

How to compute your actual cash values

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The Kaiser Center Bank of America branch, Oakland, Cal., suffered approximately \$10,000 damage when a bomb exploded against the pillar at the left. The bombing was one of 30 that have hit various branches of the bank in the past 14 months. —Wide World photo

Bank of America cover for attacks hinges on fire

OAKLAND, Cal.—The April 28 bombing of the Bank of America Kaiser Center branch here caused \$10,000 damage, but it didn't keep the bank from opening for business the same day.

Bank of America, the largest bank in the country, has been hit by 30 bombings in the past 14 months and is insured for damage only if fire ensues, according to Carmela J. Fazio, assistant to the insurance supervisor. She told *Business Insurance* that 14 insur-

ers write the bank's coverage—"all the big carriers; the little ones couldn't handle it." Bomb losses not involving fire are paid from a self-insurance fund.

She said that security measures at the branches had not been increased because they were already at the maximum. "Anyway," she added, "it wouldn't do much good because the incidents are usually just one molotov cocktail thrown through a window in the night."

Late news

Lloyd's advances \$7 million on 747 loss

LONDON—Arrangements have been completed by Lloyd's of London and company war risk underwriters to make an advance, without prejudice, to Pan American World Airways of \$7,113,145, 50% of the amount insured in London against war risks. This is a business accommodation to alleviate the financial burden arising from the loss of its 747 aircraft at Cairo Airport in September, 1970. The legal position of the war risk underwriters in the pending litigation has been protected.

Travelers acquires Broox Randall

LOS ANGELES—The Travelers Insurance Cos. has acquired the E. Broox Randall & Son Insurance Agency here, *Business Insurance* has learned. The move, a rare although not unprecedented one for an insurance company to make, was confirmed last week by a spokesman for the Hartford-based insurer. He said the owner of the firm, Donald Randall, was nearing retirement and had no plans to perpetuate the company. "Most of the firm's business is written through the Travelers and we wanted to protect this business," he said.

Private pension study claims 65% will qualify for benefits

By RICHARD BJORKLUND

WASHINGTON—A survey of private pension funds submitted to the Treasury department maintains that 65% of covered employes are expected to qualify for benefits and another 19.6% are young enough to qualify for a pension in subsequent employment.

The study, made by A. S. Hansen Inc. of 864 plans it services as consultants, is intended to answer criticisms of private pension plans leveled by Sen. Jacob K. Javits (R.—N. Y.) and others in Congress who have introduced nearly a dozen pension reform plans during this session.

Richard C. Keating, a Hansen vp who conducted the study, maintained that the funds' performance "is an excellent record in a society as mobile as ours."

"This study," he maintained, "should do a great deal to clear up some serious misunderstandings of private pensions and the scope of their protection. Our study refutes the allegation by Congressional critics that only one employe in ten will receive some benefit by demonstrating that at this juncture 30% of the employes in the studied plans already qualify for vested benefits and, based on the expected rate of employe turnover, an additional 35% will qualify for benefits, either through vesting, early retirement, or working a full career."

IN TESTIMONY before the House general subcommittee on labor, Sen. Javits reopened his attack on private pension funds by charging that they are based upon "three dangerously obsolete assumptions."

He said these assumptions are that an employe is going to work for one company all or most of his working career; that the company can and should use the pension plan as a club to prevent the employe from seeking job opportunities elsewhere, and that the company will stay in business forever in substantially the same or expanded form as when it installed the pension plan.

Sen. Javits termed the \$130 billion private pension plans "the largest aggregate of virtually unregulated money in the nation." He added that "there is grim evidence that private pension plans deliver on their promises to a relatively inadequate number of the employes (nearly 30 million) covered by these plans."

The senator cited a preliminary report made by the Senate labor

subcommittee that concluded that of 51 plans with \$10 billion in assets with no vesting or 11 or more years for vesting only 5% of all participants who have left their jobs since 1950 have received benefits. In the same plans 92% left without qualifying for benefits. In 36 plans with \$6 billion in assets with 10 years of vesting or less, 16% of all participants who left since 1950 have received benefits, the subcommittee study found.

THESE STATISTICS led Sen. Javits to charge that "counter studies," like the A. S. Hansen report to the Treasury, don't count the people who "pass through" the plans nor do they count all vested interests, but rather "estimate" them. "With

that kind of study," Sen. Javits said, "you can produce any result you like."

Mr. Keating, in releasing the study, said that Congressional critics "need to give increasing attention to the fact that a substantial percentage of employes who leave their jobs are young enough to qualify for pension benefits from their new employers." He said 78% of those who leave their employers without qualifying for benefits are under 35 years of age and that an additional 17% are between 35 and 45 years old.

The 35 to 45 age group, he said, is gaining more benefits because employers are "continually updating their plans by adding new and more liberal vesting provisions."

Lloyd's backs monster

LONDON—Insuring the fabulous Loch Ness monster is all in the day's work to Lloyd's. But it took some time to find the right names to lead the risk. Then the novelty of the challenge caught on to the gentlemen in the City of London—and more than a dozen other underwriting names were happily added.

In the end the Lloyd's men backed their hunches that the monster will not be caught with a \$2.4 million gimmick and enabled a liquor firm to get its 1971 promotion stunt for Cutty Sark scotch whisky under way.

Cost to Cutty Sark merchants Berrys Bros. and Rudd, of London, who can now offer to the worldwide public the chance to "Win a Million Pounds" (and drink more whisky at the same time), will be small as a result. For they decided to insure against the Loch Ness monster being caught, and Lloyd's came up with the answer that the premium would be only \$6,000. That's what insurance is about: Keeping the clients satisfied.

IT'S A stimulating use of insurance facilities that might interest contest managers in the U.S. when they're in a similar



The fabled Loch Ness monster was captured—on film—in 1934. —Wide World photo

situation. But Lloyd's doesn't promise they'll regularly underwrite competition risks. On this occasion they are treating it professionally as an "unusual risk."

Naturally (say the humorists) it was placed in the livestock market. And that is exactly where the hunt began when Roy Lycett, director of Bond Insurance Brokers, began seeking cover for the capture of the mysterious monster which is supposed to still lurk in the grey depths of the Scottish loch where its ancestors may have cavorted centuries ago (if it really exists).

"The whole thing has been done completely professionally,"

Continued on page 42

ASIM testifies for fair fleet liability, uniformity

By STEPHEN GILKENSON

WASHINGTON—The American Society of Insurance Management, in a rare public display of legislative policy on behalf of its 2,000 members, stated its position on no-fault motor vehicle insurance to a Senate panel here last Tuesday. (See related story on page 29.)

The position follows almost to the letter one announced last month by ASIM's leadership (*Business Insurance*, April 26) and, on one point at least, did evoke a positive response from one panel member. Sen. Marlow W. Cook (R.—Ky.) said he agreed with the society's stance on the subject of absolute liability for commercial vehicles and that it would likely be unconstitutional to adopt such a law.

Making the appearance before the Senate commerce committee, which is considering five national no-fault measures, was James E. Bailey, ASIM counsel. He was accompanied by William S. Mortimer, insurance manager for Norton Simon Inc. and a former national president of ASIM, and Robert M. Frederickson, manager of claims for United Air Lines. Mr. Mortimer, who also testified briefly, emphasized that he was appearing not on behalf of ASIM nor his present employer, but as a "concerned citizen."

In five pages of prepared remarks, Mr. Bailey made six points that he said ASIM feels should be considered under any no-fault measure:

- ASIM is "strongly opposed" to any type of discriminatory treatment that would impose additional liability upon commercial vehicles.

- Necessary minimum federal

standards should be set to "obtain some degree of uniformity throughout the states which would aid the operations of our interstate companies."

- ASIM believes in a system of "intelligent integration of benefits under no-fault auto insurance" with coverages providing reimbursement for economic loss suffered.

- The group also "urges the committee to give equal treatment under no-fault for bodily injury claims and claims for property damage" and not exclude property damage from no-fault legislation, as is the case in Massachusetts.

- ASIM opposes restrictions in some states that prohibit the mass marketing of insurance.

- Finally, no-fault legislation might possibly include "constructive efforts" in the area of design or safety standards for vehicles. (On this point, however, Mr. Bailey noted ASIM has not "affirmatively adopted that policy.")

In his appearance before the Senate panel, which was chaired by Sen. Philip A. Hart (D.—Mich.) in the absence of Sen. Warren G. Magnuson (D.—Wash.), Mr. Mortimer said he was speaking as a "concerned citizen" with 13 years of experience working on the side of the consumer. In that time, he said, he has worked for two large U.S. corporations (Douglas Aircraft and Norton Simon) as risk manager.

"TWELVE YEARS AGO I reached the conclusion that the tort system does not work," Mr. Mortimer said of third-party auto repair. "It's slow, expensive, wasteful and unfair," he said, adding that it never has made sense to spend \$2.50 to get \$1 in benefits.

The solution to the problem, he testified, is the purchase of a complete package of insurance that would cover motorists' own losses, particularly in cases of serious injury. Mr. Mortimer also declared that if federal standards were not set under such a first-party system it would "work a tremendous hardship not only on the individual consumer but on large corporations as well."

Summing up his remarks to the panel, Mr. Mortimer also emphasized six points: (1) that this country can no longer afford the tort system, (2) that the only persons favoring the continuation of the system have special interests, (3) that third-party auto repair cannot continue without "doubling up" insurance costs, (4) that, to him, the Hart bill is by far the most acceptable piece of no-fault legislation, (5) that federal standards are necessary and (6) that a no-fault law should not discriminate against any individual or group.

The appearance by Mr. Bailey, incidentally, was a familiar one for the ASIM counsel. For several years before joining ASIM he served as minority counsel to Senate commerce committee. Sen. Hart made note of that fact before his colleagues sitting in on the session—Sen. Frank E. Moss

(D.—Utah), Sen. Marlow W. Cook (R.—Ky.) and Sen. Ted Stevens (R.—Alaska).

IN HIS PREPARED testimony, Mr. Bailey referred to the recent poll ASIM took of its members on the subject of no-fault. Of 1,910 questionnaires sent to members only 299 responses were received.

"Of those answering," he said, "the responses favored supporting the principle of no-fault insurance in general, but did not favor this as a complete substitute for tort liability." He added, however, that "because of the small number answering our questionnaire, the results cannot constitute a position for or against auto no-fault, and I do not represent it as such."

Nonetheless, Mr. Bailey went on, "our membership is strongly opposed to discriminatory treatment affecting operators of commercial vehicles. Testimony to that effect has been offered in several states prior to my appearance here today. It is our considered opinion that when the Senate committee on commerce considers this legislation, it should delete any provision imposing absolute liability on commercial vehicles."

"In our opinion," the ASIM counsel added, "the legislation should not attempt to make such a classification because we feel it would be subject to attack on the ground that it is unconstitutional. It fails the test of the equal protection of the laws and provisions

contained in the Constitution."

On this point Mr. Bailey did evoke a response from one member of the panel, Sen. Cook.

"I think I rather agree when your association takes a strong stand against absolute liability for commercial vehicles," the Kentucky Republican said. "Of course," he added, "I assume you people have selfish reasons for this but even from the question of constitutionality I think you have a good point."

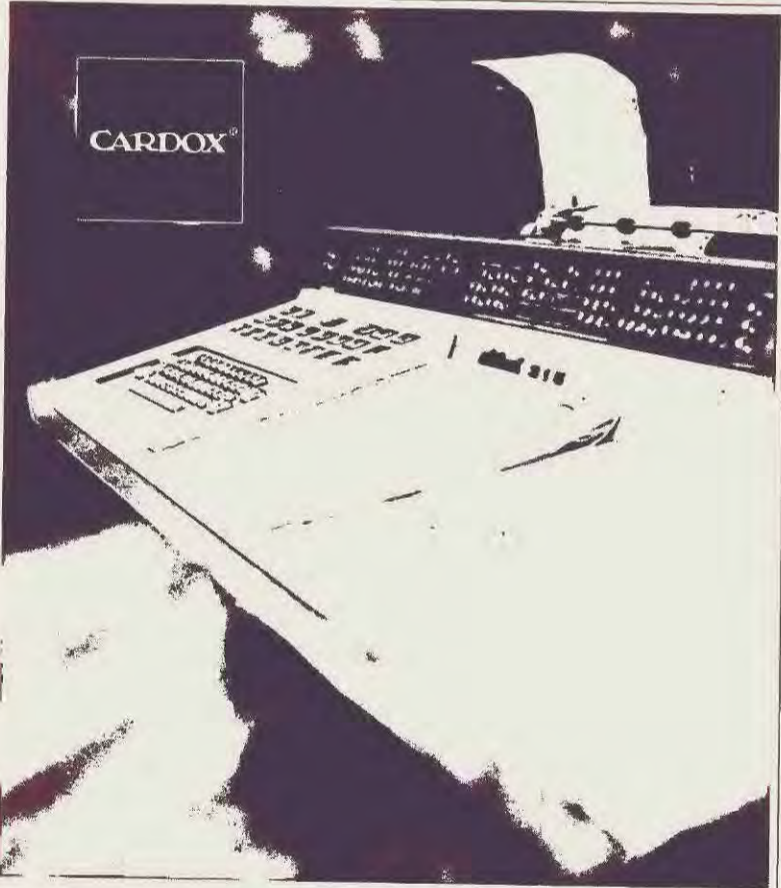
Sen. Cook also told Mr. Bailey that he was "interested" in how the respondents to the ASIM survey had addressed themselves to the subject of loss of wage benefits under no-fault.

The survey, while inconclusive on the basis of responses, showed some preference for loss of wages being paid on a percentage basis rather than full recovery.

"I'd like you to consider taking another poll to make some type of determination of how your membership feels after the conclusion of these hearings," Sen. Cook told Mr. Bailey.

Sen. Hart, by the way, seemed genuinely pleased to have Mr. Mortimer's comments on the hearing record.

In his introduction of the Norton Simon risk manager, he said: "Mr. Mortimer has indicated that he has separated myths from realities" (on the subject of auto insurance). He also made reference to his "very constructive leadership" of ASIM. ■



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Health bill amendment would give subsidy to small, marginal employer

WASHINGTON—Amid reports that President Nixon was running into some intra-party problems concerning some of the details of the national health scheme he outlined for Congress in February, a significantly different form from the already submitted Senate version was introduced in the House late last month.

The ranking Republican on the house ways and means committee and the man President Nixon hoped would guide his health care package through the House, John W. Byrnes of Wisconsin, added his own amendments to the Nixon proposal in introducing the bill.

The amendments would give some relief—through the form of a government subsidy—to low-wage, marginal employers who, Mr. Byrnes felt, would have to lay off workers if forced by federal law to buy health insurance policies for all their employees.

REP. BYRNES' MOST significant amendment to the Administration's proposal would give tax credits and federal subsidies to firms employing 10 or fewer persons. Were such steps not taken, the Wisconsin Republican feels, a national health scheme would contribute to increased unemployment.

Rep. Byrnes' action has added new confusion to the complex national health insurance issue. Three Congressional committees are currently taking up the subject and eight widely differing proposals have been submitted to the Congress.

The Byrnes amendment would provide for a federal payment to employers for whom the costs of health care premiums would exceed 4% of payroll. Benefits, therefore, would be concentrated on the low-wage concerns. However, the subsidy would only be paid for 10 or fewer employees, regardless of how many persons the firm employed.

Defeat work comp raise

LITTLE ROCK—A bill to raise workmen's compensation benefits from \$49 a week to \$56 a week has been defeated in the Arkansas house of representatives.

The bill would have become effective this year and would have increased benefits to \$63 a week next year. The senate had passed the bill.

Since the measure would have amended an initiated act (Act 1 of 1968), sixty-seven votes were needed for passage. Fifty-two representatives voted for the bill and thirty-three voted against it. Before defeating the bill, the house beat down two attempts to amend the bill.

ONE AMENDMENT would have required employers to pay for an employee's injury when the workmen's compensation commission determined that the injury was caused by the employer's neglect of safety regulations. Presently insurance companies pay for all injuries.

The other amendment would have set a ceiling of \$25,000 on benefits payable on death claims and permanent total disability. There is no ceiling under the present law.

The Arkansas state AFL-CIO was a strong backer of the bill. ■

If and when the Administration's health plan goes into effect—now scheduled for July 1, 1973—the premium cost would be \$390 a year per employe, of which the employer would pay \$250, according to Rep. Byrnes' calculations. Employers paying minimum wages of slightly more than \$3,300 a year for full-time work, for instance, would receive a subsidy of \$120 a worker. Moreover, the 10-worker maximum would limit the total amount of the subsidy and focus it on small companies. In addition, because eligible companies with more than 10 employes still would be subsidized for the first 10 workers, they wouldn't have an incentive to lay off people to get the

federal stipend.

THE FEDERAL payment for companies with higher wage levels would be less and those with average wages of \$6,250 a year or more wouldn't get subsidy.

According to reports here, the subsidy issue has been an embarrassing one for the Administration, for it puts President Nixon in the difficult position of formally supporting his original proposal, which would be financed entirely by employers and employees, while sympathizing with the economic problems of marginal employers but not officially supporting any plan to help them. Observers feel uncertainty probably will continue until the Ad-

ministration sees what type of employer subsidy the ways and means committee eventually works out. Rep. Byrnes' action came about after a meeting with the President failed to resolve the differences.

President Nixon's National Health Insurance Partnership Act of 1971 consists of two main parts. (*Business Insurance*, March 1, reported the proposal in more detail.)

The first would require employers to provide minimum levels of health insurance to employees, who would share in paying premium costs of about \$20 billion when the plan first goes into effect.

THE SECOND PART would have the federal government making available to unemployed families with incomes of less than \$5,000 a year health insurance policies with set benefits.

Both features would work

through the private insurance industry and are designed to provide all employed Americans and dependents with a minimum level of coverage. More limited benefits would be offered to 12.5 million people who are poor or unemployed.

One of the more colorful reactions to the Nixon proposal—and presumably either the Senate or House version—came from Leonard Woodcock, United Auto Workers international president. In testimony before the Senate finance committee he commented:

"The Administration's own bill, now that we finally have a look at it, reminds me of the old 'buffalo policy.' There are deductibles, co-insurance clauses, exclusions, loopholes and gaps—so much fine print that it resembles the policy that covers you only when you are run over by a herd of buffalo in downtown Detroit at high noon." ■

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TOUCHY

Imagine you're seriously injured. What if those ambulance people don't realize that your back might be broken?

What then?



There are some excellent paid and volunteer emergency ambulance crews. They quietly save lives and handle people very professionally and you never hear about their heroics.

But if you're ever hurt on the highway or at home, you'd better pray those people find you before the under-trained ones do.

QUESTION #6

Ambulance personnel who lack the latest training are all right for routine pickup and delivery. But they're not too clear on whether you've got a heart attack or heartburn and a do or die tracheotomy is too tricky for them.

Actually, sometimes you'd be better off if those ambulance people didn't rescue you, but just held your hand.

It's estimated that over 45,000 people are permanently injured or killed every year by poorly trained ambulance people who handled them improperly before they got to the hospital.

They meant well but just didn't know any better. In many states, a hairdresser is required to have more training than an ambulance attendant.

One of those states might be where you're planning your family vacation or where you're being transferred or where your children are going to school.

So, you can't rest easily even if rescue operations are up to date at home. Your next trip could turn into a trap.

But many communities are preparing properly for accidents. They're doing something before the emergency. One area in Wisconsin under the direction of a local doctor instituted a whole volunteer rescue program called "Before The Emergency." This program showed such promise as a model for the nation that a film about it is available. In one year the film has been shown to over 10,000,000 people by the U.S. Jaycees and other civic minded organizations. It's a practical "do-it-yourself" type of film for any community.

What we are trying to do is stir up community action. We'd like nothing better than to hear that this motivated thousands of you to go up to your next community meeting and find out just how effective your emergency medical services program is.

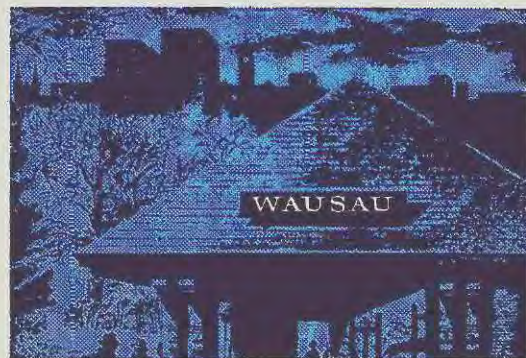
If improvement is needed, chances are a little further training could turn your community's ambulance team into an even more capable operation.

You may want your local authorities to look into the Registry of Emergency Medical Technicians—Ambulance in Chicago. This organization is now developing a two day test for ambulance personnel that hopefully will become the national standard for medical emergency people to meet.

Now, when people ask, "What can I do to improve the world?", there is a practical answer, material available, and a film to get people to act on something that can save lives every day in every community.

We here in Wausau can help put you in touch with the people you need to know to help your community move in the right direction.

Get your club or group to view our film. To book a print, contact your local Jaycees. All your efforts may not make front page headlines, but they'll cut down on the obituaries.



Employers Insurance of Wausau

We think insurance ought to work for a living.

following the funds

N. Y. City funds look to Big Board for a seat in hopes of saving money

By ANNETTE DUFFY

NEW YORK—New York State Comptroller Arthur Levitt's March letter to the New York Stock Exchange, which suggested that exchange membership might be sought for the \$4.5 billion state common retirement fund, has apparently caught the attention of New York City's two top financial officials and set them off down different paths exploring the possibility of the City's pension funds benefiting from membership too.

Underlying it all, of course, is

the need, felt ever more painfully by large pension funds, to save on huge annual brokerage fees. In fact, the attempts of these funds to gain exchange membership may be more in the hope of driving down brokerage commissions than in any real hope of actually gaining seats, and the outcome will depend in part on how much the funds save under the new system of negotiated fees.

At any rate, there seems to be disagreement in New York City about how the possibility of ex-

change membership will be handled.

EARLY IN April, Richard Lewisohn, city finance administrator, had a private meeting with the exchange's president, Robert Haack, to discuss formation of a corporation to trade on the exchange for both state and city pension funds. Mr. Lewisohn also asked Mr. Levitt about the possibility of a single corporation to handle state and city pension investments—with details of ownership, control, etc. to be worked

out—and apparently Mr. Levitt agreed with the idea.

Meanwhile, Abraham D. Beame, city comptroller, sent letters to the secretaries of the three city pension funds that invest in stocks asking them to discuss the advisability of seeking a seat to trade just for those three funds.

According to Henry Walter, an aide to Mr. Beame, the comptroller's office has nothing to do with Mr. Lewisohn's plans. "In fact," said Mr. Walter, "we were considerably surprised to see the story in the press about the finance administrator's move." According to Mr. Beame's spokesman, Mr. Lewisohn has authority to place certain city monies in depositories and banks, but not pension fund monies; the power to invest belongs to the city comptroller, Mr. Beame, who acts with the funds' trustees on decisions and then disposes of the fund monies as agreed upon by the trustees.

Aside from his power as comp-

troller to invest funds, Mr. Beame is a member of the board of trustees for the city employees' fund, for the fire pension system and for the police pension system the only city funds which invest in stock. Mr. Lewisohn is on the board of trustees for the fire and police pension systems. In the case of the state pension fund, Mr. Levitt is the sole trustee.

"**MR. BEAME** can't go to Mr. Levitt on his own because he's one trustee among many, and neither can Mr. Lewisohn," said the Beame spokesman. "This was Arthur Levitt's idea in March—a good story and a good idea—so our people looked into it from the city's vantage point. We deny that we were seeking joint membership with the state."

In an interview with *Business Insurance*, Commissioner Lewisohn said that his involvement was purely exploratory.

"The comptroller's office has been designated by the trustees to invest the funds," said the finance administrator. "Now, this does not give the comptroller a monopoly on ideas. I happen to work for the government too, and am interested in saving it money. I also worked on Wall Street for two years and know Mr. Haack personally. Furthermore, I discussed this with two of Mr. Beame's people before I spoke to the state comptroller. I have no idea why they're taking this position. It is beneficial for as many people as possible to play with ideas."

Commissioner Lewisohn said he picked up the idea of working with the state after reading Mr. Levitt's letter to the stock exchange.

"**I HOPE** a proposal can be worked out on some basis with the existing rules," he said. "At present the exchange's rules require that the primary purpose of a member organization or its parents must be that of a broker-dealer in securities—the basis on which mutual funds, pension funds and other institutional investors are barred. Consequently if the state and city pension funds form a corporation and buy a seat," Mr. Lewisohn explained, "the corporation will not be allowed to rebate commissions. The corporation would have to charge the pension funds, but it would be better than paying an outside organization."

With regard to any alternate plan excluding the state, the finance administrator said, "There are possible advantages in combining with the state. A seat on the exchange at present costs about a quarter of a million dollars, give or take. Why buy two when you can exist with one? The volume of business of state and city funds together is more likely to justify the cost of a seat."

Mr. Lewisohn stressed that these moves "are definitely only in the exploratory stage." He also said that "a great deal depends on the volume of commissions under the negotiated fee system. I would hope the savings will be sufficient to obviate the need to buy a seat. We don't particularly want to go into the brokerage business. The reality behind asking for a seat is the need to save money, and negotiated rates may make a seat unnecessary. But I'm just not sure if negotiating rates on those stock transactions over \$500,000 will cut costs enough. The \$500,000 mark is rather high."

The \$4.5 billion New York State Common Retirement Fund had some \$611 million, or about 16% of its assets, in common stocks as of January 31. The fund

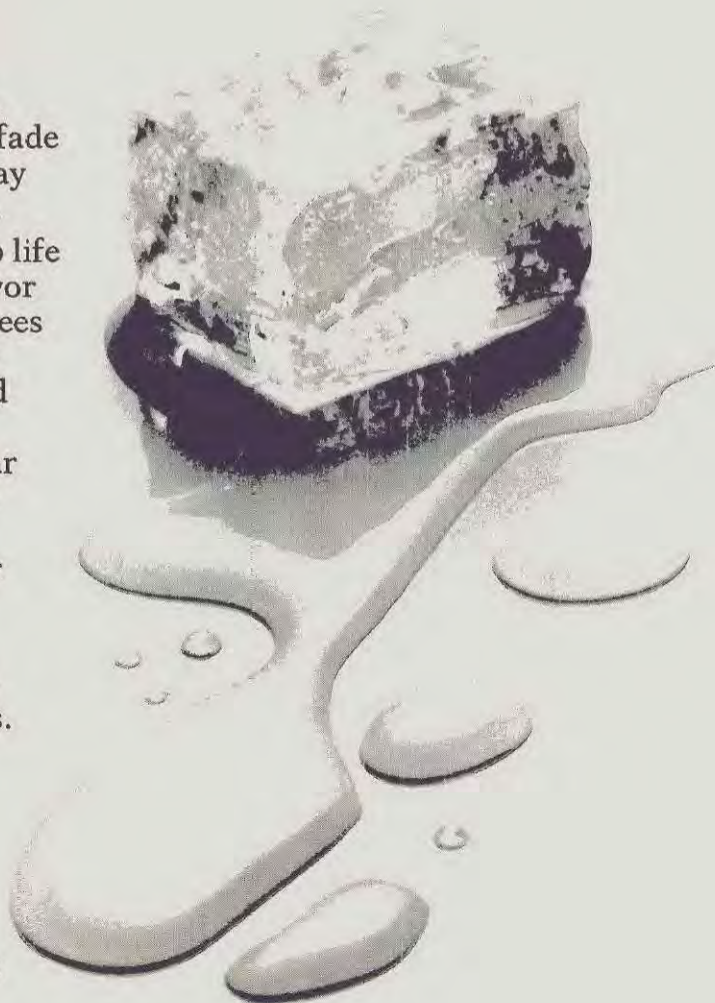
Continued on page 43

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Survivor Income benefits help attract—and keep—good employees. For all the details on this flexible supplement to group life plans, contact your own broker or any Aetna Group Representative.



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OUR CONCERN IS PEOPLE

Kloman wants risk men to subvert the system

SAN FRANCISCO—America's insurance system "must be subverted in order to prevent its death" and risk managers of U.S. corporations have been urged here to assume leadership in the change process.

H. Felix Kloman of Darien, Conn., president of Risk Planning Group Inc., addressed his plea to the northern California chapter of the American Society of Insurance Management. "This university city, which contributed much to the revolutionizing of our campuses," he said, "seems an appropriate place in which to seek acceleration of the revolution that seems to have begun in the insurance industry."

Mr. Kloman spoke on the fallacy of risk management at an employe benefits session of ASIM's national conference here.

RISK MANAGEMENT, he said, "suffers from being so deeply rooted in the insurance system. If it so remains, it will die as the insurance system dies. We must challenge the conventional wisdom of the dinosaur-like insurance industry and, above all else, to remain alive and effective, risk management must break its umbilical cord to insurance."

In the revolution of insurance, he said, the risk manager must "be the catalyst to produce necessary changes."

Mr. Kloman outlined for the capacity audience 11 specific steps by which risk managers can succeed in changing the system:

- "Break the close tie with insurance."

Risk management, he pointed out, "involves, or should involve, far more than simply insurance management. This association should immediately take steps to change its name from ASIM to IRMA, to more clearly reflect the fact that it is an Insurance Risk Management Assn. Similarly, the American Management Assn. should become Risk Management Assn."

Mr. Kloman charged that "the planning council of AMA is, in effect, an incestuous group, with its members deeply involved in the insurance business instead of including such specialists as social and behavioral scientists and tax consultants.

- "Stop talking to ourselves."

The public, he said, should be told what risk management is all about. He suggested that risk management education meetings be sponsored by risk management rather than by insurance groups and that "people from outside the industry be brought in to listen."

- "Substitute fees for commissions."

The risk manager, Mr. Kloman insisted, "should pay only for the specific services he requires. The fee should be fully commensurate with the services rendered and under no circumstances should fees be related to premiums."

- "Insist on direct meetings with underwriters."

"There is a sad lack of communication and understanding between the buyer and the seller," he contended; "both should get to know each other better and to understand their problems."

- "Pay the insurance company directly."

"There is no need," Mr. Kloman asserted, "for an insurance broker to act as a collection agency or a go-between in basically very simple financial transactions. There is no justification for the broker earning investment income in the process of being a collection agency."

- "End payment of contingency commissions."

"The insurance broker," he explained, "as representative of a client or insurance buyer, has no moral right to a contingency commission from the underwriter."

- "Never be afraid to do it yourself."

"Courage and initiative are the basics of a good risk manager," Mr. Kloman declared. "If it is better to handle insurance internally, have the guts to do just that. The need or even desirability of having an insurance company as a buffer between the employer and employe is nothing less than a myth."

Mr. Kloman added that he remains convinced "there are lots and lots of sound, efficient and

economical ways of financing risk management, such as self-insurance, credit, captive insurance firms and industry pools, to mention but a few.

- "Do not expect imaginative ideas from insurance companies."

"It has to be the responsibility of the risk manager to produce new and imaginative concepts and then to carry through in the full development of them."

- "Insist on credit for investment income."

"The risk manager serves his company poorly," he said, "if he does not insist on credit for investment income on insurance premiums paid in advance." Mr. Kloman described insurance com-

panies as "really nothing more than banks, holding other people's money. The claim of insurance companies that the interest gained on premium funds it holds belongs to its stockholders is just plain wrong. These profits belong to the premium payer."

- "Re-define the scope of risk management."

"The risk manager should and must become the corporate ombudsman," he insisted. "Today, instead, he is a combination of insurance manager, loss manager, security manager, resource manager—you name it."

"The risk manager has a unique opportunity to take on a considerably enlarged role in corporate re-

sponsibility toward society. To do this, the risk manager must be capable of and be willing to go beyond the routines and to understand and come to grips with the behaviorism of risks, which often today are produced by society itself.

- "Risk managers should limit their own job tenure."

"No risk manager should stay in his job for more than five or six years," he declared. "The title on the door to his office should never come to represent a dead-end position."

He is convinced that "the base of good risk management is lively new concepts and these tend to diminish with the years on a job." ■

GREAT AMERICAN FIRES NO. 1

Print Courtesy Chicago Historical Society



The Great Chicago Fire

Could Ansul Have Prevented the Disaster?

Preliminary reports indicated that the fire was cow-induced, although subsequent investigations never clearly established this fact.

Regardless, had Ansul been asked to conduct a professional hazard analysis of the O'Leary premises we would have made several recommendations. The edifice, being of wood construction and containing large quantities of Class A materials (hay), we would have proposed a water sprinkler system (a most professional move since we don't even make them).

Panic at the Water Works.

In addition we would have sug-

gested a stationary dry chemical hand hoseline system (which we do make). This would have provided first-strike capability, as well as back-up should the water system become inoperable (which it did when the local cisterns dried up).

Hand portable first aid extinguishers (dry chemical) would have been strategically located in the cow-shed to guard against the introduction to the hazard area of flammable liquids such as kerosene lighting appliances.

Can a Simple Irish Lass Find Happiness in Marinette, Wisconsin?

Equally important, we would have enrolled Mrs. O'Leary in our Ansul

Fire School to make certain she could react properly in event of emergency. Finally, we would have made sure that the Ansul equipment was properly maintained and periodically inspected by local representatives of our nationwide service network.

Whether it's a cow-shed or a multi-million dollar offshore platform a chemical plant or a mining operation—Ansul approaches fire protection problems in just one way: professionally. The Ansul Company, Marinette, Wisconsin 54143.

THE ANSUL SYSTEM



Great Lakes shippers say extended season would halt high premiums

DETROIT—An all-year shipping season is being sought by Great Lakes shipping interests as a means of halting insurance premiums that have been termed "prohibitive."

A study group, consisting of the Navy, the U.S. Maritime Administration and a glaciologist, as well as underwriters and representatives of shipping companies, was called together by the Michigan State Chamber of Commerce in order to open a channel of communication between shippers and insurers. Representatives of Johnson & Higgins, the American Hull Insurance Syndicate, Marsh & McLennan Inc. and U.S. Salvage attended the meeting here.

"We held the meeting to inform

the insurance industry of what was going on and to see if we could find the right approach to solving the problem," said Harry Buckel of the Michigan chamber. "Something had to be done. Insurance premiums in winter have been so high as to be prohibitive and the shipping companies wanted something done. On the other hand, the insurance companies had no experience factor with which to work."

The shipping season now runs from April 1 to Dec. 15, give or take a few days, though the proposal to extend the season was brought up a year ago. However, for insurance purposes those dates are considered absolute. Shippers who run over the De-

cember date have been charged much higher premiums for their coverage for the excess time they are on the lakes. Rates have been five times as much on Dec. 16 as they were on Dec. 15, according to Mr. Buckel.

GREAT LAKES shipping interests want the season to run all year long and the implications of the year-round season were mulled over by the group. Questions were raised about strengthening of vessels, use of more ice breakers, finding new ways to open locks and handling the accumulation of ice masses.

Mr. Buckel pointed out that a great deal of information was brought to the group's attention.

"For one thing there has been a tremendous improvement in information on ice and weather conditions. The glaciologist said the ice conditions in the Great Lakes were very similar to those in the Baltic Sea but the shipping season on the Baltic runs all year," he said.

"Also, we found out that another ice breaker will be added to the lakes and that our small buoy tenders were much more adequate in ice than anyone first thought."

"We plan to hold further meetings," Mr. Buckel noted. "They will be geared to specific problems, however, while this meeting was general. For instance, a ship will be run through in bad winter weather and the effects will be discussed."

He said that the Michigan chamber was pleased with the positive attitude expressed by those in attendance. ■

Work comp fund success in Arizona

PHOENIX, Ariz.—The Arizona State Compensation Fund is competing so successfully with privately owned insurance agencies, that it now has 60% of the workmen's compensation business in the state. Since separating from the state industrial commission in 1969, the fund has paid \$1.5 million in dividends to employer policyholders with good claims records.

William K. Foster, manager of the fund, credits improvements on investments made possible by the investment committee's success in switching to higher yielding securities from short-term Treasury bills, long-term Treasury bonds, Federal Land Bank bonds and bonds issued by Arizona municipalities.

Last year's investments should yield better than 5% compared to a 1969 yield of 4.4% (\$6,653,000), said investment committee chairman William C. DuBois. In 1968, the year before separation from the industrial commission, investments yielded only 4.4%.

THE FUND'S strong financial position since early 1969 has made Arizona the nation's most liberal state in workmen's compensation benefits, according to a pamphlet being circulated by the fund, quoting Don Campbell, financial editor of the Arizona Republic.

For one thing, said Mr. Campbell, Arizona's only limit as to what it will pay on claims is on the monthly salary that is covered by workmen's compensation, or \$1,000. "Since monthly payments to the survivor in case of death or permanent disability are based on 65% of the worker's salary, this means that benefits total a maximum of \$150 a week as compared to a maximum in California of only \$70 a week or \$52.50 a week for permanent disability," he said.

He also pointed out that, while California has a limit of \$20,000 on the amount of benefits that can be paid to a widow, Arizona's law provides for the payment of benefits for the life of the widow.

What all this coverage means to an employer, said Mr. Foster, is that:

"AN EMPLOYER with a good claims record can end up with premiums running as low as 35 cents on the norm while another, with a bad record, may pay as much as 300% over the norm, since rates depend not only on the type of activity involved but also on the insured's own accident experience, a factor that actively encourages him to promote safety on the job with something more than casual attention."

Thus, rates can range from about 20 cents per \$100 of payroll for clerical help to \$24 per \$100 of payroll for crop dusters, with the average rate running about \$3 per \$100 of payroll.

If these rates seem high for a state agency competing vigorously with some 50 privately owned firms on a no-holds-barred basis, said Mr. Foster, consider this: The size of death benefits paid is virtually dwarfed by medical and hospital costs, which currently run about \$200 a day for intensive care and \$75 a day for routine hospital care.

This, he said, is what Mr. Campbell means when he says Arizona pays the most liberal workmen's compensation benefits of any state in the union. ■

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Avis suit settled for \$1 million

NEW YORK—A \$2.5 million award to two widows, made by a jury in an automobile crash case last fall, has been cut to \$1 million.

The original award had so "shocked" a federal judge here that he reduced it to \$800,000. The plaintiffs, however, refused to accept the judgment and a new trial was ordered.

Before the trial was to begin, lawyers for Avis Rent-A-Car Systems and Frank Hertle, 25, of New York, announced the \$1 million settlement. Mr. Hertle was the driver of an Avis car in which two fellow employes of IBM were killed May 12, 1967. Avis is insured by Liberty Mutual.

THE JUDGE who reduced the award last October, thereby bringing about the order for a new trial, was John M. Cannella. He had presided at a seven-day trial that ended Oct. 28. He wrote that the award could "in no way be correlated with justice."

In the trial the jury, after six hours of deliberation, awarded \$1.5 million to Mrs. Phyllis Wrenn, 32, of Compton, Cal., and \$1 million to Mrs. Ruth Rousseau of West Concord, Mass. Their husbands were fatally injured when a rented car carrying them from a tavern in Highland, N.Y., struck a tree in Poughkeepsie, where they were trainees with Mr. Hertle at an IBM equipment course.

The awards, which were plus interest, bringing the total to \$3.045 million, were reduced by Judge Cannella to \$450,000 for Mrs. Wrenn and \$350,000 for Mrs. Rousseau. The settlement announced by Avis' and Mr. Hertle's lawyers earmarked \$510,000 for Mrs. Wrenn and \$490,000 for Mrs. Rousseau.

A source at Avis told *Business Insurance* that while Liberty Mutual is the firm's insurer the final settlement will ultimately end up in Avis' lap. The car rental company's insurance program is rated on a cost-plus basis.

"This is the way juries are thinking in New York," said the source, commenting on the size of the original awards. He noted that, unlike most other states, New York has unlimited liability in nonownership cases. "This could happen to any corporation that has a company-owned car in the hands of an employe and not just to rental companies," he remarked. "It makes New York very difficult to work in." ■

Wisconsin plan losses

MILWAUKEE, Wis.—The Wisconsin Insurance Plan, a commercial and residential property insurance pool for high-risk policyholders, has run up an operating loss of \$568,900 since it was formed in October of 1968.

Roger C. Krafft, manager of the plan, reported that 7,177 properties have been insured under the plan. Manufacturing and farm properties are not eligible.

"Policies issued through the plan have provided more than \$156 million worth of insurance protection to Wisconsin property owners," he said. About three-fourths of the policies cover property in Milwaukee, Mr. Krafft said. ■

HOW TO GET IN THE ACT

July 1, most businesses must begin record keeping required to comply with the new Occupational Safety and Health Act of 1970. Now is the time to make sure you can comply with the record-keeping requirements of the new Safety and Health Act. Here are three major areas in which you must maintain specific kinds of records:

1. All reportable occupational injuries as defined by the Act. Records must be kept by the employer of all such injuries, whether or not they resulted in an insurance or workmen's compensations claim. Injuries must also be recorded by class of injury.
2. All reportable occupational illnesses, also as defined by the Act.
3. Total work days lost as a result of occupational illnesses and injuries.

Are your present records adequate?

The new safety and health legislation will require record keeping not ordinarily done by insurance carriers and almost never done by employers. Furthermore, it puts the burden for all safety and health record keeping on the employer.

This means:

Employers, rather than their insurance carriers, will be required to maintain a comprehensive health and accident reporting system. Guidelines for developing an adequate accident and illness reporting system are now available. We have studied these guidelines in detail and can assist you in planning your compliance with the new legislation.

FREE — Newly published planning guide for compliance with the Occupational Safety and Health Act of 1970. If you will put your name and address on this form, then have your secretary drop it in the mail to us, we will have a free copy of this useful guide on its way to you by return mail.

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Computer Claims Control has already developed and installed hundreds of systems that more than meet the record-keeping requirements of the new safety and health legislation. Besides helping management comply with the new legislation, a Computer Claims Control system is also an excellent management tool for use in accident cost control. It is, in fact, essentially a cost control system with a comprehensive, four-step approach to the problem:

1. *Awareness*—The CCC system collects data on all losses—insured or non-insured.
2. *Responsibility*—For each loss, the CCC system points out the area of responsibility within the company.
3. *Communication*—Loss data, including both cost and cause, is automatically transmitted to the various operating managers with loss responsibility, as well as to top management.
4. *Continuity*—Regular reports, on a continuous and automatic basis go to all areas of management with accident control responsibility.

The big advantage of the Computer Claims Control system is that it is a total information system in a single centralized package. It pulls together claims, non-insured losses, self-insured losses, reserves and reserve change, final notices, premiums—all the data you need for effective cost control through good risk management.

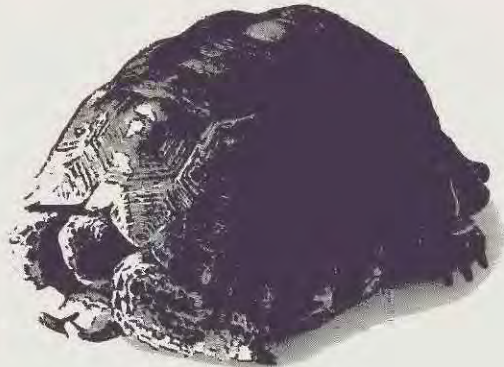
Computer Claims Control system is simple and economical to install. It can be administered by your own insurance department, or by your insurance agent. It is the most advanced management tool yet developed for controlling the costs of accidental loss. Write for complete details.



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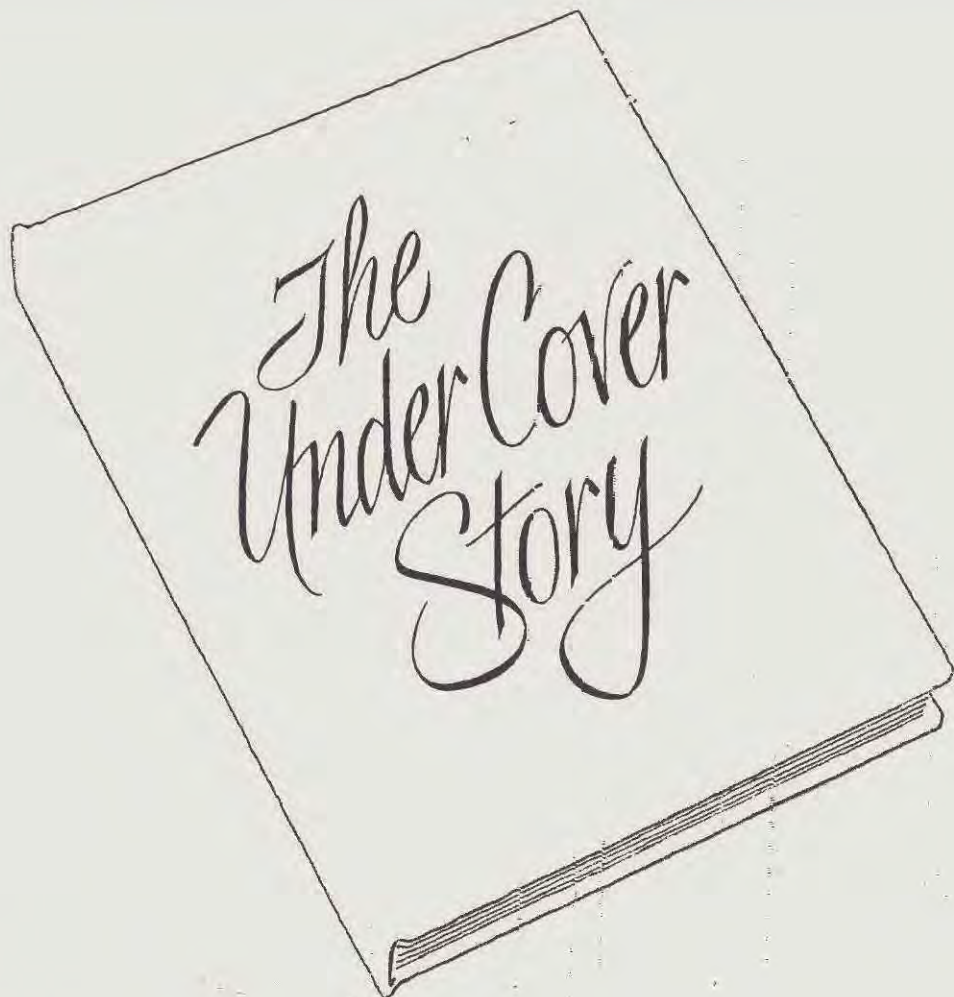
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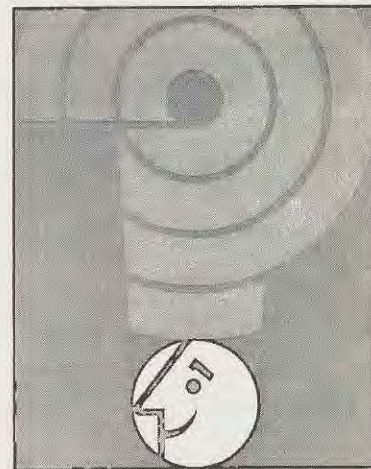
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info for buyers

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

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

• SAFECO Insurance Cos. has made available free of charge, two booklets regarding prototype retirement plans. **Those Questionable Prototype Retirement Plans** discusses its approach to retire-



ment planning and **Prototype Plans For Professional Corporations** discusses the tax and other advantages as well as the disadvantages of incorporations by professionals. It also examines provisions of master and prototype plans. Write the firm to the attention of the PEP Department, 4347 Brooklyn Ave. N. E., Seattle, Wash. 98105.

• The 1971 editions of **Analysis of Workmen's Compensation Laws** has been released by the government. The booklet offers a ready reference to the statutory provisions of the laws of the 50 states, the District of Columbia, Guam and Puerto Rico and Canadian provinces. Fourteen charts are provided to aid in locating specific provision of workmen's compensation laws. One to nine copies are \$1.50 each, rate reductions are available in larger orders. The booklet is available from the Chamber of Commerce of The United States, 1615 H Street, N. W., Washington, D. C. 20006.

• Corroon & Black Co. has released **Ocean Cargo Insurance**. The booklet provides notes and comments on claims procedure in connection with ocean cargo insurance and claims on ocean carriers. Send requests to Wm. J. Sheppard, Vice President, Corroon & Black Co., 150 William St., New York, N.Y. 10038.

• **Standards For The Installation Of Combustion Safeguards For High Pressure Boilers In Grain Handling Properties** has been published by the Mill Mutual Fire Prevention Bureau. The booklet deals with the minimum standards for providing a safe installation and safe operation of fuel burners installed in automatic and semi-automatic fired high pressure boilers. Also included is a list of definitions of terminology and a list of the Mill Mutuals and their regional offices. For a copy

write Donald D. Mauger, Assistant Manager, 2 North Riverside Plaza, Chicago, Ill. 60606.

• **Specifying Fire Protection With Intumescent Coatings** is a brochure offered by the Albi Manufacturing Dept. of Cities Service Co. A guide is given to prevention inspectors and to those responsible for specifying fire protection materials used in construction. It also explains the distinction between intumescent fire retardant paints and intumescent mastic fireproofings. Also available is a paper presented before the National Petroleum Refiners Assn. discussing the use of intumescent mastic fireproofing for chemical plants and refineries. The material is said to offer an asbestos-free material for areas where air pollution by soft, friable spray-on fireproofings is to be avoided. For the above material write Albi Manufacturing Dept., Cities Service Co., 98 E. Main St., Rockville, Conn. 06066.

• **The College of Insurance General Bulletin** is the general catalogue of the college listing all courses and programs offered by the school, as well as entrance requirements, tuition costs and scholarship funds. For a copy of the book write the Director of Public Relations, The College of Insurance, 150 William St., New York, N.Y. 10038.

• Bankers Security Life Insurance Society's salary savings plan is described in **Employee Benefits Consultation Service**. The plan allows employes to purchase, through payroll deductions, permanent life insurance policy. The policy's increasing cash values can be used to provide retirement income, educational or emergency funds. The service provides individual consulting services to each employe enrolling in the plan. Premiums may be paid entirely by the employe or shared by the employer. For a copy of the booklet write A. C. Fluke, 2nd Vice President, Ordinary Sales, Bankers Security Life Insurance Co., 1701 Pennsylvania Ave. N. W., Washington, D. C. 20006.

• The Mosler Safe Co. has released a **Brief Guide To Security Alarm Systems For Financial Institutions**. The booklet has been prepared for the purpose of explaining, in an objective sense, the state of the art in its present form. Except where noted, it is not intended to describe particular brands of equipment or systems. The prices shown are included only as rough comparison guides. The publication defines local, central station, proprietary and police connection alarm systems. Also covered are vault protection, night depository, perimeter and interior security doors, emergency switches, watchman's tour system, fire protection and detection, communication systems, area protection, authorized access control, auxiliary supervision, safe and security files protection central console. In addition, the guide contains a glossary of commonly used technical terms. For a free copy direct requests to William R. Needham, Director, Advertising & Public Relations, 1561 Grand Blvd., Hamilton, Ohio 45012.

• America's Insurance Center has published a booklet including information on all coverages available under a special program for malpractice and general liability for medical and/or clinical laboratories privately owned or

owned and operated by industrial concerns. **Clinical Laboratory Malpractice Coverage** is available by writing Marko Popin, Vice President, Specialty Lines Div., 562 Blvd., Kenilworth, N.J. 07033.

• **Long Term Disability Income Insurance** is a brochure describing long term disability income insurance and also includes typical plan provisions. Offered by the Equitable Life Assurance Society of the United States, the booklet is free by writing Group Sales Promotion, Location 24-E, 1285 Avenue of the Americas, New York, N.Y. 10019.

• **DBL-Place It And Forget It With Security** is a folder offered by Security Mutual Insurance Co. of New York describing its program and rates for disability benefits. For a copy write Marianne Zinkus, Public Relations, 500 Grand Concourse, Bronx, N.Y. 10451.

• **Saf-T-Climb Fall Prevention Device** is a brochure offered by Air Space Devices Inc. that describes through both illustrations and copy, the multiple uses of their climbing equipment for any vertical structure. Complete specifications and installation instructions are included as well as brief case studies. For a copy write the firm at P. O. Box 338 Paramount, Cal. 90723.

• The Kemper Insurance Co. has released **Industrial Program-Special Multi-Peril Policy** describing a package policy designed for manufacturers, processors and industrial risks. The charts in the booklet graphically illustrate the complexities and scope of the package program. Color keyed to show both mandatory and optional coverage, the charts provide a step-by-step guide to tailoring a package policy to meet a firm's particular needs. For a copy of the booklet write Walter R. White, Senior Vice President, Kemper Insurance, 4750 N. Sheridan Rd., Chicago, Ill. 60640.

• Insurance Buyers' Council Inc. has published a booklet entitled **Introduction to Pension and Profit-sharing Programs**. The book deals with advantages of a pension or profit-sharing plan, major issues to be resolved and steps to be taken in the development of a plan, provisions to be included in the plan, and the implementation of a pension or profit-sharing plan. Send requests on your business letterhead to the firm at 22 West Road, Baltimore, Md. 21204.

• **Microwave Intruder Detector** is a brochure discussing the effectiveness of Microwave, ultrasonic and radar detectors and explaining why this detector provides freedom from false alarms. It also includes diagrams showing how the unit may be used to provide trap and broad area surveillance patterns. Advanced Devices Laboratory Inc. has made the brochure available free charge by writing E. E. Self, Customer Services Mgr., Advanced Devices Laboratory Inc., 316 Mathew St., Santa Clara, Calif., 95050.

• **For A Small Businessman, There's No Such Thing As A Small Disaster**. Contains material on fire insurance for the preferred small or medium size business. As Commerce and Industry Insurance Co. sees it: "It's a protection and service package for the small and medium size business that only big business usually gets." It is available free of charge to agents, brokers and buyers by writing the firm at Dept. A 14, 102 Maiden Lane, New York, N.Y. 10005.

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washington watch

National survey shows job health, safety are most important to workers

WASHINGTON — Preliminary analysis of data from the first nationwide survey on worker satisfaction has revealed the labor standards areas most important to workers are those relating to health and safety—including on-the-job hazards, unpleasant physical working conditions, work-related injury or illness and wage loss following job-related injury or illness.

The survey also found fringe benefits to be the "problem area"

with which most workers actually experience difficulty.

The preliminary study on the data was written by Neal Herrick of the W.E. Upjohn Institute for Employment Research and Robert Quinn of the Survey Research Center of the University of Michigan.

ACCORDING TO the findings, 71% of all workers considered overall protection against work-related illnesses or injuries "very

important." None of the other 18 specific "problem areas" covered by the survey was considered as important to the workers from a protection standpoint.

Sixty-four percent said they felt it "very important" to be protected from actual on-the-job health and safety hazards and 69% wanted protection against inadequate expense coverage during work-related illness or injury.

Workers not only felt it highly important to be protected against

the occurrence of work-related injury or illness, but 56% considered the basic problem of such incidents as "sizable or great."

Of the 18 other "problem areas," the only ones considered by more workers to be of "sizable or great" importance were mistreatment by employment agencies (68%), inadequate income (62%) and how democratically and how well run were their unions (58%).

THIRTY-THREE percent of workers surveyed reported working under physical conditions they felt were not necessarily hazardous, but were unpleasant or irritating. Workers reporting problems with such unpleasant physical working conditions principally complained about difficulties with heat (or lack of it), overcrowding, unclean conditions, and inadequate, antiquated or uncomfortable furnishings.

Finally, a full 13% of the work-

ers interviewed reported they had actually experienced a work-related injury or illness in the past three years.

Of these, 42% reported the injury had kept them off work for two weeks or more. Two-thirds of the latter group indicated they had trouble meeting medical or living expenses during this period.

Not unexpectedly, according to Herrick and Quinn, more men than women (45% compared with 26%) and more blue-collar than white-collar workers (50% versus 25%) reported facing occupational hazards.

MORE INTERESTING, however, they continue, is the large absolute percentage of white collar and women workers who reported occupational hazards.

An examination of workers' descriptions of the hazards they faced indicated many were respecters of neither sex nor collar color. These included physical violence or abuse from other people, communicable diseases, extremes of temperature or humidity, exposure to the elements and dangers to which the worker was exposed while traveling as part of his job.

The data suggest, Herrick and Quinn say, that "increased attention should be paid to health and safety hazards occurring outside factories or other blue-collar working environments."

Thirty-nine percent of workers reported some kind of problem with regard to fringe benefits—more than with any other labor standards problem area.

BUT, WHILE the survey showed workers were both troubled by and concerned with fringe benefits, a relatively few (43%) considered protection from such problems as "very important" when compared to other problem areas such as health and safety.

An examination of the demographic distributions of fringe benefits problems indicated such problems were about as prevalent among men as women and among whites as blacks.

The only statistically significant differences, according to Herrick and Quinn, appeared with regard to age or workers.

Among workers 20 years old and younger, 29% reported a problem with fringe benefits. This increased to 48% for workers 21 through 54 and then dropped off to 36% for workers 55 and older.

TOP LABOR leaders were reportedly hot under the collar following a closed-door session with Labor Department Assistant Secretary for Occupational Safety and Health George Guenther at which they were told the department had tentatively adopted a policy of giving employers a brief (no more than 24 hours) notice of an upcoming plant inspection.

Adding insult to injury, the labor union officials were told there would be no plant inspections at all for the first three months following the April 28 effective date of the new federal safety and health law.

All emergency sections of the bill—those dealing with imminent hazards—will be enforced immediately, Mr. Guenther explained. But, he said, a three-month familiarization period would be allowed before the plant inspection program would be launched to allow firms not previously affected by standards time to make themselves familiar with the provisions of the new law.

Besides alleged enforcement foot dragging, the lack of approval
Continued on page 42

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British investors buy two U. S. insurers

LONDON—Two U.S. insurance companies have been bought in a \$15 million deal by Triumph Investment Trust, a leading British merchant banking corporate.

They are the Resolute Insurance Co., of Hartford, Conn., and its subsidiary, Resolute Credit Life Insurance Co. They do business in more than 40 states. Triumph Investment, headed by London financier Tom Whyte, regards the purchase as a major extension of its business interests, which are already well established in Britain.

The Bank of England has given permission to form an American subsidiary, Triumph American Inc., which will hold the Resolute group capital. J. O. Robinson of Resolute, will be chief executive, and G. T. Whyte, L. J. Richenberg, and M. Horowitz, of Triumph Investment will join the board of Resolute. Mr. Richenberg will become chairman.

TRIUMPH Investment announced that the trend of Resolute group profits in recent years has been upward, but it is confident the growth rate can be accelerated after certain policy changes now being planned have had time to take effect.

Details of the purchase are that \$13.5 million has been paid in cash, and \$1.5 million has been reserved against possible special tax liabilities from past years. Triumph has raised half the purchase money from its own funds, and the rest from medium-term bank borrowing.

Resolute's net profits after tax are put at \$1.13 million for the nine months ended Sept. 30, 1970, and should run at \$1.5 million for the whole year. Its assets top \$13

million.

Triumph Investment is one of Britain's leading finance corporations with Tom Whyte and Leonard Richenberg in charge. It took over a British insurance group, Delbourgo, two years ago, and is also involved in aviation insurance as well as such diverse activities such as show business enterprises.

Profits keep rising through its business expertise, and its turnover topped \$8 million last year. It believes in an imaginative and vigorous approach to insurance in the present decade.

Courtaulds textile group has a stake in its stock through investment from its employe pension fund. ■

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Officials 'ignore' flood cover need

MADISON, Wis.—The state department of natural resources reports that repeated attempts to persuade local government officials to seek federally subsidized flood insurance have been unsuccessful.

The heads of about 100 local governments in flood-prone areas of Wisconsin have been urged since last fall to seek the federal subsidies but most of the warnings have been ignored. As a result, many property owners will be without insurance when the spring floods hit Wisconsin.

Residents of 24 Wisconsin communities are eligible, or soon will be, to buy flood insurance. Congress approved federal flood insurance in 1968 and most communities in Wisconsin would be eligible if they applied because state standards are about the same as those required by the federal program.

Since it takes up to eight weeks for an application to be processed, it apparently is too late to obtain coverage for many communities, the department said.

Any insurance agent in an eligible community can sell the policies, officials noted. According to the U.S. Department of Housing and Urban Development, the cost is about 40 cents for each \$100 worth of coverage on a dwelling and 50 cents per \$100 on the contents. Slightly higher rates are charged for business properties. ■

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Shell spent \$36 million to fight 133-day rig fire and its pollution

LONDON—Shell Oil Co. disclosed that it has cost them \$36 million to put out an oil rig fire which blazed off the Louisiana coast for four months. This includes anti-pollution measures, as oil seeping from the well threatened the coast last December. The fire broke out Dec. 1. (*Business Insurance*, page 1, April 26.)

PHOENIX Assurance Co. made a \$2.6 million loss in its American operations last year, including

\$1.2 million on hurricane Gelia, but there are hopes that it will make a good showing this year unless there are any unexpected catastrophes.

FOREIGN AIRLINES have protested that hi-jackers may be able to infiltrate Heathrow International Airport if the British Government withdraw 200 Scotland Yard policemen who are stationed there on guard duties. But the British Airports Au-

thority have promised that they will replace the policemen with their own security men if there is any fear of hi-jacking.

A Portuguese Air Lines official, who heads a joint committee of airline operators at Heathrow, declared: "Foreign airlines still have reason to believe through their governments that there is great risk of hi-jacking."

Operators assert that U.S. airlines are spending millions of dollars on security precautions at

airports, and Britain should do the same as summer traffic mounts.

* * *

PORT AUTHORITIES in Houston, Tex., were slammed for failure to provide proper fire protection by Harold Jackson, prominent U.S. underwriter, when he discussed marine risks with Lloyd's underwriters.

He told them: "Since the Texas City disaster, the Houston ship channel has gained more and more chemical plants on its banks. There is one fireboat, which can easily be blocked off from doing her job in case of a collision between two ocean-going vessels.

"After strenuous efforts over the past 15 years to get all interested parties to agree that an additional fireboat be obtained, the matter finally wound up in the state legislature, which finally directed the city to correct the situation.

But this has still to come to pass, because the money has not yet been appropriated, as far as I know."

Mr. Jackson, for many years chairman of the cargo loss prevention committee of the International Union of Marine Insurance, stressed the need for international legislation to reduce collisions at sea.

* * *

PLANS BY LLOYD'S to move into the long-term life assurance market are nearing completion. They have just advertised in insurance circles in Britain for a top executive to head the company. As soon as he is appointed from candidates currently being appraised, there will be formal legal moves to form Lloyd's Life Assurance Co. as a corporate set-up in the market. But its operations will be restricted to the domestic British market in the first place, though experienced insurance men expect that it will be ready to sell its services world-wide as soon as it has established itself.

Details of the scheme were forecast in *Business Insurance* Dec. 7 after Lloyd's chairman Sir Henry Mance had announced this new concept for British insurance. Efforts to simplify the situation by buying an existing company, Lifeguard Assurance, failed for financial reasons. So Lloyd's now reverts to its original scheme of forming its own company. ■

Attempts to collect on surety bond

MIAMI—Florida's state insurance department has gone into court in Miami to collect a \$300,000 surety bond from American Casualty Co. of Pennsylvania.

The department charged that officers and employees of the defunct State Fire and Casualty Co. of Miami cost their company at least \$3 million through fraud. They asked that American Casualty make full payment of a blanket bond it wrote protecting State Fire against fraud by its employees.

State Fire is now being liquidated by the department, which says fraud and mismanagement threw it \$8 million in debt.

THE CIRCUIT court suit alleges that the company lost \$1 million in 1967 when worthless stock was fed into the company in place of substantial stock and bonds. In that year, a group headed by S. Mort Zimmerman, Dallas, and represented by Florida State Rep. Carey Matthews as attorney took control of State Fire.

In 1968, the suit said, more worthless stock was channeled into State Fire when a combine led by the late Myron Brooks stepped in. The department estimated a loss of \$500,000 through that exchange.

It estimated that State Fire lost another \$1 million through financial guarantee and performance bonds illegally issued by the company. Earlier, department officials said that some of the money involved wound up in the hands of known Mafia members.

Payments made for work and services never rendered cost State Fire \$300,000, according to the suit, and worthless premium finance notes fed into the company (apparently from another failing company, North American Guarantee of Arkansas) cost another \$100,000.

The suit does not specify individual officers or employers involved in fraudulent activities. ■

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Automatic work comp aid ends

SAN FRANCISCO—California's Workmen's Compensation Appeals Board has discontinued the automatic appearance of its legal staff in cases appealed from the board to the courts.

The board, in a judicial session here, resolved to put in an appearance and file answers to petitions only under one or more of four specific circumstances:

- When a rule of practice or procedure is under challenge as being beyond the board's power to promulgate or when it is argued that an interpretation different from that of the board should be adopted.

- When the allegation is made that one of the board's standard procedures denies due process of law.

- Where an injured workman requests the board to represent him, provided there is no conflict of interest between the position of the board and the applicant and that the applicant has not discharged an attorney in order to obtain free representation by the board.

- In such other cases as the chairman may so direct.

THE ACTION followed a study of 300 cases in which appeals were taken. Of that number the board actually represented applicants in 99 instances and in 201 instances represented employers or their carriers.

The division of industrial accidents welcomed the change and predicted the board's new procedures would speed settlement of cases.

Original filings before the appeals board in the 1970 fiscal year reached a record number, although the rate of litigation remained on a plateau first reached in the early 1960's. New filings totaled 61,741, up nearly 10% from the prior year, according to the division of labor statistics and research. The litigation rate, which is new applications as a percentage of disabling work injuries, increased only 2%.

In the past 10 years the number of new filings has increased 75.3% while the litigation rate has increased 26.4%. During the same period employes covered by the California workmen's compensation law increased 39.3%.

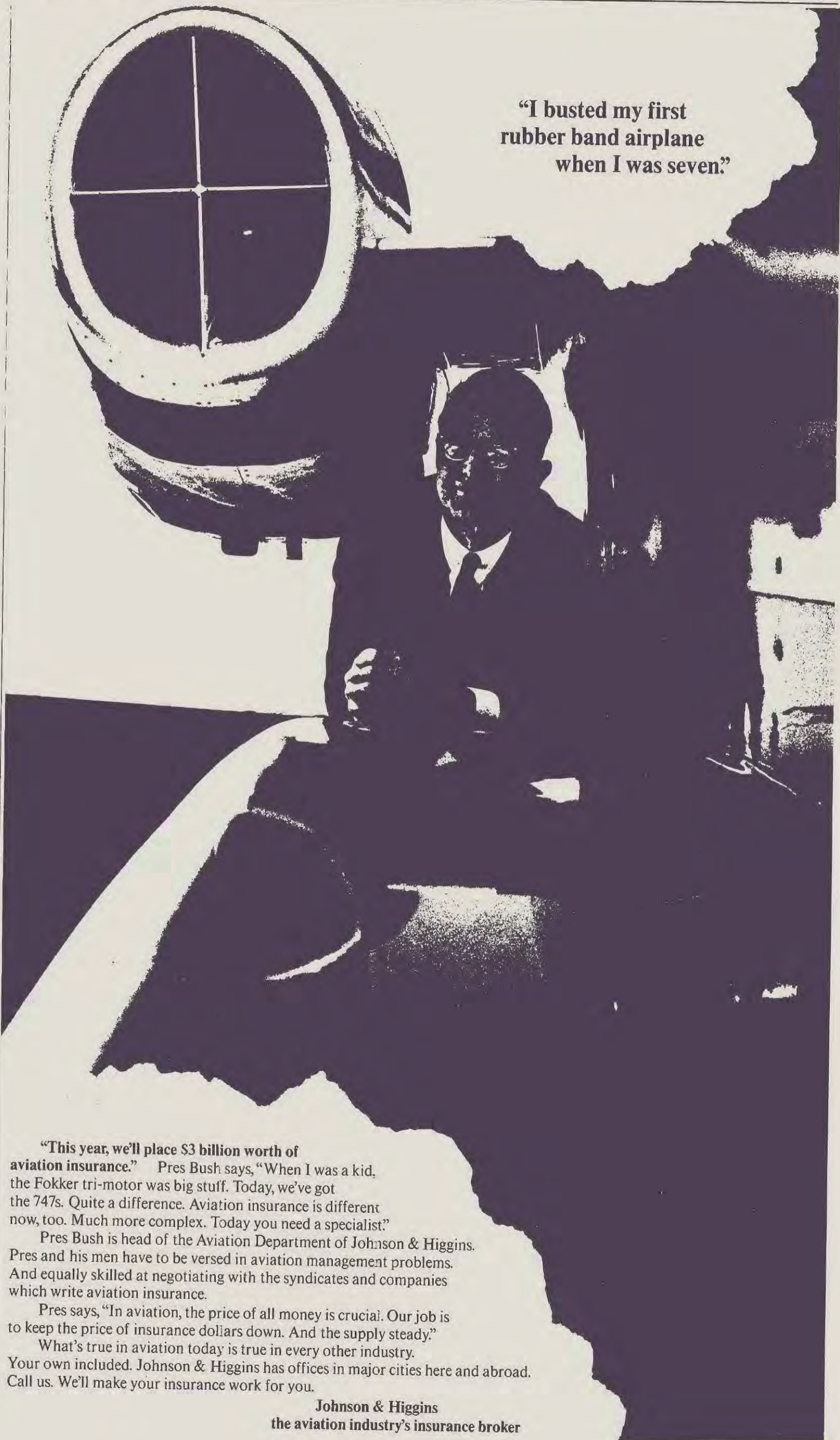
During the same 10-year period disabling work injuries in California rose 37.5% ■

Strike cost post office \$60 million

LONDON—The mailmen's strike, which was aimed at paralyzing Britain's postal services has collapsed after seven weeks. It ended with a \$60 million loss in revenue to the post office system, and union failure to get any major hike in pay rates.

Insurance companies and Lloyd's surmounted the obstacles of mail hold-ups, and kept their worldwide services running.

For Lloyd's it was a simple matter to send their mail by couriers to the Continent, and then forward it through their network of local agents to foreign countries. Big firms such as Stewart, Smith, insurance brokers, pressed their international links into use to keep contact with clients. ■



"I busted my first rubber band airplane when I was seven."

"This year, we'll place \$3 billion worth of aviation insurance." Pres Bush says, "When I was a kid, the Fokker tri-motor was big stuff. Today, we've got the 747s. Quite a difference. Aviation insurance is different now, too. Much more complex. Today you need a specialist?"

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opinions

Mene, mene, tekell, upharsin

IN THE DAYS OF Belshazzar the king, the Bible tells us, the fingers of a man's hand wrote on the king's wall the words "mene, mene, tekell, upharsin." In Belshazzar's time the words meant that God had numbered his kingdom and finished it, that God had weighed the king in the balance and found him wanting, and that the kingdom would be divided between the Medes and the Persians. In later centuries, the "handwriting on the wall" has meant a prediction of the fate of persons, kingdoms and institutions.

We thought of the "handwriting on the wall" the other day when a property-liability insurance company executive complained that it seemed to him that "the feds are closing in."

Current objects of the scorn (and fear) of the insurance industry are Sen. Warren G. Magnuson (D.—Wash.) and Philip A. Hart (D.—Mich.), authors of what some call the Magnuson-Hart plan to reform the auto insurance industry. Keystones of their plan are a federally operated fund to protect the public against the financial consequences of insurance company insolvencies and federal standards for state auto insurance regulations. Some industry representatives fear that the Magnuson-Hart plan may eventually include good old federal antitrust powers that were set aside in 1945 when Congress adopted the McCarran Act that exempted insurance companies from federal antitrust regulation so long as the states adequately regulated the business.

However the insurance industry now views Senators Magnuson and Hart, it would be well for those who oppose federal regulation of insurance to remind themselves that federal encroachments on the business of insurance have been going on for some years. These encroachments were often sponsored by officials far more conservative in their political leanings than the liberal Democrats in the House and Senate who now haunt insurance industry leaders.

Underwriters of workmen's compensation were distressed during the Eisenhower administration when the White House sponsored a move to provide disability benefits under Social Security. Insurance industry protests failed to exempt from the program those who were eligible for workmen's compensation benefits.

Another encroachment on commercial insurance underwriting went into effect in 1966 when millions of Americans over 65 became eligible for Medicare. Some segments of the life and property-liability insurance industry followed the American Medical Assn. line and opposed Medicare to the bitter end. For their efforts they were faced with yet another federal encroachment on commercial insurance underwriting.

When the White House recently proposed a health care plan that would have funneled the major share of health insurance premiums through commercial carriers, some insurance industry spokesmen hailed the plan. Their support cooled a few days later when John G. Veneman, undersecretary of the Department of Health, Education, and

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REHABILITATION—WHO NEEDS IT; WHO WANTS IT; WHO GETS IT

Disabled ages 18-64 1966	Percent that received services	Percent interested in services
6.1 million severely disabled	13%	18%
5 million occupationally disabled	13%	16%
6.6 million with secondary work limitations	10%	10%
TOTAL: 17.7 million	12%	15%

According to a Social Security survey only one out of eight disabled Americans received rehabilitation services and only one out of seven expressed interest in obtaining any services, or additional services, in the future. Among those who did not receive any services, fewer than one out of 20 attempted to get them. Persons with severe disabilities appeared to have the strongest incentive to be rehabilitated. Source: Social Security Administration

Welfare, announced that a necessary adjunct to the Nixon health care plan would be federal regulation of health insurance underwriting and premium rates.

George Bernstein, federal insurance administrator in the Department of Housing and Urban Development, has told a number of insurance men throughout the country that it is their lack of courage to underwrite insurable risks that has led to partial federal takeover of such insurance lines as crime insurance, flood coverage and property policies for buildings in inner cities.

Officers of the American Society of Insurance Management, ending a long and troubled silence, endorsed federal standards for state no-fault auto insurance plans to assure nationwide uniformity. Their position was seconded a few days later by Transportation Sec. John A. Volpe. Mr. Volpe said the Nixon Administration would have no objection to federal standards as long as they did not lead to federal regulation of the auto insurance industry.

Then came Sen. Charles Percy (R.—Ill.) with a bill of rights for aged persons that included a proposal to make it a federal crime to deny auto liability insurance to any person over 65 solely on the ground of age.

This, then, is the handwriting on the wall, and not all of it is the work of Senators Magnuson and Hart and their supporters.

Right on, Wisconsin!

A LITTLE-KNOWN facet of insurance regulatory law came to light in connection with the shenanigans surrounding the operation of the barbers' union pension fund. A union officer and a "financial adviser" to the fund were indicted in Chicago for taking kickbacks on venture-some loans made by the fund. Meanwhile, a hearing in federal court in Indianapolis was held to protect the rights of pension plan participants.

Key actors in that Indiana court drama turned out to be the insurance commissioner of Wisconsin and an assistant attorney general from that state who appeared to protect the interests of plan participants living in the Badger State. The Wisconsin officials were there because their state has the only law, state or federal, that sets fiduciary and actuarial standards for employe welfare and pension funds. Under Wisconsin law, the barbers' pension fund, the fiduciary responsibility of its officers and its actuarial status are all subject to examination and approval of the state's insurance commissioner, currently S. C. DuRose.

In October of last year, Mr. DuRose issued a report that concluded:

"That the Barbers, Beauticians and Allied Industries Pension Fund is, in its present form, an unsound program and unable to provide the benefits promised its members. As a result, the payment of any pension benefit is an act of fund depletion in violation of Chapter 211, Wisconsin Statutes."

Private pension fund officials, currently embroiled in a shrill argument with Congressional critics of the private pension system, ought to take careful note of the power of the state of Wisconsin to enforce the rights of pension plan participants living in that state. It might have been—and still would be—a good idea for private pension plans to promote widespread adoption of state regulatory laws as an antidote to threatened action by Congress.

Insurance Commissioner DuRose has, in fact, paved the way for such action by getting the National Assn. of Insurance Commissioners to establish a committee to develop a suggested model law to regulate employe welfare and pension funds. Presumably such laws would be designed to ensure fiduciary responsibility and actuarial soundness of pension plans. It would not be feasible for states to adopt regulations setting standards for vesting or portability.

Wisconsin, which has followed the LaFollette tradition of protecting working people, should not be the only state that effectively regulates welfare and pension plans. Those who now object vehemently to proposals for federally imposed vesting, portability, fiduciary responsibility and reporting rules might have stronger arguments against federal standards if the states had accepted regulatory responsibility. We do find it heartening, however, that Wisconsin was willing to meet its responsibility and stand alone in federal court in Indianapolis to defend the rights of its barbers and prevent wrongful depletion of a pension fund.

letters

(This column is a readers' forum. Letters are welcome. Address: Letters to the Editor, Business Insurance, 740 Rush St., Chicago, Ill. 60611.)

A meaningful dialogue

To the Editor: While I firmly believe that a national publication is no place to carry on a discussion of differences between two individuals, I am quite shocked at Gerald Wilson's March 15 answer to my earlier query concerning the employes' driving agreement.

Without discussing the possible responses to Mr. Wilson, e.g., the agent/principal relationship between employe and employer, the ambiguity of Mr. Wilson's statement that "the corporation is protected in all situations," and what is apparently his own opinion of the social responsibilities of employers, what appalls me as a professional agent and broker is the derogatory manner in which he replied.

It is precisely this sort of attitude that discourages dialogue between members of the professional buyers ranks and professional agents and brokers. We would hope that Mr. Wilson's reply was not intended to communicate this attitude. We also hope that efforts will be made in the future to be instructive when one is confronted with a sincere attempt to understand another's view of the complexities of risk handling.

Since my previous letter was specifically addressed to Mr. Wilson, not to the editor of *Business Insurance*, and was subsequently published, I trust that since this one is directed to the editor, it will be published as an effort to identify perhaps one of the reasons for whatever communication gap may exist between professional buyers and the insurance industry.

Albert E. Lietzau, III

Manager, Risk Analysis Department, Tongue, Brooks & Co., Baltimore, Md.

Gun laws—malarkey?

To the Editor: I've kept the November 9, 1970 issue of *Business Insurance* open to the editorial page, intending to write you in connection with your comments in the editorial "Insurance power" on effective gun-control laws. Only now though have I worked my way down into the pile of magazines.

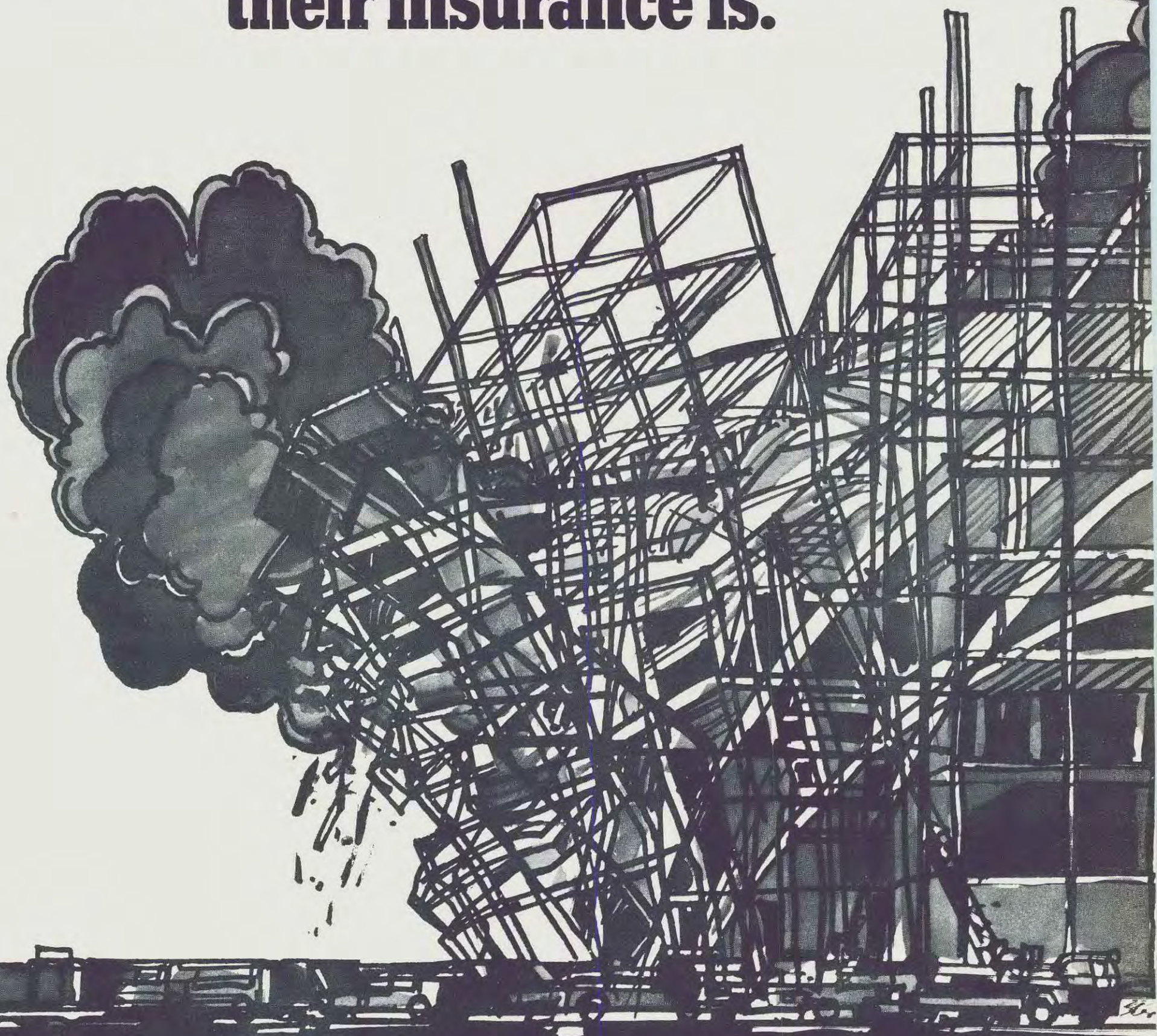
I think the answer you seek is that an awful lot of us have become convinced that all the discussions about needing new laws for everything that comes up is a bunch of malarkey. It's a smoke screen for the non-enforcement of laws already on our books—most of which are entirely adequate, if properly enforced.

The entire news media, for the past year or two, has been saturated with talk of new laws needed, pollution, etc.; and only recently some 1880 laws were dusted off and found to be adequate to force compliance from the offending industries.

Another case in point occurred a few years ago in a Senate debate over civil rights legislation, then pending. Senator Byrd of West Virginia quoted chapter and verse on civil rights legislation dating back to Civil War days—which was adequate to do the job that was generating all the heat—and about which little or nothing was done since it was passed

Continued on page 34

Unfortunately, this is when many builders find out how good their insurance is.



You've probably taken out the kind of insurance we're talking about. The kind that's meant to protect you in case an earthquake or a windstorm or a flood or an explosion or a fire or collapse should occur while you're putting up a building.

Even though these are all things that probably won't happen, you're smart to be covered.

What's not so smart is if you

haven't taken a few minutes lately to study or review that coverage.

We have a Builders Risk policy we think you should at least look into. Now.

Because of our experience with every kind of insurance for builders and contractors, we're able to understand your special requirements.

The basic policy, that's one

consideration. But maybe your particular situation requires extra coverage. Such as an equipment or installation floater. Or perhaps there's a good reason your subcontractors should be covered in your policy, too.

Talk to your insurance agent or broker about American Home's Builders Risk insurance. Now is the time to make sure you have what you think you have.

American Home Assurance Company

102 Maiden Lane, New York, N.Y. 10005

International meeting of risk men told insurer mergers cut capacity

BRUSSELS—Capacity problems may force risk managers to turn to self-insurance, and the blame for this can be placed on insurance firms' mergers.

This forecast on current trends was given by John C. Parkinson, insurance manager for a British industrial chemical group, at a European assembly of management insurance programs. Business representatives from seven countries were present at the conference, which was called by Management Center Europe, of Belgium.

Mr. Parkinson, who controls insurance for the \$1 million-a-year trading operations of Albright and Wilson, Birmingham, England, is area organizer for the

Assn. of Insurance Managers in Industry and Commerce in England.

HE TOLD THE conference, after urging that every sizeable industrial unit ought to have an insurance specialist: "I don't think there is much doubt that the insurance manager today for a large industrial operation has a far more difficult job than his predecessors. Industrial operations are getting more complex, and the capacity for some classes of business is reducing."

Reviewing capacity problems, he said: "I know insurance companies will frown upon any extension of self-insurance. But I think they may be forcing us into

a situation where we have to give it very strong consideration as insurance managers. This is because of the capacity problem. I have met it in marine insurance, and in public and products liability, but it is particularly troublesome in fire insurance for both material damage and business interruption.

"Insurance companies say the reason is lack of profitability, but I cannot accept this is altogether the cause."

AFTER TELLING that United Kingdom fire insurers had imposed surcharges of 50% to 500% in the past two years, which ought to create profitability, he said: "The capacity problem does

not seem to show any sign of easing. My own view is that the principal cause is the mergers of insurers. Every time two insurance companies have merged, I have found a reduction in capacity.

"If one office with 10% merges with another office with 10%, at the next renewal I am faced with a reduction in the total line which was previously 20% down to 15% or sometimes even lower. I just fail to understand why this should be so. A number of insurers have pointed out they themselves are having difficulty in obtaining reinsurance, and this has reduced the amount of business they can accept.

"But I wonder whether this reduction of reinsurance capacity has been aggravated by company mergers? When we had a large number of smaller companies, their individual retentions were relatively small, and they went into the reinsurance market with

all those risks beyond their basic retention. As they merged, they found they could hold more for their own account. This tended to remove small to medium size operations from their reinsurance arrangements, so the reinsurers were left only with the very large unit of industry which naturally can also produce large losses.

"As they have lost their bread and butter risks, they are not too happy about taking a very large share of the not so good risks."

THE ANSWER, Mr. Parkinson opined, lay in greater use of first-loss cover. He looked forward to the time when he could go out into the market and buy the amount of cover he actually wanted.

For this purpose he gave an illustration: Suppose there was an organization with 15 plants, total assets valued at \$250 million, and probable profits of \$60 million, yearly, it might have a probable loss of \$5 million for material damage and \$5 million for profits. Why could it not go into the market and obtain cover for \$10 million or \$12.5 million on any one claim covering all consequences of a fire or explosion, whether the loss was material damage or consequential loss? Premiums could then be cut through administrative savings, and the insurers could make full retention and reinsurance arrangements without having to gear them to the unlikely possibility of a much higher claim.

The company risk manager could in turn use some of his savings to take out excess cover of \$12.5 million to \$25 million beyond the basic cover. This would put considerable responsibility on him, but it was viable as long as he took a realistic view of what might happen.

MR. PARKINSON said every large company needed an insurance manager to ensure they were properly protected and their insurances were placed in the most economic manner.

In his own group he reported to the company secretary who was present at all board meetings so that he was kept well-informed of any changes in corporate activities. Hence his company could operate direct with the market, and use brokers only when absolutely necessary, such as placing part of his fire schedule with Lloyd's and non-tariff companies.

Many areas in major corporations could be self-funded, leaving the insurance market to cover the catastrophe element by stop-loss reinsurance, he concluded. Mr. Parkinson was formerly with Norwich Union and the Guest-Keen-Nettlefold steel group. ■

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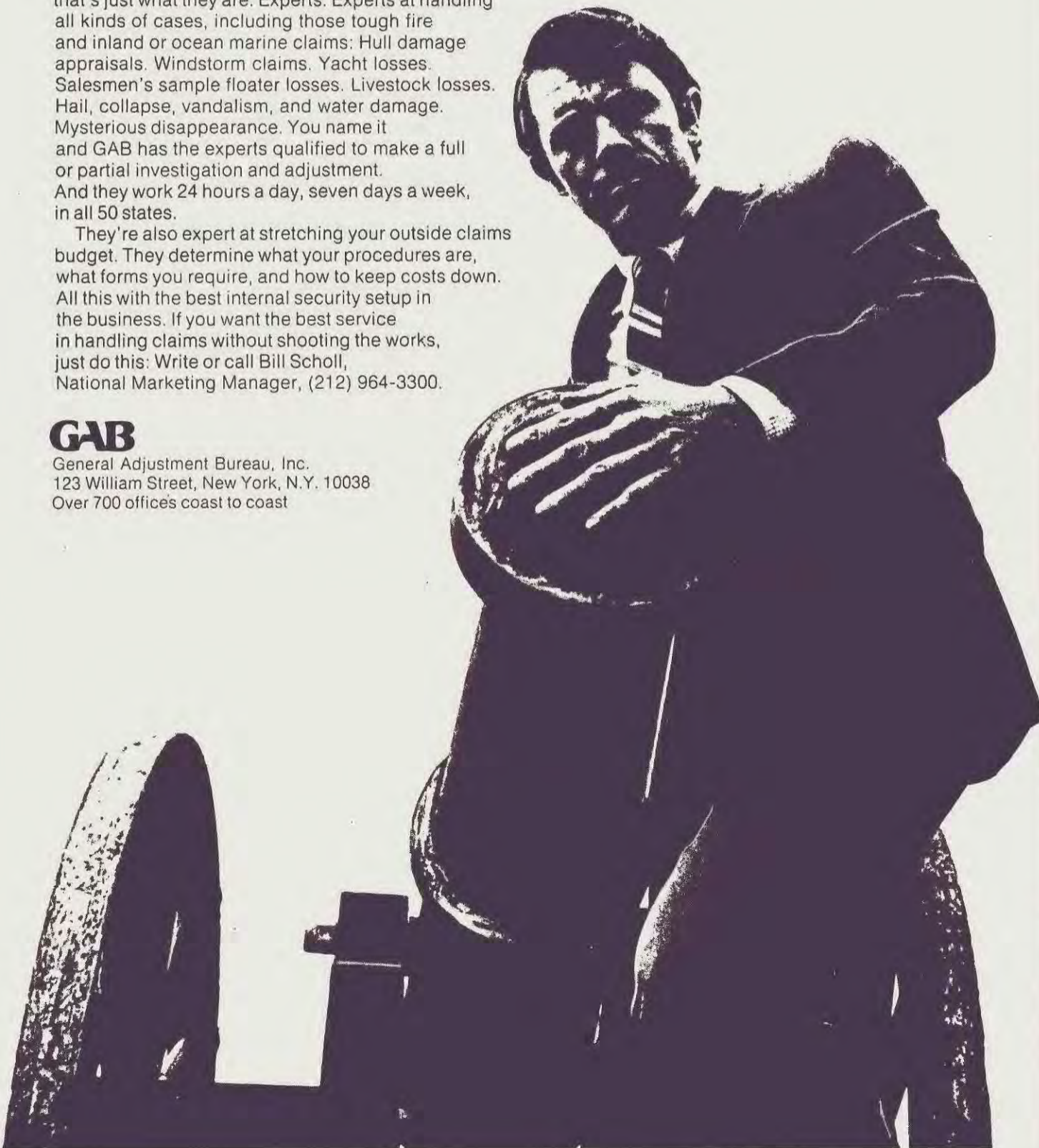
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Union defeats four-day workweek

BIRMINGHAM, Mich.—The four-day workweek instituted two months ago at Intercontinental Steel Corp. here has been defeated by pressure from the Teamsters Union.

The 30 employees of the company are back to five eight-hour days because union spokesmen demanded time and a half hourly wages for each hour over eight worked in one day. Intercontinental, a new company negotiating for its first full contract, was told the short week conflicted with standard contracts.

Charles McPhee, president of the company, said the short week had been enthusiastically received but that it was more important to have a strong union shop.

Brockmeier says pollution separates risk manager from insurance buyer

CHICAGO—Many, many years ago in a far off land called Eden a man named Adam said, "Hey, Eve, what do I do with the core to this thing?"

Eve replied, "Just toss it in the bushes where I threw mine."

This was the origin of pollution, according to Warren Brockmeier's version of Genesis. Mr. Brockmeier is western regional director of risk management for Ebasco Services Inc. and has written no other books of the Bible.

Things were ok for a while, he told the Chicago chapter of the American Society of Insurance Management, but now Adam's question has come back to haunt us. Today, however, it goes more like this: "Our insurance manager knows which policy applies to this pollution claim, doesn't he?"

MR. BROCKMEIER'S remarks were aimed at defining pollution with respect to the comprehensive general liability (CGL) policy, but he prefaced them with the thought that pollution "is the arena in which the men will be separated from the boys and in which it will be determined whether you deserve your aspiration to risk manager rather than insurance manager."

Pollution coverage prior to the 1966 revised CGL contract was on an accident-only basis, he said, although larger, preferred insureds usually had occurrence coverage either on a manuscript policy or by endorsement. Occurrence coverage was handled in three ways, he explained: by substituting "occurrence" wherever the word "accident appeared in the policy; by defining it simply as an event or happening; or by defining it as an event, or happening; or by defining it as an event, or continuous or repeated exposure to conditions that unexpectedly caused injury during the policy period.

During the late 1950s and early 1960s occurrence coverage was granted frequently and easily, said Mr. Brockmeier, and the common premium requirement was 1% of the bodily injury and 5% of the property damage premium.

The 1966 CGL revision placed virtually all insureds on an "occurrence" basis, he said, and there was talk among underwriters of restricting coverage of risks with large property damage exposures by amending "occurrence" property damage cover back to "accident" cover by endorsement. "Another approach was to enforce a modest property damage deductible on accounts that had a frequency of property damage claims," he noted.

"**HOWEVER** much more was happening during the 1960s than merely the appearance of the revised CGL policy," he continued.

The Torrey Canyon disaster and those in the Gulf of Mexico and off the shore of California catapulted pollution concern onto the worldwide scene and "led to the present restrictive endorsements employed by Lloyd's and most domestic insurers."

Most domestic insurers now use two standard endorsements (IRB-G336 and IRB-G335) that, combined, limit bodily injury and property damage coverage of oil leaks to sudden and accidental occurrences on land, he said. He emphasized the fact that the occurrence must be both sudden and accidental not one or the

other, adding that "coverage should be worked 'not intended by the insured.'"

These restrictions, along with the rising cost of direct damage insurance, according to Mr. Brockmeier, were the background for formation of Oil Insurance Ltd. (OIL) and Tanker Owners Voluntary Agreement Concerning Liability for Oil Pollution (TOVALOP).

"**THESE TWO INFANTS** of the '70s, born of the insurance needs of the petroleum industry and the tanker owners for protection not

available from private insurers and beyond the financial capacity of an individual to self-insure, give testimony to what we believe will become common practice in the '70s," he told ASIM, "namely, an industry captive."

Captives, however, are only a partial solution to the pollution problem and the Ebasco executive pointed out two areas in which risk managers should be on the alert. In the area of public liability large defense costs "seem a certainty," he said, because "punitive damages and awards made as 'an example' are probabilities" in

pollution suit cases.

Within his own company the risk manager must be aware that compliance with anti-pollution laws opens the door to other problems. Pollution-control devices are inherently high-maintenance devices, Mr. Brockmeier reminded the audience, and determining if pollution caused by malfunction or breakdown of these machines is covered by insurance will be difficult. Plant shut-downs caused by inability to comply with antipollution laws or breakdowns in pollution-control systems are going to lead to some sticky questions about business interruption insurance, also, he warned the risk men.

"You must face the fact that the results of pollution are, by and large, really not a subject for insurance. For one thing, they are

fairly foreseeable in many instances. Secondly," he added, "pollution may be viewed as a dynamic, rather than a static, risk. In this context, we must realize that a certain degree of pollution is inevitable in any industrial society, and the balance between the benefit to society from carrying on the industrial activity, in a particular manner has to be weighed against the loss from the decrease in the quality of the environment."

A risk manager must do more than identify, reduce, self-assume and pass on (when possible) pollution risks, said Mr. Brockmeier; he has "an obligation to his company to remain involved in a continued effort to cope with the problems in this field that his company faces."

The tax-favored "pay" plan for key employees

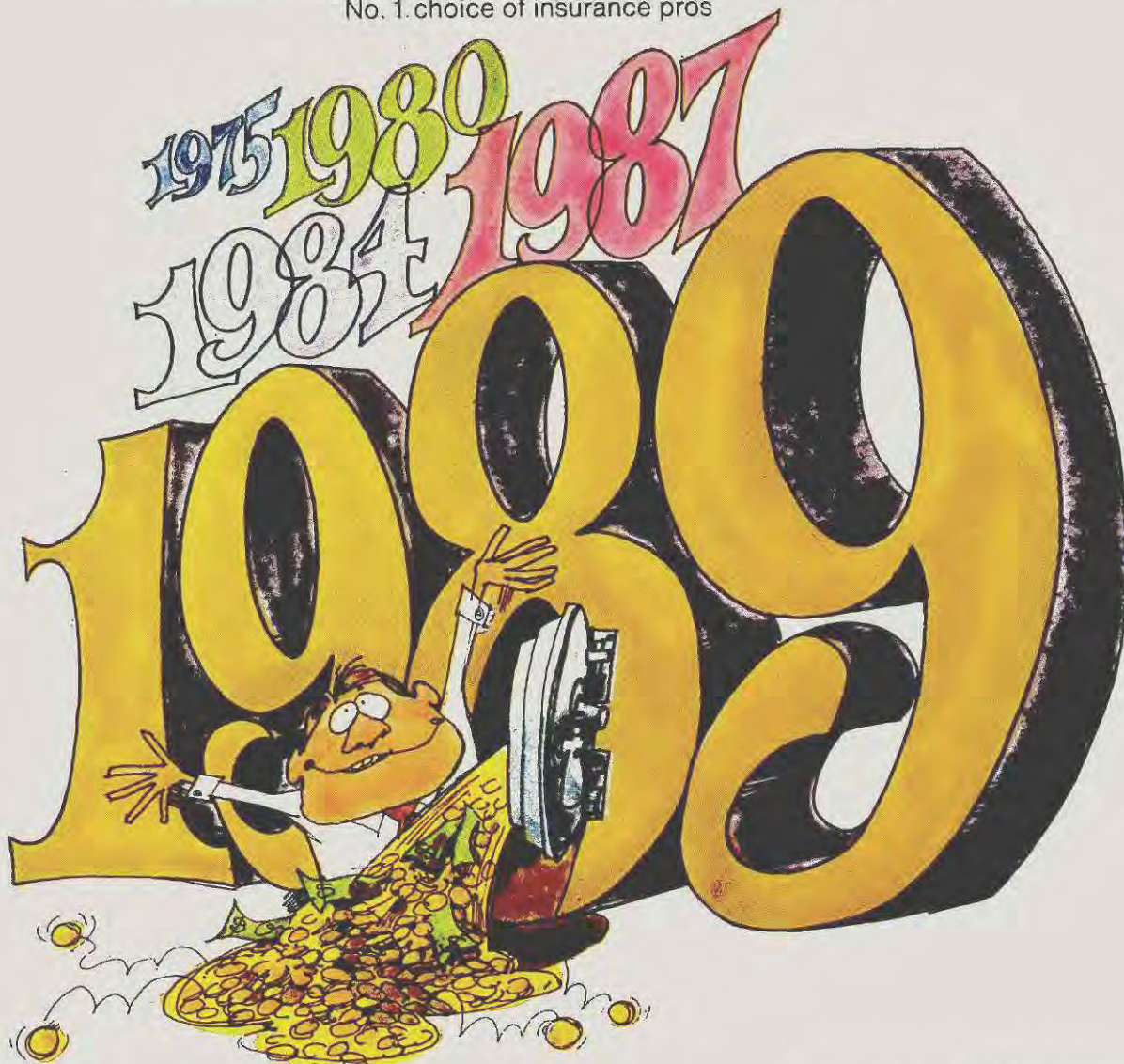
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Television insurance covers stars against maladies and what follows

SAN FRANCISCO—Insurance has come to television in a substantial way, with 36 prime-time evening network series and at least 15 specials being covered against any emergency.

Cast insurance policies written by Fireman's Fund alone are protecting the producers of such shows as Bonanza, Mission Impossible, Mannix, the Carol Burnett Show, Glen Campbell Goodtime Hour, Beverly Hillbillies, Laugh In and Hogan's Heroes. Also insured this season are all of the feature-length productions for ABC's Movie of the Week.

A sprained ankle Bill Cosby suffered in rehearsal while getting ready for a special with Dick Van Dyke cost a carrier (Fire-

man's Fund) nearly \$20,000. By the time the actor got back on his feet, the special had been delayed by two months and a claim of \$19,923 was paid the producer for all the extra expenses incurred.

EVEN THE Lassie show has a cast policy and if anything should happen to Lassie to delay production, insurance will pay all the out-of-pocket expenses incurred by the delay. As with any other "star" Lassie gets an annual physical examination and a veterinarian's certificate is required before the season—and the policy—begins.

Television stars suffer the same illnesses and injuries as or-

inary humans, but their maladies usually end up costing substantially more. When Doris Day came down with a respiratory illness, work on her show stopped and a claim for \$34,067 resulted.

A fall from a horse injured 10-year-old Lisa Gerritson, of My World and Welcome to It, and the insurance carrier paid \$32,482. The flu bug felled Peggy Lipton of Mod Squad and produced a claim of \$28,273.

Eva Gabor of Green Acres had a brief illness and the producers of the show recovered \$12,289. An accident on the set of Mission Impossible put former Miss America, Lee Meriwether, out of commission at a cost of \$1,385.

"These amounts," explains

Edward E. Hamby, in charge of Fireman's Fund's entertainment industry insurance for the past seven years, "are for production delays only and do not, of course include hospital or medical expenses for the star covered."

A couple of years ago, Leif Erickson of High Chapparral aggravated a leg injury that required hospitalization and surgery. Even though the producer was able to write him out of the script for several episodes, the claim came to \$148,000, one of the largest losses paid in recent years.

Television insurance also covers cameras, equipment, props and miscellaneous equipment. Last season, two dune buggies used on the Mannix show collided and the insurance bill was \$560.

Producer liability coverage is also carried for such organizations as Talent Associates, Filmways and Bing Crosby Productions, as well as the late-night network talk shows.

Protest march for work comp

SALEM, Ore.—A new kind of "protest march" occurred here when Mrs. Jack Saltz led a parade to a hearing by the senate labor and industries committee on appeals for changes in Oregon's workmen's compensation law.

The committee heard charges that some Oregon employers "do a bad job protecting workmen from injury" as well as contentions that "the present system just is not correcting the problem."

Mrs. Saltz is the widow of a 25-year-old worker who fell 77 feet to his death from an allegedly defective scaffold last January on an Albany, Ore., construction project. The workmen's compensation board and a private insurance investigator found the employer negligent by permitting use of a faulty scaffold and in providing inadequate safety supervision. Under Oregon's present law, Mrs. Saltz told the committee, she cannot bring suit against the employer because her needs are supposed to be met by workmen's compensation insurance benefits. Mrs. Saltz told the committee she now receives \$110 a month, plus \$40 each for her two children, for a total of \$190.

OREGON Sen. Berkeley Lent and Rep. Harl Haas, both Portland Democrats, have introduced a senate bill to permit victims of such situations to sue for damages. "The law has not improved safety conditions," Mr. Lent told the committee. Last year 138 workmen died, and there were 12 more deaths in January, from industrial accidents. It just is a lot cheaper, under the present law, not to be safe."

Ed Whelan, testifying on behalf of Oregon's AFL-CIO, asserted that the senate bill "is the finest piece of safety legislation to come before the 1971 session. "All one needs," Mr. Whelan added, "is a \$175,000 jury award to a widow with kids and you'd have the most safety-conscious employers possible."

The committee has recently approved and sent out for legislative vote a series of measures for increased benefits for temporary disability and for partially permanently disabled workers. These measures have been approved by both AFL-CIO and Associated Oregon Industries.

Conservation group formed by Signal Oil

LOS ANGELES—Allan Greene will represent Signal Oil and Gas Company's insurance department on a newly established environmental conservation committee. He also will be secretary for the committee.

Frank D. Lortscher, president and board chairman, said the committee "will establish rigid guidelines and a corporate policy of environmental conservation for the operation of our worldwide facilities.

Harold Nissen, Signal's environmental conservation director, will be chairman. Other committee members will be Robert Byrd, safety and fire protection; Richard Drasen, public relations; Bruce Eckerson, natural gas and gas products; Joseph Loeb, legal; William Schell, production, and Earl Smith, security.

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Melvin Bockelman

Data processing manager, Kansas City Police Department, on computer operations and invasions of privacy.

Warren G. Brockmeier

Director-western region risk management department, Ebasco Services Inc., on risk management for computer centers.

Karl W. Fruecht

Corporate vice president, Household Finance Corp., on physical protection for computer installations.

Fred Zeleny

Chief engineer, western regional office, Factory Insurance Assn., on fire protection for computers.

Rolf H. Jensen

Chairman and professor, fire protection engineering department, Illinois Institute of Technology, on computer fire protection.

Gordon M. Paine

Assistant secretary, St. Paul Fire and Marine Insurance Co., on property insurance for computer facilities.

Louis Scoma, Jr.

President, Data Processing Security, Inc., on security for computer facilities.

Michael Verbick

Manager data processing, Playboy Clubs International, on security and protection for computer records.

Herbert T. Walworth

Manager, special technical services section, Kemper Insurance Cos., on protecting computer room employees.

Dr. Robert Wiper

Behavioral psychologist on the care and feeding of computer room employees.

R. C. Bjorklund, T. J. Morton

Moderators. R.C. Bjorklund, editor *Business Insurance*, and T.J. Morton, Midwest bureau chief, *Computerworld*.

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High court rules benefits may not be held up by employer challenge

WASHINGTON—The Supreme Court took action on two employe-employer related matters late last month.

In one, the court unanimously set aside laws in 48 states that stop employment insurance benefits when a worker's eligibility is challenged by his latest employer. In another, the court declined to review a lower court decision that allows states to provide welfare to individuals who are unemployed because they are striking.

The unemployment insurance decision may cost employers in California alone as much as \$800,000 a year in payments to the state unemployment fund.

case was whether the state laws comply with the federal Social Security Act, which provides that benefits must be paid "when due." Administered by the states, unemployment insurance plans are financed in part by federal grants and in part by employer contributions. The latter are based on benefits paid to the employer's workers who have been laid off.

Two California workers who lost their jobs challenged that state's law under which payments may be withheld or suspended when an employer formally challenges an applicant's eligibility. The former employers of the two said that they had been discharged for cause, in which case

benefits would have been denied.

In California and most other states the applicant fills out forms and is interviewed, with the interviewer then making contact with the former employer or others for verification. If eligibility is established payments usually begin immediately and the state then notifies the former employer to that effect. The employer may, however, appeal the finding within 10 days. If a company appeals, payments are automatically stopped for about seven to 10 weeks while the appeal is being heard.

In the unanimous decision, Chief Justice Warren E. Burger noted that such suspensions violate the Social Security Act.

Unemployment insurance, he said, is a temporary substitute for wages and it was Congress's purpose to get the "money into the pocket of the unemployed worker at the earliest point that is administratively feasible."

California and other states urged the high court to uphold their state laws, citing higher unemployment insurance costs that would result from such a decision.

IN THE WELFARE case, the states' rights to provide welfare benefits to striking workers had been challenged by International Telephone & Telegraph Corp.

The specific case involved a strike at ITT's lamp division plant in Lynn, Mass., which closed the plant for several months. About 170 employes, one-fourth of those on strike, applied for and received welfare benefits from Massachusetts general welfare and aid to families with dependent children pro-

grams.

ITT brought the suit in a federal district court to enjoin the state from continuing the payments. The company argued that the state was interfering with the free collective bargaining process in violation of federal policy established in the National Labor Relations Act. ITT also claimed that the payments economically strengthened the strikers and thus prolonged and constituted government subsidy to the Teamsters union, which represented the workers.

The district court refused to enjoin the state and was later affirmed by the U.S. first circuit court of appeals in Boston. In appealing the case to the nation's highest court ITT asserted that federal labor law guarantees both employers and unions the right to engage in collective bargaining free of state interference. The availability of welfare benefits gives a union "a potent weapon" that impairs free bargaining, the company said.

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Sue General Dynamics

SAN FRANCISCO—Survivors of six victims of an air force plane that killed 13 of the 14 men aboard when it crashed last May in Sonoma County have filed lawsuits totalling \$11.5 million in superior court here.

The suits were filed by attorney Gerald C. Sterns against the Convair division of General Dynamics Corp., manufacturer of the plane.

Mr. Sterns said he will attempt to prove that the crash was caused by a failure of a window frame of the twin engine troop carrier plane which took off from Hamilton Air Force Base bound for Fairchild Air Force Base, Wash. It crashed soon after take-off.

Lack of fire sprinkler cost \$650,000

SANTA CRUZ, Cal.—Insurance companies have suffered many a loss originated in the old bromide "for lack of a shoe, the horse was lost." For lack of a \$10,000 fire sprinkler, the University of California administration building on the campus here was lost, at a cost to state self insurance funds of an estimated \$650,000.

Chancellor Dean McHenry told a meeting of the board of regents that the automatic sprinkler system "was not installed because at the time the building was being constructed, we were attempting to save money."

Sprinkler systems were not required by the Santa Cruz building code, he reported and they have not been installed in four of the campus dormitories, two of which are of all wood construction. He estimated that to install a complete automatic sprinkler system protection on the Santa Cruz campus now would cost \$1 million.

Regent William Coblenz, a San Francisco attorney, asked university president Charles Hitch to investigate the possibility of seeking legislative appropriation of \$1 million in an emergency bill so fire prevention and more detection devices could be installed.

Bib Evans, UC vp, said state funds could not be used for this purpose because the dormitories were built with private funds to be paid back out of student rental fees.

for the record

Legislators would make mental cover mandatory

HARTFORD—The Connecticut legislative joint insurance committee has approved what is believed to be a "first" in the country—a measure that would make it mandatory for all group health insurance policies in the state to include mental health coverage. The bill would affect all group policies written after Jan. 1.

In addition, the same committee has given the nod to a proposed measure that would create a so-called "insolvency fund" for Connecticut fire and casualty companies, under which they would pay claims of policy-holders of a bankrupt fire and casualty company.

The fund would be established only if a fire and casualty company went bankrupt. Maximum claim that would be paid under any one policy of a defunct company would be \$300,000, with a \$100 deductible clause in all payments.

UNDER THE mental health proposal, group health insurance policies issued by Connecticut Blue Cross and all other insurance firms doing business in the state would pay for the in-patient care of mental illness, up to 30 days. For out-patient care, the payment would be 50% of the total cost, with maximum payment up to \$500, with 50% co-insurance.

State insurance commissioner Paul B. Altermatt is understood to be in favor of the mental health insurance bill—although he did not speak in favor of same at an insurance committee hearing. Predictably enough, mental health groups voiced support.

Some companies in Connecticut at present handle mental health insurance on an optional basis. The new measure would make it compulsory.

Tabacco fund officer is 'woman of the year'

ATLANTIC CITY, N. J.—Anne Nahoum, senior staff executive of the National Assn. of Tobacco Distributors, New York, has been named "1971 Woman of the Year" by the wholesale tobacco industry here.

Miss Nahoum is administrative secretary of the association's insurance trust fund, the tobacco and kindred products industry's largest insurance group, and is auditor of the NATD. The award was in recognition of her role in the economic, social, political and industrial realms of American free enterprise.

The industry award was established in 1967 by Jno. H. Swisher & Son Inc., Jacksonville, Fla., cigar manufacturer.

Maine establishes self-insurance fund

AUGUSTA, Me.—The Maine state legislature has approved a \$2 million appropriations bill, including funds for a state self-insurance fund and a study to lay groundwork for a medical college.

Half of this appropriation will be used to establish a fund the state would use to begin insuring its own property against damage and loss.

Eventually, the state hopes to

be able to build up the fund to a point where it could cover all of its property.

Parents sue TV station in son's death

HOUSTON—The parents of 16-year old Cleveland Johnson Jr., who died after being stricken in a swimming pool June 6, 1970, while participating in a television show for teen agers sued Larry Kane and KTRK-TV in district

Continued on page 32

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What can you do about the drug problem?



Many community leaders want to help young people trapped in the world of drugs. But they don't know where to begin.

A new Kemper Insurance documentary film shows how others are helping. The 27-minute, full-color film, "It Takes a Lot of Help," is narrated by Lorne Greene of Bonanza.

The film involves you in an in-depth analysis of citizen-initiated programs in Cedar Rapids; group therapy sessions in Chicago and Phoenix; a dramatic conversation on Boston's narcotics "hot line"; a drug-free sensitivity trip near Tucson; and more.

As a public service, Kemper Insurance offers free loan of this film to any interested adult group anywhere. It could lead to a solution.

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state of the unions

New York fast becoming showcase for costly pension fund concessions

NEW YORK—At this point a lot of businessmen and private citizens around the country are probably rather tired of hearing about pension costs, especially for city employes in places like New York. But New York is fast becoming a showcase for heavy mistakes that many another town would be well-advised to learn from. The shame of it is that a lot of these mistakes appear to have been made by city officials who gave no clear-headed consideration to the ramifications of union contracts at the time they signed them.

Ever since 1968, Transit Authority workers have been able to retire after 20 years of service and upon reaching the age of 50 at half pay. The crusher is that "half pay" is computed on the earnings of the employe's last year, including all overtime.

Under this system a subway motorman who earns \$25,000 during his 20th year might retire at the age of 50 with an annual pension of \$12,500—with the cost carried on the back of an already heavily-burdened city. A motorman's base pay is \$10,020. In other words it is possible for a Transit Authority employe to retire on a pension that is higher than his supposed salary.

IN 1970, 41 of the TA's 3,200 motormen earned more than \$20,000. Bus drivers have a base pay of \$9,328.80 and last year 35 of the agency's 5,300 bus drivers made more than \$15,000. Conductors, with a base pay of \$8,543.60, made out even better. In 1970, 60 out of 3,300 received in excess of \$15,000.

The overtime factor is driving the authority's pension cost up at an almost uncontrollable rate. Wilbur B. McLaren, the TA's executive officer for labor relations and personnel, has been quoted as saying, "I don't think anyone ever calculated the ramifications of this pension plan." TA pension costs have more than doubled in the past five years; transit officials are just beginning to calculate the pension plan's impact, especially in regard to how much the city is required to contribute for retiring employes.

The half-pay pension provision including overtime in the employe's last year was first won by police and firemen in 1963, but the impact there has not been so strong because police and firemen receive little overtime. The last-year-of-pay provision is designed for a stable business not for a business as changeable as mass transit, whose very nature calls for a lot of overtime. The TA has had to increase overtime by 50% since 1966 because of service needs, and at the same time employe absenteeism throughout the past decade has risen by 25%. To top it all off basic wages for TA employes have increased by 28% since 1967.

And money isn't the only problem the system is causing. When the pension provision went into effect in 1968 many an experienced worker with 20 years' service jumped at the change to retire at the age of 50, and the TA lost thousands of years of skilled work. Right now 40% of the authority's hourly employes have less than two years of service and 55% of its supervisory personnel has less than two years in their

present classifications.

EMPLOYEES pile on as much overtime as is humanly possible in their final year, sometimes with the help of fellow workers who call in sick to boost the soon-to-be-retired friend's amount of overtime and last-year pay.

And as the result of yet another failure to calculate future costs of contract concessions, 8,000 retired transit employes receive not only their half-pay pensions, but an annual \$500 bonus as well. The bonus was granted by an inexperienced

city official during the subway and bus strike of 1966.

In the "me too" fashion of municipal union settlements, similar bonus provisions have spread to the contracts of sanitation men, police, firemen and teachers at a cost of millions of dollars every year. By some estimates the annual cost of the transit payments alone could reach \$10 million in the next five years, a huge outlay for the deficit-ridden TA. The bonus is nonfunded and paid directly from the authority's operating funds.

In view of great recent improvements in pensions the Transit Authority has attempted to eliminate the bonus, granted to authority workers who retire at age 55. But the union does not seem to respond well to such overtures.

THE STORY of how this mistake was made is a warning to cities not yet in such bad straits.

In January, 1966, the Transit Workers' Union was on strike and John Lindsay was just being sworn in as mayor for the first time. The new mayor and his aides were anxious to get the subways and buses moving again.

Heading negotiations for the city was Robert Price, the new deputy mayor. Negotiating for the TWU were experienced officials and the union's lawyer. When the \$500 bonus issue came up the officials of the Transit Authority, all men who had weathered contract negotiations, were not present to hold Mr. Price back as he

gave the bonus to the union.

According to John J. Gilhooley, one of the TA officials kept out of the negotiations at that point, the union had "tried to get this benefit from us for years. We said, 'Ridiculous. You'd break the bank.' We said, 'No, no, no.' Mr. Price interceded. Once in, he increased the total cost of the package by 54%. This was the focal point of the problem New York faces today with the talk of the 50-cent fare."

California health cover

A bill to provide California state employes with fully paid health insurance has been introduced by Republican assemblyman Robert Monagan. California now pays part of the premium cost of health insurance for state workers. The proposed legislation would pay the entire premium cost with insurance for family members available to the employe at cost.



Up in Northern Canada, where the roads end and the endless snow begins, the Hudson's Bay Company still serves the native Eskimos and Indians. Until recently, the only way to ship them even the proverbial refrigerator was by dog sled.

While those dogs and sleds were still running, the Canadian subsidiary of MOAC insured every one. Goods and all. Despite the fact that they often ran over some pretty thin ice.

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Commercial fleet insureds testify in favor of a federal no-fault bill

WASHINGTON—Several large fleet insurance consumers have urged Congress to adopt a uniform no-fault motor vehicle insurance law that would not discriminate between private passenger automobiles and commercial or leased or rented vehicles.

Testifying before the House subcommittee on commerce and finance were Frank J. Max Jr., vp of Avis Rent-A-Car System Inc. and president of the Car and Truck Rental and Leasing Assn. (CATRALA); John Davis, executive director of Ryder Systems; Robert A. Smalley, president of Hertz Corp.; and John J. Murphy, who was speaking for Avis' absent president, Winston V. Morrow Jr. Mr. Murphy, an attorney

and Avis executive, handles the company's insurance matters.

"What we told them," Mr. Murphy later said of the testimony, "is that CATRALA and our individual companies definitely support no-fault legislation, but we want to make damn sure it's uniform throughout the country. We do not support any legislation that would discriminate against commercial vehicles," he told *Business Insurance*.

THE TESTIMONY on the part of the fleet insurance consumers was the first formal stand against no-fault discrimination for commercial insureds thus far heard in Washington. Earlier last month, however, officers of the American

Society of Insurance Management adopted a "statement of principles" on auto insurance reform calling for federal standards to be administered by the states. Edward R. Lalley, Kraftco Corp. insurance manager and ASIM's vp for legislation, said his group will present its views at hearings to be held this month by Sen. Warren G. Magnuson (D.—Wash.), chairman of the Senate Commerce Committee (*Business Insurance*, April 26).

Mr. Murphy vigorously pushed for ASIM to take a stand on the subject ("I spent a week in San Francisco lobbying for this thing," he said of his attendance at the ASIM's annual conference in February). He said his indus-

try has one objection to Hart-Magnuson bill that would establish a federal no-fault system.

The objection, he said, is that it does not have a ceiling for reasonable medical, rehabilitation and other expenses that would act as an "incentive to keep expenses down."

In this respect, he said, he is not sure federal no-fault legislation would reduce auto insurance costs. "No-fault might even be more expensive in the long run if it pays full economic losses to the auto accident victim. I look for a reallocation of costs," he said. "Our only hope (for savings) might be that improvement in reparation law may be met by improvement in automobiles."

MR. MAX, who testified on behalf of the association he heads, told the subcommittee that he was "not convinced" insurance coverage would cost the companies less at the outset if no-fault

were adopted, but "the important thing is that more of the money will get into the hands of those who need it."

The Ryder Systems executive, John Davis, told the subcommittee his company spends \$10 million annually "to support our insurance" and "much of that" goes to defend claims. "Only a small fraction" actually gets into the pockets of claimants," he said.

A no-fault system, he said, would boost the actual payments to claimants and bring "an end to the tort and adversary system."

Robert A. Smalley, the Hertz president, also told the subcommittee that it supported federal-legislated no-fault which would be "in the best interests" of Hertz customers and consequently of the leasing-rental companies themselves.

COMMENTING the Massachusetts no-fault measure which has been in effect since Jan. 1, Mr. Murphy later told this magazine that he would not like to see it become a model for the country.

"It's not really no-fault," he said. "In every way it's a lawyer's tort bill," the Avis executive added, noting that the expense threshold of \$500 in medical bills and liberal definition of what types of injuries may be eligible for tort liability compensation make it fairly easy to "create" a fault claim.

However, the Avis man did say that the Massachusetts no-fault law will "work wonders" for that state where it wouldn't work for Michigan, for example.

His reasoning for this is that Massachusetts, which was also among the first states to adopt a compulsory liability insurance law, has always had a much higher incidence of auto liability claims than other states. About 70% of all auto accidents in the Bay State, he said, end up in litigation whereas the percentage in Michigan is about 30%. The Massachusetts law, he said, will undoubtedly lop something off the top of that 70% figure but it would be unlikely to do the same in Michigan. ■

Oil well claims

Claims for \$4.3 million have been paid by Lloyd's and company underwriters for the oil well Petrel No. 1, which blew up into a torch in the Arafura Sea, off the north Australian coast, in August, 1969. Lloyd's sources say that the dwelling firm, Arco Australia, Ltd., is owned by the U.S. Atlantic Richfield oil group.

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Giles on the law

Misrepresentation negated cover on vending machines destroyed by fire

By JOHN W. GILES
Attorney at Law

WASHINGTON—If you are starting a vending machine business, it is important that your identity be clearly established when you insure the machines.

In this case, the applicant willfully misrepresented his identity to procure a \$20,000 fire insurance policy on his vending machines for a new business venture. He received a 30-day binder that was issued eight days before a fire destroyed all the machines. His application for the insurance was made in the name of the applicant's minor son.

The insurer, in denying the claim, alleged that it did not discover the misrepresentation until after the machines were destroyed and it was then learned that the applicant had more than 20 unsatisfied judgments against him. The binder would not have been issued if the insurer had known the true facts.

The agent testified that after he issued the binder he requested a credit check on the applicant but the credit bureau could find nothing on the man. The appellate court found that the son did not own the machines alone, but that the applicant had a substantial interest in them. Thus the

applicant's misrepresentation concealed the fact that he had an interest in the machines and prevented an inquiry into his background, which would have revealed the unsatisfied judgments.

The court said the misrepresentation was material to the risk and therefore the binder was declared void. (*U.S. Fidelity & Guaranty Co. v. Haywood*.—Virginia supreme court of appeals—11/30/70.)

WHO IS COVERED in an indemnity bond insuring against dishonest acts of employees?

The U.S. court in South Dakota considered a case in which a cor-

poration president who was a majority stockholder and director and whose directions as to corporate affairs were "rubber stamped" by the other directors, was not an employe within the coverage of a fidelity bond. The bond indemnified the corporation against the dishonest acts committed by any employes and defined an employe as a natural person whom the insured had a right to govern and direct in the performance of his services.

Here the corporation suffered a loss as the result of the improper payment of dividends at the direction of the president. The court said that the payment of dividends is the act of the board of directors and when the president and the board declared dividends they were not acting as employes within the definition of the indemnity bond. The other directors were not covered under the bond. (*All General Finance Corp. v. Fidelity & Casualty Co.*

of N.Y.—311 Fed Suppl 353—4/15/70.)

CHAIN STORE operators would do well to consider this Wisconsin case. It holds that the revolving charge account plan that imposes a 1.5% monthly charge on unpaid balances violates the state's usury law. The reason is that such a charge is considered "interest" and this interest exceeds the maximum of 12% allowed by law in Wisconsin.

What is usury? The court here points out four basic elements:

- A loan or forbearance, either express or implied, of money or of something circulating as such.

- An understanding between the parties that the principal shall be repayable absolutely.

- The exaction of a greater profit than is allowed by law.

- An intention to violate the law.

The Wisconsin court said it took judicial notice of the widespread use of the revolving charge account and of the large number of Wisconsin citizens affected by these practices, but it had no hesitancy in endorsing an injunction against the usurious practices that clearly constitute a public nuisance here and should be discontinued. *J. C. Penney Co.* urged that the usury statute should not apply to its agreement because it is in form and substance a "time price" sale and that such sales are, and historically have been, excluded from the coverage of usury statutes.

In answer, the court said there are various indicia that courts point to in determining that a particular transaction is not in fact a true "time price" sale. These include insufficient disclosure of two prices (cash price and credit price) to both parties, seller's specific agreement to finance the purchases and credit price calculated in terms of interest or percentages. (*Wis. Supreme Ct.—Wisconsin v. J. C. Penney Co.—10/9/70.*)

SUPPOSE YOU are a non-salaried American Legion post commander who attends a convention on an expense account. And suppose you are injured or killed while performing your duties at the convention or on the way home. Can your widow recover workmen's compensation benefits in Minnesota for your death in an automobile accident while returning home?

The legionnaire was paid \$7.50 for each day he attended the convention. The court said that by attending the convention at the request of the post, he was performing a special mission. The rule is that when one is on a special mission, one is acting within the course of his employment from the time he leaves home until the time he returns home.

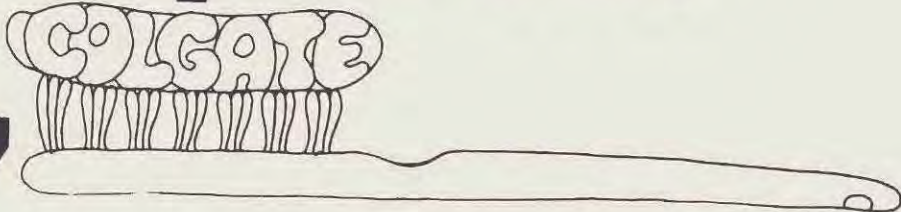
The court noted that charitable and non-profit enterprises are not exempted from the act and because a significant amount of money was paid to this employe for doing work, this was compensation. The decedent was not an unpaid volunteer, excluded from the provisions of the act. (*Minn. Sup. Ct.—Ward v. American Legion Post—1/30/70.*)

DOES YOUR salesman know his soaps? If not, it might cost you or your insurance company considerable money.


A store manager saw a lady customer handling a bar of soap of a certain brand name. She replaced it, took another brand and, with a saleslady who had waited on her, went to the cashier and paid for it. The manager then

Continued on page 48


How Equitable helps the people who keep teeth white,



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Seeks louder voice for corporate consumers

HARRISBURG, Pa.—Rodney F. Pyfer, former insurance manager of the University of Pennsylvania who several weeks ago was appointed a special assistant to Insurance Commissioner Herbert S. Denenberg, said that one of the things he hopes to accomplish in that job is to give the corporate insurance consumer more voice in the future.

"Maybe we can't get an ASIM (American Society of Insurance Management) guy a seat on the Blue Cross board of directors. But we can get Blue Cross to listen to a committee of ASIM members on matters that affect their insurance costs," he told *Business Insurance*.

The 37-year-old Mr. Pyfer, who had been insurance manager at the University of Pennsylvania for 12 years, said that since joining Dr. Denenberg's staff in February he had been "doing a lot of digging" for the commissioner on matters ranging from Blue Cross to auto insurance.

"HE TOLD ME to get in there and maybe I could give a different slant, or perspective, to things," Mr. Pyfer said of the mandate from the Pennsylvania insurance department head. "And that's just what I've been doing."

Asked what it is like to dig for the man who is rapidly becoming the most vocal insurance regulator in the country, Mr. Pyfer commented:

"He's a wild guy to work for. Sometimes I'll be leaving here at 10 p.m. and say goodnight to him. He'll say, 'What's the matter? Are you all through already?' It's almost a joke around here," he said of the pace the department of 250 has been keeping since Commissioner Denenberg took over.

While at the University of Pennsylvania, Mr. Pyfer helped devise a corporate insurance package and also participated in the development of a mass merchandised personal insurance program for more than 3,000 employees at the university.

Fear Ford bombing may lead to more

LONDON—Although damage sustained in a midnight bombing of the offices Ford Motor Co. uses near here was negligible, insurance companies fear that other industrial plants may be vulnerable to anarchist attack.

The Ford office hit was five miles from their main Dagenham auto plant and a company spokesman said that "damage was slight, about \$400. Two doors were blown out and windows were broken." Ford rents the office property.

Insurance for Ford's British installations is placed in the London commercial market, mainly through Zenith Assurance.

The bombing, which occurred five days after Henry Ford had left Britain, is a sequel to attacks on public figures in the country, such as Employment Minister Robert Carr. According to police, the ringleaders are known but insurance companies are leary of the safety of other industrial sites until they are caught.

A wage strike by Ford's British employees shut down all Ford plants in the country and cost the company \$165 million in lost production.

SAID COMMISSIONER Denenberg of the appointment:

"Mr. Pyfer is familiar with the problems of the small insurance buyer as well as the big insurance buyer. Most important, he is used to taking the consumer viewpoint. Men like (him) can help convert the insurance department of Pennsylvania into an effective and powerful consumer protection agency . . ."

A former officer and director of the Delaware Valley chapter of ASIM, Mr. Pyfer was also active in university insurance manager groups. He is married and has three children.

Mr. Pyfer's position at the University of Pennsylvania has not been filled.

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B

Arson, tool of social protest groups, is costing U. S. \$800 million a year

SAN FRANCISCO—Arson as a major tool of social protest has grown in the past five years to a point of "great concern" to insurance carriers underwriting property policies for "all kinds of business" as well as residential properties.

Confirmed cases of arson and fires of undetermined origin (believed to include arson) now cost the U.S. an estimated \$800 million a year, according to Governor Ronald Reagan's arson information study group.

By comparison, the study group reported here, that is roughly four times the cost of car theft. Cost of both crimes is paid largely through insurance premiums.

California has jumped an estimated 87% in the past three years. At the same time, the total number of fires, both criminal and accidental, rose only 19%. The rate of arson, in other words, is increasing more than four times as fast as the combined fire total.

"BEGINNING with the Watts riots of 1965," the study group reports, "the factor of fire bombings and arson as a means of dissent became a dominant and significant motive for incendiary fires."

"Historically, arson has had five major motivations: juvenile pranksterism, mental disturbance, cover for other crimes, spite or revenge and fraud. Arson as a

means of dissent adds to the difficulties of detection, prosecution and prevention."

According to Gov. Reagan's study group, "organizations have already distributed leaflets, pamphlets, underground newspaper articles and have even furnished speakers and demonstrators to instruct on construction of incendiary and explosive devices."

"They have scheduled fires, coupled with attacks on responding fire fighting units, have opened fire hydrants to deplete the water supply, and have set large diversionary fires. They have targeted certain buildings and key facilities for damage and destruction, including governmental structures, transportation systems, power

transmission lines, fire, police and military agencies, bank buildings, schools and college facilities."

LIEUTENANT George Kelly of the San Francisco Fire Department's bureau of fire investigation, reports the number of incendiary fires in his city has doubled in the past three years "and most of the increase is the result of social unrest."

Los Angeles reports a 375% increase in arson since 1965 and fire officials there contend the rate of fire bombings "has shown a big increase along with the rising incendiary fire total." Lt. Kelly added, "Young people in particular find arson an easy means of striking out against institutions and people, such as business operations and landlords, that they feel are exploiting them."

Nationally, in 1969, known incendiary or suspicious fires accounted for 5.8% of all U.S. fires,

compared with 2.3% in 1959. During this period fires of unknown origin zoomed from 6.5% to 16.9%.

The California study group estimates that 37,600 incendiary fires occur annually in California and that they cost an estimated \$60 million a year. By 1975 the dollar loss is expected to rise to \$180 million in California alone. ■

Record . . .

Continued from page 27

could here for \$102,500.

The youth, son of Mr. and Mrs. Cleveland Johnson Sr., was pulled from the pool at the television station studio by a policeman and taken to a local hospital.

Mr. Kane has a weekly television show on the station. He is also a practicing attorney.

Maintain economy with 20-hour workweek

SAN FRANCISCO—"We must create a stable economy in which the average person works only 20 hours a week," Paul Ehrlich told the fifth international conference of the American Marketing Assn. here.

The author of "The Population Bomb" said, "We effectively deny many people an opportunity to work, and then refuse to use our productive capacity to help them on the grounds that they are lazy."

He suggested cutting the average workweek to 20 hours and thereby doubling the number of jobs. "People will earn less, but they will also need less money for an enjoyable existence," Mr. Ehrlich maintained.

Men earn equal pension rights

NEW YORK—Equal retirement eligibility and benefits equal to those of females have been provided male members of the Cafeteria Industry Pension Plan by the trustees, who considered previous provisions discriminatory.

The plan now provides equal retirement benefits to male and female employees at age 62 with 20 or more years of pension credit service. Previously, retirement was awarded males at age 65 and females at age 60.

The plan became effective Jan. 1. But because many women had planned to retire at age 60, they were given until June 1 to do so.

Proposed California high-risk crime cover

SACRAMENTO—A California crime insurance law has been proposed here by Montebello Democratic Assemblyman Jack R. Fenton, chairman of the assembly finance and insurance committee.

The Fenton legislation would provide insurance coverage against robbery and other crimes against business in high-risk areas.

"It has become apparent," Mr. Fenton said, "that it now is difficult if not impossible for businessmen in high-crime areas to obtain crime insurance in a normal market."

The bill has the support of the California insurance department. It would establish a crime insurance pool composed of all insurance companies licensed to do business within the state. ■

Export lines up

The California Surplus Lines Assn. reports total volume of export business up, from \$30,716,928 in 1969 to \$35,895,716 last year.

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Connecticut city faces pension fund dilemma

NEW LONDON, Conn.—City Manager C. Francis Driscoll has stunned the city council's finance committee with estimates of \$723,000 to \$803,000 needed each year for the next 30 years to cover existing and estimated future pension costs for municipal employees in this city of 30,000-plus.

Mr. Driscoll's figures were based on projections prepared by Aetna Life & Casualty and Travelers Insurance of Hartford. Both firms put the existing accrued liability in the \$10 million category.

It was estimated by the Travelers that, together with the future liability over a 30-year time span, dollars necessary for obligations would total \$24 million. The predictions are based on New London's present system of meeting pension requirements without any employee contribution. In effect, New London must pay pension costs out of current municipal revenue.

City employees here, depending on length of service, can retire at 30% to 50% of annual salary.

MR. DRISCOLL, in his budget requirements submitted to the

Dental care important to health system

SAN FRANCISCO—Dental care has been proposed here as an integral part of any national health insurance system, with strong emphasis on preventive dental treatment.

The recommendation was presented at the 101st annual meeting of the California Dental Assn. by a task force headed by Dr. Dale F. Redig, dean of the University of the Pacific dental school here. The dentists emphasized in the recommendation that they would prefer the dental care phase be financed under "the concept of fee for service, based on usual, customary and reasonable charges."

The task force admitted "very few private insurance plans cover dental care."

"However the system starts," the report stated, "insurance benefits should pay normal professional fees and be supplemented with modest payments from patients. Cost control and quality control should be largely left to dental organizations with help from consumer representatives." ■

Stanford increases protection budget

PALO ALTO, Cal.—In a move designed to reduce its insurance casualty losses and costs, Stanford University's board of trustees budgeted \$890,000 for increased police and fire protection and for a new emergency communications system on the campus here.

This is \$320,000 more than was allocated for such protection last year and is the largest allocation for this purpose in the university's history.

The increase, according to the board, reflects Stanford's "increased security problems and high insurance costs." The money will be used primarily for additional manpower for both police and fire departments on the campus.

city council last March, asked for \$250,000 to start a fund to offset the liability by investing money. The city, under considerable taxpayer pressure, however, knocked out the full amount.

At present, New London is paying about \$300,000 in the current fiscal year to meet its pension obligations. And that amount, both Mr. Driscoll and finance chairman Sanford Glassman have repeated before the council, will continue to escalate markedly.

Mr. Drisco said three probable courses of action loom importantly: establishing a pension fund, facing substantial annual tax boosts, or putting a number of key city services out to private contractor bid. ■

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Law protects domestic insurers' surplus funds

LITTLE ROCK—In an effort to protect domestic insurance companies' surplus dollars, the Arkansas general assembly has passed a law that attempts to control holding companies that acquire majority stock interest in domestic insurance companies.

The law, Act 301 of 1971, became effective in March.

State Insurance Commissioner A. Gene Sykes said, "The new law attempts to regulate the holding companies as they branch out and acquire insurance companies."

He said the law hopefully would discourage holding companies from "so-called raiding" of the insurance companies' surplus earnings and weakening their fi-

nanacial conditions. He added that the Arkansas insurance department didn't have anything against holding companies; however, the department's interest necessarily was centered around protection of policyholders.

MR. SYKES said that no merger or consolidation or exchange of stock shall be initiated unless the firms file their agreement with him and he approves of it in writing. He said the law requires that he approve the proposed merger in a reasonable time unless he finds that the agreement is unlawful, inequitable to the stockholders of the domestic insurer "or would substantially reduce the security of, and service

to be rendered to, policyholders of the domestic insurer in this state or elsewhere."

All compensation, fees and commission given to any employee or agent of the insurer and the holding company's financial status must be set out in the merger agreement. Other state insurance commissioners will be invited to attend a hearing on the merger if their states are affected.

The new law says that the surviving company in a merger is responsible for the "debts, liabilities and duties" of the insurer.

Once the firms are merged, the surviving company must submit a certified plan or agreement to the insurance commissioner.

A copy of the agreement or plan certified by the commissioner "shall be evidence of the performance of all antecedent acts and conditions necessary to such merger and consolidation or plan of exchange of shares," the law reads.

letters

Continued from page 20
in Civil War time.

To be specific on gun legislation, there are an awful lot of us who are convinced that the worst thing wrong with this type of legislation is that it would never work; it would be detrimental to all law-abiding citizens, and it would be the best thing that ever happened to the criminal element. Furthermore, we think a large majority of the proponents of such legislation are just as smart as we are, and that they can't help but come to the same conclusion. For that reason we think we have justly questioned the motives of that group.

I have yet to see an outline, in specific detail, from these proponents, of a method under which

even they feel it would be successful.

As has been proposed, suppose we register all firearms of all types. We are aiming the bill at a group of people who never have obeyed the law; why in heaven's name should we expect them to obey the law now and register their guns? Besides, after guns are registered by law-abiding citizens, then a ready-made list is available to the criminal element. Then the criminal knows whether to come to your house or to my house to steal the gun he might need for the job he has under consideration.

Gun-registration laws are doomed to failure before they're ever passed, and the proponents must know this. You can only assume, then, that their goals are outright confiscation; for after you pass registration laws and it becomes evident to everyone that they didn't do any good, the next step is selling the public on confiscation.

After that, only the comrades have any firearms left in any appreciable amounts!

Those of us who have tried to keep our wits about us on this subject have surely had the deck stacked against us by the radio, television, newspapers and magazines who apparently had their minds made up in advance, and didn't want to be confused with any facts. The opponents of their stand, therefore, have had a difficult time of getting even honorable mention.

Quite a few of us, on occasion, have even had to listen to sermons preached in church on the subject—by preachers who apparently didn't know enough about the Bible to preach a sermon on it—and who did an even poorer job preaching a sermon on firearms registration. If you think I'm exaggerating, as the late Al Smith used to say, "Let's take a look at the record."

On June 30, 1968, the Don Sinclairs and the Spence Haines' of Wheeling stopped at Niagara Falls on our way to the Kiwanis International Convention in Toronto. On this Sunday morning we attended church services at the First United Methodist Church at 8210 Buffalo Ave. in Niagara Falls. The minister was Reverend Fred House and the title of his sermon was "The Paymaster," even though the whole thing was devoted to firearms registration. I had a recording machine in my car, and had I known this was going to be the real subject of his sermon, I'd have recorded it.

Like the proponents of this type of legislation, I haven't closed my mind to the subject and I do listen to the proponents. I've been listening to them for years and I have a file in my desk two inches thick of newspaper and other types of articles I've taken from various publications on the subject.

To date none of them have shown me how any of the various proposed legislation would be beneficial to most of the people, while at the same time not be detrimental to the minority who are law-abiding citizens.

The first time you find one that will work and meet the above criteria, please let me have a copy. If it's really that good, then I'll be on your team.

W. S. Haines

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Bill introduced

Legislation has been introduced in Pennsylvania to allow employes to select their own physicians under the workmen's compensation program.

Coke migrant workers get payroll saving plan

AUBURNDALE, Fla.—An employe savings plan has been added to the list of benefits, joining health and life insurance coverage, for seasonal agricultural workers, including migrants, employed by the Coca-Cola Co.

The savings program will allow the workers to save 5% of their pay in a trusteed bank account with accrued interest. At the end of the picking season, the amount saved by those who worked the entire season will be matched by the company.

The program provides full life coverage for seasonal employes for an entire year, regardless of whether they are actually working in company-owned groves or picking a different crop in another area. Families of the workers may also be covered by the health insurance, with Coke picking up most of the tab. The program was designed to put seasonal workers on a parity with other Coke employes in the benefits area.

ANOTHER BRIGHT spot for these workers is the construction of two subdivisions to house them. Work on one of the sites, near Lake Clinch, Fla., is already underway. The other site is still in the planning stages.

A spokesman for Coca-Cola told *Business Insurance* his company was not financing the project but was acting as a "catalyst between the workers and the fed-

eral government."

He noted that the future residents of the subdivisions had assisted in virtually every phase of the project, including naming it.

The workers will be able to buy homes in the areas with the assistance of Federal Housing Loans. The homes will be in the \$13,500 to \$15,000 range, according to the spokesman.

"The object of the program is to stabilize the people. Our goal is not to have any migrants," he said. "We have few true migrants now as many of them live in company-owned housing but the beauty of this is that there is no paternalism involved. The homes will be theirs because they will be paying for them." ■

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Ask auto cover change in California

SACRAMENTO—A complete revision of California's automobile insurance laws has been proposed here by Clark L. Bradley, San Jose Republican state senator.

His legislation would replace existing auto insurance lawsuit statutes with a system similar to that used in Wisconsin. The objective, Mr. Bradley said, is to "cut the profits attorneys gain from personal injury and death cases, reduce current court congestion and lower the costs of insurance premiums."

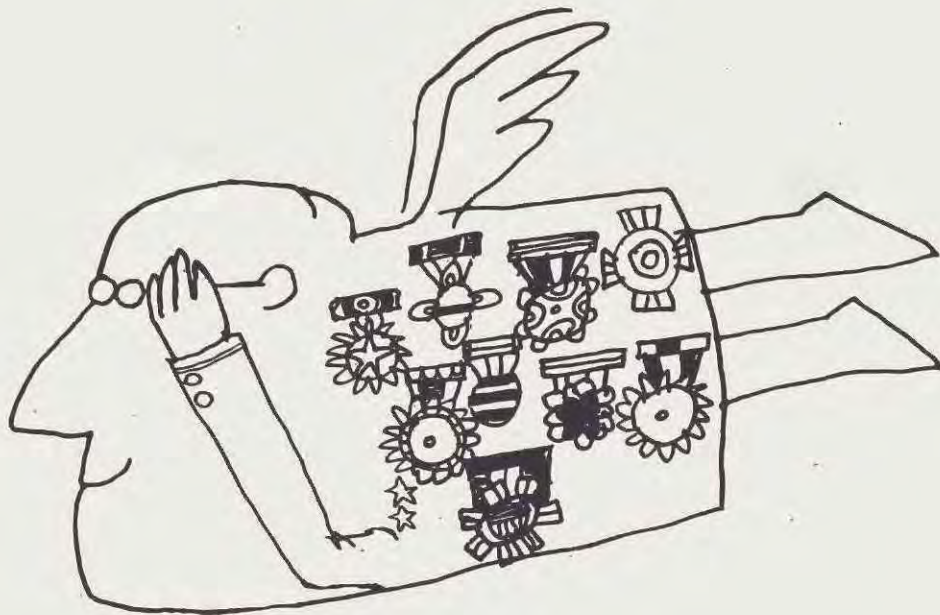
Currently, a person who contributes in any way to an accident can collect damages for injuries only under rare and strictly limited conditions. Under the Wisconsin concept a person could collect if his share of the blame is less than half.

MR. BRADLEY also proposes putting a \$50,000 limit on wrongful death case recoveries. "Million dollar verdicts," he said, "are contributing to extra high insurance premiums for California's 12 million auto owners and drivers."

He wants to see a \$75,000 limit on medical claims rising from auto accidents and mandatory arbitration rather than court trial for claims of \$5,000 and less.

The no-fault auto insurance concept was defeated in the Hawaii legislature in mid April. Instead, the Hawaii lawmakers voted for "an interim study" of both no-fault and proposals for creation of a state fund to write auto insurance business.

California observers had predicted the no-fault idea had its best chance for adoption this year in Hawaii. They attribute its defeat there to introduction of a state fund proposal by labor organizations. ■



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You, too, can compute actual cash value and put the facts to work

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



William H. Rodda

The standard fire insurance policy insures the policyholder "to the extent of the actual cash value of the property at the time of loss." The policy requires that if loss occurs the insured shall render to the company (among other things) "the actual cash value and amount of loss claimed." The insured is obliged to determine the actual cash value of his property but nowhere in the policy is there any definition of actual cash value.

Application of a coinsurance clause requires a determination of the actual cash value. The coinsurance clause provides that the insurance company shall be liable for no greater proportion of the loss than the amount of insurance bears to the specified coinsurance percentage, as applied to the actual cash value of the property.

This actual cash value that is determined in the adjustment of a loss results in a double limitation on the amount that can be recovered by the insured. First, he cannot recover more than the actual cash value no matter how much insurance he carries. Second, he must have insurance equal to the specified coinsurance percentage of the actual cash value if he is to collect a partial loss in full.

DEFINITIONS OF actual cash value in textbooks and by insurance adjusters usually say that the actual cash value of property is the reproduction cost minus depreciation. It is typical loss adjustment procedure to start with the cost of replacing the property with like property in new condition. It is generally impractical to consider replacement with used materials. Depreciation is then deducted from the replacement cost in order to compute the actual cash value.

Methods of calculating depreciation vary considerably. Merchandise that is held for sale and that is in good condition ordinarily would not be subject to depreciation. Depreciation of a building has been stated as the effects of wear and tear, use and obsolescence. The condition of the building and the owner's practices in maintaining and repairing the building are accepted as factors in determining the amount of depreciation. The significant fact is that market value or the utility value of a building is not ordinarily the determin-

'Market or utility value of a building is not ordinarily the determining factor in ascertaining actual cash value.'

ing factor in ascertaining the actual cash value. Let us see how this affected the insured's claim in a 1954 case that was decided by the courts.

The amount of insurance was \$6,000, subject to an 80% coinsurance clause. The loss was agreed to be \$4,960. An appraisal was held under the terms of the policy and the actual cash value was set at \$15,000. Application of the coinsurance percentage resulted in a required insurance amount of \$12,000 (80% of \$15,000). The \$6,000 insurance was only half of the required \$12,000, so the insurance company offered to pay half of the loss, or \$2,450. The insured appealed to the courts.

The insured's appraiser (who had been overruled by the insurance company's appraiser and the umpire) said that he valued the property at between \$6,000 and \$7,000, considering real estate price and market value. A valuation of no more than \$7,000 would have resulted in full payment of the \$4,960 loss because the \$6,000 insurance would have been enough to

comply with the coinsurance requirement. The question before the court was whether actual cash value should be determined solely on the basis of replacement cost minus depreciation, or should other factors such as market value be taken into account.

THE COURT RULED FOR the insured. It did not agree that the sole measure of actual cash value should be replacement cost minus depreciation. The court said that consideration should be given to every fact and circumstance that would logically tend to the formation of a correct estimate of the loss. Consideration may be given to original cost and to reproduction cost, but also to the opinions of value given by qualified witnesses, and to the gainful uses to which the building may be put.

An earlier case (1928) involved a set of brewery buildings that could no longer be used for their intended purposes because of the National Prohibition Act. The insurance company contended that actual cash

value should be determined on the basis of replacement cost minus depreciation in spite of the fact that market and utility values were far below the result of that calculation. Here, too, the court disagreed, and held that other factors such as market value were pertinent to the actual cash value.

In a recent (1970) California case the court took the same position as the New York courts in the two cases already described. The amount of insurance was \$45,000, subject to 70% coinsurance. The loss was agreed to be \$24,102. Replacement cost minus depreciation was found to be \$170,000, but the market value was only \$65,000. The insurance company offered to pay \$10,154 as its share of the loss based upon an actual cash value of \$170,000.

The California court went even further than the New York courts in its discussion of actual cash value. It said that actual cash value as used in the California Insurance Code is synonymous with fair market value. It said further that the legislature did not intend the term actual cash value to mean replacement cost less depreciation.

THE POSITION OF the New York and California courts that market value or
Continued on following page

Who will pay the bill for this continuing education?

by Bion H. Francis,
Manager of Benefits Planning,
Colt Industries, New York, N. Y.



Bion H. Francis

This is the sixth of a series of eight thoughtful columns by Bion Francis on the subject of retirement, which he dissects into a series of provocative questions for the employee, the employer, society and, most of all, for those responsible for planning employee benefits programs and compensation schedules.

'The burden of a continuing education could possibly be carried more easily than the burden of our present system.'

What about money?

This is a necessary question. An education continuing for life is expensive. Can we afford it? There are several important factors that can operate to reduce this burden.

First, and perhaps most important, is the effect of increased productivity. But beyond this, there are many other factors operating.

Our present practice is to complete a worker's education before he starts his life work. If this is done, the entire cost of the education must be borne by previous generations. The burden is necessarily heavy because those who bear the cost receive no current return from the cost of the education.

Suppose, however, that a working career begins at an early age, and that education and work run side by side throughout the life of the worker. It follows that the cost of his education is not something that must be borne by others before he starts.

Rather, the cost of an education can be met currently from the increased

productivity that this education brings about. It can be paid by the worker himself from higher earnings; by the government, which will profit through taxes on increased productivity; and by employers, who will profit directly from increased productivity. For these reasons, the burden of an education that continues through life could possibly be carried more easily than the burden of our present educational system.

It will probably be necessary to make some kind of an adjustment in our tax situation. Taxes would now act to discourage an education that continues throughout life. At present, the cost of an educational activity to help you hold your present job is deductible, but the cost of educational activity to fit you for a higher position is not deductible for tax purposes.

If we envision a nation with knowledge expanding at an explosive rate, people must spend an important part of their time fitting themselves for increased demands. Much of this will take the form of

Continued on following page

You, too . . .

Continued from preceding page

other factors must be taken into account in determining actual cash value does not appear to be the rule in all states. In some jurisdictions an insurance company might be sustained in contending that actual cash value is replacement cost minus depreciation. What should an insured do to make certain that the amount of his insurance is sufficient to meet coinsurance requirements and to assure full payment of any loss? This problem is especially difficult with buildings that are old or obsolete or of such construction that they would not be rebuilt in case of destruction.

A logical first step would be to secure an estimate of reproduction cost. Most structures would cost more to build today than their original cost. Estimating replacement cost may require getting an appraisal, or at least the updating of original cost figures if they are sufficiently recent to be valid. A related question is whether the buildings and locations are such that substantial replacement would be made in case of loss.

The second step would be to determine depreciation in the sense of insurable val-

ues. It should be realized that this depreciation is not the same as bookkeeping or accounting depreciation. The factors to be considered are physical deterioration, age, maintenance or lack of it, functional or economic obsolescence, and the remaining serviceable life. Deduction of this depreciation figure from the reproduction cost will give the actual cash value as an insurance adjuster would normally calculate it.

The owner is now in a position to con-

'An agreement before a loss would save much anguish if the actual cash value figure would result in a penalty.'

sider the needed amount of insurance and the coinsurance requirements. Is this depreciated reproduction cost a desirable figure for insurance purposes? Would a loss settlement on this basis result in satisfactory reimbursement of actual loss? Would it be possible to meet coinsurance requirements without carrying an amount of insurance that would be out of line with the market or utility value? If actual cash value on this basis would result in a satisfactory loss settlement, the insurance can

be bought and coinsurance accepted.

IT MIGHT BE THAT the depreciated reconstruction cost (actual cash value by conventional insurance methods) would be too high or too low, considering market value, utility value, or the foreseeable use by the insured. Some agreement with the insurance company is desirable in such cases in order to avoid dispute and possible penalties in the event of loss.

Several possibilities may be available.

Replacement cost insurance may be considered if the insured is using his building to full capacity and actual replacement would be desirable. This usually requires that insurance amounts be in line with full replacement costs. It may be unreasonably expensive unless replacement would be advantageous.

It may be possible to have an agreed amount clause put in the policy. This does not make the policy a valued policy. It is an agreement by the insurance company

that a specified amount of insurance is sufficient to meet the coinsurance requirements of the policy. An example is found in the bureau filings of forms for the special multi-peril policies for institutional risks. The special institutional agreed amount endorsement provides that "the company shall not be liable for a greater proportion of any loss than the amount applying under this policy to the property involved bears to the amount for that property as shown in the schedule." The schedule is a list of buildings and amounts. The effect of this endorsement is to substitute an agreed amount as the basis for application of coinsurance in place of a percentage of the actual cash value. This is particularly desirable for institutional, commercial or industrial risks that have old or obsolete structures or are having difficulty in securing enough insurance to meet coinsurance requirements.

It is important that an insured give consideration to the actual cash value of his property as it would be determined by conventional insurance methods. An agreement before a loss would save much anguish if the actual cash value figure would result in a coinsurance penalty or other unfavorable result. The courts might uphold a fair market value determination but there is no need to take this chance if the question can be ironed out in advance. ■

Who will . . .

Continued from preceding page

education for the new positions and activities being created by the growth of knowledge. (Read any big city's "Help Wanted" pages. Many of the jobs advertised did not exist 10 or 20 years ago.)

In the years ahead, we must train for new activities, or fall behind in the race. If the cost of doing this is too heavily taxed, these taxes will force us, as a nation, to drop behind.

AN ALTERNATIVE is to have these educational costs met by government and/or business. It could well be, in the years ahead, that the most important fact in picking a company to work for will be the quality of education it offers its employees.

There could be offsets that would reduce these educational costs. If continuing education prolongs the active working life of a worker, retirement costs could be greatly reduced. These costs now run many billions of dollars a year. A moderate retirement and/or Social Security system, however, should still be kept.

But, you argue, an extensive system of education for all employees could represent a heavy cost for a corporation. However, a recent article in *Forbes* discussed the possibility of the evolution of "socially significant stock." (Nov. 15, 1969, page 100.) These are common stocks, which in addition to meeting financial standards, also serve purposes of social usefulness.

What higher concept of social usefulness could a corporation serve than running an educational system to encourage its employees to maintain high productivity and a rich social life? There may come a time when spending on education is evaluated in much the same way that we now evaluate spending on research and development. Which corporations will have the ablest and most productive employees?

WHAT ELSE? An important factor can be the reduction of dependency. At present, the working population of the U.S. is about 38% of the total. Suppose that we extend the working life span, with a consequent increase in the percentage of workers, from 38% to, say, 50%. This would reduce the burden of dependents, whether borne by society, or by individuals, or by corporations (which are presently accumulating a staggering liability for retirement costs).

This greater use of young and old may bring advantages of other kinds. I have

seen estimates that we use perhaps only 5% or 10% of the productivity locked within us. Why is this?

One reason may be that we keep our children locked in school systems where only a fraction of their abilities are devoted to studies that, to the students, frequently appear to have little value or relevance. We keep them there until boredom has done its work and their potential is directed into violence and dissent, rather than activity or social value. There are fields in which the drive and fresh viewpoint of the young can be of immense value.

This applies as well at the other end of the life span. If a lifetime of education can keep older workers productive, their judgment and maturity could be of value.

Beyond this is our immense investment in educational plants. In our thinking about the cost of education, we are influenced by the cost of the physical plants—the many thousands of beautiful schools dotted across the U.S. Do we need to put up anything comparable for the education that should continue throughout the lives of employees?

PROBABLY NOT. At the annual convention of the College Entrance Examination Board, Alan Pifer, president of the Carnegie Corp. of New York, endorsed programs of home study for degrees. An education is not a matter of brick and mortar so much as one of arousing enthusiasm and unlocking potential.

If an education continues throughout the

working life span, work can start at an earlier age. I could probably arouse real opposition by suggesting that this would permit many of the high schools to be converted to colleges for older, part-time students. But, because workers would be going to school one or two days a week, the same school facilities could be used by three to six shifts of workers. This would reduce greatly the additional schools needed for workers, even if these workers went to school throughout their working life spans.

It won't be cheap. But if it is something that will increase our productivity, improve our social order, and reduce the violence that fills our cities, the cost is something that we can—and should—meet. ■

Risk management notes

by Warren, McVeigh & Assoc.,
risk management consultants,
San Francisco, Cal.

Producer selection by governmental bodies

One of the many difficult questions faced by municipalities and other governmental bodies is how to select an insurance agent or broker. All agree that a producer should be chosen on the basis of his professional ability rather than on price alone, but few know how to assess the abilities. Many public bodies avoid the issue altogether by placing their business through an association of insurance agents.

In some cases, commissions are split between all members of the association (an unprofessional practice), but in many cases the association will return some of the commissions to the entity in the form of such things as driver-training autos and fire prevention award banquets. Often the commission is split between the servicing agent and the association, with the association's share being utilized to subsidize its own activities, such as summer golf tournaments.

We believe these practices to be demeaning to the agents and unprofessional from a management standpoint. First of all, it delegates, or at least shares, management's responsibility for selecting the

servicing agent. Second, when commissions are split, it is clearly inequitable to compensate those who perform no useful function. Third, if the entity assumes that the gross commission is proper producer compensation in the first place, then it seems logical also to assume that the servicing agent cannot financially support proper service if he is splitting commission with his association. Fourth, financing of autos or other goods or services is better accomplished through central direction and expenditure of funds necessary rather than obtaining indirect benefits through the circuitous route of returning some unneeded commission. A question could arise as to whether or not this is unlawful rebating.

Fifth, and possibly the most serious effect of this procedure, is that it eliminates competition. No matter how much the association may profess to search out all markets and no matter how honorable their intentions, they will not actively explore direct-writing markets and they do not feel the hot breath of competition, which is the only method known in our free enterprise economy of keeping costs to the minimum.

The recommended solution is first for the entity concerned to give serious thought to the entire question. A thorough risk management study should be made to determine precisely what insurance coverage is needed with specifications detailed clearly and at length. Then, through in-

quiries, references and other sources, various available producers and direct-writing companies should be screened so that only those meeting a certain standard of acceptability may quote on the program. Then quotations may be received and the decision made on price alone.

Consideration of these conditions leads to the conclusion that brokers of the future will be compensated by fees for services, rather than by a percent of insurance sold. We think it is just a question of time, and when it does occur, there will be a sharp distinction between an agent and a broker. Many courts recognize no distinction at present. The agent will doubtless stay on a commission basis because he handles a high volume of fairly standardized business in which the commission represents the most practical method of computing his compensation. The broker, on the other hand, will in time approach the activities of a consultant, and the two might even coalesce.

The practical question this brings up now is: Should I ask my broker to negotiate a fee for services? This can be done without violating the anti-rebate provisions of the insurance code and may well prove to be a more equitable arrangement for all parties concerned. Even if the net dollars involved are exactly the same, it will at least focus attention on the kinds of services provided and could dispense with less essential services and point up the value of those that are more important. ■

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Wisconsin glass, burglary rates have risen—63% in some cases

MADISON, Wis.—Glass and burglary insurance rates have risen in Wisconsin—as much as 63% in some cases—according to filings at the office of the state insurance commissioner.

The new rates represent an overall increase of 19.8% in glass insurance and 35.3% in burglary protection. They were filed by the insurance services office (formerly the insurance rating board) of New York.

Louis N. Hannes, chief of the state's property-casualty rates division, said it was impossible to determine how many policyholders were affected but that it was likely to be felt by thousands of businessmen in Wisconsin. Some home owners may be affected al-

though the types of insurance involved are for business establishments, he pointed out.

ACCORDING to a 1967 law, the rates become effective upon their filing in the state office. They can, however, be disallowed by the state insurance commissioner.

The glass insurance increases apply to all new and renewed policies written on or since April 7 and the burglary rates become effective with all new and renewed policies written on or since March 31.

The new rates are based on a 70.6% loss ratio for the 1967-'68 period, the insurance services office said. That was a sharp increase from the 64.4% ratio in the

1966 to 1968 period, it noted. The earned premiums by companies from 1964 to 1968 was \$8.7 million while losses totaled \$4.9 million, it added.

The highest of the increases was 63.6% for insurance against internal mercantile robbery in Milwaukee County. For the rest of the state it was 26.8%. The smallest increase in burglary insurance was a statewide 10% for mercantile robbery from the outside and from paymasters.

MILWAUKEE County rate increases differed from the rest of the state in three other categories: internal money and securities theft (48.9% versus 45.3%), storekeepers' burglary and robbery

(50.4% against 44.1%), and comprehensive storekeepers' burglary and robbery insurance (36.6% compared with 40.6%).

Glass insurance rate increases were 32.1% for Milwaukee County, 35.5% for the cities of Racine and Superior, and 11.8% for the rest of the state. Earned premiums on glass insurance from 1964 to 1968 were \$3.8 million while losses totaled \$2.1 million, the insurance services office said. The loss ratio went from 57.4% in the 1966-1968 period to 59.3% in 1967 to 1968, it added. ■

E & O made mandatory

The governing body of Ontario's lawyers, the Law Society of Upper Canada, has made it mandatory for attorneys in that province to take out \$100,000 errors and omissions insurance policies. Guardian Insurance Co. of Canada is providing the market for the coverage at \$89.50 annually.

Exclude air pollution, noise cover

LONDON—Aviation insurers have excluded noise and pollution from aircraft and airport operators' liability policies because of American attitudes.

Stating this at the annual meeting of the Aviation Insurance Offices Assn. in London, its chairman, Jack Hine, declared: "The U.S. growth in environmental consciousness has led to the danger that aviation insurers might have to meet enormous damages for pollution claims that were never envisaged when the policies were framed.

"No cover is available for these newly excluded perils, except perhaps for light aircraft, particularly those engaged in crop dusting.

"Cover in accordance with the limits laid down in the Rome convention is still available for bodily injury or property damage directly caused by aircraft noise alone."

MR. HINE emphasized that the aviation market had proved itself equal to cover needed for jumbo jets and that the two airline-owned insurance companies were moribund, even though they had not disbanded.

Dealing with market prospects, he said: "The cost of hull insurance has in some cases shown a downward tendency. It will be necessary to avoid the large reductions in rates that produced unfavorable results in '65 and '66.

"The value of a wide-bodied jet is on average about five times that of its predecessors and only slightly more than 100 of them have been delivered. This means few premiums on a limited number of costly units, with consequent lack of spread.

"The price of passenger and third party cover has stayed steady, and injury awards have risen substantially."

As far as pollution and noise cover is concerned, *Business Insurance* sources in London point out that difficulties over this are an anxiety to the insurance market but that, in some cases, Lloyd's still might be able to consider them as special risks. ■

Mass youth health cover

SACRAMENTO—The California legislature has been asked to approve what would be the nation's first mass health insurance program offered youth by private insurance carriers.

The state board of college trustees, meeting at Los Angeles, authorized voluntary insurance for between 150,000 and 200,000 California students of college age.

Dr. Vernon A. Ouellette, state college dean of student affairs, told the educational policy committee of the trustees that "the prospective policyholders are at a distinctly sturdy time of life from the viewpoint of risk and bargain insurance rates should be available."

If the legislature approves, the 19 campuses within the state would offer a single plan, after bidding by insurance firms. The combination of one insurance policy for an entire system of colleges is considered unprecedented and apt to provide considerable savings for the individual students, who would pay for the insurance provided by the plan. ■

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Grand jury indicts five in State Fire bankruptcy

MIAMI—A federal grand jury here has indicted Florida State Rep. Carey Matthews and four other men in connection with the bankruptcy of Miami's State Fire and Casualty Co.

The jury also named Texas financier S. Mort Zimmerman; Benjamin E. Dobson, one-time president of State Fire; Anon de Nur, its vp, and Samuel Giller, former board chairman.

A 19-count indictment alleged that the five "unlawfully, wilfully and knowingly devised a scheme" to defraud policyholders, claimants and public minority stockholders of money and property.

The indictments concluded a two-year investigation.

At the beginning of 1968, State Fire reported an annual premium volume for commercial coverages of more than \$3 million. Writings for businesses were concentrated in fire and allied lines, inland marine, workmen's compensation and general liability. At the time it went into receivership, State Fire had about 7,000 policyholders, down from about 70,000 in 1967, and about \$100 million in unsettled claims.

TWO COMPANIES controlled by Mr. Zimmerman, Capital Bancshares Inc. and Florida Bancshares, were named as part of the conspiracy, which the jury claimed milked \$2 million from State Fire while the defendants controlled the company.

According to the indictment, the milking was accomplished through stock manipulations and the fattening of Capital Bancshares, a Texas holding company. The jury charges that the defendants turned over to Capital Bancshares about \$1.5 million in "liquid and readily marketable assets" in exchange for 75,000 shares of the common stock of Miami Beach's Mercantile National Bank, which the government said the defendants knew was not readily marketable because of Zimmerman's control over that bank.

Rep. Matthews, one-time Florida house majority whip and a member of the house insurance committee, served as a vice president and general counsel for State Fire in 1967 and 1968 when Mr. Zimmerman controlled the firm.

Mr. Dobson is a former Florida deputy insurance commissioner.

The indictment contends that the conspiracy to violate U.S. statutes began on Oct. 10, 1967, and involved a series of meetings of the defendants in subsequent months at the Mercantile Bank or in State Fire's Miami offices.

IT SPECIFIES 13 counts of mail fraud, five violations of Securities and Exchange Commission laws, and wire fraud as well as a conspiracy to defraud State Fire minority stockholders and policyholders.

Maximum penalty for each mail fraud charge is five years in jail and a \$1,000 fine. The SEC counts carry a maximum of two years and \$1,000 fine, as does the wire fraud charge. Conviction on the conspiracy count alone carries a maximum penalty of five years plus a \$10,000 fine.

Rep. Matthews, named in all but two of the SEC counts, demanded an immediate trial and protested his innocence.

"There is no substance to the charges against me," he said and requested and was granted a leave of absence from his house seat "until I'm vindicated."

MR. ZIMMERMAN surren-

dered in Miami and was released on his own recognizance. His attorney instructed him not to comment on the indictment, which Mr. Matthews charged was "essentially political in nature."

State investigator testified during legislative hearings that Rep. Matthews and his law firm accepted \$202,000 from State Fire during the 15 months he served as counsel. Rep. Matthews himself set the figure at \$146,000 during an inquiry by the house ethics committee.

The indictment was presented to the grand jury by Assistant U.S. Attorneys Neal Sonnett and Lloyd Bates. Mr. Sonnett, chief of the criminal division in Miami, *Continued on page 42*

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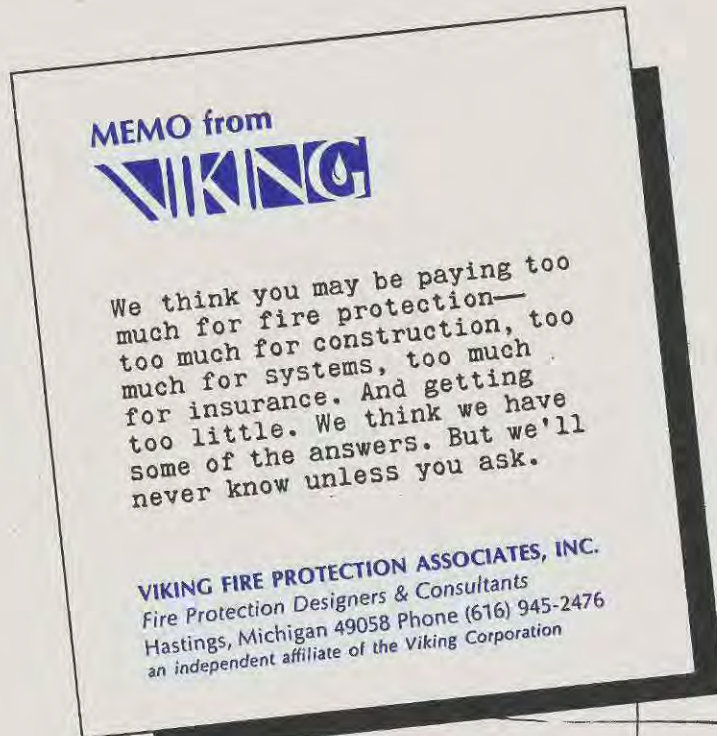
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"How can you have all the answers, Williams, when I don't have any questions?"

State Fire . . .

Continued from page 41

said the State Fire case was considered of "national importance" by the Justice department.

"It was the culmination of more than two years of investigation by agents of the Post Office and the Securities and Exchange Commission," Mr. Sonnett said.

State Fire's troubles came to a head in April, 1969, when former State Insurance Commissioner Broward Williams placed the company in conservatorship. He charged that the company's assets included dubious stock and that claims and debts exceeded the assets.

Receivers since have estimated total debts and claims against the company at nearly \$100 million, although the claims include insurance cases normally settled for far less.

Mr. Zimmerman named Mr.

Dobson as State Fire's president shortly after Capital Bancshares, a Dallas-based firm, took control. Previously, Mr. Dobson had been exec vp of North American Guaranty Insurance Co., an Arkansas firm that collapsed in October, 1967.

State Fire's future didn't improve with Mr. Zimmerman's departure in the summer of 1968. Another corporation, Mal-Bal, acquired control and, according to Commissioner Williams, surety bonds were underwritten by State Fire for dubious loans.

Mr. Williams charged that one \$350,000 wound up in the hands of a New York man who allegedly passed on \$181,500 to a Mafia figure, John Masiello Sr.

But, according to State Rep. Kenneth MacKay, a member of the committee that investigated State Fire's troubles for the legislature:

"If organized crime took this company over, it did so after it was broke." ■

Lloyd's backs monster

Continued from page 1

as an ordinary, though unusual, commercial risk. Underwriters studied the chance of the monster being caught, bearing in mind that it has been hunted for many years. Then they quoted their premium accordingly," Mr. Lycett said.

The odds against the monster being caught, according to the Lloyd's market, are 400 to one. After all, the loch is sea-deep in places. But they have prudently made sure they are on the winning side if it is found. For the master-policy lays down that the underwriters involved will become its sole owners, and will have the right to exhibit it, if it is caught undamaged.

Who will decide if it is genuine? The underwriters have thought of this, too. They have written into the policy that the Curator of Britain's Natural History Museum must settle any argument.

There'll be a rare hunt in Scotland this summer. But the underwriters are pollution-conscious, and have imposed the condition that no contestant must use any equipment that would affect the natural state of the loch.

Promotion man Russ Taylor says: "With this amount of money on offer someone ought to win. Anyone in the world can enter—even U.S. Navy men if they think they have the scientific know-how to unlock the secrets of the loch that have defied so many people." ■

Wash Watch

Continued from page 12

provisions for the program organized labor the labor department and the department of Health, Education, and Welfare have asked for funds to carry out their respective functions under the act.

* * *

SEN. EDWARD KENNEDY (D.—Mass.), one of the nation's leading proponents of comprehensive national health insurance, leveled one of his hardest blasts yet at the private health insurance industry in the opening day of hearings on the subject by Sen. Russell Long's (D.—La.) powerful Senate Finance Committee.

He described the health care system in America today as "un-American" because he said it doesn't rely on competition and the informed choice of the individual citizen to guarantee the products are available at reasonable prices in the market place.

"Some will object that there is competition—competition among health insurance companies," Sen. Kennedy said.

Well, he continued, this may be true, but "it is competition for profits not for health services."

"**THE COMPETITION** is so fierce," he said sarcastically, that it has "forced even nonprofit companies like Blue Cross and Blue Shield into practices that skim the cream off the insurance market and leave many Americans with exorbitant premiums, or without any health insurance at all."

Sen. Kennedy, as chairman of the health subcommittee of the Senate Labor and Public Welfare Committee, has been holding extensive hearings on national health insurance.

He told the finance committee his hearings have produced "strong evidence that the insurance industry has neither the ability nor the will to control costs or promote efficiency in the health system."

"They take the path of least resistance," he said. "They simply raise their premiums to cover the inefficiency and inflation. And they add their profits on the top. Competition in the insurance industry is costing us billions of dollars in waste and inadequate health care. It is doing nothing to control costs, to stimulate new resources, or to improve the quality of service."

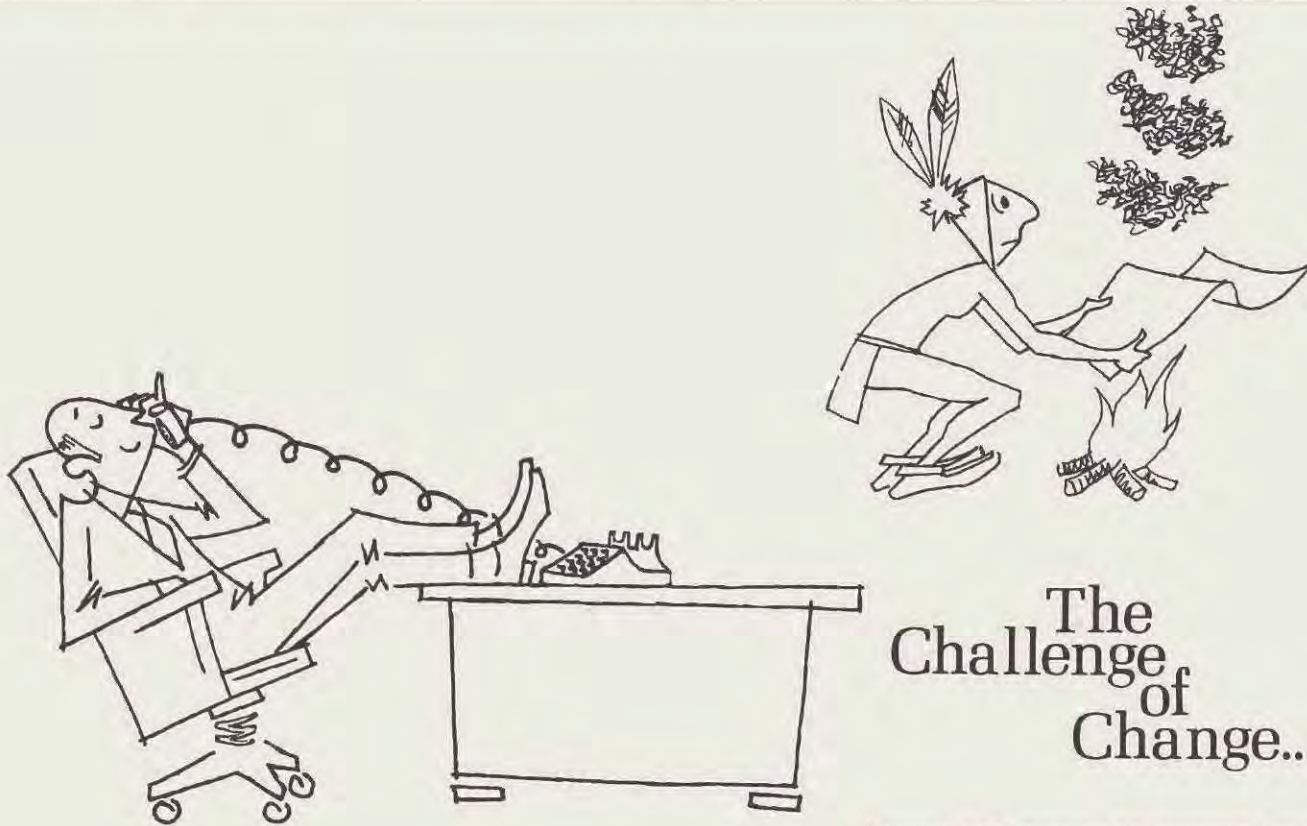
SEN. KENNEDY charged that doctors "reach tacit agreements about prices among themselves, with the active support and blessing of the insurance industry. They refer their patients to hospitals, which charge what they please and then coerce the insurance industry into paying whatever price they think the public will bear."

He noted that some opponents of his approach to national health insurance have labeled the bill monolithic and have raised the "spectre of oppressive federal control of health services."

"In fact," he said, "the only thing monolithic about the bill is its proposal to create one national public and private insurance policy for all Americans. It replaces the many fragmented public and private insurance arrangements we have today with one public insurance system." ■

Malpractice suit

The wife of a Pennsylvania man who died 10 days after having his tonsils removed at Greenwich, Conn., Hospital, is suing the hospital and its doctors for \$750,000 in negligence damages.



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Fireman's Fund paid \$245,122 bank heist claim within 30 hours

NEW YORK—Just 30 hours after three bandits stole \$245,122.97 from the Community National Bank on Fort Hamilton Army base, Brooklyn, N.Y., an insurance check for that amount was presented to the bank's chairman by Robert Vairo, resident vp of Fireman's Fund American Insurance Cos. here. Payment was made three hours after verification of the loss under the \$1 million banker's blanket bond Fireman's Fund writes for the Community National Bank.

"It was easy to do," Mr. Vairo said in an interview with *Business Insurance*, "because a bank reconciles its accounts at the end

"The FBI has since caught two of them and picked up \$62,000 of the money," Mr. Vairo reported. "One of them is a convicted counterfeiter who had the temerity to salt the stolen money away in a safety deposit box at First National City Bank."

Mr. Vairo also said that "normally when you have a claim of this size—be it fidelity, fire, or whatever—it's a more difficult thing to settle quickly. In this case there was no question of fidelity and the timing of the theft made it easy to ascertain the amount stolen."



Thirty short hours after robbers took \$245,122.97 from the Community National Bank, Fort Hamilton army base, Brooklyn, N. Y., Fireman's Fund American Insurance Cos. paid the claim. Robert Vairo (right) presented a check for the full loss to Thomas Schleier, chairman of the bank's board. Payment was made three hours after verification of the loss.

of each day. The robbery took place before opening time on Tuesday morning (April 13). Nothing had been transacted between the night before and the robbery, so we could pin down the exact amount of the loss. Just before noon on Wednesday we got the figure and I gave the order to go ahead and issue the check. At 3 p.m., right on schedule, I presented it to Community National's chairman, Thomas Schleier."

The television cameras of ABC and CBS were whirring away at the presentation, and accounts of the speedy delivery were seen on network news programs that night. "It's good public relations to get your insured's money out right away," said Mr. Vairo, "and the media showed great interest because of the dramatic nature of the theft."

THE ROBBERY had taken place on April 13 after the three bandits, sporting skiers' woolen face masks, had kidnapped Charles DiSogra, the bank's manager, and held him overnight in his sister-in-law's home on Staten Island along with 13 of his relatives and friends. The next morning the robbers forced Mr. DiSogra at gunpoint to help them steal more than \$245,000.

The whole procedure was marked by professionalism and familiarity. Mr. and Mrs. DiSogra were called "Charlie" and "Marge" by the bandits, who did not forget to spray the lens of the bank television camera with black paint. After taking the money, the two robbers called their confederate who was guarding the hostages back on Staten Island, and then fled.

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This ancient mariner found a safe port in Savannah.

Savannah Machine and Shipyard Company has played an important role in world shipping for forty-three years: building, converting and repairing ships. And the company's 540-foot dry dock generally accommodates modern merchantmen.

Recently, however, a three-masted square rigger put in for repairs. The *Cruz del Sur*, star of the film "A High Wind in Jamaica", required work on its hull and top hamper (15 yardarms, 25 sails, and 9 miles of rigging).

The Savannah Machine and Shipyard Company "snapped to", and, today, the 174-foot craft is a floating exhibit at a Savannah maritime museum.

Keeping things shipshape.

The Savannah Machine and Shipyard Company, and its associate Ductile Iron Company of America, employ 1200 people during peak periods. Sheet metal, pipe fitting, wood working, and machine shops—backed by an engineering staff—makes it the largest marine facility in Georgia.

The heavy equipment, involved rigging, and Federal and Maritime exposures create a high risk classification in workmen's compensation insurance. Their insurance broker, William H. Brown of the John D. Carswell Company, recommended Argonaut Insurance with its background in handling large workmen's comp risks, safety engineering, and experience in Federal and Maritime coverage needs.

Argonaut comes aboard.

W. Ballard Powell, who heads Insurance and Safety for the Savannah Machine and Shipyard Company reports progress: "Since signing on with Argonaut in March 1969, we've instituted monthly meetings between safety committees and an Argonaut safety engineer. Every quarter, company, agency, and carrier representatives meet to review claims and to spot potential problem areas. It's working out fine. Together we've been able to effect a sizeable drop in time-loss accidents and expedite the handling of involved claims."

The changing tide of insurance.

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UMW, officials and bank guilty of conspiracy

WASHINGTON—The United Mine Workers of America, its multimillion dollar retirement fund and the union-owned National Bank of Washington have been held jointly liable in a \$75 million breach-of-trust suit filed here in 1969 by a group of miners and miners' widows.

The decision was handed down in a federal district court here after a month-long trial, without jury, argued in February (*Business Insurance*, Feb. 15). Judge Gerhard A. Gesell wrote the 45-page opinion and agreed with virtually every contention the plaintiff made in the suit.

Despite the fact that the union's retirement fund was named in the suit—and indeed found partly culpable—it is not likely the fund will be hurt financially by the

ruling. In fact, it's treasury will be enriched. Judge Gesell indicated that, although he found that the welfare fund had been a principal and continuing participant in the conspiracy that drained money from the fund, damages would be paid to, rather than assessed against, the treasury. The award, the exact amount of which will not be known until a penalty hearing June 21, will thus flow to the fund's 70,000 beneficiaries after court costs and attorneys' fees are deducted.

IN HIS RULING, handed down Feb. 28, Judge Gesell also said that W. A. Boyle, the controversial president of the union, must retire as a trustee of the UMW Welfare and Retirement Fund Inc. by June 30.

Interestingly enough, the federal judge also agreed with the plaintiffs' lawyers that, in a sense at least, it was John L. Lewis, the late and long-time head of the union, who had chiefly been on trial.

Mr. Lewis, who led the union for 40 years until his nominal retirement in 1960, had been repeatedly guilty of "more than a mistake of judgment," of "a clear case of self-dealing" and of initiating a conspiracy for which others must now pay heavy penalties, the judge said in his opinion.

The June 21 hearing will fix the amount of damages to be assessed against the union itself, the bank and possibly some of their individual officers. The judge did indicate that both the union and

the bank, whose assets "will necessarily feel the major impact of the judgment," could be "seriously injured" if damages were assessed for 20 years of misconduct and said he would adopt a three-year time limit.

THE PRIMARY conspiracy of which the federal court judge found all the main defendants guilty revolved around the "excessive accumulation" over 20 years of large cash deposits, paying no interest, by the \$160-million-a-year welfare fund in the union-owned bank, to the benefit of the bank and thus of the union.

The effect, he held, was operation of the fund by union and bank officials "so as to give their special interests collateral advantages" while denying fund benefi-

ciaries the millions of dollars in increased payments that may have flowed to them from more profitable investments. The National Bank of Washington, the city's third largest, the judge said, "knowingly participated in a continuing breach of trust that has rebounded substantially to its own benefit."

One effect of Judge Gesell's decision is that all mine union and welfare fund deposits will have to be withdrawn from the union-owned bank by June 30. These funds have totaled as much as \$75 million, or 30% of the institution's deposits.

In his opinion, Judge Gesell also noted that Mr. Boyle had "violated his duty as a fund trustee" by "bullying through" in a "hasty power play" an increase in the miners' pensions from \$115 to \$150 a month in July, 1969, at a time when he stood to gain politically in a union presidency re-election drive.

It is expected that defendants will appeal the court's ruling. ■

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Striking papas sue National

MIAMI—Three National Airlines employees have filed a class action suit in circuit court here to force an insurance firm to pay for pregnancies and other medical expenses incurred during last year's prolonged strike.

The three complained that Travelers Insurance Cos. has refused to honor a group accident and sickness policy on the grounds that the strikers had been terminated by National after they struck Jan. 30, 1970. According to the plaintiffs, they were "never terminated in their employment and coverage of the policy was in full force" during the four-month walkout by members of the Air Line Employees Assn.

Although most of the 3,600 striking agents and clerks designated in the class action are based in Miami, the three individual plaintiffs work out of National's Tampa, Fla., station. They are Dwane Kerbo, Robert D. Collins and Donald Pressley.

THE THREE complained that they had become indebted for \$467, \$532 and \$645 in medical bills because their wives became pregnant during the strike and delivered in either October or November.

The plaintiffs contend that after National advised all striking employees on Feb. 2, 1970, that the walkout had terminated the group policy, strikers should have been able to apply for individual coverage. They indicated that the policy included a provision under which strikers could apply and pay a premium for individual coverage within 31 days after receiving notice of the group policy termination.

The plaintiffs said they made claims for their medical bills but that Travelers refused to pay on the grounds that the strikers "were terminated as employees subsequent to Jan. 31, 1970, and that coverage under the group policy was terminated as of the date of termination of employment."

They claimed that the total amount of medical benefits denied to the strikers by Travelers was "in excess of \$5,000" and they are seeking to have the court fix appropriate damages. ■

'Death gamble' result of pension law change

ALBANY, N.Y.—There is a new game being played here by legislative leaders and state executives. It is known as the "death gamble" and is being played because a single phrase was deleted from a pension law passed by the legislature in 1970.

Because the phrase was left out, there is now no upper limit on the amount a beneficiary could receive on the death of a state executive, legislator or legislative employee who was past retirement age and still in office. Potential death benefits are now in the \$250,000 to \$500,000 and upwards range for some leaders and executives.

If an employee who stays at work after he has reached retirement age, dies while he is still in office, under state law his beneficiaries are entitled to death benefits equal to the entire amount that the state and the employee himself have set aside for his pension during his career. Which means, the employee's beneficiary can collect his entire unused pension.

THE AMOUNT IS payable either over a period of years or in a lump-sum by the New York State Employees Retirement System. The funds for the system are contributed primarily by the state.

A limit was placed in the law in 1968 on the amount of death benefits when the legislators gave themselves a better pension than that enjoyed by Civil Service state workers. It said that beneficiaries of legislators could not collect more than 20 years' worth of benefits. In other words, no matter how long a man had worked, the death benefits would be figured as if he had worked only 20 years. That limit is no longer in effect.

State Civil Service employees' death benefits are computed with an old formula whose pension provisions are not as generous as those in more current formulas. The Civil Service pension plan

Nixon plan criticized by teamsters

BURLINGAME, Cal.—Einar Mohn, Teamsters Union leader and chairman of western labor's California council for health plan alternatives, terms President Nixon's national health plan as "completely inadequate and deficient on two major counts."

"The proposed plan," he declared, "would still operate through the private insurance industry. This is a waste of money. The plan also lacks quality and cost controls on hospitals and doctors."

"The President has come around a bit with this bill," Mr. Mohn added, "just as he did with deficit spending in his new budget. But the same old insurance industry would handle the program, and in the same old way. His plan really would do nothing that isn't done now, except to set up a pool to take care of those earning less than \$3,000 a year."

The council headed by Mr. Mohn encompasses the AFL-CIO and all major independent unions, including the Teamsters and UAW. It helped write and has endorsed the national health insurance bill introduced in Congress by Sen. Edward Kennedy (D.—Mass.).

allows an employe to retire at half pay after 25 years at age 55.

On the other hand, the legislators' plan allows the employe to retire at half pay after 20 years of service. Five of those years must be in the legislature, the rest in other branches of state government.

THE DELETION of the phrase in the new law did away with the 20 year limit.

A spokesman for the Employees' Retirement System said that the sentence, an amendment to a section of the Retirement and Social Security Law, read as follows (the deleted phrase will appear in parentheses):

"The benefit provided herein

shall be in lieu of the ordinary death benefit presently payable under other provisions of this chapter, unless the benefit under such provisions shall be in excess of those provided for herein, in which event the greater benefit shall be payable, (except in the case of a member covered under the provision of section 80a of this chapter, such members' pension reserve shall be based on not more than 20 years of service, credited under such section)."

Section 80a refers to the legislative pension plan.

The death benefit payments are quite a bit lower for employes who die after they retire. For this reason, the decision to remain in office after retirement age is known as the "death gamble."

One reason the death benefits are so high is that they are based on annual earnings. Earnings consist of expenses and lump-sum expense allowances as well as salary.

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FENWAL

No red tape in Arkansas' work comp program

LITTLE ROCK—Arkansas' Workmen's Compensation Act is administered smoothly by a three-member commission who maintain that there's no political interference or burdensome red tape, but commission members see faults that state legislators balk at correcting.

Compared to neighboring southern states, "We're not behind; but in comparison with other light industrial states, I think we're behind," said Mr. Jimmie D. Clark, labor's representative on the commission. The other two members are chairman Mark E. Woolsey and James F. Cross.

On the plus side, the state's voters responded affirmatively for unlimited medical care and weekly cash benefits in a referen-

dum election in 1968. The fight for this initial act was led by labor organizations.

BEFORE THE ACT was passed, an injured worker was limited to \$49 a week for a maximum of 450 weeks or a total not to exceed \$19,500. The limit of \$49 a week still holds true but the permanently disabled worker now can expect to draw this sum for the duration of his life, according to Mr. Clark. The minimum amount paid weekly to a worker is \$10.

If it's necessary, the commission can direct the employer to give the injured employe whatever medical and hospital services and supplies that may be required and for whatever time period that is needed.

"The commission has a great

deal of power when you consider the rules of the commission that we have to operate with, such as allowing additional evidence to be presented or denying it," Mr. Clark said. "The commission has a great deal of power to expedite claims."

If a claim isn't controverted, a claim referee settles it and the claimant can expect his first check in two weeks after filing. Some contested cases have gone to the Arkansas Supreme Court and have taken as long as one and a half years to settle. The commission's actions probably have been upheld more than 90% of the time in the High Court.

Here are some of the benefits that need changing, according to Mr. Clark:

- The \$49 a week limit on

cash benefits. He said, "We are behind on our weekly average salaries, which it is supposed to be based on." He said that it should be increased to at least the national average of \$57 a week.

J. Bill Becker, Arkansas president of the AFL-CIO Union, said that this needed to be corrected in the legislature, which is now in session. "The benefits have fallen behind since 1968," but Mr. Becker said he didn't know the amount of weekly benefits that his organization would ask for during the legislative session.

"We have a fairly good law, but it needs updating periodically," Mr. Becker said. "We don't like to go to the initiated act route to get these benefits changed, but we have in the past and we will in the future if we have to."

The state's Workmen's Compensation Act was approved in 1948, again through an initiated act. The legislature always has been reluctant to pass legislation that could be construed as anti-business.

ARKANSAS' NEW Democratic Gov. Dale Bumpers has not offered legislation so far that would change features of the compensation law and he isn't expected to introduce such legislation.

- The law doesn't require a firm that hires less than five employes to keep workmen's compensation insurance on its employes.

"Really there's no reason for it (the five-employe limit)," Mr. Woolsey said. "If an employe is hurt, he's hurt just as bad as anybody who has more than five

employes."

The commission chairman said that some factions think that it is unfair for the small employer "to undergo the burden of the expensive workmen's compensation coverage. But the fact is that the coverage also protects them from any lawsuit and damages sustained on the job. So I'll say that there is no real good argument for having the numerical exception. The insurance has good advantages for both parties."

Since the inception of unlimited benefits brought about by the 1968 Act, insurance premiums have gone up 40% in some cases, Mr. Clark said, but the cost could be worth it for employers with under five employes.

"Some business have literally been driven out of business because of it," Mr. Clark said. He noted that without the insurance injured employes had sued successfully for lost wages.

- Employes should be able to choose their own doctor when they are injured; now, they must go to a company doctor first.

Mr. Clark said that this subject was "really close to my heart" because of the conflicting medical opinions that the commissioners had heard in hearings they have conducted. He said that only 17 states give the injured employe the right to pick his own physician.

"It presents a lot of problems," Mr. Clark said. "I think we've found—I wouldn't say that the attending physician was ever prejudice knowingly—but I think that in some cases the injured

Continued on page 47

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Work comp...

Continued from page 46
 employe had to go back to work when he shouldn't be. I think that if he were given the right to choose his own physician, it wouldn't occur so often."

However, if the affected employe knows about the law, Mr. Woolsey said, he can enter a complaint with the commission and get another doctor appointed to care for him.

• A number of states have three-day waiting periods before an employe can begin drawing benefits for minor injuries, but Arkansas has a seven-day waiting period. Medical payments begin immediately under Arkansas law, and if the injury is serious enough to keep the worker off the job for two weeks, salary supplements go back to the day of injury.

However, Mr. Clark said, "As you can see, the time-period lapse arbitrarily limits the number and kinds of injuries that can qualify."

At least a three-day waiting period should be in the law, he said, "and I'm wondering why it shouldn't be just one day."

"If, let's say, a man sustains a crushing injury to his finger and he's off for two or three days," Mr. Clark said, "they can put his finger in some protective cast or splint and he can go back and perform his work in three days; but he's not paid for the three days he's off with the seven-day waiting period."

• Lawyers aren't compensated adequately for their time and work on small claims. Mr. Clark said that the employer and his insurance carrier are responsible for payment of the employe's le-

gal fees. The rate of payment is 30% of the first \$1,000 of compensation; 20% of sums in excess of \$1,000 but less than \$2,000, and 10% of all compensation in excess of \$2,000.

Mr. Clark said that the commission rules on many small claims of \$1,000 or less and "it doesn't pay a lawyer to represent a plaintiff. His time and talent is more valuable than that."

These are some of the major items that the commissioners see as wrong in the law, but they were not too much concerned with persons who are not covered by the law.

THE LIMITATION in the law reads: "Every employment carried on in the state in which five or more employes are regularly employed by the same employer in the course of business or businesses, except domestic service, agricultural farm labor, institutions maintained and operated wholly as public charities, the state of Arkansas (state employes now are covered under this act as of 1949), any person engaged in the vending, selling or offering for sale or delivery to the general public any newspapers, magazines or periodicals, or acting as sales agent or distributor as an independent contractor of or for any such newspaper, magazine or periodical."

Before east Arkansas farmers became highly mechanized in the operation of their cotton and rice farms, they utilized Negro helpers and black domestic help was prominent in the cities. In the 1960s this practice almost ceased to exist because of federal wage laws that affected farmers, and blacks were dismissed from their jobs.

Asked if east Arkansas farmers put pressure on writers of the 1948 act to keep them free of the law, Mr. Woolsey said, "My opinion in not putting them in there is that it might have jeopardized its passing. It had to be voted on by the people and they could make it look big when they were fighting it."

However, he said, he could believe that the farmers were trying to excluded themselves simply because of racial temperament.

"I don't believe that was the purpose," Mr. Woolsey said. "I just think that the farmers were conservative and didn't want to come under this when it was passed."

He said that since the passage of the act, agriculturally-related work "to a certain extent has been taken in" through commission decisions.

IN 1970 THE commission heard 270 cases and presently the commission has a backlog of 15 cases, "which is very small backlog," Mr. Clark said.

The commission awarded a total of \$26,705,675 in claim payments and medical expenses from July 1, 1968, to June 30, 1970. The commission figured in helping resolve 17,093 cases in one way or another.

Claims from manufacturing enterprises came to 8,057, which was the most for any one category. These claims accounted for \$11,629,325 of the \$26,705,675 in total claims paid.

The philosophy of the commission, according to Mr. Woolsey, is "that it (workmen's compensation) is part of the cost of production or services." ■

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Insurance buyer must direct foreign insurance: Bickett

DALLAS—In an examination of domestic and foreign insurance programs, the first consideration of the insurance buyer is to determine if he is responsible for foreign insurance—and if not, why not. That's the opinion of Peter Bickett, vp, Johnson & Higgins, New York City.

In his talk, encompassing specific coverages, marketing and services, he told members of the Dallas-Fort Worth chapter of the American Society of Insurance Management, "I have strong feelings on the fundamental truth that some degree of head office authority is essential. This doesn't mean that you have to buy all of the insurance here, but it does mean you have to have control, so coverage can be uniform." Pointing out that most companies have coordinated financial and legal programs, he indicated that management policy should structure its insurance program similarly.

Mr. Bickett cited experiences of U.S. companies, who on acquiring foreign firms, encountered "fearsome" problems. Most of these, ranging from a glass plant in Argentina with 130 separate policies to a department store chain in Belgium with 76 policies, had no extended coverage or business interruption coverage whatever.

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types for world-wide coverage. Ocean marine is traditionally international in scope, but often overlooked is coverage of exports from one foreign subsidiary to another, and related inland shipments.

Discussing the marketing aspects, Mr. Bickett said, "The day may come when we have a true common market. Realistically, however, there are few simple solutions to global underwriting." Apart from underwriters' own lack of facility, he said that financial, tax and legal complications are the biggest problems.

"No worldwide program can work without the services of an international broker," he concluded. "Service is the active ingredient in making any worldwide program work. You've got to have an expert on your side of the table to lead you through the mumbo jumbo of this international jungle."

Mr. Bickett prefaced his remarks with a rundown of statistics which reflect the growing importance of international business. For 80 of the top 200 U.S. corporations, foreign operations account for at least one-fourth of sales, earnings or employees. Total production of American business overseas comes to \$200 billion, equal to the gross national product of Japan. Private investment abroad has almost doubled since 1962 and last year rose by 9% to \$71 billion.



C. C. (Bud) Griffin is manager of the new Los Angeles office of Wcrlen, McVeigh & Assoc., risk management consultants based in San Francisco. Mr. Griffin, a partner in the firm, has had 22 years experience in various insurance and management positions, including 13 years with the insurance department of Carnation Co. He is a past president of the southern California chapter of the American Society of Insurance Management and a past national director of ASIM. The new office will counsel corporate and governmental bodies on the structure of risk management programs and analysis of insurance coverage, but no insurance marketing or placement will be involved. The new office will serve southern California and Arizona clients of the firm more directly.

Giles . . .

Continued from page 30

went to the cashier, asked whether the lady had paid for a bar of the first brand name and, on being told she didn't, chased after the customer and in the presence of several people outside the store accused her in a loud and rude voice of stealing. This cost the store and the manager exactly \$8,000.

On appeal, the supreme court of Mississippi held that the manager's qualified privilege was lost by the unreasonable manner in which it was exercised; that the question of probable cause was properly left to the jury; that the lack of reasonable inquiry as to whether the plaintiff had paid for the soap or not indicated that he did not care whether the accusing words were true or false; that the malice thus implied was a ground for punitive damages. (*Southwest Drug Stores of Mississippi v. Garner*—195 So. 2nd 837.)

* * *

DO YOU HAVE an insurable interest in property by the existence of which you receive a benefit, or by the destruction of which you suffer a loss, regardless of whether you have title to the property?

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Did these farmers have an interest in the corn that was insurable by the Federal Crop Insurance Corp., even though the agricultural association retained title to the corn? In deciding that an insurable interest existed, the court pointed out that because the farmers were engaged in growing

crops they were producers and hence fell within the coverage of the Federal Crop Insurance Act. The court rejected the contention of FCIC that the farmers were not producers because they accepted a flat rate per acre for simply providing land and services and not actually selling crops. (C.A. 7—*Parks v. Federal Crop Insurance Corp.*—9/24/69.)

Funds . . .

Continued from page 6

is authorized to invest up to 30% of its assets in common stocks. Buying stock to the tune of \$20 million a month has meant commissions of about \$1.5 million annually.

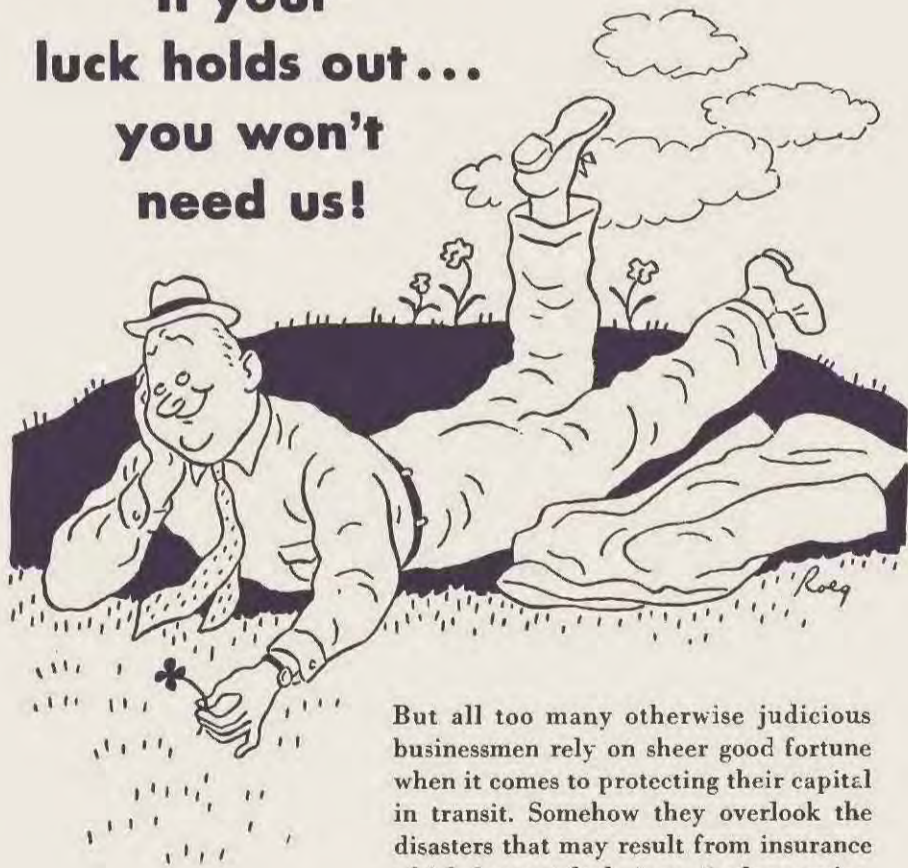
MR. BEAME'S spokesman told *Business Insurance* that as of January 31 New York City's five pension funds—of which only three buy stock—had total assets of almost \$5.8 billion. He said that 5.83% of that sum is invested in common stock. "Last year we paid brokers commissions of \$600,000," he said, "and this year we expect to pay \$900,000."

He also said that Mr. Beame has stressed the buying of corporate bonds rather than city bonds. "The pension funds are tax-free anyway, so buying tax-free city bonds with lower rates of return was senseless, although it had been done for years. With the higher rates on corporate bonds, we had a yield of 7.9% last year. That made for an overall yield of 4.6% since the inception of the funds years ago. Anything over a 4% yield goes into the city general fund and can provide additional benefits without cost to the taxpayers."

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Foreign benefits plans benefit from on-the-spot handling: Consultant

CHICAGO—Successful international benefits planning depends not only on listening to the people in the local office but also on knowing when to be skeptical of them, advises Charles E. Tosch, vp of Johnson & Higgins international benefit department in New York.

At a forum on international employe benefits in Chicago Mr. Tosch told corporate benefits managers that the services of a consultant are useful in providing that necessary element of skepticism. A consultant, he said, can find out how other American companies in the country handle benefits and give the client a realistic idea of where his company should fall within the group.

Mr. Tosch detailed several areas that every benefits manager should explore before establishing a foreign benefit program.

THERE ARE TWO easy ways to settle the problem of worldwide versus local programs, he said: You can initiate only the benefits that the man in the local office thinks are needed and can be afforded, or you can insist that a single, rigid program be followed everywhere.

"Today I find that companies are using a blend of these," he said. Use of career average pay rather than final pay as a pension base and insistence on employe contributions are things central management may quite properly decide, he said, but once these basic principles are established, local management is usually granted considerable leeway.

If, however, the local country's business customs don't offer many examples central management may have to provide more guidance, Mr. Tosch added.

The consultant posed the question "Should all employes be treated equally?" and answered himself with an emphatic "No. Each needs separate treatment to answer his wants."

LOCAL NATIONALS, usually the largest single group employed, require benefits that are competitive with other U.S. companies in the area, he advised, while U.S. nationals should be kept under the company's U.S. benefit programs.

"This was difficult until a couple of years ago," he said, but it is now permitted, as long as a company keeps its U.S. nationals in the U.S. Social Security system. These employes of a foreign subsidiary can also participate in the parent company's U.S. pension or profit-sharing plan as long as the parent maintains a 20% interest in the primary subsidiary or the primary has a 50% interest in the secondary layer subsidiary. But the company still can't claim a tax deduction for its contributions to private pension plans, Mr. Tosch noted, adding that he believes the laws applicable to this should be similar to the Social Security ruling.

"For want of a better solution the third-country national usually goes into the U.S. pension plan," he continued, but because he can't be covered under U.S. Social Security he ends up with a gap in his pension protection. And putting him in the local plan isn't the answer either, he said.

The third-country national's pension, he explained, should:

- Be payable in a relatively stable currency.
- To the maximum extent possible, be funded in a currency

that is freely convertible so that the employe may retire where he wishes.

- Avoid double taxation (once in the country of employment and once in the country of retirement).
- Be related to his entire length of service.
- Be related relatively closely to his final pay.

MOST COMPANIES, Mr. Tosch said, will probably come to the conclusion that the third-country national needs a special plan and that perhaps it shouldn't be funded.

Understanding—and applying—local laws and customs should not be neglected by the benefits manager, he emphasized, because "even the most generous benefit won't be appreciated if it's not understood."

"If you pay German wages, why not grant German benefits? It's got to be the whole package, not just bits and pieces," he said, giving as an example the fact that in Japan a lump-sum pension payment is considered much

more valuable than a lifetime pension, even though the employe may be getting much less money.

In Italy, on the other hand, the J&H executive continued, the legally required pensions are very generous. The presently required 74% of the best five years' earnings will be increased to 80% on Jan. 1, 1976. And in France national social security and privately operated industry pension programs, Mr. Tosch noted, "are quite good, so little is required of the employer."

He summarized the handling of local laws and customs by reminding the benefits men present that their foreign offices must comply with local laws and that, in general, when in Rome, they should "do as the Romans do."

Establishing the proper funding media for a pension plan is another job that calls for someone on the local scene, he said. U.S. thinking is geared toward protective funding and keeping fund assets inviolate but, he cautioned, trust funds are an Anglo-Saxon concept not found in countries under the Napoleonic Code. ■

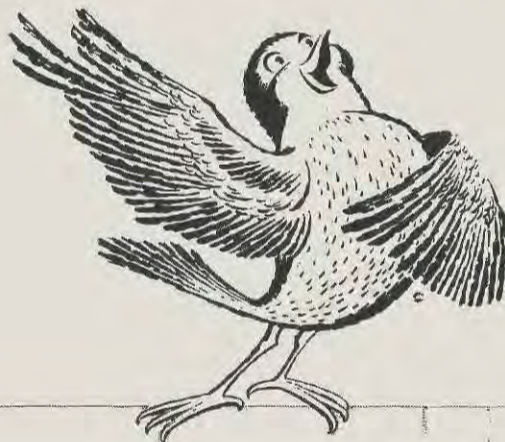
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KANSAS CITY—Morris Shlensky, president of Katz Drug, a large Kansas City-based retail drug chain, will receive an annual salary of \$105,000 a year under a new five-year employment contract that became operative early this month when his company

merged with Skaggs Drug Centers, a Salt Lake City drug store chain.

The new salary represents only a slight increase from the \$102,500 Mr. Shlensky received in 1969, but the contract contains a number of sweeteners which he didn't have prior to the merger.

For one thing, the 67-year-old Mr. Shlensky is guaranteed his compensation regardless of his health. According to the contract, he will be excused from performing any services if he becomes disabled from accident or illness or if his personal physician advises that he should refrain from business activity.

MR. SHLENSKY will receive an annual retirement benefit of \$35,000 a year until his death following the expiration of the contract. His agreement with Katz prior to the merger called for an annual retirement benefit of \$21,875.

**Bill asks
\$100 annual
vandal fee**

SACRAMENTO—In an effort to stop the drain on university and state college self-insurance funds, Floyd L. Wakefield, Republican assemblyman, introduced legislation to levy a \$100 annual fee against every full time student and faculty member.

Proceeds of the fee would be used to pay for damages caused by riot or vandalism on the campus. If no damage was incurred at a particular campus, the fees, minus a 10% administrative charge, would be returned to the students and faculty members. The amount of the special charge, according to Mr. Wakefield, would be pro-rated for part time students and faculty.

"We are finding too much of our educational funds being spent to repair and replace facilities which were damaged by riots and vandalism," he explained.

If he dies during the term of the contract, his beneficiary will be paid the amount still due under the agreement at an annual rate of \$25,000. His previous agreement called for his beneficiary to receive a \$5,000 lump sum death benefit.

Katz Drug chairman—and principal stockholder before the merger—Earl Katz, 63, signed a seven-year employment contract subsequent to the merger calling for an annual salary of \$35,000. Mr. Katz's salary in 1969 was \$67,500.

His new contract contains a clause similar to the one in Mr. Shlensky's in that he is guaranteed his compensation regardless of his health and his beneficiary will receive the balance due if he dies during the term of the contract.

IN HIS CASE, the beneficiary would receive payment at an annual rate of \$35,000. Under his previous contract, his beneficiary would have received a \$5,000 lump sum death benefit.

His retirement benefit under the new contract is \$17,500 a year compared to a previous \$13,750.

The two contracts specify that each will be provided with an automobile, office space and secretarial assistance. They also stipulate that employee insurance benefits currently provided each by Katz Drug will be continued, although all previous employment, retirement and death benefits are cancelled by the new contracts.

John Roach, 53, Katz Drug exec vp, received a new retirement contract subsequent to the merger providing benefits of \$17,500 a year, or 25% of his salary during the 12 months preceding his retirement, whichever is larger. Benefits are payable "regardless of the cause for his termination of service and his age at the time of termination."

Mr. Roach's retirement benefit at Katz had been \$12,500 annually. His 1969 salary was \$60,000. This will be increased to \$70,000 after the merger, although he has no employment contract.

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The Fairfax County Government, Fairfax, Virginia, through the Purchasing & Supply Management Agency is accepting requests from insurance companies to be placed on the County's bid mailing list to receive in the next 45 days, specifications and related bidding documents covering all types of insurance coverage for a three-year term for the County Government, including Park Authority, Public Libraries, Volunteer Fire Stations, and other ancillary agencies. Insurance companies must first be pre-qualified by the above agency and must be licensed to do business in the State of Virginia, having a policyholders' rating of A or better and a financial rating of AAA or better in Best's Insurance Reports latest edition. Requests for pre-qualification should be accompanied by appropriate information on the company for evaluation purposes and be forwarded not later than Friday, May 14, 1971, to: County Purchasing Agent, Fairfax County Government, Massey Building, 4100 Chain Bridge Road, Fairfax, Virginia 22030. (Telephone: 703/691-3201).

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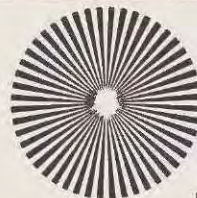
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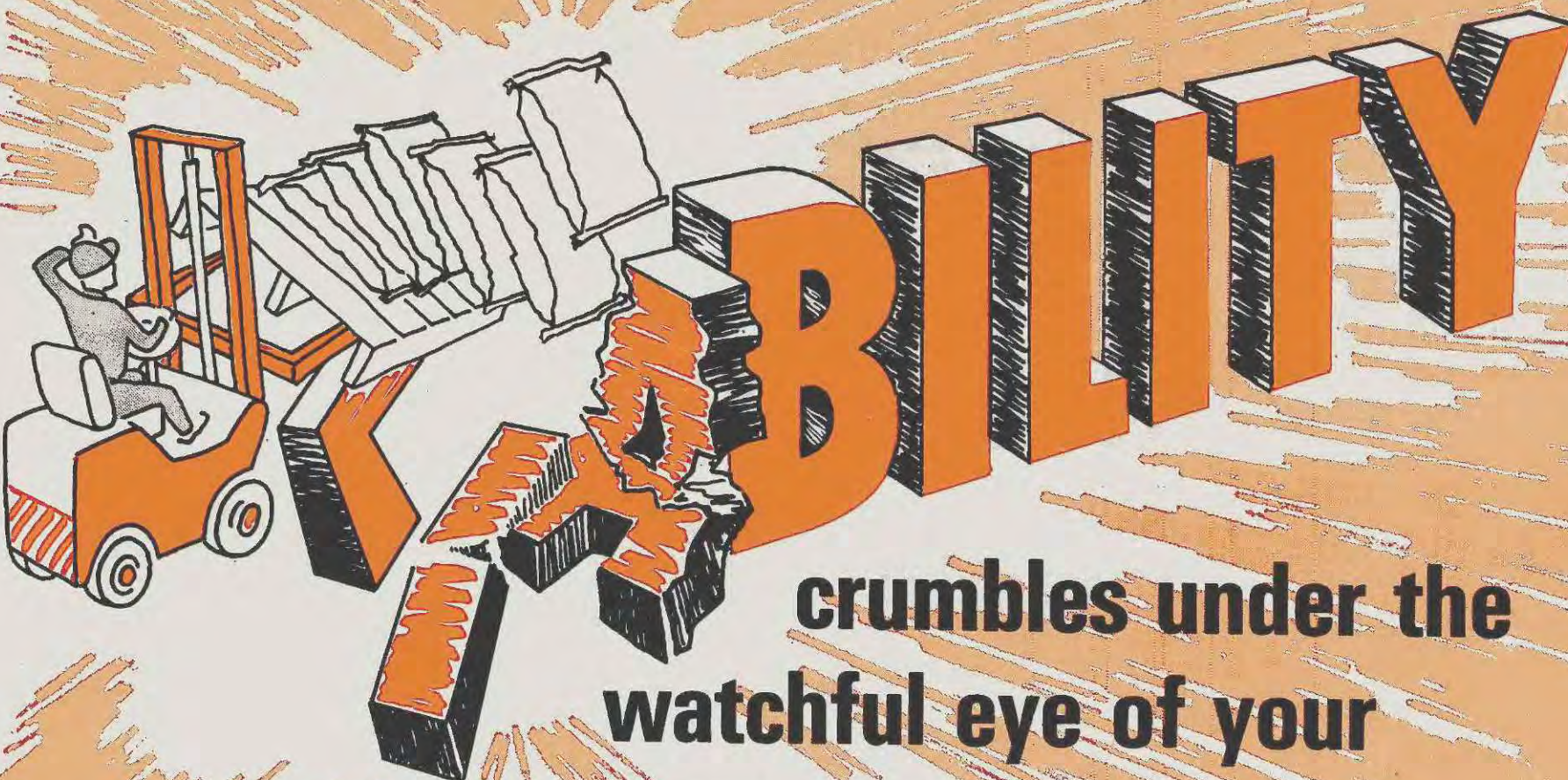
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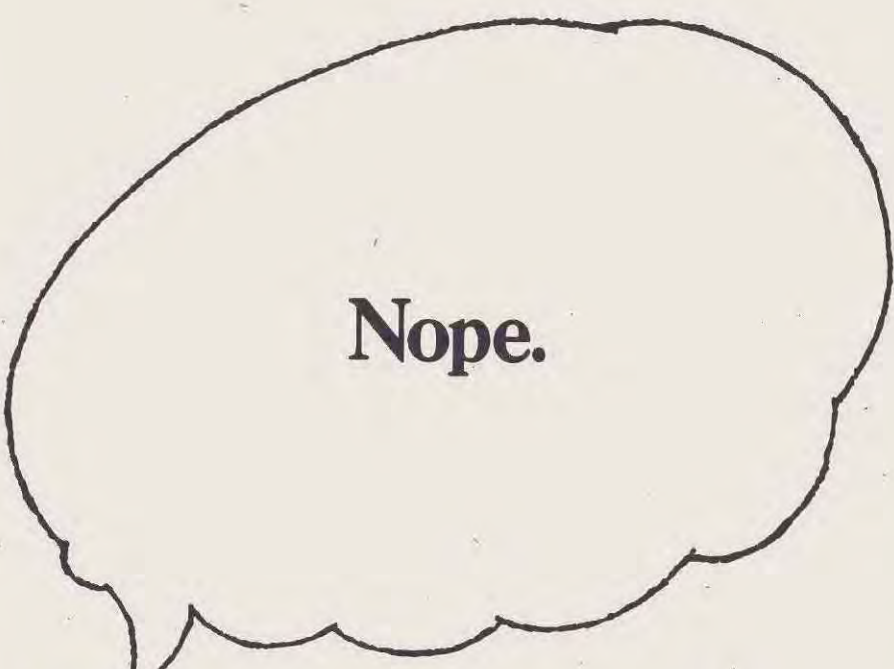
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