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March 3, 1969

ASIM survey finds 24% OK U.S. regulation

NEW YORK—Almost one of four U. S. members responding to a survey conducted for the American Society of Insurance Management favors Federal regulation of the industry.

The survey, which also dealt with salary levels of insurance managers, disclosed that 24% of ASIM members responding to the questionnaire thought Federal standards would be desirable. In addition, 66% did not favor Federal regulation and 10% were undecided.

The survey also showed that almost a third—32%—of U.S. ASIM members thought the state workmen's compensation system was doing an inadequate job, with 59% thinking the state system was adequate and 10% undecided.

The study showed that the mean salary of U. S. insurance managers was \$17,700, with 1% earning more than \$40,000 and 2% making less than \$9,000.

The mean salary figure for Canadian risk managers was \$14,800.

Profit sharing, bonuses and stock options contributed "significant additional compensation," the study by Woodward & Fondiller Inc. stated. For U. S. risk managers, such remuneration added a mean figure of \$2,250 to salary for a total of \$20,000, while Canadians received an additional \$1,850 for a total of \$16,650.

The most significant factors related to salary, the study said, were: (1) budget for nonclerical personnel responsible to the risk manager; (2) decision-making responsibility; (3) business experience; and (4) amount of insurance premiums.

Question Curtis pension plan

[See editorial, page 12]

PHILADELPHIA—The Curtis Publishing Co. pension plan and trust probably could not get Internal Revenue Service approval to operate under existing guidelines, according to pension experts contacted by *Business Insurance*.

A suit, brought by 1,700 Curtis employes, filed in common pleas court here, charged that the company has "misappropriated" \$6,000,000 from the pension fund. Curtis has denied any wrong doing.

Although the Curtis plan was IRS-qualified when it was set up in 1945, the IRS reserves the right to disapprove operation of any pension plan if it becomes

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Insurance covered a major share of a loss estimated at \$2,300,000 at Sir William George University, Montreal, where students rioted and barricaded themselves in this computer center. Protesters almost totally destroyed the university's EDP installation. —Wide World photo

Mortimer sets ASIM legislative, other goals

William S. Mortimer, director of insurance for Norton Simon Inc., newly elected president of the American Society of Insurance Management, gives his views on problems of risk management and his plans for ASIM in this exclusive interview with *Business Insurance*.

Prior to assuming his post with Norton Simon, Mr. Mortimer was insurance manager of Hunt Foods and Industries, now a Norton Simon subsidiary, and of Douglas Aircraft Corp.

Q. What are the immediate legislative goals of ASIM?

A. First, my views on legislation, and I'm sure those of our entire organization, are predicated on the philosophy that nobody can for long sustain uneconomic procedures designed to protect special interests at the expense of the consumer. Imaginative people are bound to find ways to combat special interest

laws that impede a free and open market.

Q. What will ASIM do to create a free and open market?

A. We will work in every state to obtain an industrial insured exclusion from bills designed to restrict nonadmitted insurers. Such an exclusion is vitally important to the interests of corporate insurance buyers because without such a provision we would be shut off from Lloyd's and other major nonadmitted insurers, traditionally major markets for industrial insureds. This issue primarily affects lines of property-liability insurance. Not vitally affected is workmen's compensation, which must be purchased from domestic companies.

In supporting an industrial insured exclusion we are on collision course with agents and some segments of the U.S. insurance industry who wrongly believe

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Canadian university's EDP loss covered, but Control Data's isn't

MONTREAL—Insurance covered most of a \$2,300,000 loss here at Sir William George University resulting from a two-week student sit-in that erupted into an axe-swinging free-for-all on a computer to protest grades given to West Indian students.

An adjustor for Andrew Hamilton Ltd. said that destruction to a university-owned computer is now put at "between \$1,250,000 and \$1,500,000." The property damage coverage provided by the St. Paul Insurance Cos. without a deductible, has a limit of \$1,470,000.

The St. Paul Cos. also provide \$80,000 for extra expenses coverage which can be used to reestablish computer services. Estimates are that the computer will be out of service for at least three months, and experts say that \$40,000 is a "pretty fair estimate" of what it will cost to buy computer time for that period.

LANGUAGE in the extra expense portion of the policy indicates the university is covered "as nearly as is practicable" in its attempts to duplicate its computer services.

The St. Paul Cos. did not provide coverage to help defray the cost of duplicating records, but the university has copies of tapes and cards stored elsewhere.

A spokesman for the St. Paul

Cos. described the destruction of the computer as among the top 5% of our losses in size.

"The loss points up," he said, "the need for adequate security measures involving EDP equipment. Our underwriting department, because of the loss, is now reviewing security measures involving computers with an eye to possible recommendations for insureds. The loss will not limit our companies' ability to market this type of coverage."

Loss to the building in which the computer was housed was estimated to be nearly \$800,000. About 20 insurers provide coverage to that limit, with Continental Insurance and Commercial Union underwriting the major portion.

CONTROL DATA Corp., which sold the computer to the university, had test equipment and other devices in the computer room that the university had not yet purchased. Robert Abrahamson, insurance manager for Control Data, told *Business Insurance* that first estimates of the loss to his company were put at \$100,000. However, Mr. Abrahamson felt that the loss would be "considerably less than that."

Appalachian Insurance Co. is Control Data's carrier, but there

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Late news

Burned N. Y. building has \$1 million policy

NEW YORK—The Westchester Fire Insurance Co. is underwriter on the office building at 595 Fifth Ave. here, where one of the worst fires in recent New York history killed at least nine persons and gravely injured seven others last week. The building has a \$300,000 multiperil property damage policy and \$1,000,000 liability coverage. Bernard Reuben & Co. is the broker.

No insurance involved in GM recall

DETROIT—General Motors announced the largest recall in auto history—4,900,000 units. A spokesman for GM told *Business Insurance* "we're not contending that a supplier is involved. It's an exhaust and carburetor design problem." The car maker does not buy product recall insurance. Two law suits and 78 cases of parts failure have been reported.

Texas checks transplanters' malpractice coverage

AUSTIN, Tex.—The Texas state legislature and state insurance commission have both reacted to reports that insurance companies have cancelled professional liability cover for doctors who perform heart and other organ transplants. The insurance department has directed insurers to submit reports on their practices regarding new policies and cancellations on transplant surgeons. The state legislature will receive a bill that would provide immunity from liability to physicians acting in good faith. Doctors from Texas Southwestern medical involved in two heart transplants at Parkland hospital in Dallas have had their professional liability cover cancelled.

(Mailing label here)

Pension hike, container clause key ingredients of dock contract

By CAROL RATISHER

NEW YORK—The contract accepted by International Longshoremen's Assn. members in the Port of New York after a paralyzing eight-week strike calls for a hike in pension benefits, increased vacations and an early retirement plan for some 22,000 dockworkers.

The longest and most costly

strike in the history of the New York waterfront ended when 12,632 union members voted by a margin of nearly three to one to accept the agreement with the New York Shipping Assn.

The International Longshoremen's Assn. has reached similar agreements with shippers in the ports of Philadelphia, Baltimore, New Orleans, Hampton Roads, Miami, Ft. Lauderdale

and Tampa, while negotiations in other ports continue.

NEW YORK SHIPPING Assn. member companies will contribute an additional 62¢ toward pension, welfare and other fringes during the next three years. In the third year of the contract, NYSA will be contributing a total of \$3.62 towards ancillary benefits for each hour a longshoreman works.

A new retirement clause permits longshoremen with 20 years' service to retire at age 55 with a pension of \$250 a month, or at age 62 with a \$300-a-month pension. In the case of early retirement, the pension goes up to \$300 a month when the worker reaches age 62.

The old contract required a worker to have put in 25 years and reached the age of 62 to be eligible for retirement. The top pension previously paid was \$175 a month.

Other pension improvements include a \$25-a-month pension boost for longshoremen who are already retired, and an increase in widows' benefits from a previous maximum of \$87.50 to a current top of \$100. Disability pensions start at \$180 a month after 15 years' service and are scaled upward to a \$300 maximum for 25 years.

THE NEW YORK Shipping Assn. is also required to make contributions to the pension fund

at a minimum level of 40 million man hours per year, whether or not total hours put in by dockworkers meet that figure.

Contributions to welfare benefits will go up 18¢ during the next three years, with the increased contributions going primarily towards covering the increased costs of medical and other services.

Vacation time has been increased by one week and will be increased an additional week in October. The contract also provides for a thirteenth paid holiday.

A minimum annual guarantee of 2,080 hours of employment at the basic wage rate for all longshoremen with active seniority status is provided in the agreement. According to Federal mediators, the waterfront industry is the only industry to have such a guarantee.

THE CONTROVERSIAL containerization clause in the new contract provides for a kind of make-work by permitting longshoremen to unpack and reload at the piers certain already packed container cargoes coming from or going to any point within a 50-mile radius of the port.

There has been a trend in the industry toward shipping cargo in containers—long boxes usually 20 or 40 feet in length—which can be handled in part by machinery at the piers and require about one-tenth the manpower of general cargo shipment.

The guaranteed income and containerization clauses reflect concern by union leaders that the new methods of handling cargo would result in a sharp reduction of work hours available to their members. The early retirement plan also eases this situation by speeding aging dockworkers out of the labor force.

A spokesman for marine underwriting interests here said that enforcement by the union of the new clause permitting unloading and repacking of cargo at the piers would be very likely to lead to higher insurance rates on cargo shipments.

"IT IS AXIOMATIC that more handling includes more pilferage, more damage and more breakage, which must be made up in higher premiums," the

spokesman said.

He added that it was not yet known whether the ILA would take advantage of the clause or how the procedure would work out if actually put into practice at the piers.

There is also a possibility that the Teamster's union will take action to prevent enactment of the clause on grounds of conflict of jurisdiction, the spokesman said. Some teamster leaders now claim that the packing of cargo in areas of the designated 50-mile radius of the port falls within their jurisdiction.

The extent of damages sustained for pilferage, breakage or nondelivery of goods as a result of the strike itself will not be known for some months. Longshoremen just now returning to the piers must first complete delivery of the massive backlog of cargo now on the docks before losses can be discovered and reported.

THE WATERFRONT commission of New York Harbor, an independent agency with responsibility for protecting cargo, reports that gates to the piers were locked and normal security precautions maintained during the strike and no incidents of pilferage that could be traced to the strike have been reported.

Kemper warns buyers on 'no-fault' plan costs

NEW YORK—James S. Kemper Jr., president of the Kemper Insurance Group, warned corporate insurance buyers to be wary of how accident costs might be distributed under "no-fault" auto victim compensation plans.

His warning came at the seventh annual conference of the American Society of Insurance Management. Mr. Kemper said:

"While at first glance the American Insurance Assn.'s plan seems to favor corporate fleet owners and truckers, thus bidding for support from corporate insurance managers, the AIA is already studying ways in which commercial vehicles can be made to bear a larger share of total loss costs than strict application of the plan would produce. This is inevitable. The public will not stand for what it would regard as rate discrimination in favor of those who make the greatest use of our roadways."

Mr. Kemper also said that logic dictates that ASIM be represented on the consumer committee advising the Department of Transportation about its study of auto insurance.

As spokesman for the American Mutual Insurance Alliance, of which he is chairman, Mr. Kemper invited corporate risk managers to sit down with his group to discuss the impact of alternative proposals on motor fleet operators. The Alliance advances a "guaranteed benefits" compensation system that would modify only slightly current fault concepts.

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Vol. 3, No. 5—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Chicago, Ill. Copyright 1968 by Advertising Publications, Inc.

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Resist overtures of group auto advocates, ASIM session urged

NEW YORK—Insurance managers assembled for the seventh annual conference of the American Society of Insurance Management were urged to resist the siren song of group auto insurance advocates.

This was the word, at least, from one of 11 split sessions, each staged by a different ASIM chapter. Other sessions heard how a Canadian company reduced its workmen's compensation costs from \$125,000 to \$3,500, how corporations can make money on franchise insurance programs, and how to put together an adequate products liability program.

"As we concede to auto group insurance, homeowners is next and then perhaps professional legal or accounting counseling, mutual shares, employees' house financing and ultimately grocery buying," warned Nathan H. Siegel, secretary of Detroit Steel Corp., at an employee benefits panel.

"I BELIEVE OUR position should be to resist the mass merchandising approach with all the vigor at our command," Mr. Siegel stated.

"In the past, emphasis in the employee benefits field has been related solely to the 'sound body' approach, involving medical care (disability benefits and survivors' benefits). The innovation of covering property and casualty is 'a brand new ball game—not just extra innings,' according to Mr. Siegel.

Group auto is not an extension of the present group coverage—"it's the introduction of new coverages, which, in my judgement, are not a part of a corporation compensation program.

"IT CERTAINLY won't solve the present costly, haphazard and grossly unfair system of automobile insurance. It will simply redistribute the costs from one segment of the population to another," Mr. Siegel contended.

Labor unions and "certain insurance companies are forcing us into this concept of mass merchandising of employee automobile insurance," he said.

He predicted that the 20 million union-affiliated workers, representing about 25% of the total U.S. work force, in the U.S. will be the major recipients of group auto. Assuming that group auto is adopted and eventually becomes employer-financed, Mr. Siegel figures it would cost each employer \$150 per worker or \$3 billion a year.

"WHO REALLY PAYS the \$3 billion? I submit that the employer is merely a conduit. The \$3 billion is simply passed on to the consumer or the recipient of the goods and services in which the employer deals.

"What we're really doing here is changing a private expense to a public expense," Mr. Siegel said. "The Internal Revenue Service has ruled that employer contributions to most of the present employee benefits are non-taxable income to the employee. If the same principle is extended to personal lines insurance, the \$3 billion spent on group auto plans will be, by one stroke of a pen, converted from the employee's taxable income to his nontaxable income," he said.

If 15% of the worker's income goes for Federal income taxes, the conversion of the \$3 billion from a private to a public expense will produce a loss of in-

come tax revenue of some \$450,000,000 Mr. Siegel estimated for the conference.

"Who would make up this loss? The answer is obvious—every other taxpayer in the country," he said.

DUANE C. COOKSEY, insurance manager of Super Valu Stores, Hopkins, Minn., told a session on franchise operations, put on by the Minnesota chapter, that there is "a considerable amount of money" to be made by companies which offer their retailers and dealers tailor-made insurance programs.

Because of the tightened reinsurance market for such establishments as supermarkets, bowling alleys and restaurants, Mr. Cooksey said one of the most important services a franchise operation can offer is adequate fire and liability coverage.

THE AVERAGE retailer, he said, has trouble putting together a complete insurance program. But a franchiser can put together a package "the local agent has never even heard of," including difference in conditions, umbrella coverages, business interruption "to fit your operation"—i.e., food spoilage—and manuscript policies.

In addition a franchise program involves one carrier and one broker in contrast to the efforts of the local agent who has been forced to "spread around" the risk because of the capacity problem.

Mr. Cooksey said Super Valu "ties the rates down" for its retailers by financing a three-year policy for them. The chain bills

the retailers on a weekly basis and pays the insurance companies every month.

A SINGLE contract is issued to the retailer, Mr. Cooksey said. He added that one retailer who didn't have a franchise program had 77 nonconcurrent fire insurance contracts through six different brokers.

With a franchise plan it's also possible to put together a loss prevention program "which keeps pace with today and tomorrow," Mr. Cooksey advised. "Without good, sound loss prevention your program will fall flat on its face," he contended.

In addition such techniques provide insurers with "some assurance of a stable market," he explained—especially important since retailers are finding their insurance cancelled out in increasing numbers.

SUPER VALU also settles losses for retailers, Mr. Cooksey said. One store under the franchise plan, hit by a \$300,000 fire, was back in business in 81 days and was paid the loss in a week.

Mr. Cooksey said this rapid claims settlement never would have happened if the retailer had to fend for himself because most retailers "don't know how to settle a loss." Before the franchise program Super Valu's retailers "took so darned long to get back in business we ended up financing them to the hilt."

Mr. Cooksey said the chain gives a retailer an advance on 50% to 60% of the size of the loss and tells them to "go on home; we'll settle it."

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Major tire firms do not have recall cover

AKRON, O.—Major rubber manufacturers in the U.S. do not have insurance to cover the cost of recalling tires that may be defective or do not meet Federal tire safety standards.

Robert Wall, insurance manager for Firestone Tire & Rubber Co., said his company did not have recall coverage on the 1,150 tires it recently recalled. Firestone said a series of tests indicated that the tires might not meet minimum strength requirements.

Mr. Wall said that because of Firestone's stringent inspection program before tires are shipped, he has recommended to management that Firestone not buy recall insurance. "I consider this part of the risk of doing business," he said.

It was learned that inspection programs for tires by other companies are similar to Firestone's.

THE TIRES Firestone recalled were sold as original equipment on 1969 Chevrolets. The company said it would replace the tires without charge.

Earlier this year, General Tire and Rubber Co. recalled 20,000 tires. Miss Julia Sullivan, General Tire insurance manager, said the company did not have recall insurance.

Goodyear Tire and Rubber Co. and Mohawk Rubber Co. do not have recall coverage either. Mohawk recalled 10,000 tires last January.

Industry sources contacted by

Business Insurance contended that recalls were part of the industry's overall tire adjustment program through service departments.

THESE SAME sources were concerned, however, with the product liability exposure the industry faces. One company which self-insures this exposure, it was learned, settles the claims as quickly and quietly as possible.

"Only one complaint out of 100 is legitimate," the source said, "but we have to settle to avoid publicity. The cost is severe, and the coverage is very expensive."

The cost of recalling the tires to date has not been expensive, the sources agreed. And although they had looked into coverage, no insurance manager contacted thought his company would buy recall cover. It was estimated that recall costs to date are less than \$10,000.

Lone Star names Bowen

DALLAS—Richard T. Bowen has been appointed manager of the employee benefits group of Lone Star Gas Co. here.

Mr. Bowen, who joined Lone Star in 1957, has been manager, employer benefit plans and services, since 1964.

Marlyn W. Wicks has been named manager of the industrial relations group.



Among participants in the American Society of Insurance Management's seventh annual conference in New York were, left to right: Frank L. Drew, insurance manager, Evans Products Co.; M. B. Waterbury, insurance manager, Columbia Steamship Co., and Walter D. Woodard, assistant corporate insurance manager, The Boeing Co.

ASIM vows intensive 'free market' fight

NEW YORK—Legislative leaders of the American Society of Insurance Management vowed to make a state-by-state fight to gain industrial insured exclusions in bills regulating unauthorized insurers to gain a "free market" for corporate insurance buyers.

James E. Bailey, a Washington attorney and legislative coordinator of ASIM, said that the lack of an industrial insured exclusion makes "potential law violators" out of risk managers who seek free access to markets for vital insurance coverages. The industrial insured exclusion would allow insurance managers who buy major amounts of insurance to deal freely with non-admitted or unauthorized insurers.

"We can't buy coverage for every exotic risk from the U.S. market," said Waller B. Smith, manager of corporate insurance and claims for United Air Lines and chairman of the panel at the seventh annual ASIM conference. "We're not looking for cut rates or discounts; we're looking for necessary coverage," Mr. Smith declared.

HIS THEME WAS picked up by A. Gordon Hanau, manager of insurance for Consolidated Natural Gas Service Co., Pittsburgh, who said, "We'd 'buy U.S.' if we could, but we find that underwriters of U.S. companies apparently haven't heard their bosses' assurance that coverage is available."

Mr. Hanau maintained that significant progress has been made in talks with the American Mutual Insurance Alliance which has agreed not to oppose

an industrial insured exemption for those corporate buyers who spend more than \$25,000 annually on insurance, not including workmen's compensation and group life and health programs. On the other hand, Mr. Hanau was sharply critical of the American Insurance Assn. which, he said, had avoided for the past month any discussion with ASIM of the industrial insured exclusion. "We ought to know who our friends are," he added.

Hugh McCommon, supervisor of funds and insurance for Memphis Light, Gas and Water Division, who will lead the effort for the exclusion as legislative vice president of ASIM this year, spelled out means to support the proposal:

- Use Mr. Bailey as legislative counsel to sharpen ASIM legislative proposals and to draw up alternatives in certain situations.

- Expand the national legislative committee of ASIM to include members who can help fight for the exclusion.

- Increase ASIM's educational effort to impress upon more members the meaning and importance of the exclusion to corporate risk managers.

Mr. McCommon vowed to "tell our story" to the National Assn. of Insurance Commissioners "so that they understand our problem."

"We don't question the sincerity of the commissioners," said Charles H. Groves, director of insurance for CF&I Steel Corp., "because we understand that they are attempting to regulate unscrupulous mail-order insurers. But to protect our companies' assets, we have to get coverage."

Sears roof collapse major snow casualty

NATICK, Mass.—A part of the roof of a Sears, Roebuck & Co. store here collapsed under heavy snow after more than 20 inches of snow had piled up in the area.

The Allstate Insurance Co. and the Protection Mutual Insurance Co. insure the five-year-old Natick store, located about 15 miles from downtown Boston.

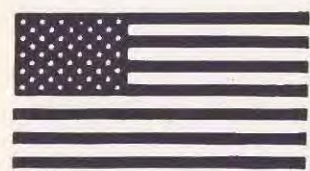
According to a statement released jointly by Sears, Allstate and Protection Mutual, the exact loss has not yet been determined. Loss includes merchandise damaged by snow and by water when part of the store sprinkler system collapsed with the roof.

THERE were no people in the store when the collapse occurred. The store was open for business the following day.

A spot check of business insurers indicates that the snowstorm, which left large parts of the Eastern seaboard from Maine to New York under heavy accumulations of snow, caused little significant damage to business property.

Richard Sneden, property loss examiner at Liberty Mutual Insurance Co.'s home office claims department, reported that no major claims for damages to business property had been received during the week following the storm, when a preliminary report on any major damages might have been expected.

Both the Hartford Insurance Group and the Travelers Insurance Co. reported that claims following the storm were for minor damage.



washington watch

Nixon may be forced to expand U. S. Medicare program this year

WASHINGTON — President Nixon has not yet made public just how he plans to keep his campaign promise to improve Medicare, but those Republicans who interpreted this pledge to mean a cutback in the program may be in for a big surprise because the conservative President's proposal—when it comes—may just include a request to significantly expand the program.

The reasoning behind this

speculation is entirely political. And, not for the same political reasons we have become used to under the Democrats—that of pleasing a large segment of the population. It just may be to keep from displeasing a small, but powerful, elite segment of the public, the nation's M.D.'s who supported Mr. Nixon better than two for one in the last election.

Despite press reports of a "very smooth transition" when the Republicans took over the

White House, the Democrats left a number of time bombs around the nation's capitol set to go off at various intervals during the first few years of the Nixon administration.

One of these was planted by outgoing Secretary of Health, Education and Welfare Wilbur Cohen when he rejected the advice of Social Security's accounting experts and advised Congress against an increase in the current \$8 a month—\$4 from the

beneficiary and \$4 from the government—premium rate for participation in Part B of Medicare, the supplemental voluntary section of the act that covers doctor bills.

THE BOARD OF trustees of the Part B program recommended a hike in the rate to \$8.80, saying that to maintain the \$8 fee, there would have to be no substantial increase in physicians' fees, or "more realistically," if they do rise, reimbursement would have to be based on less than the full charge much more often than in the past.

Former Secretary Cohen said he based his refusal to recommend a hike to \$8.80 on the belief that doctor fees can be held in check by strong HEW action to assist carriers to more closely review physician claims and by the, some say, naive hope that the nation's doctors would be responsive to his plea to restrain voluntarily their fee increase.

Former Secretary Cohen has

been accused by those who know him well of being an idealist, but never naive. He was quite aware that requesting doctors to voluntarily restrain their skyrocketing fees was an exercise in futility. And, he knew he was leaving President Nixon with the highly charged choice of either raising the premium or of initiating an extremely strict Federal program to control M.D. fees.

There are a number of ways for President Nixon to escape this particular trap. But, almost all of them that are politically palatable involve an expansion of the Medicare program, a move that will require a bit of political soul searching by the former foe of the entire Medicare concept.

One choice President Nixon could make would be to expand the Part B program to include other services, say drugs. This would justify a hike in the premium rate and get him off the hook of having to get tough with doctor fees.

THERE HAS been considerable debate in Congress over placing drugs under the Part B program, but support has been almost entirely confined to the Democrats. Focal point for the debate has been a bill introduced by Senator Joseph Montoya (D., N.M.), which insiders feel could go a long way toward passage this congress, even without White House support.

Another alternative would be to merge Medicare's Part A hospital insurance program and Part B medical insurance plan. This would be expensive in that it would eliminate the voluntary section of the act and therefore do away with all participant premiums. But, it would eliminate the necessity for doing something specific about the Part B financial problem.

Secretary Cohen proposed such a move. He wanted financing to come entirely from the Social Security system.

While the thought of this probably appalls the conservative President Nixon, the Social Security well is as full as any nowadays. According to the report of the board of trustees for the program, current long-range actuarial cost estimates as a whole indicate that Social Security is overfinanced by a "substantial amount."

Third parties 'destroying us,' HIAA told

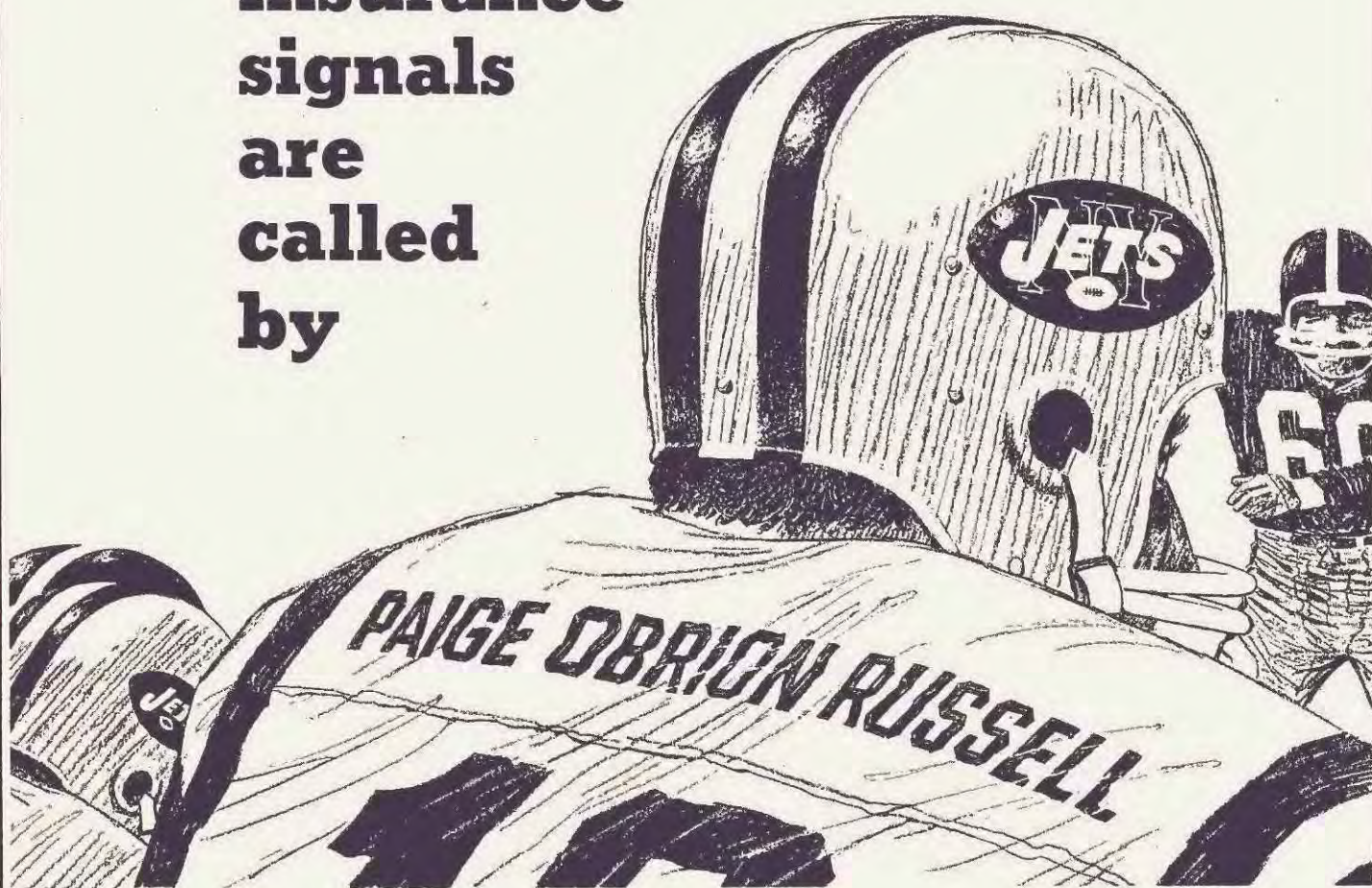
PHILADELPHIA—Group health insurers should deal directly with policyholders and provide more services, an insurance executive told the 1969 group forum of the Health Insurance Assn. of America here.

"We should stop paying third parties to do our work—meaning we should administer our group insurance cases. We should pay our own claims, and we certainly should design and control the coverages in the health care field," Mark W. Williams, vp of Continental Casualty, maintained.

He said these third parties (whom he identified as administrators, agents and consultants) have become a "satellite to our industry which is dedicated to destroying us."

"It is time we stood up as an industry and politely but firmly told these people that from now on we'll perform our own services and that we pay them what is due for acquiring the business, but that we will administer and service our own accounts," he said.

the N.Y. JETS' insurance signals are called by



The New York Jets, champions of the American Football League, capped their climb to professional football supremacy with a spectacular upset in the Super Bowl extravaganza. Now astride the football world, the Jets know the value of imaginative quarterbacking by a team of knowledgeable and experienced insurance professionals. We call the Jets' signals. Shouldn't we be preparing your game plan?

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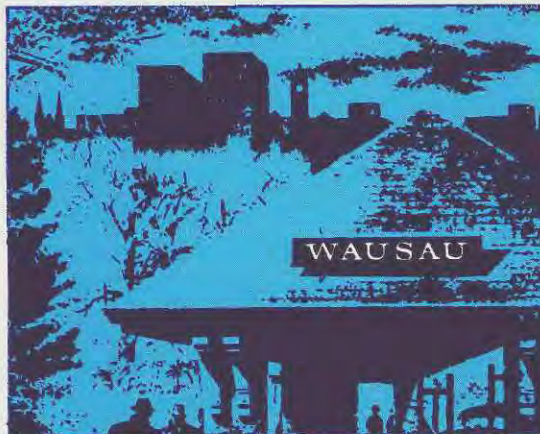
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To sprinkler or not to sprinkler, that's the question at ASIM panel

NEW YORK—Sprinkler systems—when to use them and when not to use them—came in for considerable discussion at the final session of the American Society of Insurance Management's seventh annual conference.

Eight panelists fielded questions from the floor on such hot topics as mass merchandising, fee vs. commission, bonding the hard-core unemployed and allocation of losses to divisions and subsidiaries.

Frank Hornby Jr., insurance manager for J. P. Stevens Co., New York, taking up the question of sprinklers, said that their use depends on the construction and contents of the building.

"INSURANCE COVERS us

against financial loss," Mr. Hornby said, "but I don't think any of us can afford an interruption in our business today." He added that corporations are putting an increasing emphasis on protection and prevention techniques, and he estimated that in 98% of the cases installation of sprinklers is "almost going to be mandatory."

William S. Mortimer, director of insurance of Norton Simon Inc., Fullerton, Calif., and new president of ASIM, said that insurance buyers, producers and carriers "have all fallen down on the job in the area of fire protection." For too long, he said, "we found ways of not doing things and now it's come home to us. We wouldn't have the capacity

problem today," Mr. Mortimer contended, if the industry had taken the proper loss prevention steps a few years ago.

Fire walls, sprinklers and other safety equipment should be installed based on the "total potential loss"—not on the expenditure of "a few dollars a day you never get back unless there's a fire."

Donald W. Henning, director of insurance of Kaiser Industries, Oakland, Calif., voiced concern that "the pendulum might be swinging too far" in the direction of sprinklering everything in sight.

He said this was a "panic reaction" and made a plea for the maintenance of "good sound engineering principles."

Charles F. Levinson, insurance manager of the Port of New York Authority, advised insurance managers to show building plans to underwriters. "In many cases they'll overadvise, but they will provide guidelines whether or not to put sprinklers in."

A CHIEF TOPIC was whether sprinklers were effective in EDP fires. Mr. Hornby said IBM doesn't recommend sprinklers because of the water damage to computer contact points. Smoke detection devices and CO₂ cause less damage, he said.

But Factory Insurance Assn. and Factory Mutual "are still insisting on putting sprinklers in the computer room," Mr. Hornby said.

He recommended that companies isolate tapes and not try to keep them in the same fire proof vault. Also, he advised insurance managers to arrange with another company to run off

computer programs. Mr. Hornby said Stevens is putting all its computer centers on the same system to provide for an interchange of equipment.

Rollyn L. Storey, manager of insurance and safety of SCM Corp., New York, disclosed that SCM has just established minimum standards in the construction of EDP centers. The standards cover separation procedures, smoke regulations, sprinklers and smoke detectors and security precautions for duplicating tapes.

According to the SCM standards, duplication centers should be at least 500 feet away from each other, Mr. Storey said.

Eugene C. Aldridge, corporate insurance manager of Texas Instruments, Dallas, said his company requires a computer center to run 24 hours a day before they'll build another. The fact that people are at the center around the clock is an "important safety feature," he said.

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MR. LEVINSON AND other panelists also discussed the problem of bonding of hard-core unemployed in view of the fact that insurers exclude such workers if they have a prior police record. He suggested that many major insurers will sign letters of agreement waiving this exclusion in bonds for antipoverty programs.

Also, Mr. Levinson said, insurance managers can change the bonding agreement to have the prior police record apply only to key financial people.

Mr. Mortimer said that he viewed the problem as one of risk management—of putting such employees in "nonsensitive jobs." Mr. Henning added that an amendment to the government's Plans for Progress program does away with criminal record data in bonding contacts.

MR. STOREY MADE the point that "in this day of the large deductible" much of the risk of hiring hard-core employees has been eliminated.

It was mentioned from the floor that the Federal government will pick up the tab on a \$10,000 bond for one year in an anti-poverty program, but Mr. Levinson commented that a problem doesn't often arise in the first year but only after the employee advances in the organization.

James R. Mascarella, corporate insurance manager of Quaker Oats, Chicago, who chaired a panel session on bonding hard core unemployed earlier in the conference, said that panel agreed that the problem is "not as difficult to solve as you might think." Prior criminal acts often didn't involve dishonesty, he said.

THE PANELISTS ALSO tackled the problem of how best to allocate losses to subsidiaries and other units. Mr. Mortimer explained that Norton Simon Inc. charges back the first \$50,000 of losses on a three-year basis, plus an administrative loading. "We intentionally like to have them hurt. When they have a loss they know they're going to have to pay for it," he said.

Mr. Levinson said the Port of New York Authority allocated losses "exactly the opposite"—against a self-insurance fund. The authority makes a pro rata charge to its units as if the authority paid first-dollar premiums. An \$800,000 premium—spread over 24 facilities—for a \$500,000 self-insured retention is prorated on loss experience over the past three years.

The authority's bus terminal
Continued on page 27



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Williams asks open rating

NEW YORK—Florida Insurance Commissioner Broward Williams appealed for corporate insurance buyers' support of "open competition rating laws that permit competitive business to function without unnecessary government control."

Speaking to the seventh annual conference of the American Society of Insurance Management, Mr. Williams asserted that "state regulation of insurance must meet the challenges of the times." He said that it was in response to this challenge that Florida adopted an open-rating law in 1967.

The commissioner explained that our growing economy places demands on the insurance industry that are best met through open competition.

"SINCE the adoption of our open competition law, the market for various lines of insurance is returning to Florida," Mr. Williams reported. "More companies are coming in to write insurance in our state."

Mr. Williams, making an appeal for ASIM support for open rating laws, maintained that under such legislation "the state insurance commissioner still has power and more meaningful power to assure insurance company solvency while maintaining an open market."

Increases in premiums, he asserted, have not been affected by lack of prior approval of rates. Mr. Williams told the corporate risk managers that their best interests would be served by the nationwide adoption of file-and-use rating laws now in effect in Florida and about a half dozen other states including California, which pioneered in such legislation.

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.

• The Folger Adam Co. has supplied prisons with locking devices for nearly three-quarters of a century. Since these locks are designed for detention institutions where long, hard use and abuse are expected, they are also applicable in banks, hospitals, offices, factories, schools and commercial establishments as well as government and military facilities. They provide features not available with conventional builders' hardware. An informational brochure may be obtained by contacting the company at 700 Railroad St., P.O. Box 688, Joliet, Ill. 60434.

• **Getting More Mileage from Profit Sharing: How Better Reporting Can Help** is a booklet by Hewitt Associates, Libertyville, Ill. 60048. It relates, in outline form, the need to report to employees, what should be reported and how to make the reports. Copies are free from Hewitt Associates.

• Most businessmen are familiar with accounts receivable insurance that protects their written records against physical damage, but they may not realize that they can also insure the actual risk of extending credit. An eight-page booklet, **Credit Insurance: Protection against Accounts Receivable Losses**, discusses this highly specialized cover, available for all but retail credits, and designed to back up the credit manager. Single copies are free from the public relations department, Continental Insurance, 80 Maiden Ln., New York, N.Y. 10038.

• A detailed four-page article, reprinted from *Journal of the American Society of Safety Engineers*, explains **How the Loss Prevention Consultant Can Serve the Safety Professional**. The article, written by John Gausch, principal consultant, risk management department of EBS Management Consultants Inc., also contains a chart illustrating the scope and functions of the professional safety position. Copies are free by writing EBS at 100 Church St., New York, N.Y. 10007.

• The Mill Mutual Fire Prevention Bureau has published an illustrated, 22-page guide on **Standards for the Installation of Nonautomatic Sprinkler Systems for Grain and Milling Properties**. Since automatic sprinklers for grain and milling properties are often impractical because of inadequate water supply and high relative cost, the development of the nonautomatic system has proven invaluable. The information is broken down into supply, distribution and maintenance considerations and is available by writing Mill Mutual Fire Prevention Bureau, 2 N. Riverside Plaza, Chicago, Ill. 60606.

• Specific measures required to assure continuity of corporate management in a post-disaster period must include a system to protect vital documents. **Protection of Vital Records** is a 24-page publication prepared by a special committee of the Assn. of Records Executives and Administrators, Inc. It enumerates, among other things, the information required to develop a program: (1) determination of what information is vital; (2) knowing what records reflect the information, and (3) learning how to protect the records. The booklet may be obtained from the Department of Defense, Office of Civil Defense, Washington, D.C. 20310.

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

• **Bibliography—Fidelity and Surety Law: 1946 to 1966** contains a listing of all writings on the subjects of fidelity and surety law which were published during these years and is a useful reference tool. Cost is \$1 (prepaid) from the Defense Research Institute, Inc., 1212 W. Wisconsin Ave., Milwaukee, Wis. 53233.

• **What Is the Emergency Petroleum and Gas Administration?** has been published by the Office of Civil Defense to demonstrate how the petroleum industry, which supplies three-fourths of the nation's energy, could resume effective operations following a nuclear attack if adequate defense precautions were taken now. Elements of company emergency planning are set forth in the book, but the principal focus is on the cooperative pre-emergency planning steps the government has taken to back up the efforts that individual companies make on their own. The establishment of a company emergency program, including continuity of management and protection of personnel and installations and records, is covered in **Civil Defense and Emergency Planning for the Petroleum and Gas Industries**. Both books were prepared by the National Petroleum Council, Washington, D.C. 20006.

• **The Competitive Edge** has been released by the American Credit Indemnity Co. of New York, 300 St. Paul Pl., Baltimore, Md. 21202. The purpose of the booklet is to dispel some of the reasons for "thinking of credit protection in restrictive terms... as little more than a method for recovering unexpected losses." Ways in which it can strengthen a company's competitive edge are listed. Direct requests to Frank McNulty, Dir. of Advertising and Promotion.

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• A useful manual on fire protection is available from the Albi Manufacturing Co. The brochure explains technical aspects of fire protection and their relation to code and insurance requirements. **Specifying Fire Protection with Intumescent Coatings** also provides a quick reference to the area of operations of leading organizations involved in fire prevention and fire protection activities. It is free by writing the company at 98 E. Main St., Rockville, Conn. 06066.

• Information on a new EDP record vault is available from Wright Line, a division of Barry Wright Corp., 160 Gold Star Blvd., Worcester, Mass. 01606. The vault, manufactured by Schwab Safe Co., carries the Underwriters' 150°, two-hour label for storage of EDP media. Interior temperature and humidity can be held well below the 150°F 85% R.H. limit at which read out errors and losses can occur even when the vault is exposed to a raging fire for up to two hours. For material on the **Data-bank Safe** contact Wright Line.

• The American Home Group has prepared a brochure, **Sorry, You're Not Covered**, which explains in detail the need for umbrella protection as well as its market potential. It is available free from the group, Department A-14, 102 Maiden Lane, New York, N.Y. 10005.

• The electric wastebasket **Executive Furniture Model** is a teakwood basket that performs ordinary duties and can also shred important papers immediately after use. For an illustrated brochure write Mr. Morris Golde, Electric Wastebasket Corp., 145 W. 45th St., New York, N.Y. 10036.

• A five-step plan for organizing a property control system and putting it into effect is described in a comprehensive 16-page booklet, **How to Plan a Profitable Property Control Program**. Offered by Metal Craft Inc., the brochure also stresses the growing importance of property control in today's economy, fixes responsibilities for smooth operation of the system, and describes eight benefits resulting from an efficient plan. Components of the suggested plan include property tags and individual record cards (illustrated in the booklet). Samples are available with the literature by contacting Mr. Fred. T. Fenchel, advertising manager at the corporation at 149 4th St., S.W., Mason City, Iowa 50401.

• **Protect Your Property from Vandalism . . . Burglary . . . Arson** is a four-page, illustrated brochure free by writing Field Service Dept., Improved Risk Mutuals, 15 N. Broadway, White Plains, N.Y. 10601. The list of precautions is aimed at making all property owners, regardless of location or occupancy, aware that the increase of vandalism and crime in the U.S. has brought about a need for better protection. It deals with glass, fencing, floodlights, locks, alarm systems, watchman services, and fire prevention.

• **Major Decisions Management Must Face Sooner or Later** deals with lost-time benefits which can be provided through the employer with or without cost to the employee. The plan is operated on a payroll deduction principle from Bankers Security Life Insurance Society. The four-page booklet is free by writing the society at 1701 Pennsylvania Ave., N.W., Washington, D.C. 20006.

Baseball players' pensions not only pro sports benefit up in air

CHICAGO—The squabble between baseball players and owners over pensions is not the only professional sports benefit plan up in the air, *Business Insurance* has found.

The American Football League and the National Football League have two-year contracts to contribute to the pension fund for the 1968 and 1969 seasons, but how these funds will be spent is being studied by the players' associations and the two leagues, it was learned.

The pension plan of the National Basketball Assn. is currently being reviewed, Walter Kennedy, NBA commissioner, told *Business Insurance*. The plan, now five years old, is currently with Prudential Life In-

surance Co.

The American Basketball Assn., in its second year of play is working out the details of its insured pension plan, a league spokesman said.

The National Hockey League recently split its player pension fund into guaranteed and equity portions.

HOWEVER, THE bulk of the current interest in pro sports pension plans currently centers around the confrontation between baseball players and club owners.

The baseball players were scheduled to report to spring training, accepting the owners' offer to contribute \$5,450,000 annually for three years.

The National Football League

owners have agreed to contribute \$3,000,000 to the players' pension fund for the 1968 and 1969 season.

Some of the nation's sports writers were glumly predicting the doom of baseball at the worst or curtailed training camps, if the players' holdout continued. The Major League Players Assn. represents players in the American and National Leagues.

The owners' latest offer with vesting cut down to 4 rather than 5 years, included increased disability benefits, \$50,000 life insurance for all active players and \$25,000 for inactive vested players, and increased medical benefits.

Continued on page 29



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3. **Survivor Hospital Benefits**—pays premium payments for the surviving

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For more information on these and other Nationwide Group Insurance Plans have your agent or consultant call the nearest Nationwide Group Representative or write:

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Nationwide Life Insurance Company
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Mortimer's top ASIM aim: open markets

Continued from page 1

that they can keep the business for themselves by shutting out nonadmitted competitors. What this short-sighted position fails to recognize, however, is that risk managers are fully prepared to turn to noninsurance or self-insurance programs consistent with modern concepts of risk management that emphasize self-assumption of risk. This trend is very strong today because of the economics of the situation and because self-assumption of risk helps risk managers to get needed capacity. Admitted insurers have not provided needed capacity in the past or present when given an opportunity to do so.

We also believe that U.S. carriers should be free to compete under the principle of open competition to provide a full avail-



William S. Mortimer.
"Self-assumption of risk helps get needed capacity."

ability of markets to all who need them.

Q. Does this mean that ASIM will strongly support open competition or file-and-use rating laws?

A. Definitely, and we have taken steps to make our voices heard wherever legislatures have considered laws giving complete freedom in rating. I should add that we are primarily interested in regulation to guarantee carriers' financial solvency, which we view as the paramount regulation to complement file-and-use rating laws.

Q. Do you favor Federal insurance regulation?

A. While I'm in favor of effective regulation, I would prefer to have it done at the state level. But if we cannot get reasonable uniformity in state regulation with enlightened requirements and necessary financial integrity,

then we would be forced to reluctantly favor or at least not oppose Federal regulation. We will provide all the assistance we can to state insurance commissioners in efforts to change laws to allow them to perform their functions properly and to assure financial capability of insurers so that state regulation of insurance can flourish.

Q. Do you have any ideas about how to increase capacity and assure financial stability of insurers?

A. One method that would help both stability and capacity over the long term might be a tax relief provision for property-liability insurers to allow them to set aside untaxed reserves to be used only to pay their participation in the event of a catastrophe. Hopefully, this would en-

able them to use other surplus more effectively than they have in recent years. Companies with heavy surpluses are targets for mergers into conglomerate companies that have ways to effectively use the money.

Q. What other improvements might help?

A. One thing is that insurance companies must cut wasted effort and the unnecessary expense in getting their job done. Some insurance companies are operating without making an adequate profit, but this is due in no small part to the wastefulness of the entire insurance mechanism. People today cannot expect to get back in claims any more than 50% to 60% of what they pay in premiums. Proper efficiencies should bring the figure to 80% or more.

Q. What is your position on the trend to mass merchandising of personal lines insurance?

A. This is a definite trend that in the future will help reduce the unwarranted expenses I talked about. It is an efficient way of selling personal lines. Of course, producers see mass merchandising as a way of putting them out of business. We can expect that group purchases of personal lines coverage will be geared eventually to smaller and smaller groups to combat uneconomic factors in the sale and distribution of insurance.

Those agents who fight mass merchandising will be left at the wayside and as a result there will be fewer agents in the future. Those who survive must be more productive as we eliminate the duplication of effort by producers and insurance companies. I favor progressive agents and brokers; they have an important but changing position under future conditions.

Risk managers and employee benefits managers of major employers will be deeply involved in the evolution of mass merchandising. I believe many employers would be interested in providing the mechanism for mass merchandising programs. It can be a good employee benefit. They are concerned, however, with who will pay for this benefit in future years.

Q. What about the alternatives offered to solve the auto insurance tangle?

A. I am discouraged that insurance industry groups are at each other's throats over positions that seem to me to simply serve their short-term interests. The tort system of settling auto claims is obviously wasteful. It's not right that many victims are not promptly or equitably compensated.

I believe that the insurance industry should have gotten together and tried to find a solution that would serve the best interests of the consumer. This is another case in which industry groups didn't think of the consumer. ASIM is ready, willing and able to help. We would like to be asked for opinions on these matters that vitally affect our interests and those of other consumers.

Q. Do you, then, view ASIM as a voice for all insurance consumers?

A. Since we are a major portion of the insurance consumer market, I think we should speak for those who cannot speak for themselves. If for no other reason, we represent the insurance interests of those who employ millions of people who need to receive proper insurance cover-

Continued on page 16

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Blue Cross sues over duplication of benefits

ALBANY, N.Y.—Justice John H. Pennock of state supreme court has ordered a trial in a test case to determine whether a Plattsburgh state employee or his wife can collect on two separate hospitalization insurance policies for the same illness.

Blue Cross of Northeastern New York had filed a claim for \$667.92 against Mr. and Mrs. Raymond Ayotte of Plattsburgh. Blue Cross said the \$667.92 was an excess benefit payment. Mr. Ayotte works for the state and is covered by the Blue Cross contract with the State Civil Service Commission.

The wife was covered by a health, accident and sickness policy with her employer, a Plattsburgh paper mill.

Mrs. Ayotte was hospitalized in Plattsburgh for an operation and Blue Cross, the wife's insurance company, paid benefits.

BLUE CROSS sued for \$667.92, contending that was the duplication in the two policies.

Justice Pennock declined to make a summary judgment sought by Blue Cross. He said the case is important and "affects thousands of employees of the State of New York."

The Ayottes had contended that insurance contracts were unilateral as far as Mrs. Ayotte was concerned and that she thus could collect under both policies. Mr. Pennock said the present state health insurance plan, which includes an amendment barring "double coverage" claims by civil servants, could prohibit a person from taking out supplementary health insurance.

Denticare in offering for Canadians

OTTAWA, Ont.—Insurance companies will offer health insurance for services which are not covered in the national medicare scheme, Health Minister John Munro has predicted.

It is understood the minister has had "positive indications" that the supplementary insurance will be on the market soon.

The minister told the Ottawa Dental Society that dental health care insurance could be one field in which insurance companies could become active.

Another field in which the insurance companies had not been very active was insurance against the loss of earning power due to "catastrophic illness," said the minister.

A denticare plan for British Columbia is understood to be on the verge of emergence. Some drug plans exist.

"If there is a demonstrable market, I'm sure that the insurance companies will try to meet the demand," said Mr. Munro.

The federal medicare act provides for coverage of physicians' services only.

However, the act has a provision which would allow expansion of coverage if there was a consensus among the provincial and federal governments for expansion.

Snow skeeter victim gets \$4,250 award

SPRINGFIELD, Mass.—Robert A. Cross, Long Meadow, Mass., who was thrown from a "snow skeeter" and hurt his back while on a demonstration ride, has been awarded \$4,250 by a Springfield superior court jury.

Mr. Cross sued the Magovern Co., of Springfield, and a vp of the firm Louis C. Rogers, for \$100,000.

Mr. Rogers was driving the machine in which Mr. Cross was riding in Franconia Golf Course Jan. 29, 1966, when it vaulted over a brook and crashed, spilling Mr. Cross out and causing a fracture of his vertebra and "extreme whiplash," according to the action.

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opinions

Misinformed distorters?

Press releases don't usually get printed in *Business Insurance* because we believe in reporting the news rather than in printing someone else's canned copy. But the other day we got a release that we felt worth sharing, in part, with our readers.

It came from Randle P. Shields, executive director of the Western Insurance Information Service, who announced the launching of a campaign he calls "Operation Positive" designed to tell the "true" story of insurance to the public.

After a couple of paragraphs of warming up, Mr. Shields got hot enough to declare: "The situation we face today is comparable to a burning fuse. Negative influences, based on misinformation, ignorance and, in some instances, the seemingly deliberate distortion of facts by certain critics, are gathering momentum. Carried with them and posing one of the most serious crises ever to face the industry are threats of federalization."

Well, we are a little tired of hearing about the "crises" in the insurance industry. But that is not what concerns us. We take particular exception to the references to misinformation, ignorance and deliberate distortion because we count ourselves among the "certain critics" Mr. Shields accuses.

We believe that there are many responsible critics of the insurance industry, among them many corporate risk managers and employee benefits managers whose needs are not met satisfactorily. Responsible critics are rightly concerned about the lack of capacity, cancellations and nonrenewals, insurance company insolvencies and the compounded confusion over auto insurance legislation.

Mr. Shields and his associates in the worthy business of doing the insurance industry's public relations ought to be careful about their accusations. It is time that the industry and its spokesmen stop the nonsense of treating every criticism as if it were the ranting of idiots. It doesn't require an association with the insurance industry to recognize that this country has urgent insurance problems to be solved.

No strict liability

Have you ever wondered whether the doctrine of strict liability which the courts are applying in the cases involving consumer products, will be applied where professional services are involved? The answer seems to be "no."

In a recent decision, the suit was brought against a corporation which designed, engineered and supervised the construction and initial operation of a chemical plant for a manufacturer of chemical products.

The plaintiff, the manufacturer's employee, allegedly contracted cancer as the result of his exposure to chemical dust during the corporation's performance of a contract.

In its decision, the court pointed out that when a corporation purchases professional services, it buys service, not insurance. Pro-

business insurance

for buyers of employee, property and liability protection

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Published by Advertising Publications, Inc., Chicago, publisher of Advertising Age, Industrial Marketing, Advertising & Sales Promotion, Marketing Insights.
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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).
35 cents a copy, \$8 a year in U.S., Canada and Pan America. Elsewhere \$4 a year extra.
WILLIAM STRONG, circulation director. Four weeks' notice required for change of address. Address all subscriptions correspondence to ELOISA D'OVIDIO, circulation services manager.



Member of Business Publications Audit of Circulation.



Work injuries: 10 highest records

	Frequency rates				
	Fatal, Total	Perm. Partial Disab.	Temp. Total Disab.	All Disab.	Severity Rate
Mining, underground coal	.79	1.49	32.99	35.27	6,701
Mining, underground ex. coal	.57	1.27	25.63	27.47	4,942
Air Transport	.05	.12	22.60	22.77	597
Marine Transportation	.19	.70	17.62	18.51	1,992
Lumber	.25	.87	16.44	17.56	2,199
Transit	.08	.23	17.04	17.35	904
Railroad Equipment	.05	.46	12.72	12.23	1,288
Construction	.22	.54	12.45	13.21	1,931
Quarry	.13	.56	12.49	13.18	1,561
Leather	.00	.35	12.46	12.81	203

The 10 highest ranking industries in 1967, according to injury frequency rates, reported these figures to the National Safety Council. Frequency rate is the number of disabling work injuries per 1,000,000 employee-hours exposure; severity rate is the total days charged for work injuries per 1,000,000 employee-hours exposure. The communications industry ranked lowest with an all disability frequency rate of 1.40 and a severity rate of 99.
Source: National Safety Council

fessional services do not ordinarily lend themselves to the doctrine of strict liability without fault; they lack the principal element which gives rise to the doctrine.

When the corporation performed the contract here, there was no impact on the public at large. The decedent was not one of a large group of public consumers, but was one of a small group of employees affected by the activities of the corporation.

The court was of the opinion that the employer of the decedent was the more appropriate insurer against any harm to the decedent than the corporation which was only exercising a supervisory authority delegated to it by the employer of the decedent.

A pension dilemma

A suit filed by employees of a Curtis Publishing Co. printing plant for alleged misappropriation of pension funds is almost certain to win attention from those seeking additional Federal pension legislation. The suit is one of several filed against the Curtis management regarding its financial dealings to gain better financial footing for the firm.

The Curtis management allegedly used \$6,000,000 from the fund, which it considered surplus, to help refinance the company. The surplus came primarily because Curtis cut its payroll from 8,000 persons to fewer than 2,000 in the last few years.

Business Insurance learned that several of these ex-Curtis employees have banded together to see if "implied contractual obligations" contained in a qualified pension program prohibit an employer from using funds that had been set aside for employees.

The Curtis plan had no provision to transfer benefits if an employee was terminated before he was vested, and no special provisions regarding pension benefits were made by the company when it sold various operations to other companies.

Both the suit and the fate of these ex-Curtis employees point up an interesting dilemma in the entire private pension system in the U.S.: What moral and legal responsibility does an employer have to employees with regard to the funds set aside for pensions? And how does this compare with the responsibility that a company has to its ownership, the shareholders, in the case of a publicly held company?

No one can deny that, for example, an employee, age 49, with six months left before vesting, who is turned out on the street, could turn into a cause celebre, packing a great deal of emotional and political wallop. We don't profess to know what the answer is. But Federal legislation requiring quicker vesting for employees can not be condemned out of hand, as some would do.

By the same token, one finds it difficult to fault the record of private pension system when taken as a whole. The system has flourished.

According to the U.S. Chamber of Commerce, last year 28,500,000 persons were covered by private pension plans, fund assets reached \$114 billion and 3,900,000 retirees were paid \$4.9 billion in benefits.

However, with this much money being set aside, employers and those who manage pension funds have all the more responsibility. And as this responsibility grows, if the private pension system fails to meet both its moral and legal obligations, there will be a growing chorus calling for legislation.

letters

Likes specifics

To the Editor: I read a number of insurance magazines and as a general rule, they are dull and repetitious, with a lot of information about people who mean nothing to me. Your magazine is a breath of fresh air in the insurance business. I have recommended it to a number of friends. It does what I believe other insurance publications do not do. It gives information concerning specific coverage situations and what has been done about them including companies writing the coverage, premium, the problems involved, etc. It seems to me that in writing a magazine designed to fit the interests of an insurance buyer, it is obvious that it would be of interest to an insurance broker.

Again, if I can say what I don't want to see in a magazine, it is long articles by company presidents generalizing about where the insurance companies are going, why they have got to have more rates and what everybody is to do. We need more specific hard information from insurance buyers and underwriters about specific circumstances, not broad generalizations. Keep up the good work.

Herb Allen

Allen, Simonds, Gates & Co.,
Los Angeles, Cal.

Earthquake query

To the Editor: In the Dec. 2 issue of *Business Insurance* in the article "Architect warns big earthquakes are inevitable in S. F. area" the following report is mentioned: "Earthquake Hazard In The San Francisco Bay Area," by Karl V. Steinbrugge.

Our director of the insurance and pensions division is interested in obtaining Mr. Steinbrugge's report. Since the publishing company is not listed, I contacted the Institute of Governmental Studies of the University of California by letter, but have not received any answer.

Would it be possible for you to give us any information as to where we could obtain the report?

Your assistance in this matter is very much appreciated.

(Mrs.) Hertha Ketcham

Librarian, Commonwealth Services Inc., New York, N.Y.
Editor's note: Be patient. You've written to the right source.

Looking ahead

To the Editor: When you designed *Business Insurance* for the insurance buyer and find so many subscribers from within the insurance industry itself, you know you've done a good job. We are among your most ardent supporters and predict a brilliant future.

Richard L. F. Simons

President, Baldwin, Simons & Campbell Inc., Springfield, Mass.

Business in general

To the Editor: I find the articles printed in *Business Insurance* very helpful, and I feel they keep me abreast of important insurance matters that concern my office. Although there are articles that do not concern me, I do read them to increase my knowledge regarding insurance matters that affect the business in general.

James P. Bayes

Bayes Agency Inc., Detroit, Mich.

Continued on page 24

“Help! Help! Whiplash!”

Five seconds ago, you felt nice and secure about your business insurance, didn't you? Comfortable. Protected. Cared for. Just like the ads and booklets said.

Yet let something really wild happen and that fat, cushy liability limit suddenly looks like chicken-feed.

Which isn't too strange under the circumstances. Because a nice, neat insurance policy with all that prissy syntax all but presupposes a nice, neat, prissy, claimant.

So what you really need at the moment is not a nice, neat policy but a nice, not-so-neat insurance company. A company that knows when it's best to unbend a little—in spite of what the procedure manuals say.

For instance, one of our specialties at Consolidated is the judicious use of friendly dissuasion. Such as curing a stiff-necked claimant's battered dignity with a good-looking Swedish masseuse instead of money.

Another is our decidedly unfriendly attitude toward what causes claims in the first place.

Because it takes both—deft claims handling and gung-ho accident prevention—to keep policy holders secure, loss-ratios stable and underwriters open to applicants who aren't worth a fortune in premiums.

Of course, you also have to be willing to get labeled as a hard-nosed insurance company.

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Series of 'baffling obstacles' suggested to thwart burglaries

By WILBUR CHARLES

MIAMI—In 1967, the last year on which official FBI totals are published, there were 1,605,700 burglaries reported. Since 1960, burglary has increased 79%. In 1967, burglary rose 16% over 1966. Yet burglary is probably the most preventable of crimes.

Over 100 burglar alarm companies in the U.S. offer security systems to homeowners and businessmen, to protect every known type of facility. These systems are usually classified into categories, relating to the location of the protection system. They can be classified into three categories: *Perimeter* (point-of-entry) protection; *area* (space)

protection, and *object* (spot) protection.

By this means, businessmen can provide protection at any or all of three successive levels—at the intruder's point of entry, through the general area he attempts to travel, or at the actual spot or object he wishes to reach. In critical applications, many owners set up a series of baffling obstacles for the intruder—two or perhaps all three of the following categories.

THERE ARE TWO kinds of perimeter protection—outdoor and indoor. Either (or both) will sound the alarm at the first breach of security.

A particularly effective and

practical method of providing reliable outdoor perimeter protection is with a *taut wire detection system*.

This system can be used to guard 100 feet of perimeter per control panel. Additional panels and detection wire can, of course, be installed as needed.

IN THE TAUT WIRE detection system, an almost invisible but very strong wire is strung along the top of a fence or wall. It is held at a scientifically calibrated tension by a unique mechanism. Either a relaxation of the tension (due to wire-cutting, for example) or addition to the tension (pressure from an intruder's hand) will set off an im-

mediate alarm. The tension is such that the wire need not actually be touched to set off an alarm—movement of the fence caused by even a careful climber will activate it.

This dependable and simply constructed system allows protection of vast stretches of perimeter at exceptionally low cost. It is a system that has proved its effectiveness through many working installations at leading firms, institutions and military installations.

Indoor perimeter protection is somewhat easier to accomplish since climatic problems are eliminated, or at least minimized. But many other problems remain. One major factor is the expense involved in thoroughly protecting the total perimeter walls of a building (which, of course, would still have floors and ceilings unprotected). Another major problem is the configuration

of the building and the partition walls within it.

THE IMPRACTICALITY of total indoor perimeter protection, in most cases, has led to two alternatives: *Area* protection and protection at points of normal access (primarily doors and windows).

Metallic foil, a detection device for windows and glass doors, consists of strips of foil taped to a glass surface in the expectation that the foil will break if the glass breaks. In effect the foil is like a fuse; breaking the foil breaks an electrical circuit. When the circuit breaks, an alarm is actuated. Unfortunately, the foil or "window tape" is somewhat prone to false alarms and resultant high maintenance cost. But more important, it is easily defeated by clever intruders.

CONTACT DEVICES are electric switches mounted on a door or window so that opening the door or window actuates an electrical circuit and consequently signals an alarm.

Most devices of this type can be defeated by experts but they are not as obvious as metallic foil and are relatively maintenance-free.

Experts in the security industry recommend contact devices for auxiliary protection in conjunction with electronic area protection.

Photo-electric systems are basically the same systems used to open supermarket doors automatically for customers. When a light is beamed at a receiving cell, an electrical current flows. When the beam is interrupted, an alarm is set off.

INVISIBLE LIGHT—infrared or ultraviolet—can be used to make the system difficult for an intruder to spot. Additional protection is offered by making the light a flickering beam—one that is interrupted in fixed sequence. Since the light source and receiver are tuned to the same frequency, an intruder cannot substitute another light source. Mirrors can be used to reflect the beam over a wide area or to completely surround an object. ■

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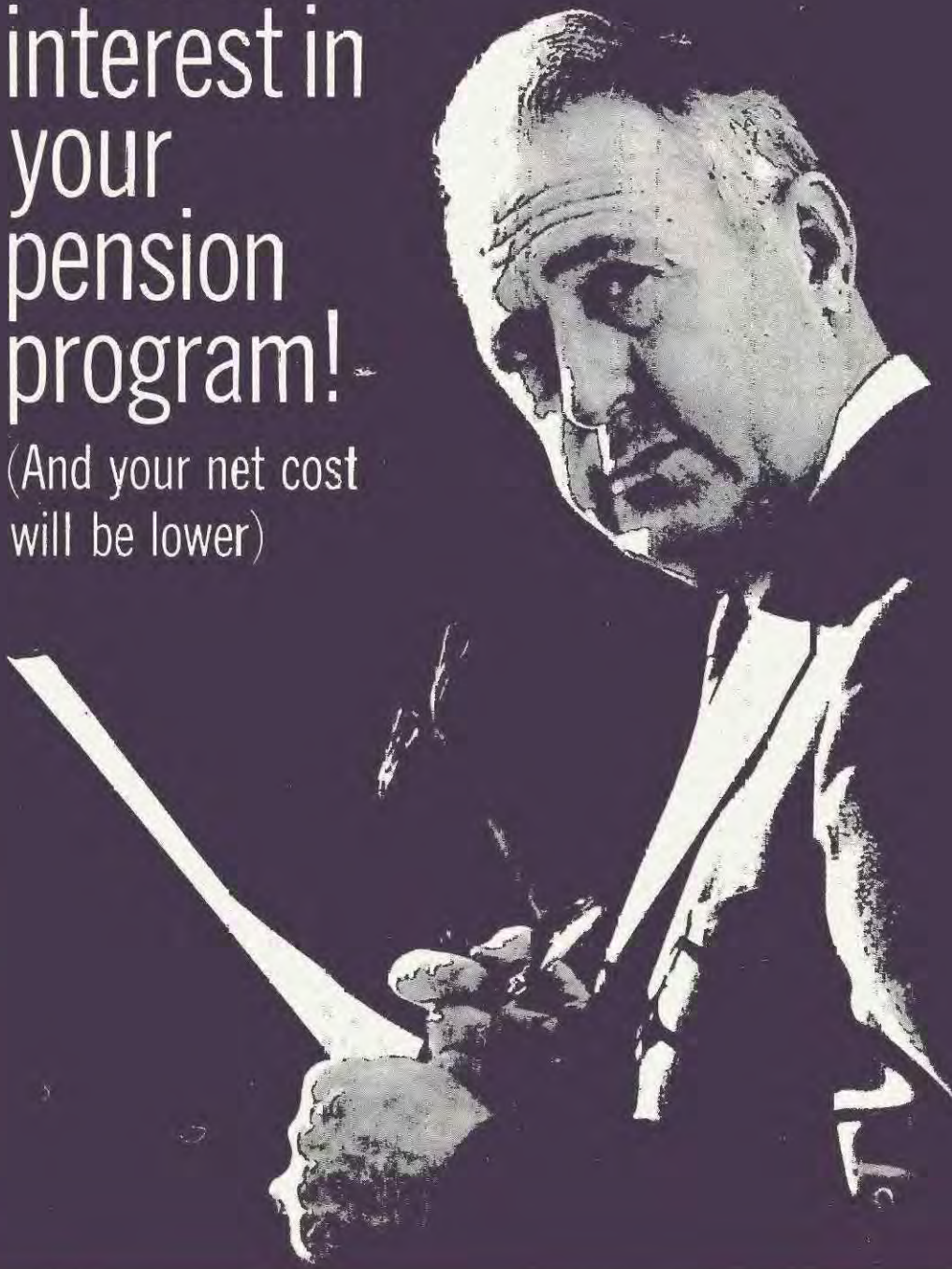
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Suit against Blue Cross set for trial

HARTFORD—The Travelers Insurance Cos.' anti-trust suit against Blue Cross of Western Pennsylvania will go to trial in Pittsburgh federal court following Blue Cross failure to have the action dismissed.

Travelers, in a case that could conceivably upset the national Blue Cross system, claims that the non-profit health insurance organization has been using its dominant position in hospitalization coverage to obtain "discriminatory discounts" from hospitals.

It is charged that Pittsburgh Blue Cross is not paying its fair share of hospital costs because of its contracted rates and, consequently, hospitals must charge non-Blue Cross patients "a disproportionate and unfairly inflated price to offset these discounts."

Blue Cross attempted to have the case dismissed, seeking a summary judgment last June on the grounds that it was not subject to federal anti-trust laws.

Judge Herbert P. Song ruled, however, that Blue Cross was subject to the anti-trust law.

Now the case will go to trial. ■

speaking of security

Waterfront commissioners blast insurers over security efforts

By KAREN LeSHUFY

NEW YORK—Insurance companies have a lackadaisical attitude toward reducing theft and pilferage on the docks, commissioners of the Waterfront Commission of New York Harbor told *Business Insurance*.

The charges were made in the wake of indictments against 22 truck drivers and waterfront workers accused of theft and pilferage on Brooklyn piers.

Members of the Waterfront Commission of New York Harbor—Joseph Kaitz, commissioner of New York; Steven J. Bercik, commissioner for New Jersey; William P. Sirignano, executive director and general counsel; and Charles E. McGee, secretary to the commission—explained the functions of the commission and why they felt insurers weren't cooperating as fully as they could to cut losses.

The New York Waterfront Commission is responsible for licensing and registration of over 22,000 dock workers, including guards, pier superintendents, longshoremen, checkers, stevedore companies and hiring agents.

THE COMMISSION maintains 49 investigators to inhibit criminal acts on the waterfront, and the commissioners pointed out that "the investigators make more arrests than the guards make reports of crimes."

The commissioners said they would like to see underwriters, shippers and terminal operators in the port maintain complete records and statements of losses. At present, they explained, there are no loss records kept and no one has any idea of the total annual loss on the port of New York waterfront.

"One of the problems confronting law enforcement agencies concerned with goods moving in international traffic is the inability of both the shipping companies, terminal operators and marine insurance underwriters to quickly and completely establish whether the goods were stolen, offloaded on route or whether they were actually loaded at the port of origin," according to Mr. McGee.

IT WAS POINTED out by the commission executives that frequently it takes two years to establish claims against a vessel for cargo losses.

Mr. Kaitz said that shippers were not getting the protection they were paying for and were continually saddled with higher insurance premiums.

They also think the terminal operators should install the latest electronic detection equipment and security devices. In Europe, the commissioners pointed out, piers are enclosed by walls, with only one entrance and exit; in the U.S. it is quite easy to enter or leave a pier.

MR. BERCIK SAID the commission would also like to set a higher professional standard for security personnel and maintain central control over them. Currently, the individual terminal operators and shippers employ guards.

About 800 to 900 guards work each day (their average age is 55), and terminal operators and

shipping companies pay at least \$12 million a year to maintain this force. Still, many thefts go unreported, the commissioners said.

A better plan, they suggested, would be to set up a guard force similar to the London dock police, in which the 700 guards receive the same salaries and wear the same uniforms as the London Bobbies.

MR. BERCIK emphasized that underwriters have not established the same sort of centralized rating system for pier insur-

ance that they have for fire coverage. He said there is a big difference in experience levels of various piers, which should be reflected in the rating structure.

"If underwriters had a rating system for insuring piers terminal operators with poor experience would soon find themselves without customers and would begin to enforce stricter security measures," Mr. Bercik contended.

The waterfront commissioners maintained that insurance companies were not enough con-

Continued on page 28

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Mortimer...

Continued from page 10

age at a reasonable price.

Q. What are your plans for ASIM this year?

A. First, as I mentioned earlier, legislative efforts will be our most important task during the next year. Our legislative budget has been increased 100% because of our belief in the importance of effective legislative action. We intend to become a more important factor in the consideration of insurance matters at both the state and Federal levels.

Second, we have organized a risk management research committee to study areas where the science of risk management could be extended and improved. This committee will seek to expand the scope of the risk management function into new areas of control of corporate risk. We will ask our chapters and some



William S. Mortimer

"We intend to become a more important factor in the consideration of insurance matters at both the state and Federal levels."

university professors to explore the parameters of risk manage-

ment.

Third, we have set up a full finance committee to augment the work of our treasurer in order to more effectively spend the money for the best interest of ASIM.

Fourth, we are going to continue our efforts through our membership on joint industry committee to improve our relationship with the insurance industry.

Fifth, we have reorganized an international cooperative committee that will study areas of mutual interest with risk managers in other countries. Groups in England and Germany are organized and recently we have had expressions of interest in ASIM from other countries, including some of the emerging African nations. We may help form groups in other countries and it is possible that these will eventually be an international organization of risk managers.

Sixth, ASIM will take additional initiative to meet with the medical profession in an effort to control medical care costs. Skyrocketing medical costs affect not only the premiums for employee benefits, but also workmen's compensation and liability policies.

Q. What is ASIM doing to promote education and professionalism among risk managers?

A. I have already mentioned research. We will also encourage ASIM chapters to sponsor local seminars and clinics as well as to sponsor insurance days, possibly in conjunction with industry groups. There are two reasons for this type of involvement: They expand individual abilities, and they help communicate new concepts of risk management to the insurance industry.

We will also continue to expend a great deal of time and effort promoting our formal edu-

cation programs through the IIA risk management program.

Q. Do you think the relationship between risk managers and producers is changing, as indicated by your advocacy of insurance days?

A. There is bound to be a change in the relationship between producers and risk managers because of the growing ability and competence of corporate risk managers and their use of risk management concepts. Producers in the future will have only a limited role in many risk management functions if they continue to concentrate their efforts to sell insurance. The producer is presently oriented to insurance; we're moving in another direction.

Q. Does this suggest that perhaps you might change the name of the American Society of Insurance Management?

A. That has been brought up a number of times and was favorably recommended by our constitutional study committee. We will consider a change this year.

Q. What do you think of the proposal that insurance consultants certify the programs they install?

A. I've also heard the suggestion that ASIM certify the certifiers, but that seems like passing sentence on your judge. Actually, I believe that consultants could certify basic insurance programs for small organizations, just as CPAs are doing now. It is an interesting concept and there might be some merit in it. But it would be impossible to adequately study the insurance program of a company as large and as diversified as Norton Simon without the expenditure of a great deal of time and a substantial amount of money.

Q. How is ASIM communicating new concepts of risk management to people outside the organization?

A. We are studying ways of communicating new risk management concepts to top management people around the country. We have hopes of placing ASIM speakers at financial seminar programs and meetings of other top executive groups. Top level management personnel easily grasp concepts of risk management. In fact, they understand it better than a mere expenditure on insurance. It's a planned, logical program that makes sense to capable executives.

Record award given in ladle car accident

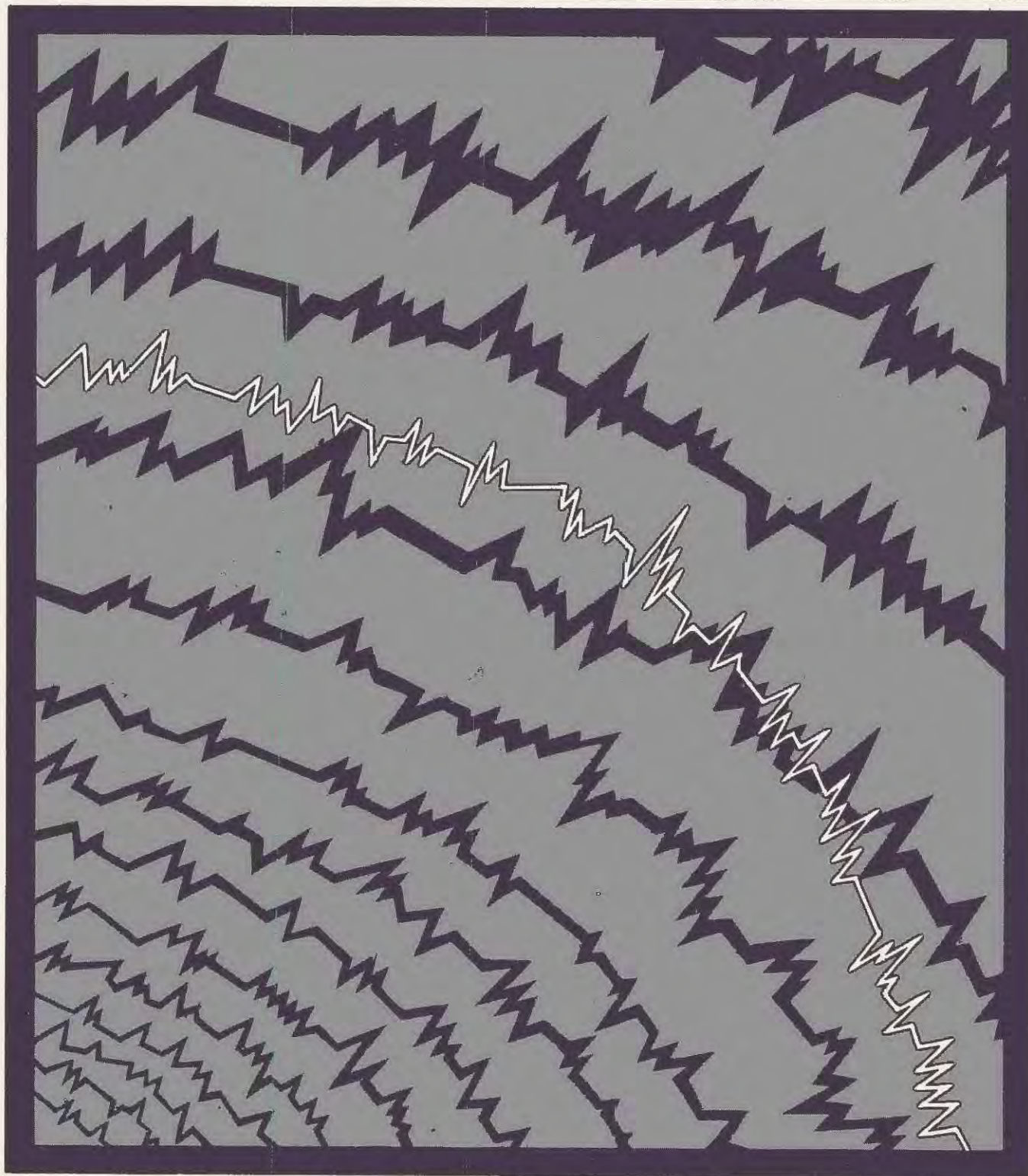
BUFFALO, N.Y.—A record \$120,000 settlement was reached in Federal Court for the widow of a railroad conductor killed last year when hot slag fell on him from a ladle car.

The settlement, approved by Federal Judge John T. Curtin, goes to Mrs. Ethel M. Hamilton, 62, widow of Robert G. Hamilton.

Mr. Hamilton, then 63, died May 26, 1967, hours after a ladle car of the South Buffalo Railway tipped as it left a furnace at Bethlehem Steel Corp., spilling about six wheelbarrow loads of hot slag on him.

Frank R. Bayger, attorney in the suit with Rudolph U. Johnson, said it was the highest settlement ever reached in western New York for the death of a railroad worker that close to retirement age.

He and attorneys for the railroad reached agreement just before a jury was to be selected for trial before Judge Curtin.



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benefit tax slants

Treasury makes changes in rules for both big and small group plans

By JOSEPH S. ROBINSON

NEW YORK—One of the more valuable fringe benefits a company can offer is a group life insurance plan. Here, an employee can acquire up to \$50,000 of tax-free protection. If he gets more, he pays tax on the excess. The company, of course, has a 100% deduction on its entire premium outlay.

The Treasury has made some changes in the group life rules—particularly affecting plans covering less than ten employees. While a group insurance plan must generally cover all full-time employees, a small company can now knock out:

- Anyone who has not worked for the company for at least six months.
- Anyone whose customary employment is 20 hours or less a week.
- Anyone employed for less than five months in any calendar year. (These are not considered full-time employees.)

HERE'S ANOTHER switch in the rules on small group plans: Good health may be a factor affecting either the employee's eligibility or the amount of insurance on his life to the extent that the eligibility or amount is determined "solely on the basis of a medical questionnaire completed by the employee and not requiring a medical examination."

The rules also call for coverage brackets. The amount must be computed either (a) as a uniform percentage of salary, or (b) on the basis of brackets outlined by the insurance company in which no class may receive more than 2.5 times the next lower bracket—also, the lowest class must get at least 10% of the highest bracket. Thus, if an employee in the lowest bracket is entitled to \$2,000 of group life coverage, a high bracket employee has a \$20,000 ceiling.

What about rule changes affecting large companies—those with more than ten employees?

It's now definitely possible to exclude employees who can't pass an insurance medical exam. It's also permissible for a company to require a medical exam as a condition for obtaining amounts of coverage that an insurance company would normally turn down.

FOR EXAMPLE, if a plan entitles a key man to \$250,000 (not obtainable without a medical exam), the group plan can make it available to him on a medical exam basis. (Technical Reference: T.D. 6999 dated 1/17/69.)

Corporate directors are not employees. Therefore, fees paid to them for serving as directors are not subject to wage or Social Security withholding. So says Internal Revenue. (Technical Ref-

erence: Rev. Rul. 68-597.)

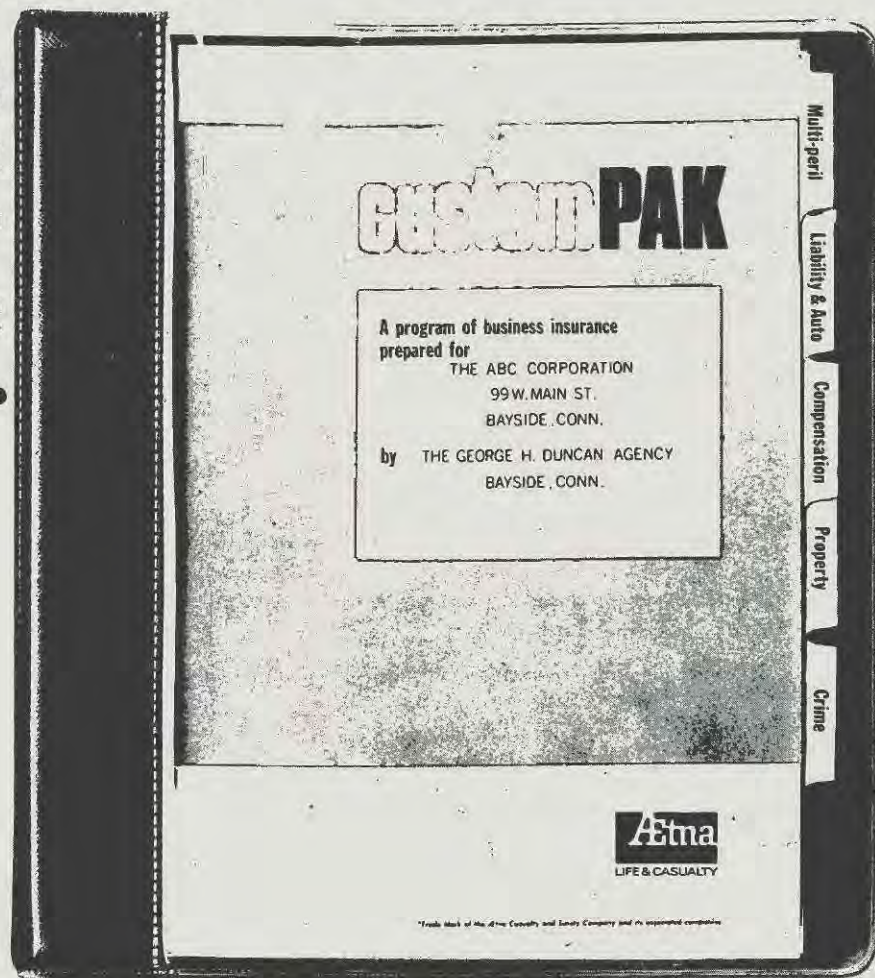
It is quite common for a company to write a check to the widow when a faithful employee passes on. When such payments are made by reason of the employee's death, the first \$5,000 is tax exempt to the beneficiary. A \$5,000 "widow's bonus" costs a corporate employer \$3,900 if its earnings are less than \$25,000, \$2,600 if its income is over \$25,000.

When the plan is funded by life insurance, while premiums are not deductible, the proceeds come into the company on a tax-

free basis. If the company is in the 48% tax bracket, the \$5,000 death benefit (which it receives in tax-free insurance proceeds), is paid out to the widow at an after-tax cost of \$2,600.

While an employer's deduction for a voluntary payment is normally limited to \$25 under the tax rules, this limitation does not apply to the \$5,000 which the widow may receive tax free as a death benefit. Therefore, the employer can take a deduction up to \$5,000. (Technical References: Code Sec. 274(b), and Code Sec. 101(b).)

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Introduce rate regulation bill

A bill has been introduced in the assembly in Sacramento, Cal., that would provide that no rate fixed by any rating organization for any insurance policy would be judged fair, adequate or nondiscriminatory unless profits from all sources were included in the calculations of the rate.

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LIFE & CASUALTY



Management Consultants

Business Insurance, March 5, 1969/17

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business insurance/perspective

Reinsurance: Capacity and catastrophe protection for insurers and insureds

by William H. Rodda,
president,
Marine Insurance Handbook, Inc.



William H. Rodda

Reinsurance helps to guarantee to the policyholder that his insurer will be solvent if he sustains a loss. Reinsuring portions of an insurance company's liability also permits the company to issue larger policies. Every insurance company increases its capacity and its stability by passing on to other companies substantial amounts of its business. Much of the security in the insurance business results from this industrywide and literally worldwide sharing of risk.

State insurance laws generally prohibit an insurance company from exposing more than 10% of its net surplus to a single loss. Thus a company with a net surplus of \$1,000,000 cannot write a policy that would expose it to a loss of more than \$100,000. In actual practice insurance companies are much more conservative than is permissible under the statutes. Reinsurance is used to keep exposures to loss substantially below the 10% of surplus that is permitted.

Aside from the general benefits of reinsurance as outlined above, what is the relationship of the policyholder to the reinsurance that is bought by his insurer? In the rare case in which an insurance company does become insolvent, can a policyholder go direct to his company's reinsurer for payment of his loss?

The general rule is that the reinsurance contract is solely between the reinsured company and the reinsurer. A policyholder of the reinsured company has no standing in relation to that contract. The rule is well stated in a court decision in which a policyholder did try to get a direct benefit from the reinsurance contract.

THE DECISION stated, "An ordinary contract of reinsurance in the absence of provisions to the contrary operates solely as between the reinsurer and the reinsured. It creates no privity between the original insured and the reinsurer. The contract of insurance and the contract of reinsurance are totally distinct and unconnected. An ordinary contract of reinsurance is one of indemnity against loss,

and no action will lie until the loss is paid. Upon the insolvency of the insurer the proceeds of the reinsurance become assets to be distributed generally among the creditors, and the original insured has no equitable claim upon them. The liability of the reinsurer is solely and exclusively to the reinsured. The reinsurer has no contractual obligation with the original insured and is not liable to him." *O'Hare v. Pursell*, 329 S.W. 2d 614,620 (1959).

This principle has been upheld even in classes in which the particular reinsurance contract was arranged because of the size or other nature of the risk which was to be covered for the original insured.

This question is primarily of interest to an insured if his insurer becomes insolvent. The policyholder may inquire why he should be concerned with the question. He does not expect his company to become insolvent. However, there may be reasons to buy insurance from a company whose size and financial condition are not the very best. Furthermore, there is no absolute certainty that even the largest organization will not have some future difficulty.

A businessman might decide to buy some special type of insurance that is perhaps not available from the large or general writing insurers. Dram shop liability, medical malpractice coverage, rain insurance, are examples of insurance coverage that are written largely by companies that specialize in those fields. These companies may be large and well financed, or they may be small compa-

nies. Relationships with other businesses or reciprocity might also influence a person to buy insurance in a company whose financial stability is not quite satisfactory to the insured.

THE POLICYHOLDER'S insurance company might buy a specific reinsurance to cover some large risk of the policyholder. The question arises whether the reinsurance can be so arranged that it would benefit the original insured if the reinsured company should become insolvent. The answer is that such an arrangement can be made.

Reinsurance of a specific exposure to loss can be arranged to benefit the original policyholder by means of what is called a "cut through" endorsement. This "cut through" endorsement is attached to the reinsurance contract. It agrees that in the event the original insurance company fails to pay a loss under the terms of the original insurance policy that the reinsurer will pay the loss directly to the original insured. There usually are some conditions attached to this agreement. First, the right of the original insured to proceed directly against the reinsurer is limited to failure of the original insurance company to pay a loss because of its insolvency. One reason for this is to avoid any right of the original insured to proceed against the reinsurer because of some dispute over the coverage.

The reinsurer usually reserves to itself the right to cancel the "cut through" endorsement. This is merely the equivalent of the right under most insurance policies to cancel the policy upon due notice as specified in the policy.

The endorsement also specifies that payment to the original policyholder discharges the reinsurer's obligation. This is to avoid the possibility of double liability, that is, once to the original policyholder and also to the reinsured company. Unless there were a specification to this effect it might be contended that the reinsurer would have to pay the reinsured company as well as the original policyholder.

THE "CUT THROUGH" endorsement may also be used when an insurance company is reinsuring all of its business. This is done occasionally by a new or small company that wants to build business

Continued on following page

Foreign credit insurance: Vital tool for overseas business

by Paul Garrigue Jr.,
executive vice president,
Intercredit Agency Inc.,
division of Parker & Co. International, Inc.

Virtually every American who reads a newspaper is aware of our country's serious balance of payments problem. Our deficit for 1967 was \$3.5 billion. Some of our main dollar outflows come from tourist spending and military installations overseas together with our aid programs. Our favorable balance of trade is our most important positive item. This trade surplus, although about \$7 billion in 1964, is expected to be only \$1 billion for 1968 and further deterioration in the future is a strong possibility. It is therefore imperative that U.S. exports be increased in every possible way.

One effective tool for increasing exports is the Foreign Credit Insurance Association (FCIA), formed in 1962 as a voluntary association of private insurance companies. FCIA, in partnership with the Export-Import Bank, an autonomous agency of the U.S. government, provides export credit insurance against commercial and political risks for American companies. FCIA's great importance to our export expansion drive is based on the rapidly increasing demand for credit terms by foreign buyers.

The overseas purchaser who needs several \$75,000 airplanes or \$50,000 trac-

tors is no longer willing to pay cash. Furthermore, the foreign buyer realizes that exporters in England, Germany, Japan and other countries are eager to sell to him on liberal credit terms supported by their governmental export credit insurance programs. U.S. exporters must therefore extend credit and this can be done on a fully protected basis when FCIA insurance is used.

FCIA is still relatively new, though several European counterparts have been operating for more than 25 years, and its 6½-year career has been disappointing to exporters. Some of the prob-

lems have been a too small staff, failure to attract enough major exporters and lack of acceptance by the banking community. One particularly important problem is FCIA's monopoly status because with no competition FCIA has not been forced to perform with maximum efficiency. Certainly in other forms of insurance it is a simple matter for a dissatisfied insured to switch from one insurance company to another. But with export credit insurance, the exporter has no choice of markets. The new FCIA administration has made significant im-

Continued on following page

perspective

Reinsurance...

Continued from preceding page
rapidly and also wants to maintain a strong financial position for its policyholders. The reinsurer provides the financial backing until the original insurer has built its strength and reputation. The use of a "cut through" endorsement will obligate the reinsurer directly to the policyholder. This is intended to overcome any objections of the policyholders to the apparent weakness or size of the original insurance company.

One precaution should be observed whenever a "cut through" endorsement is accepted. The stability and financial standing of the reinsurer becomes the important consideration. It is the company that would stand in the place of the original insurer if there were an insolvency. The presence of two insurance

companies in the transaction does not strengthen the situation if both of them are weak.

There is another situation which is called reinsurance and which a policyholder might face. Occasionally one insurance company takes over the business of another company, either entirely or in a particular area. There may be an endorsement to the policies of the original company which agrees that the insurance is now provided by the assuming company. The policyholder has a right of action against the assuming or reinsuring company under these circumstances. This is not reinsurance in the same sense as one company buying reinsurance from another company in order to spread its risk.

While this is sometimes called "reinsurance" it is really an assumption of liability by the assuming company. The

original company in this case no longer is the insurer as far as the policyholder is concerned. The assuming company in this case is substituted for the original company. A policyholder that finds his insurance in one company being taken over by another company would be wise to look into the stability and the financial strength of the assuming company. In many cases the assuming company would be stronger, especially if the original company got into some difficulties which influenced it to sell, but this is not necessarily true. Sometimes an insurance company will sell its business in a particular state in a rearrangement of its affairs. It might sell the business to a small or weaker company. It is always wise for the policyholder to keep alert to any changes in the circumstances of the company that is providing the guarantee of future loss payments. ■

William H. Rodda, a CPCU and a member of Phi Beta Kappa, graduated with honors from Rutgers University. His experience includes management of reinsurance pools, agency and special agency work, management of an adjusting company and fire protection and safety engineering. He was for many years manager of the Transportation Insurance Rating Bureau. He is currently the president of Marine Insurance Handbook, Inc., which publishes the standard inland marine insurance rate book for agents. He is a consultant to companies in the multiple line insurance field. He is the author of several of the principal textbooks on insurance subjects, including *Property and Liability Insurance* and *Inland Marine and Transportation Insurance* and is co-author of *Managing Personal Finances*.

FCIA...

Continued from preceding page
provements in the past 18 months, but much more must be accomplished before FCIA's performance will meet all the needs of our exporters.

RATING AND UNDERWRITING for FCIA insurance are handled on a straightforward basis. Each friendly foreign nation is ranked A, B, C or D, based on its degree of political and economic stability. Government officials in Washington keep these rankings continually updated and occurrences such as the recent ones in Peru and Panama will frequently lead to a change in rank with countries sometimes being changed to "off limits." Argentina, Brazil and Indonesia have recently been given improved ratings. Specific rankings are not listed in this article as many countries are understandably sensitive on this subject.

The other chief rating factor is the length of credit terms extended, such as 30-day terms for day-old baby chicks or seven-year terms for textile machinery. The useful life of the product and the dollar value of the sale are the basic factors used in determining acceptable length of credit terms. FCIA has two types of policies: short-term covering credit terms up to 180 days, and medium-term covering terms from 181 days up to five years and sometimes seven years. Rates vary from about 30¢ per \$100 for 30-day terms to an A country to almost \$7 per \$100 for five-year terms to a D country. These premium costs are normally passed on to the foreign buyer.

AS THE RATES FOR EXPORT credit insurance are mainly determined by country of destination and length of credit period, the real underwriting work is in deciding to approve or decline each application. The underwriters must determine whether the foreign buyer can reasonably be expected to pay for the products sold to him on credit. To do this the underwriters read bank and mercantile agency reports about the buyer and, for the large cases, the buyer's financial statements are analyzed. These underwriting evaluations are quite similar to those performed by corporation credit managers and loan officers at banks.

Important factors for review are the buyer's payment record, his reputation in his community, his experience in his field, the profit record of his company and his overall financial strength. The larger the case the more closely FCIA studies the buyer's paid-in capital, working capital, net worth and various financial ratios. As the FCIA policy promises to pay the exporter if the foreign buyer fails to do so, underwriting activity is aimed at approving those buyers who can be expected to pay their obligations unless a catastrophe occurs. As many different types of unexpected events can affect a business adversely, FCIA insurance



Paul Garrigue Jr.

does not easily lend itself to actuarial appraisal.

FCIA HAS HAD disappointing acceptance from the export community. The complete disorganization of FCIA during its early development led to disenchantment on the part of many corporations. Although exporters of such products as textile machinery, aircraft, construction equipment, hides and skins, trucks, electronic equipment and farm equipment have made good use of this type of insurance, the premium rates are still too high for many companies. This is particularly true for exporters in such fields as cotton, coal, grain, pulp and chemicals. The profit margins in these fields are too narrow to permit large premium payment and FCIA, although it is working on this matter, does not yet have a fully flexible rating system. A vicious circle exists because FCIA needs increased premium volume to improve its procedures and increase its staff, but, until these improvements are made, many major exporters will probably continue to reject FCIA.

FCIA exhibits a very conservative underwriting attitude. Exporters believe that FCIA's underwriters place too much emphasis on the foreign buyer's capital and liquidity and not enough on his reputation, experience and payment record. If a system could be devised to give real credit to those underwriters who make sound but liberal decisions, this would accomplish a great deal. As the system now stands, the underwriters are likely to continue to be conservative. FCIA will obviously never have losses on declined cases but too many declinations will greatly retard the growth of the program. Exporters rely heavily on their payment experience with their buyers and many of them advise that they give their buy-

ers much more credit uninsured than FCIA is willing to cover.

One of our clients uses export credit insurance facilities in several European countries and has often submitted the same buyer simultaneously to FCIA and insurers in other countries. On several occasions he has proved to us that he obtains both faster service and larger coverage from these other countries. If these twin problems of slow service and overly conservative underwriting can be solved, FCIA's volume of business would likely increase dramatically.

Another factor holding FCIA back is the lack of interest and knowledgeability shown by insurance brokers who have apparently decided that this field is too specialized, complicated and lacking in good income potential. A few firms have made a serious commitment to FCIA insurance and these firms handle most of FCIA's business. The FCIA program is constantly changing and a broker must become fully involved in the subject if he is to remain current.

FCIA HAS SEVERAL new programs in various stages of development. Among these are composite and experience rating plans, simplifications of procedures and forms used in policy operation, use of deductibles, a new policy combining short-term and medium-term coverage and underwriter specialization by product. Also, for medium term, a 25% premium reduction will now be extended if a prime local bank is guarantor or if there is a governmental buyer involved. With the improvements and new developments at FCIA, I believe all risk managers whose companies do export business should frequently review this coverage for its possible value to them. Also, it is never wise to assume that FCIA will not provide a special coverage or arrangement. One of the main thrusts of the new FCIA administration is flexibility and it is therefore always best to explore completely whether the needed coverage can actually be obtained.

FCIA insurance obviously has an important future in the United States. Export credit insurance has already proved its value in many other countries and there is a great need for it here. We now have at FCIA a competent, vigorous management which has solved many of its problems and has made a number of excellent innovations. Further progress is underway and in the near future I believe U.S. exporters will have reason to be fully satisfied with FCIA. ■

Paul Garrigue Jr. graduated from Harvard College with a B.A. degree in 1954 and after Army service, was employed in the casualty department of Marsh & McLennan in New York. After joining Intercredit Agency in 1959, he spent four months training for the export credit insurance field in England. Mr. Garrigue served on the advisory committee of FCIA from July 1966, until it became inactive in the fall of 1967.

The answer man

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

Dear Answer Man:

I have been advised by a friend in the insurance industry that your magazine has periodically carried articles on various pension programs. My present position as an officer and representative of the office and professional employees union demands that I become more informed in this field.

I would sincerely appreciate any assistance you might give me in obtaining reprints of these articles or other material relating to pension funds.

Donald E. Hill

Vice President-Representative, Office & Professional Employees International Union, Local #19, Toledo, Ohio.

ANSWER MAN SAYS: Among stories carried by *Business Insurance* on pension programs and other aspects of pensions have been: Sept. 23, 1968, pages 3, 16, 24, 27; Nov. 4, 1968, page 27; Dec. 2, 1968, page 15 (Benefit Tax Slants column).

Dear Answer Man:

Within the last 12 months, I believe, an article appeared in your publication on non-insurance corporations owning a subsidiary or controlled insurance company (life or casualty). Would it be possible for you to advise in which issue this appeared?

Jay A. Shapiro

Joseph L. Shapiro Co. Inc., New York, N.Y.

ANSWER MAN SAYS: *Business Insurance* has carried several news stories concerning captive insurance companies. Some of these articles appeared in the following issues: Sept. 9, 1968, page 1; Oct. 7, 1968, pages 3, 14; Oct. 21, 1968, page 1; Nov. 18, 1968, page 1; Dec. 2, 1968, page 26.

More businessmen ought to be treated like cattle.

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

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Some companies won't insure that kind of risk.

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N. Y. jury awards \$340,000 in medical malpractice case

BUFFALO, N.Y.—A state supreme court jury has awarded \$340,000 to a Buffalo-area man who alleged medical malpractice in the death of his wife.

The award was believed by court personnel to be the largest ever returned in Erie County in a malpractice suit and one of the largest in any civil action ever heard in the county. The all-male jury deliberated about 1½ hours after it was given the case by Justice Rollin A. Fancher.

The jury awarded \$250,000 plus nearly \$75,000 in interest to Robert J. DeLang for the "wrongful death" of his 39-year-old wife, Regina, who died April 17, 1964, in Doctors Hospital in Tonawanda. The jury also

awarded \$15,000 to Mr. DeLang for his wife's conscious pain and suffering.

AWARDS WERE against the hospital and an osteopath, who was Mrs. DeLang's attending physician.

She died of loss of blood caused by internal hemorrhaging leading to shock and cardiac arrest. The complications developed after she gave birth to her sixth child, a boy.

Alfred Julien of New York City, trial counsel for the plaintiff, asked the jury to return a verdict of \$440,000—\$400,000 for her "wrongful death" and \$40,000 for her conscious pain and suffering.

Mrs. DeLang died 15 hours

after she delivered the child.

Defendants were the hospital and Dr. John S. Molea, an osteopath, who now resides in Columbus, O.

In his summation, Mr. Julien alleged that Mrs. DeLang's death was preventable and stemmed from the "gross carelessness" on the part of both of the defendants.

"She walked in there a healthy woman and was carried out after cardiac arrest," Mr. Julien said.

"WHAT IS THE excuse given by this hospital?" Julien asked the jury. "You haven't heard any because there is none."

The "real carelessness," he charged, was on the part of Dr. Molea, whom the lawyer said

failed to leave his patient in proper care.

According to testimony, Mrs. DeLang was left in the care of an intern who was on duty alone in the 60-bed osteopathic hospital.

Hospital employees did their best to save her life, claimed Arthur J. Maloney, counsel for the hospital. He asked jurors not to be swayed by sympathy in their deliberations.

"The hospital does not practice medicine," Mr. Maloney said. "It is a doctor's responsibility to watch over his patient, and he does that as an individual, not as an employee of the hospital."

Attorney Richard K. Schoepferle, who represented Dr. Molea, told the jury that hospital employees failed to follow instructions left by his client.

Dr. Molea should have been notified after he left the hospital of her drop in blood pressure and other signs, said Mr. Schoepferle.

Auto coverage won't switch in Saskatchewan

REGINA, Sask.—Premier Ross Thatcher has demolished hopes of private insurance companies for changes in Saskatchewan's compulsory government auto insurance which would enable them to share the \$25-million paid annually by Saskatchewan motorists for basic coverage.

In a tv interview in Regina, Premier Thatcher bluntly declared his government had decided against any change in the system of universal compulsory auto insurance administered by a government agency, the Saskatchewan government insurance office.

The government has decided one agency with a monopoly over auto insurance is able to provide motorists with the cheapest possible auto insurance. This single agency could be the government, or a private insurance company.

Stressing that his government still believes in the superior efficiency of private enterprise over socialist ventures, Premier Thatcher declared the government's decision is to be viewed as an exception to this rule because of the existence of the government-operated scheme.

Mother not relative, says Conn. judge

NEW BRITAIN, Conn.—A New Britain man has learned that a mother is not a relative, at least according to an insurance policy's terms.

Elmer Pader had sued the Boston Insurance Co. for \$20,000 after the death of his mother, Mrs. Emily P. Milke, also of New Britain, in an automobile accident March 24, 1965.

Mrs. Milke, a passenger, was fatally injured when Mr. Pader's vehicle was struck by a truck. The truck was uninsured.

MR. PADER carried a policy, however, which stipulated payment up to \$20,000 for him or any "relative" in the event of negligence by an uninsured driver.

New Britain superior court Judge Leo V. Gaffney ruled that under the policy's terms, Mr. Pader's mother did not qualify. A "relative," according to the policy, is a resident of the insurance policyholder's household.

Mrs. Milke did live with Mr. Pader at one time, but moved to his aunt's home in 1960 and stayed there until her death.

Because she did not qualify as a "relative," Judge Gaffney rejected the law suit.

Sparrowe gets Di Giorgio job

SAN FRANCISCO—Arch T. Sparrowe, formerly insurance manager for E & J Gallo Winery, has been named to the same post at Di Giorgio Corp., San Francisco wine company.

Mr. Sparrowe's duties include the administration and coordination of insurance and risk programs and liaison with brokers and suppliers.

Prior to his position at Gallo, Mr. Sparrowe from 1954 to 1966 was manager of corporate insurance at Fibreboard Corp.

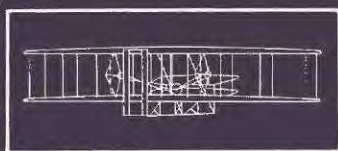
KITTY HAWK

DECEMBER 17 1903



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ASIM unit describes Federal bonding plan

NEW YORK—Details of a Federal plan to bond persons with criminal records who are unable to obtain bonds elsewhere were outlined at the seventh national insurance management conference by the Chicago chapter of the American Society of Insurance Management.

The panel dealt primarily with bonding persons hired by companies that have begun recruiting employees from among "hard core" unemployed persons.

One panel member said he was able to get regular coverage for a person with the following police record: 1956 arrest for juvenile delinquency, 1958 arrest for a sex offense, 1960 arrest and conviction for rape and kidnapping and a 1967 arrest for on a weapons charge.

THE FEDERAL program was outlined by Edward Hansen, insurance manager of Union Tank Car Co. The Federal bonding demonstration project was provided for in a 1965 amendment to the manpower development and training act, he said.

The Federal government obtained a bid from United Bonding Insurance Co. to provide coverage from \$500 to \$10,000 per year per employee. Premium proposed by the company was \$1.75 per \$500 per month or \$42 per \$1,000 per year. The Federal government made a \$200,000 deposit premium payment to United Bonding.

Mr. Hansen said the program is administered by individual state employment agencies. The plan covers only bond exposure; fidelity coverages must either be self-insured or obtained from a commercial insurer, he said.

The Illinois Employment Service, Mr. Hansen said, has reported that 400 bonds have been issued in the state and Indiana with no claims made to date. Mr. Hansen reported that the Federal program has had about 20 claims, with the largest \$800 and most of the remainder under \$100.

MR. HANSEN said he was able to negotiate with his company's bonding carrier to include coverage for a new employee who would ordinarily be excluded. He said his company ordinarily carries a \$1,500,000 bond with a \$250 deductible but that his insurer granted \$10,000 coverage with the \$250 deductible at no extra premium for one such employee.

Panel members also pointed out that some bonding companies will cover employees hired under Federally sponsored programs, such as the Jobs Now program,

Employee financial services get major backing

Brown, Crosby & Co. and Travelers Corp., New York, are moving ahead with separate plans to market insurance and financial services—including mutual funds—on a payroll deduction basis. The broker has just arranged a program for an unnamed company with 35,000 which includes group life, auto, accident, disability and mutual funds. Travelers has announced the formation of a new department to provide employee financial counseling and to market personal investment and protection plans through employers, associations and other groups.

or the National Businessman's Alliance hiring program, even though the employee might not normally be granting coverage.

Mr. Hansen urged buyers to consult and negotiate with their insurers on bonding and fidelity matters.

The chapter panelists outlined a number of facts that should be collected for the bonding company about new employees requiring coverage. These included name of offense, age when offense was committed, term of confinement, extenuating circumstances, evidence of rehabilitation, recommendation of a parole officer, job description and evaluation of the extent of possible loss.

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letters

Continued from page 12

Many inquiries

To the Editor: I wanted to take a minute to congratulate you and your staff on your *Business Insurance* magazine. Ned A. Miller wrote an article in your Dec. 2 issue about employee communications program, "PR firm practices what it preaches," and I was delightfully surprised by the number of inquiries we have received as a result of that story.

The first clipping was sent to me by our own insurance broker, Frenkel & Company, and subsequently we received letters from personnel directors and insurance managers asking for additional information.

I thought you would like to

know how well read your magazine is and how articles such as Mr. Miller's are able to generate an enthusiastic response.

Alfred G. Paulson

Senior vp, Ruder & Finn, New York

British change

To the Editor: Your Feb. 3 article on British social security developments contained several items which should be clarified. First, the proposed system represents a major departure from government policy over the past 20 years. As you noted, employee-employer contributions and benefits are to be wage-related. However, there is to be a ceiling on covered wages for employee contributions and benefit amounts, but employers will be required to contribute on full earnings.

While contribution rates for each are 6¾%, old-age pension contributions are 4¾% from employees up to the ceiling, but

4½% for employers on full payroll. A 2% cost applies to social insurance and the employer will pay an additional ¼% into a redundancy fund. Note also that the government plans to add about 18% of the total employee-employer contributions, as they have under the present programs.

It is true that pension benefits can double over amounts that might have emerged under the present system but there is a 20-year transition period involved. The full wage-related pension formula is 60% on wages up to half the national average, and 25% on excess wages up to one and one-half that average. These "career" wages, incidentally, are adjusted for benefit calculations to reflect changes in the national average.

Another major point concerns the government's concern on vesting under private plans. It is expected that some vesting pro-

vision will be required in private plans, but there are no details at present. Finally, American benefit plan managers should be aware of probable government "guidelines" on integrating private plans. There are many private pension plans now with little or token integration and with a liberalized statutory program. This item deserves far more than passing attention.

G. H. Nazarian

Consultant, Foreign Benefits, General Electric Co., New York.

'We're amazed'

To the Editor: Business magazines can be dull, predictable, unimaginative and good only as a vehicle for advertising, but, we're amazed at and delighted with your ability to dig out and current news.

If this is because you're young

we hope you don't grow old even if you have to start all over every year.

H. Robert Anderson

Vice President & Manager, Anderson Bros. Agency Inc., Minneapolis, Minn.

'Old timer' wants group life reinstated

LAKELAND, Fla.—The director of parks and admissions here has filed suit in circuit court asking that the city be made to reinstate its employee life insurance program, which it dropped in 1950.

Lakeland set up a group insurance plan in 1939, in which the city paid half of the premium. If an employee with more than ten years' service retired or terminated his employment, the city was obligated to continue to pay the premium.

In 1950 Lakeland dropped its participation in the program for workers with over ten years' service, although it continued on a policy not over \$1,000.

Joker Merchant, the park director who filed the suit, said that the move by the city "kind of left some of us old timers out in the cold."

The suit charges that Lakeland is required to continue its group insurance coverage for ten-year employees, as it agreed in 1939. This would require the city to pay half the premium on a \$5,000 policy.

Group auto approved in Connecticut

HARTFORD—The state of Connecticut has given permission for automobile insurance to be sold in group plans, much the way group health insurance is now sold.

A ruling by State Atty. Gen. Robert K. Killian clears the way for the decision by State Insurance Commissioner William R. Cotter.

The new ruling allows insurance to be sold to employees of a company, members of a credit union, customers of a bank and the like.

Reduction in paper work and commissions is expected to save Connecticut drivers 10% to 15% in annual premiums.

Memorex asks new workmen comp rating

SACRAMENTO — Memorex Corp., San Francisco peninsula electronics firm, has appealed to the California insurance department about a compensation classification assigned to it by the California inspection rating bureau.

This is the first appeal from such a ruling in many years in California.

The classification carried a workmen's compensation insurance rate of \$2.42, under a classification for paper coating, corrugating or oiling.

The company appeal asks that it be classified under electronic element manufacturing, with a rate of \$1.06, or, alternatively, under printing, with a rate of \$1.26.



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costs, and maximum yields on your pension funds, see your broker or one of our group sales representatives or agents. We'll have a man contact you for an appointment if you write Ivan D. Pierce, Director, Pension Sales, Pacific Mutual Life Insurance Co., Pacific Mutual Building, Los Angeles, California 90054.

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Curtis. . .

Continued from page 1

discriminatory at any time subsequent to original approval. Several sources indicated to *Business Insurance* that provisions in the "amendment and operation of the plan" section would not receive IRS approval.

HOWEVER, ONE source said that the advantages of IRS approval probably would not have much meaning for Curtis because it was losing money. The tax deduction for contributions made to a pension fund would not mean much to a company that already had gigantic tax loss carry forwards, the source explained.

By the same token, if the IRS were to remove its approval, employees currently in the plan could lose the favorable tax treatment afforded qualified pension plans, such as tax-free build-up and distribution features.

"Curtis was in a position to say phooey to IRS approval," the source said. "And the only persons who could get hurt were those already in the plan."

Another pension fund expert said that it was not standard operating procedure for a company to dip into its pension fund for its own use. "Once this money is set aside," he said, "it is beyond the reach of the employer."

THE CURTIS plan had grown to \$53,000,000 in assets in 1961, and since that time, five annuity purchases were made, \$13,000,000 from Prudential Life Insurance Co. in 1962, and \$12,000,000 from Travelers Co. from 1963 to 1966.

As of 1968, book value of the Curtis fund was estimated at \$28,000,000, and several insurance companies are bidding on a proposal that would make the pension plan fully insured.

Curtis said that \$6,000,000 was taken from the fund as working capital and to finance a subsidiary publishing company. The move was described as a recapture of surplus from the fund, primarily because of fewer numbers covered in the fund.

Curtis had more than 8,000

employees in 1964 and currently has fewer than 2,000. The reduction came as Curtis sold several properties, including *Ladies Home Journal* and *American Home* magazines to Downe Communications.

The section of the Curtis plan that pension experts question reads:

"IT IS AN EXPRESS condition of the plan that it shall be impossible, at any time prior to the satisfaction of all liabilities hereunder, for any part of the principal or income to be used for, or diverted to, purposes other than for the exclusive benefit of the eligible employees or their beneficiaries.

"Company shall have no right, title or interest in or claim upon funds and its rights shall be limited to enforcing plan, provided, however, that if upon the termination of plan as to any company, and only at such

termination, there should be a balance in funds, due to erroneous actuarial computation, such balance in funds shall be paid over by trustee to company, its successors or assigns."

Pension experts explained that most plans today carry the provision that if the plan terminates, the pension rights become vested for those employees. They contended that the sale of operations by Curtis, in effect, terminated the plan.

They also contended that they "doubted like hell" that IRS would approve a plan today without requiring a statement that if a plan was terminated, those in the plan would become vested.

An IRS spokesman said he could not comment on individual pension plans. He said all trustee plans, such as the Curtis plan, are required to submit annual report forms and are subject to annual review.

Court holds insurer partially liable for value of hijacked silver

NEW YORK—Cargo liability insurers will not have to pay for the full value of hijacked silver, according to a decision by a justice of the New York County supreme court.

The ruling, which pertains to a 1961 tariff amendment, came as a result of two lawsuits: *Federal Insurance* (acting as subrogee for Kennecott Copper) vs. *Spector Freight System* for the loss of a hijacked truckload of silver bullion, and *Handy & Harman vs. Interstate Motor Freight System* in the loss of a hijacked truckload of fabricated silver alloys.

The carriers claimed only a partial liability for the goods under a Released Rate Order (RRO) issued by the Interstate Commerce Commission for any metal-NOI (not otherwise in-

dexed by the ICC.)

A CARRIER normally is responsible for the full value of the goods he transports unless the ICC grants an RRO for such goods.

In practice, the carrier issues tariffs stating its rates and its liability for goods carried. If an RRO for a class of goods has been granted by the ICC, the carrier lists the full value rates and liability and the released value rates and liability. After the shipper makes his choice of rates, the rates and liability are written on the bill of lading attached to the goods.

In 1959 the ICC granted an RRO for metals-NOI: silver, separately indexed at that time, was excluded from the RRO.



JUST AS WISE—

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EDP fire. . .

Continued from page 1

is a \$500,000 deductible written into the policy.

"This is the first EDP loss Control Data has suffered," Mr. Abrahamson told *Business Insurance*. But, he added, his underwriter was concerned about the recent student revolt in France because Control Data has a considerable amount of equipment in French universities.

The Sir William George University protest began when white and West Indian students took over the computer room to protest what they said was racism on the part of a biology professor. He allegedly gave lower grades to West Indian students regardless of their performance.

THE TROUBLE started when some students who objected to cancellation of their classes stormed the protesters. About 90 students then wrecked the computer by chopping at it with axes, starting it afire and then flooding the computer room. Computer cards and tapes were thrown from windows. All of the protesters were arrested.

The estimated \$2,300,000 loss is about one-third of that suffered by the Pentagon when fire ravaged one of its computer areas in 1959.

You probably don't give a hoot whether some owls are wiser than others, they all look alike to you. Perhaps insurance companies look alike to you too. After all, they do offer similar policies at similar prices, but right there the similarity ends. The experience, the organization, the facilities, the underwriting knowledge and the hundred-and-one extra services so vitally important to you vary greatly. In serving the leaders of American commerce and industry for almost a century we offer a unique combination of business acumen and a flexible approach to underwriting problems, both here and abroad—a large plus, yet Chubb service costs no more.



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To boost capacity, talk with your underwriter

NEW YORK—International insurance experts advised members of the American Society of Insurance Management to communicate more closely with their underwriters if they expect to gain greater capacity from the insurance market.

This advice grew out of a discussion between international experts at the seventh annual conference of ASIM where a "panel internationale" concentrated its attention on the capacity problem and the difficulties of meeting insurance requirements overseas.

One of the key requirements for greater capacity in the international insurance market is better information for underwriters, according to panelist Leslie W. Sage, vp of AFIA Worldwide

Insurance. Other panelists agreed that underwriters, hit by heavy and concentrated losses in recent years, are "gun shy" and avoid taking any unnecessary risks.

MR. SAGE said that helpful information includes a breakdown of values involved in business interruption risks, including sources of supply. He said that loss control measures are also critical in underwriters' decisions.

"There should be links between the broker and buyer on the one hand and the underwriter on the other," said Mr. Sage. "This way the underwriter can accept a risk up to full capacity."

Panelists at the ASIM meeting

agreed that if underwriters knew more about the protection afforded a given risk they might be more willing to write it. R. J. Rock, director of C. T. Bowring & Co. Ltd., London, cited as an example the recent Lake Charles oil loss that was larger than underwriters estimated as a maximum for the risk.

Mr. Rock added that "we view with interest developments of sophisticated risk management in which the U.S. leads. Loss prevention is most important and it should be a constant consideration of management in the design, manufacture and distribution of new products. However, such loss prevention begins at the planning stage."

Correct pricing of the insur-

ance product, Mr. Rock maintained, depends in part upon effective communication between the corporate buyer and the underwriter.

ROBIN A. G. Jackson, secretary in the facultative division of General Reinsurance Corp., agreed, saying, "The risk manager must provide solid underwriting information. There must be a closer relationship between insurers and corporate insurance buyers."

Panelists connected with the London insurance market agreed that it would be a big help if North American insurance buyers would come to London. "This is a big help," said one Lloyd's representative.

One panelist said that he is

often asked, "Should I go to London?" He said that his answer is that any North American risk manager who buys coverage from the London market should come over with his broker.

"This is becoming the norm," he said, "and it often helps to place the risk by providing the underwriter with more information."

MEMBERS of the international panel concurred that the lack of worldwide capacity results from depressed insurance premium rates and increasing challenges presented to the insurance carriers, including corporate mergers, acquisitions and the changing characteristics of insurance risks.

Some panelists were critical of the creation of captives which, they said, take funds out of the general insurance market and contribute to the worldwide capacity crisis.

Spokesmen for the insurance industry in France, Belgium and Germany emphasized the importance of consulting local brokers and insurers who are familiar with local laws and customs. ■



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Comsat gets rocket, satellite coverage

WASHINGTON — Communications Satellite Corp. has purchased a "hull policy" to cover its portion of the Intelsat III program to place four commercial communication satellites into orbit.

The policy carries the cost of one launch as a deductible, and a salvage recovery clause provides that if a satellite is only partially successful but produces some income, the insurer will get a relative portion of the income.

Cost of a launch is estimated at \$8,600,000. Comsat currently has a 53% ownership in the project with 62 other nations forming a consortium ownership in the remainder. The foreign countries did not purchase coverage, it was announced. (Talks were scheduled to begin here last week to deal with the management of Intelsat including a possible reduction of Comsat's ownership in Intelsat.)

The insurer is Associated Aviation Underwriters, and Marsh & McLennan and James W. Barrett Co., Washington, were the brokers.

THE COVERAGE, which goes into effect when the rocket is assembled on the launching pad, includes such things as failure to achieve the right orbit, proper altitude and proper position of the satellites' antennae.

Sprinklers...

Continued from page 6

and Kennedy Airport, for instance, pay a higher share of premiums than do other facilities with fewer accidents.

Duane E. Allen, manager of property insurance for the Hanna Mining Co., said his company lets "losses fall where they may." Divisions, Mr. Allen explained, "should assume the cost of their own activities." He added, however, that Hanna may switch to a self-insurance fund "spread" if the company decides to assume a larger deductible.

MR. MORTIMER and Mr. Storey made the point that insurance accounting should be performed within the insurance department. "You open up a real can of worms when you get a green eye shade accountant involved in things," Mr. Mortimer said.

Mr. Storey added that SCM's insurance department "utilizes premium costs as an effective attention getter in loss prevention"—and thus wants to keep control of insurance accounting.

Dealing briefly with the mass merchandising phenomenon, Mr. Henning said that the advisability of payroll plans "have ceased to be an insurance question."

"WE'VE LOOKED AT the pros and cons of mass merchandising," he said. "Now it's up to the industrial relations department to consider it in the light of overall corporate objectives."

Mr. Levinson said that once group auto plans are adopted, "eventually employees will ask for total payment." He disclosed that at least two insurance companies are currently contacting unions to get them to push group auto plans.

Mr. Henning said a survey taken for ASIM by Woodward & Fongiller indicated that 85% of the insurance managers contacted are against mass merchandising programs. ■

Lloyd's to get miniskirts, too?

LONDON—Insurance buyers travelling to Lloyd's of London will hear the tittering of women's voices when they have lunch at the exclusive Captain's Wheel, the Lloyd's private restaurant.

Well, maybe they'll hear women's voices.

Lloyd's had decided to admit women next January for the first time in its 300 years.

The women must be British, be permanent residents, have \$180,000 in assets and deposit \$36,000 with Lloyd's. Women will do business through an agent and not personally conduct business in the market.

the time it is assembled on the launch pad until blast off. There is also liability coverage on the rocket and satellite. ■

Hooker blast damage estimated at \$500,000

BUFFALO, N.Y.—Hooker Chemical Corp. estimated that property and production losses resulting from the Jan. 30 explosion and fire at the Durez division plastics plant in North Tonawanda, will exceed \$500,000.

The losses are insured through the Factory Insurance Assn., the company said.

One worker, Benjamin C. Kolb, 36, died Feb. 1. Twenty-seven other workers were injured in the blast.

"Our principal concern continues to be for the employees who were injured," John J. Lenahan, general manager, said.

"Property can be replaced and production capacity already has been realigned to meet our customers' demands," he said.

"Except for the few buildings damaged out of the 88 at this facility, all units have operated continuously in normal fashion," he continued.

Four buildings were damaged by the explosion, but one building was repaired and back in operation Jan. 31.

The company said extensive investigations into the cause are continuing. Among those groups participating in the investigation are the State Department of Labor, State Department of Health, Niagara County Health Department, the FIA and the General Adjustment Bureau.

Preliminary investigations indicated there may have been as many as three closely spaced explosions. ■

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Hormel & Co. spells out benefits in its magazine

By TERESA NORTON

AUSTIN, Minn.—George A. Hormel & Co. spent more than \$25,000,000 in 1968 on employee benefits and each of the 8,500 employees is well aware of the fact.

In a four-page article in a recent issue of the company's magazine the benefit program is broken down in cost-per-employee figures for all areas and

compared to nationwide, all-industry figures. With increases in benefits occurring twice as fast as those in wages, Hormel points out that it has increased the amount spent per employee by almost \$1,000 since 1966. The Hormel benefit program is supported entirely by the company.

The company tries to put out a total review of benefits for its employees once a year, said Allan Krejci, editor of Hormel News.

Mr. Krejci worked directly with the insurance and payroll departments to produce the illustrated article recapping the 1968 program.

"WE ARE IN THE process of putting together a personal benefits booklet for our people right now," the editor told *Business Insurance*.

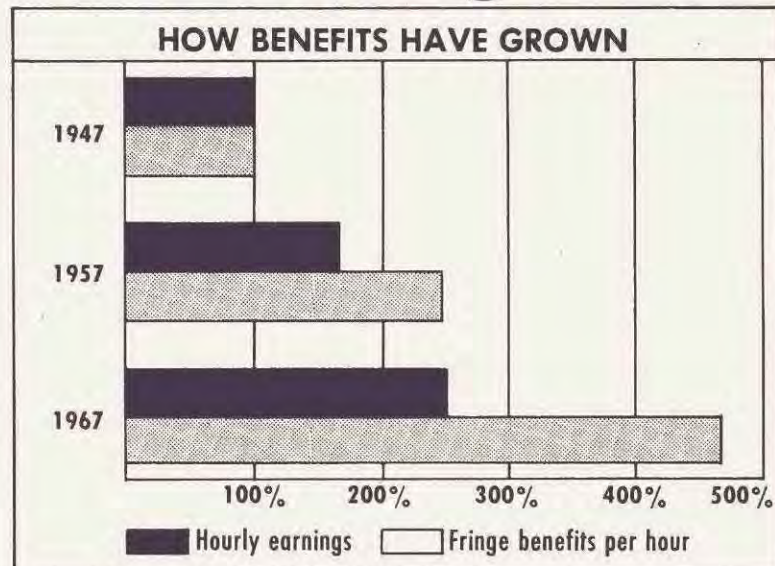
The booklet is designed so that facts on life insurance, major medical and retirement benefits can be filled in separately for each person. Hormel workers are notified in some capacity of any changes in benefits which affect them.

Hospital, medical and group life insurance cost Hormel \$349 per employee, with disability insurance running \$146 per person last year. In the Hormel News these figures are also broken down to cost per hour. Prudential Insurance Co. is Hormel's carrier.

Benefits were spelled out for employees through pictures and graphs in the article, which detailed the almost \$9,500,000 spent by the company on vacations and holidays, recess periods and personal services. Under the personal services program employees called for such things as jury duty or military summer camp are paid an amount equal to the difference between their weekly check and the amount received from the outside source.

RAY BOETTCHER, Hormel risk manager and director of the benefit program since 1947, told *Business Insurance* that even though benefits will show a marked increase in 1969, he would rather pay the cost of renegotiating them than institute a program that would automatically adjust to the effect of inflation on the economy. Benefits that adjust automatically don't give the company credit, in the eyes of the worker, when an increase does occur, he maintained.

The next union negotiation session for Hormel will come in



A survey of 1,150 companies of all types and sizes revealed the rise of benefits in the U. S. in comparison with wages. Hormel's benefits increased from \$2,157 per employee in 1966 to \$3,120 in 1968.

the summer of 1970.

Union benefit programs haven't pulled many employees away from Hormel, Mr. Boettcher remarked, since only a small percentage of employees—mainly the Teamsters' Union on the West Coast—have their own program. Hormel hopes to keep its workers in its own program, he said.

Though vacation bonuses and banking of unused vacations are possible matters for union negotiations in the future, Hormel doesn't permit vacation banking because the company has had bad experience with this at the management level, he said. "We haven't had any requests for vacation bonuses from unions yet," Mr. Boettcher noted, "but this seems like a logical thing for them to want."

"Generally, everyone gets five weeks vacation after 20 year's service but we encourage splitting the time up," Mr. Boettcher pointed out. This alleviates the work-gap problem that could result from extended absence.

One big problem, the benefits director told *Business Insurance*, that the company has is the number of elderly people employed. This means more disability and hospital claims and although Prudential uses electronic data processing to control these claims, Mr. Boettcher pointed out that it is easy to "develop a lot of statistics and not know what they mean." He is now in the process of trying to determine what statistics are necessary to help correct undesirable situations.

Early retirement at age 62 with no disruption in the pension, handled by Charles W. Sexton, Minneapolis brokers, helps solve one Hormel problem. Pen-

sions for retirees cost the company more than \$6,000,000 last year. Retirement is mandatory at 65 and Hormel uses the Harvest Years Co. for its program.

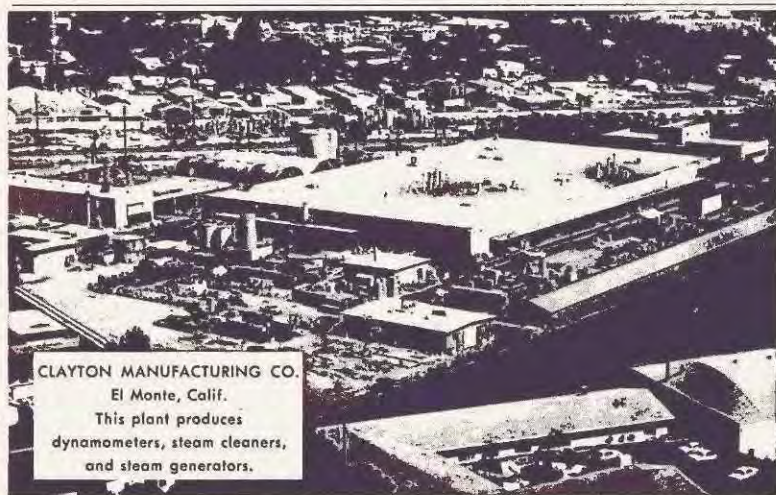
The company provides joint earnings, as well as pensions, for its employees. The program, which has been in effect throughout the entire organization since the early 1940s, offers immediate payment to hourly paid workers while salaried employees receive their joint earnings in a trust, similar to deferred profit sharing. In 1968 these earnings were computed to be worth \$301 per person, almost six times more money than in 1966.

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Waterfront...

Continued from page 15

cerned with preventing losses on the piers. When a loss occurs, they said, insurers raise rates instead of trying to eliminate the cause of the loss.

IF AN INSURANCE category becomes prohibitive, underwriters will decline to write that type of coverage, they charged.

Gerald O'Brien, exec vp of the American Importers Assn., agreed that there is need for tighter security on the waterfront. One of the problems, he said, is that too many of the guards are former longshoremen.

Mr. O'Brien added that the group would "very much like to have importers send up copies of their claims so that we could make a tabulation of them."

INSURANCE COMPANIES, he stated, are "too prone to merely accept high loss ratios and thereby raise the premium to the importer instead of directing their efforts to eliminating the cause."

He also scored shippers: "Unfortunately I have the impression that importers are much too eager to sell their goods and they pay too little attention to the fine points of insurance coverage, subrogation and loss prevention."

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Third-party oil liability limits strained by Pacific slick damage

By THOMAS LUTZ

CHICAGO—Oil industry insurance managers have begun to question the adequacy of third-party liability insurance limits on offshore oil wells following the massive oil slick that developed from a leak in an undersea well six miles off the coast of Santa Barbara, Cal., recently.

Limits have been what one insurance manager now describes as "low or moderate"—generally \$100,000,000.

Another oil industry insurance manager told *Business Insurance* that from now on he plans to get "as much coverage as I can." He said that even \$500,000,000 "wouldn't be adequate." although he didn't know where to find that much coverage.

Up to now, yet another insurance manager said, no one felt that the risk was that great in offshore oil wells. The suits filed against Union Oil, the operator of the well, have given everyone "cause to think," he said.

One of those suits, reported last issue in *Business Insurance*, is a "class action," brought against the company by fisher-

men, boaters, property owners, and those who suffered esthetic loss. It asks \$1.8 billion in damages.

Another suit has been filed in Santa Barbara superior court by the State of California and asks \$560,000,000 in damages.

The state also filed a \$500,000,000 claim with the Department of the Interior, the lessor of the drilling rights of the leaking oil well. If the claim is denied, the state will begin court action against the department, according to state Attorney General Thomas C. Lynch.

THESE huge suits and claims provoked one insurance manager to tell *Business Insurance*, "This loss is bound to affect the market. It's going to hurt all of us."

Others, however, were less concerned about the impact of the loss on the capacity of the market. "It won't hurt that much," one oil company insurance manager said, but he added that he was glad his liability coverage wasn't up for renewal now. "This has been the cheapest insurance," he said, fearing possible rate increases.

All the insurance managers told *Business Insurance* they were concerned about the two bills now before the U.S. Senate dealing with tanker pollution and offshore oil well pollution. "We want to do right by the public," one insurance manager said, "but we certainly oppose the senate bill as it now stands."

Asked if the International Tanker Owner Pollution Federation, an insurance pool formed after the Torrey Canyon oil spill, might be extended to cover clean up of leaking offshore oil wells, many of the insurance managers said they thought this was a possibility. As it is now conceived, the captive pool would cover only oil spills from tankers. ■

First airline skyjacking suit filed by heart attack victim

MIAMI—A Florida auto salesman has filed what appears to be the first damage action growing out of an airline skyjacking.

Rocco Roy Pompeo, 47, of Miami, sued Eastern Airlines for more than \$5,000 as a result of an air piracy to Cuba in January, claiming he suffered a heart attack during the diversion.

Mr. Pompeo accuses Eastern of being negligent and contributing to the hijacking by failing to inspect baggage and passengers for weapons, even though it knew hijackings were prevalent. He also noted that the airline had no mechanical device aboard the Jan. 2 flight to detect weapons.

ACCORDING to the suit, a man who had just changed

clothes in the plane's lavatory, strode into the first class cabin and "choked a stewardess in an attempt to obtain access to the cockpit." Mr. Pompeo charged that the man then pulled a gun and pointed it at his head before being permitted to enter the cockpit.

The suit contends Mr. Pompeo lost a \$175 camel-hair coat and \$156 in cash that was in the pockets when Cuban authorities refused to let him retrieve the coat from his seat. He returned to Miami Jan. 3.

The suit also contends that the airline "was obligated to exercise the highest degree of diligence and care for the protection of the plaintiff against injury, assault and inconvenience." ■

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Ballplayers...

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The owners' proposal would increase retirement benefits for a ten-year veteran at age 50 from \$500 to \$600 monthly, with a provision that benefits could begin at age 45. Under the proposal, disability benefits would be hiked from \$500 monthly to \$700 monthly plus \$50 per dependent child. Widows would also get an additional \$50 monthly per child.

The major league players' benefit plan is administered by the Equitable Life Assurance Society. There are supplemental pension benefits available on a contributory basis.

The players plan currently provides \$15,000 to \$50,000 life insurance (\$12,500 to \$15,000 for inactive) for active players depending on length of service, \$15,000 major medical, lifetime widow's benefits, and a \$500 maternity benefit. Equitable has administered the plan service its beginning in 1947.

The National Basketball Assn. benefit plan, currently in its fifth year of operation, provides vesting after three years. The basic plan would provide a ten-year veteran with \$600 per month at age 60.

SINCE THE American Basketball Assn. is only in its second year of operation, no funds have yet been set aside by the team owners. A committee of owners and players is working out the details of the plan, a league spokesman said.

The National Hockey League purchases the guaranteed portion of its players' plan from Manufacturers Life, and National Trust Co. manages a special equities portfolio. The maximum owner contribution, based on games played, is \$1,500 per player, which the players match. For the 240 players in the league, the annual contribution is about \$750,000, a league spokesman said. The owners' portion is the maximum, an NHL spokesman said.

About 25% of this is placed in the equity portfolio, he said.

Vesting is provided after three years, and players are guaranteed \$300 per month for every year of service at age 45.

THE NHL PLAN provides a ten-year guaranteed payment even if the player and his widow should die before that time.

The U.S. Trust Co. of New York is the trustee for the variable annuity portion of the National Football League plan. New England Mutual Life has the group annuity portion. Two players and two owners make up a special committee to supervise the fund.

The NFL plan, which is five years old and covers players in the league since 1959, has a five-year vesting provision. A ten-year veteran at age 65 would be paid about \$1,600 monthly.

The owner's \$900,000 contribution for the 1967 season was divided 60% into variable annuities with U.S. Trust as corporate trustee, and 40% went to New England for the fixed purchase. The contribution for the 1968 season has not been made, pending a study by the special committee and two actuaries hired by the players union and owners to determine among other things the ratio of fixed to variable benefits. It is understood that a similar study is being made in the AFL.

THE ANNUAL purchase is based on the number of players eligible (three or more games), number of dollars and average age. The plan has a ten-year certain payment provision on the insured portion of the benefit.

The American Football League has essentially the same pension plan as the NFL. The AFL owners contributed \$515,000 to the fund for the 1967 season, with U.S. Trust getting 60 per cent for the variable portion and Mutual Benefit Life Insurance Co. the remaining 40% for the fixed portion.

AFL owners will increase their contributions to about \$900,000 for the 1968 season similar to the NFL raise. The AFL has fewer players with ten teams, as opposed to the NFL's 16 teams. ■

Group auto...

Continued from page 3

As a means of freeing up hospital beds and cutting down on medical expenses, employers should consider group insurance coverage for convalescent care in nursing homes, Joseph L. McDevitt, manager of employee benefits at Michigan Consolidated Gas Co., urged the same ASIM session.

Mr. McDevitt also blamed the failure of most group medical plans on women. He said most wives usually remain faithful to the old family doctor and are un-

willing to shift their loyalties to the team of doctors provided by the group plan.

At a session on loss prevention put on by the Montreal chapter, Joseph M. Tanenbaum, vp and production manager of York Steel Construction Ltd., explained how York's safety performance was changed from "the worst accident record in the metal working industry" to one of the best. Compensation costs were cut from \$125,000 in 1964 to \$3,500 last year.

He said in 1961 York had 44 compensation cases with a frequency of 71.51—meaning that the company would have had 71

compensation cases if its employees had worked a million man hours.

IN 1966, York had cut the number of accidents to seven, "and then, gentlemen, believe it or not, in the calendar year of 1967 we had no lost-time injuries."

Last year York had its first compensation case in 13 months. It had operated 823,940 man hours without a lost-time injury. "Eight years ago this would have been considered only a pipe dream," Mr. Tanenbaum admitted.

Although York had required all employees to wear hard hats, safety shoes and safety glasses, in 1964 direct payout for workmen's compensation for the year—\$125,000—was greater than any other single expense, Mr. Tanenbaum said.

"IN OTHER WORDS, the cost of machinery repairs, truck expense, gas, oil and grease, crane expense—all these costs which one would normally think would be more costly, were not nearly as expensive as the one item related to the lack of safety, that is, the cost of compensation."

At that point, Mr. Tanenbaum remembered some advice he had heard at a meeting—without line supervisors being totally responsible and accountable for the safety of individuals working under them, no safety program will be effective.

"Until that time I was taking it all upon myself and not delegating the responsibility for the safety of the employees to the line foremen."

FROM THEN ON Mr. Tanenbaum met with all the foremen once a month to discuss compensation costs incurred in the previous month. Also discussed is each minor injury or medical aid, and the men attempt to analyze the reason for each injury and to take steps to prevent a recurrence, he said.

"We find that we not only discuss items in relation to safety, but also items which will improve our productivity. Where we normally think we are doing something just to make it safer, it turns out that what we have done is make our plants more efficient."

John J. Ahern, director of security at General Motors, told the loss prevention session how GM's hazardous materials committee and basic building code and protection standards work in tandem to reduce industrial fires.

The committee—composed of the plant's physician, safety director, plant protection chief, chief chemist, process engineer and product engineer as well as a representative of plant management—catalog all materials used with their hazards involved and recommend control measures for such hazards. They must also approve all purchase orders.

The switch of industrial plants from multiple story locations with small ground areas and municipal protection to large sprawling buildings in rural areas has presented an "extremely difficult fire-fighting problem," Mr. Ahern said.

Much of the building is out of range of fire streams, ventilation and visibility, he said. "It's not always possible to justify sprinklers on the basis of insurance savings, Mr. Ahern commented, but "when you've got a building 5,000 feet long with no sprinklers there's no way in the world you're going to put out the fire. Hoses only reach in 50 feet or so."

WHAT'S NEEDED, he said, are well trained fire brigades, adequate separations (walls, barriers, draft curtains) and emergency roof ventilation. Mr. Ahern said explosions are "a constant threat" because they wipe out all controls.

Prevention, he said, is the only weapon against explosions, which means a company needs good design and basic building control features.

A session on products liability, presented by ASIM's Northern California chapter offered several views on the legal and economic factors involved in products liability and products safety.

THE BEST DEFENSE against product liability is "making your own product safe," according to Alfred J. Trimble, manager of insurance of FMC Corp. Because of the changing attitude of the courts toward both a broader interpretation of privity of contract and recognition of strict liability, parts and products manufacturers face increasing possibilities of liability suits on all levels.

A. Edward Thompson, assistant vp of Aetna Life & Casualty, recognized the new and growing problems involved in products liability and stated that "basic

concepts of policy coverage must be modified to keep pace with changing legal and court concepts." He emphasized the growing responsibility of quality control in light of spiraling loss potentials.

Such industries as drugs, pharmaceuticals, firearms, and heavy machinery are extremely vulnerable to possible run-away losses, thereby complicating the writing of a primary liability insurance policy.

"CARE MUST BE taken," claimed Mr. Thompson, "that, in normal limits area, primary programs follow usual levels or limits. However, the insurance shouldn't be expected to be a product guarantee for most losses."

As added protection against run-away losses, Mr. Thompson felt the need for single product aggregate limit in addition to the total yearly limit. The manufacturer could then turn to an excess-insurance carrier with the assurance that he already had a sound basic primary package. By buying excess policies the manufacturer could possibly keep his premiums a reasonable ratio with the loss potential.

NEITHER TOTAL professional competency nor products recall usually falls within the scope of the basic products liability policy, Mr. Thompson said. Rarely will an underwriter make those sort of insurance available in the primary program. To avoid large risk exposure, then, manufacturers rely heavily on quality control, he added.

D. W. HENNING, director of insurance, Kaiser Industries, pointed out that the role of quality control is to turn out our products on time and with zero defects. As Mr. Henning noted, practicality and economics necessitate close examination of individual product problems and possible compromises.

Negotiable issues include: How much to spend on quality control; what level of quality control should be established; percentage, degree and cost of inspection for such control; what warranty expenses should be; what tolerance levels are acceptable; and what variations are allowed.

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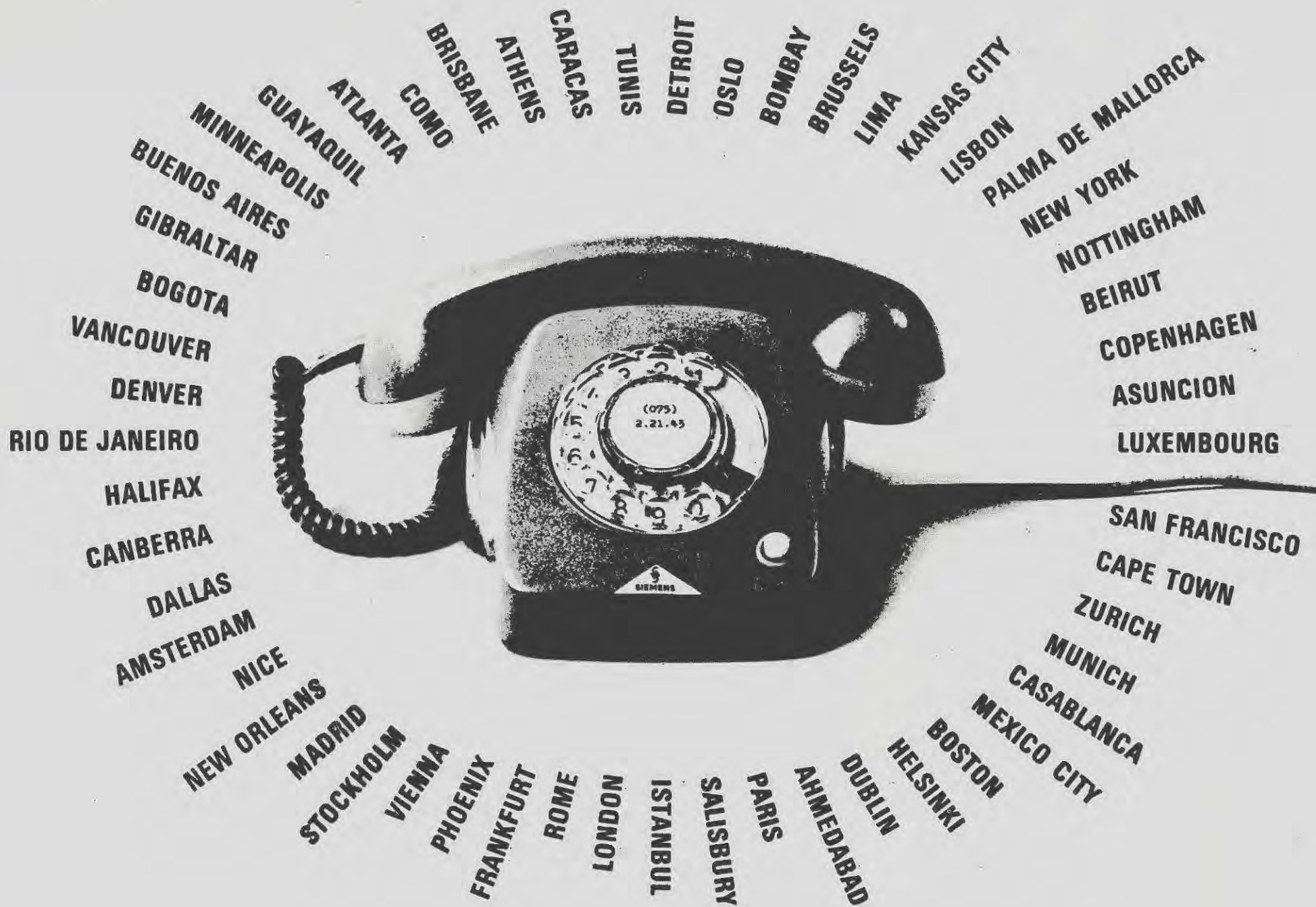
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