third quarter of 1969. Total life sales for the nine months hit more than \$457 million, giving the insurer life insurance in force of \$3.6 billion.

**AMERICAN** Reinsurance Co. reported adjusted earnings of \$7.1 million for the first nine months of 1969, an increase of 24.5% over the same period in 1968. Merl L. Rouse, chairman of the company, said "results would have been substantially better but for Hurricane Camille."

The company wrote premiums totaling \$112 million in volume, an increase of 17.8% over the same period of 1968. American showed \$1.3 million in statutory underwriting losses for the first nine months of 1969.

**LACOP** Corp., Philadelphia holding company for Life Assurance Co. of Philadelphia, has agreed to buy Royal Little Management Corp., Providence, investment advisor for the St. Regis Growth Fund.

**FOR THE** first nine months of 1969 Integon Corp.'s property and liability subsidiaries reported a 20% increase in written volume over the same period for 1968. Integon Corp.'s group plans recorded a 12.7% increase during the first nine months of 1969 to lead the company's life insurance growth for that period.

The company's overall sales volume increased by \$17.8 million through September of 1969 to \$787.5 million. This sales increase gave Integon some \$3 billion of total life insurance currently in force.

**SECURITY**-Connecticut Life Insurance Co., Hartford, has passed the \$100 million mark in new individual life insurance sales during 1969, the first time in the company's 14-year history that this sales level has been reached in any given year. Net gains from operations for first nine months are reported at \$183,942, compared to gains of \$139,324 during 1968's corresponding time span.

**JOHN HANCOCK** Mutual Life Insurance Co., Boston, has set aside a record \$153.8 million for dividend payments to individuals and group pension policy owners during 1970. Dividends on individual policies—including ordinary, industrial and personal health coverage—will increase 4% over 1969 to \$131.5 million. Group pension dividend scale has been boosted by 8½% to provide for total payment of \$22.3 million.

A RECORD dollar increase in its 1970 dividend scale for individual policies, the largest scale percentage boost in 5 years, has been reported by the New England Life Insurance Co., Boston. Ordinary dividends to be paid in 1970 are expected to hit \$82 million (a \$7.3 jump over 1969), with \$2.1 million representing increased insurance in force and \$5.2 million, the improvement in scale. Interest rate on dividend accumulations, on settlement options not involving life contingencies, and on policy claims has been increased from 4.65 to 4.75%, and interest rate on auxiliary funds under qualified pension trusts has been increased from 4.9 to 5%.

**SECURITY** Corp., Hartford, holding company for the Security Insurance Group, reported an increase in earnings due to improved underwriting performance, investment income and realized capital gains for first nine months of 1969.

Profits, including realized capital gains, at the end of the third quarter, reached \$4,193,230, or \$2.89 a share, as compared to deficit in earnings representing \$1,093,694, or loss of 75 cents a share, for same period in 1968.

Statutory underwriting loss for the first nine months was \$1,554,335, down \$4,777,835 from \$6,332,170 underwriting loss sustained for same period in 1968.

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## letters

Continued from page 14 are unable to make such a statement.

Also, it would seem to me that the Kelly spokesman quoted should have been identified, and further, such spokesman should have had the authority to speak for the corporation which to our knowledge was not so in this case.

**Frank McBride**  
Executive Vice President, Kelly Services, Detroit, Mich.

### Wrong objective?

The following is a letter written by Joe B. Hunt to Ralph Bethel, president, Oklahoma Blue Cross & Blue Shield plans, in reference to the editorial entitled "Wrong objective" which appeared in the Jan. 19 issue of Business Insurance.

Dear Mr. Bethel: Thanks for your letter of Feb. 3, 1970 and I appreciate your taking time to write me and also appreciate your comments.

I can't understand the criticism in the article that appeared in Business Insurance. I certainly wasn't bragging on the fact I am operating on the lowest percentage of taxes collected of any one of forty-nine states. I was just stating facts, complaining that we do not have more money to operate on.

As far as Community National Life Insurance Co. is concerned, a writer for the Wall Street Journal told a member of my staff I had uncovered the biggest swindle since Billy Sol Estes and should be complimented for the prompt action taken against the company.

I don't mind constructive criticism, but I do not appreciate destructive criticism and as for the man who wrote the article, I think of him like the man who got kicked by the jackass, I just consider the source.

**Joe B. Hunt**  
Insurance Commissioner, State of Oklahoma.

Continued to page 30

# What's a nice coupon like you doing in a space like this?

### (Aiding meeting planners.)

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Please send me some literature about the Royal Sonesta Hotel. Isn't it the new one on Bourbon Street? With a great creole restaurant? And oyster bar? And all that jazz?

Please send me information about both hotels. Aren't they HCA sister hotels? Two blocks apart?

Mr. Ronald E. Cougel, Director of Marketing  
Royal Sonesta Hotel, 300 Bourbon Street,  
New Orleans, La. 70140

NAME \_\_\_\_\_

COMPANY \_\_\_\_\_

TITLE \_\_\_\_\_

ADDRESS \_\_\_\_\_

HCA HOTELS CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

## following the funds

# Bear, Stearns woos pension funds, but separates sales, management

NEW YORK—Few were overwhelmed when Bear, Stearns & Co., a leading institutional brokerage house headquartered here, announced recently that it was entering the stream of money management with the formation of Bear Stearns Capital Management.

The entry is yet another in an increasing popular trend on Wall Street; brokerage houses want some of the multibillion dollar market made up mostly of pension funds. The stream is not yet crowded, but it may be soon, and Bear Stearns will be one of the more formidable swimmers if Michael E. Tennenbaum has anything to do about it.

Mr. Tennenbaum, a general partner of the parent firm and supervising partner of the new department, believes Bear Stearns Capital Management has something unique to offer institutional investors.

"MY PRINCIPAL innovation," Mr. Tennenbaum said, explaining that he has been working on the design of the new department for two years, "is that the money management phase has been separated from the client-relation function. Of course," he added, "the separation between client relations and capital management is only practical when specialized computer services are available." Bear Stearns Capital Management, he said, will be able to use the extensive computer facilities of Bear, Stearns & Co.

"My money managers will be working full time on just that. They won't have the burden of sales calls. They'll be insulated from those disadvantages. Why," he asked, "should they be disadvantaged when I look to them for bottom-line results?"

"When a new account comes to us," he continued, "he allocates his money according to the objectives he has in mind and the stipulations by which he must abide. Each of these is programmed into a computer instead of being filed away in a memo in the back of someone's file cabinet."

The advantages of the computer, the youthful partner noted, are self-evident: "If the account executive is out on the golf course at the time a decision must be made, the investment manager is not hamstrung. He can take the course of action necessary at the moment."

**DURING A RECENT** interview in the Bear, Stearns offices at 1 Wall Street, Mr. Tennenbaum noted the reasons for the company's entry into capital management.

"The volume—I should say the quantity of the marketable securities that lend themselves to capital management is somewhere in the range of \$150 billion. These," he said, "include pension and welfare funds, estates and trusts."

"Quite a number of people in the U.S. have portfolios of \$500,000 or more. It's amazing! Practically every town of any size has one person with a portfolio of this size."

The concentration of assets is continuing in this country at a rapid pace, he observed, and a sizeable portion of it is poor people's money that has been placed in pension funds.

"TAKE A LOOK at the General Electric settlement," Mr. Tennenbaum said. "The distribution of the settlement highlights the increased amounts of money that are being distributed in funds of this kind."

"Under the new tax law, the rich are not getting richer. You might say," he added, "that ordinary income is back in vogue."

"This market is very large and

growing. It is becoming more aware of the need to perform," Mr. Tennenbaum emphasized, noting that the results of pension fund performance are much more suspect to scrutiny these days by unions, management and government. "Congress has its critics," he added, "who are looking at these (pension funds) as the largest unscrutinized forms of funds in the country—which is

probably true."

When Bear, Stearns formally announced formation of the new department in mid-December the firm already had about \$50 million under management.

"SINCE THEN we've received a large number of inquiries from all over the world," he said, noting that the new department's 15 members are not pounding on pension fund administrator's doors seeking business.

The company sent out a brochure and covering letter to potential clients and has had some "exciting" results from these. "It typically takes two months from the beginning of an inquiry to close an account and we've already begun to close on some," he said. "We're exposing ourselves to the financial community on the belief that people will

seek us out. We're dedicated to excellence in portfolio management," he added, echoing the words on the cover of the Bear Stearns Capital Management brochure. "We'll see if experience bears that out," he said with a laugh.

Referring to the recent INA Corp.-Blyth & Co. merger, Mr. Tennenbaum noted, "It is abundantly clear that many major financial organizations are seeking access to the New York Stock Exchange commission structure. Through one form or another—quantity discounts, purchase of brokerages—the availability of high-quality investment management is no longer a certainty."

The Bear Stearns department, its head noted, prefers to assume full discretion for the portfolios

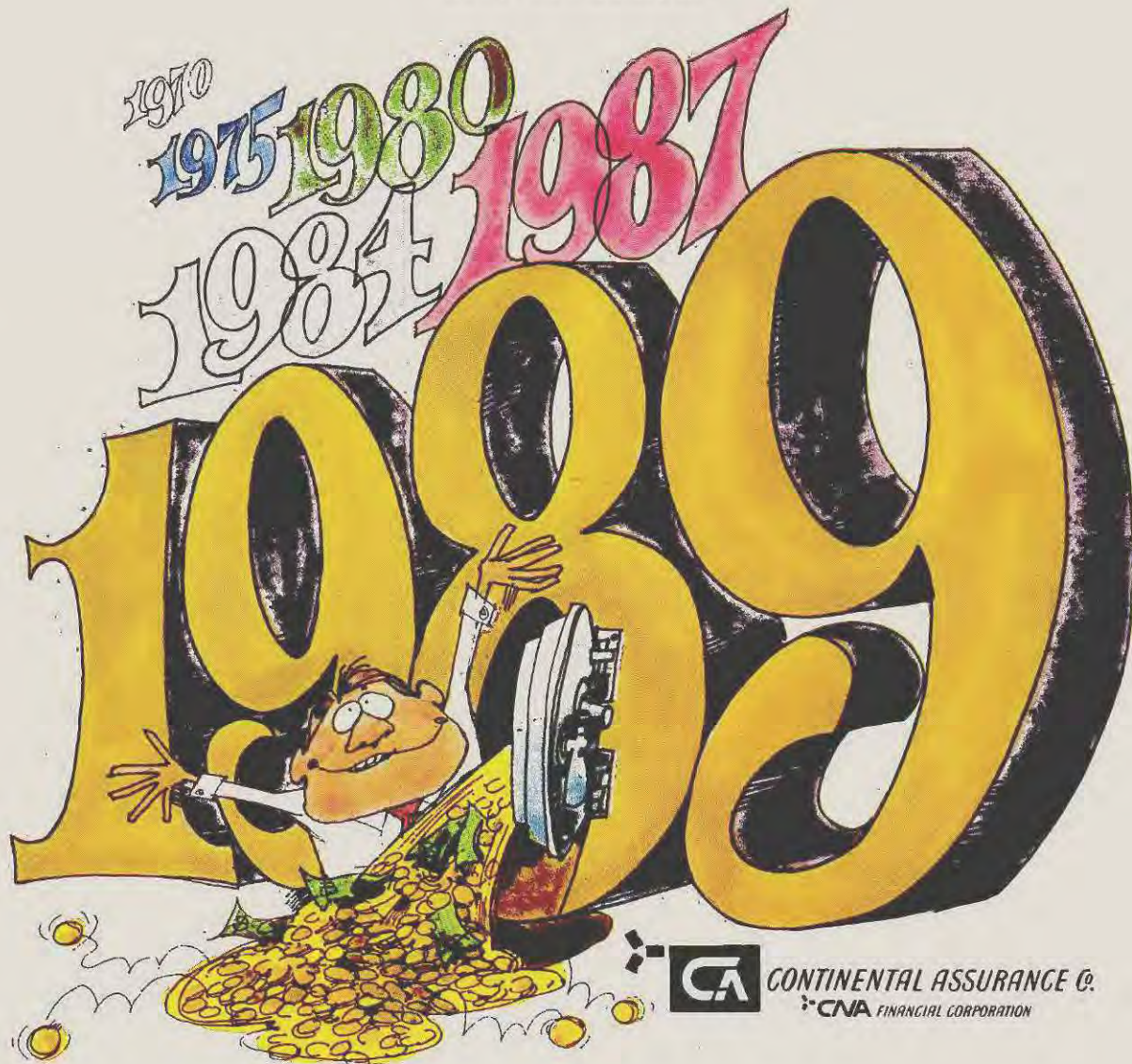
Continued on page 26

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# Study shows 'striking' 29% increase in pensions with vesting provisions

WASHINGTON—Multi-employer pension plans from 1962 to 1969 grew more rapidly than single-employer plans, and coverage of noncontributory plans increased faster than contributory plans, according to a study recently concluded by the Labor Department Bureau of Labor Statistics.

In addition, the study shows a striking 29% increase in the proportion of workers covered by plans with vesting provisions.

Private pension plans reporting to the Labor Department covered about 19.5 million workers in 1969, almost 25% more than in 1962 and about 12% more than in 1967, the study notes.

**THE STUDY** was limited to those private pension plans covering more than 25 participants. Plan administrators filed reports with the department's Labor-Management Services Administration under the provisions of the Welfare and Pension Plans Disclosure Act. Plans providing non-computable retirement benefits, such as profit sharing, are excluded.

Multi-employer plans, the study concludes, covered 5.6 million workers in 1969, or almost 30% of all participating workers. By contrast, less than 4 million active workers, or 25% of the

total, were covered by multi-employer plans in 1962.

Noncontributory plans covered 15.4 million workers in 1969, almost 80% of all private sector employees participating in pension plans. The 1962 coverage by contributory plans extended to 11.8 million workers, or 75% of the total.

According to the study, the growth in the number of workers covered by private pension plans is primarily attributable to growing employment in firms with pension plans rather than to the adoption of new plans.

**THE LABOR** Department study also concludes:

- Plans with vesting provisions

covered 76% of all participating workers in 1969, compared to 63% in 1967 and 59% in 1962. The prevalence of vesting in multi-employer plans and in non-contributory plans increased at a faster pace over the 1962-69 period than in either single-employer or contributory plans.

- In 1969, 87% of the workers covered by single-employer plans were in plans with some form of vesting, compared to 51% of the workers covered by multi-employer plans; 89% of the workers under contributory plans and 74% of the workers covered by noncontributory plans were in plans with some form of vesting.

- About 10 of every 13 workers in plans with vesting can re-

ceive a vested nonforfeitable right to all of their accrued benefits immediately upon meeting the plans' age and service criteria for vesting. The remainder are covered by plans that provide for graded or gradual vesting.

- In 1969, plans with either vesting, early retirement or both covered 91% of all active workers participating in private pension plans reporting to the Labor Department. Plans with both vesting and early retirement provisions covered 73%; those with only early retirement covered 14%, and those with vesting provisions alone covered 3% of all participating workers. Early retirement provisions of private pension plans have certain similarities to vesting provisions. Both provide participants who meet certain criteria with nonforfeitable rights to pension benefits prior to their normal retirement age.

- In single-employer plans 84% of the workers were covered

by both vesting and early retirement provisions while only 47% of the workers in multi-employer plans had such coverage in 1969. The incidence of both provisions in plans requiring employees to contribute was about 10% greater than in noncontributory plans.

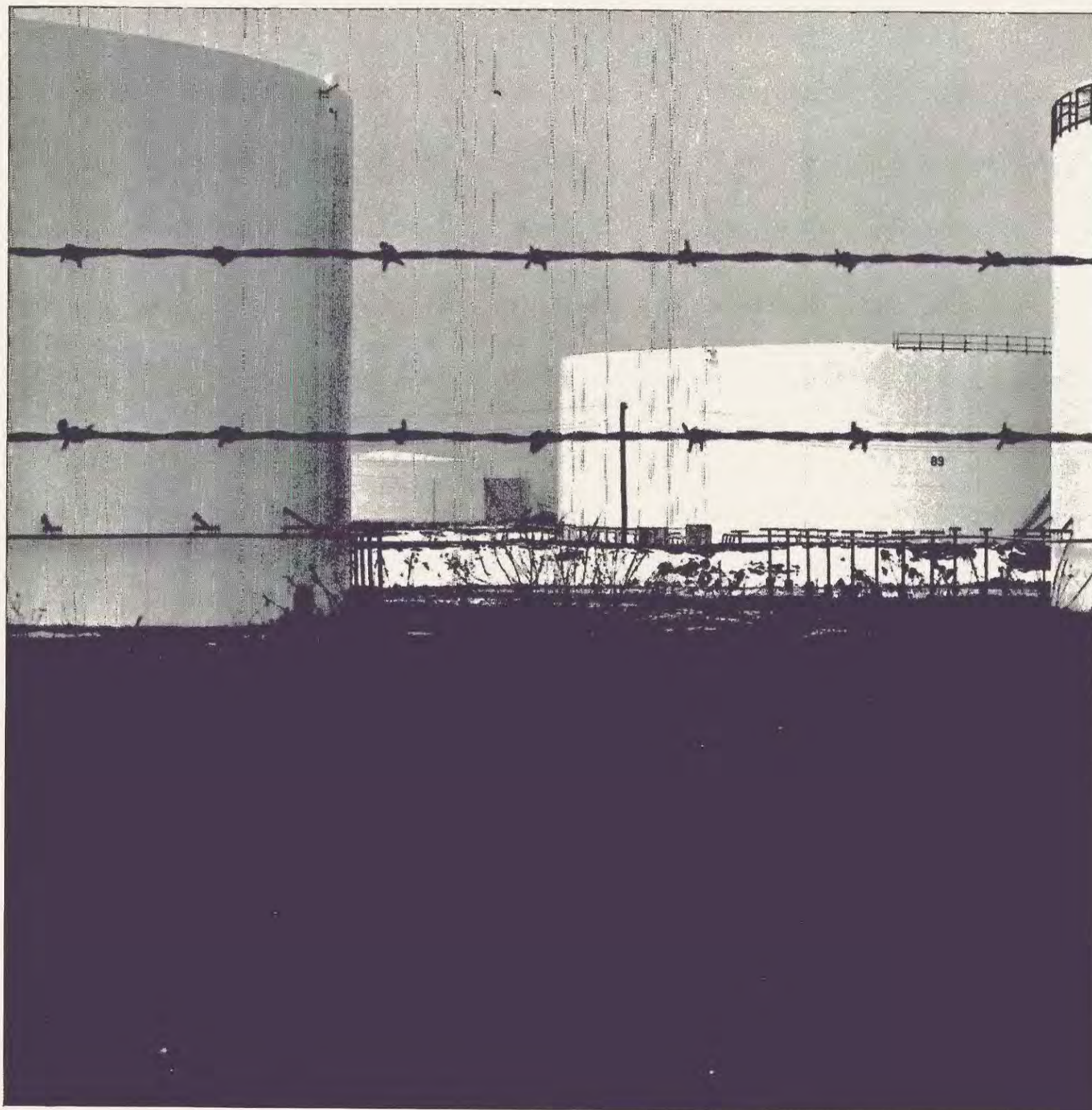
- More than one-third of all plan participants could receive a nonforfeitable right to a vested or early retirement benefit at age 40 with 10 years of service, and more than half would receive such rights at age 40 with 15 years of service. By age 55, all but about 10% of the workers covered by private pension plans who had 15 or more years of service under the plan would have a right to either a vested or early retirement benefit. More than half of all active workers in plans can elect early retirement at age 55 if they meet the plan's service requirement. At age 55, the most frequent service requirements were 10 and 15 years. ■

## Wins comp settlement

FORT WORTH—A court here has ruled that an employe was "acting in the scope of her employment" when injured in an auto accident while driving home from work and was therefore entitled to workmen's compensation insurance.

Mrs. Thelma Larue Woods, a keypunch verifier at the General Dynamics plant in Fort Worth, was injured when her car was struck from behind as she stopped at the plant's main gate on her way home.

Judge Harris Brewster of the Fort Worth Court of Civil Appeals noted that the plant and its parking areas are enclosed by a chain-link fence and that its security officers patrol the grounds. Therefore, he said, Mrs. Woods was still on the premises as a matter of law even though she had left work. ■



On just a single tank farm, you'll find a vast array of insurance exposures. And because many of these exposures are judgement rated, it takes a vast array of underwriting skills to cover them.

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More than anything else, that kind of insurance calls for good, sound judgement. And happily, MOAC has a world of experience on which to base that judgement. Years and years of company operations. Plus the records and research facilities those years have spawned. And it's against this background that MOAC underwriters use their insight and common sense to design specific coverages for whatever exposures you're apt to encounter.

## Standard National to pay \$1,000 penalty

NEW YORK—The Standard National Insurance Co., a subsidiary of the Travelers Corp., will pay a \$1,000 penalty for allegedly violating the New York State Insurance Law by using non-licensed personnel in selling mass-merchandised auto and homeowners insurance at Grumman Aviation Corp. here.

Standard National began marketing the payroll deducted insurance plans earlier this year at Grumman plants in Bethpage, Calverton and Syosset, New York.

At that time, according to the State of N.Y. Insurance Department, it was being sold by solicitors licensed to sell life insurance. Not all of them were licensed property agents, however.

# Hartford gears loss control to top management

By STEPHEN GILKENSON

HARTFORD—John L. Pickens is a civil engineer. What's he doing sitting there in a corner office at the Hartford Insurance Group? Certainly not checking the building's foundation. The Hartford has been firmly entrenched in Connecticut soil since 1914 and it's not about to crumble.

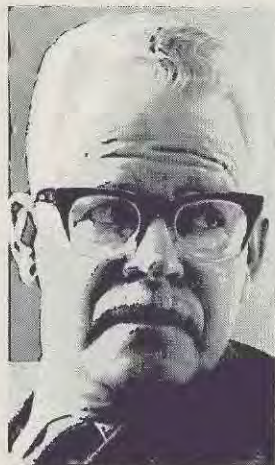
Some time ago it occurred to the powers that be at the Hartford that loss control is an engineer's job, not an actuary's. So—and this goes back a few years—the company formed an engineering department as an offshoot of the old inspection division.

In all fairness, the thought did not come as a bolt of lightning first or only to the Hartford. The

two other companies in the mighty Connecticut triumvirate—Aetna and Travelers—established similar departments.

**HOWEVER**, the Hartford is perhaps a little more impressed with itself. And with fairly good reason. The company recently formally changed its engineering department's name to loss control department.

It now has 300 engineers stationed in 45 regional offices. This year it will hire 60 more. (Resumes, guys, should be forwarded to John L. Pickens.) Next year the total is expected to pass the 400 mark and by 1974 when a 'five-year plan' comes to a close the department is expected to number more than 700. ("We row think in terms of five year plans, which shows you how far



John L. Pickens

"we've come," Mr. Pickens says with a smile).

The loss control service is being

offered gratis to most Hartford insureds. It is also being sold on a fee basis in at least one other case (someone has to pay all those six-figure engineering salaries). The latter, Mr. Pickens told *Business Insurance*, is the Mayflower Warehouse Assn., a group of 800 affiliated warehouses that do not write all their coverages with the Hartford. However, some in the group are apparent believers that suggestions of the Hartford engineers can hold down claims and insurance costs.

Mr. Pickens, a handsome grey-haired and mustached man who looks a little like an Americanized Caesar Romero, has in recent years overseen the development of an approach that is not at all unique to successful business management. It is an approach that management consultant engineers have been

using for years. Only recently, however, have insurance companies picked up the beat.

"**OURS HAS BEEN** a management approach to loss control," Mr. Pickens said. A poster on one of the glass office walls reads, "When arguing with a fool make sure he is not doing the same." Even it has a loss control function. Where the sign now is there used to be a sliding glass door. One night the maintenance department came in and replaced the door with a solid piece of immovable glass. "My secretary tried to walk through it the next day," Mr. Pickens said, noting that even the Hartford has its loss control warts.

The department head and company secretary continued his explanation of the Hartford's management approach to loss control.

"We don't even talk safety when we go into a company. You know, safety is a dirty word. For many all it means is that you have a meeting now and then and put up a few silly posters.

"You have to realize," Mr. Pickens went on, "that the same thing that causes a man to stick his hand in a press, for example, is costing the company money even if he doesn't stick his hand in the press. Management understands this language. Maybe the man doesn't know how to do his job, maybe he's not suited for the job. We find the minute we talk to them about it they also discover that there's too much waste coming from that machine."

The Hartford executive cited an example.

**THE FIRM** insures Cessna Aircraft Co. in Wichita, Kan. About a year ago, Mr. Pickens related, a Hartford loss control engineer got a call one night from a claims man at Cessna who said that they had almost had a claim that day. A machine that punches holes in sheets of aluminum had snapped and hit a worker in the glasses, breaking them but fortunately not injuring the man.

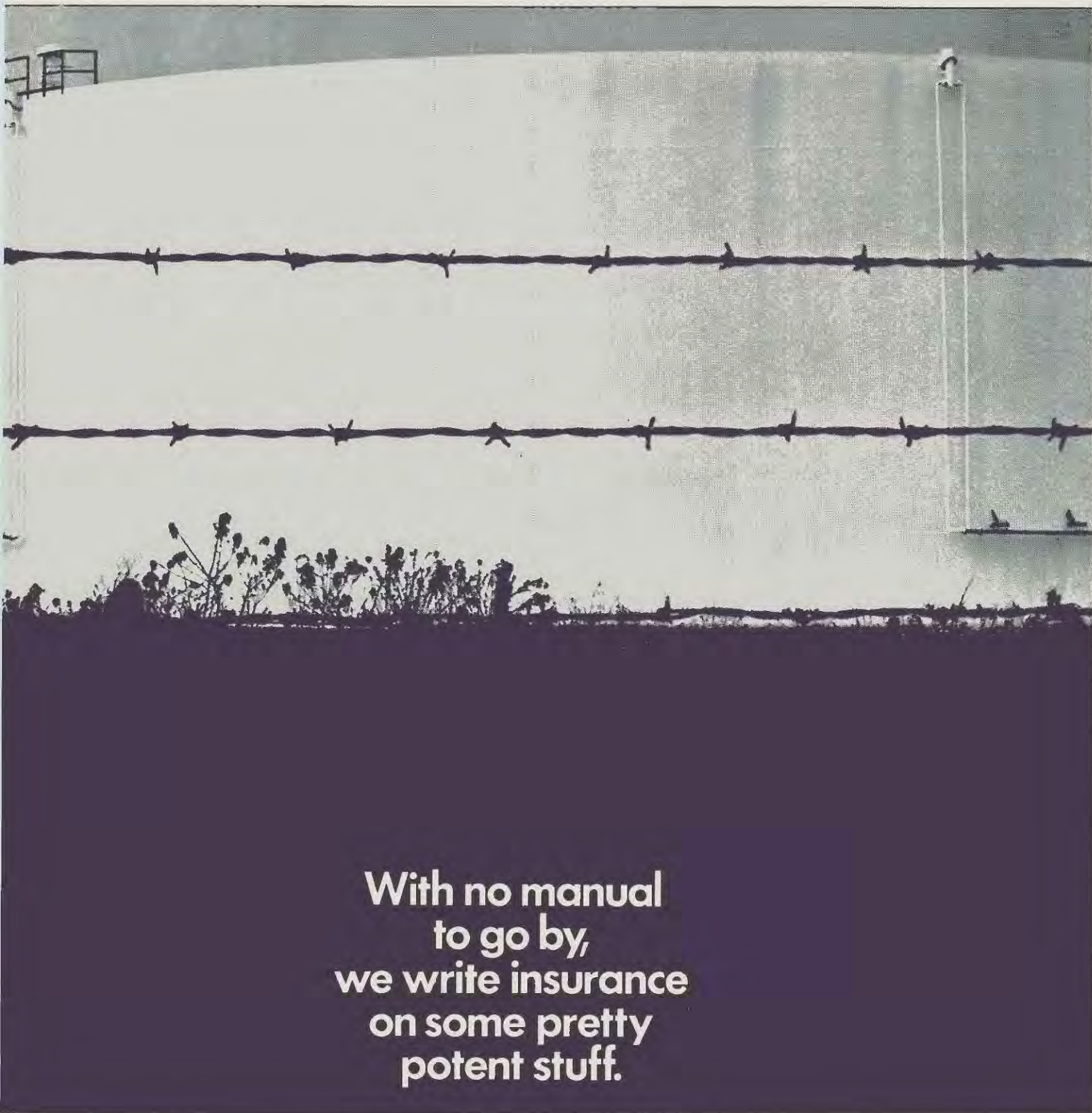
The Hartford loss control engineer went to the plant to inspect the potential hazard and in the course of his investigation learned that a simple little retaining device was missing from the punching mechanism. He also discovered that similar incidents were occurring quite frequently.

"These things cost about \$30 a piece when they broke," Mr. Pickens noted. We put a few figures together and came up with the fact that in addition to the employe injury risk involved the missing retainers were costing Cessna thousands of dollars. When I talked to our man in Wichita last he told me that since new retainer rings had been installed they hadn't broken a single punch.

"You can read piles of accident reports and they all say, 'He was careless' or 'He broke a rule.' It's often something more than that," he said. The concept of digging deeper for the cause and effect of a problem is really nothing new, Mr. Pickens said. "A lot of it is just common sense. But as far as I know we are the only one doing it this way."

**THE HARTFORD** loss control department has a resident expert for just about every conceivable problem (its engineers are specialists in numerous areas ranging from pollution control and industrial hygiene to construction and electrical) but they all use the same basic approach to problems, according to their boss.

"A company that generates,  
Continued on page 26



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The corporate insurance manager

# Where has he been and where is he going?

By SUSAN TRAUSCH

NEW YORK—"Hello. I'd like to speak with your corporate insurance manager."

"Our what?"

"Corporate insurance manager. Business Insurance is doing an article on the insurance manager's world—what it's like, who's in it, how he got there. . ."

"What do you mean by insurance manager?"

"The man who is in charge of your company's insurance."

"What department is he in?"

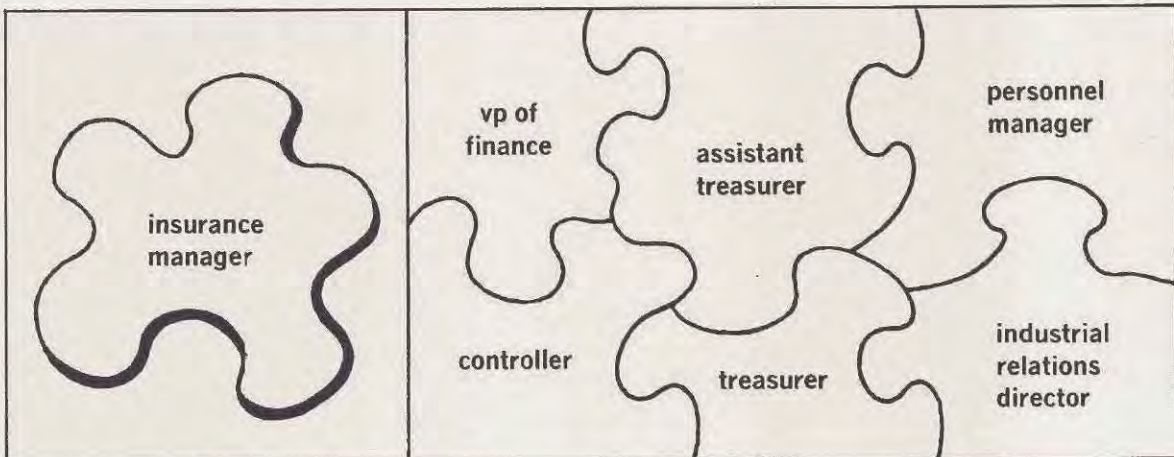
"Insurance?"

"Let me connect you with the head operator."

"Do you want personnel, dear?"

"No, corporate insurance. The man who handles fire, liability, health—all the insurance on your company."

"Let me give you our public relations department."



## The corporate insurance manager: Where does he fit?

**FINALLY**, the mystery men emerged from the pile of tangled phone wires and PR screens for a look around and for some discussion and analysis of their jobs and themselves.

According to a random Business Insurance survey, insurance managers are usually about 50 years old, have been in their jobs 10 to 22 years, have worked their way up through the ranks, or have come to their posts from brokerage houses and insurance companies.

Many of their voices within their companies seemed to be a whisper.

**HOWEVER**, an energetic breed is coming into the field and all the managers interviewed felt that the job was changing from a quiet place to wait for Social Security into a more active and promotable position.

"The role of the insurance manager will be the foremost area of discussion at the American Society of Insurance Man-

agement's conference in Miami in April," said the insurance director of an agricultural and chemical conglomerate. "We're not at a point now where the job is a stepping stone to better jobs, but we're going in that direction. We're changing."

Possibly the current metamorphic stage of insurance management is the reason for so many hesitant voices in the field. They are inching out of a corporate cocoon and aren't sure if they're going to turn into butterflies or moths.

**AN INSURANCE** manager of a conglomerate with nearly 100 subsidiaries would not even conduct an interview in his office. He walked down a hall to a carpeted, silent room and answered questions in a voice that often cracked and went dry.

He saw the trap that an insurance manager's job could become, but felt he had escaped it.

"I am very involved with the company," he said. "The job is more sophisticated than merely buying insurance. It's a challenge. I have a natural curiosity, so a conglomerate is a good place for me. Possibly in a small company an insurance manager would have a dead-end job and feel out of the mainstream of the corporation."

**THE DIRECTOR** of insurance at a large food company agreed and saw the field splitting into two camps—the old guard pros isolated on a specialty shelf, and a new progressive breed that wants to use the job as a stepping stone into higher corporate levels.

According to a couple of shelf sitters at a soft drink company and a communications firm, the job could go somewhere in the future, but now it is in stagnant waters.

"Top management looks at the insurance director as a clerk," the soft drink man said. "You reach this level and that's it."

The communications man was buried in paper work.

**"THE CORPORATION** keeps buying companies, and they aren't small ones either, but they don't expand my department," he said. "Two other men used to be in this department but they quit and left me with the whole thing."

A former insurance manager who recently got out of the field said the post was not a route to top management.

"Insurance managers are a discontented class," he said. "And they have reason to be. They are probably the least understood employees in the company. Management thinks all insurance directors do is get policies, but it's much

more complex than that. It's almost impossible to try to explain the job. Can you explain being a brain surgeon?"

He added that management was beginning to notice the insurance people and that the job would come out of the cobwebs.

**"WE ARE** going to make our presence known in the 1970s," said the insurance manager of an office machine manufacturer. "We've been looked upon as necessary evils who just create expenses, but now I think our position is becoming stronger and more sophisticated. Management is depending on the insurance manager to eliminate risks as well as negotiate policies. I am in constant contact with management and exposed to all problems of the corporation."

One food company insurance manager was promoted to vice president recently, but feels he is an exception to the general rule.

"Most insurance managers walk into the job, fall into it, or they're

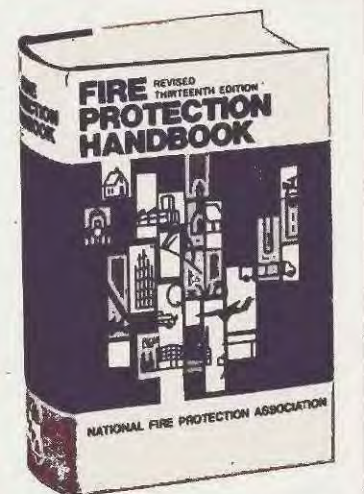
born into it and they usually stay there," he said. "They could expand, but they're happy where they are and it's good being happy. After all, the job does represent high technical skill. It's difficult to go into a general management area with such a specialized background."

**A TREASURER** of an automotive company is in charge of finding and promoting insurance managers, but according to him there isn't much promoting.

"I think most management looks on this job as a specialized position rather than a promotable area," he said. "The insurance manager is an expert, but this should not narrow him. I am looking for an insurance manager and I want someone dynamic and broadminded who is able to see the corporation as a whole rather than merely his area of it."

That's the philosophy of an airline insurance manager who started with his company as a

*Continued on page 33*



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# Underwriters did disappearing act when magician asked for coverage

NEW YORK—Magician Milbourne Christopher said two words and made Lloyd's of London disappear.

The words were "bullet catch," the name of the most dangerous trick in magic. It is done with a .22 calibre rifle fired at a magician 20 feet away who catches the bullet in his front teeth. Twelve magicians have been killed attempting the catch, many have been injured, and when Mr. Christopher told Lloyd's he wanted insurance for it, the kings of risk coverage did a fast vanishing act.

"Of course no company in the States would consider it," Mr. Christopher told *Business Insurance*. "Lloyd's thought it was too much of a risk also. They wanted me to tell them exactly how I did the trick before they'd even consider talking about a policy. But I couldn't do that. A magician never gives away his secrets."

**MR. CHRISTOPHER** caught the bullet three times without insurance. The first time was at a rehearsal, the second on NBC's "Festival of Magic" in 1957, and the third on a BBC show in London in 1958.

"I did it mainly for publicity," he said. "The festival was a show made up of magicians from all over the world. I wanted to do a trick that was totally different and sensational."

He worked on the feat for six months before he tried it.

"Timing was most important,"

he said. "And the marksman had to be absolutely exact. An inch off and I would have been dead."

Mr. Christopher explained that the marksman was chosen by the television stations. To prove that the bullet was actually fired, a piece of plastic was placed between the rifleman and Mr. Christopher, so that the audience could be shown the bullet hole. After he caught the bullet, he dropped it into a plate.

**HE SAID THAT** the only time his nerves shook was at the festival rehearsal.

"I thought I was okay," Mr. Christopher recalled. "I walked back to my dressing room, shut the door and all of a sudden tears just rolled down my face. It was about the most horrible experience I've ever had. The second and third times I did the trick, nothing like that happened. I think it was just shock from doing it the first time."

Mr. Christopher, who compiled research on Houdini for 30 years and recently published the book, *Houdini, the Untold Story*, said the bullet catch was the one trick the master magician refused to do.

"Houdini was thinking about doing it in 1918, but William Robinson, a magician he greatly respected, wrote him a letter telling him he was too valuable to the profession to attempt something so risky." Mr. Christopher said, "Because of his respect for Mr. Robinson, Houdini took the advice."

**HOUDINI'S** spectacular escape tricks were not covered by insurance, Mr. Christopher noted, but his accidental and freakish death was.

"Many people think Houdini was trapped under river ice and drowned," he said. "But he died of a ruptured appendix, and this was covered by his life insurance policy."

Mr. Christopher explained that Houdini had such strong muscles that he used to allow people to come on stage and punch him in the stomach. In 1926 a visitor to the magicians's dressing room caught him off guard and hit him several times before he had time to brace himself.

"That night Houdini insisted on doing his show," Mr. Christopher said. "Of course, by the time he got to a hospital his appendix had ruptured and the poison had spread through his system. He had two operations and died, in typically Houdini fashion, on Halloween. Six insurance adjusters carefully studied the incident and awarded Mrs. Houdini double indemnity."

**MOST MAGICIANS** however, don't do death defying tricks and Mr. Christopher pointed out that they generally do not have trouble getting coverage. He said he's heard of some slight of hand artists insuring their fingers for a million dollars. Also, magicians giving large outdoor shows often get insurance against rain that could cancel the event.



Lloyd's of London refused to provide cover for Milbourne Christopher during his bullet catch act.

Mr. Christopher, who has appeared on the Johnny Carson, Merv Griffin, and Mike Douglas shows, is currently rehearsing for a television special on Houdini which will be aired in October. He will illustrate some of Houdini's escapes on the show.

He feels learning magic is like learning any skill and that doing tricks becomes second nature. The bullet catch, however, is a

different story.

"I won't do that one again," he said. "Three times was enough. When I was in London I announced on the television show that it was my last performance of the trick. A Lloyd's representative happened to see the show and called me the next day. He said since I'd given up bullet catching, he'd be glad to write me a policy." ■

## Brokers connect services

GLASGOW—Prominent British insurance brokers Stenhouse Holdings Ltd., headed by Hugh Stenhouse, have linked up with the Swiss Accident and Casualty Insurance Co. of Winterthur for cooperation in the international field.

Winterthur has acquired about 7% of the share capital of the Stenhouse group, which from its Scottish headquarters controls brokerage interests in Britain, Australia, New Zealand, South

Africa, and France.

It will lead to Winterthur associates, the Continental National American Financial Group, of Chicago, and Provident Life Association, of London, taking a minority participation in this investment, it is announced here.

Mr. Stenhouse, who has built up the Stenhouse group strongly in the past ten years, is politically linked with the British Conservative party, and is their financial treasurer in Scotland. ■

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# business insurance/perspective

## Corporate policy— should it be written?

by David Warren,  
Warren, McVeigh & Assoc.,  
San Francisco, Cal.

Every company has a corporate policy on risk management whether it knows it or not. If it is not expressed in a written statement, it exists as the sum of actions taken, procedures established, or executive attention to its various aspects. The principal question, therefore, that any risk manager or corporate executive should ask is whether the policy that exists actually represents the policy that would be desired if a top management committee were to become aware of all elements involved and then carefully evaluate their relation to major corporate goals and activities. If such an evaluation has never occurred, the results could well be substantial restructuring of many strategic concepts.

In spite of the potential for improvement, few companies to date have actively felt the need for a formal statement of policy. Records show that only one out of five major companies actually has reduced its corporate policy to writing, though whether this is a result of considered judgment or lack of understanding is not known.

Analysis of various statements on this subject indicates two reasons why some persons fail to formalize a policy.

**FIRST, THEY MAY** fear a written statement to be too inflexible or restrictive. If so, they are confusing policy with procedure. Policy refers to the goals selected by management and the general avenues through which they are to be

reached. Procedure tells what to do and how it is to be done. A well-stated policy does not incorporate procedures, leaving ample scope for the person who interprets policy to exercise discretion, initiative, and judgment. Therefore, there should be no fear on the part of the risk manager that a formal policy would restrict him in any way but those favorable to company aims.

Second, they may simply feel that there is no advantage to be gained from formalizing a policy. If this is the case, there may simply be a failure to recognize what it is that a policy should encompass. Many authorities consider the following as important points to consider in a statement of policy:

- Possibly the most important element is a decision as to the allowable extent of loss assumption. This would set the level of self-insurance and deductibles at a point that would not jeopardize the financial statement yet would allow freedom to negotiate the most advantageous arrangement beneath that level.

- An additional statement should cover potentially catastrophic losses for which insurance may not be appropriate. Such exposures as flood, earthquake, products recall and professional liability may or may not be the subject of insurance, depending on factors other than the maximum potential loss.

- Consideration should be given to the extent to which services such as claims handling, legal assistance and loss prevention, should be performed by company or outside personnel. Some companies, for example, prefer to keep tight control on all claims. Others want a buffer between

them and the claimant. In specialized areas, such as machinery inspection, some companies have their own qualified staff while others are more effectively served by outside agencies.

- It is desirable to state how self-insurance plans will be managed. Accounting procedures need not be detailed, but the general approach of creating a reserve, expensing, or otherwise charging off the loss must be clear both for corporate headquarters and each functioning division.

- Loss prevention activities should be structured in the statement. For example, safety is often placed with an employee relations department, so the extent to which workmen's compensation and other subjects of mutual concern are handled by each department should be detailed.

- The method by which agents, brokers or direct-writing companies are selected may be lifted out of politics by a judicious statement of approach.

- The extent to which liability may be assumed by contract, and who may make such decisions, should be spelled out. Authority for the wording of "hold harmless" clauses and leases should be designated to assure adequate review by all parties concerned, and at a time when decisions can most efficiently be utilized.

- The method of handling insurance certificates from outside contractors may sometimes call for a decision on whether to accept the risk of incurring a claim because of an insolvent contractor or establishing extensive administrative procedures to police certificates of insurance.

- A policy statement on methods of establishing and maintaining values may be

needed. For example, research projects may have extremely high but unmeasurable values that management may or may not wish to insure.

- Because of the expense of handling and justifying small claims, it may be desirable to make it a policy not to file for claims lower than a certain figure.

- The place of insurance, fire protection, safety, security, and other risk management functions in the organizational structure should be outlined.

**WHILE ALL THESE** points may not be included in all policies, they illustrate elements that should have consideration by top policy-making executives. By thus considering and promulgating these directives, management enhances effective administration in the following ways:

- Attention is directed to fundamentals; Each person whose work touches on risk management is given a frame of reference within which issues may be resolved;

- The sphere in which the risk manager can operate without detailed supervision is defined;

- A more systematic and balanced approach to risk and loss control situations is achieved;

- The interdependence of insurance and other corporate activities is pointed out, emphasizing the need for cooperation between the many persons involved.

It thus seems evident that a carefully drawn statement of policy can be an important and effective management tool. Though it has not yet become universally accepted in practice, the opinions of those who have given the most thought to the question are very much in favor of written policy.

Some, however, will say their policy is clear without the need for putting it in writing. This can be a delusion. In the words of Sir Francis Bacon, "Reading maketh a full man, discourse maketh a ready man, and writing maketh an exact man." Unless a concept is subjected to the discipline of the written word, its meaning may well vary widely from person to person, and corporate objectives may thereby be compromised. ■

## Tokenism is not progress

by Lawrence Grant

(In the following article, Mr. Grant, manager of the entertainment risks department in New York for a large insurance company, offers a personal admonition to the insurance industry. As an underwriter of entertainment risks he is constantly exposed to an industry he feels is "recognizing its responsibility to minority groups and doing something about it." The insurance industry, he feels has not yet made the same commitment.)

Not so long ago I had occasion to show a visitor from England around the offices of one of the larger insurance companies in New York and he surprised me by asking why there were no Negro underwriters or clerks to be seen. It was impossible to answer his question honestly without mentioning discrimination, or in the more honest and direct rhetoric of today, racism. A strong word in all it implies, but in view of the fact that the insurance industry as a whole has been not only distinctly reluctant to insure members of minority groups but also hesitant to employ them, it is disturbingly apt.

Bearing in mind that the unemployment rate among blacks is around 7% (and a disastrous rate of more than one out of every four for black teenagers) as against the overall national rate of 3.6%, it is clear that any large corporation has a public obligation to help remedy the inequities of the situation. The insurance industry is not precluded from this obligation. In helping the less fortunates in our society industry would be helping the community at large.

**IN THE PAST YEAR** or so minority groups and their related problems have been much in the news and it is doubtful if it is a coincidence that the insurance industry has only suddenly become aware of its exclusiveness and of the overall white complexion of its employees. It is self-evident to many of us who are in the employ of insurance companies that they are now showing some initiative for the hiring of blacks, Puerto Ricans and other minority group people. Whether this was a purely voluntary move or not is something the executive officers of our insurance companies and the U. S. Office of Econom-

ic Opportunity perhaps know.

The elite quality of insurance companies as a place to work has fortunately crumbled, but the job barriers still exist. Take a look at the underwriters, claims adjusters, fieldmen, etc. in the majority of our companies and you will see how few blacks or Puerto Ricans have been allowed into the ranks. Some companies no doubt have their programs to hire and train high school dropouts and people from minority groups for other than menial jobs, but far too many are filling their "quotas" by relegating these people to file rooms and to pushing mail carts around. The insurance industry must realize that it is not a matter of filling quotas, but a case of common decency and morality. Tokenism is not progress no matter how you look at it.

If this country is to survive we have to give back self-respect to our oppressed minorities and industry can help by responsible action. It is no longer sufficient to give tacit approval of the idea of equality and fair employment, but urgent that we proceed vigorously in helping blacks, and anyone else who has been deprived of a proper place in the American system, toward winning meaningful employment and with it income, advancement and status. The insurance industry has the expertise, the resources and the power, all it needs is the commitment. ■



Lawrence Grant

# Disaster in the neighborhood

by William H. Rodda, President, Marine Insurance Handbook Inc., Chicago, Ill.



William H. Rodda

- Proximity to a railroad, particularly if it is a high-speed freight line.

- Location on a main highway over which trucks carry fuel or chemicals. Proximity to an expressway is a particularly bad location because flammable gases and chemical vapors may spread across the open spaces from an expressway wreck.

- Nearness to a pipe line carrying gas, fuel, oils, chemicals or other products that may be poisonous or flammable. A gas pipe line was ruptured near Burlington, Ia., with about 40 fires resulting.

- Proximity to a chemical plant, or a plant using chemicals or flammable materials. The Charleston, W. Va., area was in a state of emergency for an entire night when a vapor cloud settled over the city from a fire in a chemical plant. Telephone lines were so congested that it was impossible for authorities to keep in touch with affected areas or advise people when it was safe to return home.

**ANY SERIOUS** threat to life is justification for the authorities to order evacuation of buildings in the area. Plans should be worked out in advance for the orderly and complete evacuation. Responsible personnel should be assigned to make certain that all persons are out of the building. It is especially important that retail stores be cleared in an orderly manner so that no one will be left behind in a position of danger. Generally a loud speaker system is not effective. People in a store are so accustomed to the advertising that is carried by the store public

**'Any serious threat to life is justification for the authorities to order evacuation of buildings in the area.'**

address system that they do not listen to it. Employees must be instructed to use discretion in directing customers how to leave the store. Waiting rooms, toilets, dressing rooms, must be checked to make certain that all are clear.

The final step in clearing any premises is to lock up the building. Responsible officials should have this duty. They should be the last ones out, and should advise the police or other authorities when the building is clear of people.

Pilferage, shoplifting and looting are common during any disaster. The primary objective of orderly evacuation must be to prevent panic and personal injury. The second objective is to protect the property from the theft losses that always accompany the unusual.

Other types of disasters may not require the evacuation of all personnel but may prevent the business from operating. A street may be sealed off, or general access to the neighborhood may be denied. Responsible emergency personnel should be maintained within the premises whenever this is possible during periods of danger. Emergency light and power should be available. Blackouts of electrical power have occurred over wide areas. Electrical supply networks are so intertwined that a sudden breakdown can disrupt electrical supplies in several states, as occurred in New York and the Northeast a few years ago. Emergency electric lights should be installed in all buildings where people may be if electrical power is disrupted.

**ONE SYSTEM** that served well during the Northeast blackout consists of storage battery units that ride on the regular electrical system, and are kept fully charged automatically. The lights come on automatically whenever the current goes off of the supply lines. These lights should be placed so that all areas of the building

are lighted at once should the regular lights go out.

Auxiliary power is somewhat more difficult to arrange but this may be advisable in many buildings. A new long-lines telephone building in Chicago, for example, will be equipped with emergency electrical power, and will have emergency supplies, including food and water, for personnel for a two-week stay.

Elevators require attention. Some people were trapped in elevators for several hours during the blackout in New York City. Injuries resulting from such occurrences might be charged to the owners or operators of a building if they had failed to provide a means by which persons so trapped could be released.

The end of the emergency should also be planned for. Several years ago a large office building in Chicago was damaged extensively by a gas explosion across the street. Building management decided that all persons entering the building the following day would have to be identified by building personnel. The result was a jam of several thousand persons in the lobby and in the street attempting to enter their offices. The identification procedure had to be abandoned and everybody then scurried up the elevators, with practically no control. A patrol of the building by emergency watchmen could have been planned in advance so that property and personnel would be protected.

**PLANS FOR RE-OPENING** a mercantile establishment should provide for the return of employees prior to opening the

store to customers. Customers may be advised by advertisements or signs when they will be admitted. A large department store that was closed after a series of arson fires arranged for an orderly re-opening by posting signs at each entrance announcing when that particular door would be open. Sections of the store were opened day by day, with adequate announcement by signs and also by newspaper advertisements. Employees in the meantime were admitted by employees' entrances, and identification was required.

What about insurance? Emergency evacuation may cause several kinds of financial loss. Employees may be injured in a panic, or just by hurrying to get out of a building; customers may be injured, again in a panic, or by being stuck in an elevator or in a rush to get out; merchandise may be stolen; and there is the probability of a financial loss from the suspension of business.

Injuries to employees on the insured's premises would undoubtedly be covered by workmen's compensation insurance. This coverage applies to any injury that arises out of the employment and in the course of the employment. Injury under these conditions would be considered as arising out of and in the course of employment. There might be some question regarding an injury that was sustained by an employee after he had left the premises, but this would be a question for the workmen's compensation insurance company to consider—it would not ordinarily require concern on the part of the employer.

Injuries to customers would be a concern of the store proprietor if the customers could prove that the storekeeper was negligent in connection with the emergency. There could be charges of negligence if customers were injured in a panic, and particularly if the store employees were not

helpful in maintaining an orderly evacuation. However, the storekeeper's liability insurance normally would protect against any claims of the customers for negligence.

**LOOTING AND** shoplifting under emergency conditions might or might not be covered by insurance. Broad coverage theft policies applying to stock of merchandise usually cover theft of merchandise under identifiable incidents. A burglary policy might not cover if there were no breaking and entering of the premises for the purposes of theft. It is recommended that the policies covering theft, if any are carried, be examined to see whether they provide coverage for looting and shoplifting during an emergency evacuation.

Losses from suspension of business under the conditions described probably would not be covered by the usual insurance. Business interruption policies cover loss from interruption of business caused by the perils named in the policy that damage or destroy real or personal property at the premises described in the policy. Therefore, if there is no damage to property at the premises described, there is no coverage under the policy.

Examples will illustrate the point. A fire in another portion of the block prevented access to an insured's premises and forced a suspension of business. There was no coverage under the business interruption policy because there was no damage at the insured's premises.

**IS IT POSSIBLE** to secure insurance against an interruption of business because of some emergency situation away from the insured's premises? The answer is largely one of insurance market. Coverage could be developed but there may be a problem of locating an insurance company that would write the policy.

One extension of the business interruption coverage that is written would cover an interruption of electrical power because of some occurrence away from the insured's premises. For example, a windstorm might tear down the power lines between the insured's premises and the generating plant. Losses from this interruption of power can be covered. It would require an endorsement to the usual business interruption insurance policy, or a separate policy, but the coverage is written occasionally where needed. Rate and exact coverage probably would be subject to negotiation between the insurance company and the insured.

There are no generally written insurance policies that would cover losses from interruption of business due to emergency closing because of a nearby catastrophe. It might be difficult to define the type of occurrence that would be insurable. Sometimes the evacuation is ordered by civil authorities as a precautionary matter. An insurance policy would have to set forth the exact circumstances that would be covered. This would have to define the type of disaster, or whether coverage would be provided for any evacuation that was required by authorities. It would also have to define whether coverage would be provided for a precautionary evacuation upon the recommendation of authorities, or whether an actual order or proclamation would be required.

Any business operation may be disrupted by a disaster in the neighborhood even though it does not directly cause damage to the property. Plans for emergencies should include: the orderly evacuation of the premises, with employees instructed and trained to handle customers or others who are on the premises; supervision to see that property is protected from looting and shoplifting; assignment of responsibility to see that the premises are locked, and that heating, lighting, and machinery are left in safe condition; and notification to the proper authorities that the premises have been secured as far as possible under the circumstances.

Insurance policies should be examined to see whether the probabilities justify broader coverages, and whether the expense would be justified. Advance planning may prevent a large loss, and consideration of possible insurance coverage should be made before the event.

# More businessmen ought to be treated like cattle.

When the average American Hereford steps on the train, the value of his insurance is as current as the last pound he gained.

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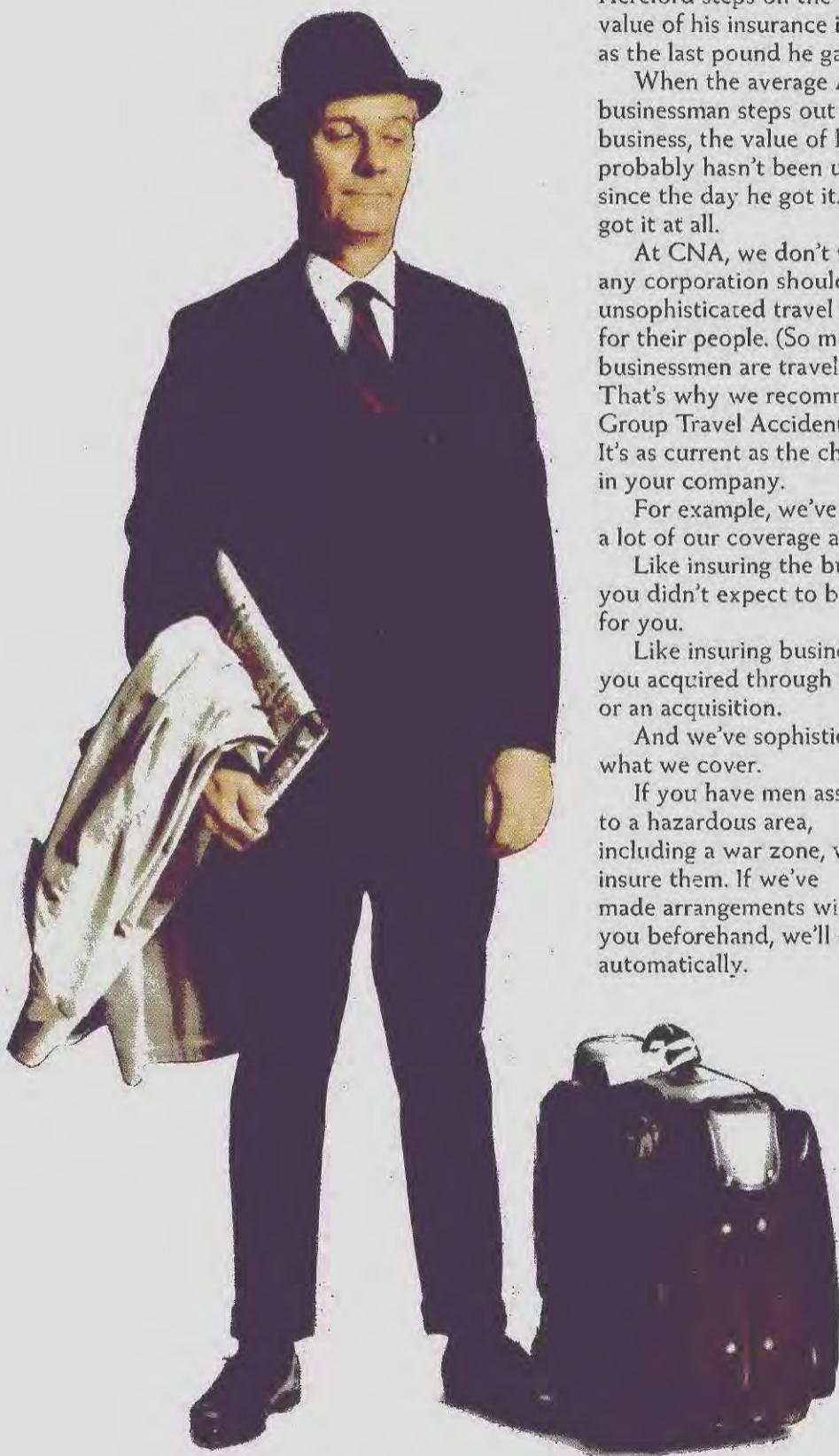
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## Hartford . . .

Continued from page 19

says, a \$10,000 annual premium on its insurance coverages would probably be written without us having to go out and check the business from an engineering standpoint," Mr. Pickens explained. "But when you come to a jumbo account that's a different story."

One jumbo the Hartford executive was talking about on this particular day was the insurance package written recently for the Ralston-Purina Co. in St. Louis. One senses that he and a few others at the Hartford are pretty proud of that story.

It seems that three years ago the Hartford sought Ralston's business but in the end lost out to Liberty Mutual, which had had the account for years. However, the Hartford was determined to get the business, Mr. Pickens said, and began preparing about a year ago to make another bid when the Liberty Mutual three-year policy expired Oct. 1.

**THREE COMPANIES** were asked to bid on the business shortly before the policy expired last fall—Liberty Mutual, the Travelers and the Hartford.

"The Travelers was in St. Louis on a Tuesday to give its presentation. We came in on Wednesday and Liberty Mutual made its pitch Friday," Mr. Pickens said, indicating that, yes, there was some nail biting while waiting for the decision from Ralston. "We're talking about \$2 million in premiums," he noted.

The Hartford got the contract, which provides policy limits slightly in excess of \$20 million,

with no deductible. The coverage is for workmen's compensation, the company's 1,900-vehicle (truck and car) fleet, and general liability, including products liability, for the worldwide operation of Ralston-Purina. In addition, the complete package covers the firm's fishing vessels (the Ralston Van Camp division has the Chicken-of-the-Sea tuna operation) and provides accidental death and dismemberment for the company's 24,000 employees.

The coverage, placed through the St. Louis insurance agency of Lawton-Byrne-Bruner, is written under a retrospective rating agreement in which premium adjustments will be made periodically for each operating facility. Under the contract the Hartford will also prepare insurance profit and loss statements to help the company pinpoint claims losses.

**MR. PICKENS** noted that the Hartford loss control people made a study of the Ralston operation before bidding on the business and learned that 56% of the dollars they were losing in claims were being lost in only 13 of Ralston's many locations. "They were impressed we had taken the trouble to find this out," he said, adding that since writing the business Oct. 1, the Hartford has sent "picked" men to most of these locations to spend four or five days with management, studying the problems and reporting on possible solutions to loss problems.

"It's not just enough to sit down and talk to the insurance department of safety man," Mr. Pickens said referring to the Hartford's approach. "We have to talk to the operating vps. These are the guys who understand the language that losses mean more

than insurance claims." Losses, in other words, also mean increased insurance premiums and more often than not production losses and unnecessary wastes.

"I hate to get quoted on this, but I've said it publicly before: Sometimes the safety man is our biggest problem."

Another problem Mr. Pickens has observed during his 25 years in the insurance business is the corporate niche in which the insurance manager is often stymied.

**"THE INSURANCE** manager is often handcuffed. He just buys the insurance and has no control over the operating vp. He usually ends up in the financial department of the business. I won't argue with that but he should have an entre to the operating vp or someone higher up. The poor guy sitting over there in the insurance department or personnel department—and I guess that's even worse—has no one to turn to. They don't have any time for him in operations."

One gets the impression that Mr. Pickens is mounting a cam-

## Pension

Continued from page 17

under management. "This fully managed arrangement enables investment managers to take immediate action wherever it is indicated and relieves our clients from the burdens of making investment decisions, for which they normally rely upon their advisor's judgment anyway," Mr. Tennenbaum said. An advisory service has been made available for clients who do not assign full discretion for the management of their portfolios. The firm charges a fixed annual fee for its services, based on portfolio size and objective. Annual fees begin at \$1,000 for fully managed portfolios and \$2,500 for the advisory service.

**CLIENT SERVICES** include monthly statements which summarize all portfolio activity for the period and include the month-end securities and cash position, and a performance report issued quarterly that indicates the percentage changes in net valuation as adjusted for any additions and withdrawals of capital. In addition, a tax planning report is prepared three months before the end of each client's tax year to assist in timing year-end transactions. A year-end tax report provides totals of realized long-term and short-term gains and losses, dividends and interest received, and fee expenses, all on a cash basis for the tax year of the client.

"Funded pension plans," Mr. Tennenbaum said, reflecting on the market Bear Stearns is after, "are one of the principal assets of a company. Let me give you an example:

"We took on a pension fund of a company listed on the American Stock Exchange recently. Its earnings were in the range of 50¢ per share.

"We completely unwound its investing structure, putting one-half of the fund's assets in high-quality income securities, the yield of which covers the full actuarial requirements of the pension fund. The other half of the fund is being invested in a more aggressive manner—in equity products. If we can accomplish a 15% return on this balance, the company's earnings will increase by 10¢ per share after taxes," the supervising partner noted hopefully.

What are the chances of that?

"I can't predict that the way the market has been going, but it is a possibility," he said. ■

paign to improve the insurance manager's lot. It's apparent that he has the loss control operation pretty well under hand at the Hartford. In 1974 he'll have more than 700 men under his control—almost an empire.

"A little while ago," he said, "we were asked to quote on an artificial kidney machine—products liability, you know. When something like that comes up we go to our medical department and get their advice.

"You'd be surprised," he said, motioning to the bullpen outside his office where a few engineers were bent over their desks, "You'd be surprised what these eggheads I've got out here know about all sorts of things." ■

## Couple files \$1 million 'pill' suit against G. D. Searle

**BUFFALO, N.Y.**—A Buffalo couple filed a \$1 million suit in Federal court against G. D. Searle & Co., a Skokie, Ill., drug company whose oral contraceptive pill, Ovulen, allegedly caused dangerous side-effects, including a blood clot in the lung. Searle has product liability insurance with Aetna Casualty & Surety Co.

Mr. and Mrs. Edward F. Urban filed the suit—the first one involving birth control pills in this region.

The suit, prepared by attorney David M. Wexler, claims Mrs. Urban suffered numerous side-effects while using the pill regularly between July, 1968, and March, 1969, on a doctor's recommendation and prescription. Among side-effects cited were headaches, skin rash, stomach pains, limitation of motion, pain and diagnosis of pulmonary embolism necessitating a hospital admission.

**PULMONARY** embolism, or a blood clot in the lung, has been claimed as a side-effect of various oral contraceptives by users testifying before government authorities recently.

G. D. Searle is a major drug manufacturer and Ovulen is one of several contraceptive pills common on the market.

The company is accused of neg-

## Marsh & Mac is moving headquarters

**NEW YORK**—Marsh & McLennan Inc. will become the first major broker to leave the downtown insurance and financial community and move to midtown Manhattan.

Henry W. Otis, president, said that the firm has signed a 20-year lease at an aggregate rent of \$55 million for seven floors in the new 51-story McGraw-Hill building now under construction in Rockefeller Center.

ligence in making and marketing Ovulen and of "failing to heed warnings that came to it from others about the dangerous properties of its product." The suit claims that hundreds of such warnings of pulmonary embolism were received but the company failed to warn doctors and druggists.

The suit seeks \$750,000 damages for Mrs. Urban's pain, expenses and lost earnings, and \$250,000 for Mr. Urban's expenses and loss of full consortium with his wife. ■

## Westinghouse safety awards

**PITTSBURGH**—The National Safety Council has given 90 safety award citations for 1969 to Westinghouse Corp. according to James Van Namee, the company's administrator of accident prevention.

Among the total, 19 operations qualified for the council's top citation, the award of honor, 18 rated awards of merit and seven received metals section honors.

The award of honor represents safe-work performance totaling 3 million or more man-hours. The award of merit is granted for working 1 million hours without accident. ■

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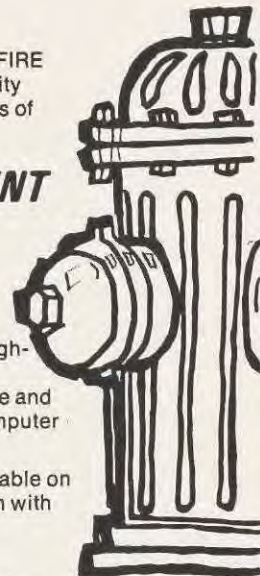
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# Allstate enters mutual fund marketing arena

NORTHBROOK, Ill.—Allstate Enterprises Stock Fund Inc., a new mutual fund, made available to the public in mid-February its charter shares. Allstate Enterprises Fund Sales Inc., a subsidiary of Allstate Enterprises Inc., made the announcement. Allstate Enterprises Inc. is wholly owned by Sears, Roebuck and Co.

Allstate is the third major insurer in the Chicago area to add such a subsidiary. Last year CNA Financial Corp. became the holding company for the Tsai Management & Research Corp., mutual fund managers. Kemper Insurance, through its holding company, Kemperco Inc., will take final action in May on the acquisition of Supervised Investors Services Inc., a mutual fund management firm.

Minimum initial investment in the Allstate mutual fund is \$200 and additional investments may be made any time thereafter in amounts of \$50 or more.

**THE FUND's** manager and investment advisor is Allstate Investment Management Co., also a wholly owned subsidiary of Allstate Enterprises Inc.

After April 30, the fund's shares will be offered by licensed Allstate agents in Allstate sales outlets throughout the country, according to Judson B. Branch, chairman and chief executive officer of Allstate Enterprises Fund Sales and Allstate Insurance Cos.

An Allstate spokesman told *Business Insurance* that there are no plans at present to mass merchandise the fund to employe groups on a payroll deduction basis, although prospectuses were sent to all employes of Sears and Allstate.

Objective of the fund is long-term growth of capital and the fund will invest primarily in the

common stocks of a large number of U.S. companies. The fund may also invest in the securities of any corporation either organized or doing business in a foreign country.

Allstate Enterprises does not intend to invest more than 10% of the value of its assets in foreign issuers under circumstances that would subject it to the Federal Interest Equalization Tax or at prices that reflect such tax, according to the prospectus.

Investment restrictions established by the fund do not permit concentration of investment in any one industry beyond 25% of the value of the fund's total assets.

## Oil company offers credit card coverage

LOS ANGELES—A new "road security" insurance plan arranged by Brander & Co., Los Angeles and Reno insurance brokers and underwritten by American Motorists Insurance Co. is now being widely promoted among its credit card holders by Atlantic-Richfield Oil Co.

At a premium cost of \$6 per year, the policy provides a \$25 towing service, \$10 emergency road service, and \$50 emergency expense program for the policy holders.

Billings for the semi-annual charge may be made directly through the Atlantic-Richfield credit card account.

## Provident establishes mutual funds

PHILADELPHIA—Provident Mutual Life Insurance Co. here has thrown its hat into the mutual fund ring and will begin marketing shares of two newly established mutual funds March 22.

The new funds, both open-end investment companies, are the Providor Growth Fund and the Providor Investors Fund. They will be managed by the 105-year-old life insurance firm's wholly owned subsidiary, Providor Management Co.

Rober H. Jordan, the associate actuary at Provident Mutual who has been riding herd on the new operation, told *Business Insurance*

that the funds will be offered much like one in operation at Connecticut General—through career agents in states where registration and licensing requirements have been met.

Asked if this might include arrangements with companies that might offer them to employes on a payroll deduction basis, Mr. Jordan commented, "That's possible if one of our registered representatives establishes an arrangement with an employer." ■

## Clark succeeds Ulreich

Thomas O. Clark has been named vp and assistant deputy manager of Employers-Commercial Union Cos., New York, in charge of the ocean marine department. A veteran of 24 years with Employers-Commercial Union, Mr. Clark succeeds the late John C. Ulreich.

## Dixon joins Standard Brands Inc.

NEW YORK—James F. Dixon, former manager of the insurance department at Columbia Gas Co., has joined Standard Brands Inc. in the same capacity. Prior to his



James F. Dixon

association with Columbia Gas he was insurance director of Eastern Airlines.

"I'm still in the process of orientating myself here," Mr. Dixon told *Business Insurance*, explaining that he is studying Standard Brands' insurance coverages with an eye toward some possible changes as he becomes more familiar with the international firm's needs.

Standard Brands insurance package includes the usual wide range of coverages, from products liability to property insurance. ■



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# No-fault . . .

Continued from page 1  
limited to "economic loss" alone. "Pain and suffering" settlements would no longer be a factor in any accidents that occur within the state and involve New York registered vehicles.

"THE LOGIC behind the exclusion of commercial vehicles escapes me," Edward P. Lalley, insurance manager at Kraftco Corp. told *Business Insurance*. Mr. Lalley is chairman of an American Society of Insurance Management committee made up of members who are risk managers of companies that operate motor vehicle fleets. The committee has strongly opposed earlier no-fault proposals that would hold such fleets absolutely liable for damages to private passenger

autos in accidents involving fleet insureds.

As explained in the insurance department's report, the logic is:

"Under our proposal, it becomes possible to internalize or allocate costs to categories of motoring, in accordance with conscious economic decisions.

"Our proposal makes that kind of cost allocation decision with respect to commercial vehicles. The owner of a commercial vehicle can more efficiently avoid, reduce, absorb or transfer accident costs than the owner of a private passenger car, both in how he can influence driving conduct and even vehicle design and in how he can spread accident costs by adding them onto the price of his goods or services. Moreover, the imposition of strict liability would preclude a windfall saving in premiums that would otherwise go to certain

kinds of commercial vehicle operators in a change from third-party fault insurance system to largely first-party compensation system."

**THE ROCKEFELLER-Stewart** document estimates that, if implemented as written, the new plan could reduce private passenger insurance costs by 56%. Commercial vehicle rates would remain "substantially unchanged," however, the report says.

"We have not calculated with precision the effect on commercial and taxi cab rates of their strict liability, but lower costs under our proposal for the basic coverage should offset the added costs of this strict liability to private passenger cars, so that commercial and taxi cab rates should remain substantially unchanged from present levels," the report states.

The Rockefeller-Stewart pro-

posal is remarkably similar in content to one advanced earlier by the American Insurance Assn.

The association's plan, which was originally offered to an automobile insurance study commission in Massachusetts, proposed that commercial vehicles be held absolutely liable for accidents involving private passenger cars. The AIA plan was later modified—perhaps as a result of an outcry from the ASIM committee Mr. Lalley heads—to hold commercial vehicles liable for a percentage of the liability.

"We're backing the proposal," T. Lawrence Jones, president of AIA, said of the Rockefeller-Stewart Plan.

"THE PRINCIPAL point of difference with our plan is that they appear to rely more on collateral sources for payment of losses," Mr. Jones said. He was

referring to the proposal's suggestion that other insurance sources, such as health and salary continuation coverages, that an injured party has over and above auto insurance be used to pay for economic losses as a result of an accident before the auto coverages begin to kick in. "Socially we're against this part of the proposal," Mr. Jones said.

The New York insurance department's proposal to hold commercial vehicles strictly liable was termed "not a major" area of disagreement with the AIA proposal by Mr. Jones.

"The Rockefeller-Stewart proposal shifts that whole burden to commercial vehicles. Under the AIA proposal—our latest draft, which we call draft number 10—we are now shifting 75% of this to commercial vehicles with a maximum of \$1 million for any one accident," Mr. Jones said. The AIA, its president told *Business Insurance*, is defining commercial vehicles as everything that is required by the State of New York to carry commercial registration plates. "A salesman's four-door sedan should be treated like a private passenger car," he said.

Among insurance industry associations, the AIA appears to stand alone in its endorsement of the proposal. Both the National Assn. of Independent Insurers (NAII) and the American Mutual Insurance Alliance (AMIA) have taken exception to the plan.

"ADOPTION of this plan would make New York the only place in the country where the law invites negligent drivers to smash your car and injure your family at your own expense," Paul S. Wise, president of AMIA, said in a formal statement.

"It is a misnomer to call this a 'no-fault' plan. It is really a 'no-responsibility' plan. Adoption of this plan would not eliminate faulty driving or negligent conduct by motorists. What it would eliminate is the negligent motorist's financial responsibility for his faulty driving," Mr. Wise said.

Somewhat less vigorous in tone were the remarks of Vestal Lemmon, president of NAII.

"New York's present system governing damages in automobile accident cases can be made more responsive to today's needs without stripping the public of vital rights of recovery or shifting the insurance cost burden from the guilty to the innocent," Mr. Lemmon said.

Mr. Lemmon went on to say that preliminary information indicates that the chief source of "savings" to auto insurance buyers in New York under the plan would be to abolish important rights of damage recoveries; and make auto insurance an "end of the road" coverage that would pay nothing until all other sources of compensation have been exhausted.

"The plan is therefore a lot like offering a large economy-size box of corn flakes that is half empty."

Despite the criticisms already leveled at the plan, most people in the insurance community are looking at the Rockefeller-Stewart document as a serious and "well thought out" proposal. At the moment, however, most people—including the governor himself—believe its chances for immediate passage are remote. His feelings, expressed at a recent news conference here, are based on what may become a political bromide:

The "no-fault" proposal would do away with most negligent suits. Lawyers prosecute and defend in negligent actions. Most legislators are also lawyers. Therefore, they are expected to oppose the plan. ■

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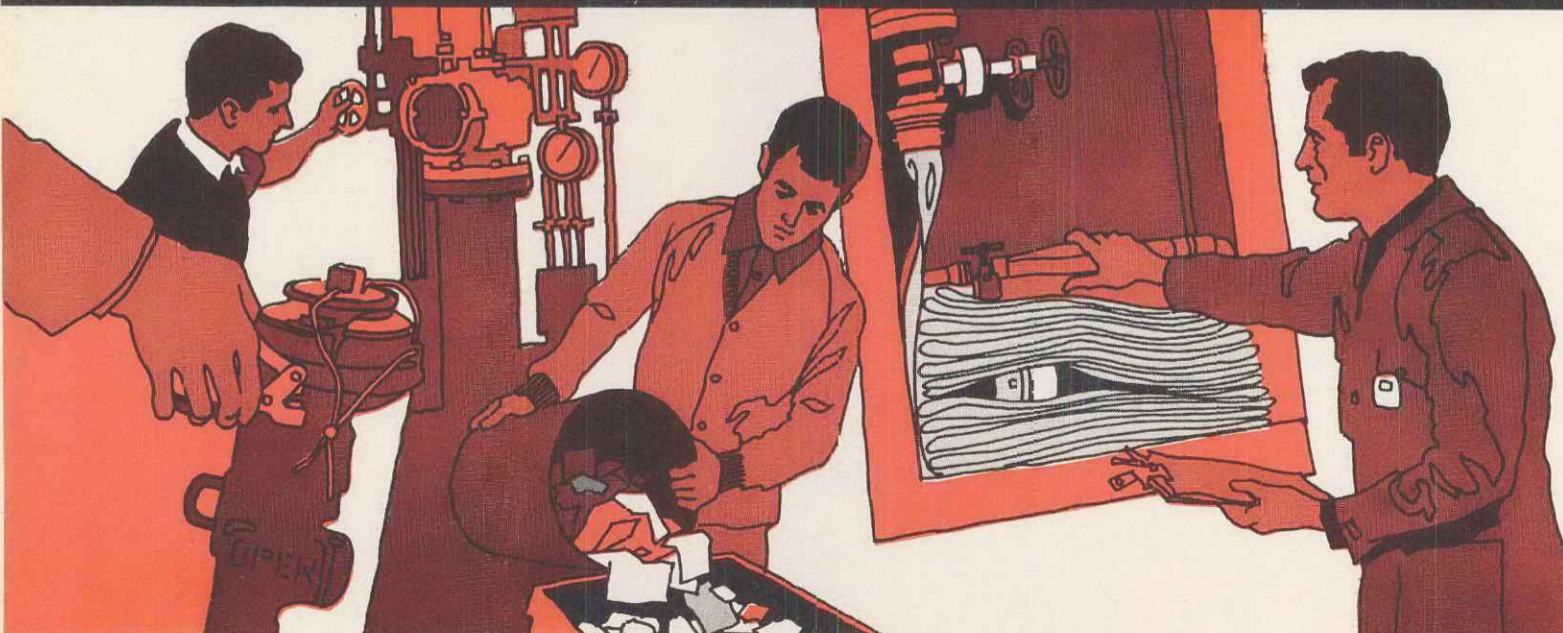
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## DA calls fire fraud case facts typical; indicts 4

NEW YORK—Four men were indicted recently for inflating a fire loss claim against American Employers Insurance Co., and according to Bronx district attorney, Burton Roberts, the case is a typical one.

"Inflated claims are up in the millions each year," Mr. Roberts told *Business Insurance*. "Usually they are arson fires, set by store owners who are trying to recoup losses or pay off debts."

Mr. Roberts has been investigating this particular case since last July when fire destroyed the Chez Meat Market in the Bronx. He has brought charges of attempted grand larceny and conspiracy to commit grand larceny against Juan Lopez, owner; Irving Shapiro, public insurance adjuster; Stephen Collins, inventory insurance adjuster; and Raymond Stassun, route driver.

ACCORDING to Mr. Roberts, the men filed a claim of \$2,500 against American Employers and stated they lost 3,000 pounds of meat when actually they only lost 150 pounds.

A spokesman for New York Board of Fire Underwriters, who wrote the coverage, said the policy was a standard fire contract with a \$20,000 limit.

"Arson is always a big problem," the underwriter said; "there were about 20 suspicious fires in the city last year." "Fraud is discovered by the insurance company's adjuster and the fire inspectors who examine the damaged merchandise. If it's burnt beyond recognition they look through the owners books and bank account and see if he was financially stable."

He explained that a store owner overstocked with seasonal or outmoded fad items may want to destroy them and get his money back because he knows they won't sell.

INSURANCE adjusters are usually honest, he said, and the fraud generally originates with the store owner.

"You used to hear a lot about insurance adjuster crime rings, but now it's mostly a case of an individual in debt," said Brendon Battle, director of the Fraud and Arson Squad of the American Insurance Assn. "Fire arson began to be a problem in 1958. It

## Firm must pay woman

MONTREAL—A Quebec construction company has been ordered to pay \$5,295 to a housewife who suffered severe burns in her kitchen as a result of a defective electric stove that came with the new home.

Superior court Justice Claude Prevost ruled that Paramount Builders Corp. Ltd. was negligent after repeated complaints about the malfunctioning of one of the stove's burners had been made to it by the home's owners. The company, Judge Prevost said, "assumed the obligation to remedy the defects and neglected to do so."

According to the court evidence, Mrs. Huguette Larose was burned on the hand and arm when sparks from a defective burner ignited oil in a skillet in which fried potatoes were cooking.

The judge awarded \$1,500 for "esthetic prejudice" resulting from hand and arm scars. ■

hasn't gotten worse since then, but it hasn't gotten better either."

He noted that after the war, business was booming and the cost of living was low enough so that middle income people weren't squeezed.

"Today everyone's a lot more affluent, but the cost of living is impossible," he observed. "People get desperate about making ends meet and decide the best thing to do is burn it all to the ground and have the money for a fresh start."

Mr. Battle's department works with fire investigators, police departments and adjusters in conducting investigations for member companies of the American Insurance Assn. ■

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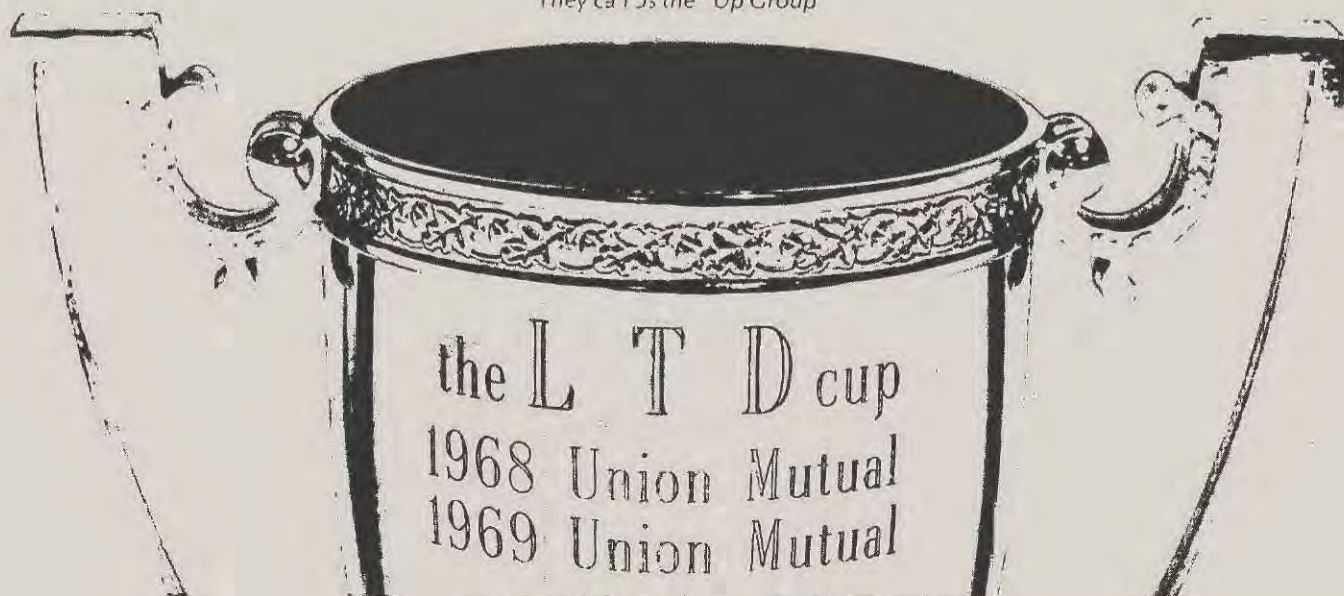
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LIFE INSURANCE COMPANY

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# letters

Continued from page 16

## Patent cover

To the Editor: I have read your article "Patent infringement insurance cannot be bought" Oct. 13, 1969 with great interest, particularly since I came across this problem about five years ago while I was employed as legal expert in the research and marketing department of the largest legal insurance company in Europe, D.A.S., Deutscher Autom-

bil Schutz—Allgemeine Rechtsschutz-Versicherungs AG, in Munich, West Germany.

Without going into details in this context, I am of the opinion that, if at all, patent infringement insurance is only, respectively, coverable and marketable as a package deal within the scope of legal insurance as patterned and widespread in Western Europe. It might be of interest to the esteemed writer of the article that already back in 1928 a German lawyer speculated on the possibility of developing legal protection insurance for patent infringement suits; he even provided actuarial material ("Patentprozesskosten-Versicherung" in Zeitschrift f.d.-

gesamte Vers.-Wissenschaft 1928; available at the library at the College of Insurance in New York). This article was published in the same year in which the above-mentioned German legal insurance company was founded.

To my knowledge, conditions covering such a special risk as costs for patent suits at no times have been incorporated in projects marketed by so-called "pure" legal insurers; this, at least, holds true for all the continental European legal insurance companies in existence.

I know from my own experience, however, that the European legal insurers have side-lined the question of marketing coverage

for patent suits, not because they consider this a poor risk. The established legal insurers, at this stage of the over-all development in the relatively new field of legal protection insurance, are primarily interested in marketing and selling more attractive, publicly more familiar and widespread risks of general nature, rather than pondering with special risks for which the possibilities for placing in the market are marginal by comparison.

Regarding legal insurance marketed by an insurer specializing in this field, the development in the U.S. at the very best is still in an embryonic stage. First steps undertaken at the beginning of this year by the Bar Assn. in Clackamas county in Oregon have been doomed due to lack of funds. No other pilot project is in sight at this time.

Arthur M. Scheuring

Newark, N.J.

## Asks ASIM report

To the Editor: In your recent issue (Feb. 2, 1970) an article by John P. Olsen, "Columnist Disagrees with BI Editorial" reference is made to a report by the American Society of Insurance Management on the subject of the revised Comprehensive General Liability policy.

Can you advise how I can secure a copy of this report?

R. L. Foster

President, Powell-Foster-Miller, Inc., Mansfield, Ohio.

## Interesting article

To the Editor: It was with great interest that I read the comments of John P. Olsen in his article regarding Comprehensive General Liability coverages in the Feb. 2 1970 issue of *Business Insurance*.

We have become increasingly uncomfortable with some of the language in the CGL. And even more distressing is the reluctance of the carriers to take an interpretive written stand on the various prime coverages such as Products.

Mr. Olsen mentions a report published by the American Society of Insurance Management dealing with the CGL subject. We would greatly appreciate receiving a copy. If you are unable to furnish this, please let us know to whom to write and what cost, if any, is involved.

Mrs. Helen Savage

Shepherd Insurance Control,

Shepherd Machinery Co., Los Angeles, Cal.

## Another ASIM request

To the Editor: I read with great interest, Mr. John B. Olsen's fine article regarding the 1966 Revision of the CGL policy. Mr. Olsen mentions in the second last paragraph a report of the American Society of Insurance Management on the subject of the revised CGL, which he considers required reading for all insurance managers. I've never had occasion to read the report mentioned and would like to be advised as to how I may obtain a copy. A self-addressed, stamped envelope is provided for your return advices.

In closing, allow me to congratulate your staff on an excellent publication which has provided a much needed service to the entire insurance industry.

Richard C. Heydinger

Manager of Insurance, United-Buckingham Freight Lines, Inc., Littleton, Colo.

*Editor's Note: Copies of the report on the Comprehensive General Liability policy may be obtained for \$2.50 each from the American Society of Insurance Management Inc., 500 Fifth Ave., New York, N. Y. 10038.*

## Free subscription

To the Editor: I recently had an opportunity to read your bi-weekly magazine for the first time, and was quite impressed with the news and information it contained.

One of my responsibilities as assistant treasurer is that of insurance risk management for this company. In that capacity I am concerned with all types of casualty, liability, bonding insurance questions and coverages. Actually, your paper was recommended to me by one of the brokers we use from time to time, Minet & Co., of Montreal.

Since I have this direct interest in all the matters you write about, I am hoping you will place me on your controlled circulation list to receive your publication on a regular basis.

E. Robert McLellan

Assistant Treasurer, New England Mutual Life Insurance Co., Boston, Mass.

*Editor's Note: We are pleased to add Mr. McLellan's name to the list of corporate risk managers on this publication's controlled circulation list.*



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Giles on the law

# Texas bystander has same rights and requirements as product user

By JOHN W. GILES  
Attorney at law

WASHINGTON—In Texas, an automobile manufacturer is strictly liable to nonusers and nonconsumers injured as a result of a defect in his product.

Plaintiffs were riding in their automobile when a truck manufactured by the defendant motor company struck their car from behind. At the time of the accident the truck was less than three months old. The trial court awarded judgment to the defendant. On appeal to the high court the verdict was reversed. The court held that an automobile manufacturer is strictly liable to nonusers and nonconsumers for all injuries resulting from a defect in his product. Although this case involved only property damage, the court's holding was extended to personal injuries as well.

Regardless as to which tests the courts will apply, Texas has extended an effective cause of action to third persons. No longer will aggrieved bystanders in Texas be relegated to proving negligence in a suit against a distant manufacturer. A bystander now stands in the same position as a purchaser, user, or consumer, and he bears the same evidentiary requirements demanded by any plaintiff utilizing the strict liability doctrine. (*Darryl v. Ford Motor Co.*-440 S. W. 2d 630.)

**YOU DO NOT** need to prove that the owner of a gasoline storage tank was negligent in order to recover nuisance damage if the seepage from the tank pollutes your water well, says the Maryland court of appeals.

The court says that the storage of gasoline near a water well involves a high degree of risk of some harm to the users of the well, and it is not a matter of common usage to so place a gasoline storage tank. Although gasoline stations as a rule do not present any particular danger to the community, when the operation of such activity involves the placing of a large tank adjacent to a well from which a family must draw its water for drinking, bathing and laundry, at least the aspect of the activity is inappropriate to the locale, even when equated to the value of the activity.

The new restatement of torts emphasizes that the important thing about the activity is not that it is extremely dangerous, in itself, but that it is abnormally so in relation to its surroundings. The test of appropriateness is the proper test, and the facts in the case clearly show that the storage of gasoline in underground tanks near a water well is an inappropriate use of land. (*Md. Ct. of Appeals. Yommer v. McKenzie.*)

**IN A RECENT** decision, the supreme court of Florida has held that under Florida's survival statute (providing that no action shall die with the person) a father, as administrator of the estate of his daughter who had drowned after her arm had been caught in an uncovered filter drain pipe at the bottom of the apartment house swimming pool, was entitled to punitive damages. The court rejected the argument that a punitive damage award of \$35,000 would bankrupt the apart-

ment house owner. (*Atlas Properties, Inc. v. Didich* - 226 So. 2d 684.)

**WHEN THERE IS** no historic or statutory principle to the contrary, admiralty law will apply the law prevailing on land.

The U. S. court of appeals did so recently when it upheld a judgment against the manufacturer of a dumbwaiter in a products liability case based on the theory of negligent design. The ship's mechanic had been injured when the counterweight of the dumbwaiter fell on him while he was removing the burned-out mo-

tor, (*Shaeffer v. Michigan-Ohio Navigation Co.*-U. S. Court of Appeals - Sixth Circuit.)

**WHEN MRS. BRUNE** gave birth at a hospital in New Bedford, Mass., the doctor, an anesthesiology specialist, gave her a spinal injection of eight milligrams pontocaine anesthetic.

Although this dosage of the drug was shown to be customary in New Bedford, five milligrams or less was the amount recommended by the manufacturer and normally used elsewhere. As the result of the higher concentration, Mrs. Brune's left leg was partially

paralyzed and she brought a malpractice suit against her doctor.

The trial judge, following the landmark decision of *Small v. Howard*, 128 Mass. 131, instructed the jury that the standard of care demanded of the defendant doctor was that prevailing in the local community. On appeal, the supreme judicial court said that the circumstances of modern medicine demand that medicine "no longer be Balkanized" by different standards of proper professional conduct depending on the community involved.

Rather, the standard of care should be that of the average qualified practitioner in the defendant's field. This standard takes into account advances in the profession and also considers the defendant's access to medical resources and knowledge, so that "some allowance" is still made for local circumstances. (*Brune v. Belinkoff*-235 N.E. 2nd 793). ■



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# Brink's moves \$3 billion in Bache securities to new N.Y. quarters

NEW YORK—On Sunday, Feb. 15 at 6 am, while gangsters and others who might have been interested snored in their beds, Bache & Co. Inc. tiptoed around the financial district moving \$3 billion in securities and bonds.

Using Brink's armored cars, Bache took all its goodies out of 40 Wall St. and transported them seven blocks to new offices at 100 Gold St.

They didn't wake anyone up.

"IT WENT very smoothly," said Raymond Patella, insurance manager for Bache. "We spent a year planning the move and were fairly confident, but I was still glad to hear that everything was

locked away safely in the new vault. A lot of those securities are negotiable."

Mr. Patella explained that Brink's arranged the insurance coverage for the move.

"Brink's presented us with a certificate of insurance for the limit of coverage per truck load," he said. "We also had our own insurance to back it up."

A Brink's spokesman said their policy, written by Commercial Union Insurance Co. in New York, and about a dozen other companies including Lloyd's of London, provides a \$50 million limit per truck.

**THE TEN ARMORED** cars

made 80 trips and completed the entire move at 11 am.

"A Bache man and four armed guards rode in each truck," Mr. Patella said. "The New York City police and the FBI also helped arrange the move. Policemen with walkie-talkies were stationed along the route to report any problems."

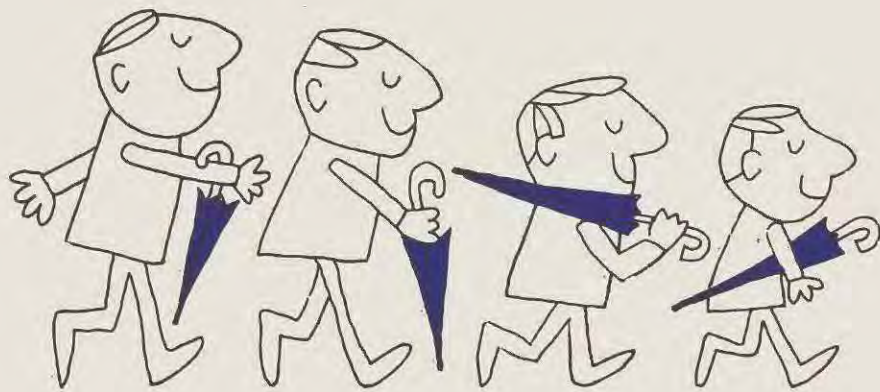
He recalled that Bache moved one other time two years ago, but that it was only from one floor to another and did not require such intricate security.

The new offices in what will be called the Bache Building will be the headquarters for the company's operations and client support facilities.



Brink's armored cars provided a smooth ride for \$3 billion in securities and bonds belonging to Bache & Co. Inc. during relocation to new offices. The seven-block journey was the result of a year of planning and carried insurance limits of \$50 million per truck. Brink's had arranged the coverage through Commercial Union Insurance Co. and about a dozen other companies, including Lloyd's of London.

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## Single cover policy for coin laundry

KENILWORTH, N.J.—A national brokerage firm headquartered here has added a new package policy for coin-operated laundries and coin-operated dry cleaners to its portfolio of coverages.

According to Raymond R. Kravetz, president of America's Insurance Center, which is placing the business with Lloyd's of London, the policy is being offered nationally and is the "only truly combined package" available to the coin-operated establishments.

"It was impossible to get this kind of coverage at one time," Mr. Kravetz said, "and it is impossible today to get one single wrap-up policy except with us really. Most companies become very afraid when they hear the word 'unattended,'" he commented.

Under the package, the maximum property limits are \$40,000 written in multiples of \$5,000. Several endorsements are included for one rate with no additional premiums or audits. Included are fire, extended coverage, vandalism and malicious mischief, single limit liability, holdup, robbery and burglary, customer's bailee, business interruption and plate glass. Third-party liability limits are \$100,000.

Rates, according to Mr. Kravetz, are based on the amount of fire insurance selected by the insured for the contents of a particular laundromat or dry cleaner, with all other portions of the package included within the total annual premium quoted.

## \$900,000 for air suits

NEW YORK—Settlements totaling more than \$900,000 have been reached in Manhattan supreme court in cases involving the deaths of two men aboard an American Airlines jet when it crashed near Cincinnati Nov. 8, 1965.

Mrs. Catherine Link, who now lives in Bridgeville, Pa., was awarded \$425,000 for the death of her husband, Clarence, then 40 and a management supervisor for American Telephone & Telegraph Co.

The second settlement with Mrs. Phyllis Laubstein of Douglaston, N.Y., was \$325,000. Mrs. Laubstein's husband, Gary, a clothing salesman who was 35 when the Boeing 727 crashed.

# Managers . . .

Continued from page 20

baggage clerk and worked his way up.

"I STARTED at the bottom working with clerks and mechanics," he said. "I talked with passengers, learned what their gripes were. I feel the experience gives me a perspective to evaluate decisions I made as I moved up in the company."

He sat in an immaculate top floor office that gave him a view across Manhattan to the East River. Short, stocky, quietly confident, he looked a little like Edward G. Robinson in a good guy role.

He explained that he is supervisor over a staff of 39 people.

"The assistant manager, supervisor of corporate insurance, and manager of claims handle most of the details and paper work," he said. "I am more involved in the broad picture of insurance, the company's long-range needs and policy renewals. I feel it is a creative position and definitely have a voice in the corporation."

HE NOTED THAT one of his key objectives was increasing communications between all departments and his office.

In the land of Insurance Managers Anonymous, it was refreshing to find Francis X. McCahill of Bristol Myers, Ralph Korn of Duplan Corp., John Robert James of Chemical Bank and John Gullo of D. H. Overmyer.

"Sure you can quote me," Mr. McCahill boomed over the phone. He has a law degree, has been in the business for 22 years and has seen it change.

"Twenty years ago the most important knowledge an insurance manager had was the broker's phone number," he said. "Insurance used to mean dozens of pages of small print. But now it's more in the area of loss prevention and risk management. Uncovering hazards before they happen is worth a lot more than any insurance policy to a company. The insurance manager has to be involved with all facets of the company to do a good job. If he doesn't like his job, it's his fault."

RALPH KORN, 31, and the youngest insurance manager interviewed, likes his job. He contacted *Business Insurance* on his own to talk about his recent appointment to Duplan Corp., a textile conglomerate in Winston-Salem, North Carolina.

After graduating from Loyola University in 1960 with a degree in accounting, he got his experience as an airlines insurance manager and sees his field as wide open.

"The bookkeeper image of insurance management is dying," he said. "Now insurance managers need dynamics and perspective. It's definitely not a dead-end job. It's a spot that offers a whole view of the company and what's happening in it. He can move practically anywhere his initiative will take him."

Chemical Bank's John Robert James, 35, feels the same way. He came to the United States from England at age 15 and got a degree in English from Cornell University.

"I THINK A broad education is what you need to go into business," he said in his British accent which is now punctuated with some noticeable Yankee pronunciations. "A degree in English was most helpful because it taught me how to get my ideas on paper clearly and there is a lot of correspondence in this work."

Mr. James also attended classes at the College of Insurance and American Society of Insurance Management.

As a company vice president and director of insurance he supervises Chemical's 140 branches, reviews losses, analyzes risks and goes over retrospective rating figures each year.

"Of course, an insurance manager is a professional, but this should not isolate him or make him dull," Mr. James said. "He must have some imagination. He should not just keep renewing a policy and say, 'Well, we've had it all these years so we should continue with it.'"

He also sees insurance managers split into two groups.

"I think one of the main problems in this business is a generation gap between unimaginative old timers and more progressive people," he said. "There is a great challenge in this business and it will become greater and more complex in the 1970s. The old line men in the field who don't want this challenge are going to have a lot of migraine headaches."

JOHN GULLO, 35, is another example of the new breed. His company, D. H. Overmyer, is a small conglomerate composed of

an international warehouse company, a television station, and a leasing and construction corporation.

He has a business degree and got his experience as a consulting engineer, appraiser, insurance adjuster, and worked four years as insurance manager with another company. Six months after coming to Overmyer he was promoted from insurance manager to vp, director of corporate insurance and put in charge of purchasing, employee benefits, advertising and sales promotion, and public relations.

"How could I possibly be bored?" he said. "The insurance manager's job is what he makes it and I think there is a lot of opportunity. Maybe some managers feel isolated because they are specialists and can't communicate with the generalists. But it's their job to communicate. They should know as much about the company as the president."

INSURANCE managers interviewed (even those who felt like clerks) all agreed that their word was law as far as getting company insurance and that management almost always went along with their recommendations. Brokers also said that they deal mainly with insurance managers and

not with management.

Everyone also agreed that young people coming out of business schools were not turned on by insurance management. In fact, they were turned off.

"Insurance just has a shoddy image," said Bruce Batali, head of the placement office at Columbia University's Graduate School of Business Administration. "Young people think of it as conservative, dry and slow growing. This isn't true, but that's the image. Most graduates want brokerage firm jobs. Wall Street is what's in."

ROY WHEELACK, assistant director of the placement office in New York University's Graduate School of Business Administration, said that to get into the job a graduate would usually have to start as an underwriter.

"This discourages a lot of people because the pay is low," he said.

At Bernard Baruch City College, the placement office director said, "Insurance manager? What do you mean, exactly? Well, I guess you can see it's not one of our most popular jobs."

He said it didn't appeal to graduates because it was so specialized.

"It's a small department within a small department," he said. ■

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

## Molineux is named to risk position

**NEW YORK**—Fred B. Molineux has been named insurance manager for Foster-Wheeler Corp., a large international company which designs, fabricates and constructs process and petrochemical plants.

Mr. Molineux will be responsible for the complete insurance program (excluding the employe benefits area) for the company which owns \$60 million in property within the U.S. and whose gross billings reached \$374 million in 1968.

The company's insurance program consists of "between 15 and 20" different lines of coverage, according to Mr. Molineux, including product liability, professional liability, construction builder's all-risk coverage and completed operations liability.

**FOSTER-WHEELER'S** program is largely written by Factory Mutual and Liberty Mutual. Marsh & McLennan is the broker. The company's policies generally do not utilize deductibles, he said, and in those cases where deductibles are used they are kept to a minimum.

The biggest problem facing Mr. Molineux at Foster-Wheeler, he says, is obtaining professional liability coverage. "Since we are involved not only with the engineering but also in the construction end of the business, the added risk makes it very difficult to obtain this coverage for which the market is already severely limited," Mr. Molineux noted. He added that during his latest renewal (Feb. 1 of this year) the American market was best able to meet his company's insurance needs in professional liability.

"This is just one area (professional liability) among many which are adversely affected by the tight money and capacity markets," he noted, explaining that he did not feel that his company had yet obtained enough insurance coverage because of these problems.

**IN ADDITION** to his responsibility for the company's insurance program, Mr. Molineux is also in charge of coordinating the insurance programs of the company's many foreign and domestic subsidiaries. "We draw up the general guidelines which these companies should follow in establishing their insurance programs, although we don't actually participate in any placing of their insurance," he said.

Mr. Molineux pointed to Foster-Wheeler's relationship with the insurance programs of its foreign and domestic subsidiaries as the area requiring the most improvement in the multi-faceted insurance frame of reference which he now faces as insurance manager for the concern.

## Consultants analyze L.A. county insurance

**LOS ANGELES**—The Los Angeles County Board of Supervisors has accepted the proposal of an independent selection committee under which Los Angeles County will retain an outside consulting firm to analyze its multi-million dollar insurance program.

Specifications for the survey were sent to more than 100 U.S. consulting firms and 10 submitted final proposals, including the organization chosen by the Board, Warren, McVeigh & Associates, of San Francisco.

The San Francisco risk management consultants, according to partner David Warren, will complete the report by next June 1.

**LOS ANGELES** County now purchases \$35 million insurance on works of art on loan to various museums; \$9,826,680 for special fire districts; \$5 million for medical malpractice and county hospitals liability; and \$5 million each for contract cities, county aircraft and county airports.

Other coverage includes: automobile liability, \$1 million; aircraft hulls, \$611,000; special districts, \$300,000; boats \$100,000;

theft of monies and securities, \$100,000; polling places, \$5,000.

"We will analyze the entire property aid liability insurance program of Los Angeles County," Mr. Warren said, "as well as all other aspects of risk management for the County."

Mr. Warren, with his partner, Donn McVeigh, have carried out similar studies for Santa Clara and San Mateo counties, in Northern California.

**THE** committee which recommended appointment of the San Francisco firm consisted of Davis Brabant, County Citizens Committee on Economy and Efficiency; Frank Hardcastle, Insurance Brokers Association of California; Joe T. Parrett, Insurance Director for the Carnation Co. and editor of Insurance Buyers Guide and a member of the American Society of Insurance Management.

Mr. Warren will serve as Project Manager and the third member of the study team will be James B. Haley Jr., consulting actuary.

The San Francisco firm will be paid \$30 for each man-hour of work up to a maximum fee of \$48,000.

## Sentry's plea pend

**MADISON, Wis.**—Wisconsin Insurance Commissioner Stanley C. DuRose has closed a hearing on the revised application of Hardware Dealers Mutual Fire Insurance Co., Stevens Point, to convert to a capital stock insurance company. He is expected to issue a ruling in the near future.

The first reorganization plan was sharply criticized by witnesses, including Michigan Insurance Commissioner Russell E. Van Hooser and Georgia State University Asst. Professor Bernard L. Webb, a consultant to the Senate antitrust subcommittee.

Opponents of the original plan maintained that members of the management team of Sentry Insurance, a downstream holding company for the Hardware Dealers group, would be the chief beneficiaries of the plan because designated Sentry executives would receive substantial stock options.

**SPOKESMEN FOR** Sentry ac-

cused Professor Webb and the press of undermining the reputation of the company, but they withdrew their reorganization plan and submitted a modified proposal.

At the time the original plan was withdrawn, a spokesman for Sentry told *Business Insurance* that Hardware Dealers Mutual Fire Insurance Co. had few major corporate insureds among its 341,000 policyholders. Most of Sentry's large insureds have coverage with Hardware Mutual Casualty Co., which was not part of the reorganization plan.

A spokesman for the Wisconsin insurance department said that insurance regulators throughout the country have expressed interest in the action Commissioner DuRose takes.

Dean Sharp, counsel to the Senate antitrust subcommittee, said that the withdrawal of the original reorganization plan was a major achievement of the subcommittee.

# 80

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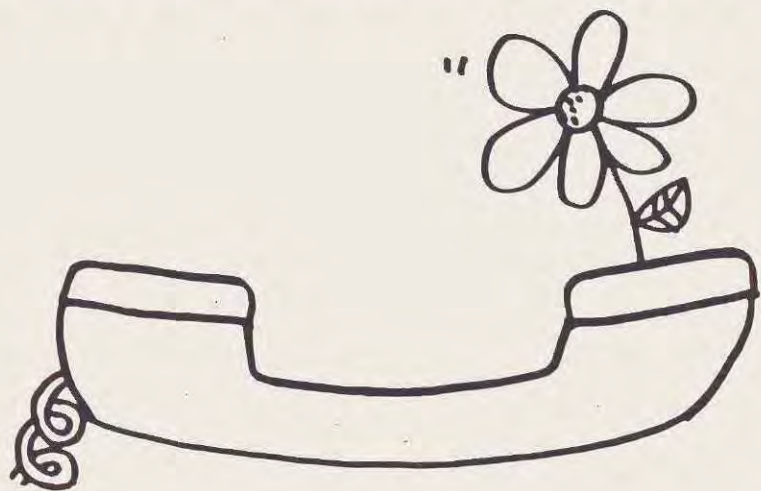
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