

Mass merchandising ok in Connecticut

Entire contents copyright 1970 by Crain Communications Inc.

See page 11

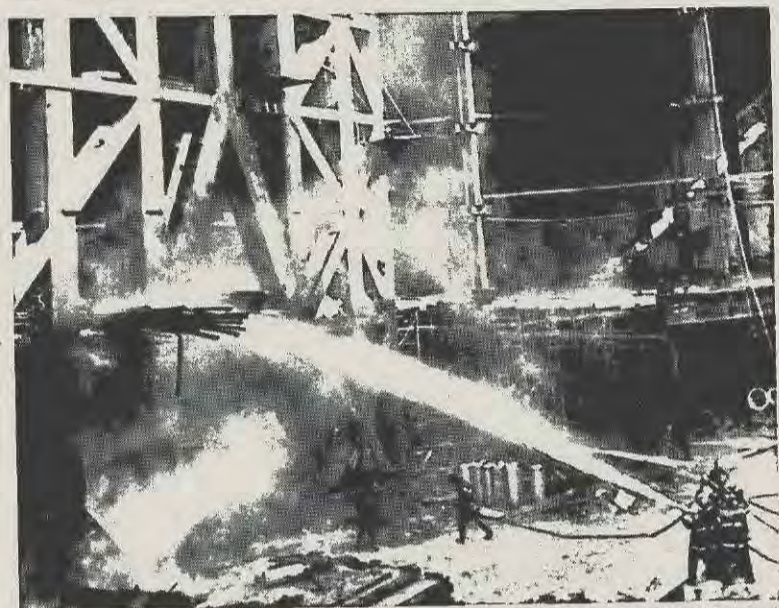
Class action suits	4
Noise claims	14
Honeywell safety	43
Financial services	45

45¢ a copy; \$10 a year

March 30, 1970

business insurance®

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



A propane gas explosion that caused between \$1,000 and \$2,000 worth of damage on the new World Trade Center being built in New York is covered by Employers Liability Assurance Co. of Boston, according to Charles Levinson, insurance manager for the Port of New York Authority, which is building the multimillion dollar complex. The wrap-up policy on construction work has no deductible. —Wide World photo

ASIM report suggests: Drop Bailey and hire young lawyer

NEW YORK—An advance planning committee for the American Society of Insurance Management's 1970 national conference has recommended that ASIM drop its Washington legislative coordinator James E. Bailey and hire instead a young attorney to work in the group's national office here.

The report, which concentrates on the financial savings and administrative advantages of making the change, suggests that the risk managers' society hire a "young man out of law school" and a stenographic assistant who would "strengthen and unify" ASIM's headquarters. (See editorial "Sensible report" on page 12.)

Members of the committee maintain that the total expense of hiring and equipping two staff members would be \$35,000 annually. "A comparable expense for the present legislative program for the year 1969 was \$40,000. The budgeted expense for 1970 is \$46,000, plus a cost-of-living and merit increase in the legislative coordinator's contractual arrangements of \$4,000, or a total of \$50,000," the report said.

ONE OBJECTIVE of the suggested change would be to build ASIM's surplus back to \$75,000, where it stood on Dec. 31, 1967. The advance planning committee report was critical of the 1968 ASIM administration, which, it



James E. Bailey

said, "acted imprudently" (in that) "they did not establish a means of revenue to offset the expense structure in order to maintain a favorable financial position."

The item in the "expense structure" that depleted ASIM's financial reserves was the \$40,000 paid to Mr. Bailey in the year after he was chosen ASIM's legislative coordinator in October, 1968.

William S. Mortimer, president of ASIM and insurance director of Norton Simon Inc., Fullerton, Cal., requested that the advance planning committee develop a report to be submitted to the ASIM board of directors meeting in Miami Beach, Fla., on April 7.

Committee members who signed the report are Marlin H. Henning, of I-T-E Imperial Corp. and president of the Delaware Valley chapter of ASIM; Richard H. Ehmer, of Spatola Wines Inc. and the chapter's national representative, and George H. Schmidt, of RCA Corp. and a Delaware Valley chapter director and chairman of ASIM's advance planning committee.

OTHER MATTERS to be reported on by the committee include constitution and by-law changes, improved employe benefit and retirement planning and other aspects of ASIM administration.

ASIM's legislative coordinator had been a member of the staff of the Federal Trade Commission, legislative counsel to former Colorado Republican Sen. Eugene D. Millikin and assistant chief counsel of the Senate commerce com-

Continued on page 42

Security officials gird against N.Y. bombings

NEW YORK—Recent bombings here were radical attacks on "establishment" businesses, but Sunday, March 22, a bomb exploded at the Electric Circus, an East Village discotheque, surprising not only the hippie community, but insurance brokers as well.

In the meantime, major corporations that maintain office buildings here are quietly setting up elaborate security systems to protect against bombings like those that occurred at the General Telephone & Electronics, Mobil

Oil and IBM buildings. Some companies are even requiring that employes wear identification badges.

Lesley Genatt of Tanenbaum-Harbor, the broker that placed the \$300,000 insurance policy on the Electric Circus, thought that all those long-haired patrons wearing "peace" and "love" buttons would make the place untouchable.

"THE CIRCUS is always full of young people, most of them

Continued on page 42

Clear desks, claims ads, patience result from the mail strike crisis

NEW YORK—The mail strike, which spread from here last week like a batch of five-cents-off soap coupons addressed to "occupant," was greeted by insurance buyers, brokers and underwriters with various responses, none of them terribly frantic.

Said one broker, eschewing the potential seriousness of the situation, "It's delightful. I haven't had as clear a desk in a long time." "Yeah," another told *Business Insurance*, "but just wait until it breaks."

Insurance companies operating in New York state were warned of their obligations early in the strike by Richard E. Stewart, superintendent of insurance.

MR. STEWART told the companies that nonreceipt of payment cannot be the cause for letting a policy lapse and that the same would apply for a "reasonable period" after the end of the strike. His directive was echoed by commissioners in other states affected by the mail handlers' walkout.

Insurance Co. of North America, meanwhile, bought space in

the New York Times to tell policyholders how INA was coping with the strike.

"Company representatives will personally deliver many regular periodic disability checks," the ad stated. "We are also asking employers to assist in the delivery of workmen's compensation or group insurance checks," it added.

Similarly, the Travelers Insurance Cos. bought space the following day to say the same and most other large insurers queried said they were following the same procedures in handling claims

and payments.

AT LEAST ONE insurance claim related question did arise during the course of the strike. That was whether a company that depends upon the mails in large part could call upon its business interruption cover to recoup some of the losses it suffers as a result of the strike. One such obvious claimant could be a mail order house.

Several underwriters and buyers knowledgeable in the work-

Continued on page 42

Late news

Treasury to submit benefits bill in '71

WASHINGTON—The Treasury department will postpone until 1971 sweeping tax legislation that would strengthen employe benefit plans, according to John S. Nolan, deputy assistant secretary for tax policy. An aide to Mr. Nolan told *Business Insurance* last week that the proposal will touch on "eliminating the disparity between pension plans for corporations and nonincorporated companies, eligibility considerations, tax treatment on employe contributions, estate gift exclusions and the tax treatment of individual savings plans for retirement." Also being considered, the aide said, are "other fringe benefits outside the area of deferred compensation. What we're really interested in is developing a strong private retirement system, so some of the impetus for improvements in Social Security will be relaxed."

Gas utilities meet with insurers

PITTSBURGH—Risk managers of gas utilities that are members of the American Gas Assn. met here with property insurers last week to iron out insurer-insured misunderstandings about premiums charged for properties of gas utilities. "The insurance people don't understand what's what about our exposures," one gas company risk manager said. "And this meeting was designed to clear the air on matters of risks involved in the distribution, transportation and storage of natural gas." Liability coverages for gas utilities were not discussed at the meeting, a source told *Business Insurance*.

Business Insurance has devoted 21 pages of this issue to a special Pension & Profit-Sharing Report. Also of interest to readers is an Info for Buyers column on page 41 devoted entirely to pension and profit-sharing items. Extensive coverage is given in our special section to master and prototype retirement plans, their formats and their reception from purchasers. Investment tips for fund managers and profit sharing in the current economy are highlighted. Perspective columnist Howard Peck has delved into the problem of getting retirement benefit information "down to brass tacks." Special report begins on page 17.

Broker-dealer cover 'urgent,' says Williams

WASHINGTON—Sen. Harrison Williams (D., N.J.) has described as "urgent" the need for legislation to create a Federal broker-dealer insurance corporation and announced that his securities subcommittee will hold hearings on the subject April 16 and 17.

The broker-dealer insurance legislation, sponsored by Sen. Edmund Muskie (D., Me.) would establish a Federal corporation similar to the Federal Deposit Insurance Corp.

Brokers and dealers would pay annual assessments that would go into the corporation's reserves. The government would finance the program initially, but it would be repaid as the corporation's reserves were built up.

SEN. WILLIAMS noted that "millions of Americans have invested significant portions of their life's savings in stocks and it is imperative that they be fully protected against brokerage firm failures."

"Recent figures show that Bache & Co. over the last year lost \$8.7 million," he said. "F. I. DuPont and Goodbody & Co. recorded losses of \$7.7 million and \$800,000 respectively."

"The losses of McDonnell & Co., which announced last week it is going out of business, may prove to be greater than Bache. Hayden Stone & Co. recently made ar-

rangements for \$17.5 million in loans. Merrill Lynch has reported a 41% decline in profits from last year.

"The insolvency of any one of these houses could have serious consequences for investors," he continued.

IN 1964, as a result of the bankruptcy of Ira Haupt & Co., the New York Stock Exchange

established a guarantee fund to safeguard investors deposits with broker-dealers.

SEN WILLIAMS, however, charges that that fund has been seriously depleted by recent insolvencies and "the McDonnell situation." The fund, at the time it was established had assets of \$10 million and a \$15 million line of credit.

"Even at full funding the guarantee fund is small when compared to the annual losses of \$45 million due to theft and the total of more than \$50 billion of customers' assets held by brokerage firms," Sen. Williams said.

J&H staying downtown despite move by M&M

NEW YORK—Johnson & Higgins, said to be the nation's oldest insurance broker, moved last week from 63 Wall Street to spanning new headquarters in a 23-story building at 95 Wall Street.

In an indirect swipe at a competitor—Marsh & McLennan, which earlier this year announced that it was moving its corporate headquarters to the midtown area when a new skyscraper is completed in the Rockefeller Center complex so it could be closer to many of its clients—Dorrane Sexton, chairman of Johnson & Higgins, said:

"We intend to stay on Wall Street because of its worldwide association as a financial center. Because it is so important for us to be close to the major insurance company headquarters, it is in our clients' best interest for us to stay downtown."

The new building, the sixth the firm has occupied in its 125-year history, is at the corner of Wall and Water streets, former site of the Merchant's Coffee House. J&H is occupying seven floors in the building, totalling more than 130,000 square feet. The building is diagonally across the street from 90 Wall Street where the firm got its start in 1845 as a partnership under the name of Jones and Johnson. Walter R. Jones Jr. and Henry W. Johnson parted company a few years later and Mr. Johnson invited one of his young employees, A. Foster Higgins, to join him.

Group health to cover abortions if legalized

NEW YORK—The most liberal abortion reform law in the country is wending its way through the state legislature here and its prospects for passage look good. Health insurers, in the meantime, are in general agreement that whatever becomes law will be covered under normal group and individual health insurance policies.

To a man, several health insurance companies queried by *Business Insurance* pointed out that "therapeutic abortions," which have been legal in this country, are covered under maternity and obstetrics benefits in policies written by Blue Cross and private insurers. Most states have allowed such an abortion only if the life of the mother depended on it.

If the New York proposal becomes law, according to a spokesman at Aetna Life & Casualty, "I don't see how the hell we could exclude it from coverage."

THE BILL, which passed the state senate 31 to 26 recently, simply requires agreement between a pregnant woman and a physician for an abortion to be performed.

There would be no residency or any other restricting requirements in the bill, which if passed "could bring a whole new industry to this state," a health insurance industry spokesman noted ruefully. The bill still must clear the state assembly, where prospects for its passage have been called good.

The number of therapeutic abortions performed in this country in the course of a year is difficult if not impossible to pin down, according to health insurers, who note that they are usually referred to by doctors as D&Cs (dilation and curatage), a rather common treatment for females even when pregnancy does not exist.

"If you took every insurance claim for a D&C and divided that by 100 you might have a ballpark figure," one insurance source said. However, he added, if abortion reform succeeds in New York and other states that ratio "most surely" will change and "it is not unreasonable to assume that rate makers will adjust premiums to reflect increased health insurance claims."

Add ASIM speaker

The American Society of Insurance Management has added another speaker to its three-day convention in Miami Beach, April 8-10. Richard Roddis, former insurance commissioner in California and now dean of the law faculty at Washington State University, Seattle, will speak on New York's proposed no-fault auto insurance law in New York at the 4 p.m. session on Thursday, Apr. 9.

AIU names Twomey

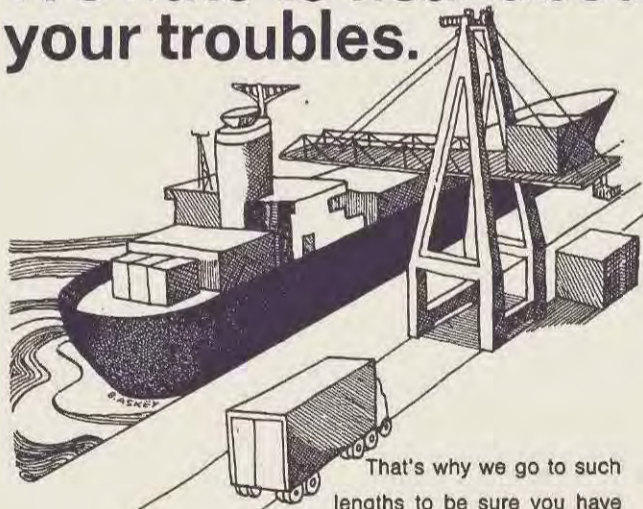
Michael J. Twomey has been appointed manager of the brokerage department of American International Underwriters Corp., New York. Mr. Twomey, formerly vp and assistant manager of the department, replaces Lawrence J. Troiano, who is retiring after 23 years with AIU and 10 years as manager.

GUIDE TO FEATURES

Washington Watch	4
Info for Buyers	8-9
Following the Funds	10
Editorials	12
Special Pension & Profit-sharing report	17-38
Benefit Tax Slants	34
Perspective	37-38
Special Info for Buyers section	41
Dates for Buyers	46

Vol 4, No. 7—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Chicago, Ill. Copyright 1970 by Crain Communications Inc.

We hate to hear about your troubles.



That's why we go to such lengths to be sure you have the right coverage for any exposure your vessels or cargoes may encounter. If a risk is not covered, we hate to hear about it since it means we may have failed somewhere. Fortunately, it doesn't happen often because our specialized personnel know just about all there is to know about marine insurance and they are pleased to share their knowledge with you. That's how we keep unpleasant things from happening to you.

TALBOT, BIRD & CO., INC.

156 William Street, New York, N. Y. 10038

COMPANIES INCLUDE:
NORTHWESTERN NATIONAL INSURANCE COMPANY
EAGLE STAR INSURANCE CO., LTD.
CALEDONIAN INSURANCE COMPANY
FEDERATION INSURANCE COMPANY

A DIVISION OF NN CORPORATION

SEAL OF APPROVAL

TWO DECADES
OF LEADERSHIP
IN
OFFSHORE OIL
INSURANCE PROTECTION

SOUTHERN MARINE & AVIATION UNDERWRITERS, INC.

610 POYDRAS STREET • TELEPHONE 524-4131 • NEW ORLEANS 70130

BRANCH OFFICES IN ATLANTA / HOUSTON / LOS ANGELES

Service available through insurance agents and brokers only.

Retail chain's property conservation program holds insurance rates down

GARFIELD, N. J.—In a day and age when property and casualty underwriters claim to be looking at bottom line results and seeing mostly red it is indeed unusual to find one insurance company blowing a horn over a profitable account.

One such account for Philadelphia Manufacturers Mutual Insurance Co., a Pennsylvania-based member of the Factory Mutual System, is Vornado Inc., a discount-department and food store chain headquartered here.

Philadelphia Manufacturers and Vornado have had an insurer-insured relationship since 1958. Vornado, in the meantime, has grown from a single store operation to one that operates 43 Two Guys stores in New Jersey, Pennsylvania, Maryland, New York, Connecticut and Massachusetts and 94 discount stores and supermarkets in California following the 1967 acquisition of Food Giant Markets Inc.

LIKewise, the chain's exposures have grown. When Philadelphia Manufacturers wrote its first policy on Vornado it covered \$2 million worth of property. The premium at the time was approximately \$2,000 a year or 10 cents per \$100 of valuation.

The Manufacturers Mutual policy on Vornado now has limits of about \$325 million. Premium rates are still about 10 cents per \$100 dollars of coverage. This, according to Joseph H. Schurch, the underwriter who wrote the initial policy back in 1958, is somewhat remarkable, in a period when property rates—especially those for retail stores—have been soaring.

Mr. Schurch (pronounced Church), now a vp for administration with Philadelphia Manufacturers, attributes "holding the line on rates" to an extensive property conservation program in which the insurer has played an active role in advising the retail chain on matters of construction, maintenance and security of buildings that have gone up since the first policy was written in 1958. Asked for a ballpark estimate the other day, the Philadelphia Mutual vp said that if the chain had not undertaken the property conservation program insurance costs might now be more like "50 cents per \$100 of valuation." (In actuality, according to Mr. Schurch, Vornado is paying only about 6 cents per \$100, since there is a \$25,000 deductible in each insured location.)

The origin of the property conservation program goes back to 1957 when fire gutted the two-year-old firm's only store in Totowa, N. J., destroying most of its property and merchandise. Lack of basic protection devices, such as sprinklers, and inadequate insurance coverage made the firm's management aware that changes were needed if they were to survive.

IN 1958 Vornado opened two new, fully sprinklered stores, one in North Brunswick, N. J., and the second in Allentown, Pa. It applied for insurance with Philadelphia Manufacturers the same year and got the \$2 million policy. A third store was opened in Bordantown, N. J., during 1959. This one, which Philadelphia Manufacturers assisted in designing, was built with noncombustible materials and sprinklered throughout.

Loss experience—or lack of it—apparently was showing on the books by this time, for the policy was broadened to cover merchan-

dise and inventory as well as buildings. It was then that the insurance company also began working on control of pilferage and shoplifting by tailoring a comprehensive "umbrella" program of tight security and property conservation regulations.

Philadelphia Mutual recommended that Vornado take several steps. The first was to relieve the store manager of all security and loss prevention responsibility. Both security and loss prevention, involving policing the store for theft, investigating, inspecting stock, equipment and merchandise, setting up and checking emergency evacuation procedures, inspecting and maintaining equipment to protect against fire, re-

quire more time and attention than a store manager can give.

PMMI suggested that the duty be given to security personnel, trained and responsible solely for matters of store security and property conservation.

AS A RESULT, Vornado created the security division for the protection of property, merchandise and equipment, employee supervision, loss prevention and safety, placing security supervisors in each of its large stores. The new division, was given as strong a voice in determining company policy as the firm's other three divisions, operating, planning and warehouse operations.

Security then established the following procedures and policies:

- A weekly inspection of fire hazards or potential fire dangers and protection facilities;
- An emergency organization of employees to sound alarms, supervise evacuation in case of fire, and maintain protection in service during the emergency;
- A policy of cooperation between the security and operating divisions to review property conservation procedures and take corrective action whenever necessary and a similar policy with planning to review property conservation whenever the company looks at new construction sites.

The stores are inspected by the security expert who checks everything from security to vulnerability, to fire; order and neatness inside and outside the store, observation of smoking regulations, fire extinguishers and hoses, fire doors and emergency exits, electrical systems, sprinkler systems

and water supplies.

He then fills out a report which is reviewed by the division head and later by corporate management for corrective action.

BECAUSE THE California stores are smaller than the 100,000 to 140,000-sq.-ft. East Coast stores, a roving supervisor makes a spot check of five to 10 units every week and assists in employee training. He also completes a security and loss prevention form to be reviewed by management.

Over the last six years, the security division has grown from six people to a substantial force. In 1966, Vornado appointed regional security supervisors for the East Coast stores and for the California stores. Both regions hold annual meetings to discuss procedures and techniques of loss prevention and to upgrade the Vornado system.

Two years ago, the company set

Continued on page 44



Quite naturally, Reliance wants to keep industrial accidents to a minimum. For everybody's sake. That's why we

have safety programs. For your prized account, we can compile the "how, why, when and where" statistics of all accidents and feed them into a computer to spotlight the areas of most frequent loss.

We call this service Computerized Loss Control. Armed with the information it provides, our safety specialists can suggest how future losses can be eliminated or cut.

It's typical of Reliance's many-sided service. It pays.

Everybody wins when nobody loses.





washington watch

Administration's proposals would authorize consumer class action suits

WASHINGTON—The Administration's proposals for tightening product warranty obligations authorizes class action suits by consumers in state or Federal courts against manufacturers who misstate product warranty claims, who fail to meet proposed disclosure requirements regarding warranties and who don't perform warranty obligations.

The proposal, however, follows the same line as the Administration's basic Consumer Protection

Act, also before Congress, which requires that class action suits be preceded by a successful government action against the manufacturer.

The proposed warranty requirements would place a new Federal implied warranty of "fitness for ordinary use" on all consumer goods having a value of \$25 or more.

The manufacturer could duck virtually all performance liability by using a clear and accurate dis-

claimer. Such a disclaimer could not be used if the words warranty or guarantee are also used.

THE BILL WOULD establish a broad prohibition against false or deceptive statements relating to consumer products. This prohibition would be applicable whether those statements are intentionally deceptive or not. And it would be applicable whether they are deceptive because of affirmative misrepresentations or because of

failures to provide information necessary to prevent deception.

The proposal would spell out for the Federal Trade Commission very broad rule-making authority to require affirmative disclosure of the terms and conditions of warranties and guarantees, including disclosures as to any exclusions of coverage and disclaimers of obligations. These rules would have the force of law.

The Justice Department and the Federal Trade Commission would be authorized to bring suit against manufacturers that violate the deceptive acts outlined by the legislation and that fail to perform the fitness-for-use warranty obligations.

They would also be authorized to obtain preliminary injunctions with respect to violations.

THE ADMINISTRATION proposal differs in a number of ways from the warranty proposal intro-

duced by Sen. Warren Magnuson (D., Wash.) during the Johnson Administration. That bill, which has been kicking around Capitol Hill ever since, covers only products with electrical, mechanical or thermal components. The Administration proposal covers all consumer products worth over \$25.

In addition, the Magnuson proposal would require that a supplier be obligated to make good all costs involved in the correction of any deviation from affirmations of fact or promises made by the seller to the buyer.

The Administration bill rejects this approach on the grounds that it "might restrict to some extent desirable freedom in the marketplace."

THE ADMINISTRATION holds that "there should be a degree of flexibility in the extent which post-sale performance is or is not completely underwritten—so long as the buyer is fully informed—and that there should be a good deal of flexibility allowed in the quantity and quality of post-sale service which sellers will offer."

"Consumers should have an opportunity to buy cheap goods as well as expensive goods, and to buy a wide range of post-sales service obligations," the theory goes.

The requirement in the bill that class action warranty suits can only follow successful government actions is based on a controversial and hotly-contested theory.

The battleground for the issue is the Administration's Consumer Protection Act, which was introduced late last year. The proposal would allow consumers to bring class action suits in the Federal courts against firms that engage in unfair or deceptive practices in violation of Section 5 of the Federal Trade Commission Act. Such suits however would have to be preceded by a successful government action.

CONSUMERISTS seek unhampered class action rights. Government is unreliable, they say, explaining that is why they turned to a private remedy in the first place.

The business community is fighting the entire class action concept, even under the Administration's proposed government-must-move-and-win-first formula. They claim it will unleash a wave of legalized blackmail.

The Senate consumer subcommittee is leaning toward a strong bill, providing for unhampered class action rights, but with anti-ambulance-chaser safeguards.

The House commerce and finance subcommittee has demonstrated less enthusiasm for consumer issues, and business lobbyists are expressing increasing confidence that they can block the bill completely there. ■



Jonathan Logan inc.

fashions its
insurance with
John C. Paige
Companies

Jonathan Logan, Inc., international leader in women's wear, is bursting its seams with a widening variety of innovative and stylish apparel lines. Their diversified designing, manufacturing and merchandising activities call for insurance fashioned with equal imagination and flair. We cut the pattern for Jonathan Logan's insurance program. Could we help keep yours in vogue with the times?

John C. Paige Companies

BOSTON • NEW YORK • PORTLAND • LOS ANGELES
ATLANTA • HARTFORD • MANCHESTER

Chimp thief may be a chump

NEW YORK—Whoever stole the chimp from its Central Park zoo cage early March 5 has a liability problem on his hands as well as an up-tight monkey.

"The zoo has no theft or liability insurance on the animals," a zoo superintendent told *Business Insurance*. "If an animal were to bite someone, the person could take the problem up with the city and iron it out in city council. But now it's a different story. If the chimp does any damage, the thief is directly responsible."

Jocko, a three-year old, 20-pound chimp from the Congo is worth \$800.

Touchy Question #19

Should an insurance company take advantage of “technicalities” to deny coverage under its policy?

Technicalities are legal rules whose purpose is to preserve equity. An insurance policy is a legal contract. Its terms and provisions, including both benefits and exclusions, are framed with a view to making the policy do *only* what it should, but *all* of that.

When its technicalities advance that purpose, certainly the insurance company should “take advantage” of them. To do otherwise would be unfair to all of its other policyholders, whose own rates and future insurance costs are largely determined by the number and size of the losses paid under all of the policies in force.

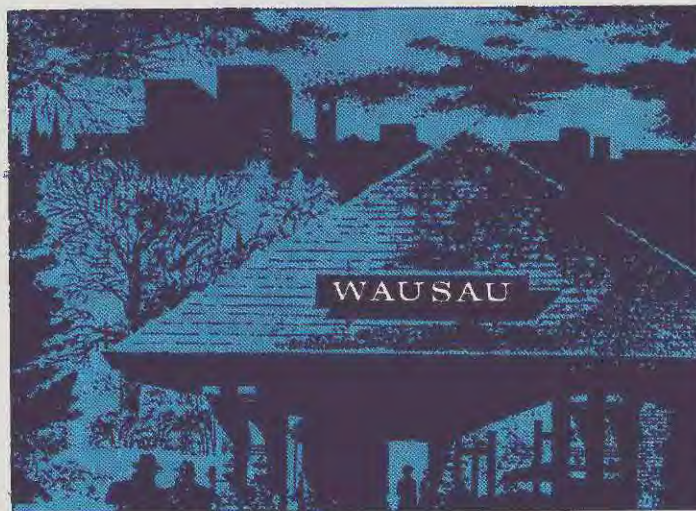
But the letter of the

contract does not always serve its spirit. Sometimes an insurance policy coverage technicality, strictly applied, can operate not to advance fairness but to defeat it.

In that kind of situation, Employers Insurance of Wausau ignores technicalities. Our overriding objective is to fulfill the *intent* of the policy.

Why? Because good business is a product as well as a method of operation—and we’ve got to be proud of the end result when we turn out the lights at night.

If you scoff at that, don’t ask why kids don’t want to get into the business world today.



Employers Insurance of Wausau

**We think insurance
ought to work for
a living.**



EST. 1899

DAVIS, DORLAND & CO. INSURANCE BROKERS

99 CHURCH ST., N.Y., N.Y. 10007

TEL: (212) 964-2500

Westinghouse pact includes disability plan

PITTSBURGH — Westinghouse Electric Corp.'s new three year contract providing for several benefit improvements and a 7% wage increase now and an 8% increase the second year, is very similar to General Electric's recent agreement, according to a Westinghouse spokesman.

"General Electric has primarily a comprehensive insurance plan and we have major medical, but outside of a few dollars' difference here and there, the benefits work out to be about the same," he told *Business Insurance*.

He explained that the most marked change in benefits was the initiation of a contributory, long-term disability plan which will go into effect in May.

"MOST CHANGES were improvements on existing benefits, but this is totally new," he said. "It is an all employe contributed plan and provides up to 50% of pay."

The contract also provides for full semiprivate room and board hospital coverage, upped from \$32 a day and effective immediately. Reimbursement of medical expenses over \$100 went from 75% to 85%, and weekly accident and sickness benefits increased from 50% of pay to 60%.

As of January, 1971, maximum surgical benefits will be increased from \$350 to \$400 and the major medical employe-paid deductible will be reduced from \$100 to \$50. Also, medical coverage will continue to be available for early retirees until they are eligible for medicare.

IN THE pension plan, employe contributions were reduced 16%. The maximum monthly company-paid contributions will be up to \$8.00 by 1973, and the minimum will be \$7.00.

Other improvements included adjustments in vacations and sick days, and the addition of a cost of living allowance providing for up to 8¢ an hour more by 1972.

Joins fight for safety in packaging

WASHINGTON—Senator Frank E. Moss has joined the fight to promote child resistant containers for products which may be harmful to children. The most dangerous appear to be dishwasher detergent and furniture polish.

The Senator said before the National Commission on Product Safety that "the ingestion of potentially hazardous household substances is the most common medical emergency facing young children." He noted that estimates place serious cases of accidental poisoning from household products between 500,000 and 2 million, while the deaths of 325 children were caused by such poisoning.

Sen. Moss argued that the interests of children and the interest in increased public safety consciousness far outweigh the cost of improved containers, the conservation of investment in existing packaging apparatus, and the costs of educating the public in the use of the containers. But the Senator is convinced that industry will not adopt child resistant containers on a widespread scale until a law is on the books and in effect, requiring them to do so.

Allan B. Coleman, chairman of the American Academy of Pediatrics' committee on accident prevention, told the commission of the enormous hazards involved in the use of household products such as dishwasher detergents and furniture polish. Dr. Coleman said that a child dying of the ingestion of dishwasher detergent, suffers complete caustic destruction of the stomach. He explained that such products are highly alkaline and have an intense caustic action. As for furniture polish, when swallowed, it not only produces a similar type of chemical pneumonia to that produced by the ingestion of kerosine or gasoline, but does so to a much greater degree, since its low viscosity and low surface tension allow it to spread very rapidly and cover a large amount of lung surface.

Are you a candidate for Heart Attack?

You are if you answer yes to these questions:

- | | YES | NO | | YES | NO | |
|--|--------------------------|--------------------------|--|--|--------------------------|--------------------------|
| 1. Are you overweight?
More than 3 times as many deaths from sudden heart attack occur in middle-aged men who are 20% or more overweight. | <input type="checkbox"/> | <input type="checkbox"/> | | 4. Do you smoke cigarettes?
If you smoke more than one pack of cigarettes a day, your risk of having a heart attack is about twice that of middle-aged non-smokers. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Are you eating your way to heart attack?
You may be if your diet is too rich in saturated fat and cholesterol. | <input type="checkbox"/> | <input type="checkbox"/> | | 5. Do you dodge exercise?
Regular, moderate exercise strengthens the heart and reduces the risk of fatal heart attack. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is your blood pressure high?
Ask your doctor. Most high blood pressure can be controlled. | <input type="checkbox"/> | <input type="checkbox"/> | | 6. Do you neglect seeing your doctor?
Don't. See him regularly. He can help you reduce your risk and improve your health. | <input type="checkbox"/> | <input type="checkbox"/> |

Reduce your risks and prolong your life. Another way to protect your heart is to help your Heart Association extend and strengthen its life-saving programs of research, education and community service.



Contributed by the Publisher

GIVE...
so more will live
**HEART
FUND**





“Five hogsheds of ale, eight beeves on the hoof, and fourteen pounds sterling...”

Time was when a fellow felt lucky if a lifetime of loyal service was appreciated and rewarded. (And if it wasn't appreciated, he'd better not ask for the reward.)

But these days the shoe is on the other foot. Most people have come to

expect their employers to offer them not only pensions, but other group programs as well. And most employers—big or small—provide them in order to attract and to keep good people.

All of which can amount to a royal

headache for both employer and employee.

Which is where we come in.

With a remedy for nearly any headache an employee benefit program can give you. Whether your outfit is small, medium, or king-size.

**The Travelers Insurance Company.** We think you have enough to worry about.

Financial and Insurance Planning

Employees Like More Than a Handshake

They expect pension plans, profit sharing and group insurance to fit their economic and social needs. Our specialized facilities for designing plans that reflect individual and corporate objectives include coordinating actuarial, investment, and life insurance services.



JOHN F. CURRY AGENCY, Inc.

Insurance Brokers-Average Adjusters
Life Insurance Consultants—Benefit Plans
70 Pine Street, N.Y., N.Y. 10005

Corporate Insurance PERSONNEL CONSULTANTS
327 SOUTH LA SALLE STREET • AREA CODE 312: 939-6217
CHICAGO, ILLINOIS 60604
GEORGE P. HALM, JR.—DIRECTOR

THINK! PERSONNEL . . .

THINK! CORPORATE INSURANCE PERSONNEL CONSULTANTS

In a two year period, BUSINESS INSURANCE has become the forum for the Corporate Insurance field. The success of this publication is largely attributable to journalistic flair and the satisfying of a previous communications void in the insurance trade paper field.

We at CORPORATE INSURANCE PERSONNEL CONSULTANTS sincerely believe that our facilities will provide another professional medium for the Corporate field—a confidential service that will afford a source of experienced insurance personnel, and an effective vehicle for qualified men interested in Risk Management.

As may be expected, CORPORATE INSURANCE PERSONNEL CONSULTANTS is a division of BELSON, HEMINGWAY AND ASSOCIATES, INC., the foremost national employment service devoted exclusively to the insurance personnel field whose success is evidenced by an impressive roster of leading insurance companies, brokerage houses, and astute insurance men successfully utilizing its facilities.

CORPORATE INSURANCE PERSONNEL CONSULTANTS is not a high cost recruiting or search organization! We work only with employer requisitions and registered candidates.

Corporate Insurance Personnel Consultants
327 South La Salle Street—Suite #1400
Chicago, Illinois 60604

Gentlemen:

As a prospective employer (check one)
employee

I would like to receive additional information regarding your services

NAME _____

ORGANIZATION _____
(employers only)

ADDRESS _____
(employee applicants, please use home address)

CITY-STATE _____ zip code _____

A DIVISION OF **Belson, Hemingway**... AND ASSOCIATES INC.
Nationwide Insurance Personnel Consultants

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.

- What do professional drivers need to learn about driving? **Deadly Driving Errors** is a 30-minute film series divided into three 10-minute segments dealing with particular professional driving problems; **A Matter of Speed**, **A Matter of Adjustment**, and **A Matter of Distance**. The films are available in both standard 16mm or the new Super-8 and can be ordered in either color or black and white and either as a series containing all three films or separately under the individual titles. One copy of the series costs \$435, color, and \$290, black and white. Individual segments for one copy costs \$155, color, and \$103, black and white. Discounts are available when ordering in quantity. For more information write the National Safety Council, 425 North Michigan Ave., Chicago, Ill. 60611.

- **Insurance and Restaurant Fires** is a 16-page, full color booklet on fire safety for restaurants from the Pacific Fire Rating Bureau, 465 California St., San Francisco, Cal. 94104. Especially written to provide an educational tool that could be used by agents, brokers, company personnel and rating bureau people, it explains the reasons and the need for some of the newer fire safety requirements and their effect on restaurant fire insurance rates. Copies are 25¢ each (minimum order of four copies). The order must be accompanied by a check made out to the PFRB.

- The U. S. Department of Labor has released a 147-page bulletin in booklet form entitled **Paid Vacation and Holiday Provisions**. The bulletin is the ninth in the Bureau of Labor Statistics series covering major collective bargaining agreements. Paid vacation and paid holiday provisions have not been analyzed in detail since 1957 and 1958, respectively. The study is based on virtually all agreements in the United States covering 1,000 workers or more, exclusive of railroads, airlines, and government agreements. It is divided into six chapters covering: scope of studies; prevalence and trends of paid vacation provisions; administration of vacation provisions; innovations in vacation plans; prevalence and trends of paid holidays; and administration of holiday provisions. Twenty-six tables and four charts and a list of the previous bulletins are included in the booklet. It can be ordered for \$1.25 from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402.

- Information on do-it-yourself safety program material is free by writing Don Chase Safety Dir., The Statesman Group, Box 394, Des Moines, Iowa 50302. Items include bulletins for management,

supervisors, employes and drivers as well as safety posters and speeches.

- An illustrated brochure is available from Certified Portfolios Inc. explaining their function as originators and administrators of tax-sheltered plans for individuals and corporations. Biographical material on key officers is also included. To receive the item write Charles R. Billman, Certified Portfolios Inc., Client Service Center, 500 Newport Center Dr., Newport Beach, Cal. 92660.

- The National Fire Protection Assn. offers three pamphlets dealing with the installation, and maintenance of portable fire extinguishers: **Installation of Portable Fire Extinguishers**, 36 pages, \$1.00, No. 10; **Maintenance and Use of Portable Fire Extinguishers**, 33 pages, \$1.00, No. 10A; and **Model Enabling Act For Portable Fire Extinguishers**, 10 pages, 50¢. 10L, can be ordered from the association at 60 Batterymarch St., Boston, Mass. 02110.

- HEC Industries Inc. has developed a cassette tape recorder for use with their blast monitoring shockorder. **Model TR-103 Ta-Data Recorder** records the complete vibration and shock signals received by the shockorder's sensing element. The records may be played back and analyzed for complete signal information including frequency, displacement, acceleration and velocity, using standard visual recorders. The basic model is priced at \$685. For additional information write Stan Preskitt, Gen. Mgr., HEC Industries Inc., P. O. Box 30627, Dallas, Tex. 75230.

- A 34-page survey containing national vital and health statistics data in booklet form can be obtained for 45¢ per copy from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. **Regional Utilization of Short-stay Hospitals, United States 1965** covers discharged patients, days of care, and average length of stay for four major geographic regions—Northeast, North Central, South, and West.

- A new booklet from Kemper Insurance compiles eight case histories of employee theft or embezzlement. These claim briefs will help employers spot areas in which measures can be taken to prevent serious loss due to employee dishonesty. **Enterprise and Imagination as Applied by Employees to the Detriment of Employers** may be obtained by writing Bond Dept., Kemper Ins., 4750 N. Sheridan Rd., Chicago, Ill. 60640.

- Ayer Public Relations has released a 12-minute, 16mm, color-sound film, **Grooving for Safety**. The film, available on loan, explains tire hydroplaning during periods of rain and its relation to automobile and aircraft skid accidents and illustrates a new technique currently being employed to prevent hydroplaning. For more information write Ayer Public Relations, 1345 Ave. of the Americas, New York, N. Y. 10019.

- Information on **Survivair Supplied-air Systems**, self-contained protective breathing equipment, is available upon request from Mary K. Bradley, Advertising Division, Survivair, Santa Ana, Cal. 92702.

• **The Fundamental Concepts of Industrial Hygiene** are presented in a six-page, illustrated, foldout brochure published by the National Safety Council. This definitive item is available upon request by writing Stock No. 111.1721, National Safety Council, 425 N. Michigan Ave., Chicago, Ill. 60611.

• **Dusts, Fumes, and Mists in Industry** is a 16-page data sheet published by the National Safety Council. The illustrated item covers 157 points for control of hazards and evaluation of industrial situations involving air contaminants. A copy may be obtained upon request from Stock No. 123.04-5321, National Safety Council, 425 N. Michigan Ave., Chicago, Ill. 60611.

• **Mardix Security Systems** has released an illustrated, eight-page booklet explaining personnel entrance control with its **Video-guard Entrance Model VG-300**. Positive identification checks are possible with split-screen television views of both the subject's face and his ID card. To receive the booklet write Mardix Security Systems, 900 Sterlin Rd., Mountain View, Cal. 94040.

• **AFIA Guide Europe**, offered by the American Foreign Insurance Association, features a summary of insurance requirements and forms in foreign countries. It is published to provide agents, brokers, and insureds reliable insurance information. The 14 countries covered are: Austria, Belgium, Denmark, France, West Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Switzerland, and the United Kingdom. A copy of the latest edition can be obtained by writing AFIA at 110 William Street, New York, N. Y. 10038.

• American Foreign Insurance Association has released the latest edition of **AFIA Guide Latin America**. The publication covers 14 Latin American countries and summary information for 11 islands and their respective insurance requirements. A copy can be obtained by writing AFIA at 110 William Street, New York, N. Y. 10038.

• Psychological theft prevention is possible through use of **Model N SG 454, Simulated Closed Circuit Television Camera**, designed by Shield-Guard Corp., 2109 Central Dr., S., East Meadow, N. Y. 11554. Several models of this crime-prevention device are available and if it is used in conjunction with live cameras the units can be placed inside the simulated camera. For more information write the firm.

• **Fire Protection That Pays for Itself** is an eight-page brochure illustrated with charts and photos and released by Hodgman Manufacturing Co. Inc. It is free by writing Wm. Duggan, Sales Mgr., Hodgman Manufacturing Co. Inc., P. O. Box 387, Taunton, Mass. 02780. Sprinkler installations are made without disturbing daily activities and the manufacturer states that 75% of the work is completed prior to arrival at the installation site.

• The 24-page **Tentative Code for the Storage and Transportation of Oxidizing Materials and Organic Peroxides** is available from the National Fire Protection Assn. for \$1. The code (NFPA No. 499-T) discusses reactions to extinguishing agents and heat, shock and friction. Copies are available from the association at 60 Batterymarch St., Boston, Mass. 02110.

Met shows decline in group sales for 1969

NEW YORK—The "Big Three" life insurance companies—Metropolitan, Prudential and Equitable—all enjoyed gains in sales of both individual and group sales last year with one exception, Metropolitan, which showed a decline of 4.5% in group sales during the year.

Met, however, continues to be the leader of total life insurance in force, reporting a total of \$157.5 billion, up about \$7 billion

from 1968. Prudential follows closely, with total in force now at \$146.2 billion, up about \$8.7 billion from the previous year. Equitable, on the other hand, is far behind the two leaders, reporting a total in force of \$70.8 billion, up \$5.6 billion from 1968.

The most significant gains were enjoyed by both Prudential and Equitable in the group life sales area. Prudential sold \$4.2 billion in group coverage, up 24.8% over

1968, while Equitable boasts sales of \$2.7 billion, or an increase of 23.6% over the previous year. Metropolitan, meanwhile, wrote \$3.5 billion in the group area for the 4.5% decline.

TAKING THE group area alone, Metropolitan continues to be the leader of total insurance in force, reporting a total of \$76.8 billion. Prudential follows with \$54.4 bil-

lion, followed closely by Equitable, which has \$45.8 billion in force.

In individual insurance in force, however, Prudential still has the lead, with \$91.8 billion. Metropolitan has \$80.7 billion in force, while Equitable is far behind in individual life insurance in force, reporting \$24.0 billion.

Equitable, however, did have the most significant sales gain in individual sales in 1968, reporting sales of \$3 billion.

"then the hostess smiled, and calmly served Frank a bowl of pigeon heads"

A true story about Clifford Roche, Vice President
American International Underwriters.

It happened somewhere in Southeast Asia. Two young Americans were invited to eat dinner at the home of a local official.

The food was good. The host and hostess were gracious. And since the hostess nodded, smiled, and said nothing throughout the meal, both guests were convinced that she couldn't understand a word of English.

And so, when the hostess served a native dish of pigeon, the guest named Frank smiled and kiddingly whispered to the guest named Cliff, "If you think pigeon is good, you should taste pigeon heads. Boy what I wouldn't give for a bowl of pigeon heads right now."

With this, the hostess got up, snapped out an order to the kitchen staff, and in one minute she was back.

She smiled, and served Frank a bowl of pigeon heads.

Frank ate the pigeon heads. The hostess saved face.

But if it was Frank who got the heads, it was Cliff who got the message. Cliff is Clifford Roche. And he's now Vice President of AIU.

It was right then and there that he learned in that part of the world people take you at your word.

So you always say exactly what you mean, and you had better mean exactly what you say.

Cliff Roche is a man who must know people. People in foreign lands. His job depends on it. He coordinates the activities of AIU offices in the United States which work closely with American producers and their overseas risks.

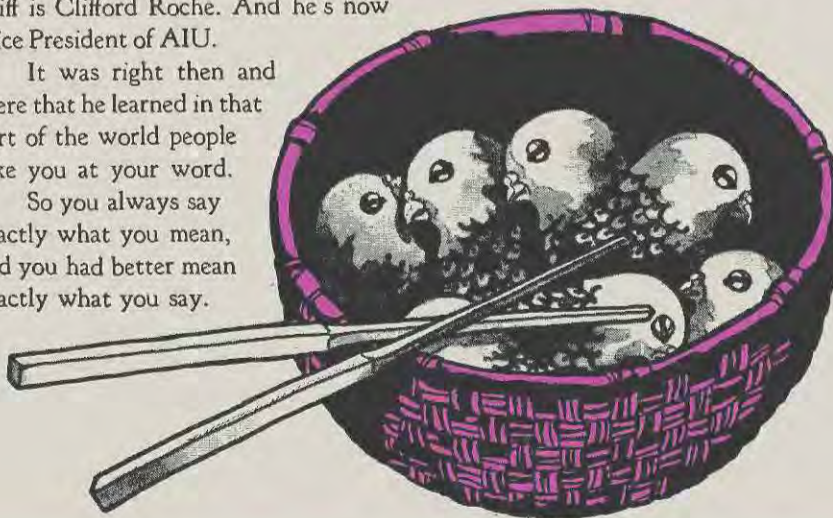
And since he grew up in the brokerage business, he's one of the men the brokers have to rely on to tell them what's going on all over the world.

Cliff Roche is equipped. When he talks to a broker about an area he knows what he's talking about. He knows their laws and business customs.

Chances are he's lived there. He's travelled to Europe 30 or more times and has spent 12 years living outside the U.S.

But, try as he may, there's one thing Cliff hasn't been able to do. To this day, Cliff Roche has never been able to cultivate a taste for pigeon heads.

For more information and a brochure on how Cliff and all the other members of AIU can help you place your overseas risks, write to AIU, Dept. 34, 102 Maiden Lane, N. Y., N. Y. 10005.



following the funds

Ex-bankers form management firm; seek \$100 million for the time being

NEW YORK—A new asset management firm has opened up shop in comfortable pastel offices on Fifth Ave. here and, according to its president, Theodore G. Kane, the company is about to embark on a voyage of "controlled growth."

But the ship has not yet cast off. It is sitting at dockside. The crew has been assembled and includes three men knowledgeable in the ways of pension and profit-sharing fund investments. Two are former bankers and the third is from an investment research

organization. A year ago none of the trio knew each other. "We were known in the field individually," Mr. Kane said. "Now we hope we will become known collectively."

For the moment at least, the principals of Stuyvesant Asset Management Corp are getting to know each other and developing some objectives. The firm does not have an account as yet and is in no particular rush, he said.

STUYVESANT Asset Management was the brainchild of Mr.

Kane. He has been planning it for well over a year. Then, almost a year ago, he left his job as a vp in the trust department at Chase Manhattan Bank to begin assembling the nuts and bolts of the operation. The firm is strictly structured to specialize in the management of large employe benefit funds.

When formally announcing the firm's existence, the president said: "The enormous growth of benefit funds into a \$125-billion industry accents the need for new investment organizations dedicat-

ed to effective management of these important assets. Stuyvesant was formed to serve this select market by providing professional management of both the fixed and equity segments of these large portfolios."

Elaborating on this in an interview with *Business Insurance*, Mr. Kane declared simply, "There is a need for more profitable fund management. We have chosen the employe benefit fund area because of our backgrounds."

The executive vp of the new firm is William G. Prime. He was formerly executive vp and a founder of Equity Research Assoc., a registered investment adviser. At Equity he specialized in technology stocks and was in charge of broker relations. At Stuyvesant he will be in charge of research and broker relations.

VP OF THE NEW firm is Herbert W. Gullquist, who will be in

charge of investments and portfolio management. Formerly he was a vp at the First National Bank of Chicago with responsibility for all discretionary pension fund accounts. He personally managed assets totaling more than \$1 billion with accounts ranging in size from \$5 million to \$500 million.

While at Chase Manhattan, Mr. Kane had senior responsibility for the technical, marketing and administrative aspects of pension and other benefit plans. During his tenure, pension assets more than doubled in size there. Mr. Kane brought his team together, he said, only after a year-long nationwide search with the aid of an executive recruiter.

Considering the backgrounds of two-thirds of the team at Stuyvesant, one might surmise that perhaps they feel banks have been doing something wrong with fund assets they have managed in the past; that maybe Stuyvesant feels it can do it better outside the more rigid structures of the banking community.

Not necessarily so.

"Of course," noted Mr. Gullquist from a seat opposite his boss, "some of every dollar being handled by banks is not effectively used. But," he added, "you have to remember that banks do not exist solely to manage pension and employe benefit funds. We will be existing solely for that purpose."

"**PARAMOUNT** in our minds," the vp went on, "is investment return. Another area is information feedback to the client: 'How is the fund doing?' 'What are we doing with it?'" he said, suggesting that client feedback is an area that banks and other fund managers may have been somewhat lax in the past. "Banks are just now starting to convert their systems to provide this feedback quicker and more efficiently. We won't have to convert anything. We're starting fresh."

"We do not take the stance that existing institutions have handled funds badly," Mr. Kane chimed in, noting that until now those institutions included banks and insurance companies and, to a lesser extent, investment advisors, mutual funds and self-managed funds. Until recently, the president pointed out, banks had enjoyed managing about 60% of these employe benefit funds, while insurance companies managed about 30%. The remaining 10% was split among the third category and it is that category in which Stuyvesant fits.

"We believe that there will be a great trend to this third group in the '70s," Mr. Kane continued. "Of course, you will always need someone to take custody of these funds and you'll also need trustees. It is likely that banks won't lose much of their strength in this area, but you will find them relying more on investment management people."

Stuyvesant Asset Management Corp. does not have a client as yet, nor any prospects it cares to speak about. However, Mr. Kane makes no bones about emphasizing to a visitor that while the company itself is relatively unknown its management team is not.

"**WE DON'T FEEL** it realistic or desirable to develop any client relationships until we have all our team together and our objectives well defined," he said. The team is now there and the objectives are apparently being defined.

"There's a real question as to who can give more effective management to the substantial pension funds," Mr. Kane remarked.

Continued on page 16

If your Employee Benefit Plan isn't also a Company Benefit Plan, something's wrong. It's not being managed as effectively and imaginatively as it could be.

Our goal in managing pension fund money is to make all of it grow. Not just the equity portion. To do this, we abandon many of the traditional forms of fund management and work within a framework of prudently balanced risks and rewards.

Example: We believe a pension fund should be balanced by straight bonds, only if they represent an attractive investment alternative. In the past several years, our policy of substituting convertible debentures and certain common stocks of companies with moderate but stable growth has benefited both our client companies and their employees.

We have a sound history of investment management coupled with a progressive, flexible, current investment policy carried out by officers who are young, aggressive and fast-acting. Why not talk more about it with our Mark Saulnier, V.P. in charge of our Employee Benefit Trust Group, at (212) 530-1351. The Bank of New York. The bank that manages benefit plans.

The Company Benefit Plan.

The Bank Of New York. The bank that manages money.

Main Office: 48 Wall Street, New York, N.Y. 10015 Member of The Bank of New York Company, Inc. Member FDIC

Judge oks mass merchandising in Connecticut

By ALLEN M. WIDEM

HARTFORD—Connecticut Superior Court Judge Irving Levine, in a decision which could bring automobile insurance savings of 11% to 16% for thousands of Nutmeg State motorists, has ruled in favor of the Phoenix Insurance Co.'s mass merchandising plan.

The judge issued a permanent injunction against State Insurance Commissioner William R. Cotter's ruling which had previously blocked action of Phoenix, a Travelers Insurance Cos. subsidiary.

If Judge Levine's decision holds, thousands of Connecticut residents will be able to buy group automobile, home and other lines of insurance coverage through payroll deduction plans or as employee fringe benefits.

THE INSURANCE industry and labor movement have looked to mass merchandising of automobile and other lines of insurance as providing the same impact on fringe benefits within a few years time as that chalked up by hospital and health coverage previously.

Some employer spokesmen have expressed coolness to the projected broadening of mass merchandised insurance, but labor unions have applauded the move to the point of volubly protesting State Public Act 823 last year. (This all but nullified effective mass merchandising of new lines in Connecticut.)

Backed by independent and mutual insurance agents, Public Act 823 got approval from the 1969 session of the state legislature in closing hours.

Apparent intent was to block mass merchandised insurance plans for groups of less than 700. Also stipulated was the fact that at least 70% of any group had to participate in any plan.

IN EFFECT, this meant that thousands of employees in small companies and offices in Connecticut, for example, could not take advantage of mass merchandising.

Public Act 823 also held that a mass merchandising insurer would have to charge all participants of a group the same rate of premium, regardless of how great or small a risk the individual happened to be.

The insurance industry mount-

ed a protest campaign, charging that the provision would only serve to encourage all the high-risk cases to enlist in group plans, thus forcing up total cost of coverage for everyone and proceeding to wipe out any savings group coverage design could make possible.

Public Act 823's supporters held to the contention that the insurance companies could "skim the cream" of good risks from any group and force bad risks to seek coverage in the open market and thus force up the cost of

coverage in all non-group plans.

JUDGE LEVINE'S ruling is expected to immediately affect the insurance industry's Connecticut operations; he ruled that the Phoenix plan does not fall "within the purview" of Public Act 823.

Phoenix intends to insure any size group, from two persons up, basing individual premiums on such traditional elements as the type of home and available fire protection (in situation of home owner coverage), and normal use

of vehicle, driving record, age of driver and where the vehicle is garaged (in situation of auto coverage).

Judge Levine said he found it unnecessary to review the suit's constitutionality.

When Mr. Cotter, during a court session, remarked that Phoenix's election of individual risks among employees is "cream skimming" (because only good risks would be accepted), the judge commented that "cream skimming" prevails in the insurance industry today—"or at the

very least it could—under any plan of insurance, group or otherwise."

PHOENIX argued that selective underwriting amounted to "no cream skimming" but rather served to filter out "pollutants" from the existing market.

Mr. Cotter has the right to appeal Judge Levine's decision to the state supreme court.

He told *Business Insurance* he would consult with the state attorney general's office before coming to a decision. ■

Your Responsibility Is Insuring Protection. No One Knows It Better Than We Do.

As insurance buyer, you have responsibility for employee, property and liability protection.

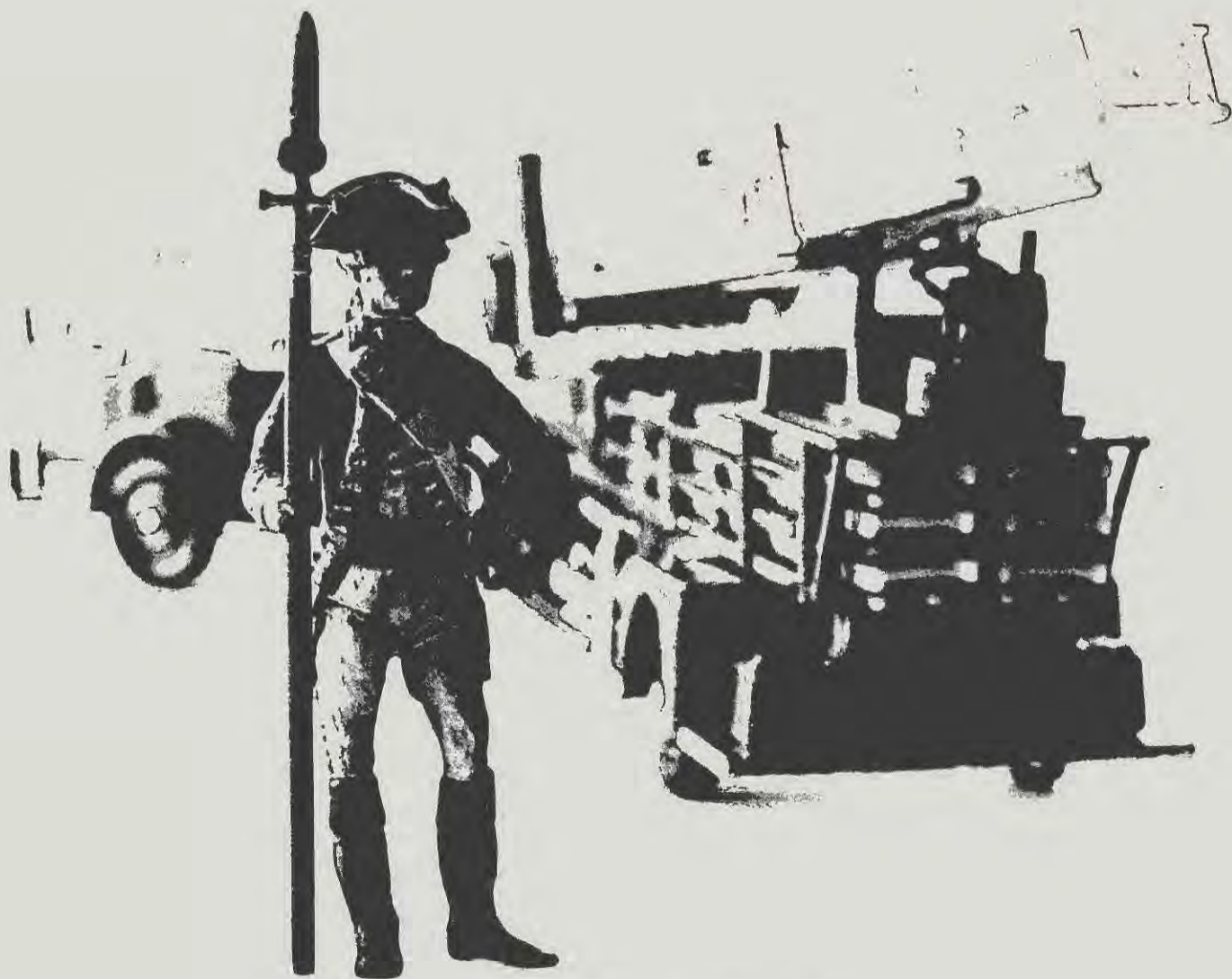
And, responsibility for another form of insurance: full protection against fire, burglary, hold-up and other hazards.

And no one knows this kind of protection better than ADT. We design, manufacture, install and maintain some of the most advanced, comprehensive burglar and fire protection systems to be found anywhere, plus coordinated emergency evacuation signaling and public address services.

Because of premium reductions granted by insurers in recognition of ADT security systems, you may reduce insurance costs for your firm.

ADT can be a great help in resolving both your protection responsibilities. We invite you to consult with our people. On request, an ADT protection specialist will come to survey your particular problems. No obligation.

For information and literature, check the Yellow Pages or write ADT . . . the protection professionals.



ADT®

An International Organization 155 Sixth Ave., New York, N.Y. 10013

Texas units liable for employees

DALLAS—State and county governments will be plagued with about 300 suits in the coming year because of a new law making governments liable for accidents caused by their employees.

Crawford Martin, Texas Attorney General, said the suits could cost governments \$100,000 per plaintiff and \$300,000 per accident. He said that although insurance covered suits that were settled out of court, approximately 100 cases would be brought to trial and there were no funds to cover costs.

"I DON'T have any money for that," Mr. Martin said, "and I don't know what we're going to do."

The Texas legislature passed the new liability law in the last session, killing the 123-year-old common law statute that prevented suits against state and county governments. ■

opinions

Sensible report

The advance planning committee for the annual conference of the American Society of Insurance Management has developed a sensible report recommending that ASIM drop its Washington "legislative coordinator" in favor of a young attorney who would manage legislative activity from the group's New York headquarters.

We think that a careful look at the mechanics of the ASIM legislative program is long overdue and that the advance planning committee should be commended for its straight thinking in the matter.

While the committee concerned itself primarily with the financial and administrative advantages of having a young attorney in the group's home office instead of an expensive lobbyist in Washington, members of the group gave evidence that they also recognize the chief failing of the ASIM legislative program as it has developed under James E. Bailey during the past year and a half.

Mr. Bailey is a Washington lobbyist of recognized skill. He has all the Capitol Hill requisites: friends on both sides of the aisle; experience on the staffs of Congressional committees and a regulatory agency; and a Big Daddy personality that warms cold legislative hearts.

Trade associations, large corporations and public utilities have traditionally sought the expertise that Mr. Bailey possesses, and for good reason. They need to have their voices listened to by sympathetic ears in the offices and corridors of Congress.

ASIM, however, is a consumer group that has ready acceptance among all elected officials in Congress and in state legislatures. No elected representative would turn down the request of an ASIM legislative chairman who wanted to be heard on a subject vital to the interests of risk managers and the companies they serve. ASIMers are the guys in the white hats, the fellows who speak for a significant group of insurance consumers, and who ought to speak out more regularly for all insurance consumers.

Therefore, we have long felt that Mr. Bailey projected the wrong image of ASIM—the image of a group that required the services of a skilled lobbyist to put its program across. ASIM, as the advance planning committee implies, would be more effective if it employed its own members as legislative spokesmen with technical guidance and legislative monitoring service from a young lawyer in New York.

ASIM's board of directors ought to give serious consideration to the advance planning committee report in its deliberations in Miami Beach. There is an important need for risk managers to speak up for themselves, to be heard in legislative councils as consumer representatives speaking in the public interest.

Business Insurance has continually encouraged a broad and effective legislative program for ASIM, one that would bring the group together with other consumers in seeking insurance legislation and regulation that would at once benefit businesses and buyers of personal lines coverage. The suggestion that a young legislative coordinator be hired to aid the chapters in their efforts makes a great deal of sense. So long as insurance is regulated on a state level, the major battleground is in the state legislatures and insurance commissioners' offices rather than on Capitol Hill.

business insurance

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

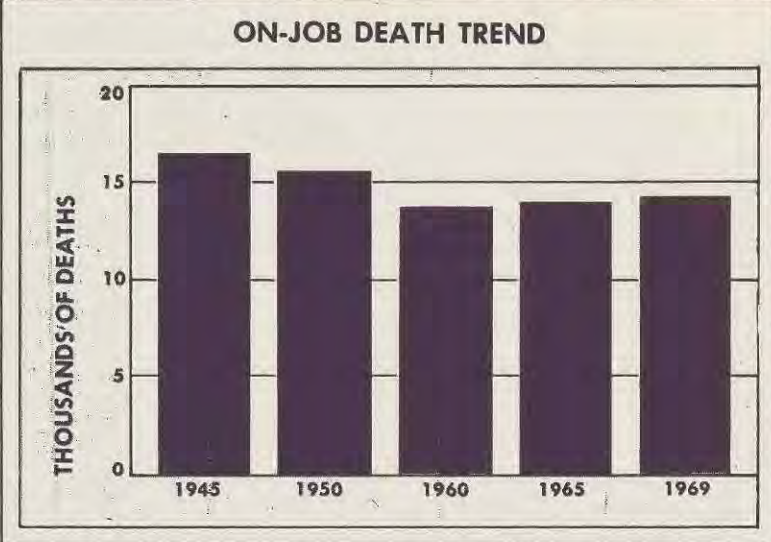
RANCE CRAIN, Editor RICHARD C. BJORKLUND, Managing Editor
STEPHEN D. GILKENS, Eastern Editor. Associates: New York—SUSAN TRAUSSCH, GEORGE R. LANGWORTH, Chicago—TERESA NORTON, Washington—STANLEY E. COHEN, San Francisco—KENNETH R. MACDONALD, Hartford—ALLEN M. WIDEM, Minneapolis—ROBIN MENZ SUHRBIER, Editorial Assistant: Chicago—MICHELE MADDOCK. Correspondents in all principal cities. JOE FARACI, art director.

Contributing Editors: DONALD BERRY, vice president, C. B. Lilly Inc., East Orange, N. J. JOHN W. GILES, attorney-at-law, Washington, D.C. CHARLES LEVINSON, insurance manager, Port of New York Authority. ELLIOT BEIER, manager of pension and profit-sharing services, Nuveen Corp., New York. J. E. BENOIT, J. E. Benoit & Assoc., St. Leonard, Quebec. CARL J. VOGT, supervisor of workmen's compensation, General Tire & Rubber Co., Akron. HOWARD L. PECK, partner, Hewitt Associates, Libertyville, Ill. BION H. FRANCIS, insurance manager of benefits planning, Colt Industries, New York. J. P. OLSEN, insurance manager, Ingersoll-Rand Co., New York. NED MILLER, partner, Romm, Miller & Lazarus, New York. JAMES J. ANDERSEN, insurance manager, Squibb Beech-Nut Inc., New York. HAROLD A. CLARK, manager-planning, employe benefits, Sperry Rand Corp., New York. JOSEPH GULLO, vice president of insurance, D. H. Overmyer Co., New York. PAUL C. JOHNSON, insurance manager, Sea-Land Service Inc., Elizabeth N. J. M. REX PEARSON, insurance manager, Signal Cos., Los Angeles. ROBERT ABRAHAMSON, insurance manager, Control Data Corp., Minneapolis. WILLIAM J. JONES III, assistant to the treasurer, overseas chemical division, W. R. Grace & Co., New York.

ALFRED MALECKI, publisher
RONALD R. WALINDER, production manager
District managers: New York—CHARLES A. HORVATH, THOMAS J. O'MARA
Chicago—ROBERT L. NIESSE
Los Angeles—DENNIS KOCH
Southern representative—WILLIAM B. CARR,
2500 N. E. 48 Lane, Fort Lauderdale, Fla. 33308
Assistants: BERNICE STELTER, MARCY GARESCHER

Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Industrial Marketing, Advertising & Sales Promotion, Marketing Insights.
G. D. CRAIN, JR., chairman S. R. BERNSTEIN, president
M. A. HARTENFELD, executive vice-president; RANCE CRAIN, KEITH CRAIN,
J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, D. J. CLEARY, JR., vice-presidents.
G. R. CRAIN, secretary and treasurer. J. H. TERRY, assistant secretary and assistant treasurer.
Cable address: CRAINCOM

Published at 740 Rush St., Chicago 60611 (337-5200). Offices at 630 Third Ave., New York 10017 (YU 6-5050); National Press Bldg., Washington, D. C. 20004 (RE 7-7659); 1018 Fisher Bldg., Detroit 48202 (TR 2-7211); 6404 Wilshire Blvd., Los Angeles 90048 (OLive 1-3710); San Francisco (GR 4-8532); Fort Lauderdale (564-1850) 45 cents a copy, \$10 a year in U.S., Canada and Pan America. Elsewhere \$4 a year extra. WILLIAM STRONG, circulation director. ROGER DIGREGORIO, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, *Business Insurance*, 740 Rush Street, Chicago, Illinois 60611.



On-job deaths in 1969 decreased by 100 from 1968. In 1950 62 million Americans were in the work force; in 1968 the January-September average was 79 million. The number of on-job injuries has remained fairly constant since 1945, with 1969 figure reaching 2.2 million. *Business Insurance* will cover current safety, security and loss prevention news in a special issue June 22.

Thanks, Bill Mortimer

Next week in Miami Beach the American Society of Insurance Management will elect a new president to replace William Mortimer, insurance director of Norton Simon Inc. Members of ASIM can be proud that they elected Bill Mortimer last year and followed his leadership in facing some knotty problems within the organization and in meeting challenges to the risk management profession.

Mr. Mortimer exemplifies true professionalism in risk management by setting his sights higher than the day-to-day operations of handling the complex insurance affairs of a major conglomerate. When he was elected last year, Mr. Mortimer told *Business Insurance* that he would lead ASIM toward a larger role in protecting the insurance consumer by supporting, among other things, open competition rating laws and the exclusion of industrial insureds from the restrictive provisions of non-admitted insurer bills. While we have not kept a legislative box score, it appears that he succeeded in articulating ASIM's position on these matters.

Another major achievement of Mr. Mortimer's term has been the increasing emphasis on risk management (as opposed to insurance buying) in the programs of ASIM chapters and of the national organization. Insurance companies and brokers have been made aware through ASIM that they must provide meaningful service to U. S. business if they expect to continue to collect a growing volume of premiums and fees. During this year there has been a growing emphasis on self-assessment of risk and upon the development of insurance programs that aid business insureds in regulating cash flow while adequately meeting their risks. Bill Mortimer must be credited with fostering this concept of risk management.

What some members of ASIM may not be aware of is that Bill Mortimer has also played a vital part in exposing insurance cheats who threaten the treasuries of businesses and the integrity of a respected industry. He has worked quietly with insurance associations, public officials and this magazine to responsibly ferret out those fringe operators in the insurance business who offer questionable coverage, often without authorization.

For all of his achievements, Bill Mortimer deserves the thanks and respect of every member of the American Society of Insurance Management as well as everyone connected with the insurance industry. His professionalism goes beyond his expertise as a leading risk manager. His professionalism extends to a clear understanding of a risk manager's role in society.

New concepts

On June 22 *Business Insurance* will publish its annual report on new developments in safety, security and loss prevention.

To corporate risk managers, elimination of losses through safety and security takes first priority. After loss prevention, they look to such measures as transferring risks and, ultimately, to spending the money to insure them.

Risk managers place loss prevention first because it is truly the first step in cutting the cost of risk bearing. Loss prevention, they know, is the most economical way to cope with risks.

Our June 22 report will include material on the special problem of communicating the need for safety to young employees. The language of the new generation demands that management forget corny old slogans and think instead in groovy terms that young people can understand.

In the field of fire safety we will cover especially those new risks and new fire prevention measures that are thrust upon industry by advancing technology.

Much the same holds true for security measures in a time of social unrest. Prudent businessmen and industrialists are looking for new and effective ways to protect their properties, ways that will be detailed in the *Business Insurance* special report.

Readers who have ideas or suggestions for the safety, security and loss prevention report are invited to send them to Richard Bjorklund, Managing Editor, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

letters

ASIM-Kemper talks

To the Editor: I note in your issue of Mar. 2, page 3, that you have a comment attributable to me regarding "ASIM-insurer groups review pollution, capacity."

I do not have a recording of the telephone conversation I had with one of your representatives after I returned to Richmond, but I am sure that the statement printed by you is either incorrect or taken out of context. Unfortunately the damage has been done. Such remarks do not encourage more sessions nor do they foster better relations between insurers and insureds. It also could very easily damage relationships between the hosts and their guests.

I reported to my management that the meeting was very informative and it appeared that both the insurance buyers and insurance sellers are really trying to solve the problem of capacity.

James I. Brierley
Insurance Manager, Ethyl Corp., Richmond, Va.

Editor's Note: There was no intent on the part of *Business Insurance* to misconstrue Mr. Brierley's comment, although we are satisfied with the accuracy of the quotation. The general tone of the article, supported by the remarks of those who attended the ASIM-Kemper meeting, was that such sessions are beneficial to all participants. In the past, *Business Insurance* has emphasized the importance of these discussions between risk managers and insurers through extensive news coverage.

Define 'credit bubble'

To the Editor: Before me is an article titled "Supreme court rules on jury trial for suits against company directors." The date of the issue it appears in is not available but I believe it would be around March.

In the article the term "credit bubble" is used in connection with a case involving the First National Bank of Lincolnwood, Ill. I have asked all my financial associates the meaning of this term and they are unable to come up with a proper answer. Can you please give me the definition of a "credit bubble?"

Michael G. Stevens
Assistant Vice President, American Home Assurance Co., New York, N. Y.

Editor's note: "Credit bubble" means there is a large volume of insubstantial credit. Or, in other words, there is an illusion created that funds would be forthcoming when there are no funds to back up the promise.

747 story disturbing

To the Editor: The success of the Boeing 747 as well as other "new generation" aircraft is of prime importance to the entire aviation industry. A sound and equitable insurance program is, of course, a major factor in determining the financial success or failure of these new aircraft. Your article in the Feb. 2, issue of *Business Insurance* is disturbing since you infer that the aviation insurance markets do not recognize the importance of the situation.

The statement that underwriters were so short-sighted as to take an immovable position is entirely inaccurate. To the contrary, negotiations with each individual market produced free exchange of ideas which resulted in hull



Why does Max Factor insure with AFIA?

Max Factor operates throughout the world. It needs a foreign underwriter that can match its far-flung facilities with a network of offices that assure on-the-spot service wherever this famous cosmetic manufacturer decides to market its products.

AFIA's more than 200 branch offices overseas give Max Factor the kind of local service that can be counted on. Each office is staffed by people who know insurance and who know the local conditions and practices you won't find in an insurance text.

They're the kind of people Max Factor

and its brokers expect. Not in one country. But everywhere. Knowledgeable, alert, sound insurance people who are there when you need them to work with you to develop the kind of insurance program that makes sense wherever your products are manufactured, warehoused, or distributed.

You can't get this from everyone. But you can get it from AFIA. Anywhere in the world.

It's one of the reasons why Max Factor is one of the 87 largest companies in America doing business overseas that insures with AFIA.



WORLDWIDE INSURANCE

World Headquarters: • 110 William Street • New York, N.Y. 10038 • (212) 964-4990

U. S. branch offices: Chicago • Dallas • Houston • Los Angeles • San Francisco • Washington, D. C.

Noise claims adding to insurance managers' woes

By GEORGE LANGWORTH

WASHINGTON — Workmen's compensation and the emerging liability problems which increased noise pollution poses for the insurance manager adds noise to the growing barrage of "headaches" which wait for him each morning at his desk.

Noise causes damage to the human ear in basically two ways. A steady, high volume noise, like that produced by a textile loom's shuttle, can destroy hearing if a worker is exposed to it over a long period of time. Also, a sharp, exceptionally loud noise, such as that produced by an explosion, can cause loss of hearing.

Traditionally, most state workmen's compensation laws were designed to cover accidental inju-

ries, explained Andrew Kalmykow, counsel for the American Insurance Assn. In essence, this legal tack covered the acoustical trauma caused by the sharp, loud noise. However, Mr. Kalmykow explained, compensation laws "have gradually been extended so that they all now cover occupational diseases as well." Hearing loss caused by long term noise exposure falls into this category.

RECOGNITION of hearing loss as a compensable occupational disease has been slow in coming. "Most laws include loss of hearing within these schedules of permanent partial disability," Mr. Kalmykow told *Business Insurance*. "These provisions were enacted long before it was realized that long continued exposure to

noise in employment could have adverse effects on hearing."

In 1948, a New York court brought this subject to widespread public attention. In *Stawinski v. J. H. Williams Co.* the majority of the court held that compensation "should be paid for partial loss of hearing due to noise in employment under the partial disability schedule as an occupational disease even though no wage loss had been suffered and the employe continued in the employ of the company.

"Strangely enough", remarked Mr. Kalmykow, "the court apparently did not realize the importance of its decision because neither the highest court nor the intermediary appellate court wrote an opinion." A dissenting judge did write an opinion, how-

ever, which held that "the law specifically defined disability in occupational disease cases as disability from earning full wage at the work in which the employe was last employed," Mr. Kalmykow noted.

The majority decision in this case allowed an employe to continue working at his regular job at full pay and still be entitled to substantial amounts of compensation. "In noisy employments," Mr. Kalmykow said, "many could potentially qualify. Before long, hundreds of claims were filed."

FACED WITH a gigantic compensation tab resulting from this situation, the chairman of the N.Y. Workmen's Compensation Board appointed a special committee of consultants on occupational loss of hearing to try to come up with

some solution. "The expert consultants," Mr. Kalmykow explained, "agreed that there was some recovery of hearing acuity after leaving a noisy exposure. They recommended removal of the claimant from exposure to noise for at least six months, contending that the extent of the permanent hearing loss could not be determined until there was removal from this exposure for a sufficient time."

Accepting this as a suitable stopgap measure, the Workmen's Compensation Board placed all claims in a pending status while the claimants were removed from exposure to noise so that the degree of permanent loss could be determined. The board was also provided with a standard for hearing loss: "These experts had also recommended that the ability to understand speech should be the basis for compensation awards for occupational deafness," Mr. Kalmykow explained.

Another case similar to *Stawinski v. J. H. Williams Co.*, this one in Wisconsin, was brought before the court while the New York situation was in progress. The Wisconsin court found against the employe and while the case was on appeal, legislation was developed from an agreement between the various interested parties and was subsequently enacted. This legislation required that compensation for hearing loss be authorized only if there was wage loss involved. In addition, the new law limited the maximum amount recoverable to \$3,500. "It was recognized that this legislation was of a temporary nature pending further study of the problem," Mr. Kalmykow noted.

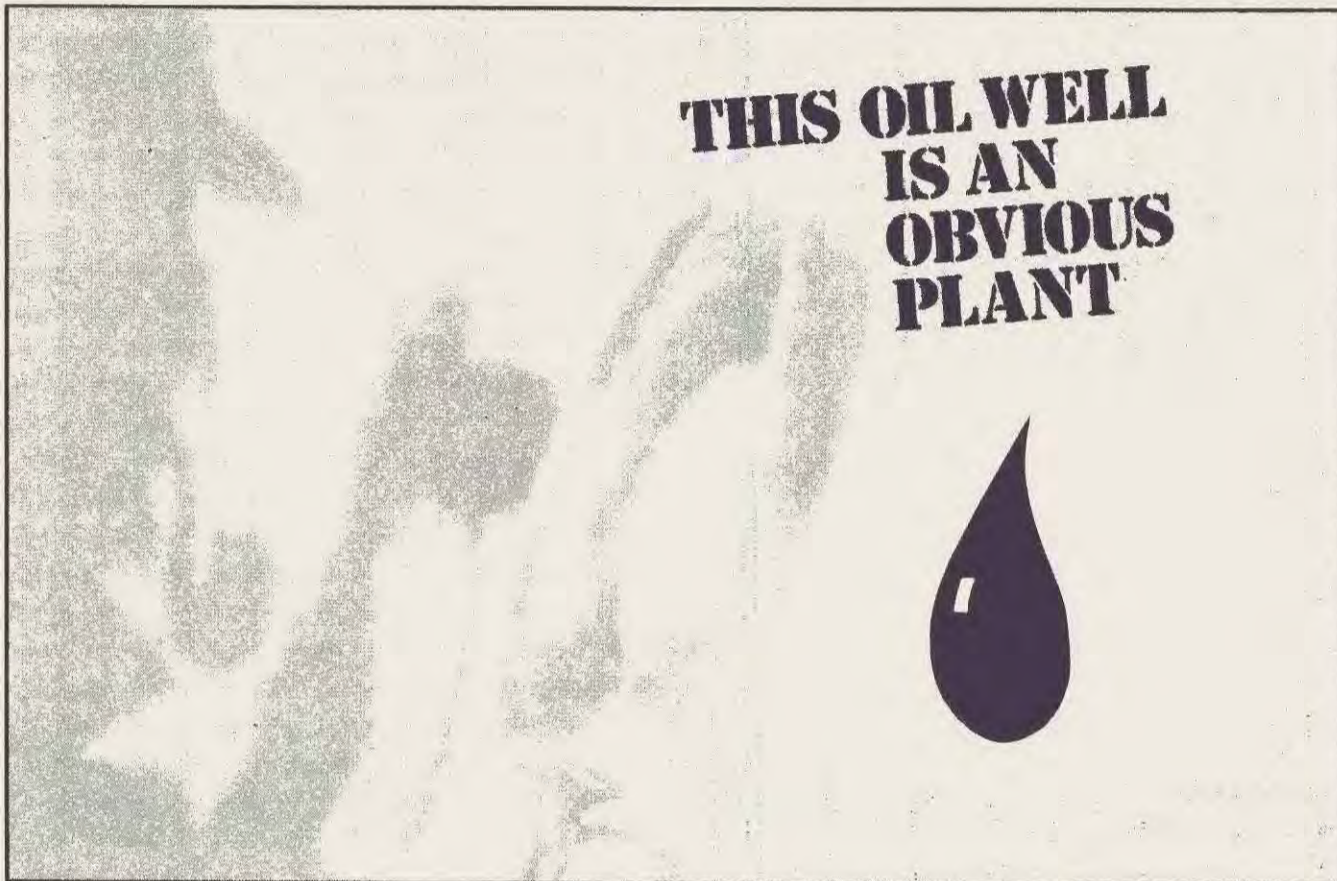
Because the lower court in Wisconsin was reversed by the Supreme Court the law was revised in 1955. "This enactment," Mr. Kalmykow explained, "was based on the principle that no compensation should be payable while the employe continued in noisy employment unless he suffered a wage loss because of transfer to other noisy work."

IN 1958, New York caught up with a hearing loss compensation law, still standing, which incorporated two major features: A six month separation from exposure to noise is required before compensation is payable. Prior employers may be required to contribute to the cost of compensation if the second employer found a hearing loss evident in pre-employment tests and a subsequent hearing loss compensation claim is made.

"This matter of contributions is a troublesome one," Mr. Kalmykow remarked. "The simplest and fairest way would seem to be to make the last employer whose employment involved exposure to noise solely liable. This would eliminate litigation and controversy and the possibility of being held liable for compensation payments long after an employe has left the employment when records have been destroyed and the facts of employment are not clear. While an employer may have to pay more compensation in some cases he would be relieved of payment in others," he said.

The Missouri legislature, acting in the same year as New York, amended its workmen's compensation law following a court decision similar to the Wisconsin case. The law was revised specifically to cover loss of hearing due to noise. "This legislation," said Mr. Kalmykow, "is generally considered to be the best statute on the subject and has been followed in

Continued on page 32



Chapter 1 • In the Case of Producers Cotton Oil Company, oil fields are actually fields of cotton and safflower. And each plant holds a pool of valuable oil in its seeds.

The company, headquartered in Fresno, operates 70 cotton gins and 3 oil-seed mills in California and Arizona. Producers also farms some 115,000 acres.

Their principal crop is cotton. They process it, market its fibers, mill its seed, and sell its oil and seed by-products.

Integrating the roles of grower, processor, and merchandiser of agricultural commodities, Producers typifies the modern agribusiness.

Chapter 2 • Tracking down the uses of cotton reveals a list of products ranging from clothing to cattle feed. Cellulose to salad oil. Cottonseeds provide an abundant source of edible oils for the finish food trade. Other by-products go into the manufacturing of synthetic fabrics, plastics, and into furniture trade.

Producers found that the seasonal start-stop of ginning, farming, and milling operations, plus turnover of crews, created a high loss risk. Their search for a workmen's compensation carrier with strong safety engineering services led them to Norman Booth of Booth Insurance Agency in Fresno. Together with Argonaut experts, they came up with a comp program geared to Producers' mode of operation.

Chapter 3 • The footwork for engineering a safe plant takes place before peak seasonal production. A Producers safety team and Argonaut safety engineers inspect for potential hazards. Safeguards are checked and warning signs posted. During production, crews attend weekly safety meetings and on-coming shifts receive 5-minute safety talks.

The results? L. D. Bowers, Safety Director of Producers Cotton Oil Company, knows the facts: "Argonaut has helped us achieve an excellent safety record and reduce our net insurance costs. They've always given us 'number one' claims and safety engineering service. You can't ask for more than that."

Epilogue

If your eye is fixed on sizable workmen's compensation accounts, keep these facts in mind: Argonaut is a workmen's comp specialist. We have experienced underwriters, safety engineers, and claims men trained to handle specific industries. And we back up every policy with expert service.

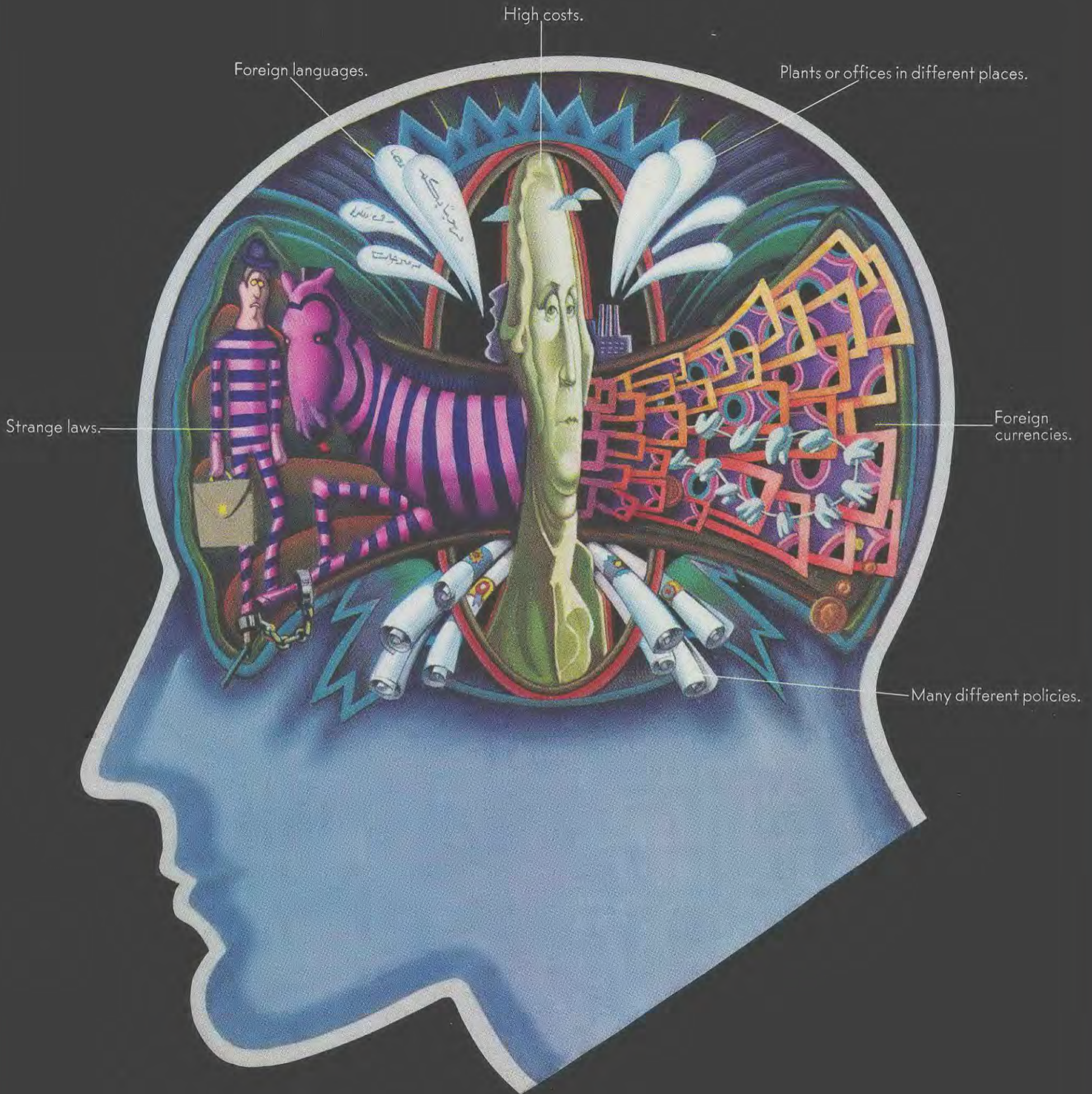
The conclusion is elementary. Call Argonaut today.



Argonaut Insurance Companies

HOME OFFICE: MENLO PARK, CALIFORNIA

Principal offices: SAN FRANCISCO • SACRAMENTO • FRESNO • LOS ANGELES • SAN DIEGO • PORTLAND • SPOKANE • BOISE • DALLAS • HOUSTON • NEW ORLEANS • MINNEAPOLIS • CHICAGO • KANSAS CITY • INDIANAPOLIS • NEWARK • ATLANTA



AN AIRCO OVERSEAS EMPLOYEE BENEFIT PLAN RELIEVES HEADACHES FAST! FAST! FAST!

As soon as you take us on, we go straight to the source of your trouble.

You tell us where your installations are and what you want to provide. (We write life, medical, disability, accidental death and dismemberment, pensions, etc.) Then we contact local American International companies. And

we can write one master plan, even if there are many separate local policies. One for each installation.

We write policies in the local languages. And in English.

For all this relief, AIRCO can cost less. We spread total risk to keep cost low.

We've been relieving headaches like this for a long time in over 80 countries. That proves AIRCO works. And we're a lot easier to take than a handful of foreign companies.

So what are you waiting for?

Write to AIRCO. We're good preventive medicine.



AMERICAN INTERNATIONAL REINSURANCE COMPANY, INC.

Pitts Bay Road, Hamilton, Bermuda

'Big truck' bill faces uphill fight in Congress

WASHINGTON—The "big truck bill" is dead, its primary opponent, Rep. Fred Schwengel (R., Ia.) now claims, and even its chief proponents admit it faces an uphill fight this year.

Rep. Schwengel's latest ploy in his battle against the two-year-old move to set new permissible maximum width, weight and length limits for the interstate highway system is to introduce a bill that would establish a 15-member Presidential commission to "take a hard look" at the safety and economic considerations involved in increasing the permissible size of trucks.

The so-called "big truck bill" would increase from eight feet to

eight and one-half feet the maximum allowable width of trucks and busses using the interstate highway system. The limit on weight would be raised from 73,280 pounds to 108,500 pounds. The length, which is not limited now, would be set at 70 feet.

REP. SCHWENGEL led a successful fight against a similar bill in the House last Congress, in the face of a well-financed lobbying effort by the American trucking industry, which managed to get the measure approved in the Senate.

The "most significant point" developed from the large amount of heated debate over the

highly-explosive issue is the "weful lack" of accurate, unbiased data on the present safety record of trucks and the effect of the proposed increase on highway safety, Rep. Schwengel holds.

President Nixon endorsed this view during his campaign, Rep. Schwengel says. Mr. Nixon said he would favor postponing the measure until his transportation secretary was able to conduct a study of the matter, answering such questions as the safety and convenience of the motoring public and the extent to which greater truck size and weight would impose additional wear and tear on the roadwork.

THE NIXON transportation department did a "quicky 30-day study," following commencement of Congressional hearings on the bill. After the study, Federal Highway Administrator Francis

Turner—who has been frequently criticized by auto safety crusaders like Ralph Nader as soft on industry—testified that the administration does not have "sufficiently reliable evidence to make a clear case for or against the proposal on safety grounds."

To this, Rep. Richard McCarthy (D., N.Y.) answered, "We're not safety experts. You have them. But you take a Pontius Pilate attitude of washing your hands of the whole affair." ■

Named second vp

Bruce B. Crawford, formerly regional group manager of State Mutual Life Assurance Co. of America, Worcester, Mass., has been elected second vp and placed in charge of group sales. Promoted to directors of group sales are Robert A. Breidenbach, Donald R. Lawrence and Alfred P. Morrissey.

Ask filing on charge cards

SALEM—Oregon Insurance Commissioner Cornelius C. Bateson, Jr., has announced that charge cards may not be used in payment of insurance premiums until insurance companies make new filings with the state.

The official said his ruling banning use of charge cards for insurance premium payments under existing filings was based on a finding that the discounts charged by credit card firms might result in increased insurance rates.

In his opinion, he said he would "be glad to consider any policies which are submitted for approval which will allow the use of the reasonable business procedure of charge cards if they do not unjustly discriminate against the cash customers."

Mr. Bateson indicated he felt the use of charge cards in the payment of insurance premiums might offer some advantages both to the insurance companies and to insurance buyers. He emphasized, however, that companies would be in violation of Oregon law unless policy forms and rates were filed with the State Department of Insurance prior to their use. ■

Ex-bankers . . .

Continued from page 10

"Is it the larger management institutions (banks and insurance companies) or the smaller ones?"

"We happen to believe there are many ways a smaller organization like ours can better handle these large funds," he said.

At this point Mr. Gullquist took over. "To take the next logical question," he said, "where do we draw the line? Do we become big like the others or do we stay small?" he said.

"**WE DON'T WANT** to become a billion-dollar money manager," he said, without referring to the fact that he has already done that in his financial career. "We'd rather put a bucket under a faucet, let it fill up and maybe run over a bit and then shut it off," he said and noted that the firm has definitely set a limit on itself. That limit is "\$300 million in funds to manage—firm."

"We're only structured for \$100 million right now," Mr. Gullquist said of the present management team. "We're looking for funds or parts of funds in the \$10 million to \$20 million range, which means that we will be able to handle five to seven accounts." When that self-imposed limit is reached, said the vp, new management people will be sought by Stuyvesant so that each account will continue to get the maximum attention.

"Frankly," Mr. Kane added, "we did not and do not want to become a captive. We don't want any one fund to dominate our business," he said of the \$10 million to \$20 million range the firm will eventually woo. In addition, Mr. Gullquist pointed out, the management firm wants to see a geographical and industrial mix among its accounts.

"We've coined a small phrase around here," the vp said. "It's 'controlled growth.'" Questioned about whether Stuyvesant Asset Management Corp. could honestly expect anyone to believe it had coined that phrase, the vp received support from his president.

"In the investment field," Mr. Kane said, "I don't think there are many firms that have taken that approach. Can you name any?" ■



Are You In More Than One Business?

In a diversified company, risks may vary greatly by the types of operations or products. Each faces different potential loss frequency and severity. Each may require separate study and methods of protection.

Corporate management should establish policy and procedures to obtain maximum efficiency in the risk management of each exposure to loss. Its objective is to maintain profitability and avoid invasion of capital through prudent protection.

A&A will help you to organize a corporate risk management control center whether you have two businesses or twenty... here, or anywhere.

ALEXANDER & ALEXANDER

INCORPORATED

INSURANCE BROKERS

Consulting Actuaries

Average Adjusters

Everywhere In The Free World

special pension, profit-sharing report



Participants in a press conference on fund investments are, left to right, Richard Bjorklund, managing editor of Business Insurance; William Mahoney, assistant vice president, Continental Casualty and director of common stock research, Continental Insurance Co.; Hayes Hendricks, assistant director of equity and retirement products, Continental Assurance Co., and Rick Fox, treasurer, Continental Casualty Co. Don Rycroft, another Continental investment executive, participated in the panel discussion but does not appear in this photo.

Master pension plans foment controversy in financial community

(See related story on page 19.)

NEW YORK—Well, how do you feel about master and prototype retirement plans?

"We don't have one and we don't plan on developing one. I don't think they'll get the kind of play or usage their proponents have projected, frankly."—Senior vp of trust department of a N.Y.-based banking giant.

"In an effort to economize, such plans (master and prototype) seek to avoid the expense of trustees' fees charged by banks and, instead, engage individuals (corporate officers) as trustees."—N.Y. stock exchange member brokerage house seeking direct sponsorship of plans.

"THE MAIN purpose (of the IRS-devised prototype plans) of course, was to cut down the overload of an already overburdened (IRS) pension trust department 'staff.'"—vp of a securities firm.

"These new prototype plans will provide comparable retirement benefits to employees of small-and medium-sized employers who found it too expensive to offer benefits equal to their larger, more affluent counterparts."—executive of a new plan consultant/computer service company.

It's not difficult to determine that there is little agreement in the investment community about the usefulness or the future of prototype retirement plans. What is amounting to a small-scale controversy was originated by an IRS revenue procedure (68-45) issued in January of 1969. The Internal Revenue Service outlined the guidelines for a retirement plan form whereby a sponsoring organization (such as a bank, insurance company, or a mutual fund) could obtain IRS approval of the plan in advance, thus allowing the corporation to

avoid the time-consuming and costly process of individual plan design and IRS approval of the private, individually-tailored plans.

The two retirement plan forms are labeled respectively the "master" and "prototype" plans. In the master plan the plan trustee is specified in the sponsoring organization's application form (to be used as a marketing tool for the sponsor's services and/or products, such as mutual fund shares, for example). In the prototype plan, on the other hand, the choice of trustee is left up to the employer installing the plan.

PROTOTYPE plans are available in two formats—standard and variable. The standardized format, relatively inflexible, contains restrictive trustee provisions, eligibility requirements and, if a profit-sharing plan, a contribution formula. The variable plan permits an employer to select several options relating to such basic provisions as plan eligibility requirements, benefit or contribution formulae, age and service requirements for benefits and testing. A variety of prototype plans are available, including profit sharing, money purchase pension, saving thrift and salary savings plans among others.

As one enthusiastic marketer of the prototype plan put it, the concept "allows the small employer to go to the supermarket and pick out that plan that best suits his situation."

John H. Wood, marketing manager for the pension and profit sharing department at Merrill, Lynch, Pierce, Fenner, and Smith Inc. told Business Insurance that "we (Merrill Lynch) are marketing a complete group of master and prototype plans whose available options allow the employ-

Continued on page 18

Experts tell how to manage funds for top investment performance

CHICAGO—Investment performance is a factor of increasing importance to managers of profit-sharing and pension funds, whether they are "in-house" decision-makers on their own funds or rely on outside expertise provided by investment consultants or insurance companies.

To find out how one group of expert money managers views the market and how they organize themselves for investment, Business Insurance Managing Editor Richard Bjorklund visited with three men responsible for investment for Continental Assurance Company's pension and variable annuity funds—William Mahoney, assistant vice president and director of common stock research; Richard Fox, treasurer of Continental Casualty Co., and Donald Rycroft, treasurer of Continental Assurance Co., both CNA Financial insurance subsidiaries. The three constitute the equity committee for the CNA Financial investment operation, responsible for managing some \$470,000,000 in common stocks, including insurance company investments as well as pension and variable annuity funds. Here are the questions and answers on investment performance.

Bjorklund: We are here to talk today about your approaches to

investment. We are going to try to relate this as we go along in part to the performance of pension and profit-sharing funds for which many readers of Business Insurance have responsibility. We might start by asking: What difference does good performance make?

Mahoney: The fact is that excellent performance is a very important factor in pension and profit-sharing plans because these are by nature long-term plans. The actuary has a rule of thumb that roughly one-half of 1% increase in the investment performance can reduce the cost of a pension by as much as 10% to 15%. For profit-sharing plans, which somehow or other have always been much more performance conscious than pension plans the one-half of 1% could increase benefits by as much as 10% to 15%. This explains the current interest in pension funding in performance.

Bjorklund: Well, in the past year, where you have had a sharply fluctuating and, for a long time, declining stock market, certainly the condition in the stock market dictated certain changes in your investment strategy. How would you characterize the market in the past year and what difference did it make to you?

Mahoney: It was a most difficult year, to say the least. Dow Jones index down about 15%; Standard and Poore 500 index down about 11.4%. But when you look at certain industry groups and certain companies in those groups, they did extremely well—they actually went up. I'm talking now of business equipment, drugs, cosmetics and various of those industries. We happen to have in Separate Account "A"—our pension fund—in particular, a very substantial percentage of our equities in those industries. Of course, you can't bat 1000. We were also in some other more cyclical areas that did not do well last year, for example, petroleum stocks. Even in the difficult market you can always find industry groups—at least generally you can and certainly we did in 1969—that can carry the portfolio.

Rycroft: We certainly were sensitive to the market conditions and we began building up throughout the year a larger percentage in cash. Our usual rule of thumb for our pension and variable annuity funds is simple: A 100% is invested in equity or equity-

related securities. But that is not the case now. Approximately 20% of the variable annuities and 10% of the pension fund is in cash—when I say cash, I mean Treasury bills, temporary type investments which over the past couple of months, have been at their highest level of return that I can recall.

Bjorklund: The funds you're talking about are Separate Accounts "A" and "B"—could you explain the distinction between A & B?

Rycroft: "A" basically is the investment vehicle for pension funds—corporate pension funds. And "B" is primarily an investment vehicle for tax-sheltered variable annuities. The size of the accounts which might be interesting to note—in rough figures "A" is \$20 million and "B" is about \$11 million or \$12 million.

Bjorklund: Bill has described for us the difficult year in the market. Now would your strategy work for managers of smaller profit-sharing and pension funds? That is, can a smaller fund play

Continued on page 24

Reviews of profit-sharing plans suggested to meet current needs

CHICAGO—Periodic reviews of profit-sharing plans by management are suggested by the Council of Profit Sharing Industries.

Donald X. Murray, secretary and research director of COPSI, told Business Insurance that management should regularly check profit-sharing plans to determine whether they meet the current needs of their employees.

"What's best," he said, "depends upon the family situation, the earnings of the employee and, to some extent, upon current economic conditions."

Mr. Murray emphasized that there is no conflict between pensions and profit-sharing plans because both serve their own purposes.

"IT IS DIFFICULT," he commented, "for older management level executives to sell younger employees on thrift because young people today find it difficult to perceive what's in the future."

The value of profit sharing, according to Mr. Murray, is that it permits employees—young and

old—to spend their entire paychecks and still have money in the bank. "In that way," he said, "it fits today's lifestyles in an inflationary economy."

An interesting application of profit sharing, according to the COPSI secretary, is its potential meaning for the hard-core unemployed. "Many of the people in minority groups and recent immigrants have never had any hope of building a nest egg for their families, but profit sharing gives them that chance," he said.

The interests of the young and the hard-core unemployed are served well by profit-sharing plans that combine cash payouts with deferred savings.

"It makes a great deal of sense to permit an employee under profit sharing to borrow or withdraw from his account for stated reasons if he has a vested interest in the account," the COPSI secretary said.

"MORE AND MORE employers are saying, 'Let's take a look at the entire benefits package and check the overall compensation of

the employee and what his needs are.'

"Security got so much attention in previous years, but the pressure to allow withdrawals from profit-sharing accounts came from older employees rather than younger ones," Mr. Murray reported.

He added that it is usually a mistake to create a vast disparity between an employee's salary and what he has in his profit-sharing account. Sometimes, he said, a disparity will cause a man who makes \$7,000 a year to quit his job to get his hands on a \$20,000 profit-sharing account, amounting to nearly three years' salary.

New trends are apparent in profit sharing, according to Mr. Murray. One-third of all profit-sharing plans surveyed by the Council of Profit Sharing Industries have been amended within the past three years to make profit sharing a "living thing," he said.

Three major ways in which plans have been amended are: Cash withdrawal rules; investment practices, and the basic contribution formulas.

Retail clerks get new pension plan

BELLINGHAM, Wash.—Some 265 persons in Retail Clerks Union Local 240 have received pay boosts averaging 17.5¢ as well as a boost of employer contributions to health and welfare and a new pension plan.

Immediate result of the settlement announced early in March was cancellation of a strike that had been planned for all 17 supermarkets represented by the Whatcom County Grocer's Assn.

Fringe benefits gained included an increase of 4¢ to the employer contribution of 10¢ an hour for health and welfare; a new pension plan providing for an employer contribution of 10¢ an hour; increase in vacation benefits granting four weeks vacation to 20-year employees; and increase in pay for hours worked on Sundays and holidays.

Plan will help retired pros pay greens fees

WEST PALM BEACH, Fla.—The Professional Golfers' Assn., headquartered here, will soon join the ranks of other professional sports players' groups that have pension plans for their members.

"Our original pension plan was submitted to the Internal Revenue Service last year," noted Robert Creasey, the PGA official responsible for devising and organizing the new plan. "That version," he continued, "involved a combination of contributions from the professionals themselves and contributions from the employer golf clubs for its funding.

"We were told that we had not submitted enough statistical information on the plan. The IRS

people didn't feel that they had enough solid facts to make a ruling," Mr. Creasey said, explaining that although the proposed PGA plan was not approved it was not rejected either.

"SINCE THAT happened we've made a few changes in our proposal," he noted. Included are employer club contributions and supplemental income from the PGA golf equipment contracts under which PGA is paid for the use of its name on golf equipment. In addition, the new pension plan proposal excludes contributions from the golf professionals themselves.

"Each employer club will contribute \$50 per month for each golf professional which it em-

ploy," Mr. Creasey explained. "This money, coupled with the supplemental income from the equipment contracts we have will enable us to vest each participating PGA member 50% after two years." The normal retirement benefit for a golf professional will range from \$300 to \$510 per month, he said.

The pension plan will be trustee by three representatives from participating employer clubs and three members of PGA. The pension plan investment portfolio will be managed by outside money managers, but whether banks, investment counselors or insurance companies will be used has not yet been decided, Mr. Creasey revealed.

"We expect to be able to cover 3,000 to 4,000 of the current 7,000 PGA members initially by signing up probably 1,000 of the 5,000 existing golf clubs during the first year of our operation," Mr. Creasey said. ■

Master plans

Continued from page 17

er to fund his plan any way he chooses, allows him complete investment as well as trustee flexibility."

Mr. Wood, noting that Merrill Lynch was working with the Bank of America in marketing prototype plans, disagreed with a fellow board member (Sheinman, Hochstein and Trotta), which has submitted to IRS the concept of letting a member firm sponsor a prototype plan, thus by-passing the banks. "The prototype concept wasn't designed to deliberately avoid the banks," said Mr. Wood; "It's just that very few banks have an active merchandising program geared for the small employer."

"THERE HASN'T been a way to serve the small employer

(with fewer than 100 employees typically) in the past," he explained. "If he didn't want an insured retirement plan, it would cost him between \$1,500 and \$3,200. He would spend between four and eight months to get his plan designed, legally reviewed, government approved and installed," he added. "With the prototype plan the attendant start-up costs are cut to half, and in some cases less than half, of the costs of the individually tailored plan. In the case of the prototype profit-sharing plan, the time involved depends on how long the employer takes to decide on the plan and have his lawyer review it—a week or so perhaps. As for fixed-benefit plans, the prototype plan process adds a week to the two-to-three week period needed by the pension actuaries to make the necessary study and write their report."

There doesn't seem to be much argument on at least one point—the potential market at which the prototype plan is being aimed. The Bureau of Labor Statistics in Washington revealed that during the last survey (1966) 47% (25 million employees) of the nation's work force worked in establishments that made no expenditures for private pension or other forms of retirement plans. The typical employer contribution to the retirement plans in force then was slightly less than \$300 per year per man. Even if 5 million of those reported employees worked for companies whose retirement plans' phenomenal rates of return made the normal annual employer contribution unnecessary during the surveyed year, the remaining few billion dollars in potential investment capital makes a welcome target for a group as aggressive as the investment management industry.

Indeed, there are apparently a lot of "takers." The first group of master and prototype plans approved (in late October of 1969) numbered 734 and involved nearly 500 sponsoring organizations including mutual funds, insurance companies, banks and trade associations. In addition, there is some credence added to their seemingly high expectations by a Research Institute of America survey of the organization's 8,000 member companies that, as reported earlier, revealed that the small- and medium-sized employers had to shoulder a larger cost than the larger corporation when they sought benefits programs on a parity with bigger businesses.

The question remains, however, whether this streamlined, plastic-wrapped supermarket concept of packaging retirement benefits is able to supply the small employer with what best suits his needs. "We are about to hear from clients at a level hitherto untouched: My mutual fund (or insurance) agent says these master plans are all the same," said a pension vp at a legal conference late last year. "It is going to verge on negligence to think that any old corporate master plan will fit your client's case, just because we're talking about a professional corporation."

THE BANK of New York is currently investigating master and prototype plans as an additional marketing tool for its holding company's several smaller banks located throughout New York state. The bank is in a quandary, according to Mark Saulnier, vp in charge of the employee benefits trust department there, as to whether "any generalized approach to retirement benefits is necessarily the best. We are in the process of designing a prototype approach and trying to determine the degree of administrative responsibilities, the underlying bookkeeping for plan

Continued on page 30

Alike as peas in a pod?

Ha!



Sure, they're all called peas. But there's a difference. Just like there's a difference between us and all those other companies called "Bankers."

Not one of them writes as many different kinds of group contracts as we do. Or is as old as we are. Or is licensed in all 50 states and Canada.

Also, there's always something new—like our Investment Value Fund for qualified profit-sharing plans. It's a new concept only now available. Our expert Group and Pension Representatives, listed in the Yellow Pages, will be glad to assist you.

We're The Bankers Life. The big one that got that way by caring a little more.

THE BANKERS LIFE

BANKERS LIFE COMPANY, DES MOINES, IOWA 50307



Employers high on master-prototype retirement

By TERESA NORTON

CHICAGO—An increasing number of employes who work for small companies are expected to enjoy the advantages of pensions as a result of a 1968 Internal Revenue Service ruling approving the use of master or prototype retirement plans.

To learn how small employers fare in adopting such programs, *Business Insurance* talked with those who buy such plans and those who design them.

Frank Moloney, president of Moloney & Fletcher, a Syracuse, N. Y., insurance agency, said that through his master plan he provides the company's three eligible employes with a program equal to that which could have been individually tailored, and at an initial saving of about \$450. His split-funded plan, underwritten by Continental Assurance Co., takes a "defined contribution" approach. The average age of Mr. Moloney's employes is 40, which means that they will have sufficient time for a build-up of contributions to provide retirement benefits.

"A plan in which the retirement benefit is stressed more than the contribution," he explained, "tends to favor the older, higher salaried worker." His carrier also offers this type of plan, specifically for the company whose members are 45 or older. Both the defined contribution and defined benefit plans allow the employer to determine eligibility requirements, normal retirement date, effective compensation used to determine retirement and disability benefits, vesting, substandard premium, definition of Social Security covered compensation, normal form of annuity and employee contributions.

THERE IS A three-year service requirement at Maloney & Fletcher and the eligibility age is 25.

R. C. & R. W. Premium Tire Co., Tonawanda, N. Y., now has six employes (average age—25) covered under a Continental Assurance defined contribution plan. "We had looked into tailor-made plans," Robert Colwell, vp, told *Business Insurance*, "but had done nothing about them because they were prohibitively expensive. Then our broker recommended a master plan to us, and although it's still new, our men seem very satisfied with it."

Premium Tire pays the entire investment contribution, an amount equal to 10% of the employee's salary.

A third, and less flexible plan, providing 100% vesting and a maximum five-year service requirement is also offered by the insurer. IRS specifications on the plan determine retirement benefits as a percentage of total compensation.

All three are offered on a fully insured or split-funded basis. Under the second type a guaranteed fund, currently at a rate of 6.25% for the first two years, is made available through the company's general portfolio. For equity investment the purchase may choose a mutual fund from a selected list.

THE INSURER'S plans became available in September and 23 are now in the development stages with purchasers and two have been wrapped up. (An IRS spokesman in Washington said that approximately 900 plans have been approved for sponsors to date but that he doubted that

many more than 100 had actually been sold.)

A spokesman for the carrier, explained that they prefer to see their plans set up with a corporate trustee to eliminate the possibility of the employer being held liable for fund management under the fiduciary laws of the state in which the trust is established. The employer, however, is empowered to instruct the trustee. "Most companies' plans are established with a trust," he said, "but there are some quasitrust plans set up. Our legal advisers tell us that, under the law, an employer would probably be considered the trustee in a controversy in this type of case."

A PRAGMATIC definition of master and prototype plans under

the IRS ruling, he said, would designate a master plan as one in which the sponsoring organization also takes part in the administration or funding of the plan. Under a prototype plan the sponsor has nothing to do with plan administration. Continental Assurance programs fall under the master plan category because they name themselves as insurer.

Aetna Life Insurance Co. has had four of the small-company programs approved by the IRS. "We are very pleased with these plans," J. David Nall, general agent, told *Business Insurance*, "and have some in operation already."

The four plans include: one that is all life insurance; one that is totally variable annuities, available through Participating Annu-

ty Life Insurance Co. (PALIC); a combination life and variable annuity, and a combination life and mutual fund. Both pension and profit sharing can thus be accommodated, said Mr. Nall, although the fourth plan is dormant until Aetna's new mutual fund goes into operation. The target date for the mutual fund is April.

All Aetna general agents work for PALIC also, he added. Aetna owns 97% of PALIC, the oldest company of its type in existence.

"THESE PLANS allow the company to become active in the profit-sharing business," he said, "which is an area the industry never had much of a slice of until now. So the plans open a new door both for small business and the insurance industry."

In presenting the retirement programs to potential purchasers Aetna also differentiates on an age basis. Pension and profit-sharing programs are always presented together, Mr. Nall said, to give the employer his choice. But the profit sharing is more appealing to a younger group with more time to invest its money.

"The trend recently has been away from the fully insured retirement program," Robert Russell, head of the special services department at the Hartford Insurance Group told *Business Insurance*. "But because of the present state of the economy, even the smaller plans may be drifting back to the use of fully insured plans in which they have

Continued on page 20

SEPARATE INVESTMENT ACCOUNT CONTRACTS

John Hancock maintains a separate investment account within which three separate classes are available for investment:

- BOND**
- STOCK**
- MORTGAGE AND REAL ESTATE**

for qualified Group Pension and Profit-Sharing contracts.

For further information write to Mr. James W. Moriarty, Senior Vice President, Group Sales and Service Department, 200 Berkeley Street, Boston, Mass. 02117; or phone (617) 421-2210.

John Hancock
LIFE INSURANCE

U.S. pension profile: More vesting, multiemployer programs increasing

WASHINGTON—A Labor Department study of private pension plans revealed that the number of persons covered under such programs is now 19.5 million, an increase of 25% from 1962 to 1969 and of 12% during the two years since 1967.

Other major findings included:

- Growth of multiemployer plans is outpacing the growth of single-employer plans.

- Noncontributory plans are growing faster than contributory pensions programs.

- From 1962 to 1969, the proportion of workers covered by plans with vesting provisions increased by 29%.

The bureau of labor statistics'

study was limited to those private pension plans covering more than 25 participants for which the plan administrator filed a report with the Labor Departments' 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 plans) are excluded.

MULTIEMPLOYER plans covered 5.6 million workers in 1969 almost 30% of all participating workers. In 1962, multiemployer plans covered fewer than 4 million active workers, or 25% of the total.

Noncontributory plans covered 15.4 million workers in 1969, almost 80% of all private-sector employees participating in pension plans.

By contrast, 1962 coverage by noncontributory plans extended to 11.8 million workers or 75% of the total.

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

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 multiemployer plans and in noncontributory 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 multiemployer plans; 89% of the workers under contributory plans and 74% of the workers covered by non-contributory plans were in plans with some form of vesting.

ABOUT 10 of every 13 workers in plans with vesting can receive 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 which provide for graded, or gradual, vesting.

In 1969, plans with either vest-

ing, early retirement, or both, covered 91% of all active workers participating in private pension plans reporting. Plans with both vesting and early retirement 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 multiemployer 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 an 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.

About one-third of the workers under plans with early retirement can retire, after meeting the plan criteria, and immediately receive a benefit from the plan equal to the private plan benefit plus Social Security.

Employers . . .

Continued from page 19
a guarantee."

The Hartford has IRS approval on a comprehensive, fully insured retirement plan, a comprehensive combination plan using a trust, and is waiting for approval on a comprehensive profit-sharing plan. "These should cover just about any situation," Mr. Russell said, adding that some programs have already been sold.

"THE PRESENT situation is bleak for master or prototype plans in the mutual fund field," said Brian Foley of Funds Inc., Houston, "because of the market situation. But with an upswing of the economy the demand for prototypes will go up too."

Funds Inc. has approval on a profit-sharing program that they plan to market right now and their affiliate, Lincoln Liberty Life Insurance Co., will market its IRS-approved pension plan immediately. The mutual fund has government approval on two prototypes and has submitted two more, according to Mr. Foley, who was formerly with the IRS.

All Funds Inc. plans are split-funded, with the choice of life insurer is left to the purchaser. "We recommend that approximately 70% of the purchaser's fund be placed in mutual funds," he said. It is recommended that three trustees be designated by the employer, with one preferably an outside figure such as an accountant.

Between the mutual fund and Lincoln Liberty, said Mr. Foley, there are three profit-sharing and two pension prototypes.



The \$100,000,000 Man

Being responsible for a major corporation's pension fund is no company picnic. Because this man is highly experienced, he's aware of the need for expert management. So he's turned to Chemical Bank, where he knows they talk his language.

Managing pension plans has been a Chemical Bank specialty for years. Our knowledge and experience cover highly technical areas. Like government regulations. Plan design. Financial reporting. And most importantly, investment opportunities.

At Chemical, there are no pat formulas for pension fund management. Our strategy is flexible in design and operation in order to suit portfolio goals of individual companies.

If you're responsible for other people's money, contact the experienced portfolio managers at Chemical Bank.

Call Mr. Kennedy at (212) 922-6500.

When your needs are financial, the reaction is Chemical.

**Chemical
Bank**

Nixon pension bill's fiduciary clause may crimp social programs

WASHINGTON—The Administration's newly-introduced amendments to the welfare and pension plan disclosure act would require plan fiduciaries to act "solely in the interests of the participants and their beneficiaries"—a requirement that appears to be on a theoretical collision course with an increasingly vocal group of legislators who view the nation's private pension plans as a vast untapped source of funds for financing all sorts of social programs.

As one pension expert told *Business Insurance*, ghetto housing may be a great place for investment from a social standpoint, but it would hardly qualify as a "prudent" use of someone else's money.

Of course, he said, the Nixon proposal is not legally incompatible with bills like Rep. Wright Patman's (D., Tex.) to require private pensions to make up the shortage of funds to meet the nation's housing needs.

But, he continued, the two bills highlight beautifully the theoretical question of whether pension assets belong solely to plan members, or if, because plans receive favorable tax treatment, they are answerable to specific public needs.

BESIDES REQUIRING pension fiduciaries to act solely in the interests of plan beneficiaries, the Nixon bill would require them to always act "as a prudent man in a similar situation and under like conditions" would act.

Theory aside, this clause has some administrators worried from a strictly practical standpoint. The nation is full of people who thought they were investing prudently, but lost their shirt in the stock market break this past year, they point out.

Just how much second guessing on investment decisions will we be subject to, one administrator questions.

Supporters of the Nixon proposal scoff at this concern. They maintain the bill is aimed only at keeping plan fiduciaries from involving themselves in situations where personal interests might conflict with the interests of plan beneficiaries.

IN ANY CASE, a fiduciary is made personally liable, under the bill, for the breach of any responsibility, duty or obligation owed to the fund, and is required to reimburse the fund for any loss resulting from such a breach.

He must also pay over to the fund any personal profit realized through use of fund assets.

Where two or more fiduciaries manage a fund, each must use care to prevent a cofiduciary from committing a breach or to compel a cofiduciary to redress a breach. A fiduciary who objects in writing to a specific action and files a copy of his objection with the secretary of labor is not liable for the consequences of such action.

The bill contains a list of transactions in which fiduciaries are expressly allowed to engage. Among these is one which permits, in most types of plans, investment of up to 10% of the fund assets in securities issued by the employer or employees who are participants in the plan.

THE 10% LIMITATION is prospective only, and does not re-

quire divestiture by funds already holding more than that percentage. Furthermore, the limitation does not apply to profit-sharing plans, which, by their very nature, require greater investment in the employer's securities.

In addition to placing strict fiduciary responsibility laws on the books, the Nixon bill would prohibit anyone convicted of a serious crime from serving in a fiduciary capacity with a plan.

And, it significantly beefs up the reporting and disclosure pro-

Continued on page 22

ASSETS in CANADA?

When in Canada do you do as the Canadians do?

Believe it or not but some companies with heavy investments in Canada allow them to be protected from afar. They have not yet realized the advantages of dealing with local firms.

It goes without saying that anyone who invests in the Canadian economy has a right to a fair return on their investment dollar. The same applies to their insurance premiums.

We suggest that E. A. Whitehead Ltd., a Canadian insurance brokerage house is better equipped to assist in the realization of a fair return on the premium dollar.

E. A. Whitehead Ltd. has been in business in Canada for over seventy-six years. It is owned and managed by a relatively young, aggressive and experienced group of Canadians with branches across the country. They also do business at the international level and have access to virtually all leading world insurance markets.

To find out how really useful they can be why not write, phone or telex:



E.A. Whitehead Limited,

Vice-President Production,
Suite 950,
Place du Canada,
Montreal 101, P.Q.

Telephone: 514 878 4331
Telex: 01 26461

INSURANCE
SINCE 1892

Branches: Toronto, Calgary, Vancouver, Whitehorse (Yukon)

Associate Offices—world-wide as members of Insurance Associates an international brokerage facility.

How to look like a hero to your employees.



Pay a little attention to their wives. If a young mother suddenly becomes a young widow, she needs regular income—not a lump sum.

That's what our new Group Survivor Income Plan provides. And per premium dollar, the monthly benefits are substantially higher than the usual group life plan can provide. Why? Because the money is paid only while it's needed. When the need ends, benefits end. More of your premium dollar can provide income because none is paid to a widow's estate.

This is the kind of plan that attracts good employees and keeps them. The newest thing in group life insurance from the company that group insures more businesses than any other. Ask your Aetna agent or broker for details.



OUR CONCERN IS PEOPLE

LIFE & CASUALTY

Reuther asks inflation hedge bonds and U.S. insurance for pensions

WASHINGTON—Broad demands for strengthening laws relating to private pension funds were made to Congress last month by Walter P. Reuther, president of the UAW.

Among his suggestions was the establishment of a broadly-based Federal pension termination insurance program similar to Federal insurance on bank deposits and mortgages. He also suggested Federal "purchasing power bonds" to protect pensions from the effects of inflation.

Testifying in behalf of 1.7 million members of the International Union, United Automotive, Aerospace and Agricultural Implement Workers of America, Mr. Reuther told the House general

labor subcommittee on pension and welfare bills that measures are needed to "protect pension promises when private plans terminate." He called for laws to increase the effectiveness of the private pension system.

Speaking in support of principles included in two House bills—HR 1045 and HR 1046—Reuther said the country has the resources and must live up to its responsibility to provide "basic retirement security, at decent and reasonable levels, for all wage earners in America."

Private pensions are expected to fulfill the social goal—for which they are afforded favorable tax treatment—of providing meaningful retirement benefits

supplementary to the Social Security system, he said. To provide such benefits, private plans are almost certain to have more or less perpetual unfunded liabilities.

AS LONG AS the employer or the group remains in existence, the presence of these unfunded liabilities is of no great moment. The problem is created when business failure, plant closings, market decisions or other vagaries of our economy cause termination at a time when the funding status results in repudiation of significant portions of the pension promise, Mr. Reuther pointed out.

Congress should enact termina-

tion insurance and funding standards for private plans, he told the subcommittee.

"Our complex, interdependent, marketplace economy makes it impossible for any group—large or small—to be assured of continued existence," Mr. Reuther said.

Citing several cases of pending plant closings where UAW represents workers, Mr. Reuther told the subcommittee members that the loss of substantial earned pension rights "is a personal tragedy, often compounded by the loss of a job at an age when opportunity for further employment and acquisition of further pension rights are minimal."

STRANGELY ENOUGH, said Mr. Reuther, the arguments against legislated termination insurance seem to have shifted from "it can't be done" to "only a few suffer a loss." He called this "logic we would expect from a computer, but not from a human

being."

An insurance program, he said, should include universal coverage and participation of all Internal Revenue Service qualified pension plans, reasonable safeguards against abuse, protection against the loss of the normal retirement benefit, a uniform premium rate in all plans on the amount of liability subject to insurance, and insurance protection of benefits to which the employee has a vested entitlement.

UAW has emphasized funding, Mr. Reuther said, as the best available means of avoiding totally "paper promises."

"It has become clear," he declared, "that existing funding methods cannot provide the security to which private pension plan participants are entitled without additional mechanism of plan termination insurance to underpin pension rights where funded assets fall short of fulfilling the pension promise."

UAW SUPPORTS enactment of Federal minimum funding standards, Mr. Reuther said, in conjunction with and as part of the implementation of plan termination insurance.

Turning attention to UAW's concern over the need to increase the effectiveness of the private pension system, he called for action in four areas:

- Minimum standards for vesting.
- Registration of private plan participants separating before retirement with vested rights.
- Protection of pensions against inflation.
- Federal standards for fiduciary responsibility.

The degree of vesting in private pensions is one of the key measures of the effectiveness of

Continued on page 44

Employee euphoria: Can you profitably create it?

If you're like many of the companies who have called us in to help, your employee benefit program shows as many growth rings as a California redwood, with new benefits simply tacked onto old ones year after year.

Such a program may be functional, but it's probably nothing to shout about—and probably is far costlier than a properly designed new program would be.

Johnson & Higgins has specialized in employee benefit planning for over 40 years. We have developed a unique approach that we call coordinated consulting. It reviews every aspect of your employee benefit program to make sure the value of the entire program is greater than the sum of the component parts.

By helping you direct your employee benefit expenditures more effectively, we help you achieve the best possible employee benefit program for the money. And while helping you add to your profitability, we also help you provide greater employee satisfaction. That's where the euphoria comes in.

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

Johnson & Higgins

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

Nixon bill . . .

Continued from page 21
visions of the act.

Legislative odds makers say there is about a 50-50 chance that a bill amending the Disclosures Act will pass in this Congress.

REP. JOHN DENT (D., Pa.), chairman of the House general subcommittee on labor recently opened what he promised would be extensive hearings into a wide spectrum of private pension issues.

The subcommittee is very likely to report out some sort of compromise between the proposed Nixon disclosure amendments and Rep. Dent's own proposal in this area H.R. 1046.

Rep. Dent said he will also explore Federal standards for vesting and funding and a reinsurance system for terminated plans. Few observers, however, think legislation in this area will get past the hearings stage of this congress.

On the Senate side, the ball is in the hands of Sen. Harrison Williams (D., N.J.) and the feeling is that he will not move as fast on the disclosure amendments as Rep. Dent.

Sen. Williams is currently wrapped up in an investigation of the United Mine Workers election and the UMW's pension and welfare fund. This investigation could eventually lead to taking up the Disclosure Act proposals of Rep. Dent and the Administration, but this is not the immediate purpose of the probe.

The likelihood of the Williams subcommittee taking up this year the subject of vesting, funding and reinsurance for pension plans is thought to be very remote. ■

Report on Canadian pensions sees legislation as answer to vesting need

WASHINGTON—A report on current Canadian pension plan regulation, viewed as a result of the country's modest social security benefits and lack of extensive private pension plans, has been compiled by Frank M. Kleiler of the Department of labor.

Although there was "little statistical evidence or case histories to establish a need for governmental regulation to assure solvency," the report says, there was "ample evidence to establish that the lack of adequate vesting rules was depriving workers of their pension expectations . . ." Legislators in Canada have therefore undertaken to provide government supervision in all three areas: vesting, funding and investments.

Mr. Kleiler, director of the office of labor-management and welfare-pension reports, stated that his findings do not yet have the status of an official Department of Labor study.

MAJOR EMPHASIS of the research was on the laws of Quebec and Ontario, where most of the population of Canada is located. Mr. Kleiler said, "It should be kept in mind that in Canada the jurisdiction of the federal government with respect to private pension plans is not as broad as that of the Federal government of the United States."

Until the Canada Pension Plan and the Quebec and Ontario plans went into effect in 1965, the Old Age Security Act, Old Age Assistance Act and private retirement arrangements were the vehicles available to the post-65 age group for support. Under the Old Age Assistance Act Canadians between ages 65 and 69 were required to pass a "means" test in order to receive payments from the federal-provincial program.

Mr. Kleiler's study notes that "under its Old Age Security Act, Canada provided a modest flat-rate benefit for all people age 70 and over." Private retirement plans were assumed to provide supplemental income.

"Private pension plans, however," the report continues, "did not become extensive enough to fill the gap. . . ."

MR. KLEILER viewed this condition as leading to the effort in the early 1960s to improve private pension plans and enact a comprehensive social insurance program.

With the introduction of the Canada Pension Plan in 1965 Ontario adopted the Pension Benefits Act, which provides portability through minimum standards set for vesting and the locking in of benefits. The Canada Pension Plan and the Quebec Pension Plan (which followed Ontario's) give retirement benefits to about 92% of the Canadian labor force. Benefits paid under the two are in addition to Old Age Security and provision is made under the plans to offset the effects of inflation.

The provinces of Alberta and Saskatchewan subsequently enacted similar laws to that of Ontario. Regulation of pension plans of employers considered under federal jurisdiction is covered under the 1967 Pension Benefits Standards Act.

Under the minimum formula imposed by these five laws, the report states, a member of a plan acquires a vested right after attaining age 45 and being an employe of the same employer for a continuous period of ten years or

after being a member of the plan for ten years, whichever occurs first. If an employe has worked less than ten years for one employer but has spent at least ten years with several employers under a multi-employer plan he is entitled to a vested benefit. "A pension plan," Mr. Kleiler's report says, "may, of course, provide a lower minimum age or a shorter period of service."

BECAUSE OF the complete portability of the basic pension for most workers, Canadian employes have been less dependent than formerly on private pension plans. Those who terminate plan membership with less than ten

years of service usually receive cash refunds of their own contributions. (Most Canadian pension plans are contributory and both employe and employer contributions are tax deductible up to a prescribed limit.)

The laws also permit cash payment of the commuted value of a pension or deferred annuity if the amount payable to the employe at normal retirement age is less than \$10 a month during the rest of his life.

The laws prescribe solvency tests for pension plan funding to eliminate the pay-as-you-go plans that were maintained by some employers. In Ontario, for instance, current annual costs of the plan

must be paid annually and unfunded liabilities as of Jan. 1, 1965, must be liquidated over 25 years or less.

Unfunded liabilities arising after that date as a consequence of plan amendments or establishment of new plans, according to the report, must be liquidated within 15 years or by 1989, whichever is later. Adverse experience liabilities must be paid within five years. The study names pay raises as the most common variety of experience deficiency.

Investment restrictions under the regulations are the same for a pension fund as for an insurance company as far as quality is concerned; "But unlike insurance companies, there is no limit on the proportion of a pension fund that may be invested in common stock real estate, or leaseholds," reports Mr. Kleiler. To insure diversification, however, not more than 10% of a pension fund may be invested in or loaned to any

one corporation, partnership, association or person.

PLANS AND amendments must be filed with a government agency and are subject to its approval. Annual information reports are required and an actuarial report ensuring compliance with the minimum funding rules, except for fully insured plans, must be submitted every three years.

"It appears that to a substantial degree the government is dependent upon the actuarial profession for obtaining compliance with the funding requirements of the laws," Mr. Kleiler said. "The authorities administering the laws have not prescribed actuarial methods and assumptions."

Government filings are not public record, although plan participants are entitled to information as to the terms and conditions of their plans and their rights and duties under them.

Continued on page 31

The Nation's Most Advanced Service In Pension and Profit-Sharing

YOU CAN OBTAIN MAXIMUM INVESTMENT CONTROL AND FLEXIBILITY, A TAX DEDUCTION AND ACCUMULATION OF INCOME IN A TAX SHELTER SIMPLY BY ESTABLISHING A TAX-QUALIFIED CORPORATE OR KEOGH RETIREMENT TRUST. ALSO, LATEST GOVERNMENT THINKING ON TAX SHELTERS.

YOU HAVE UNLIMITED INVESTMENT CONTROL

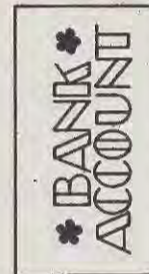
Flexibility is the cornerstone of this unique service provided by CPI. Tax sheltered funds which have been placed in trust may be invested in any combination of acceptable investments.



STOCKS/BONDS



REAL ESTATE



BANK SAVINGS

YOU SELECT YOUR OWN INVESTMENT BROKER

All investments and reinvestments are selected by the client or his authorized agent, and purchases are made through the broker or dealer of the client's choice.



MUTUAL FUNDS



LIFE INSURANCE

The Internal Revenue Code requires that tax-sheltered retirement and profit-sharing plans be held in trust for the exclusive benefit of plan members or their beneficiaries.

In conjunction with a trustee bank, Certified Portfolios, Inc. meets this need and provides record-keeping and tax-information services.

CERTIFIED PORTFOLIOS DOES NOT SELL ASSETS

CPI is purely a service organization. We do not sell assets. We do not and cannot have an interest in sales commissions related to your directed investment purchases.

Our function is to design, implement, review and administer tax qualified Keogh and Corporate Plans established with us. Our compensation is derived solely from fees charged for these services.

TRANSFER OF EXISTING PLANS WITHOUT TAX LOSS

Firms or individuals who desire the flexibility, control and administration provided by CPI may transfer by adopting one of CPI's Master Plans.

Once a CPI Plan has been established for you, we will arrange to have the assets, held under your existing plan, transferred into your new trust without tax consequences

HEADQUARTERS

1 Maritime Plaza
Alcoa Building, Suite 2160
San Francisco, California 94111
(415) 362-2485

SALES OFFICES

220 Montgomery Street
San Francisco, California 94104
(415) 433-4450

2110 K Street
Sacramento, California 95816
(916) 447-0091

900 Norton Building
Seattle, Washington 98104
(206) 622-7241

EXCLUSIVELY FOR

Self-Employed Individuals.
Professionals contemplating incorporation.
Executives responsible for Profit-Sharing and Pension Plans.
Attorneys, Accountants, Financial Advisors.

Newport Center Financial Plaza
500 Newport Center Drive
Newport Beach, Calif. 92660
Phone: (714) 644-4360



Investments

Continued from page 17
off to industries that are out-performing the market?

Mahoney: Generally a smaller fund would have an advantage in performance for a variety of reasons—one being that if you found an exceptionally well-managed company that you wanted to be in—it might be quite a small company even though a very high-grade company. The marketability by that I mean the shares available in the market—simply would not be large enough for you to operate in, say a \$400 million portfolio. Whereas in a \$10 million or \$20 million portfolio you could get very full positions in this rapidly growing company. So there is that basic advantage right there.

Bjorklund: I wonder if you have any observation about what kinds of equities and what kind of securities the fund manager should be looking for. Should he be looking for growth stock, or high return, or what?

Mahoney: Well, I can say just what, generally, we have looked for in our common stocks investments. We tend to want companies growing maybe two or three times the rate of the economy generally. This would be one criterion we would have. Another—that I personally like to see—I like to see an industry leader. Now that does not mean General Motors necessarily. We have several in our portfolios that are considerably smaller. But they have a dominant share of the market in the business that they are in. I like to see this in a stock I buy.

ANOTHER thing: Management. How do you measure how good this management is? Their past record is an excellent place to start. There are two figures I look at and I think they tell me a great deal about a company before I even talk to the management. One is rate of return on assets. Two is profit margins. Those companies that can consistently have a high rate of return on assets and high profit margins—they are doing something right. Now they could be in the right business at the right time—they could be exceptionally good marketers—or just exceptionally well managed and have good cost control. But they have got something special about them and those two figures have been very helpful for me to weed out and glean

those stocks that are a good performer over time.

We are quite price conscious in our equity investments. By that I mean we tend to pay very close attention to the price-earnings ratio that we pay for a stock. This is simply comparing the market value of a stock relative to its earnings per share. We try to relate price-earnings ratios relative to the growth and the quality and predictability of earnings in the company. For example, in January of 1969, Avon was selling at 40 times earnings. Many oil companies were selling at 12 or 13 times earnings at the same time. But Avon's multiple turns out to have been a quite low multiple because it went into the 50 to 60 times earnings area, and the stock outperformed the oil industry and many other industries. So we always try to relate price-earnings ratios to growth potential. When you look at Separate Account A you will see more than 50% of



William Mahoney

the stocks in there have price earnings ratios that are in excess of 20 times earnings. By and large, those very stocks performed well in the market of 1969. So these are a few of the criteria we use in picking the stocks for our portfolios.

Bjorklund: We have talked about performance... what about dividend income? Is this important to you?

Mahoney: In account A—the pension account—the primary is capital gains and secondarily dividend income. It is not an income fund. Higher price earnings ratio stocks would almost by definition have low dividend yield. I think we would be lucky to have a 3% dividend yield on our portfolio.

Rycroft: We are continually aware of what the dividends of a particular stock are. If we had, as an example, expectations of lower interest rates, we might gravitate toward a stock that had a high income in terms of the dividend yield. But we are buying it not primarily because of the dividend income that is passed on to the shareholder—we are buying it because we think the interest rate may drop and the stock may go higher.

Bjorklund: Well, now you speak of the criteria that you use but neither you, Bill, nor any one person here in the CNA invest-

ment operation is making these decisions. How do you organize yourself here to make these investment decisions that are so important?

Mahoney: We have a committee here that does this.

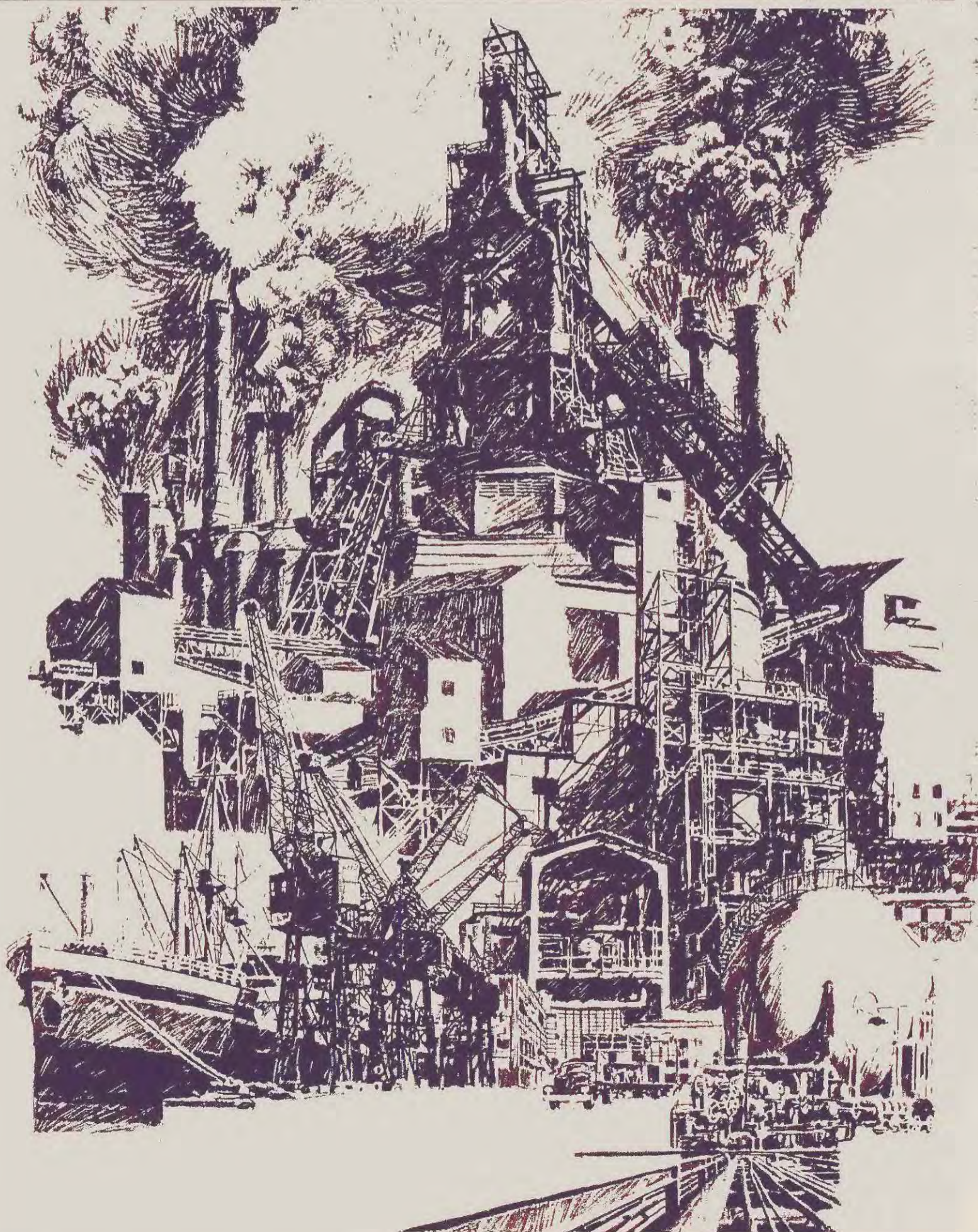
Fox: The procedural method for the stock selection is that we have a staff of analysts, nine of them.

Rycroft: We have nine analysts and they specialize along industry lines. They bring the ideas to us. And we are quite flexible. Our own committee is such that we can act quite rapidly if we feel it is important.

Fox: The brokerage houses come to our analysts directly with an idea. To buy stock X Y Z.

It is the burden on that particular brokerage house to sell our analyst on that idea. Whether it be a buy or sell recommendation. If that analyst is sold on that,

Continued on page 28



Does Texas Workmen's Compensation

Soundlike GREEK?

Let us interpret this sometimes difficult subject for you. You'll find placing Texas Workmen's Compensation insurance coverage separate from national programs usually has important implications for your company. May we relay the whole message to you?



TEXAS EMPLOYERS' INSURANCE ASSOCIATION

P. O. Box 2759 Dallas, Texas 75221

EMPLOYERS INSURANCE OF TEXAS, TEXAS EMPLOYERS' INSURANCE ASSOCIATION, EMPLOYERS NATIONAL INSURANCE COMPANY - EMPLOYERS CASUALTY COMPANY, EMPLOYERS NATIONAL LIFE INSURANCE COMPANY

Ad agency has immediate vesting provision in its profit-sharing plan

By STEPHEN GILKENSON

NEW YORK—Profit sharing plans with immediate vesting provisions are a rare breed. One small advertising company here has had one for four years, however, and is not at all sorry it instituted a liberal plan.

Ries Cappiello Colwell Inc. is an agency that has about 40 employees. Its accounts include Western Union, small portions of Mobil Oil and Uniroyal advertising billings and several McGraw-Hill publications. The agency was formed 6½ years ago by three young ad men who had years of experience with other agencies—yet none of them had ever worked for any one agency long

enough to collect his profit sharing booty.

"We wanted to give people a real sense of participation," Bob Colwell, executive vp and treasurer, said of the decision four years ago to begin the plan. "But," he added, "we didn't want to chain them to the company. We wanted them to produce for us and not just wait around to collect their profit sharing and go elsewhere."

MR. COLWELL believes the immediate vesting provision to be rather unique in the industry. Although the field probably has a higher percentage of profit sharing companies than any other segment of business, most of the

plans are not very liberal when it comes to vesting provisions.

"All of us," Mr. Colwell said, referring to the three principals who started the agency, "had worked for companies that had profit sharing plans in the past and none of us ever got a cent out of them."

"One company I worked for required that you be there two years before you could participate and five more years on top of that before you were vested. I was fired 6½ years after I joined the company. Incidentally," the exec vp added, "that's not uncommon in this business." Another company Mr. Colwell worked for had a five year vesting provision. However, he resigned before

he was vested.

"The reason," Mr. Colwell said, explaining the company's decision to set up an immediate vesting plan, "is that at the time we had about 10 employees and had been in business a short time. The basis of the advertising business is people. We had pledged ourselves to some very high standards of excellence and as we began to grow found ourselves in need of good people. Of course," he added, "the difficulty was that we had no reputation, very little track record and no money to speak of."

"WE DECIDED that to get some of those good people we would institute a profit sharing plan that was better—at least as better as we could make it—than other firms in our business." Thus, he said, the immediate vesting provision.

"To my knowledge ours is unique in the advertising busi-

ness. The attorney who set up the plan four years ago told me that when he took it to Internal Revenue for approval he was told it was the most liberal plan they had ever seen. I don't know whether that would hold true today, or if it was just the most liberal plan that one particular IRS official had seen," Mr. Colwell shrugged, "but anyway. . . ."

The profit sharing program at Ries Cappiello Colwell Inc. is for all employees, from the outer office receptionist to the president.

"It is possible to tailor these plans so that you must be at a minimum wage level to participate, but we wanted everyone to participate," Mr. Colwell said of the plan.

PROFITS ARE divided according to a percentage agreed upon by the company's board of directors at the end of each fiscal year. In the first year 15% of each employee's salary was placed in the fund. In the second year the figure was 7%. The following year nothing was funded. ("We don't have a loss sharing program here," Mr. Colwell smiled, adding that 1968 was an expansion year for the company and "expansion costs money.") Last year 10% was contributed to the fund.

The total fund, which is approaching six figures, according to the vp, is held by Irving Trust Co., which until now has had the sum in a regular savings account.

"Starting this year the bank is putting it into short term paper and we'll probably make about 8%," Mr. Colwell said, explaining that a very small amount of that will be in common stocks. "We are playing it very conservatively. After all, we're in the advertising business. We're not inclined to watch the stock market." However as the fund grows it is likely that it will be invested more aggressively.

The Ries Cappiello Colwell plan also has a provision that allows employee's to borrow from their share. However, such loans must be repayed in three years at prevailing bank rates. In cases of extreme hardship, the trustees can release an employee's money any time after it goes into the fund.

"Of course," the vp said, "the
Continued on page 30

HOW MANY POLICIES DO YOU THINK IT WOULD TAKE TO INSURE THIS COMPANY? WRONG.

If you figured ten, twelve, or more, you were way off.

The answer is just one.

Impossible?

No. Not if you have a Continental Comprehensive Business Policy.

You see, with Continental's CBP you can put all your property, liability and fidelity insurance in one easy-to-follow policy.

With only one premium to pay.

One expiration date to remember.

One agent to deal with.

And you can save up to 25% or more annually in premiums.

What's more, you don't have to buy all the coverages we sell. (We don't box you into a rigid package plan.) You can pick just the coverages you need.

And you can avoid gaps and overlaps in your insurance.

Another advantage of having our CBP is that for the first time fire and boiler insurance are combined under a single limit.

So if, for example, a boiler exploded because of a fire—or a fire broke out *after* a boiler explosion—you won't have to go through a big hassle to find out which policy pays.

Now if you'd like to know exactly how much money your business can save and how many coverages it really needs, call your local Continental agent.

He'll arrange for your business to have a complete insurance survey. Free.



The Continental Insurance Companies

Continental Insurance • Firemen's of Newark • Fidelity & Casualty • Commercial • Niagara • Seaboard F. & H. • Buckeye Union • American Title • National-Ben Franklin Cos. • Boston Old Colony • Washington General
HOME OFFICES: 80 MAIDEN LANE, N.Y., N.Y. 10038; 10 PARK PLACE, NEWARK, N.J. 07101

SARASOHN AND COMPANY PUBLIC ADJUSTERS

9 CONVENIENT
OFFICES

East Orange, New Jersey (Home Office)
85 S. Harrison Street (201) 675-1400

New York, New York
347 5th Avenue (212) WH 4-3337

Bridgeport, Conn.
(Tri State Adjustment Service Co.)
27 Post Office Arcade (203) 333-5555

Newburgh, New York
231 Liberty Street (914) 562-9420

San Juan, Puerto Rico
1700 Ashford Avenue 722-5977

No. Miami, Fla.
16924 N.E. 19th Ave. (305) 945-6338

Memphis, Tenn.
(Roddy and Sarasohn, Inc.)
651 South Cooper St. (901) 274-2305

Scranton, Pa.
129 N. Washington Ave. (717) 342-8230

Kansas City, Mo.
10th & Walnut Streets (816) 421-7070

Survey shows early retirement option popular

NEW YORK—Respondents to a *Business Insurance* survey of pension and profit-sharing plans were unanimous in including an early retirement option in their plans, commenting that benefits under the option are under pressure to be increased above the traditional actuarial reduction.

The brief questionnaire included four general questions aimed at determining coming trends in retirement plans during the '70s. Some 22.4% of the 60 plans where queried responded.

Due to some predictions that the 1969 tax reform act would increase operating costs in retirement plans, plan administrators were asked: "Do you think the tax reform act will make your plan more expensive in the '70s?"

Why?" While 23% answered affirmatively, the large majority of respondents did not feel the tax act was a factor in contributing to increased expenses of their plans.

"THE TAXES on lump-sum settlements, capital gains, the exercising of stock options and other tax preference income," said one respondent from a large technological firm, "will adversely affect all non-qualified fringe benefits and could very well bring pressure for pension improvements from our most influential and articulate employees."

One respondent discounted any increased cost effect of the tax act on his retirement plan because his company's plan did not include a lump sum pay-out feature.

Retirement plan administrators were asked whether they preferred fixed or variable accumulation pension funds and why. While one third leaned toward fixed forms of accumulation, 42% preferred variable accumulation and the remaining 25% used a combination of the two.

Said one respondent, "we prefer a fixed form of accumulation. Variable forms can have as many problems as benefits. Generally people understand only the 'up' side and not the 'down' side potential of the variable form of accumulation."

FLEXIBILITY on investment possibilities was cited as the main objective in combining both forms of accumulation in one fund's makeup.

"We use a variable accumulation formula," one respondent explained; "it offers the hope of compensation for increased cost of living both prior to and subsequent to retirement and does not have the pig-in-a-poke aspect of a percentage of final salary."

Although all respondents to the questionnaire cited the early retirement option as a regular feature of their plan, opinion was somewhat mixed about its direction and how fast it will change in the future. While all of them noted an increasing pressure for the option's benefits to be broadened beyond the actuarial limitations currently in use, there was some division of opinion as to just how fast this broadening effect will occur. The obvious factor in determining the speed of benefit

liberalization is the degree of increased cost that each individual plan confronts in deciding whether to improve this benefit.

Whatever the benefit level, the early retirement is increasing in popularity: "About 80% of current retirements are early," revealed the retirement plan administrator of one giant manufacturing concern.

THE WORKING population above all other segments of society seems worried over inflation and increased taxation burdens. *Business Insurance* queried retirement plan administrators on whether the role of their pension or profit-sharing plan would change under the pressures of inflation, taxation increases as well as changing investment possibilities. *Continued on page 44*



"I'd leave tomorrow if they didn't have such a great pension plan."

Loyalty to the dollar can be stronger than loyalty to a company. So holding your good employees with salary alone is tough when other companies are offering profit sharing and pension plans. Attracting new employees can be difficult, too, unless your employee benefit program is competitive.

As a result, more and more companies, out of self-defense if for no other reason, are establishing comprehensive employee benefit plans or improving existing ones.

And although it's a remarkably complex undertaking, involving government regulations, tax considerations, and legal red tape, it's all quite simple if you let the experienced specialists at First Pennsylvania Bank handle it for you.

We have a department devoted to the planning, implementing, and administration of employee benefit programs and a specialized investment division that manages the investment of plan funds.

We'll make available to you, at no obligation, a specialist who can review your requirements and recommend a program based on your individual needs. Call Bill Doe (that's a real name) at (215) LO 8-1700, or write to Employee Benefits Planning Dept., First Pennsylvania Bank, 15th & Chestnut Sts., Philadelphia, Pa. 19101.

First Pennsylvania Bank
The First Pennsylvania Banking and Trust Company
Member F.D.I.C.

letters

Continued from page 12

and liability insurance programs which are an accurate reflection of the risk assumed by underwriters at a premium cost to the insured, which is equitable.

Your reference to the opinion of "informed sources" that Pan Am found negotiations particularly difficult as a result of their historical approach to the purchase of coverage is most interesting. It is hard to believe that a 40-year record which shows one market change in a part of an overall program could be considered "fickle". It is true that the rating basis of Pan Am's hull coverage has varied from time to time, but it is also true that in each instance the rating basis was selected from several alternatives offered by the underwriter, all of which were considered equally attractive to the underwriter. This is certainly a record which facilitates rather than hampers negotiations.

There is no question that Pan Am has the utmost confidence in the 747 and this aircraft will make up a much greater proportion of their fleet than the fleet of any other airline. It is obvious, therefore, that Pan Am's premium will reflect this fact. This premium volume has made underwriters most anxious to participate in Pan Am's program to obtain the spread which is vital to balanced underwriting. It is difficult to understand your inference that underwriters have taken a negative position with Pan Am because the odds are against them, the odds in this instance being relative to the number of aircraft in operation.

It should be emphasized that the aviation insurance markets have recognized the unusual problems associated with the value and seating capacity of the 747 aircraft. They have shown flexibility in solving these problems, including the development of sufficient market capacity. Most airlines have demonstrated an awareness of the insurance industries' position and have agreed to terms which are mutually beneficial and consistent with a sound approach to risk management.

O. Wayne Link

Parker & Co. International, Inc.
New York, N. Y.

Editor's note: At the time the article in question was being prepared for publication, Mr. Link was called by Business Insurance and asked for his comments on how underwriters were looking at the 747s. He declined to comment.

Better fund performance hard in face of inflation

NEW YORK—Concern over how to improve the performance of retirement funds looms high among fund administrators as they face growing erosion of their funds from inflation, increased numbers of employees covered by employee benefit plans and higher levels of company contributions in the '70s.

Before they can hope to increase their rates of return, however, retirement plan managers must decide on standard methods of measuring fund performance. As one administrator put it, "while there are many approaches to performance measurement currently in use by retirement funds, there are no standardized measures of results such as those used by corporations (sales increase, profit margin and change in earnings per share) to determine a firm's performance."

In addition, private retirement plans are coming under a variety of pressures:

- Rep. John H. Dent has introduced bills into Congress that would increase vesting requirements.

- In contract negotiations last year, several unions asked for cost-of-living escalators for these retirement benefits.

- The number of employees covered under benefit plans are increasing each year.

At Sperry Rand, for example, the number of covered employees goes up 8% per year. In addition, the level of real benefits operates with the increasing volume of employees concerned to push the company contribution higher and higher each year.

Burroughs Corp., a major business machine and computer manufacturer, reported increasing its contributions by \$1.4 million between 1968 and 1969.

How does the fund's performance relate to these emerging troubles? Dr. Randall Robinson, director of research at the Bank Administration Institute (BAI) in Chicago noted this 'general rule of thumb' used by pension actuaries: "For every 1% increase in the retirement fund's performance rate of return, the administrator is able either to cut his costs to the fund or increase his benefits level by 20%."

SAID ONE EXECUTIVE of Scott Paper Co. last year: "We were startled and astounded to see how much a 1% improvement in the pension performance could mean to our earnings per share."

A movement has developed since the late 1960's to develop performance measurement criteria. Members of the academic and banking communities as well as several large securities concerns serving the funds began research which was aimed at making possible a progressive improvement in retirement fund management.

Dr. Peter O. Dietz was one of the first researchers to use the method. His methods of measurement, published in a 1966 book titled "Pension Funds: Measuring Investment Performance" in 1966, have been followed by several funds, such as General Telephone and Electronics.

"We developed a comparative type of rate of return measurement," Dr. Dietz explained to *Business Insurance*. "We dealt with bank-trusted funds developing a two part model of performance measurement. It consists of both a calculation of the rate of return and a calculation of the risk taken. In the rate of return calculation we relate ordi-

nary accounting income, realized and unrealized gains and losses in any period to the average market value (using an index such as Standard and Poore's) adjusting for the net contributions during that period."

DR. DIETZ pointed out that the time-weighted formula is used to eliminate the differences in the time of new contributions (some are made monthly, others quarterly) to those funds under comparison. "By eliminating these timing differences the fund administrator is able to test his own investment philosophy as to how well it meets his performance needs."

EMPLOYEE BENEFITS

SHOULD BE REVIEWED EVERY YEAR

Our Specialists will give you up-to-date, objective advice on coverage and cost.



Herbert L. Jamison & Co.

90 Park Avenue
New York, New York 10016
Area Code 212 — Oxford 7-6678

Your Employee Benefits Program Can Be Money Down the Drain



...unless your employees know about it

You have too large a stake in your employee benefits program ... and so do your personnel ... to endanger its value through poor communications.

It's no longer enough to provide the benefits. Employees must be told about them. And the language has to be simple—specific—and individually related to each person receiving the information.

Halltech Reports fill that need.

Clear, concise, computer-based reports ... individually drawn for each employee ... Halltech Reports tell each of them exactly where he stands on a dollar-and-cents level in your program. They help to realize the return you deserve on your employee benefits investment.

May we show you how they work?

Write for samples and descriptive literature.

HALLTECH ASSOCIATES

A Joint Venture of Frank B. Hall & Co. and EDP Technology, Inc.

176 BROADWAY NEW YORK, N. Y. 10038 (212) 732-6000

Available through the Frank B. Hall & Co. offices in: Chicago, San Francisco, Los Angeles, Seattle, Honolulu

Does your group insurance help you

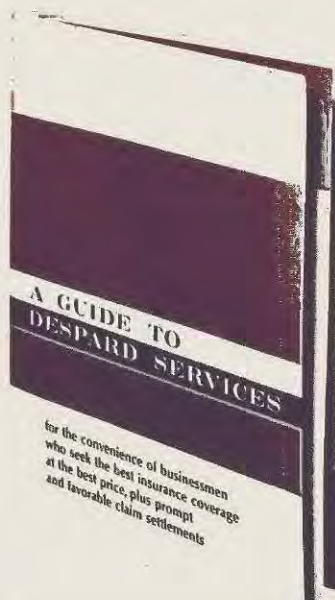
- ATTRACT GOOD MEN?
- IMPROVE MORALE?
- REDUCE TURNOVER?

It can if your plan is right for you... and you use it as an effective management tool.

Despard, as a broker, can pick and choose to find the carriers who offer the best coverage for your particular requirements.

And Despard's team of group insurance specialists can help you use your plan to attract good men, improve morale, reduce turnover.

Send for the "Guide to Despard Services" which describes our unique approach to hand-tailoring insurance plans to each client's needs.



The "personal service" insurance broker

161 William Street
New York, N.Y. 10038
Ph: 212-964-9100

Investments . .

Continued from page 24

they have an open door to the equity committee and they can just come in and say: "I would like to get together." Now generally, this analyst will go to Bill first because Bill spends all of his time in the common stock area.

Bill might take that opportunity to insure that that analyst really knows the story or has thought thoroughly about the accounting practices of the particular company or has looked into the management or some of the other considerations that go into the investment decisions. If he thinks that analyst is prepared, Bill will try and get the committee together. The analyst comes in and presents the story. We question the analyst on the idea, and the company, and then we vote on it.

Mahoney: Just to elaborate a little bit here, you can get ideas internally or externally. Nine people managing the size of the kind of portfolio we have is not large as these organizations go. We do a certain amount of basic research internally; in-house research. We do rely, as Rick has said, a great deal on outside contacts; industry specialists who do nothing but follow one or two

industries and know these companies intimately. Our analysts are generating ideas internally and then maybe using other outside sources to help decide whether they want to bring up the idea for consideration.

Bjorklund: I suppose that for the manager of a smaller fund he would have to rely much more on outside information. The outside information as I understand it could come from brokerage houses.

Fox: In the case of our own individual analysts, one of their key jobs is to find out who in the brokerage industry knows the particular company the best.

Ricroft: One of the things that we do encourage our people to do is to visit companies. This can be very valuable. Perhaps a smaller fund manager with a smaller fund staff would not have the ability to do so much of this. But many times we feel it is appropriate, and I have found that we sometimes get a much better insight and maybe a different viewpoint when our people visit the company first hand. Now this is not always practical. It depends on the size of the commitment we can make. But generally speaking this has turned out to be pretty worthwhile.

Maybe some smaller fund managers would not have this ability. I think then one of their biggest jobs is to do what Rick just mentioned our analyst has to do. It is to find out who is the best outside source. I personally think that if you can cut down the number of people who are continually throwing ideas at you to where you just depend on a select number of people who have got a good track record, you don't confuse yourself as much. You don't get as many ideas floating around. Find the good people and stick with them.

Mahoney: That's one of the tough jobs, finding good people.

Fox: Let me mention one other factor here that affects into our decision making. We have the ability internally to have a very short time period between the presentation of the idea and the committee decision on that idea and the actual beginning of the execution of that order. You either buy or sell. This can be done almost instantaneously.

We don't have a day set aside, when we will review all of the ideas presented. If there is an idea burning a hole in the pocket of one of our analysts, well, they can just come in and bang their fist down on our desk and we can get together. If it is not convenient, the analyst can tell the story individually to the members of the equity committee and they can vote that way. So it could be that if equity committees were satisfied that the analyst knew the story well enough—it could be as short a period as five minutes from the time the analyst made up his mind or her mind that he wanted to buy the stock that we actually had the order in the hands of the trader.

Bjorklund: Well, gentlemen, we have covered a lot of ground today. The secret to having a good track record and making a fund perform well seems to boil down to knowing the very most you can about general market conditions, industry market conditions within industries and then even getting down, as Don suggested, to the very specific knowledge that one gets by visiting a company that you are planning to invest in. The more you know about the market conditions, the conditions within an industry and then about a specific company, the safer your investments become and the stronger your fund performance.

7 1/4 %

Just A Silly 3/4 % Higher . . .

But this insignificant amount raises our Deposit Administration Interest Guarantee to 7 1/4 %.

This new rate for DA Contracts represents a 3/4 % increase over our old guarantee for the first and second contract years.

It also places our contracts as much as a full one per cent ahead of some of our competitors.

And we didn't stop there. Our guaranteed interest rates for the third through the fifth years have been raised to 6%. The sixth through the 10th-year rates remain the same — 5% and 4% thereafter.

Our contract is designed for qualified pension and profit-sharing plans of 25 or more lives and is equally attractive for Terminal Funding.

It's this insignificant amount that makes the difference.



CAL WESTERN LIFE

P. O. Box 959, Sacramento, CA 95804

Financial profiles of 19 major employe benefit plan funds

(From D-2 Pension & Welfare Disclosure Act Forms, 1968)

NAME OF PLAN	TOTAL ASSETS	HOW INVESTED	CONTRIBUTIONS	RATE OF RETURN	Shell Oil Co. Pension Plan	Stock: Common: \$219,937,001. Fed. govt. bonds: \$954,120. Foreign govt. bonds: \$27,053,205. Nongovt: \$376,301,421.	Employer: \$26,105,376. Employee: \$26,053,699.	3.6%
Sears, Roebuck & Co. Employes' Savings and profit-sharing plan	\$2,543,295,196.	Bank deposits and s&l shares at int.: \$1,369,877. Stock: Pref: \$7,372,041. Common: \$2,357,057,421. Nongovt. Bonds: \$4,441,499. Real estate (L&M): \$10,118,979. Secured loans: \$1,450,000. Unsecured loans: \$135,893,573.	Employer: \$85,251,948. Employee: \$67,548,247.	2.1%	\$634,477,084.			
Western Electric Co., Inc. Pension, disability and death benefit plan (all employes)	\$1,375,579,009.	Stock: Pref: \$10,992,844. Common: \$473,793,599. Fed. obligations: \$2,219,610. Nongovt. obligations: \$791,770,107. Real estate (L&M): \$40,419,748. Unsecured notes: \$46,018,423.	Employer: \$104,234,000.	3.5%	\$628,026,886.	Bank deposits and s&l shares: \$9,400,000. Stock: Pref: \$2,526,908. Common: \$22,069,920. Fed. obligations: \$1,960,292. Nongovt. obligations: \$39,486,450. Real estate (L&M): \$461,264,348. Secured loans: \$34,990. Real estate operated: \$18,503,863. Other real estate: \$42,855,296.	Employer: \$118,347,395.	12.1%
General Motors Corp. Hourly rate employes Pension Plan	\$1,300,333,313.	Stock: Pref: \$7,735,685. Common: \$654,259,181. Fed. obligations: \$18,153,745. Foreign govt. obligations: \$4,648,057. Commingled trust, Morgan Guaranty: \$1,500,926. Bonds: \$6,060,585. Real estate (L&M): \$115,708,531. Commingled real property: \$36,401,544. Unsecured notes: \$36,751,311. Real estate operations: \$53,518,906. Gas & oil royalties: \$11,395,813.	Employer: \$174,000,000.	4.4%	\$596,590,358.	Stock: Common: \$203,447,304. Nongovt. obligations: \$355,414,021. Real estate (L&M): \$25,492,719. Unsecured notes: \$3,514,000. Other real estate: \$4,020,000.	Employer: \$53,853,040.	3.4%
General Motors Corp. (Savings stock purchase plan for salaried employes)	\$822,649,361.	Stock: (Com. & Pref.) \$578,310,314. Fed. obligations: \$234,413,964.	Employer: \$46,445,805. Employee: \$108,232,792.	4.1%	\$556,516,693.	Bank deposits and s&l shares: \$1,252. Stock: Pref: \$2,036,812. Common: \$260,667,066. Fed. obligations: \$11,581. Nongovt. obligations: \$260,667,066. GEB equity and investment fund Bankers Trust: \$46,410,867. Commingled fund (bond, mortgages, equities), Morgan Guaranty: \$36,294,410. Commingled fund (equities), 1st National City Bank: \$500,000. E B Special situations fund (equities), Bank of America: \$99,999. Real estate (L&M) \$36,149,745. Unsecured notes: \$17,731,559. Operated real estate: \$2,711,574. Other real estate: \$6,669,693.	Employer: \$60,016,000.	3.8%
General Motors Corp. Savings-stock purchase program for salaried employes in U.S.	\$822,649,361.	Stock: Common: \$578,310,314. Fed. Bonds: \$234,413,964.	Employer: \$46,446,805. Employee: \$108,232,792.	3.8%				
Ford Motor Co. UAW Retirement Plan	\$737,250,442.	Stock: Pref: \$7,697,768. Common: \$461,441,801. Fed. obligations: \$1,430,654. Nongovt. obligations: \$100,733,000. Commingled trust, Morgan Guaranty: \$7,947,698. 1st National Bank of Boston: \$1,749,989. Real estate (L&M): \$86,648,563. Unsecured notes: \$16,504,997. Other real estate: \$23,300,815.	Employer: \$90,325,000.	3.7%	\$509,536,937.	Stock: Pref: \$11,000,955. Common: \$329,556,618. Fed. obligations: \$34,056,382. Nongovt. obligations: \$124,152,108.	Employer: \$27,777,576.	4.1%
New York Telephone Co. Pension, disability, death benefits (all employes)	\$733,646,236.	Stock: Pref: \$6,416,664. Common: \$183,326,004. Fed. obligations: \$3,012,624. Nongovt. obligations: \$498,092,599. Real estate (L&M): \$9,730,459. Unsecured notes: \$16,639,870.	Employer: \$58,722,197.	3.7%	\$494,015,000.	Fed. obligations: \$66,568,000. Nongovt. obligations: \$36,169,000. Secured notes: \$50,415,000. Stock held for certain participants: \$338,726,000.	Employer: \$47,085,162. Employee: \$25,324,518.	1.4%
Ford Motor Co. Pension Plan	\$729,652,111.	Stock: Pref: \$5,355,433. Common: \$374,219,994. Foreign govt. obligations: \$5,298,020. Nongovt. obligations: \$177,226,270. Common trusts, Morgan Guaranty Trust Co., commingled funds: \$80,300,990. 1st National Bank of Boston commingled pension: \$1,749,989. Real estate (L&M) \$30,000,450. Unsecured notes: \$12,207,000. Other real estate: \$32,287,186.	Employer: \$51,198,776. Employee: \$15,914,555.	4.1%	\$477,741,907.	Stock: Pref: \$2,412,191. Common: \$387,840,355. Nongovt. obligations: \$16,334,028. Real estate (L&M): \$7,712,546. Unsecured notes: \$54,213,425.	Employer: \$13,104,903. Employee: \$12,038,882.	Not Available
Westinghouse Electric Corp. Pension Plan	\$657,615,073.	Beneficial interest in common trust (99.4%): \$653,659,376. Stock: Pref: \$1,668,074. Common: \$369,133,321. Foreign govt. obligations: \$4,868,537. Nongovt. obligations: \$145,510,898. Common trust—Continental Illinois National Bank: \$186,928. Real estate (L&M): \$69,072,535. Unsecured notes: \$33,622,000. Real estate operations: \$27,600,118.	Employer: \$25,119,760. Employee: \$5,942,664.	3.8%	\$468,066,926.	Stock: Pref: \$1,014,650. Common: \$141,493,083. Fed. obligations: \$2,615,159. Nongovt. obligations: \$295,618,900. Real estate (L&M): \$18,309,074. Other real estate: \$5,000. Unsecured notes: \$4,808,074.	Employer: \$36,768,175.	3.6%
					\$424,614,267.	Stock: Pref: \$13,267,850. Common: \$153,938,717. Fed. obligations: \$1,729,993. Nongovt. obligations: \$179,057,348. Morgan Guaranty commingled fund special situation bonds: \$3,884,601. Morgan Guaranty commingled fund mortgages—real property: \$999,595. Continental Illinois Mortgage Fund: \$1,964,980. Real estate (L&M) \$32,275,400. Secured notes: \$4,601,641. Operated real estate: \$22,542,404.	Employer: \$43,139,076.	4.2%

Abbreviations: obligations, bonds and debentures; Pref, preferred stocks; Real Estate (L&M), Real Estate loans and mortgages; s&l, savings and loan.* All rates of return quoted from Congressional Record.

Master plans

Continued from page 18 participants," he explained. This tends to cut out the employe benefits plan consultant, who would normally assist the plan participant in designing the individually tailored program justified by his needs, he said, explaining that his department was preparing administrative manuals to aid the plan participant in this prototype version of the process. "We're finding that more than simply preparing a complete prototype package, it is also necessary to fill the gap created by the absence of the employe benefits consultant," he noted.

Slated to be put in operation some time this year, the Bank of New York's prototype program, in sidestepping part of this problem, will be confined to profit-sharing and money purchase pension plans each including

various options from which to choose. "We don't plan to get involved with any plan that requires an actuarial study (such as a fixed-benefit pension plan)," Mr. Saulnier added. Merrill Lynch, on the other hand, does offer a prototype fixed-benefit pension plan and, as Mr. Wood explained, the brokerage house recommends that an actuarial study is required and a consultant should be called in.

The assistant secretary at Continental Illinois National Bank & Trust Co. of Chicago held a rather dim view on the prospects of prototype retirement plans. "From a banker's point of view," said Paul Kampner, "I think the general feeling toward prototype plans is that what you get out of them is a trust that's too small to handle economically. There is no prototype here and I'm not optimistic about their future."

In his opinion, computurization

of the process might make it profitable for a bank. "But," he said, "as it is now, our minimum cost would be too high for anyone to be interested in."

"It might be profitable," he added, "if you could handle, for instance, a group of doctors, whose contributions would be sizable enough for a bank to do something with; but there are not enough of these groups to offset the corner grocer who only wants to contribute \$500."

The consultant "gap" in the prototype planning process is competed for both by the traditional employe benefits consultant as well as the computer software administrative service company. The sponsoring organization, with the aid of the computerized consultant, or the traditional consultant, servicing the employer directly, provides a formal proposal indicating all eligible employes, their individual retirement bene-

fits and the total contributions required of the employer.

Looked on as a shoddy sales gimmick by some, and as a boon of welcome simplicity by others, the future of the prototype plan rests finally with the small employer. Whether the prototype concept is generally applicable to the problems that the small employer faces when seeking to provide his employes with an adequate retirement program seems to depend upon his own ability to appraise his own needs, and

thereby discover how best to satisfy them.

Whatever the case, prototype plan supporters are enthusiastic.

John Wood of Merrill Lynch predicted that his company expects "a sales target of between 2,000 to 3,000 plans within the next 18 months. Depending on the size of the annual contribution of the average plan sold, which should range between \$15,000 and \$25,000 annually, we could conceivably bring in \$100 million in new portfolio."

Ad agency . . .

Continued from page 25 long-term objective of the profit sharing plan is as a retirement income. But," he added, "unlike industry people, advertising people move around a lot. A retirement program doesn't make a hell of a lot of sense in this business. There are few long-term employes in advertising—unfortunately or fortunately, whatever the case may be."

IN ADDITION, he noted, the advertising business is more prone to profit flexibility. Retirement plans become a fixed cost and in a bad year that cost might kill us," he said.

Has profit sharing become a real motivator at Ries Capiello Colwell Inc.? Do the employes now reuse those paper clips they used to throw in the waste basket?

"Look," Mr. Colwell said, "the serious minded employes—and they are in the majority here—are very aware of it. It comes up in conversation often. But let's put it this way: There are many factors that contribute to an employe's happiness or unhappiness. I wouldn't say profit sharing is one of the most important of these; maybe it's fourth or fifth on a list of ten factors," Mr. Colwell said, noting that salary, work environment and sense of accomplishment probably lead the list.

Employe benefits—and profit sharing included in this case—probably come fourth on the list, the vp said.

IN ADDITION to the profit sharing plan, health and life insurance benefits at the firm are also quite liberal. Hospital coverage is semi-private care, with a major medical provision—80% after the first \$100.

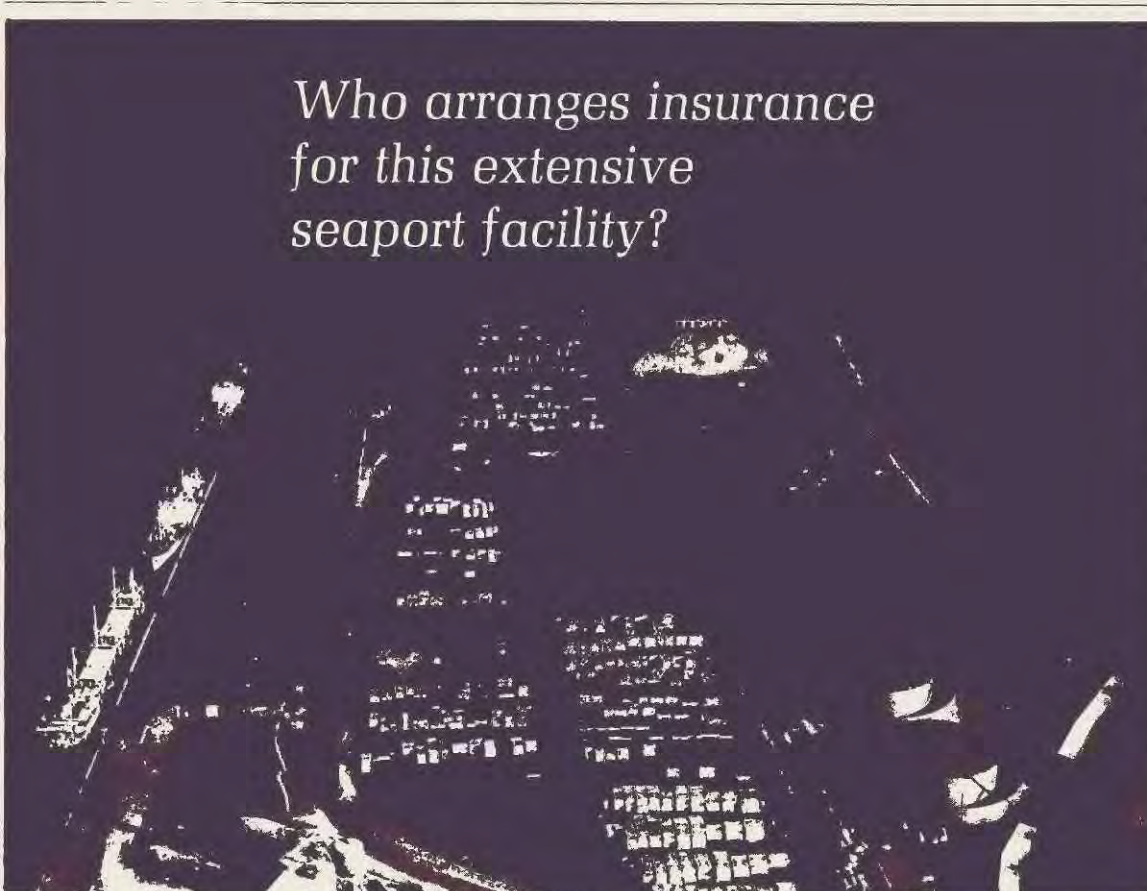
Life insurance, entirely paid for by the company, as is the medical coverage, varies between three and four times earnings. It also varies for male and female employes. Male employes earning between \$4,000 and \$4,999, for example, are covered by \$15,000 of coverage. Females in the same category receive \$10,000 of coverage. Male employes earning between \$12,000 and \$13,999 are covered by \$49,500 of insurance, while women in the same category get \$30,000.

The company recently offered a contributory dental plan to employes, Mr. Colwell said, but it did not generate enough interest.

The plan, which was quoted by the Travelers, would have cost employes with no dependents \$1.64 a month. Employes with dependents would have been charged \$5.63 a month.

IN ORDER TO write the plan 27 Ries Capiello Colwell employes were needed.

"I sent out a memo and only 12 expressed an interest," Mr. Colwell said.



Who arranges insurance for this extensive seaport facility?

BOIT, DALTON & CHURCH

This is Wiggin Terminals, Inc., Castle Island, Boston . . . the largest terminal of approximately one hundred and ten acres of waterfront facilities including open storage, warehouses, rail facilities, roads, berths for all ocean-going vessels . . . port of entry for virtually all the lumber and motor vehicles to arrive in this part of the country.

We plan the insurance for this facility (and the almost equally extensive facility of Wiggin Terminals, Inc., Charlestown, Mass.), secure adequate insurance markets and supervise all phases of their insurance program exercising sound loss control and risk management techniques.

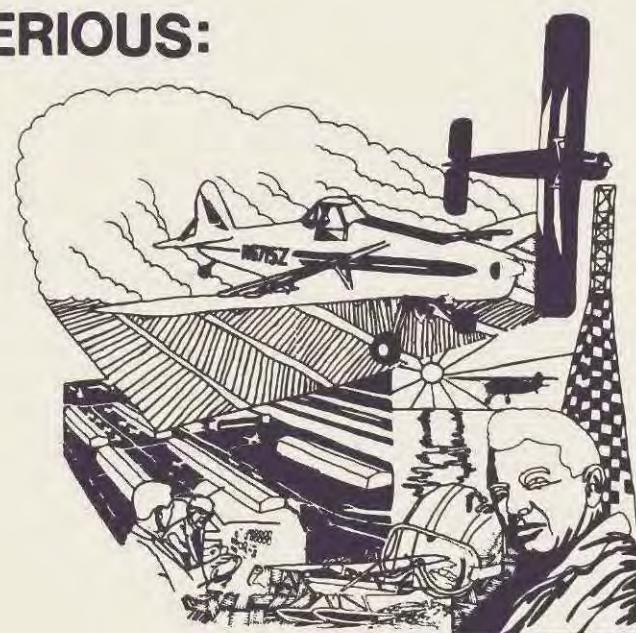
That's insurance in action!



Boston 02110
89 Broad Street

Providence 02903
Turks Head Building

SERIOUS:



Aviation Office Of America has a new Special Risks Aviation Insurance facility. It takes serious specialists to provide this service to the industry.

We know that risks such as float planes, older single and multi-engine aircraft and agricultural aircraft are SPECIAL risks, therefore, we go about it in an especially serious professional manner. This way we smile a lot.



AVIATION OFFICE OF AMERICA
INCORPORATED

depend on us for
excellence in underwriting!

Three N.J. pension funds purchase government-guaranteed mortgages

NEW YORK—The sale of the first issue of mortgage-backed securities underwritten by the Government National Mortgage Assn. (GNMA) was completed last month when three New Jersey pension funds purchased the \$2 million issue offered by Associated Mortgage Cos. Inc., a mortgage banking firm based here.

Officials of the Mortgage Bankers' Assn. of America (MBAA) told *Business Insurance* that a total of 12 such issues are being prepared across the country, ranging in size from \$2 million to \$25 million.

The three funds that purchased the initial issue are the N. J. Police and Firemen's Retirement System, which invested \$500,000; the N. J. Public Employees' Retirement System, which took \$700,000 worth; and the N. J. Teachers' Pension and Annuity fund, which bought \$800,000 of the securities.

AUTHORIZED by the 1968 Housing Act, the new security scheme allows the investor to purchase shares of an issue of securities backed by a pool of single-family mortgages on property located anywhere in the country. Previously, such mortgages were available on an individual, direct-purchase basis. Guaranteed by the Government National Mortgage Assn., the shares were sold at 94.75

to yield 8.58% in interest if held by the investor for the 30 year maturity period. If the mortgages are prepaid (due to refinancing through a second mortgage or sale of the property) within a 12-year period, the interest increases to 8.75%.

The new means of obtaining mortgages is said to greatly simplify the investor's role in purchasing loans. Phillip E. Kidd, assistant director of research for the MBAA, explained that "in order to invest a sizable sum in directly-sold mortgages, the investor had to gear-up a sophisticated staff to perform the overseeing function of being able to understand and inspect all of the

paperwork that comes with the mortgage."

Any single mortgage is accompanied by a myriad of documents, Mr. Kidd noted, including the mortgage instrument, title search document, title insurance, credit application of the borrower and FHA-VA appraisal report, among many others. In the past the new owner had to make sure all the necessary inspections, verifications and approvals legally required were made before he could really count on the legitimacy of the mortgage agreement that he had purchased.

Under the new mortgage pool security plan, the issuer of the security shares takes over this

function, he pointed out, freeing the investor to buy security shares of the mortgage pool with relatively as much freedom as he would invest in corporate bonds, given the limitations of the security's monthly rate of amortization.

IN READYING the security issue, Associated Mortgage used single-family mortgages already "in stock," explained Alex Schneiderman, vp of associated mortgage. He pointed out that trusts could purchase shares in such mortgage pool securities in amounts as small as \$50,000. "Issues of these securities are required to be a minimum of \$2 million," he noted, adding that the next issue under preparation by Associated Mortgage was planned to involve "better than \$10 million" in mortgages pooled to back up the securities.

The new GNMA-backed mort-

gage pool securities issues will include a portion of new housing starts. HUD secretary George Romney has said that new housing starts are at their lowest number since the Korean war. Rep. Wright P. Patman recently introduced in Congress a bill that proposes to require investments from private retirement funds in housing according to priorities set by the secretary of housing and urban development.

"The law stipulates that the mortgages involved in the pool cannot be more than one year old," Mr. Schneiderman said, adding that new housing starts would "definitely" comprise a percentage of the mix of mortgages combines to back up the new securities will attract more retirement fund money. Pension fund administrators asked about the Patman bill recently have suggested that trust funds did not prefer mort-

Continued on page 46

Canadian ...

Continued from page 23

The report concludes that, while the intent of the Canadian legislation is to bring all pension plans ultimately to a fully funded status, "it appears unlikely that most plans will ever achieve that status unless at some period their funding level is above that required to pay all benefits under the terms of the plan." This results because any amendment improving benefit levels or liberalizing eligibility rules will add to the liabilities and the law allows at least 15 years to amortize such liabilities.

"CONSEQUENTLY A plan will never become fully funded," Mr. Kleiler said, "unless (1) it is funded in excess of its liabilities, or (2) there are no pay increases, or (3) the employer immediately contributes enough money to the pension fund to cover the increase in liabilities that results from the pay increase, or (4) its benefits are not related to earnings and are not increased retroactively by plan amendments." ■

Cotter hasn't said when he'll step down

HARTFORD—State Insurance Commissioner William R. Cotter, a 43-year-old bachelor who recently tossed his hat into the campaign for the Democratic nomination for 1st district congressman, told a news conference he hasn't yet determined when he will step down from the commission.

He indicated that the move would happen when and if he found campaigning interfering too heavily with his capacity of insurance commissioner.

At least a dozen leading political leaders are being mentioned for the Congressional seat being vacated by Emnilio Q. Daddario, who intends to run for governor.



"Is there a quote here from Mutual Benefit?"

"You bet. They're the only one that thought to include our new Kenosha division. Showed how it affects our existing plans, too."

If all there was to picking a group pension plan was the lowest quote, life would be simpler.

But price isn't a very accurate yardstick. Like the weather, pension plans can vary. Experience and creativity can make a huge difference in what you get.

Especially the kind of experience and creativity Mutual Benefit can bring you.

For example, you might find Mutual Benefit coming up with ways to improve your pension plan benefits—but at lower cost. Or find Mutual Benefit consolidating plans at your various plants or offices, saving you money. Money that could fatten your group life plan. Or add a long term disability plan.

Need quick action? Although it has over 12 billion

insurance dollars in force, Mutual Benefit is fast on its feet. Expert group pension specialists in field offices across the country see to that. And MBL's skilled home office staff, up-to-date contracts and competitive costs help.

So get a quote from Mutual Benefit when you think Group Pension Plans. You won't be sorry.

To receive your complimentary copy of Mutual Benefit's informative new booklet "Developing the Company's Retirement Plan" write Director of Group Pension Sales, Mutual Benefit Life, Newark, N.J. 07101.

MUTUAL BENEFIT LIFE
THE MUTUAL BENEFIT LIFE INSURANCE COMPANY, NEWARK, N.J. SINCE 1845

Growth Stock Investing for a Profit Sharing Trust

If you are concerned with the management of an employee benefit plan, we would like to send you a copy of this study. It deals with the experience T. Rowe Price and Associates has had in the investment management of its own employees' profit sharing trust — the approach and the results. T. Rowe Price and Associates specializes in investment counsel for institutional funds.

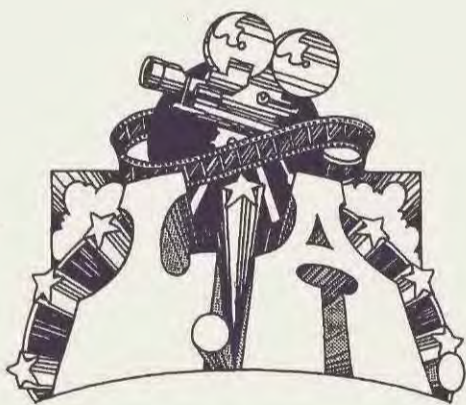
Requests should be directed on company letterhead to William B. Thompson, Dept. PP6,

T. Rowe Price and Associates, Inc.

Investment Research and Counsel

One Charles Center

Baltimore, Maryland 21201



Schiff Terhune
has over 10,000 clients
doing business in
the major cities of the world.
**Los Angeles is one
of those cities.**

Schiff Terhune
WORLD WIDE INSURANCE BROKERS

Noise . . .

Continued from page 14

other states. Its provisions are in substance included in the model workmen's compensation law prepared by the Council of State Governments."

The Missouri statute stipulates that there must be a six month separation from a high-level noise exposure in the last employment of the claimant. The statute also specifically prescribes the method of computing hearing loss to be used, following closely the recommendations set forth by the American Academy of Ophthalmology (pathology of the eye) and Otolaryngology (pathology of the ear, nose and throat) and the American Medical Assn.

THESE associations provided that impairment of hearing for compensation purposes was to be related to the ability to understand human speech. The sound frequencies most common in human speech are 500, 1,000 and 2,000 cycles per second. In addition, a minimum intensity of 15 decibels and a maximum intensity of 82 decibels was stipulated. "This, in effect, means that there is no hearing loss until a level of more than 15 decibels is reached on audiometers calibrated according to the American Standards Assn.'s 1951 standard. Similarly a hearing loss of 82 decibels is considered to be equivalent to total loss of hearing," Mr. Kalmykow explained.

A person whose hearing is impaired in only one ear still has a substantial capacity to hear, as opposed to an individual whose hearing is impaired in both ears. Hearing loss, is therefore calibrated by giving a predominant value to the better ear.

"In accord with the AMA-AAO formula," explained Mr. Kalmykow, "the Missouri law provides that the percentage of improvement in the better ear be multiplied by five. The resulting figure is added to the percentage in the poorer ear and the sum is divided by six. The final percentage represents the hearing impairment in both ears."

The Missouri statute makes allowances for presbycusis (loss of hearing due to aging). "A number of studies indicate that hearing acuity becomes impaired with advancing years," said Mr. Kalmykow. "It would seem logical that in determining the hearing loss to compare it with the degree of hearing acuity normal for the age of the individual making the claim and not that of a young man or child." The Missouri law utilizes a formula whereby ½ decibel is subtracted from the total average decibel loss for each year of the employee's age over 40 at the time of his last exposure to high-level industrial noise.

UNDER THIS law the claimant's last employer is held liable for the entire deafness to which his employment has contributed. However, if previous deafness is established by competent evidence, the law exonerates the employer from liability for that degree of hearing impairment. Hearing loss which has been previously compensated is included in this exemption. "Such a provision avoids the complications of the New York law," Mr. Kalmykow noted, "but encourages claims against prior employers possibly many years after leaving their employment."

Four states have enacted loss of hearing compensation provisions similar to the Missouri statute: Rhode Island (Sept. 1969), Utah (July 1969), Maine (Nov. 1967) and Maryland (June 1967). Since

most revisions in state workmen's compensation laws have been made after the Missouri enactment, many new laws have incorporated much of its excellent design. In addition, the new state laws have added several innovations of their own.

Noise pollution and liability: Noise is an inescapable part of modern urban living conditions.

HOWEVER, as Mr. Kalmykow stated at the National Council on Noise Abatement's annual conference, "when the annoyance is severe and longer lasting, legal remedy may be sought. This can take the form of injunction proceedings to abate the nuisance or a suit for damages for the injury to the person or to property values that the noise may be causing."

Suits of this type are somewhat "traditional", according to Mr. Kalmykow, dating back to fore-runners in English common law. However, because of the proliferation of modern industrial development such complaints are markedly on the increase.

"The courts," Mr. Kalmykow remarked, "have taken a realistic view of the situation. They have recognized that all must tolerate a certain amount of annoyance, weighing the harm to the complainant against the value of the activity which is producing the noise."

Following what is known as the "gravity-utility rule" most courts have directed a judicious eye toward such claims. "Damages are recoverable if the value of the plaintiff's property has been adversely affected," explains Mr. Kalmykow. "On the other hand an injunction will be granted only if the noise is due to poor design or improper operation which can be remedied," he said. However, Mr. Kalmykow noted that the remedy proposed must be commercially viable. "One cannot normally recover damages if property is purchased and a building is constructed in a noisy area," he said.

An activity producing a high level of noise pollution can avoid liability problems, however, if it is government-operated or if it operates under official authorization by the government. Suits involving the railroad and the aviation industry were cited by Mr. Kalmykow as receiving this "government immunity." Even with federal sanction, however, "it is necessary that these operations not be negligently operated," Mr. Kalmykow noted.

(This is the second of three articles dealing with noise pollution, government's interest in the subject, workmen's compensation coverage for same, medical effects and hearing conservation.)

Win 53% pension hike

CHICAGO—A pension increase of 53% by June 1, 1971, has been negotiated by the Carpenters District Council of Chicago with the Builders' Assn. of Chicago. Present pension benefits at 33½¢ an hour will increase to 47½¢ an hour on June 1, 1970, and 62½¢ an hour by June 1, 1971.

A spokesman for the Builders' Assn. of Chicago told *Business Insurance* that the pension program now provides for vesting rights when a carpenter is 40 years of age and has 15 years of service.

The health and welfare program has been expanded to include a dental plan.

Wage increases won by carpenters reached a final hourly rate of \$7.65.

British pension fund operators face big social welfare shake-up in 1970

LONDON—Pension fund operators throughout Britain are facing threats of the biggest shake-up in the British social welfare structure ever to hit them.

It will lead to a complete political clash that will be a vital issue for millions of people in the next 12 months.

Business management has been forced to accept that the Labor Government, under Prime Minister Wilson, has set its aims, after more than five years in power, on a complete upgrading of public pensions for every person in the country.

STATEMENTS are now pouring out from business fund managers and investment chiefs attacking the scheme as a vote-catching stunt that will really be a source of economic danger.

The battle will be hotly-up in this general election year because the opposition Conservative party has declared it will fight the scheme all the way on behalf of both private enterprise and industry's employees. It has declared that if it wins the election, which must take place before next April, it will repeal the plan.

But until that happens, the life insurance lobby is facing the fact that the fate of 65,000 business pension funds, catering for the retirement of 12 million people, is in the balance. For the money paid into these funds provides more than \$2 billion every year in savings for national investment in equity stock or mutual funds.

But the Wilson Government, which wants to provide higher pensions for lower paid workers on the ground that they are a social necessity, has devised a scheme that threatens these valuable investment funds.

IT IS BEING publicized to look like fairer shares for all, but in fact will be based on a typical Labor Government dislike for the special benefits that shrewd capital investment programs can supply for well-run corporate pension funds.

As it will be directly geared to wage-earnings, and so will require higher contributions to the state-run pension schemes, it will tap the pockets of many people who are already members of thriving corporate pension funds.

The Wilson Government suggests that people can "contract out" of part of its future national scheme if they wish. But they have limited this concession so much, in order to ensure that there is enough money for the state scheme, that the future of many well-run private business pension schemes will be in jeopardy. Bigger ones will be able to survive, but there is a real danger that some of the smaller ones, with high administrative costs, will go under.

The position of business management was summed-up by Gordon V. Bayley, chairman of Britain's Life Offices' Assn., whose member-firms administer many pension funds, when he said in London recently:

"THE LIFE assurance world has always recognized that the allied problems of providing a decent livelihood for retired people while maintaining a vital flow of savings can only be solved by an effective partnership between state and occupational pension schemes.

"What is so often overlooked is the fact that people's needs in retirement vary greatly. The

state, mainly for administrative reasons, can only provide benefits tailored to a more or less uniform pattern for all. The private sector can provide flexibility to suit people's differing needs."

Montague J. S. Berkeley, leading pension executive with the world-wide Lloyd's broking group Stewart, Smith and Co., told *Business Insurance*:

"Rarely has a piece of welfare planning been so severely criticized as this new scheme for state pensions. The critics include all the recognized pensions specialists.

"**CORPORATE** pension schemes have flourished in both the U. S. and Britain, so as to become a

major part of the national savings establishment in such countries.

"But the complexity of this new British scheme will make it unattractive to all but the largest occupational funds. It will mean a heavy additional burden of contributions that will be spent in the wrong way."

Against this is the view of Labor Pensions Minister Richard Crossman, who told insurance consultants:

"Firms that have been able to hold the loyalty of their staffs for long terms of service by membership of a corporate pension scheme will realize that in the future their employees will be less dependent than they were."

BUSINESS chiefs throughout Britain realize that his arguments will carry weight in a modern industrial climate because many corporate pensions are still not transferable from one employer to another. This is a handicap that businessmen are ready to overcome with the aid of insurance companies who specialize in pension work of this kind.

But for sound economic reasons, they would prefer to have an improved flat-rate of pensions from the state to provide security in old-age, rather than one geared to earnings. They wish to retain the private-enterprise incentive of corporate pensions to give an extra bonus to those whose managements deserve it.

This will enable the continuous flow of \$2 billion of pensions funds into national savings to go on, and so help to keep the British economy at a stable level.

The new scheme is supposed to

start in 1971 if the Wilson Government beats the trend of present public-opinion polls and stays in power. But there is every chance that the Conservatives, under Edward Heath, will win control, so that the new concept of British pensions will have to be revised and wait till 1972 before it finally takes shape, if it still appeals to people. ■

Workers get extra holiday

Ershig's Inc., Bellingham, Wash., fiberglass reinforced plastics division, has settled with Local 311, Sheet Metal Workers International, on a three-year contract which allows five cents an hour additional for health and welfare. The contract provides an eighth paid holiday, three weeks' vacation after 10 years, a five-cent increase on shift differential, and free provision of protective clothing.

EQUITABLE AND GROUP PENSION PLANS

Questions

How much of Equitable's assets are represented by group pension and profit-sharing plans?

How many annuitants does Equitable currently make payments to?

How many group pension and profit-sharing contracts does Equitable have in force?

How is Equitable doing in new group pension and profit-sharing business?

Overall, what was the total of Equitable's pension and profit-sharing plan considerations in 1969?

What can Equitable do for my pension or profit-sharing plan?

Answers

\$5.4 billion—out of over \$14 billion of total assets.

Over 267,000—at the rate of more than \$225 million a year.

At the close of 1969—over 1,900.

In 1969, new business accounted for \$81 million in considerations received, an increase of 143% over 1968.

The figure came to \$280 million.

Equitable has a group contract to fit every pension or profit-sharing plan need. Complete services are available—plan design, actuarial service, plan administration, investment service.

Helping people build a better life

THE EQUITABLE

The Equitable Life Assurance Society of the United States
1285 Avenue of the Americas, New York, N. Y. 10019

benefit tax slants

Taxpayer can get 'private letter' ruling on how new tax act applies

By JOSEPH S. ROBINSON

NEW YORK—When regulations under the Tax Reform Act are issued, they will first be published as Treasury decisions and found in the Internal Revenue bulletins. Where practicable, prior notice of proposed rulemaking will be published in the Federal Register; but where early issuance is necessary, temporary regulations will be promulgated without prior notice.

In the meantime, until further official explanation comes forth,

crossing some of the "t's" and dotting some of the "i's," those who are called upon to offer advice, are themselves, often left in the dark. What's more, the Treasury usually likes to steer clear of sending out private opinions applicable to tax law amendments before there is official interpretation of the law change through regulations.

There is this remedy, however. A taxpayer may seek a "private letter" ruling on how a tax law change applies to him. He may receive a reply covering that

change providing the answer seems clear or at least reasonably certain, although not 100% free from doubt. If, on the other hand, an issue cannot be reasonably resolved before new regulations come down, a private letter ruling will not be issued.

Bear in mind that in order to obtain a private letter ruling under these circumstances, you'll have to claim a "business emergency" or "unusual hardship." Your best bet is to submit a separate letter from the request for a ruling in which you set forth the

facts and the need for the ruling. (See Rev. Proc. 70-5.)

* * *

A QUALIFIED stock option was granted an employee by the company he worked for. The option was exercisable in five equal yearly installments commencing with one year from the date of the grant. The option provided, in part, that if the employee died in the meantime, his estate would step into his shoes in so far as the option rights were concerned.

Some time thereafter, the corporation amended the option so that in the event of the employee's death, his estate could exercise the option in full, even though the employee himself could not do this while alive.

Held: The amendment to the option is an acceleration of the time in which a portion of the option may be exercised . . . it is not a "modification" of the plan so as to disturb the tax rules

pertaining to qualified stock options. (See Rev. Rul. 70-94.)

* * *

THE BUREAU of National Affairs points out that a "basis" problem exists in connection with the application of the minimum tax for tax preferences as applied to the exercise of a qualified or restricted stock option.

Under new Sec. 57 (a)(6) of the Tax Reform Act of 1969, the amount by which the fair market value of stock exceeds the option price under either a qualified or restricted stock option is, upon the exercise of the option, an item of tax preference for purposes of applying the new minimum tax rules. However, says the BNA, there does not appear to be any direct authority under the new Act providing for an increase in "basis" of such stock where the minimum tax is applicable.

Without such an increase in "basis," the spread between the option price and fair market value could be subject both to a minimum tax at the time of the exercise of the option as well as the ordinary income tax at the time the stock is sold. (See Code Secs. 56, 57, 422 (b) and 424 (b).)

* * *

MAKE THE most of the new moving expense deduction. If you move to a new job location—one that's at least 50 miles from your old home—remember, there are some brand new deductions that you couldn't take before. You can now write off expenses of pre-move house hunting trips, food and lodging while waiting to move into your new home, plus certain expenses of selling, buying or leasing a residence.

Remember, there's an overall \$2,500 limit on the deduction of such indirect moving costs . . . also, the deduction for house hunting and temporary living expenses is limited to \$1,000. Remember too, you must be employed full time in the new job location for at least 39 weeks.

* * *

TRAVEL COSTS may sometimes qualify as a deductible educational expense. But you must relate the trip to your job, i.e., show that it was taken to improve your skills. For instance, in a recent case, a taxpayer went on tour of communist countries to observe how social studies were taught. This knowledge enabled her to polish her own teaching abilities . . . it also earned her credits toward her doctorate. The expenses were allowed. (See Dougherty, TC Memo. 1970-42.)

Look what the Up Group has come up with for you.

Now the 10-50 life Group market makes sense because you can make some money.

1. Instead of seeing your commission check shrink as the case gets older and larger, look what happens.

COMMISSION SCHEDULE

1st Year	—	20%
2nd "	—	5%
3rd "	—	5%
4th "	—	20%
5th "	—	5%
6th "	—	5%
7th "	—	20%
8th "	—	5%
9th "	—	5%
10th "	—	20%

(and so on)

2. Instead of fighting every year with insurance companies and clients, Union Mutual's new "10 Up" program gives you a 3-year rate guarantee on Plan A.

3. Instead of talking about the same old

major medical benefits, "10 Up" gives you a Major Medical Plan over our base plan, or even over another qualified base plan, that looks like this:

80% of the first \$3,000 of covered charges in any one calendar year which are in excess of the base plan plus \$100 deductible (\$200 Family) plus — 100% of all other covered charges up to \$25,000.

4. "10 Up" gives you Life Insurance maximums ranging from \$15,000 to \$60,000 NON-MEDICALLY.

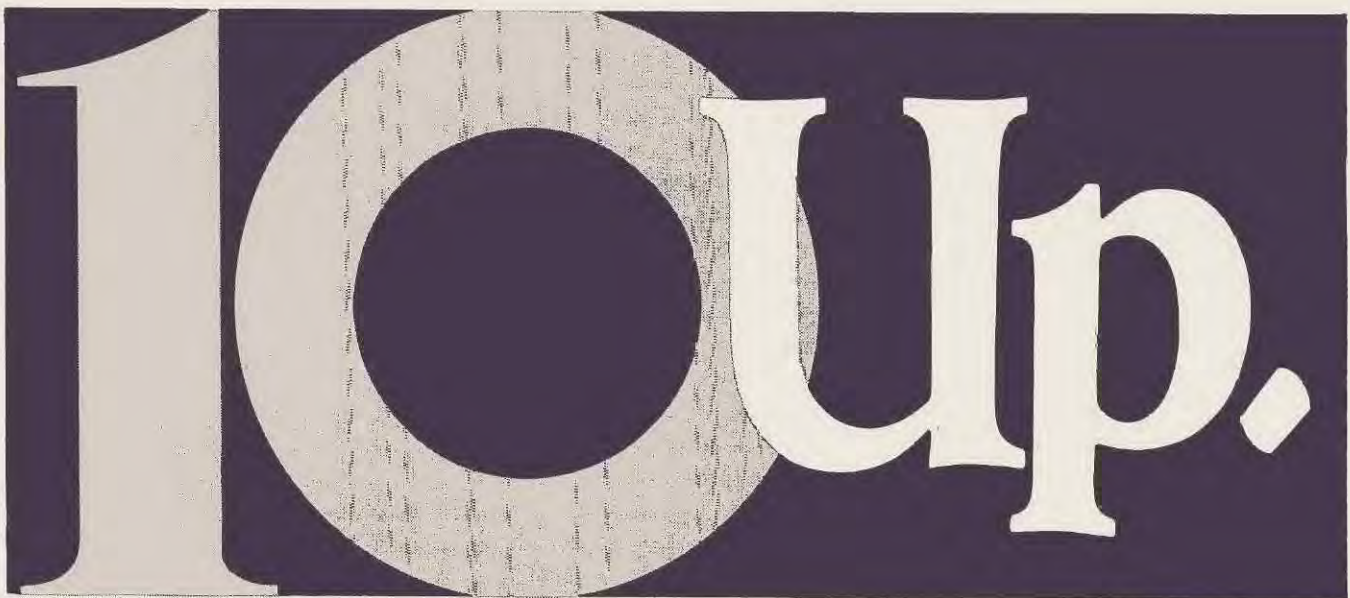
5. And finally instead of waiting 3 weeks or more for a quote, we give you a "10 Up" quotation as promptly as you require.

For the full "10 Up" story, contact one of our Group Offices or write to Mr. Robert W. Stevenson, Vice President (Group Marketing), Union Mutual Life Insurance Company, 400 Congress Street, Portland, Maine 04112.

UNION MUTUAL

LIFE INSURANCE COMPANY

They call us the "Up Group"



Race track settlement

SAN FRANCISCO—A Superior Court jury here has awarded \$305,000 to three persons injured when a Ford Genie sports car hurtled into a Vacaville race track pit area in 1965.

The largest award, \$250,000, went to Robert Reinfried, Van Nuys, Cal. The others were \$40,000 to William Celli, Piedmont, and \$15,000 for William Ribbs Jr., San Jose.

The three were among 12 injured survivors of the accident. Two others, including driver James E. Connor, were killed when the Genie crashed at 100 miles per hour into the pit area.

Mr. Reinfried sought \$500,000 and the other two \$250,000 in their suit against Vaca Valley Raceways Inc., Sports Car Club of Americam Vaca-Dixon Enterprises and Durham Jones.

Early retirement? The buzz is mostly just talk

NEW YORK—Although most employes would like to get out of the company rut and kick their heels while they can still jump, they usually can't afford early retirement. That is the word from people who concern themselves with the subject.

In talking with corporate pension managers, union leaders and pension consultants, *Business Insurance* learned that the buzz about leisure time and retirement at age 55 is mostly just talk. Despite trends toward portability, and all company-contributed pension plans, the average middle class worker is in an economic squeeze that forces him to stick at his post and wait for full pension benefits and social security.

"The temper of employes today is for early retirement," said an assistant in the pension department at Grumman Aircraft Engineering Corp. in Bethpage, N.Y. "A lot of guys work under pressure. They're running in a rat race and want to get out before they're carried out. But usually they can't afford the move."

PENSION managers of United Steel Workers, Allied Crafts, and National Maritime Union all agreed and said they were pushing for earlier retirement with higher benefits, but right now the cost of living kept almost everybody on the job until at least age 62.

"Go into a store and read price tags. If somebody can live on \$250 a month pension, I'll eat it," said the pension officer of International Longshoremen's Assn. "When a worker retires in his fifties you can bet he has his own business on the side, or he'd better have one."

Although some retirees are lucky enough to have kept another business going during their working years, most don't, according to a consultant at Balanced Pension and Profit Sharing Plans Inc. here.

"The day of the small businessman is pretty much dead," he observed. "The middle American, the great silent majority out there, just can't put any money away. They have to wait for full benefits and social security."

HE NOTED THAT people switch jobs more today than in previous years and that the big trend in pensions is toward portability.

"If someone leaves for another job, but has worked long enough to be vested with the company, he'll still get those pension payments when he retires," the consultant explained. "Today you don't hear so much about a man working from age 17 to 65 with one company. He moves around more."

A Towers, Perrins, Forster and Crosby man suggests that another trend is starting toward earlier payments of full benefits.

"**WE MADE A** survey of the top 100 companies in Fortune's 500 and found that 41 provided full pensions at age 62 or earlier," he said. "In fact 19 companies were providing added benefits with early retirement."

According to an actuary in the New York State Employees' Retirement System, the state allows retirement at 55 with fully accrued pension payments, but very few take advantage of this.

"We don't expect our average retirement age to go much lower than 65," he noted. "Most of our members have entered govern-

ment service after age 35 and don't accrue a reasonable pension until 65."

Almost all people interviewed indicated that employes playing the waiting game were like impatient school children forced to stay in their seats until the bell rings. Long years of work ended with humble thank-yous for pensions was the rule previously, but not anymore.

"**GENERALLY**, employes today think more about what they can get out of a company than what they put into it," said a pension director at First National Bank of Chicago. "The attitude is why do I have to stick around the office

Continued on page 36

Safety / Security & Loss Prevention

Annual Issue of

business insurance

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

June 22, 1970
Ads close June 10

Fire Extinguishing Systems
Alarm Systems
Security Personnel Systems & Services
Communications Systems
Major Medical & Health Services
Safety Education Programs Incentives

New York: 630 Third Ave. (212) 986-5050

Chicago: 740 Rush St. (312) 337-5200

Los Angeles: 6404 Wilshire Blvd. (213) 651-3710

We take the guesswork out of pensions.



360/30 hard at work, under the watchful eye of Bankers computer experts

Mistakes cost you, Mr. Employer, in dollars and cents. Bankers Security computerized proposals eliminate costly mistakes—lets you choose, from a flexible line of insurance and annuity policies, the *one* plan that is best for you and your employees.

After installation, you get complete service at no extra charge. At Bankers, we do things the modern way, the fast, efficient way, by computer. It's



Bankers Security

just *one* of the reasons why we're "leaders in insurance for better living." Want to know the rest?

Call your nearest Bankers Security General Agent, or write to Pension Department, Bankers Security Life Insurance Society, Executive Office, 1701 Pennsylvania Avenue, N.W., Washington, D. C. 20006. Home Office: New York City. Licensed in all 50 states and the District of Columbia.

Leaders in Insurance for Better Living.

Firms under pressure to increase retirees' pay

NEW YORK—While many U.S. corporations want to be big-hearted and help retired employees face inflation on fixed incomes, many of the companies themselves claim they have to face the same inflation—and they say it is costing them money they can ill afford just to be a nice guy.

This is the consensus of a *Business Insurance* survey of several firms that are, or are not, considering upping retired employees' pensions.

"Companies are in a tough situation right now," said a spokesman for a New York utility company. "The pressure is on to help retired people and these people definitely need help. It's not that we're unsympathetic, but the cost of going back and upping payments across the board is stagger-

ing. Companies are facing cost-of-living problems, too."

HE FELT THAT the government was taking care of retirees pretty well and explained that his company concentrated on improving prospective plans. The most recent improvement came in January, 1969, when the firm adjusted its formula for offsetting Social Security. Previously company benefits were cut in half when an employe got Social Security. Now benefits are reduced only 25%.

"Many firms depend heavily on government improvements," said a Towers, Perrin, Forster and Crosby consultant. "As they review their pension plans now, they're watching Washington closely to see what kind of in-

creases are coming before making final decisions."

The pension manager for a national small-item retail chain indicated this feeling as he explained that his company was reviewing its 1966 benefit plan.

"We're considering a sliding scale of increases," he noted, "going from a 5% boost up to 27% by adding a per cent for each year of retirement from 1965 on back. But frankly, I don't want to be quoted on this. We're still studying the situation. It's too delicate a time to make definite statements."

HE SAID THEY'D probably be chewing on the problem until early summer, and then he didn't want to get retirees' hopes up.

"We had a similar increase a

few years ago," he added. "Then retirees were totally surprised and reacted very enthusiastically toward the company. But now we've heard rumbles. They're beginning to ask when it will happen again."

Apparently not wishing to trigger false hopes either, Eastman Kodak was quick to deny a March 4 Wall Street Journal report that had made recent pension payment hikes.

"The report was totally wrong," a spokesman for Eastman said. "We made an increase in 1965. That's hardly recent."

He said the 1965 increase boosted payments 10%, providing an increase of \$4 per month minimum and \$10 maximum.

"I THINK MORE retirees will

start to demand higher payments," said a spokesman at General Electric Co., which has increased payments up to 15% for people retiring before 1961. "Our retirees would, anyway. Technically a worker is only entitled to what he's earned at the year of his retirement. But you have to have a heart."

The pension director at Pittsburgh Plate Glass said their November, 1969, plan provided for a \$20 minimum increase and a \$50 maximum increase for people who had retired before 1962. Now they are working on increases for people retiring after 1962.

"Sure, it's going to cost, and many companies don't want to face what it's going to cost," he said. "But I don't think it helps not to talk about it. Retired people are making demands they have a right to make, but at the same time I think they'll be fair and realize that the company can only go so far. There has to be a meeting place."

Campbell Soup Co. has hiked retiree payments three times since 1951, with the most recent hike providing up to a 20% increase.

"WHEN A COMPANY has several million people to worry about, it prefers to invest in its present employees for here-and-now growth," the Campbell pension director said. "But I think that attitude is changing."

He noted that in the past week he had been contacted by three magazines doing articles on increasing benefits to retired people.

"The public is becoming aware of needed changes," he said. "I think company managers will be forced into realizing that Social Security legislation just isn't enough."

APPARENTLY company managers are not the only ones worried about the costs of increasing benefits. The recent Wall Street Journal article, which reported that 200 U.S. firms had improved retiree payments and another 300 were considering improvements, also noted that some retired people were actually complaining about the increases. Stockholders at Consumer Power Co., Jackson, Mich., have been writing letters to management, saying the hike in benefits is too much. They feel that all extra company money should be put into dividend checks. The letters, it was noted, came mostly from retired people living off the checks.

Who says, "Accidents can be controlled?"

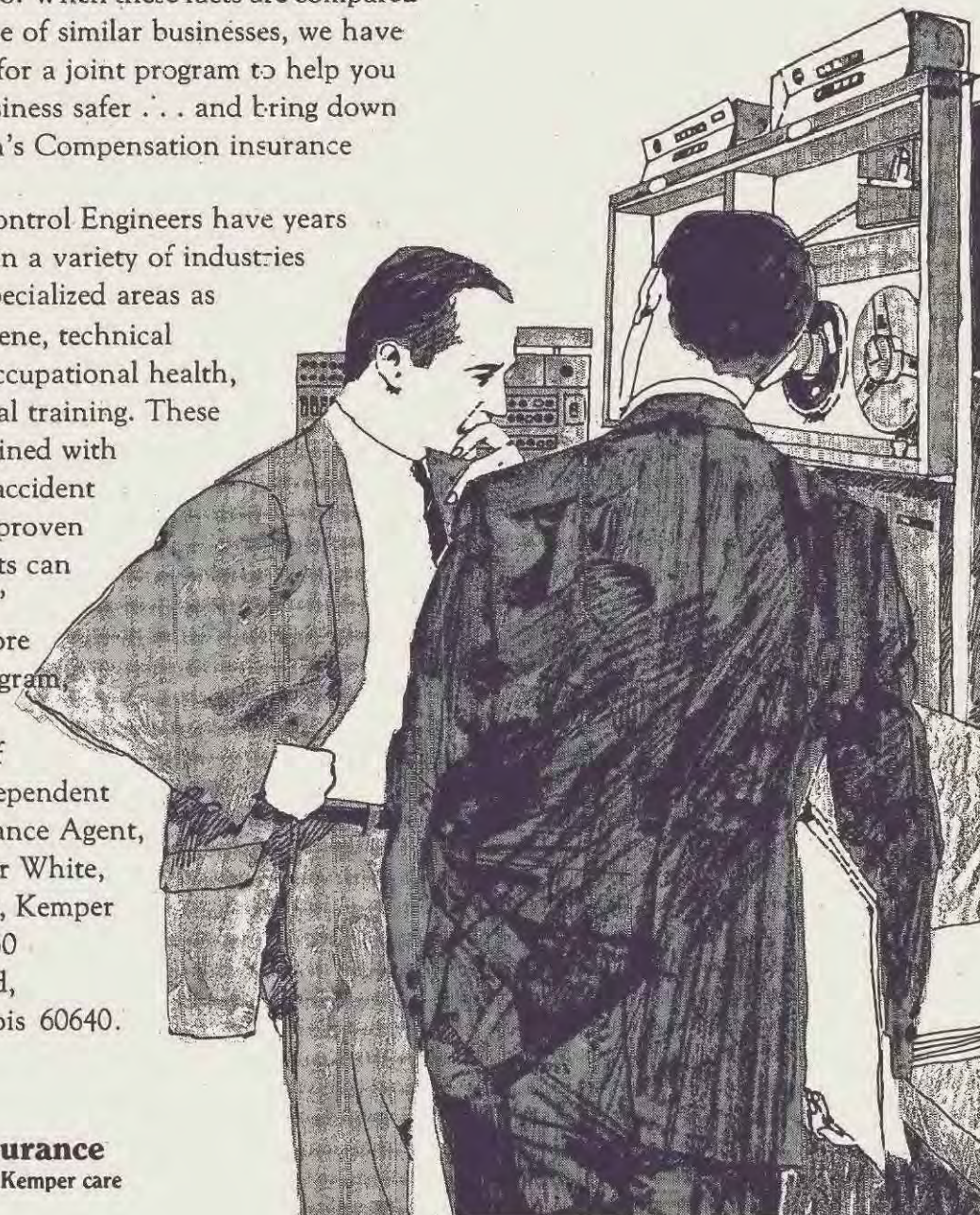
Kemper Insurance does!

That's why our Loss Control Engineers use computer data in analyzing accident potential. This helps policyholders reduce the severity and frequency of accidents.

Computerized accident control, from Kemper Insurance, is one way to help you reduce the amount you pay for Workmen's Compensation insurance. Our computers help pin down the exact locations and causes of accidents in your plant. They tell you what those accidents are costing you, too. When these facts are compared with experience of similar businesses, we have a sound basis for a joint program to help you make your business safer . . . and bring down your Workmen's Compensation insurance premium.

Our Loss Control Engineers have years of experience in a variety of industries and in such specialized areas as industrial hygiene, technical engineering, occupational health, and educational training. These services, combined with computerized accident control, have proven that "Accidents can be controlled."

To learn more about this program, see the Yellow Pages listing of your local independent Kemper Insurance Agent, or write Walter White, Vice-President, Kemper Insurance, 4750 Sheridan Road, Chicago, Illinois 60640.



Kemper Insurance
You can count on Kemper care

Early . . .

Continued from page 35
when I can be out enjoying myself."

The consultant at Balanced Pension & Profit Sharing Plans, Inc. feels the day of the beloved employer is gone.

"Pensions used to be a favor from the company," he said. "People were very grateful for them. Now they demand benefits and resent the wait for them."

He thinks comedian Bob Newhart sums it all up pretty well in his retirement skit.

"Newhart does the old guy getting a gold watch at a retirement party," the pension man noted. "He gets up to give his thank-you speech, has a few drinks while he's talking about the wonderful company he hates to leave, and eventually, after a few more drinks, tells them all where they can put the watch."

business insurance/perspective

Retirement benefits: Getting them down to cases

by Howard L. Peck,
partner, Hewitt Associates,
Libertyville, Ill.



Howard L. Peck

These days many an employe booklet on a pension plan or a deferred profit-sharing plan contains a statement something like this: "It is anticipated that this plan, together with Social Security, will produce for the career employe a retirement benefit of from 40% to 60% of the pay being received shortly before retirement." If the employe asks for more specifics he may be told that there are so many variables that can affect the figure that there is no reliable way of predicting his retirement benefit.

But many employes, understandably, don't want to settle for generalizations. And today, when more and more employes are providing computerized individual status reports, many are trying to provide such information. Some have stubbed their toes in the process.

As a way of illustrating a few of the problems inherent in the process of crystal-balling retirement benefits, let's imagine that we are eavesdropping on a few of the boys at the corner bar (or the country club locker room) as they compare notes.

"WE GOT OUR little computer sheets on benefits this week," says one. "They tell me that up to now I've earned a pension of \$19.32 a month. Big deal!"

"At our place they don't show it that way," says the second. "They tell you what you'll get when you're 65, based on your present pay. My present benefit comes out to about 80% of what I'm making. I figure I should be earning about \$30,000 by the time I'm 65 and 80% of that will give me about \$2,000 a month."

A third man breaks in. "George, our plan is about like yours, and it doesn't seem to me that it works that way. As I remember it's based on average pay, and if your pay goes up the average will be less than what you are getting at 65."

"Is that right?" says George. "You'd think they'd figure out a way to tell what you are really going to get."

STILL ANOTHER member of the group makes his contribution. "We've got a prof-

it-sharing plan and our report projects the account value to age 65. They tell me I'm going to wind up with something like \$150,000. I don't know what I want with all that dough when I'll be too old to enjoy it. I wish they'd loosen up and put some of it in my pay check now."

Thus we see some of the problems of presenting retirement benefits in a realis-

(where this is possible) leaves something to be desired.

PERHAPS WE can summarize some of the projection pitfalls this way:

- Actual experience or changes in plan provisions will cause projected benefits to fluctuate from year to year, often leading to employe confusion.

'—probably the biggest question to answer is: Do we or don't we project benefits to the time of retirement?'

tic and acceptable manner in a benefit status report. Then there is the problem of the integrated plan, where the benefit is offset by some part of Social Security. Or, to put it in the language of many employes, "where the company takes credit for my Social Security." Under this type of plan, when Social Security benefits increase, the projected company benefit shrinks.

In presenting retirement benefits whether from a pension plan or profit sharing—probably the biggest question to answer is: Do we or don't we project benefits to the time of retirement? It is obvious that there are some possible traps in the projection process, but it is also apparent that merely presenting accrued benefits

- Projected benefits may imply a commitment by management despite disclaimers to the contrary.

- Any projection is based on a series of assumptions, each of which may vary from actual experience.

- Projections that are too conservative can cause employe dissatisfaction today; overestimating benefits can result in disappointment later.

Closely related to the problem of projecting the benefit is the problem of projecting pay. As we have seen from the imaginary conversation, if you base a projected benefit on current pay there is a tendency to overstate the benefit as a percentage of final pay, especially with plans that use a career-average concept.

In projecting benefits from a profit sharing plan over a career, it is not uncommon to overstate the benefit on this basis by as much as 50%.

But what does the employer do about projecting pay? If he assumes even a modest annual increase in competition will this be seen by employes as a promise?

PERHAPS ONE way to handle the problem is to make several sets of projections based on different salary increase assumptions and let the employe decide for himself how fast his pay is likely to rise.

In fact, some employers have decided to sidestep the projection issue entirely by providing the employe with tables he can use to do his own projecting.

One employer that has both a money-purchase pension and a deferred profit sharing plan has attempted to deal with the projection problem by assuming a reasonable rate of pay increase (unstated) and showing what the projected account balances would provide as a percent of preretirement income.

It can be argued that even though the projections are not accurate, they tend to come closer and closer to reality as the employe approaches retirement and as experience replaces conjecture. But the fact remains that many employes keep their reports from year to year and compare this year's with the previous reports. They may be disturbed by variations they cannot understand, especially if they didn't read the fine print about the assumptions. The result is that what started out to be a piece of constructive communication can become a source of irritation and dissatisfaction.

There is no universal panacea for this problem. If you thought you were going to find a pat answer at the end of this piece, I'm sorry.

About all I can propose is that assumptions be reasonable, clear, and prominently stated. Beyond that, it is a matter of providing long-range education and ample opportunity for the necessary two-way communication.

How to protect purchasing power of pensioners

by Mario Leo,
principal,
Towers, Perrin, Forster & Crosby,
Philadelphia, Pa.

Our economy is constantly creating new opportunities for higher standards of living—and new problems which must be solved if such higher standards are to be established satisfactorily. In recent years, rising prices and wages—combined with overseas commitments, deficit spending at all levels of government and other factors—have contributed to the growing problem of inflation.

The cost-of-living in the United States has increased at an average annual rate of about 2½% over the past ten years. This average, however, is somewhat misleading, since the cost trend-line is beginning a sharp upward turn. The Bureau of Labor Statistics recently announced that the Consumer Price Index for January, 1970, is 131.8% of the 1957-59 base. This represents a 6.2% increase over January, 1969, or the largest increase for any 12-month

period since November, 1950–November, 1951. Over the three-month period from November, 1969, to January, 1970, the seasonally adjusted increase was equivalent to an annual increase rate of 7.2%. Attendant erosion of the purchasing power of fixed pension income and fears of future inflation have:

- Caused hardship, or at least serious concern, for retired employes living on fixed incomes and employes who are planning for retirement;

- Prompted the Administration and Congress to consider methods of adjusting Social Security income automatically to preserve its purchase power during periods of inflation—many foreign systems already provide for such adjustments; and

- Generated pressure for "inflation-proof" pension income.

THERE IS A general expectation that inflation will continue. In addition, increases in employes' retirement periods are anticipated as a result of recent trends toward earlier retirement and continued

medical advances which extend life expectancy. Thus, the problem of pension income erosion is a particularly acute one at this time.

Although protection against the erosion of purchasing power is a pensioner's first concern, many also feel that they are not receiving a proper share of our increasing affluence. Thus, many pensioners argue for adjustment of their income to reflect the improving standard of living of younger employes who have replaced them in the labor force. Changes in an employe's standard of living are generally indicated by the changing ratios of employe's earnings to Consumer Price Index figures over any specified duration. Admittedly, this is an imprecise measurement of standard-of-living changes since it ignores the increasing impact of Federal, state, and local income and personal property taxes, makes no adjustments for the diversity in state and local excise taxes, and includes any shortcomings of the Consumer Price Index as a measurement of the cost-of-

Continued on following page

Continued from preceding page
 living changes. Nevertheless, it is generally regarded as the most satisfactory indicator of standard-of-living changes presently available.

To study the effects of inflation on total pension income (private plan plus Social Security), two indices are normally used as measurement criteria: the Consumer Price Index (or CPI) and the Earnings Index. The CPI index is used to measure cost-of-living changes. Both the CPI and the Earnings Index are used to measure standard-of-living changes (i.e., the combined positive effect of wage increases and the negative effect of price increases). Using these two indices, let us review some examples of what has happened to pension income over the past 20 years.

FIRST, let us assume that two men retired in 1950. The first retired at a wage of \$3,400, average wage for workers in that year. His private pension benefit was about 40% of his final wage or \$1,360 a year. He was eligible to receive \$636 annually in Social Security benefits when he retired. Initially, his total retirement income was \$1,996.

During the past 20 years his private pension benefit has remained the same. (Many companies, however, have increased the postretirement benefits of such employees.) His Social Security benefits have gone up to \$1,588 by 1970, more than double what they were in 1950. (The latest 15% Social Security increases, payable as of Jan. 1, 1970, are included in these examples.) His total retirement income in 1970 was therefore \$2,948. The CPI and Earnings Index have also gone up. The following illustration shows what he would need to receive to maintain parity with both of these indices. (For illustrative purposes, we have used the Bureau of Labor Statistics' Consumer Price Index and the Earnings Index for manufacturing employees to reflect price and wage changes. However, other indices may be more appropriate to achieve a more specific measurement for pension and adjustment objectives.)

Thus, this individual's benefits have maintained a fairly close parity with the CPI, being about 6% behind it. However, his income is only 60% of the amount needed to maintain parity with the Earnings Index. (The question of whether a retiree's income should be kept close to that of active employees is highly controversial.)

NEXT LET'S LOOK at what happens to the retirement income of an employee who was earning \$20,000 at retirement. In 1950, this was a good salary and the retiree would have been a middle manager. In most retirement plans, higher-paid employees normally receive smaller percent-

ages of pre-retirement pay than lower-paid employees. In this example, let's assume the retiree received 30% of his pre-retirement pay or a fixed pension benefit of \$6,000. This amount coupled with \$636 in Social Security benefits gave him a total retirement income of \$6,636. As with the previous retiree, he received Social Security increases. This is his story:

A man retiring in 1950 at a salary of \$20,000 and benefits of \$6,636 would receive benefits of \$7,588 in 1970. To keep pace of inflation, he would need \$10,438 to match the Consumers Price Index or \$16,351 to match the Earnings Index.

His retirement income is 73% of parity for the cost-of-living changes and only 46% of parity for changes in our average increase in standard-of-living since 1950. As is so often the case, the pension benefits of higher-paid employees more quickly fall behind increases in the CPI and the Earnings Index. While increases in Social Security have helped lower-paid employees maintain a fairly close degree of parity with the CPI, the same has not been the case with higher-paid employees.

ARE THESE isolated cases? No. Following are some examples of what happened to employees retiring in more recent years. The wages in the examples are increased to reflect the growth of wages during the past 10 years. In all examples, the private plan pension equals 40% of final wages for the lower-paid employees and 30% for higher-paid employees.

If a man earning a modest \$5,400 in 1960 retired with benefits of \$3,588, he would receive retirement benefits of \$4,147 in 1970. To match the Consumer Price Index he would need in 1970 a total of \$4,585 and to match the Earnings Index a total of \$5,454.

This retiree's income is 90% of parity for the cost-of-living and 76% of parity for the standard-of-living.

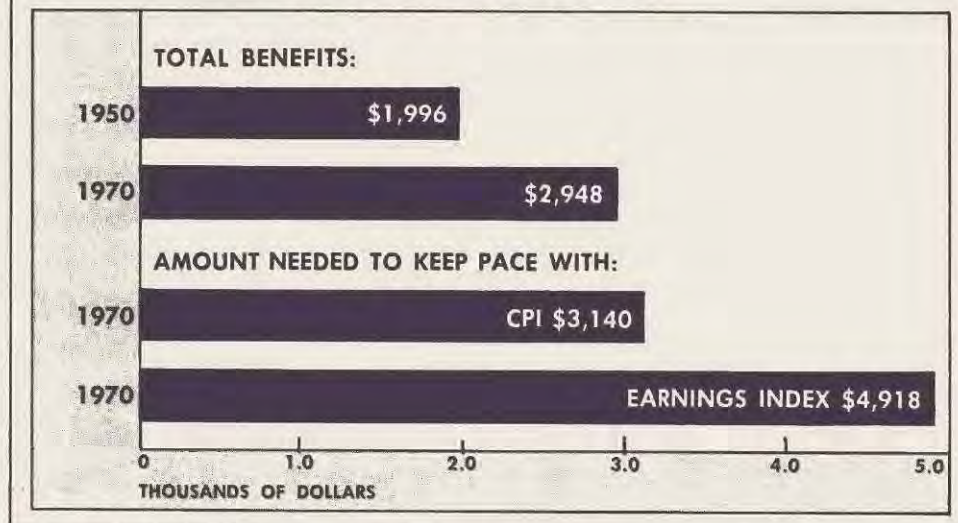
Another example involves a man who retired in 1960 at a substantial salary of \$30,000 and \$10,428 in aggregate retirement benefits, which would have increased to \$10,987 in 1970. To keep pace with the Consumer Price Index this man would need 1970 benefits of \$13,327 and to keep up with the Earnings Index he would need \$15,851.

The income of the higher-paid retiree is 82% of parity for cost-of-living and 70% of parity for standard-of-living changes since 1960.

To take another example: A man retiring in 1965 at a salary of \$6,400 and benefits of \$4,140 would receive benefits of \$4,616 in 1970. To keep pace with the Consumer Price Index he would need benefits of \$4,964 or with the Earnings Index he would require \$5,270.

Even in a short period of five years, the retiree's income has depreciated in value.

AMOUNT OF RETIREMENT BENEFITS NEEDED TO MEET INFLATION



This example shows the effect of inflation on the retirement benefits of a man who retired at a wage of \$3,400 in 1950 with annual benefits of \$1,996 from Social Security and a private pension plan.

His income is 93% of parity for cost-of-living and 88% of parity for standard-of-living changes over this time span.

The higher-paid retiree's income is 87% and 82% of the CPI and Earnings Index parities, respectively.

HOW SHOULD we cope with the problems of inflation and protecting the purchasing power of retiree income? The ideal first step to any solution in this area would be to curb inflation. In the meantime, we must find ways to live with its effects. In the pension plan area, periodic adjustments of pension benefits has become an almost unavoidable necessity. Pension adjustment techniques are designed to give employees greater assurance that pensions which were deemed adequate when credited will continue to prove adequate at or even after an employee's retirement. Adjustment techniques invariably involve direct or indirect relation to one of the following factors:

- The standard of living for a specific employee, employee group, or even population, with pension adjustments made to reflect changes in employee earnings levels.
 - The cost of living, with pension adjustments made to reflect changes in the costs for goods and services.
 - The value of a pension plan investment portfolio, with pension plan adjustments made to reflect changes in investment earnings rates.
- The adjustment technique selected may be applied:
- Periodically as determined by man-

agement, in which case management retains flexibility as to the timing of the adjustments and control over the cost of any adjustments but employees have no assurance that adjustments will be made as needed.

• By a predetermined automatic adjustment formula, which involves management's relinquishment of some or substantially all of its flexibility and control in this area but assures employees during their working years (when employee motivation is needed) that adjustments will be made as determined by the formula.

DECISIONS ON adjustments and selection of a particular pension plan depend on the company's objectives in this area, the type of pension formula now being used, cost implications, and employee pressures (through unions or individually). Proper pension planning also suggests that the pre- and/or post-retirement techniques selected be coordinated so as to complement each other, and prevent confusion as to what a company is attempting to do.

How to help the retiree maintain his buying power and standard of living is one of the problems of today's management. The problem has deep roots in management's acceptance of this social responsibility. Its solution will depend on each individual organization and the decisions of its managers. One thing is certain: Inflation will continue to have a growing impact on every organization and its retirees, and management will have to confront the resultant problems.

Risk management notes

Prepared by Warren, McVeigh & Assoc., risk management consultants, San Francisco, Cal.

Spread of Risk

Many insurance managers (as well as academicians) state that a "spread of risk" is a necessary requisite for a self-insurance program. This means that there must be a sufficient number of objects insured to allow "the law of large numbers" to operate and bring stability to loss prognostication. Proponents of this school of thought point to auto physical damage (where a large fleet is involved) and workmen's compensation (where there are many workers) as classic examples.

While we don't disagree that a forecast of one's own loss probabilities based on credible data is sound, we don't agree that

this is a necessary requisite for risk retention. An individual self-insuring his \$100 auto collision deductible has no spread of risk, but his action is sound. If a particular risk exposure is, to the organization, only one-of-a-kind, it is probable that it is also one of many unique loss possibilities. There are an infinite number of ways in which a company could suffer accidental loss. Some are insurable and some are not, and there is no more reason to insure one type (breakage of plate glass, for example) than the other (excessive employee absenteeism, for example). The important thing is to measure the total dollar loss potential including indirect costs, then insure wherever possible if the loss potential is large. If the potential is small, (and "small" could mean a million dollars to large companies), losses should be absorbed as they occur and treated as operating expenses.

Marine

Under marine cargo policies, the underwriter often pays claims of which the insured is unaware. The insured may learn of the payment only by taking the initiative in following up with the insurer or by reading periodic loss reports. While the insured may eventually learn of all loss payments, he may never hear of recoveries made by the insurer through subrogation, and these could be substantial. Without full knowledge of subrogation recoveries, loss ratios appear artificially high and the insured is not able to have a clear picture of his actual degree of risk. In order to do a proper job, the risk manager must know of all payments and recoveries as well as the causes of all losses. This calls for continuous and close communications with the marine underwriter, either directly or through the broker.

Fees vs. Commissions

A prominent Chicago broker was recently quoted as follows: "Fees are very visible to the customer and customers traditionally appear to lack an appreciation of the value of an agent's services. However, a good agent may justify his services very readily and a fee basis becomes quite logical and acceptable . . . it is apparent that more and more accounts will be brought under a fee system. Larger clients may welcome the idea of buying their insurance at net and then paying the fee."

We believe this statement to be true, though a definite difference of opinion exists. Probably the majority of producers favor commissions as a per cent of premiums, but many highly professional brokers use fees, and consumers are almost universally in favor of them. Probably the chief virtue of a negotiated fee is the necessary increase of communication on both sides. To justify a fee, the producer must demonstrate what he is doing and why. As the insured becomes more aware of the complexities involved, he must necessarily do a more adequate job himself.

You know what you pay for insurance. Now find out what it costs.

You have numbers, plenty of numbers, on how much you pay for what insurance.

But you probably don't remember anything except the final dollars and cents figure. Because most likely, that's the only number you can really use.

With good reason, too. For insurance premiums have traditionally been reported to you in the language of insurance.

But now a company will tell you how much your insurance costs in the language you understand best. The language of your cost analysis procedures.

That company is CNA.

We now offer you an Industrial Risk Information System (IRIS). To break down insurance costs any way you want.

By line. Location. Policy. Year. Or any profit center method unique to your business.

That way you'll know when and where your insurance costs are out of line. In time to do something about it.

So talk to your CNA agent.

Or write to us.

Just ask about IRIS. A full explanation won't cost a thing.

Have it your way.
CNA/insurance





If you don't know...
ASK MCGEE

SPECIALISTS IN
OCEAN
INLAND
M.O.P.
LOSS PREVENTION

Wm. H. McGee & Co., Inc.
MARINE UNDERWRITERS

111 John St., New York, N. Y. 10038
Baltimore • Boston • Chicago • Columbus, O. • Dallas
Detroit • Houston • Los Angeles • New Orleans
Philadelphia • San Francisco • Seattle • Montreal
Toronto

Urges big private industry rehab role

OAKLAND, Cal.—Private industry was urged here to "demonstrate what it can do" in rehabilitation as a part of this state's workmen's compensation insurance effort.

Malcolm R. Peattie, assistant administrator, Department of Industrial Accidents, was keynote speaker at a day-long conference on manpower preservation sponsored by the DIA.

"Private industry," he declared, "can act in this field much more effectively than can any formal government program."

Another speaker, Ray White,

claims and safety manager for Pacific Gas and Electric Co., described the PG&E program of finding suitable jobs within the organization for injury victims.

'OUR COMPANY,' Mr. White added, "uses outside rehabilitation consultants. They are more quickly accepted by the injured workers than either PG&E representatives or state government officials."

Criticism of present rehabilitation efforts as tied to the workmen's compensation program was offered by Les Moore, business agent for the Auto & Ship Painters' Union.

"Benefits provided under the existing compensation insurance laws," Mr. Moore declared, "are totally inadequate. How can you possibly rehabilitate a man who is trying to live on \$52.50 a week?"

Clarence G. Johnson Sr., Industrial Indemnity, urged adoption of what he called "a total rehabilitation concept."

'REHABILITATION,' he said, "is not something that applies only to the paraplegic or to those with major disabilities. Instead, it should be applied to all injured workers, with the goal of doing anything that will help return

them to gainful employment as soon as possible."

Mr. Johnson criticized the "use of the damage concept" in workmen's compensation cases as well as permanent disability ratings, "which resemble bodily injury awards in liability cases much more nearly than they do steps to foster the rehabilitation objective."

"What is also important," he added, "is that we should recognize that the total rehabilitation picture for the industrially injured should be a part of the workmen's compensation system and should be administered by that system."

"TRADITIONAL SOURCES"

Relying on them for assurance that your package of benefits is being managed as efficiently as possible can be costly in today's sophisticated business world. Consider these important management questions.

- Are your programs, by their design, encouraging over-utilization?
- How much does it cost to issue a benefit check?
- Is a restrictive investment policy limiting the growth of your employee benefits assets?

EBS has organized its resources to help you find the answers. Our comprehensive service organization, based on the individual talents of leading specialists in the employee benefit field, provides an independent and professional source for management assistance.

EBS MANAGEMENT CONSULTANTS INCORPORATED

100 CHURCH STREET, NEW YORK 10007
TEL. (212) 425-0500

Other EBS Management Consultants offices

100 Church Street New York, New York 10007	100 S. Wacker Drive Chicago, Illinois 60606	44 Montgomery Street San Francisco, Cal. 94104
1225 Conn. Avenue, N.W. Washington, D.C. 20036	211 N. Ervay Street Dallas, Texas 75201	Mechanics Building P.O. Box 1616, Hamilton



Coal companies may be held liable for thousands of Pa. cave-in claims

WILKES-BARRE, Pa.—Criminal indictments have been brought against two companies and a group of their former and present employees in connection with a three-day series of coal-mine cave-ins which caused \$2 million in damages to the town of Ashley, Pa. two years ago. The indictments, if they hold up, could make the coal companies liable for thousands of claims.

Blue Coal Corp. of Ashley, Pa., and its former parent, Glen Alden Corp., a New York-based conglomerate, were cited in the indictments handed down recently by the Luzerne County grand jury. In addition, the presidents of both companies and two former employees were named.

Defendants in the case, if convicted, face fines of up to \$5,000 and imprisonment for up to one year. District Attorney Blyth Evans Jr. explained to *Business Insurance* that this was the first time coal companies had been held culpable under the Needham Act, a 1962 law to bolster present mining regulations in the state.

IN ADDITION, Mr. Evans revealed that if the two companies named in the indictment were found guilty, they would be liable for civil suit for the thousands of claims for the 1968 subsidence damages inflicted on churches, schools, private homes, streets, bridges, gas and water lines in Ashley.

Robert Price, insurance manager for Blue Coal Corp. said that the company did not feel responsible for the damages. "There have been cave-ins in the anthracite region (area of Luzerne County where hard-coal mining has been traditional) for the last 30 to 40 years, long before we began operation in the region," he said.

James Pollock, legal counsel for the Glen Alden Corp. explained that the conglomerate had gotten out of the coal mining business in February of 1966, "when we sold our interests in the Blue Coal Corp. to outside parties." Glen Alden Corp., along with its president who was also named in the indictment, may not be convicted in the case because there is a two year statute of limitations on a criminal act, he explained. Since the alleged act occurred in February of 1968, the statute might possibly apply to the indictment.

"The insurance aspect of the case is very complex," Mr. Pollock noted, explaining that from his examination of Glen Alden's insurance history he felt it was quite possible that his company was covered in the event Glen Alden became liable for the \$2 million in claims resulting from the cave-in. "I would certainly hope we are covered, in any case," he added.

THE HAZARD of mine cave-in has been complicated by another example of the peculiarly American phenomenon of the total exploitation of resources for profit.

Before laws forbade it, miners owning mineral rights to a section of land would attempt to sell the pillars of coal originally left in the shafts to prevent cave-ins to the owners of the surface building rights. If the surface owners declined the "offer," the miners extracted the coal from the supporting pillars and sold it on the open market, thus rendering any surface dwelling built on the land completely vulnerable to cave-in. Such goings-on have been common practice for 30 or 40 years, said one source.

Insurance against coal mine subsidence in Pennsylvania has been a major problem in the past, it was learned. In 1959, as a rash of cave-ins alerted the public to

the danger of subsidence of old mined-out shafts, insurance companies as a body excluded subsidence in Pennsylvania as an insurable item in their general homeowner's policies as well as all other property damage policies. Not until the creation of the Pennsylvania Coal Mine Subsidence Insurance Fund in 1962 by the state could homeowners buy insurance against this hazard.

"We were started with a \$1 million allocation from the state," Anthony Maza, director of the fund, told *Business Insurance*. "The most pressing problem was the homeowners and it is to them that we directed our efforts," he said, explaining that the fund sold insurance directly to individuals since its creation, having written some 43,000 policies, paid out over \$300,000 in claims and reached a volume of \$40 million of insurance in force as of 1969.

THE STATE FUND applies only to homeowners, excluding private corporations as well as public buildings such as schools and churches. "We have attempted to increase the fund to \$3 million," declared Mrs. M. B. Gutshall, executive deputy secretary of the Pennsylvania State Dept. of Mines, "for the last four years, so that we could include public buildings and corporations within the scope of the fund's insurance program. The state legislature, because of the tax structure and the rising expenses of government, have continued to turn it down, however."

The result is that private corporations do not have and apparently cannot get insurance coverage against coal mine subsidence. Both Mrs. Gutshall and Mr. Maza agreed that no such coverage was available in the state, although both were of the opinion that such coverage was very important because of the substantial risk exposure which a plant or warehouse might face.

Westinghouse Corp., with a plant in Allegheny County—a region known for its history of coal mine subsidence—does not have such coverage in its property cover, written by N.F.B. Mutual. It is not an insurable item, according to a spokesman for the insurance company.

"I don't think such coverage is available," he said, noting that, "our company (N.F.B. Mutual) usually follows the lead of the insured in investigating a possible new line to be covered."

FAR FROM ignoring the problem, corporations take matters into their own hands when build-

Continued on page 44

WE ARE PLEASED TO ANNOUNCE THE ACQUISITION OF

ALEXANDER & COMPANY

The Officers and Staff of Alexander & Company will continue to conduct its business from its present location under the name of

CORROON & BLACK-ALEXANDER & COMPANY

135 South LaSalle Street
Chicago, Ill. 60603



CORROON & BLACK CORPORATION

150 William Street
New York, N. Y. 10038

Insurance Brokers/Consultants/Average Adjusters

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.

• **COPSI** is a booklet prepared by the Council of Profit Sharing Industries describing the services it offers to members of the Council: legal and legislative, communications, and technical. A list of officers and directors of the Council is included. For a copy write COPSI, 29 North Wacker Dr., Chicago, Ill. 60606.

• Employe benefit plans and other institutional investors can receive **Portfolio Planning News** without charge. This pamphlet explains the most effective methods of selecting investment advisers, both banks and counsel firms. For more information write Portfolio Planning, Inc., 200 Park Ave. Suite 303 East, New York, NY 10017.

• George B. Buck Consulting Actuaries, Inc., has released three newsletters: **Treasury Department Issues New Social Security Integration Rules** Feb. 1969; **Retirement and the (High) Cost of Living**, May 1969; and **Tax Reform Act of 1969 Affects Employee Benefits**, Feb. 1970. The 4-page newsletters contain concise and clear information on their subject matter. Free copies are available upon request from the firm at Two Pennsylvania Plaza, New York, N.Y. 10001.

• An insight into such new approaches as the investment value fund for profit sharing plans, a new prototype **Master Plan** (approved by IRS) for pension plans

and information related to group pensions and profit sharing is now available free from The Bankers Life, 711 High Street, Des Moines, Iowa 50307.

• **More Effective Employee Benefits Communications** is a brochure released by Halltech Associates, describing how their reports are vital to the success of an employe benefits program. The brochure outlines their role in helping employes to understand and to be aware of their benefits program and its specific meaning to them. The booklet is available by writing Mr. Edward McCaffrey at Halltech Associates, 176 Broadway, New York, N. Y. 10038.

• The research committee of the National Foundation of Health, Welfare and Pension Plans, Inc., initiated a series of studies in 1965 designed to develop standardized procedures by which investment performance could be compared. The result was a 4-part series of research reports. Parts I and II were released in 1966 and 1967 respectively. Part III, **The Implications of Past Investment Performance for Future Investment Policy of Multiemployer Pension Funds** (April, 1970) analyzes the basic factors that contribute to investment results, highlights the major economic forces which must be considered in making future investment decisions, and assesses the effect on investment policy of a pension plan's financial characteristics and objectives. Cost for a single copy is \$2.75 for members, and \$3.75 for non-members. Copies may be ordered from the foundation at 910 Elm Rd., P. O. Box 898, Elm Grove, Wis. 53122.

• **The Trustees Handbook** is designed as a basic guide for trustees and administrators of jointly managed employe benefit funds established under the Taft-Hartley Act of 1947. Some of the topics discussed in 14 separate chapters are: trustee responsibility and liability, investment fundamentals, methods of providing health and welfare benefits, collection of delinquencies, communication of employe benefits,

and investment of pension funds. A pocket insert is provided for updated supplementary material. The book may be obtained from the National Foundation of Health Welfare and Pension Plans, Inc., 910 Elm Grove Rd., P. O. Box 898, Elm Grove, Wis. 53122, for \$6 per single copy for members, and \$7.50 per copy for non-members.

• **A Study of the Financial Significance of Profit Sharing** is available for \$5 from the Council of Profit-sharing Industries, 29 N. Wacker Dr., Chicago, Ill. 60606. The book answers the question "What can profit sharing do for my company?" The study covers 175 companies in nine major industries during the years 1948 through 1966.

• **Absenteeism Hurts** is a 16-page, pocket-size booklet published by the Drumcliff Co. The

item is designed to re-awaken in the employe a sense of responsibility not only to his company but also to himself—because, as the booklet points out, absenteeism costs money and lowered profits lead to lower salaries. The booklet is available in quantity for use as an employe handout. Prices are available by contacting the company at P. O. Box 300, Lutherville, Md. 21093.

• The Council of Profit-sharing Industries and Towers, Perrin, Foster & Crosby have published results of a study of **Effective Profit-sharing Plans**. The research consists of 142 personal interviews with managers and employes of companies that use profit sharing. The three major objectives of the study were to determine: how management and employes look at profit sharing; how effectively management com-

municates profit sharing; and how much of a motivator profit sharing is. For further information write the Council of Profit-Sharing Industries, 29 N. Wacker Dr., Chicago, Ill.

• Companies with pension plans that are concerned about the substantially higher cost that could result from pension reform legislation may be interested in becoming members of the Assn. of Private Pension and Welfare Plans Inc. Members receive extensive information on pension developments and opportunities to express their views on legislation through local meetings of members with their own congressmen. A free brochure and additional information may be obtained from Joseph P. Leary, Assn. of Private Pension and Welfare Plans Inc., P. O. Box 1920, Washington, D.C. 20013.



Your best customer...or your worst enemy?

Thirty minutes ago, he put his signature on the largest order you've ever written. Naturally, you're paying for lunch. Thirty days from now your invoice will be in the mail. If he doesn't pay it...on time...mister, you're in big trouble.

What if he runs into trouble in the meantime...or suffers a disaster? Many things could turn that prime credit risk of yours into a bad debt overnight. Over buying, small profits, heavy overhead...things like that.

Protect your accounts receivable with American Credit Insurance®. This unique, broad coverage, low cost insurance strengthens your company's competitive position in many ways...while it protects your receivables against the unexpected insolvency or delinquency of a big customer.

Send today for full information in the free booklet: "Play It Safe With ACI". American Credit Indemnity Company Dept. N, 201 North Charles Street Baltimore, Maryland 21201

Name _____
Company _____
Address _____
City _____ State _____ Zip _____



American Credit Insurance is one of the many financial business services provided by Commercial Credit Company subsidiaries. Other services are: aircraft, farm, industrial equipment, financing and leasing—also, factoring, rediscounting, business financing and information processing.



Why tie up your cash?

SELF INSURANCE frees up to 75% of your premiums for reinvestment or working capital. Robert F. Coleman, Inc. can advise you on this timely and vital method of insurance protection.

For consultation and complete service have your Insurance Broker or Insurance Manager contact

ROBERT F. COLEMAN, INC.

- Workmen's Compensation • Public Liability
- Accident Control Specialists since 1923

Send for our brochure.

120 East 23rd Street • New York, N. Y. 10010 • 212 777-4210

Bailey ...

Continued from page 1

mitted as well as legal department head of Great Lakes Pipe Line Co.

In addition to representing ASIM, Mr. Bailey's law practice was reported to include as clients "several trade associations in the garment and needle industry, a multi-million dollar estate and one of the top five steel companies in the areas of legislation on quotas and air pollution."

- THE ASIM** committee that recommended that Mr. Bailey be dropped in favor of a young staff attorney suggested that a staff legislative coordinator could:
- Prepare and disseminate legislative information to the chapters and membership.
 - Attend and participate in ac-

tivities of the National Assn. of Insurance Commissioners.

- Be active with chapters on state legislative matters.
- Coordinate national legislation for the chapters and membership
- Become interested in comparable legislative matters in Canada and its provinces.

Among advantages of the new plan cited by the committee were that a staff attorney could provide a needed back up to ASIM Managing Director Ron Judd; that the attorney could provide assistance in the national office, and that the recommended legislative program would be "just as effective, if not more so, than the present legislative program." ■

MacWilliams elected

John J. MacWilliams Jr. has been elected chairman and chief executive officer of Colonial Penn Group, New York.

Mail strike ...

Continued from page 1

ings of business interruption covers said it would not be an insured peril under the standard business interruption policy since such losses must be contingent on a property loss.

"Of course," noted one underwriter, "I'll bet a lot of companies wish they had such a policy right now."

HOWEVER, he said that no such market exists and added he is certain none has come into existence within the past few days.

The most disconcerted of those contacted by *Business Insurance* was Ron Judd, managing director of the American Society of Insurance Management, which is in the final throes of planning its annual conference in Miami, April 8-10.

"Are you kidding?" Mr. Judd

exclaimed when asked how the strike was affecting ASIM. "It's utter chaos. We're not getting checks and room reservations for the hotel." He added that most of the late reservation work was being handled by phone and that he was hand carrying a batch of 120 late reservations to Miami last week. ■

Fire losses up

Fire losses in the U.S. jumped 6.7% higher in 1969 than estimated losses in 1968, according to a report from the National Insurance Actuarial and Statistical Assn. December and November were the most dangerous months in 1969, increasing their toll to \$156 million (15% increase over 1968) and \$146.3 million (22.6% increase over 1968) respectively. Estimated losses stemming from windstorms, explosions and other hazards jumped over \$225 million from the 1968 estimated total.

Bombings ...

Continued from page 1

against the war and supporting the ideology of the youth revolution," Mr. Genatt told *Business Insurance*. "There has never been any trouble whatsoever there. Drinks aren't even served at the Circus. We considered it an excellent risk."

He said the \$5,000 damage to the building would be covered under an extension of the fire contract in the policy. The liability contract will cover the 15 people who were hospitalized after the blast, although almost all were just treated for shock. One man, who was sitting on the stool in which the home-made bomb had been placed, had both legs broken.

Mr. Genatt felt that the attack was not the work of a revolutionary. "There were actually bullet heads in that bomb," he said, "someone could have been killed."

ALTHOUGH bombings or threats of them have happened almost every day in this city for the past two weeks, Mr. Genatt and others interviewed felt that the explosions would not cause a wild hike in insurance rates.

"Insurance companies have had race riots, the school rebellions and burnings. I don't think a few bombings will panic them," he noted.

He said the really up-tight people are the security officers in the city and the business managers who must figure out ways to beat the bombers.

"We have a tough problem," said a manager of the Electric Circus. "We don't want to search everyone at the door. That would be bad for business. On the other hand, bombings are bad for business too. We're working out a security system now."

SECURITY officers and insurance managers interviewed sounded nervous and tired as they talked about facing a daily needle-in-a-haystack search and developing a distrust for anybody with a package or a loud wrist watch.

"It's like living behind barbed wire here," said a source at General Telephone and Electronics, the company hardest hit in the series of three bombings on March 13. The entire 21st floor of the building was destroyed. "You can't go anywhere without being checked and double-checked."

He said that all GT&E employees now wear identification badges and that when a messenger comes with a package a guard calls upstairs to see if the package is expected. If not, a guard escorts the messenger to the office and waits while the person opens it.

"With the mail strike we have hundreds of messengers every day," he said. "The extra security is expensive and slows work, but it's necessary. It's all very confusing and depressing."

AT IBM, also hit on March 13, the same badge identification system and messenger checking has been implemented with one exception—if a package is not expected, it is not allowed upstairs—even with an escort.

Marine Midland Grace Trust Co., which had an explosion last fall, is now operating under the army security system of color codes for area of work.

"All employees wear colored arm badges," the insurance manager explained. "This way the guards can tell at a glance who should be in an area and who shouldn't."

He said employees also have to carry identification with photographs of themselves. ■

Fight fire with fire prevention

Fire prevention and fire insurance go together. In fact, at Arkwright-Boston, we encourage one along with the other.

We stress property conservation: careful house-keeping □ the right sprinkler system □ scheduled inspections ... and lots more.

We know that all the fire insurance in the world can't save a building, a business, a life.

Fire prevention can.

ARKWRIGHT-BOSTON INSURANCE
 Executive offices: 325 Wyman St., Waltham, MA 02154
 Arkwright-Boston Manufacturers Mutual Insurance Company
 Mutual Employer and Machinery Insurance Company
 Factory Mutual Insurance



Offices in major cities throughout the United States and Canada



Honeywell works for uniform safety standards

(This is the first of a two-part series on Honeywell's safety program.)

By ROBIN SUHRBIER

MINNEAPOLIS—The safety director for Honeywell Inc. has laid the framework for what he hopes will become uniform safety standards throughout the company.

Richard Sweitzer, corporate manager of industrial hygiene and safety, has drafted guidelines for accident prevention measures which all Honeywell divisions are being asked to adopt as their safety policies.

Because of the corporate structure regarding safety programs, it is up to the individual divisions as to whether they will follow Mr. Sweitzer's guidelines. Right now each of the 20 divisions is autonomous in the development of its safety program. This means, according to Mr. Sweitzer, that "we have some divisions with excellent programs and others with just average programs."

MR. SWEITZER acts in an advisory capacity to the divisions. In the guidelines he just recently developed, he tries to spell out just what should be done to have an adequate accident prevention program and how such a program can be executed. He defines policy, responsibility and structure of accident prevention programs.

Mr. Sweitzer contended that the effectiveness of each division's safety program is directly related to the involvement of the division's top management in safety. If top management shows an interest in safety it does create an awareness among employees for the need for safe practices and accident prevention.

He pointed to the aerospace division as having an excellent safety program. He explained that aerospace performs a safety analysis of each job and once the hazards have been identified "we try to eliminate them through proper training of employees as well as process changes."

As for injury rate at the aerospace division, it is, according to Mr. Sweitzer, considerably lower than the corporate average. Based on lost-time injuries per million man hours worked, last year the two aero plants' frequency rates were 1.4 and 2.1 as compared to a corporate average of 5.6.

MR. SWEITZER cited two reasons for aerospace's excellent safety record; one is the involvement of top management and the other, is the government. Because the aerospace division works with government contracts, the government requires the Honeywell division to send in for approval an outline of its safety program. In addition, the government conducts spot checks of safety practices.

As for safety and security in shipping government parts, that is controlled by a code of Federal regulations. In one instance, Mr. Sweitzer mentioned, a part had to be shipped from a Florida plant to Texas. In order to avoid a possible hijacking, the part was driven from Florida to Washington, D.C. and then flown to Texas.

Every quarter Mr. Sweitzer sends out an employee injury analysis report to all divisions. In these reports he shows a total picture of each division and where they stand compared to the whole company. He also compares factory to hourly employees to determine where the frequency is. The frequency rate for factory is five times as great as for hourly

which is partly due to the type job factory workers perform and the failure to train employees adequately.

Mr. Sweitzer has found that in sending out comparison reports it is best to let each division compare itself only to the corporation as a whole rather than to specific divisions. "I want each division to compare itself to itself, how it did the year before, has there been improvement, etc."

EACH DIVISION is responsible for paying its own workmen's compensation costs and every six months Mr. Sweitzer issues compensation cost reports to the divisions. Honeywell is self-insured for workmen's compensation in six states—California, Massachusetts, Minnesota, Illinois, New

York and New Jersey. The Hartford Insurance Co. handles the workmen's comp for the remaining states, except Ohio and Washington, which are state-funded.

As a bit of incentive for a good safety program, Honeywell offers three corporate safety awards for (1) the best overall safety record, (2) greatest percentage of reduction in cost of injuries per employee and (3) greatest percentage of reduction in frequency and severity rates.

According to Mr. Sweitzer, "we are in an era now where we don't tell people what to do but we ask them to do something. Contests are one way of asking people to accomplish something; you are creating the competitive spirit."

He tries to visit 50% of the divisions every year. On these

visits he goes through plants with the safety directors, mostly as a courtesy to the division's safety director, answers questions and helps train supervisors in accident prevention. Basically this training involves how to recognize and correct conditions that might produce a loss.

THE BASIC problem, Mr. Sweitzer contended, is to get people to make corrections before an accident occurs. People are motivated to take action after an injury has happened.

Fire protection, he said, is handled by the plant engineering departments. Three divisions have training programs in the use of fire fighting. Employees are required to put out actual fires using extinguishers. Mr. Sweitzer

encourages each division to have fire training at least once a year and to formulize an evacuation plan and have a practice run so employees are familiar with what to do in case evacuation becomes necessary.

Honeywell's fire insurer, the Factory Insurance Assn., comes in to make inspections of each plant and "we adopt their suggestions."

Mr. Sweitzer is attempting to sell department foremen on the idea of weekly five minute safety meetings with their people. During this time the foremen can discuss and show slides on job safety, home safety, vacation safety or any area they feel needs emphasis.

BECAUSE OF a government ruling last year, each division has

Continued on page 44

Merging?

What happens to your Employee Benefits Program?

In the midst of a merger? When things start to mesh there's a lot to think about . . . a lot of details to remember.

Don't overlook the employee benefits obligations—or the problems of blending two different programs into a common plan that's right for everyone.

It's pretty complicated. . . very specialized.

Ask Hall for help. Let a team of employee benefits professionals examine the problems and recommend solutions.

ASK FOR TOPICS AND TRENDS The Hall monthly fact letter, written expressly for the employee benefits field. There's no charge of course.



Frank B. Hall & Co.

NEW YORK • CHICAGO • SAN FRANCISCO • OAKLAND • LOS ANGELES • PORTLAND • SEATTLE
ANCHORAGE • HONOLULU • LONDON • OSLO • HONG KONG • MELBOURNE

Service Facilities Throughout the World

• Insurance Brokers • Average Adjusters • Employee Benefits Consultants • Estate Analysts • Actuaries

Reuther . . .

Continued from page 22

the plan, Mr. Reuther said. Vesting determines the extent to which participants separated from the pension plan before retirement will be able to claim a benefit and thus have a chance to build total retirement security throughout a working lifetime.

As minimum standards for vesting, UAW endorsed, "as both reasonable and feasible," the objective of HR 1045 to establish full vesting with 10 years' service.

Reuther said most plans negotiated by UAW, a union generally recognized as being in the forefront in developing vesting in industrial pension plans, currently provide full vested deferred pension rights after 10 years' service.

"IN ADDITION to the need for establishing minimum vesting standards," he called for the establishment of a central registry of workers with vested pension rights. He noted the possible loss of vested entitlements where workers move or companies relocate or go out of business.

A practical solution to this, he said, is to have the Social Security Administration maintain records of separated, vested plan participants. Private plans would report to this office an individual's vested rights if he leaves work. The office would inform individuals applying for Social Security benefits of their potential pension rights under any private plan.

ivate plan.

To protect pension purchasing power, Mr. Reuther said UAW has recommended "and will continue to urge not only substantial upgrading in general Social Security levels (he called the recently-enacted 15% increase in benefits 'inadequate' and 'catch-up on inflation losses'), but protection of real value of Social Security benefits through automatic adjustments related to price levels and rising living standards."

Private pension plans which attempt to provide "inflation proofed" pension benefits should be aided by Federal "purchasing power bonds," Mr. Reuther suggested.

These bonds would be indexed to economic growth and price levels as an investment medium for private plans which undertake to provide adjustments in their benefits to reflect the value of the bond investments.

To achieve the highest standards of fiduciary responsibility and integrity on the part of those entrusted with the management and control of pension fund monies, UAW recommended establishment of enforceable standards of fiduciary responsibility through uniformly applicable Federal legislation.

"A balanced combination of adequate public and private pension plans, with appropriate public support assuring the fulfillment of expectations of the private sector, would be truly reflective of our professed belief in the worth and dignity of man," Mr. Reuther said.

Retail chain... BI survey . . .

Continued from page 3

up a security training program for new personnel and has since developed a manual of procedures and techniques of property conservation.

VORNADO'S three-pronged program of security, loss prevention and cooperation with the planning and operating divisions has kept losses to a bare minimum. Losses from shrinkage at most large discount and retail operations average between 2%-5% of total sales every year.

Vornado does not place its business with Philadelphia Manufacturers through a broker. Instead, the firm uses Insurance Consulting Associates of New York, which works on a fee basis and functions like a close right arm to the retail chain's own insurance department.

In addition to the fire and allied perils coverage the policy also has a business interruption endorsement. This has a \$1000 deductible per occurrence. The blanket policy covers all locations and reimburses Vornado a percentage of sales loss (12%) without limits.

Since Philadelphia Manufacturers began writing the policy Vornado has had two major losses, both in unsprinklered property. One was in a store in East Hanover, N. J., two years ago, the other occurred in a warehouse the firm was leasing in Paterson, N. J. Losses totaled about \$1 million in each.

Continued from page 26

ties. While two-thirds of the respondents reported no present change in their plans relating to these factors, their explanations, both pro and con, varied.

"The role of our pension and profit-sharing plans remains the same—to assist the employee to have adequate income at retirement," replied one assistant treasurer. "The methods of achieving this will require a continuous modification to meet the several factors that you cite," he added.

Our pension plan's role is definitely changing," affirmed another respondent. "It is becoming a base for retirement income planning, with thrift, or savings plan supplements being the means of providing a tax-sheltered fund, heavily invested in equities, as a hedge against inflation," he noted.

Because of the pressure placed on his retirement plan, another respondent asserted that his staff "will be demanding performance results from trustees rather than mere reports."

One corporate administrator complained about his pension fund's "ability to fulfill its intended role (to provide an adequate retirement income to employees who qualify). It is being undercut by inflation. It seems almost inevitable that a trend toward final pay plans with automatic cost-of-living adjustments will result."

Union seeks approval of mass plan

SEATTLE—One local of the Brotherhood of Carpenters & Joiners here has asked State Insurance Commissioner Karl V. Herrmann to approve a mass-merchandised group plan that would save its 2,500 members at least 15% on automobile and home insurance.

Harry L. Carr, business representative of the District Council of Carpenters, said if the plan is approved by the state commissioner, it may be extended to 20,000 carpenters in the state.

The plan calls for union members to pay for the insurance along with their dues payments. It would include automobile liability, property damage, collision and medical care and comprehensive home coverage.

MR. CARR said the insurance would be purchased through Standard National of the Travelers Group or by any other insurance carrier that can get approval for the plan. Travelers has appealed a ruling of the state insurance department against the plan to Commissioner Herrmann.

A survey conducted by the union last August showed that most members are between 40 and 65 years old, with the largest single age group 55-60.

Mr. Carr said there would be no cancellation of a member's automobile insurance as long as the member has a valid state driver's license.

Cave-ins . . .

Continued from page 40

ing in an area plagued by cave-ins.

"We have quite a few businessmen who call us regularly," Mrs. Gu'shall said. "They are interested in finding out whether shafts exist below land upon which they are planning to build and whether the shafts have adequate preventive coal pillars to guard against cave-ins. In cases where a mine shaft presents a subsidence hazard, the company itself will go down and build preventive structures in the shaft."

Once these measures have been taken can the company obtain insurance? "Insurance companies have subsidence exclusion clauses in their property protection policies," she answered.

"In fact the insurance industry has steered away from subsidence insurance completely. We've tried for quite some time to interest the insurance companies in selling coal mine subsidence insurance provided by the state fund for a commission."

Honeywell . . .

Continued from page 43

had to make a noise level test. Such a test is made with a sound pressure level meter which measures the noise level in a given area. If the level is too high there are three alternatives a plant can take. These are (1) engineer the noise out of the machine or operation, (2) attenuate the noise with acoustical material in the general area or (3) provide protection to the employees through ear plugs or ear muffs.

A check of the noise level has to be made every six months plus audiograms on employees who work in high level noise areas are to be run once a year.

Prior to the government order to do something about noise levels, the problem was "swept under the rug by industry." As far back as 1963 there had been \$3 billion in workmen's comp claims filed for occupational hearing loss.

Once a year a three-day meeting is held so that safety personnel from all the divisions can come together to discuss and hopefully solve their problems. Such problems as employee training and setting up first aid squads are discussed. The divisions which have already set up effective programs, explains what they have done.

"THESE meetings provide a good time for free exchange of ideas," Mr. Sweitzer said.

But on top of everything else which is done, "we must have top management involvement in safety in order to motivate employees all the way down the line. If top management shows a genuine interest in safety the employees will follow," Mr. Sweitzer said.



JOIN OUR FIGHT AGAINST BOREDOM!

Reserve a place at CNA's ASIM celebration—Chicago Night in Miami Beach, Wednesday, April 8th, at 7:00 P. M. in the Ballroom of the Americana Hotel.

Do it now! (You won't be bored.) We'll have the Gaslight Club road show there.

CNA insurance
DEPT. 18W2 • 310 S. MICHIGAN AVE. • CHICAGO, ILL. 60604

You Can't Afford Not To

Join the Hagedorn Group. Your insurance program's success depends on innovation, imagination, and plain old-fashioned hard work. We know our clients can't afford less . . . and this is one very good reason why Hagedorn & Company is beginning its' second hundred years of service.

We invite you to write on your firm's letterhead for complete details.



HAGEDORN & COMPANY

ONE LIBERTY STREET
NEW YORK, N. Y. 10005
(212) 269-1100

1869

ASK YOURSELF THESE VITAL INVESTMENT QUESTIONS

Do your goals require long-term capital growth potential?

Consider *MANHATTAN FUND, INC.*

Do your goals permit greater risk in search of greater rewards?

Consider *TMR APPRECIATION FUND, INC.*

Do your goals include income and capital growth potential?

Consider *LIBERTY FUND, INC.*

tsai management & research corporation
245 PARK AVENUE, NEW YORK, N.Y. 10017

Please send, without cost, the prospectus for the fund (or funds) I have checked.

NAME _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____



Commercial Union, an early bird, is still plodding after the worm

BOSTON—Employers-Commercial Union has been in the financial services business about as long as anyone. While the firm is not creating any overpowering waves with new acquisitions and major expansions, it is plodding along about as fast as is allowed an old line Boston company with conservative roots in the soil of England.

Consider, for example, the fact that Employers-Commercial began marketing a mutual fund back in 1964 when the idea was just a glimmer in the eye of many of the larger insurance companies.

The Egret Growth Fund Inc. has since grown into a vigorous organization that includes Egret Distributing Co. Inc., Egret Services Co. Inc. and Egret Management Co. Inc. As of now the fund has about 1,700 registered representatives in many of the 12,000 independent agencies Commercial Union does business with throughout the country.

IN ADDITION, the company formally set up a mass merchandising department two years ago and has begun offering auto and homeowner's insurance on a payroll deduction basis.

And there are other things in the wind.

According to John G. Sharp, senior vp for mergers and acquisitions, the company is "looking at several possible congeneric companies that might lend themselves to some logical downstreaming." What, for example?

"WELL," MR. SHARP told *Business Insurance* during a recent walk through the company's offices here, "almost anything you can think of. Anything that deals with finance and paper would be a logical choice. Right now we're heavily involved in computer use. Do you know that the insurance industry uses more computer time than any other industry?"

Mr. Sharp also noted that the Commercial Union companies had been looking at the leisure time business as well. The firm has acquired a small travel agency ("very small; hardly worth mentioning," the vp said) in Hawaii and recently negotiated with a larger New England travel chain. However, that deal fell through when another company exercised an acquisition option before Commercial Union could complete the deal. The possibility of another similar acquisition still exists he said, suggesting that in the future insurance companies may find travel agencies a "natural" adjunct. Payroll deducted vacations were mentioned.

"Finance companies, income tax services and savings and loan associations are other 'naturals' for us," Mr. Sharp said. "INA, CNA and the Continental Corp. are doing pretty much what we are doing," he noted, admitting that those three giant holding companies are doing it with more flair and noise than the Boston firm. "Spreading the risk is the basis of the business that we started here in 1698," the vp said, referring to the firm that branched out from England and followed by only a generation or two the voyage of the Mayflower.

Another possible expansion move for the company in the financial services area is the addition of a sibling mutual fund.

RICHARD Hubbard, the young vp and legal counsel who set up

and still heads the Egret Fund, said that the company began with only one fund because it felt that was all its agents were equipped to deal with at the time.

"When you introduce a fund to an agent who has only had insurance to worry about all his life you might scare him away with several complicated funds. He had enough products to concern himself about in the fire and casualty field." However, the vp noted, the Commercial Union agents have apparently "taken to" the mutual fund business since 1,700 of them have passed the difficult registration exam and may now be ready for another mutual fund product.

The Egret Fund is now sold on

a payroll deduction basis at about 75 companies in the U.S., Mr. Hubbard said, explaining that individual business is the stronger of the two. "We're sort of soft pedaling payroll deducted mutual funds until we get the administrative costs ironed out. Of course," he continued, "your fire and casualty producers have a direct "in" to the larger commercial accounts because they have been writing other protection for them."

Similarly, Commercial Union has been "soft pedaling" its mass merchandised products since entering the field two years ago.

J. W. COOKSON, senior vp who rides herd on the firm's affiliated agencies, says:

"We're developing slowly, but we think soundly. Mass merchandising is here already in the group health and life insurance business and even in the mutual fund area. It's only natural that it will spread just as widely into the auto and homeowner's areas."

Commercial Union agents, while they showed some initial disdain for such mass marketing concepts, are "coming around" to the idea, Mr. Cookson said. "The successful agent is one that adapts to the company's business philosophy. Their thinking has changed since we first began talking about mass merchandising: Why, it's perfectly possible that the agent is going to be a franchise owner in the future, like Dunkin' Donuts. There's a great future for independent insurance agents. They're going to be very sophisticated financial services brokers," the vp said.

Leo Bonin, who heads Commercial Union's mass merchandising department, agrees, but notes that the going is slow at the moment.

"PARTICIPATION is low at the moment," Mr. Bonin said. The company now has about 25 accounts in various stages—from those that are actively considering mass merchandised insurance for their employees to those that are in limbo. A lot of them," Mr. Bonin said, "are just curious. We'll probably have about 20 accounts by the end of the year."

Commercial Union, Mr. Bonin said, only recently closed two accounts in Louisiana. One is a contractor with about 3,000 employees and the other is a New Orleans hospital that employs about 2,000. "We're installing them in phases," the department head noted. "We begin with auto insurance first, later offer homeowner's and mutual funds and a personal umbrella policy if there's enough demand."

umbrellas for the smaller customer.



Large or small, your company is a potential target for catastrophic suits—and the smaller the firm, the greater the catastrophe. Protect yourself with a Chubb Umbrella policy. Our experienced underwriters give every risk the same consideration and service, regardless of size.



CHUBB & SON INC. UNDERWRITERS
Subsidiary of The Chubb Corporation, 90 John Street, New York, N.Y. 10038

MANAGER Federal Insurance Company • Vigilant Insurance Company • Great Northern Insurance Company • The Sea Insurance Company Limited • The London Assurance • Alliance Assurance Company Limited • Sun Insurance Office Limited • Affiliated with Pacific Indemnity Group through The Chubb Corporation • Life, Personal Health, Group Insurance, Pension and Profit Sharing Plans through The Colonial Life Insurance Company of America • Aviation Insurance through Associated Aviation Underwriters.

Gunned pilots insurance 'substantial'

BOSTON—The Eastern Airlines pilot and co-pilot attacked by a gunman on a Newark-Boston shuttle flight March 17 were covered by two life insurance policies and an extensive disability plan, according to a source at Eastern.

Co-pilot James E. Hartly, who died at Massachusetts General Hospital, had a group life plan, written by Prudential, that provides up to three times annual salary, and a voluntary flight personnel policy that allowed for up to \$50,000 coverage.

"I cannot give you the exact figures of his particular policy, but it was quite substantial," the spokesman said. "Eastern was one of the first airlines to come up with the voluntary additional insurance. It provides 24-hour world-wide coverage," *Business Insurance* was told. Flight personnel may purchase the additional protection for 26¢ per \$1,000 of coverage per month.

THE PILOT, Robert Wilbur, who is recovering from bullet wounds in both arms, is now

covered under a disability income plan, written by Connecticut General. The plan provides full pay for 75 days and 50% of salary after that up to six months.

Mr. Wilbur, who lives in Fair Lawn, N.J., with his wife and two children, is also covered by that state's workmen's compensation providing up to \$91 a week, and by a special pilots' union plan that pays a disabled worker the difference between workmen's compensation and his salary.

The source said the shooting has prompted Eastern to increase its security on shuttle flights.

"For long flights we've been using an electronic scanning device that checks how much metal a person is carrying and if it registers more than average, we check the passenger and his baggage," he explained. "Now we're going to extend that protection to our Boston and Washington shuttle flights."

The gunman, who also shot himself, was identified as John Divivo of West New York, N.J. ■

Huge award self-insured

NEW YORK—A Suffolk County policeman, who was shot and crippled for life by a New York City officer, was awarded \$950,000 by a state supreme court jury last week in his case against the city.

Believed to be the largest non-death negligence award ever made here, the sum is self-insured by the city.

Lawrence J. Devine charged that New York was negligent in keeping Frederick Alexander on the police force, saying the man was an "alcoholic, irrational, dangerous, vindictive and unfit to carry a weapon."

Mr. Devine had been called to the Alexander home in Jan. 1966, by Mrs. Alexander who had complained that her off-duty husband was drunk and beating her. ■

N.J. funds . . .

Continued from page 31
gauge investments because of their high servicing and placement costs as well as the vast amount of paperwork involved in "just keeping up with your investment."

ASIDE FROM greatly simplifying the mortgage investment process, Oliver H. Jones, executive vp of the MBAA explained that "the spread of the Associated Mortgage issue provides for a .5% servicing fee and some margin for risk. The cost of servicing the mortgage pool is expected to be lower than the cost of servicing mortgages for other investors. The servicing procedures will be standardized by GNMA requirements, eliminating the issuer's duplication of effort incurred in preparing different presentations for different investors."

Another obvious incentive for investment in the new securities is the rate of return (8.75%) offered. "The return is quite comparable to a high-grade corporate bond whose rate of return is currently ranging between 8.5% and 8.75%," noted Mr. Schneiderman.

Mr. Jones also explained that "mortgages that go into foreclosure will be taken over by the issuer—the security holder will be paid the remaining principal balance, the established schedule of principal payment will be adjusted accordingly and the issuer will be reimbursed through regular FHA-VA foreclosure procedures." ■

dates for buyers

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

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

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

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

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

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

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

Cites unreasonable risk in consumer goods

WASHINGTON—The consumer is commonly confronted with unreasonable risks which could be prevented, according to Prof. Corwin D. Edwards of the economics department at the University of Oregon.

In testimony before the Commission on Products Safety, Dr. Edwards stated that there is a difference between reasonable and unreasonable risk.

"Risks of bodily harm to users are not unreasonable when consumers understand that risks exist, can appraise their probability and severity, know how to cope with them, and voluntarily accept them to get benefits that could not be obtained in less risky ways" said the professor. The consumer is subjected to risks which are unreasonable because they could be prevented by supplying the consumer with adequate information about a product and by improving the safety of the product. Both factors must operate, he said, because there are inherent limitations in the amount of information which can be conveyed to the consumer through advertising and instructions accompanying the product and there is no guarantee that the consumer will use or understand the instructions properly.

DR. EDWARDS suggested two

ways of making better information available to consumers: (1) that false or misleading statements by suppliers of risky products be prevented by making the manufacturer legally liable for injury resulting from misinformation about the product, and (2) that the producers of risky consumer goods should be responsible for the provision of information for retail buyers on the use of the product and ways to avoid unnecessary risk in its use. The distributor should be responsible for the communication of these instructions to the buyer.

Dr. Herbert S. Denenberg of the Wharton School of Commerce, University of Pennsylvania, criticized the product liability insurance industry for its failure to adequately find new and better methods for improving product safety. He said the industry "has not only failed to live up to its potential for saving life and property, but has also failed to meet even some of its most minimal responsibilities".

Dr. Denenberg revealed that he had discovered that insurance companies generally have not analyzed their files, underwriting documents, and other records to obtain principles and guides for preventing future products liability claims. ■



ANCHOR BOLTS IN 30 MINUTES

Free 2-Gallon Sample

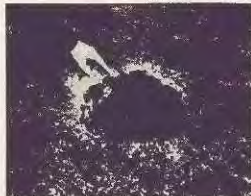
Bolt Anchor® Sulfaset expands as it sets to lock bolts securely in concrete. Just mix with water and pour it in the hole you have made for the bolt.



FAST SETTING FLOOR PATCH

Free 2-Gallon Sample

Fleet Patch® is a new, fast curing material for concrete floors which can be trucked over in 45 minutes after application. It incorporates a new plastic binder for resistance to shock and abrasion.



CHUCK HOLE PATCH

Free 2-Gallon Sample

Frigid Patch® is packaged ready-to-use. Labor, man-hours and traffic delays are negligible. It is shoveled into the chuck hole and compressed with a tamper or lift truck . . . ready for immediate traffic.



COLD APPLIED CRACK FILLER

Free 2-Gallon Sample

Flo-Joint® seals cracks in concrete and blacktop and sets tack-free in one hour; will not pick up on truck wheels or shoes—even in hot weather.

Write on company letterhead for **FREE SAMPLES** and 48-page **Ranco Catalog** to:
RANCO INDUSTRIAL PRODUCTS CORP.
1327 Union Avenue, Cleveland, Ohio 44120

PERCENT OF WHAT?

OF THE PRESENT
DAY INSURABLE
VALUES OF YOUR
PHYSICAL ASSETS . . .

THAT'S WHAT!!!!!!!

Whether you choose Replacement Cost or Sound Value as a basis for Fire Insurance placement, you will need provable values on which to insure.

PRUDENT RISK MANAGERS ARE WELL ADVISED TO CONSULT WITH PROFESSIONALS ON ALL VALUATION PROBLEMS



INDUSTRIAL APPRAISAL CO.
222 Boulevard of the Allies
Pittsburgh, Pennsylvania - 15222
412-471-2566
NATIONWIDE SERVICE

classified advertising

RATES AND CLOSING TIME: \$2.00 per line, minimum charge \$8.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of \$17.00 per column inch, and card discounts on size and frequency.

Miscellaneous

CALIFORNIA AGENCY FOR SALE

General Agency 1200 + Producers
Three offices in Metro areas
Over 1 million commercial volume
Present mgt can remain
\$100,000.00 Min down to handle
Principals Only

Box 103, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

Positions Wanted

RISK MANAGEMENT OPPORTUNITY

Billion dollar, growth oriented company based in New York City, desires an individual with 5 to 10 years experience as claims examiner in Workmen's Compensation and Liability field who wants the broader opportunity and challenge available in corporate risk management. College graduate with CPCU or RM designation preferred. Salary open, depending on experience. Forward resume to

Box 101 BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611

GET

RESULTS
HERE

Help Wanted

Corporate Risk or Employee Benefits Dept.
10 yrs. Ins. Co. exp., 36 yrs old,
C.P.C.U. & Risk Mgt. grad., will relocate
Resume on request.

Box 102, BUSINESS INSURANCE
740 Rush St. Chicago, Ill. 60611



**“Waiter,
there are termites in
my backscratcher.”**

When a vacationing Americano starts seeing creepy-crawlies after downing a potent rum drink called a Backscratcher, do you, the resort's insurance company go by your instincts or by the book?

This time we went by the book. Because the imbibing claimant not only produced the backscratcher/swizzle stick from her drink but the family of termites from the backscratcher.

What does it prove when a hard-nosed company like Consolidated settles a claim so obligingly?

Two things.

One. We're not so hard-nosed about your premiums and our loss ratios that we won't pay an above-board claim in short order.

Two. Even *our* loss prevention engineers—guys who've yet to be done in by a heating plant, sprinkler system, floor wax formula or insecticide—can be outfoxed (once) by a 50¢ box of backscratchers.

After all, they're only human, too.

Or didn't you think a hard-nosed insurance company could be human?




Consolidated Insurance Companies
345 Adams Street, Brooklyn, New York

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

What would your present business insurance man think if you said Allstate was making a quote?

Watch his eyes when you tell him.



 We're getting known in the business insurance business as rock-the-boaters. Mavericks who specialize in unique approaches, prompt service, and low premiums. Is that bad?

Allstate can focus fresh eyes and fresh brains on your particular business insurance needs—however big. Our men are hand-picked. Experienced. Specialists. Experts at analyzing needs and improving protection. And if you're like most, you'll save money.

This helps explain Allstate's fast growth in the business of business insurance.

So next time you need a quote, call **Allstate**[®]
Allstate.

BUSINESS INSURANCE