

Antipoverity programs bring insurance problems

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business insurance

for buyers of employe, property and liability protection

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May 12, 1969

Eye Lloyd's of Sydney in Australia

SYDNEY, Australia—London underwriters and syndicates are quietly working to establish a Lloyd's of Sydney operation here by 1975.

The British insurance men's tentative timetable for such a move, *Business Insurance* learned, would be to establish an underwriting presence for Lloyd's syndicates choosing to participate this year operational by 1970.

It's visualized that the Lloyd's of Sydney scheme would duplicate facilities performed by the corporation of Lloyd's as early as 1975.

ALREADY MICHAEL W. Payne, a Lloyd's underwriter, has opened an office in Victoria as a Lloyd's syndicate and has picked up the Australian workmen's compensation business of Ford Motor Co. and at least one other major corporation.

The committee of Lloyd's, for its part, has commissioned two underwriters to look into the feasibility of expanding operations in Australia and to attract more Australian business.

But it was pointed out that there would be nothing to prevent the newly implanted Lloyd's syndicates from taking business from outside this country.

Reason for the move to set up duplicate Lloyd's facilities in Sydney revolves around the economic situation in the United Kingdom. British insurance men, fearful of the strong pressure on British sterling, want to be in a position to convert pounds to Australian dollars so that their deposits will be in the strongest possible currency.

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Ontario contractors paying \$150 million for compensation

TORONTO, Ont.—Ontario's construction industry is paying \$150 million a year in compensation despite a continuing drop in the industrial accident rate, a meeting of the Construction Safety Assn. of Ontario was told.

W. T. Foley, the association's new president, said the direct cost of compensation is nearly \$23 million a year and the rest comes from lost time and productivity.

These payments exceed the industry's net profit by six times, despite the fact that Ontario "is in the midst of one of the greatest booms in history."

Missouri moves to close mini-mutual following Business Insurance expose



The Chicago Transit Authority, a publicly operated system, suffered a bus garage explosion-fire that caused \$500,000 estimated damages and injured 88, six seriously. Business Insurance learned the CTA is self-insured for \$300,000 of the fire damage but the remainder is covered by a \$3 million-limit fire insurance policy with Lloyd's. In addition, Lloyd's provides public liability policy for a undisclosed limit after a \$1.5 million deductible. Wide World photo

JEFFERSON CITY, Mo.—Missouri Attorney General John C. Danforth's office has taken action to suspend the charter of a "mini-mutual" insurance company as a result of a *Business Insurance* disclosure that the company exceeded its charter limitations to write commercial insurance programs outside of this state.

Alfred C. Sikes, Mr. Danforth's assistant assigned to Missouri's insurance division, filed a *quo warranto* information in the circuit court of Jackson county against Farmers & Merchants Mutual Fire Insurance Co. saying that the company "is usurping corporate power beyond that granted by statute and in direct contradiction to (Missouri statutes)."

In a statement, Mr. Sikes added, "We have reason to believe that this company's adjustment procedures are not reasonable ones and that they are operating in excess of their corporate authority. If we are successful in this suit their charter will be forfeited and involuntary dissolution will occur."

MR. SIKES NOTED that farm mutual companies in Missouri have not chosen to subject themselves to the jurisdiction of the division of insurance and are not regulated by that division. Missouri is the only state that does not require regulation of farm mutual companies.

Mr. Sikes credited articles and editorials in *Business Insurance* with bringing the "mini-mutual" problem to the attention of Mr. Danforth, who took office in January.

"*Business Insurance* articulated the problem and long-neglected suits in our office indicated that suits that should have been filed had not been filed. The articles in *Business Insurance*

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AT&T requests that SEC grant employe savings plan approval

NEW YORK—American Telephone & Telegraph Co. has filed a savings plan with the Securities & Exchange Commission that would permit some 185,000 eligible employes to invest in AT&T stock, Federal government obligations or a company investment fund through payroll deductions.

Under the plan an employe could allot 2%, 4% or 6% of his salary for investment each month, with the company adding half this amount. An allotment of up to 10% of salary could be made, but AT&T will only contribute on the amount up to 6%.

The total individual and company contributions would then be invested in one or more of the

investment choices at the direction of the employe.

BANKERS TRUST Co. and Brown Bros. Harriman & Co. would each be responsible for investing half of the investment fund that would be established. Bankers Trust will also act as trustee for the fund.

The plan was approved last week by the Internal Revenue Service as a qualified savings plan and is expected to go into effect July 1.

Eligible employes of AT&T and its subsidiaries would be able to participate in the plan with the exception of Southern Telephone Co., Cincinnati and Suburban Bell Telephone Co.

and Bell Telephone Co. of Canada.

These three companies have been excluded because the Internal Revenue Service will not permit such a plan to include

Continued on page 50

Late news

ABC members consider new proposal

NEW YORK—London aviation underwriters, fearful of the loss potential of the 747 jumbo jet, have indicated they may withdraw support from the Aircraft Builders Council, a group of 270 airplane and component part manufacturers, if ABC members don't accept a proposal that underwriters supply products liability coverage of \$100 million—up from the current \$20 million—on an aggregate basis only. This means that ABC members would have to pay extra premiums to reinstate coverage should a loss occur, subject to the availability of additional insurance.

Pension fund assets \$241 billion

WASHINGTON—Assets of public and private pensions plans hit \$241.1 billion in 1968, double the figure of 1960, the Securities & Exchange Commission has reported. Noninsured pension fund assets were \$80.5 billion, up \$8.66 billion from 1967, and insured pension plan assets were \$35 billion, up \$3 billion from the previous year.

(Mailing label here)

Survey finds key executives involved in safety and security

CHICAGO—More than 79% of the financial executives and insurance buyers responding to an exclusive *Business Insurance* survey recommend, initiate or approve major safety and security systems and services for their companies.

A random sample of *Business Insurance* readers with administrative, financial and corporate insurance classifications was asked:

"If your company was considering the installation of major safety or security systems and services, to what extent would you become involved in the decision?"

THE EXECUTIVES were then asked to check "recommend, ini-

tiate or approve" blanks in the following categories:

- Fire extinguishing systems;
- Alarm systems;
- Security personnel systems;
- Communications systems;
- Major medical and health facilities;
- Safety educational programs and incentives.

THE RESULTS of the survey show that *Business Insurance* readers are overwhelmingly involved in safety and security matters of their companies, according to Myron A. Hartenfeld, publishing director of the magazine. *Business Insurance* will publish a special report on safety and security in June.

Some of the findings are:
66.1% of those responding said they were involved in the purchase of fire extinguishing systems such as sprinklers and chemical systems;

67.2% responded that they were involved in the purchase of alarm systems;

65% are involved in the purchase of security personnel systems including guard service, employe screening and identification.

53.9% are involved in the purchase of security communication systems, such as two-way radio and closed circuit tv;

A copy of the complete study is available from Mr. Hartenfeld, 740 Rush St., Chicago 30611. ■



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 - d. SELF INSURE IT
 - e. TRANSFER IT

Hal Johnson, special risk superintendent of State Farm Insurance Companies, Bloomington, Ill., used this diagram of the risk management process in presenting a short course in risk management to members of the Central Illinois chapter of Chartered Property & Casualty Underwriters. Mr. Johnson, who acts as risk manager for State Farm's widespread operations, pointed out that the first things to do about risk are identification and analysis. Next, the risk manager determines what to do about the risk and, finally, he determines how to administer the problem. Following Mr. Johnson's discussion of risk management, he participated in a conversation on "The Insurance and Risk Manager — How He Does the Job" with Richard C. Bjorklund, managing editor of *Business Insurance*.

School board wants fire coverage

CHICAGO—This city's board of education, which hasn't insured its property since oldtimers can remember, asked for "more than 100 bids" from Chicago brokers, agents and companies. The bidding opened April 28 and closed May 5.

Fire replacement coverage is asked for on 527 buildings valued at \$1.2 billion, with no single exposure valued at more than \$20 million. The school board gave three options of self-insurance: (1) \$200,000 per occurrence, \$500,000 on total losses; (2) \$500,000, \$1 million, and (3) \$1 million, \$3 million. It also asked for other offers.

The bids were sent out one day before some state officeholders called for a program of entire self-insurance by the state government.

Informed predictions are that the Chicago board of education will have difficulty getting coverage.

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MAPI survey finds 80% have D&O cover, but only one claim filed

WASHINGTON — Some 80% of member companies responding to a survey initiated by the Machinery & Allied Products Institute indicated they either have purchased or are in the process of obtaining directors and officers liability insurance.

Of the 51 members of MAPI's insurance council responding to the survey, 36 said their companies have purchased D&O coverage and 15 indicated their firms had turned it down. Another five companies not presently covered are in the process of negotiating for the coverage.

Among the 36 companies carrying D&O coverage, the limits ranged from \$1 million to slightly more than \$20 million. Twenty-one of the 36 companies (about 60%) carry \$5 million or less; ten (29%) have \$10 million coverage; one company carries \$15 million; and three companies (8%) carry \$20 million or more in insurance coverage.

"AS MIGHT BE expected," a memorandum put out by MAPI said, the amount of coverage (particularly in the higher ranges) tends to vary directly with the size of the company."

Fourteen percent of the 36 companies having D&O insurance said that they pay 100% of the premiums, while another 14% indicated they pay 90% of premiums and the directors and officers pay the remaining 10%. Two indicated they pay 95% of the premium and the directors and officers pay the remaining 5%. Three companies covered by D&O insurance indicated that their directors and officers pay more than 10% of the premium payments.

"There appears to be no correlation between company practice in this respect and the size of either the company or amount of coverage," the memorandum stated.

"Evidently the difference in practice as to whether or not the directors and officers pay part of the premium is based on a desire on the part of some companies, for legal and other reasons, to have at least token participation of the executives covered."

THE MOST COMMON explanation for not buying D&O insurance was that the coverage was not adequate or that the premium cost was too high in relation to the coverage provided. Also, a few companies said that because of special circum-

stances (such as closely held stock ownership and board makeup) their companies didn't have sufficient exposure to liability claims to warrant coverage.

Only one of the 36 companies covered by D&O insurance had submitted a claim, now in the process of settlement. Although all but five of the 36 companies thought the D&O policy provided adequate coverage, a number stressed the lack of experience under the plan.

"In this connection," the memorandum stated, "several are concerned over the possible narrow interpretation of the language of the policies by the insurer which might, in turn, ren-

der the coverage to be less than adequate.

"Others feel that the general language and exclusions of the policies are so ambiguous that it is possible for insurers to legally refuse to honor claims which would generally be thought to be covered," MAPI said.

"On the other hand, some thought this concern to be only a theoretical problem since, practically speaking, the insurers have publicly placed themselves in such a position that it would be very difficult for them to deny a reasonable claim.

"Finally, the opinion was expressed that existing directors

and officers liability insurance policies are so ambiguous that future litigation on claims is inevitable," the MAPI survey said.

ABOUT HALF OF the companies covered by D&O insurance stated that they had attempted to negotiate modifications to the policy. Most of these attempts were to remove certain exclusions—the most frequent of which was the failure or omission on the part of the insureds to effect and maintain insurance.

"One common problem among the respondents was the cost in negotiating out exclusions," according to MAPI. "After weighing the cost against the benefits of the removal of the exclusion, some decided to withdraw their request.

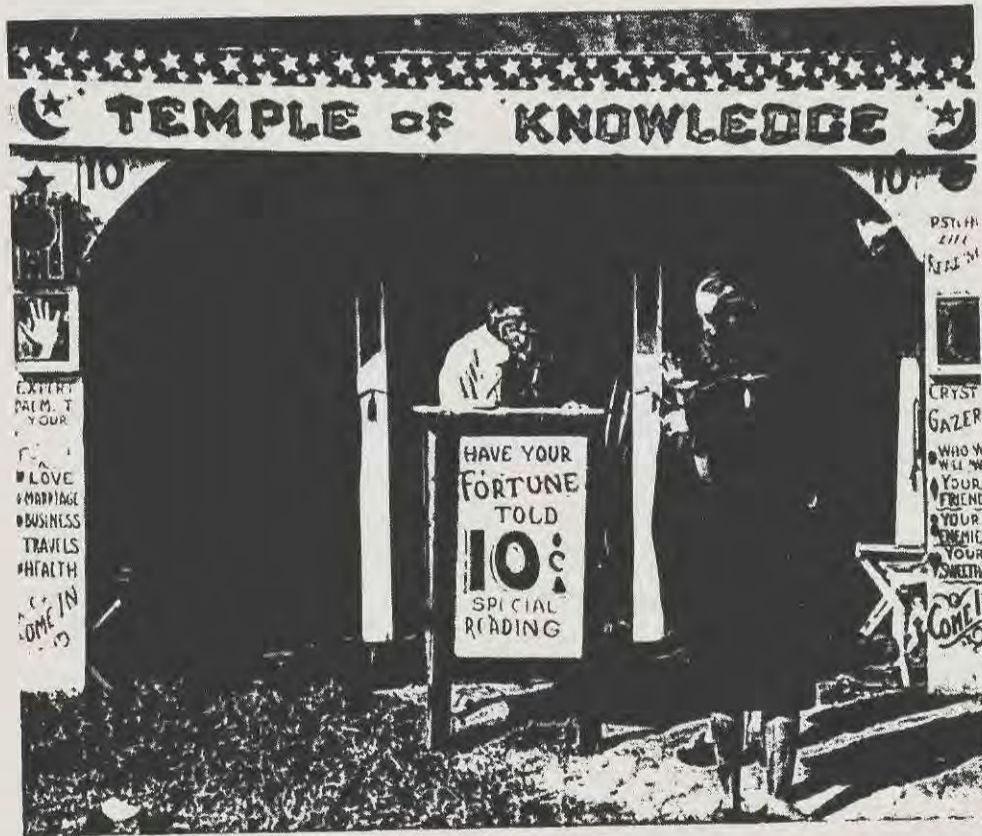
"A number of respondents reported that they had been successful in negotiating less ambiguous policy language and reduc-

tions of deductibles originally proposed in negotiating the coverage. Most of those making such an attempt were generally successful," the MAPI memorandum said.

IN COMPARISON with a MAPI survey completed last year, the percentage of companies on the insurance council carrying D&O insurance has "significantly increased," according to the survey.

However, MAPI cautioned, "evidence of greatly increased premium charges and the problems concerning insurers' capacity for coverage may tend to curtail the rate of its adoption. A number of other factors will have an influence on the continued use of this liability insurance, such as settlement experience and success in negotiating modifications to the policy," the memorandum noted.

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Berry joins C. B. Lilly Inc.

EAST ORANGE, N.J.—Donald W. Berry will join C. B. Lilly Inc. here, a corporate insurance management firm, as a vp, effective May 15.

Mr. Berry, a contributing editor of *Business Insurance*, is insurance manager of Borden Inc., which he joined in 1951. Prior to that he served at Liberty Mutual in the sales and service area.

Borden recently brought in Charles H. Woodhouse, formerly of Carborundum Co., as general insurance manager, responsible for both property and liability coverages and employe benefits.

Mr. Berry, who graduated from the University of Rochester, is a past president of the New York chapter of the American Society of Insurance Management.



washington watch

Sec. Volpe carries on DOT's auto safety, readies money bills

WASHINGTON — The 1966 National Traffic & Motor Vehicle Safety Act gave the Federal Highway Administration and the National Highway Safety Bureau the authority to compel auto manufacturers, under penalty of fines, to install various safety devices in their cars. In the face of this muscle, Detroit has in the past two model years added more than a score of such items—seat belts, dual brakes, extra padding, front-seat headrests, and shoulder harnesses to

name only a few items.

Critics of these compulsory safety additions to automobiles point out that they are extremely expensive and apparently haven't done any good since the accident toll on our nation's highways continues to mount. Proponents of the government moves use the rising death toll to illustrate how much more is needed and shudder at the prospect of how high the death rate would have been without the hard-gained safety changes.

According to Secretary of Transportation John Volpe, the new energy absorbing steering assemblies alone appear to have reduced fatalities in certain crashes by as much as 70%. It has been estimated, he said, that if all cars had such devices, as many as 12,000 lives per year might be saved.

IT IS A foregone conclusion that the Department of Transportation's safety campaign will go on. The question is how fast it

will go and in what direction.

DOT's draft appropriation bill, just introduced in Congress by Sen. Warren Magnuson (D., Wash.), asks for \$23 million for fiscal 1970 and \$35 million for fiscal 1971 to continue its work on motor vehicle safety standards, safety research, tire safety and a program of national driver registration. In addition, the bill asks for \$10 million "to remain available until expended," for planning and design of highway safety research and test facilities, including engineering studies and site surveys.

The highway safety program was authorized \$13.9 million in fiscal 1967, \$18.5 million in fiscal 1968 and \$24.5 million in fiscal 1969. These figures included no funds for the research and test facilities.

In his letter to Congress asking for the appropriation, Secretary Volpe stressed the need for these

facilities. The initial motor vehicle safety standards were based on preexisting standards from design performance criteria, he pointed out, so the absence of appropriate labs and field testing capabilities did not present a serious handicap.

HOWEVER, as the work proceeds into more complex areas of standards-setting, sophisticated facilities are essential to support the development of standards relating to present types of motor vehicles, he added.

Among the safety standards under consideration are crash prevention properties, such as braking and steering, and crash survivability properties, such as relative ease of entry into wrecks to remove occupants, Secretary Volpe told Congress.

In the area of tire safety, he said there is a major effort being made to develop a uniform quality grading system for motor vehicle tires. Under this system, tires will be graded based on performance with respect to high speed capability, endurance, strength, traction and tread wear.

The initial tire standards are supposed to be issued before June 1 this year. They will cover passenger vehicles only. During fiscal 1970 the department plans to move its efforts to truck and bus tires and to regrooved and retreaded tires.

IN ADDITION to the DOT appropriation measure, Sen. Magnuson, who is chairman of the Senate Commerce Committee, introduced a highway safety measure directly related to motor carriers—commercial service vehicles operating in interstate or foreign commerce on public highways with six or more wheels and (1) a gross weight of more than 10,000 pounds or designed to carry more than one ton of cargo or (2) more than six passengers, including the driver. This proposal, drawn up by the National Assn. of Regulatory Utility Commissioners, would amend the Interstate Commerce Act to provide assistance to the states in establishing, developing and administering state motor carrier safety programs "to insure the safe operation of commercial motor vehicles.

Under the bill, the Secretary of Transportation would formulate minimum motor carrier safety regulations. These would be formulated after consultation and cooperation with the state commissions, the National Organization of State Commissions and the National Motor Carrier Safety Advisory Committee, which would be established by the bill.

Five years after the act takes effect, the state commissions that have adopted standards at least equal to the minimums discussed above would be eligible for Federal grants of up to 100% of the cost of planning, developing and establishing minimum motor carrier safety programs in states requiring such assistance and thereafter, grants of up to 50% of the cost of maintaining and further developing effective and continuing motor carrier safety programs.

Insurance for handicapped

The Washington legislature has approved and Gov. Dan Evans has signed into law HB 130 implementing the law relating to certain insurance contracts for the handicapped. The measure would allow inclusion of dependents past age 21 in health care insurance in such cases.

The Boston Globe

MORNING EVENING
SUNDAY

Boston's leading Sunday and Daily reports professional insurance coverage by

Paige O'Brien Russell

Details of Chancellor of the Exchequer Roy Jenkins' fiscal 1970 budget are secret until Parliament receives it today. But some members of Parliament and economic experts said it contained new taxes totaling \$1.2 billion to offset a continuing deficit in Britain's balance of payments.

Jenkins added \$2.8 billion in new taxes in his budget of a year ago.

Those commenting on the budget said the new taxes most likely would be placed on luxury items and liquor.

The storm over the proposal has been since last January. Employment and Minister Barbara Castle unveiled a plan to curb union strikes.

Key points of the proposal include a 28-day period in case of a strike affecting the prohibition of picketing and the use of force against strikers. A leading union official said the proposal is a "major step" toward curbing strikes.

ch an immune response to be suppressed with drugs in order to carry out heart transplant. This is done with drugs which work against all cells, particularly against the cells which manufacture antibodies. The cells which "know" how to make a particular type of antibody multiply more rapidly than other antibodies, and so

Scientists need to understand the body's immune mechanism better. A key step in this was the structure which Edelman announced here.

Born in New York city, Edelman originally hoped to be a violin soloist, but gave it up for medical studies at the University of Pennsylvania.

After interning at Massachusetts General Hospital, and working as an Army doctor, Edelman

During the past eight years, *The Boston Globe* has made news with surging circulation gains that have rated the headline: *Boston's leading newspaper*. Leadership of this kind calls for insurance coverage that rates solid feature handling. One that is imaginative enough to make news of its own. We deliver it with a combination of knowledge and experience. Shouldn't we be covering your insurance needs?

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and more, we're the people who know business insurance like nobody else in the business. Want to be one of our reasons?

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Canadian stockbrokers fear new liability area

VANCOUVER, B.C. — Stockbrokers, securities salesmen and insurance experts are following a legal case here that could open up new areas of liability in the securities business.

The case involves an action against Dominick Corp. of Canada, by clients attempting to cancel short-sales transactions on which they took a loss.

Basically, the issue is to determine the obligation, if any, of brokerage firms and their staffs to inform customers fully on stock exchange margin requirements.

The case was heard recently and judgment has been reserved by Justice David Vershere of

the British Columbia supreme court.

THE ACTION against Dominick is by David George, a rug salesman, and Louis Milkovic, now a licensed securities salesman.

They placed short-sale orders with Dominick for the common stock of Data Process Financial & General Corp., a U.S. company. The order was put through the American Stock Exchange where the company's securities are listed.

(In a short sale, the client sells stock he doesn't own, borrowing it from the broker. He hopes to profit through buying the stock

Canadian metals firm hikes retiree pensions

TORONTO, Ont. — International Nickel Co. of Canada Ltd. said it is increasing the pensions of employees who retired in 1964 or earlier.

Chairman Henry S. Wingate said increases will vary from 4% for pensioners who retired in 1964 to 25% for those who retired before 1951.

Increases will affect about 2,000 former employees and widows of pensioners. Mr. Wingate said the increases will cost the company about \$400,000 during the next year.

Both clients contend that Dominick should have informed them that the American Stock Exchange has Data Process on its 100%-margin list instead of the customary 70%-80% cash payment requirement.

(The U.S. Federal Reserve Board requires U.S. stock exchanges to impose an 80% margin—raised from 70% last year—but the exchanges have an all-cash requirement for certain stocks for various reasons, among them a stock's possible volatility.)

Canadian exchanges now require 60% margin. Many individual houses impose higher margins on more speculative kinds of stocks).

In the Dominick case, it is claimed that when the price of the stock rose on the market, the two plaintiffs were asked by Dominick to put up additional cash on their margin account.

After some hesitation, they refused and asked for cancellation of the transaction. Dominick refused to cancel, and when Mr. Miklovic and Mr. George were sold out (technically, in a short sale the broker buys in), the lawsuit followed.

The two plaintiffs maintained that Dominick was negligent and remiss in its obligation to its clients because it did not tell them the stock was on the ASE 100%-margin list.

The lack of this information cost them money, they said. When they were "sold out," they owed the broker the difference between the original short-sale price and the higher price the broker paid to buy stock and cover the short-sale transaction.

DOMINICK CONTENTS that the losses claimed were in no way caused by the fact that the stock was temporarily on the ASE's 100%-margin list.

Dominick Canada is not a member of the ASE. An affiliate of Dominick & Dominick Inc., New York (which is an ASE member), Dominick Canada is a member of the Toronto, Canadian and Montreal exchanges.

To keep customers informed on margin requirements at the time of sale and subsequently, brokers would have to maintain continuing contracts with all exchanges—abroad as well as in North America—brokers say. ■

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If you are not getting this sort of expertise and service now, it will surely pay you to get in touch with Seth S. Faison, Vice President, Johnson & Higgins, New York. Or with the President of the Johnson & Higgins subsidiary nearest you. There are seventeen locations in the United States, five in Canada and fifteen in other parts of the world.

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Work comp bills okayed in Montana

HELENA—Montana Gov. Forrest Anderson has signed into law the following insurance measures:

- HB 313 providing that workmen's compensation be paid to an injured employe from date of injury.

- HB 385 providing for a minimum assessment of \$200 a year to be paid to the industrial accident board at the time of filing proof of solvency under Plan I of the workmen's compensation act.

- HB 213 permitting the industrial accident board to prescribe the procedure for payment of premiums under Plan III of the workmen's compensation act. ■

Aetna bond gets chef fast entry

HARTFORD—Aetna Life & Casualty Insurance Co. reports its Buffalo and Rochester offices recently got a Turkish chef out of hot water.

The chef, a resident of Canada, had been hired by a Rochester firm to prepare a shish kebab picnic, but he was stopped by customs at the International Bridge in Buffalo.

The firm asked Aetna to furnish a \$2,000 bond so that the chef could be admitted to the U.S.

Aetna's Rochester bond manager William Michener phoned Elizabeth Grenolds in the Buffalo bond department.

In less than half an hour, the latter prepared the bond and drove onto the bridge as officials held up rush-hour traffic in 20 lanes so that she could cross to the immigration office.

The Buffalo insurance woman delivered the bond, enabling the chef to attend to his skewers on time.

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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.

Plans, 211 E. Chicago Ave., Chicago, Ill. 60611.

- **Ten Ways to Increase Profits with Concord Closed-circuit Television Systems** is an illustrated brochure depicting the use of surveillance systems for security measures and theft prevention. The information is free by writing Concord Electronics Corp., 1935 Armacost Ave., Los Angeles, Cal. 90025.

- Several films on traffic safety, crime prevention and training are presented in a brochure from Edcom Productions. All films are 16mm and can be purchased directly from Edcom or through the Highway Safety Foundation. The price listing is available from Mr. R. P. Daltron, sales promotion manager at Edcom, 285 W. 6th St., Mansfield, O. 44907.

- A catalog and 12-minute record entitled **Instant Photo ID Systems** have been released by Avant Inc. The catalog gives detailed cost analyses for four basic instant photo ID systems, including the initial equipment, supplies and estimated labor involved. The record analyzes pitfalls to be avoided and is based on eight years' experience with more than 65,000,000 users to date. The information is available from the company at Box 88, Concord, Mass. 01742.

- Computer Claims Control, with risk analysis systems in operation across the country, has put together **Facts Pack**. The kit contains a sample report on the loss control system, which operates as an independent, cooperative effort involving the insured company, his agent, the insurance carriers and a specialized computer service. Pertinent facts on all accident losses are provided management of the insured company on a monthly or quarterly basis. A copy of the annual report and a list of representative accounts are also included. Inquiries may be directed to Charles Hamilton, marketing vp at the company, at P.O. Box 9013, Amarillo, Tex. 79105.

- The dilemma of the modern businessman in trying to provide a true employee "benefit" program is faced in **Operation Claimtrack**. The 12-page booklet points out that claims analysis and control can prevent the costly drain of premium dollars resulting from ignorance and abuse of the group insurance program, and that Operation Claimtrack's objectives are to: provide a comprehensive picture of the operation of the group plan and participate in protecting its efficiency. For a free copy of the item, write John McGuire, Agency Ass't., Continental Assurance Co., 310 S. Michigan Ave., Chicago, Ill. 60604.

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

- A 32-page book, illustrated with charts and tables, has been published by the AFL-CIO, department of Social Security. **Security in Time of Need** explains the role of trade union institutions in these categories: old age, survivors, disability and health insurance; public welfare; workmen's compensation; unemployment insurance, and health programs. The book is designed to review not only the past but also the steps which the AFL-CIO feels must be taken in the future to complete this country's social welfare structure. Write for publication #145 from the organization at 815 Sixteenth St., N.W., Washington, D.C. 20006, in care of Bert Seidman, director.

- A 16mm film with sound and color, **Testing—Requisite for Fire Safety**, has been released by Underwriters' Laboratories Inc. The 17½-minute story is based on the interdependence of architects, building inspectors, contractors, insurance interests, testing laboratories and manufacturers. The film is available without charge, but must be ordered at least six weeks in advance. Contact Richard Aleskow, Underwriters' Laboratories Inc., 207 E. Ohio St., Chicago, Ill. 60611.

- A tamper-proof screw system, developed by Pan-L-Fast, is described in its booklet **Pan-L-Fast Systems**. The system is re-usable, but can be permanently installed by torquing the screw and filling the head. Filling the head also enables easy detection of any attempts to remove the screw. To receive the booklet, write I. Schulman, Pan-L-Fast, 13161 Sherman Way, North Hollywood, Cal. 91605.

- Blue Shield has published a color-illustrated book, **Drug Abuse: The Chemical Cop-out**. The item is based on authoritative research and is aimed at dispelling the romantic illusions of drugs and separating the facts from the myths for both adults and young people. A pertinent comment from Dr. Alfred Freedman of the New York Medical College is included: "It's not so much the physical dangers of drugs which do exist or that they (young people) will become criminally insane, which is ridiculous, but rather it's the fact that they are developing an inward reality that is most meaningful to them rather than maintaining a concern with society in general. We are in very difficult times, it seems to me, and the participation of everyone, particularly the younger people, is extremely important. If the focus of their lives becomes centered upon drugs, which often happens, then I think we are losing something." The literature is available at 13¢ per copy from the communications department, National Assn. of Blue Shield

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• A free booklet from Huggins & Co. Inc. incorporates January 1969 Revenue Rulings applicable to tax-qualified pension and profit-sharing plans in convenient form. **Summary of Rules for Integration of Qualified Plans with Social Security** may be obtained from the company at 1401 Walnut St., Philadelphia, Pa. 19201.

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

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

• **Restore** is a four-page pamphlet explaining Continental National American's comprehensive rehabilitation program. The goal of Restore is to help the individual achieve maximum effectiveness permitted by the existing handicap. The program, the booklet states, was designed for use on all types of claims involving bodily injury. For a free copy write CNA Insurance, Advertising, 18-W, 310 S. Michigan Ave., Chicago, Ill. 60604.

• Computer work in the area of safety is illustrated in a free brochure from the Honeywell computer control division. **What's a Honeywell Computer Doing to Help People Get a Grip on Things?** tells of Case Institute of Technology, which uses remote control manipulators designed to take the place of human hands for dangerous or superhuman tasks. For a copy of the literature, write Honeywell Inc., Computer Control Div., Old Connecticut Path, Framingham, Mass. 01701.

• The Sperry and Hutchinson Co. has compiled a folder of materials explaining the use of Green Stamps to build incentive for safety, cost reduction and job efficiency. **A New Dimension in Motivation** also presents examples of many different types of companies that have used or are presently using this program. Requests for the item should be sent to Vice President, Incentive Sales, The Sperry and Hutchinson Co., 330 Madison Ave., New York, N.Y. 10017.

• **Property Protection since 1898** is an information kit describing the various services of Central Watch Service Inc. at 214 W. Ohio St., Chicago, Ill. 60610. Literature on surveillance and fire detection equipment is included, as well as facts about the protection, maintenance and investigation departments of the company.

Fire stations under scrutiny

SAN FRANCISCO — This city's Mayor Joseph L. Alioto plans to see if San Francisco can get along safely with fewer fire stations than it now operates.

The mayor also plans to "raise the question of whether city firefighters between the ages of 65 and 71 should not really be retired."

DEPUTY FIRE CHIEF Keith Calden said San Francisco's fire protection is surveyed every 10 years by the American Insurance Assn.

San Francisco now operates 52 fire houses, and approximately 30 men on the force are beyond age 65. They began their jobs prior to adoption of a 1932 city charter revision making 65 the mandatory retirement age. ■

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U. of Wisconsin has slide show to stir up loss-prevention program

STATE COLLEGE, Pa.—Members of the eastern and western university insurance managers association were given a detailed presentation of how one school impresses upon its department heads the need for safety and loss-prevention programs during the two group's spring meeting here.

Gerald M. Surfus, formerly University of Wisconsin risk manager and now in the same post for the city of Madison, showed the group of 60 a slide presentation on the University of Wisconsin risk management program, designed by his department and the safety department to highlight loss control activities.

In addition, Mr. Surfus displayed some of the supporting written material on the university risk program, including a breakdown of coverages and claim procedures.

FOR EXAMPLE, this list of university coverages included:

- A \$1,000 deductible boiler and machinery policy;
- A comprehensive single limit commercial blanket bond for all employees
- Single limit bodily injury and property damage on owned, non-owned and hired aircraft, plus an all-risk physical damage aircraft cover
- Comprehensive automobile, including a \$100 deductible colli-

sion on private passenger cars three years old or newer;

- Fire and explosion, theft, \$25 deductible riot and vandalism, and a \$50 deductible collision or upset coverage on visitors paid parking lots;

- Worldwide liability coverage;

- Nuclear energy liability, workmen's compensation in foreign countries, and group employe and student policies.

The risk program brochure points out that the State Insurance Fund writes the fire and extended coverage policy, including vandalism and malicious mischief, on property, buildings and contents owned by the university.

The fund also covers manuscripts, parcel post and, on special request, inland marine for movable property, off-campus property, loans, rentals and new acquisitions, fine art exhibits and permanent collections

Mr. Surfus pointed out that the university has operations in Madison, Milwaukee, Green Bay, Kenosha, plus a center and extension system with locations throughout the state.

IN ORDER to coordinate the entire loss-prevention and insurance program, Mr. Surfus developed the slide presentation. He tells department heads that there are four steps in developing a loss prevention program:

- Identify and evaluate the risk;
- Estimate the possible losses;
- Decide what to do;
- Act on the decision.

He tells department heads that there are five ways of handling risk: eliminate, spread, reduce, assume or transfer.

Since each department head is responsible for developing his own loss prevention program, Mr. Surfus said the insurance department acts as an adviser and helps in buying coverages.

Among the aids offered is a claims list, with names, addresses and phone numbers of contacts by campus involved and lines of coverage.

In addition, the department has prepared do-it-yourself questionnaires regarding loss prevention programs. Some of these deal with fire safety and loss prevention in laboratories, kitchens and shops, and with mechanical equipment and electrical hazards, cash handling procedures, armed robbery and burglary.

Labor and management back comp bill

HARTFORD—Spokesmen for Connecticut management and labor agree that a proposed measure before the state legislature authorizing changes in the Connecticut workmen's compensation system is a "good" bill.

Although the major changes in the system made by the 1967 legislative session worked well, a spokesman for Connecticut State Labor Council (AFL-CIO) remarked at a legislative labor committee public hearing that the legislation was not perfect and labor has come up with some suggested changes.

The proposed changes have been incorporated into a suggested legislative measure.

Leon Lemaire, representing the Manufacturers Assn. of Connecticut, described the bill as "good," although he voiced criticism of several provisions.

Mr. Lemaire, for example, objected to a change in the manner of determining the cost-of-living increases in workmen's compensation payments.

The proposed formula, he said, would give the same dollar hikes regardless of the injured worker's pay category.

It was noted, however, that the new proposal would not involve any more money than the present cost-of-living formula.

Under the measure's other provisions, the system's administrative costs would be paid by insurers rather than the state.

The insurers, Mr. Lemaire said, would simply pass on the added expense to employers. ■

Fire insurance up for churches

SAN FRANCISCO—A fire insurance rate increase of 50% on churches in California has been announced by the Pacific Fire Rating Bureau.

Sharp "deterioration" in loss experience was cited by the bureau as the reason for the adjustment.

For each dollar in premium collected during 1963-1967 about \$1.50 was paid out in losses, loss adjusting expenses and other operating expenses related to California's church business.

Major factor in the higher loss costs has been the effect of inflation on the cost of repairing fire damaged churches.

The rate changes are applicable to properties of all construction and protection classifications, regardless of building types. ■

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High Court confirms D&O cover would not apply in Texas Gulf case

NEW YORK— Directors and officers liability insurance won't cover executives sued for using inside information to make a profit in the stock market, the Supreme Court, in effect, has confirmed.

In the Texas Gulf Sulphur Co. "insider" case, the court last month refused to review a ruling by the Securities & Exchange Commission that executives can't profit from inside dope until the information has been widely disseminated.

A U.S. court of appeals last summer upheld the SEC ruling. The court ruled that "anyone in possession of material inside information is an insider, and must either tell everyone about it, or refrain from trading in or recommending the securities concerned while such inside information remains undisclosed."

SINCE THE SEC and the appeals court—and now the Supreme Court—agree that acting on inside information is not legal, directors and officers of Texas Gulf Sulphur would not have been covered by D&O insurance, industry experts told *Business Insurance*.

John Olsen, insurance manager of Ingersoll-Rand, pointed out that the policy "specifically excludes coverage for profits made by directors and officers to which they are not legally entitled." This, he said, would come under exclusions for dishonesty, unjust enrichment and short swing profits.

"If Texas Gulf Sulphur had D&O coverage"—and the company did not, it was learned—"the insurance would not have responded," Mr. Olsen said.

CURRENT D&O policies, he believes, are "limited" because the corporation will indemnify directors and officers for most things the policy will respond to. He said the "major exception is innocent acts by a director or officer which under a derivative action they are held liable for and for which the corporation could not indemnify."

Under some state laws, corporations aren't allowed to reimburse executives for awards against them from derivative suits—those brought against officers and directors for the benefit of the corporation. If the corporate officer wins a derivative suit, however, his company can reimburse him for legal expenses.

One insurance company underwriter explained that officers and directors coverage is sold in two companion policies, one which reimburses the corporation when its by-laws indemnify the directors and officers. The second policy pays the directors and officers directly in those instances in which the by-laws might not be adequate in indemnifying them.

He estimated that the first policy would be applicable 90% of the time. (In most cases, the premium is divided in that ratio for the two policies.) The second policy has several exclusions, such as dishonest acts coverage, which could be covered under a firm's fidelity coverage.

There are no exclusions in the policy that pays the corpora-

tion, he said, except that there is no protection should the corporation itself be sued.

A number of experts in this type of policy have pointed out that the contract has not been tested in court, and just what coverages may result after a body of law has been built up is not really known.

Mr. Olsen said Ingersoll-Rand was going to buy D&O insurance to protect the company in this

"major area" of exposure—to indemnify itself for legal fees paid to corporate directors if they win derivative suits.

BUT HE CONTENDED that corporations have wider protection under the D&O coverage than do individual directors and officers, and that sellers of this insurance are not "alerting" directors and officers to the "shortcomings" of the policy.

Mr. Olsen added that "there is every indication that D&O insurance is highly profitable business. There is no apparent justification," he said, "for major increases in costs based on either present losses or outstanding claims."

Two major underwriters, sources point out, have indicated they have pulled in \$9 million in D&O premiums and have paid out \$148,000 in claims.

It is understood that American Home Assurance and Stewart Smith have the lion's share of the D&O business. American Home keeps the first \$1,000,000 and reinsures the rest in London

and elsewhere.

Stewart Smith, a surplus lines broker, is understood to take all its business directly to London. Other insurers offering the line include Employers Insurance of Wausau, Liberty Mutual, Kemper and St. Paul Fire and Marine. New York brokers must seek U.S. markets before going to London, it was pointed out. ■

(Editor's Note: For a detailed account of Mr. Olsen's views on D&O, see *Business Insurance*, March 11, 1968 page 25. The concluding paragraph reads: "If ever a coverage required close and careful consultation with corporation counsel, this is it.")



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Stewart named Hall chairman

James Stewart has been elected chairman of Frank B. Hall & Co., succeeding Egon H. Ottinger who is retiring.

opinions

What's a true risk manager worth?

Some members of the American Society of Insurance Management groused last month when they received copies of the Woodward & Fondiller study of risk managers, their functions and their compensation. Woodward & Fondiller found that the average U.S. risk manager's annual salary is \$17,700, though nearly 35% of the salaries were in the \$15,000 to \$20,000 range, more than 15% earned from \$20,000 to \$25,000, and some risk managers were found to earn upwards of \$50,000.

Those who took issue with the survey contend that too many "insurance clerks" who earn less than \$12,000 annually were included in the survey. If only true risk managers had been surveyed, the critics contend, the average salary would be significantly higher.

Many ASIM members were disappointed in the survey results because they had counted on using a high average salary as a lever in future negotiations for their own compensation. About the only comfort they got from Woodward & Fondiller's findings was that in addition to salary, substantial additional compensation, ranging to more than \$12,500 annually in the form of profit sharing, bonuses, stock options and other types of benefit plans, was paid to 57% of those surveyed.

We can well understand the disappointment of risk management professionals in the results of the survey, but perhaps a clue to the average salary figure might be found in the analysis of what areas of operation were the sole responsibility of those responding: only 55% were solely responsible for insurance selection; 68% for risk evaluation and determination; 24% for loss prevention; 19% for safety administration; 37% for handling workmen's compensation claims; 76% for other property and liability claims; 49% for insurance accounting, and 46% for self-insurance administration.

Woodward & Fondiller learned that a high percentage of risk managers shared responsibility for important functions—like loss prevention and the design and installation of employee benefit plans—with "top executives" in their companies. This "sharing" of responsibility with top management is one thing cited by critics of risk managers who contend that those who hold such titles stand very low indeed on the corporate totem pole.

We contend, and the study bears us out, that true risk managers are part of "top management" and should be compensated as such.

A risk manager we respect recently suggested that the two most fruitful ways to increase corporate profits are the application of the "new science" of risk management and the "informed use of computers." Much that is happening in the field of risk management proves that his contention is true and that the truly professional risk manager saves his corporate employer many times his annual salary, even if that salary is in excess of \$50,000 a year.

By putting loss control first and the purchase of insurance last, the professional risk manager makes his function a profit center that has an important impact on his company's balance sheet. Many companies are able to prove this proposition by measuring the performance

business insurance

for buyers of employe, property and liability protection

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INSURANCE REGULATORY COSTS

(Top 10 states, 1967)

Funds spent on insurance department operations		Premium volume	
1. New York	\$6,968,116	1. New York	\$7,222,568,765
2. California	3,871,728	2. California	5,562,616,000
3. Texas	3,625,430	3. Illinois	3,491,746,518
4. Massachusetts	2,158,344	4. Pennsylvania	3,302,549,049
5. Illinois	1,923,820	5. Ohio	2,803,608,350
6. Florida	1,567,043	6. Texas	2,643,149,692
7. Pennsylvania	1,540,280	7. New Jersey	2,258,843,431
8. Michigan	1,389,000	8. Michigan	1,932,356,782
9. New Jersey	1,275,502	9. Massachusetts	1,580,035,927
10. Tennessee	985,615	10. Florida	1,556,798,928

Figures compiled by the Insurance Industry Committee of Ohio indicate that in 1967 state insurance departments in the 50 states and the District of Columbia spent \$40,462,759 on department operations to regulate insurance companies whose aggregate annual premium volume exceeds \$55 billion. Listed above are the top 10 states in insurance department operating expenditures and all lines premium volume. New York's insurance department employs the greatest number of persons, 729, followed by Texas with 465. Companies under state insurance department regulation paid total taxes and fees in 1967 of \$929,602,869.

of their risk management programs in terms of cost in cents-per-share.

But to achieve significant results for his company, the professional risk manager must be alert at every stage of the risk management process. The risk manager who is alert, particularly at the beginning safety and security stage of risk management, has a tremendous effect on the operational efficiency and profit of his employer.

A case in point appeared in an article in a recent issue of *Business Insurance* on the protective measures taken by businesses in the flood-threatened areas of the Middle West. Those companies that had professional risk managers took massive protective measures that in some cases saved plants and other installations from the ravages of flood waters.

Alert risk managers protected their employers' assets by carefully checking U.S. Weather Bureau forecasts, by ordering the construction of dikes and by the purchase of flood insurance through difference in conditions coverage.

Just as the Woodward & Fondiller study did not conclusively show what a true risk manager is worth, we cannot suggest the proper remuneration for a risk manager or what place he should occupy in the corporate structure. But, as we have said before, these things will be determined by how the risk manager sees himself and how he practices the "new science" of corporate risk administration.

We predict that a growing number of risk managers will demonstrate their professionalism and prove to be of such value that they will be taken into the ranks of top management with all of the privileges and compensation inherent in such acceptance. And the day will soon come when professional risk managers will be among those professionals who compete for corporate presidencies.

We share the chagrin of those who expected different results from the Woodward & Fondiller study, but we suggest that solid professionalism will soon upgrade risk managers in both status and compensation.

A forgotten statistic

The Insurance Industry Committee of Ohio has for some years performed a public service by collecting and publishing data on premium taxes and fees collected and operation funds spent by state and provincial insurance departments. (See table above.)

And the committee's compilation has done an important thing: It has pointed up how very little states spend on insurance regulation in relation to the insurance taxes and fees they collect. This year, for example, 50 U.S. states and the District of Columbia collected more than \$929 million in taxes and fees but spent only \$40 million to regulate an insurance industry that has a premium volume of more than \$55 billion. That means that only 4.3% of funds collected by insurance departments was spent for industry regulation, leaving more than 95% for general state expenditures.

We believe that if state regulation of insurance is to endure, it must be properly financed. As things stand, only New York does a sufficiently vigorous job of examining insurance companies. Most other states rely upon the expertise and expenditures of the New York department by accepting that state's examinations as valid. Ohio's insurance industry committee chose to omit the income-expenditures comparison from this year's report, perhaps to mute critics who believe that more should be spent on insurance regulation. We think these figures should be published and that they hold important meaning for those concerned with the safety and integrity of the insurance product.

letters

A clarification

To the Editor: I have read with considerable interest the April 14 issue of *Business Insurance*, your special report on pension and profit-sharing plans. The issue covers in considerable detail much information concerning current activity in the field.

In the article concerning trust costs, I am quoted at some length. One particular remark, however, was misunderstood apparently by your reporter, who called me, and leaves the wrong impression. The statement as printed reads: "Competitively, . . . we are at a disadvantage compared to other trust funds."

What I was trying to convey was not competition between trustees, but rather the competition between bank trustees as opposed to investment counselors or mutual funds as the investing agent for trust funds. It is my personal opinion that in order for bank trustees to deliver the investment results desired by corporate managements today, their fees must be more in line with those charged by firms we are being compared against, i.e., the investment counselors and mutual funds, which receive greater compensation for their efforts.

The management fees given investment advisers of mutual funds in general are .5% for at least the first \$100 million of assets. Investment counselors use a sliding scale which may start out at .75% or .5% and this rate is maintained to a much higher level before a lower rate is applied than banks currently use.

Banks have to be able to provide the monetary rewards to top-flight investment and research people in order to keep them from moving to other investing firms where the rewards might be greater.

Robert H. Long

Vice President, Harris Trust and Savings Bank, Chicago, Ill.

A bad ending

To the Editor: Regarding your April 14, 1969 edition, your article entitled "Irish Eskimo returns to Alaska," on page 57, I take serious exception to the abrupt manner in which you ended this article.

Mr. Brais of the SBA obviously knows nothing about boating, and you have taken a statement out of context which is tremendously prejudicial against all people in the sport of boating.

The insurance companies are making it difficult enough for the private boat owner to obtain insurance for his boat without a statement like this, which you have allowed to go into print.

Boating accidents, in comparison to the number of boats that are being used today, are quite few. I would like to know if you checked to find out how many have been caused by over-drinking. The greater part of the boating population is constantly striving for better and safer boating conditions.

In conclusion, the last paragraph in this article was completely uncalled for.

Mitchell Ziplow

New Rochelle, New York

(Editor's Note: The last paragraph of the story read: "Mr. Brais had a final word: 'When you think of the trip insurance given to weekend sailors, who
 Continued on page 14

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Campus riots drive insurance rates up for California schools

SAN FRANCISCO — Inflation and the increase in campus violence are cited by the Pacific Fire Rating Bureau as reasons for its whopping 40% increase in fire insurance rates for California schools.

The rate increase, which became effective April 1, reflects what the bureau terms "the greatest upward surge in losses in modern times."

Insurance companies suffered a \$3.8 million loss on California school fire insurance since 1963 despite two rate increases during the five-year period.

California taxpayers will have to pay for the big increase when

new rates go into effect.

San Francisco schools previously paid \$75,500 for fire insurance. The new rate will be about \$100,000. Although troubled by many minor blazes, the city has not had any major school fires.

"School buildings are popular targets for fire bombings and other forms of arson," PFRB declared.

Mayor Sam Yorty of Los Angeles reported arson in schools there increased 70% in 1967-1968 over the previous fiscal year and that the first months of 1969 continue the upward trend.

The rate increases will not be

applied uniformly to each district because a number of variables enter into the sale of such policies to schools.

Insurance firms have paid out an average of \$124.50 on school fire losses for each \$100 in premium.

Buys insurance agency

Independent Securities Corp., Pasadena, Cal., has acquired the Terry, Feaume Insurance Agency, Los Angeles, through an exchange of stock. Independent Securities, founded in 1967, markets investment services, including mutual funds, through insurance agents and brokers.

Says lawyers got him to violate law over credit insurance plan

NEW HAVEN—A businessman convicted in connection with his company's credit insurance program has brought New Haven County superior court a suit for \$250,000 against five Waterbury lawyers whom he accuses of inducing him to violate the law.

Samuel Albert, president of Drew-Albert Inc., Waterbury-based furniture store chain, filed the action against John H. Weisman, Fred B. Rosnick, Norman S. Drubner, Eugene H. Kaplan and Peter Marcuse.

Mr. Albert charges that the lawyers said his firm would be acting legally if it proceeded with its plan to be a self-insurer on credit-life insurance.

He claims that he was falsely advised by the lawyers, doing business as Weisman and Weisman, that state Insurance Commissioner William R. Cotter had approved the plan.

Mr. Albert was tried in circuit court on a charge of selling life insurance without a license, and was given a suspended, 30-day sentence, fined \$4,000 and put on two years' probation. His present suit claims that the action injured his reputation and caused him heavy pecuniary loss.

Thomas appointed

Henry A. Thomas has been named senior production executive in the Chicago office of Youngberg-Carlson Co.

letters

Continued from page 12

know nothing of boating and who are more concerned with the liquor supply on board than safety . . .").

Rent-a-car cover

To the Editor: The item in your April 14 issue concerning rent-a-car agreements was excellent and outlined many of the pitfalls in this complex and often overlooked area.

I realize that your recommendations did not purport to be an over-all solution to the problem but believe that one important item should have been mentioned. This is the need for contractual liability insurance to cover the indemnity agreements that (as the article states) are so often found in car rental contracts. Such coverage would not be provided automatically under either the comprehensive general or comprehensive automobile liability policy unless special endorsements are added.

Our compliments on the excellence of your publication. We consider *Business Insurance* to be the most informative and interesting of the many insurance periodicals we receive.

Daniel J. Gieseler Jr.

Vice President, Ingram-Armistead, Inc., New Orleans, La.

'Excited as kids'

To the Editor: It's sensational! Our organization was eagerly awaiting the arrival of *Business Insurance*, and we were as excited as kids at a circus when we saw the large splash on the front page.

Your article was perfect, and you "touched all the bases"—you should have been in politics.

I personally enjoyed the smooth "story flow," which made sense and was interesting from beginning to end (despite our ego satisfaction).

Many thanks again for your professional handling of the weather insurance business.

Henry L. Fox

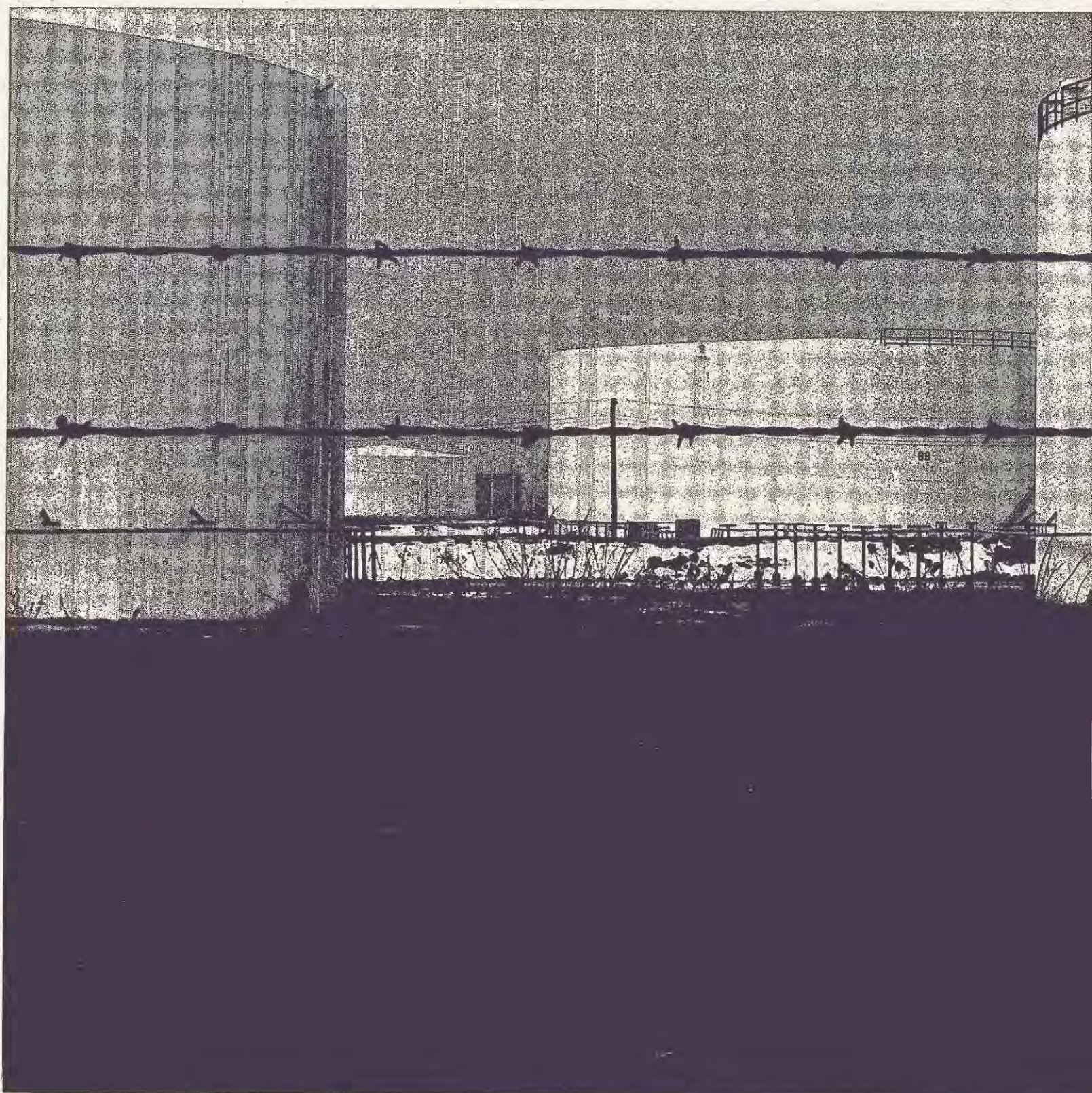
President, Good Weather Inc., Great Neck, N.Y.

Wealth of info

To the Editor: As an individual subscriber to your magazine, I wish to express my appreciation for the wealth of interesting information contained in your publication.

E. A. Ganz

Property Production Manager, Industrial Indemnity Co., Los Angeles, Cal.



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

On this kind of farm, you've got not only tanks and pipelines, but all the potentially explosive products inside. What's more, you may have contractor's equipment, accounts receivable, and private bridges.

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

Employer-paid auto coverage negotiated by Teamsters Union

LOS ANGELES—More than 1,000 West Coast Teamsters, compliments of their local bargaining boss, now have personal passenger car insurance paid for by their employers.

The Fireman's Fund coverage, written through Credential Insurance Agency Inc. here, was the idea of M. E. Anderson, a local Teamster business agent.

At present, seven different employers are involved, having entered into the contract through local bargaining. Each contributes what has averaged out to 11½¢ per hour (based on a 40-hour work week) for each employe covered. Expansion of program is planned.

THE EMPLOYERS pay for

the car-coverage benefit by contributing to two trust funds, out of which the premiums are drawn. These funds are presently not regulated by the Taft-Hartley law because they are not "bilateral trusts," but efforts are under way to include their regulation under the law.

The coverage provided is \$15,000/\$30,000 liability, \$10,000 property damage, \$1,000 medical payment and comprehensive fire and theft. There is a \$100 deductible on the collision coverage.

Rated individually, the insurance can be cancelled only for nonpayment of premium or suspension of driver's license. All eligible employes must be put under the contract, although

coverage is provided for only one car per employe.

Marvin Rappaport, president of Credential Insurance Agency, told *Business Insurance* that he sees the plan as one answer to the growing problems with present auto insurance coverage. "If we can eliminate 50% of the overhead, we can pass it along," Mr. Rappaport said.

The net cost of premiums, he said, is lower than hourly pay increases because they are tax deductible and not subject to overtime pay schedules.

Mr. Rappaport also said that frequency of garnishments of employe wages was reduced more than 50% after the car-insurance benefit started. ■

Fireman's widow compensated for his exposure to pollution

SAN FRANCISCO—A California fireman's death from lung cancer may have been attributable to his habit of smoking cigarettes, the California supreme court conceded. But the court nevertheless ruled that his widow was due workmen's compensation benefits because of his long exposure to air pollutants in smoke from fires in his work.

Acknowledging uncertainty whether or not it was the employment or the cigarettes that "actually" caused the disease, the court recognized that both contributed substantially to the likelihood of his contracting lung cancer.

The award, the court said, can be upheld on a showing of a mere reasonable probability of industrial causation.

ALTHOUGH THERE was evidence that the decedent was a "pack-a-day" smoker, the court noted there was also expert testimony showing a statistical correlation between lung cancer and the specific pollutants firemen would normally inhale, as well as statistical correlation between air pollution (or cigarette smoke) and lung disease.

One expert said that it was "probable" that smoke from burning tar or creosote "may well" contain the same type of carcinogens found in cigarette smoke and the fires the decedent fought involved creosote.

"To cover such unavoidable uncertainties, we require applicants to establish no more than that that industrial causation is reasonably probable," Justice Tobriner said for the majority.

"Thus," he went on to point out, "the commission allowed recovery in early cancer cases when our understanding was even less complete than it is now."

UPHOLDING THE workmen's compensation appeal board, the court ruled that: "Although decedent's smoking may have been inadvisable, respondents offer no reason to believe that the likelihood of contracting lung cancer from the smoking was so great that the danger could not have been materially increased by exposure to the smoke produced by burning buildings."

But the court narrowed the scope of its decision by declaring that:

"In deciding this case we obviously do not hold that all firemen contracting lung cancer can obtain compensation benefits from their employers... We conclude that no substantial evidence supports a finding that there is not a reasonable probability that decedent's illness arose out of his employment. Accordingly, we and the workmen's compensation appeal board are bound to uphold a claim in which the proof of industrial causation is reasonably probable, although not certain or 'convincing.' We do so even the exact causal mechanism is unclear or even unknown." ■

Carpenters get \$1 travel pay


HARTFORD—The Hartford Carpenters Union has voted overwhelmingly to accept a three-year package bringing hourly wage to \$8.12 plus fringe benefits amounting to 70¢ an hour.

The new agreement provides a total increase of \$3.23 an hour—comprising \$2.82 in hourly wages and 41¢ an hour in fringe benefits.

The contract that expired March 31 provided wages of \$5.30 an hour and fringe benefits amounting to 29¢ an hour.

Fringe benefits include travel allotment of \$1 a day, increased contributions to welfare and pension plans and 1¢ an hour for apprenticeship programs. The contract also provides for optional vacation payments of 15¢ an hour, in lieu of a 15¢ wage boost.

The contract was worked out by the union and the Assn. of General Contractors of Metropolitan Hartford. ■



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Automation improves service on group plan

HARRISBURG Pa., — "When we went to data processing for the billing of our group insurance operation," said E. W. Parkinson, exec vp of the Pennsylvania Automotive Assn., "we were able to solve a number of recurring problems. But most important of all was the improvement of service to our member employers."

PAA, a trade association and service organization for Pennsylvania businesses active in the automotive industry—particularly auto dealers—provides a number of services to its members. One of the most important of these is the group health and accident insurance policy administered by the PAA Insurance

trust.

"With 1,044 member employer-subscribers and 14,979 employee policy holders, explained Donald Reinhard, director of trust, "our monthly billing operation can be a complex job. Although bills are sent to the employers rather than to employees, all deletions and additions of employees in each member organization, as well as adjustments and changes in individual coverage, have to be kept completely up-to-date."

PRIOR TO 1964, when the trust's billing procedure went automatic, a manual billing operation had been in use for 17 years. With this system the monthly bill to each member

employer gave his total employee premium as a single lump sum, with no identification of employees covered. Only at six-month intervals were employee lists drawn up for the employer to check over.

"As a result," said Mr. Reinhard, "the employer generally had no way of being sure that his most recent changes in staff were reflected in the bill, and often an unnoticed error would be carried on the statement for several months running before it was spotted on the semi-annual list of insured employees. Naturally this led many of our members to question their bills."

In addition to this problem, the manual billing operation left considerable room for human errors—often hidden and hard to correct—and for unfortunate delays in getting the bills out when work reached a peak at each month's end. Rate increases,

when these went into effect, had to be worked into the billing records manually by calculating how much of the increase had to be applied to each employee—an extremely time-consuming operation, and one with much chance for error.

Because of the anomalies of this situation, PAA turned to the Harrisburg computer center of the Service Bureau Corp. in 1964.

"**SERVICE BUREAU** was able to take our records and from them develop a monthly statement that lists all the employees covered by each member's policy, that identifies their coverages and that breaks down the premium costs between the employer and each individual employee," Mr. Reinhard stated. "And because the work is done automatically there is no problem with human errors or with work backlogs.

"The billing schedule is kept tight, and rate increases—we have had three since going to Service Bureau—have been calculated automatically along with the regular monthly data processing, and with no delay in delivery."

AT PRESENT, a full and detailed file of covered employees is maintained at the PAA headquarters on punch cards. These serve a dual purpose: They form a permanently available file for reference in case of inquiries, and each month they serve as input for the computer program.

Around the twentieth of each month the file, with all deletions for the month pulled out and kept separate, is delivered to the computer center. Additions and adjustments are delivered on special forms from which the bureau makes new punch cards for addition to the file.

THREE-AND-A-HALF working days later the center returns the freshly updated file, the dealer invoices with copies for permanent records, a monthly roster listing all deletions, additions and adjustments, and figures giving totals of all coverages, premiums and other data. Twice a year PAA receives a fully updated alphabetical print-out of the master file, an important cross-reference tool since the card file is maintained by dealer and by Policy number.

Plans are currently underway to convert the entire file to magnetic tape so that further statistical data can be developed. At present this data is worked out manually but the growth of the insurance service makes this increasingly difficult, and the anticipated future growth will soon require a staff that would be unmanageably large.

Taping of the file will permit the addition of more information on each individual than punch cards can hold, and will enable PAA to get a total statistical roster each month that can also be used in place of the card file for reference.

"As much as the automated billing system has helped our own accounting," said Mr. Parkinson, "it has been of even greater value to our member employers. They are now able, at a glance, to determine how much of the total premium is to be paid by each employee, and to be sure that all employee insurance records in Harrisburg are fully up-to-date."

MEMBERS of PAA can choose between two term-life insurance plans that also cover accidental death and dismemberment. One plan provides \$20,000 coverage for the owner of the member establishment, \$6,000 for the department head and \$4,000 for other employees.

The second plan provides \$10,000 for the owner, \$4,000 for the department head and \$2,000 for the employee. All personnel of a firm must be covered under the same plan.

DISABILITY coverage is written paid after the first week of injury for 26 weeks at the rate of \$70 for owners, \$56 for department heads and \$42 for employees.

Included in the hospitalization coverage is the use of a semi-private room for 70 days; a \$500 allowance for hospital services such as drugs, ambulance and anesthesia; a \$450 allowance for surgical services; and \$20,000 major medical coverage on an 80%-20% coinsurance basis for other expenses.

Employees are allowed 70 doctor calls a year at \$5 per visit.



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Small business suffers heavy crime loss: SBA

WASHINGTON—A Small Business Administration report made to a U.S. senate committee contends that small businesses suffer a disproportionate share of dollar losses from crime as related to annual receipts.

The SBA report says that sole proprietorships sustain the largest proportionate share of loss.

"The highest robbery rate occurs among transport businesses," the report claims. "... Two-thirds of all retail businesses report shoplifting losses, but more than half of those reporting did not catch a single shoplifter."

CATEGORIZING crime on small business, the SBA said burglary accounts for the largest percentage of business crime losses, about 66%. Vandalism was next at 27%.

"Shoplifting is third major source of dollar losses from crime for all businesses (17%), but is the largest single source of loss for all retail businesses (28%)," the report goes on to say.

Hotel sued for failing to wake tenant on time

SPRINGFIELD, MASS. — A Springfield hotel that allegedly failed to telephone a resident to awaken him for work in 1967 is being sued for \$50,000 because the tenant was fired for reporting late for work.

Robert E. Milbier, who was a conductor on the New York, New Haven and Hartford Railroad for about 25 years, charged in his Hampden county superior court suit that he contracted with the Hotel Worthy to awaken him every work day.

The hotel failed to awaken him on Jan. 21, 1967, he claims.

Mr. Milbier, still a resident of the hotel, alleges that he left word to be called at 11 p.m., so that he could report to work at 12:25 a.m. he said he was not called until 1 a.m.

He charged that he has been unemployed since losing the railroad job.

Council asks broader pay for jobless

ALBANY, N.Y.—Employees of local government, non-profit institutions, domestic workers and farm labor should be protected by unemployment insurance, the Advisory Council on Unemployment Insurance said.

In its annual report, the advisory group noted that 60,000 persons in the state are employed by local governments, 400,000 by non-profit institutions, 100,000 as household workers and 60,000 in agriculture.

Unemployment insurance payments based on the number of dependents in a family rather than on the wage earner's regular salary, was recommended by several members.

The three labor members of the council recommended that the maximum weekly benefit be set automatically at two-thirds of the average weekly wage. At present 20 states operate in this manner.

"Employee thefts account for 13% of all dollar losses from crime, and bad checks for 10%. In terms of dollar losses robbery is an inconsequential source of crime, at 2%."

Burglary is heaviest in ghetto areas, the SBA reported, but the absolute dollar losses from vandalism are heaviest in non-ghetto areas—large cities (48%), suburbs (20%) but only 5% in ghettos.

"Retail trade accounts for 46% of all dollar losses in the period from midyear 1967 to midyear 1968. It accounted for 77% of all shoplifting, 50% of robbery, and 55% of all bad check losses," the report stated.

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Illinois chief studies insurance buying practices, self-insurance

SPRINGFIELD, Ill.—Gov. Richard Ogilvie has hired an insurance agency to investigate the state's insurance program, amid conflicting estimates that the state could save up to \$1 million with self-insurance.

An interim report by George Herrmann & Co., the insurance agency, recommends that the auto fleets of the various state departments be combined as a

single risk. The report does not spell out whether the state should buy insurance or self-insure.

Robert Engle, Herrmann president, told *Business Insurance* that the investigation is not complete.

HE SAID THAT the present investigation, limited to auto fleet coverage, is part of an over-

all study being conducted by the state general services department.

The department would establish a vehicle pool for all state departments. Mr. Engle predicted that the state would review its property insurance buying practices in the near future.

Mr. Engle said that one of his agency's recommendations would be to require competitive bids on all state insurance policies. Under the present system, each state department buys its own coverage.

A bill has been introduced in the state legislature that calls for a commission to study the state's insurance buying practices and a study of the possibility of beginning a self-insurance program.

State officials quoted as saying \$1 million a year could be saved by self-insurance denied the statements to *Business Insurance*.

HOWEVER, the Insurance Information Institute has published a pamphlet on "the dangers and delusions of self-insurance for local government properties."

This report stands in contrast to a report by the Illinois legislative council that says that 11 states now use self-insurance.

The legislature report shows that Wisconsin self insures all vehicles, equipment and buildings, and Michigan self insures buildings and personal property. The council reports that Wisconsin showed a \$900,000 profit, Alabama \$1.2 million, South Carolina \$1 million, Florida \$60,000 and Georgia \$750,000 in two years.

The Insurance Information Institute brochure does not paint as rosy a picture.

"Self-insurance proposals have been considered at one time or another by most, if not all, of the states. Of the 50 states, only 20 during the past 70 years have found the self-insurance idea meritorious enough to warrant a trial. Of these 20, eight have subsequently abandoned the idea completely, three others have reduced self-insurance funds to the status of small loss reserves and several of the remaining nine now rely on private insurance for at least partial protection of public property."



General Dynamics corporate insurance manager, Robert A. Bussey, left, was presented a \$580,000 draft covering the loss of the research ship "Sea Surveyor." The draft was issued by Talbot, Bird & Co., marine underwriters, through whom the policy insuring the hull was underwritten. With William B. Marks, assistant vp of Talbot, who presented the check, is Robert B. Sauer of J. S. Frelinghuysen Corp., insurance brokers. The "Sea Surveyor," a 290-ton merchant vessel converted to support the Groton company's physical and biological oceanographic research programs, sank 20 minutes after being abandoned in a raging storm some 280 miles southwest of New York. It had been expected to rendezvous with the nuclear submarine "S. S. Greeling" for research exercises. The entire 20-man crew on the secret "Special Operations Mission" was rescued by the "Essi Kristine," a Norwegian freighter, after spending 26 hours in a life raft.

THE BROCHURE points out that Michigan, which began its fund in 1913 had favorable experience at first but in 1951 suffered a \$5.3 million loss, which the \$1.8 million statutory state fund was unable to meet. The remainder had to be allocated by the legislature, the institute states. In 1952, Michigan was hit with a \$1.5 million prison fire loss.

Other states with sour experience pointed out by the brochure include Colorado and Minnesota.

One Insurance Information Institute spokesman, when asked about the current Illinois move toward self-insurance, cracked: "All too often self-insurance means no insurance."

A newspaper charges that politicians tend to place state business with firms at least favorable to the party in power.

Gov. Ogilvie's investigation is being conducted by a firm headed by George Herrmann, a nationally known Republican.

A. J. Horan Co., called by some the state's biggest Democratic party insurance agency, handles the state attorney general's coverages, purchased by a

former Democratic attorney general. A former Democrat also purchased the department of public works fleet coverage for 2,885 trucks and 582 cars with Joseph L. Gill Co., another agency with Democratic ties. The state auditor pays premiums to the Gill firm totaling \$5,360.

The secretary of state's office, headed by a Democrat, claims he puts out vehicle insurance for competitive bids.

The state treasurer, Adlai E. Stevenson III, a Democrat, uses Marsh & McLennan for the department's vehicle coverage.

The state department of general services is expected to take control of most of the executive departments insurance after July 1.

Victim settles for \$120,000 in boat mishap

BUFFALO, N.Y.—A Town of Tonawanda man, injured seriously in a gasoline explosion aboard his 35-foot cabin cruiser, has settled his resultant lawsuit for \$120,000 in supreme court.

The plaintiff, Robert E. Crane, 56, settled his action before Justice Gilbert H. King as a jury was about to be selected to hear the case.

An explosion ripped the cruiser "Stardust" while docked at the Jafco Marina on July 21, 1965. Mr. Crane was thrown overboard and was rescued by Thomas Fraunheim, 20-year-old college student, who dived into the basin waters and pulled him to shore.

The plaintiff was in a hospital on four occasions for a total of six months. He claimed permanent disability of both legs caused by multiple fractures of the limbs. He also suffered burns, cuts and bruises.

Defendants were Gordon F. Bennett Inc., a distributor of boat generators, and Gary Bartlemus, an employe of the Bennett company.

Counsel for Mr. Crane alleged that Mr. Bartlemus failed to connect a gas line after installing a choke modification on the generator plant.

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speaking of safety

Safety show displays psychedelic paint and llama-grain safety shoes

NEW YORK—The Eastern Regional Safety Convention and Exposition came to town, bringing with it an array of colorful and imaginative safety products—from psychedelic shades of fluorescent paint to burnished antique llama grain safety shoes.

Tammi, a 5'5" brunette weighing just 35 pounds, was one of the most popular exhibits at the exposition. A life-size, life-like mannequin with sophisticated cardiac and respiratory equipment, she will be used to teach life-saving first aid techniques.

The mannequin will be used by heart associations, hospitals, police and fire departments, utility companies and others in teaching mouth-to-mouth resuscitation and external cardiac compression.

TAMMI IS manufactured by the Medical Supply Co., Rockford, Ill., and sells for \$262. She was exhibited at the convention by the Guardian Safety Equipment Co., Linden, N.J., distributor for the product in the New York, New Jersey and Connecticut area.

The U.S. Safety Service Co., Kansas City, Mo., displayed its current line of industrial safety glasses and goggles, which included several pairs with steel frames.

The thin steel-framed safety spectacles were a part of the company's original line and have been available for some 30 years, according to G. R. Adair, U.S. Safety's general sales manager.

WHILE THE STEEL-framed spectacles are now a Carnaby Street fashion accessory, their popularity in industry has not been affected—as yet. The granny spectacles sell for a bargain \$1.25 (nonprescription)—a considerable saving on boutique prices.

The colored lenses available serve a practical, not a decorative function. The yellow lenses, for example, might be used for inspections in auto body shops to highlight scratches, Mr. Adair said, and the purple lenses for working with a sodium flare.

The Justrite Manufacturing Co., Chicago, displayed a self-extinguishing waste basket that snuffs out fires automatically. The specially constructed head drives combustion gases back onto the fire to cut off the oxygen supply and stop the fire in seconds. The receptacle contains no water, chemicals or moving parts.

NOTRE DAME University recently purchased 80 of the receptacles for use in its new \$8.7 million fireproof athletic and convocation center and other parts of the campus, according to Sy Okrend, a representative of Justrite.

The Justrite Cease-Fire waste-paper receptacle comes in six sizes with capacities from 4½ to 55 gallons and is priced from \$18.10 to \$46.15. It is made of 20- and 22-gauge steel with a baked enamel finish and a baked phenolic coating inside.

Davis Products, Newark, a division of Scott Aviation, showed its line of portable unit-pack first aid kits, equipped with such emergency items as bandage

compresses, iodine swabs, ammonia inhalants, first aid cream and burn ointments.

THE DAVIS UNIT pack kits are available in 5, 10, 16, 24 and 36 unit sizes. The company supplies special assortments for the gas, electric, petroleum and other special hazard industries, and any assortment chosen from 200 products is available.

The first aid kits are packaged in high impact plastic, (liquid-proof) 20-gauge steel, (mois-

tureproof and dustproof) vinyl (used in U.S. Coast Guard inflatable life rafts) and a canvas belt-loop mode (combination first aid and snake bite kit).

The Notte Safety Appliances Co., East Orange, N.J., a distributor, displayed a variety of novel products, including a combination cleanser and anti-fog agent for treating goggles and safety glasses called Klear-Glass. The product is manufactured by the Klear-Glass Co., East Orange, N.J.

Medi-Cold, an instant cold compress manufactured by the Chemi-Temp. Corp., Lodi, N.J., is another item distributed by Notte. The white plastic compress requires no pre-chilling or refrigeration and may be used in the temporary treatment of bruises, sprains, minor burns or wherever a cold application is required.

Falcon Epoxo, a rugged non-slip coating that can be rolled, trowelled, brushed or sprayed onto wood, concrete, tile or almost any indoor or outdoor flooring was also a part of the Notte exhibit.

The product is manufactured by the Falcon Alarm Co., Springfield, N.J. and is resistant to common chemicals, grease, heat and water. It is available in red, green, black, gray, white, orange and custom colors and sells for \$16 a gallon.

Day-glo, color division of

Switzer Bros., Cleveland, provided one of the exhibition's brightest booths with a display of fluorescent colors in such high visibility colors as "blaze orange," "rocket red," and "lightning yellow."

THE RECORD Industrial Co. Philadelphia, manufacturer of Rico safety shoes, has introduced a new line of demiboot safety shoes featuring grained leather and buckles. Rico dress safety shoes now come in 40 styles and seven colors—including russet and burnished antique brown.

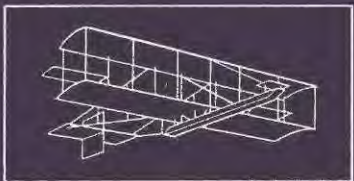
The lightest kind of safety shoe, dress safety shoes, are used in light industry and by supervisory personnel. They are equipped with a steel toe box that can sustain a weight in excess of 2,500 pounds and are slightly heavier than shoes for normal street wear.

SAN DIEGO JANUARY 26, 1911



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States 'losing ground' on disability pay: Javits

WASHINGTON—Sen. Jacob Javits (R., N.Y.) contends that the states have been "losing ground" in their efforts to upgrade disability benefits under workmen's compensation laws.

The senator made this observation in reintroducing a bill to establish a Federal commission to study and evaluate state workmen's compensation legislation (See *Business Insurance*, March 17).

"Together with medical benefits, the disability benefits payable under workmen's compensation are, of course, the heart of the system. Yet, in all but a few states, the disability benefits payable to an injured worker are grossly inadequate. Furthermore, here in contrast to other areas in which slow, but more or

less steady progress toward recommended standards have been made, we have actually been losing ground," Sen. Javits maintained.

"To take one example, the shocking fact is that although the absolute amount of disability benefits has increased between 1940 and 1966, the ratio of maximum weekly temporary total benefits to average weekly wages has, by and large, fallen drastically in that period.

"That ratio has decreased in no less than 44 states. If the comparison is made between 1958 and 1966, the results are likewise unsatisfactory. In that period, in only half the states did this percentage increase; in the other half it continued to decrease."

Briefly, the 16 points specifically

outlined for commission study are as follows:

- Adequate criteria for determining the maximum amount and duration of permanent and total disability benefits.
- Amount and duration of medical benefits and provisions insuring adequate medical care and free choice of physician.
- Coverage of workers, including exemptions based on numbers and type of employment.
- Standards for determining which injuries or diseases should be deemed compensable.
- Rehabilitation.
- Coverage under second or subsequent-injury funds.
- Time limits on filing claims.
- Waiting periods.
- Compulsory or elective coverage.
- Administration of state workmen's compensation laws.
- Legal expenses of injured workmen.
- Uniform system of reporting information.
- Resolution of conflict laws extraterritorially and similar problems arising from claims with multistate aspects.
- Extent to which private insurance carriers are excluded from supplying workmen's compensation coverage, and the desirability of such exclusionary practices, to the extent they exist.
- The relationship between workmen's compensation, old age disability and survivors insurance and other types of insurance.

• Possible methods of implementing the recommendations of the commission, including methods of encouraging or requiring compliance with the minimum standards for workmen's compensation developed by the commission.

Senate Bill 1106 was originally cosponsored by Sen. Javits, Sen. Ralph Yarborough of Texas, and Sen. Jennings Randolph of West Virginia. However, upon introduction of the bill on the floor, Sen. Robert C. Byrd of West Virginia requested that he also be included as a cosponsor.

The Senate labor & public welfare committee now has the proposed bill, which calls for the formation of a National Commission on State Workmen's Compensation Laws to consist of 15 members appointed by the President to be selected from members of state workmen's compensation boards, representatives of insurance carriers, business, labor, members of medical profession and educators experienced in the field of workmen's compensation.

The bill also names as ex-officio members of the committee the Secretary of Labor, Secretary of Commerce, and the Secretary of Health, Education & Welfare.

The proposed commission is to make a one year study to be ultimately incorporated in a report to the President and Congress. The commission will cease to exist 90 days after the submission of the report.

RATIO OF MAXIMUM WEEKLY BENEFIT FOR TEMPORARY TOTAL DISABILITY TO AVERAGE WEEKLY WAGES, BY STATE (1940, 1958, AND 1966)
[in percent]

State	Ratio of maximum temporary total disability benefit for worker, wife, and 2 dependent children to average weekly wage ¹		
	1940	1958	1966
Alabama	94.9	43.7	39.1
Alaska	75.2	56.7	
Arizona	182.6	137.2	
Arkansas	122.2	58.8	47.3
California	80.2	51.3	54.1
Colorado	54.7	42.3	45.0
Connecticut	85.9	49.5	53.5
Delaware	50.6	36.6	40.2
District of Columbia	93.7	63.4	60.3
Florida	89.5	47.0	41.9
Georgia	112.0	44.5	38.5
Hawaii	116.2	108.4	106.8
Idaho	79.4	52.8	46.4
Illinois	67.5	43.6	54.8
Indiana	60.1	39.8	37.7
Iowa	63.2	40.3	45.5
Kansas	78.0	41.8	40.4
Kentucky	68.2	41.9	43.8
Louisiana	94.3	44.8	32.9
Maine	85.8	49.8	64.2
Maryland	81.0	50.2	52.1
Massachusetts	68.2	58.2	69.3
Michigan	55.1	43.9	58.2
Minnesota	77.4	53.9	40.8
Mississippi	57.1	57.1	41.0
Missouri	78.4	44.8	46.0
Montana	79.8	47.0	46.2
Nebraska	63.1	45.1	42.8
Nevada	84.7	55.9	59.2
New Hampshire	83.8	51.8	51.4
New Jersey	67.9	42.9	36.3
New Mexico	86.5	36.9	40.4
New York	80.9	47.7	47.7
North Carolina	100.1	55.4	42.3
North Dakota	89.6	50.5	59.4
Ohio	63.8	42.9	44.7
Oklahoma	71.2	43.6	38.9
Oregon	87.5	56.1	51.5
Pennsylvania	69.0	44.8	47.0
Puerto Rico	86.4	58.0	
Rhode Island	83.7	43.1	56.0
South Carolina	153.4	57.3	57.0
South Dakota	66.4	41.9	47.3
Tennessee	78.2	45.0	40.3
Texas	84.0	43.7	33.6
Utah	72.0	49.8	52.1
Vermont	62.3	47.4	46.0
Virginia	74.9	46.9	47.0
Washington	51.1	53.4	53.0
West Virginia	62.1	39.0	37.4
Wisconsin	73.5	55.8	58.9
Wyoming	88.4	53.6	57.6

¹ The percentage in these columns are found by dividing the maximum weekly benefit for a worker, his wife, and 2 dependent children by the average weekly wage as reported under the state unemployment insurance acts.
Source: Bureau of Labor Standards



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Bill to tax Blue Cross 'lost' in state capitol

HARTFORD—A proposed measure that would tax the non-profit Connecticut Blue Cross for the first time has been "lost" at the state capitol.

The bill bears a stamp of approval by the state legislative insurance committee.

But it has "disappeared" en route to the finance committee, which must pass on all revenue bills.

In the event the measure turns up, it is given slim chance of gaining the additional favor of the finance committee and the legislature.

CONNECTICUT Blue Cross is at present a tax-exempt hospital insurance corporation with more than 1 million members. The directors are believed to be receptive to the proposal that the tax be applied.

The measure calls for continuation of the tax-exempt status, but imposition of an annual charge in lieu of taxes equal to 1.5% of net premium income.

The bill's origin is shrouded in mystery. It appeared following public hearings on proposed measures clearing the way for merger of Connecticut Blue Cross and Connecticut Medical Service, a medical payments corporation that is also nonprofit and tax-exempt.

The bill is a substitute for one filed originally by Hartford Rep. Paul LaRose, calling for broadening the powers of health insurance corporation.

The initial version carried no provision for a tax or a charge.

Connecticut Blue Cross, under other new language in the substitute measure, could enter an agreement with Connecticut Medical Service to coordinate

benefits, avoiding duplication of payments to persons subscribing to both plans.

The hospital corporation, moreover, could adjust rates, subject to approval by the state insurance commissioner, according to past and prospective loss experience.



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Sperry Rand works to consolidate pension plans of its five divisions

NEW YORK—Sperry Rand Corp., a multiproduct company with five major divisions, is moving toward consolidating the approximately 40 benefit programs—including 12 retirement plans—the firm found itself with two years ago when it established a corporate employee benefits department.

As the first tangible result of this effort, Sperry Rand installed a two-part retirement program last year to provide benefits for the more than 40,000 employees of the company whose benefits are not subject to collective bargaining.

Harold A. Clark, planning manager in the corporate employee benefits department, explained that prior to the installation of the retirement program these employees were covered by a variety of divisional retirement plans with substantial differences in eligibility requirements, employee contribution rates, and the types and levels of termination, death and retirement benefits.

WITH THE ASSISTANCE of a committee of divisional representatives and their employee benefits consultants, the employee benefits department, under the direction of W. H. Beadle, developed a two-part program made up of a noncontributory pension plan designed to supplement Social Security benefits and a savings plan in which both employees and the company participate.

The program was based on extensive comparisons of the divisional plans with each other and with the retirement programs of other comparable companies. The task of communicating the complicated plan changes, enrolling eligible employees in the saving plan and establishing the necessary payroll deduction and other administrative procedures was plotted with the help of "hundreds of personnel representatives, payroll and data processing people and other divisional and corporate personnel," Mr. Clark explained.

Communicating the changes from existing plans and the additional features of the retirement program involved the participation of more than 200 personnel representatives in training sessions designed to acquaint them with a new color slide presentation to be presented to small groups of employees at orientation meetings held throughout the country during a two-month period.

THIS EFFORT, coordinated by Communications Manager Tom Hirschberg, followed distribution of a comprehensive announcement letter describing the principal features of the program. The success of these efforts is indicated in the more than 87% participation of employees in the savings plan.

Payroll and data processing personnel, working with John Loughlin and Kenneth Crafts, managers of the company's retirement programs, developed the necessary enrollment forms and procedures. Since an employee can contribute from 1% to 14% to the saving plan under various contribution schedules and may allocate the investment direction of his contributions within five investment choices, a considerable amount of creative ingenuity was involved in developing appropriate forms and procedures. By the end of 1968,

more than \$19 million had been accumulated in member and company accounts under the savings plan.

Part A of the retirement program is a fully company-paid pension plan that provides a retirement benefit of 3/4% of compensation up to the Social Security tax base (currently \$7,800) and 1 1/2% of compensation above the base for each year in the program. This income is in addition to Social Security benefits, the benefits provided by the prior company plans and the retirement income provided by the employee and company contributions to the Part B savings plan.

One unusual feature of the

retirement program is a minimum benefit provision designed to protect employees close to retirement age, under which such employees are assured that their retirement benefits under Parts A and B of the program will not be less than they would have accrued had their prior plan continued.

Under the Part B saving plan eligible employees can generally contribute from 1% to 14% of compensation and have the company match the first 4% of their contributions. Variations in the company's matching contributions compensate for some reductions in prior plan benefits

Continued on page 30

profit sharing, pension report

Because of the reception by readers of a special pension and profit-sharing report presented in its April 14 issue, the editors of *Business Insurance* have decided to group together a number of additional stories on the retirement industry. In addition, a new column called "Following the Funds" is introduced in this issue. This column will detail investment practices of pension and profit-sharing funds. The special section contains special profiles on Sperry Rand, Reynolds and the Amalgamated Meat Cutters

and Butcher Workmen's Union pension plans.

Employee benefit plans, including pension and profit sharing, cost U.S. business \$22.3 billion in 1967, the latest year for which U. S. government figures are available. Retirement contributions accounted for more than 40% of this cost. In addition, about 47% of the work force is covered by the private retirement system, meaning that a tremendous number of workers have a stake in the capitalistic system because they are owners of industry through their retirement funds.

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Reynolds contributes \$12.6 million to profit-sharing fund in 1968

WINSTON-SALEM, N.C.—The R. J. Reynolds Tobacco Co. contributed \$12.6 million to its profit-sharing plan last year—an 8% increase over 1967's \$11.7 million that came despite a slight decline in net profits.

Bynum Tudor, administrator of benefit plans for the company, explained that profit-sharing contributions are computed on the basis of earnings before taxes, which were up almost \$20 million last year from 1967. He said the slight decline in net profits (\$150,045,000 last year vs. \$150,952,000 for 1967) could be attributed primarily to the surtax and other tax increases.

Recently some 13,000 Reynolds

employees received a share of the plan equal to 14.6% of last year's pay. Reynolds assumes the entire amount of contribution and all employees become eligible for profit-sharing on the first day of the year following the date of employment.

THE PROFIT-sharing payment is made at the direction of the participant in shares of the investment trust, in cash or in a combination of the two.

Before last year an employee could elect to receive either the total amount or half the total of his share in cash. Last year four new cash options were offered in addition to the 50% option, and a

participant may now choose to receive from 25% to 100% of his share of the plan in cash.

Last year more than half of the plan members left some part of their share for investment by the trustee (The Wachovia Bank & Trust Co.). That part of the money is left for investment by the trustee goes into two accounts—a stock account invested in Reynolds stock and a general account invested in common and preferred stock, notes, bonds and other securities, Mr. Tudor said.

CONTRIBUTIONS made to the trust this year bring the total asset value of the trust up to more than \$150 million—\$65 mil-

lion in the general account, \$40 million in the stock account.

The price of the Reynolds stock in the account was \$45.37 at the end of last year, up from \$44.25 at the end of 1967. Dividends of \$2.20 per share were used to purchase additional shares of Reynolds stock.

That portion of an employee's share left for investment by the trustee may not be withdrawn until termination of employment. At that time the account may be withdrawn in the form of a single cash payment, a combination of cash and company stock, monthly installments over any period up to 15 years or an annuity from an insurance company.

An employee may be permitted to withdraw up to 50% of his account to meet one of four kinds of financial emergency, Mr. Tudor said. These are: to prevent foreclosure of a mortgage on an

Municipal employees get pensions at 55

NEW BRITAIN, Conn.—The New Britain Common Council has ratified a new contract with some 500 non-uniformed municipal employees. The primary features are a 4% pay hike, retroactive to April 1, and a pension plan authorizing retirement at age 55 after 25 years' service.

Insurance benefits are also provided in the city-subsidized agreement.

employee's home; to meet necessary medical expenses; to provide a college education for unmarried children; or to provide for support of dependents while an employee is away on military leave.

New Haven approves new pension plan

NEW HAVEN—The board of finance in Connecticut's second largest city has approved an improved fringe benefit policy for city employees on the management and professional level—including a new longevity plan.

The plan was submitted to the board by Mayor Richard C. Lee and Director of Administration Dennis Rezendes after a review of several months.

It follows, also, the approval some weeks ago of a longevity plan for public works department employees who are members of Local 713, AFL-CIO.

Mr. Lee told the board: "This policy attempts to place our management and professional employees on par with those who are represented by employee organizations."

WITH APPROVAL of the new benefits, Mr. Rezendes remarked: "Every employee group working for the city now has, or will have, a longevity payment schedule."

In some circumstances—such as voluntary term life insurance—the new plan offers managerial employees a slightly better benefit, according to Mr. Lee. There are also provisions for new and improved vacation schedules.

The longevity benefit becomes effective Feb. 1, 1969, "and annually thereafter."

Broken down into two categories, the basic plan provides that employees with at least 10 but less than 20 years of continuous service shall receive an amount equal to 3% of the basic annual salary for the preceding calendar year.

Employees with 20 or more years of continuous service shall receive an amount equal to 4% of their annual basic salary.

The payments are to be made in a lump sum—minus withholding taxes—on or about the first payday of each January.

The plan approved for Local 713 calls for \$100 payments after 10 years, \$150 after 15 years, \$200 after 20 years.

EFFECTIVE MARCH 1, 1969, management employees eligible under the major medical insurance plan receive an increase from the previously existing benefits, a co-insurance factor of 80% and the standard mental provision.

Executive management department heads and deputy department heads will be granted four weeks of vacation with pay, regardless of service.

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Structured, tailor-made benefits discussed by ITT, Kinney execs

NEW YORK—Officers of International Telephone & Telegraph and the expanding Kinney National Service conglomerate presented the merits of the structured vs. the tailor-made approach to executive compensation at a Corporate Seminars meeting here.

Ralph Gartner, ITT director of executive compensation, outlined the company's five-element salary, bonus, benefits and qualified option career stock compensation program for the 65 members of management attending the conference.

The executive compensation program applies to some 2,500 top executives out of a total em-

ployee count of 290,000 and is viewed by management as a means of encouraging and guiding performance, Mr. Gartner said.

THE ANNUAL BONUS is viewed as an incentive for this year's results, the qualified stock option for the two-to-five year period and the career stock for the 25-year full career period.

"Compensation is an important and useful tool in the process of management," Mr. Gartner later said in an interview. "By relating compensation to results which are expected and which are attained, management is providing emphasis, reward

and incentive for that set of actions."

At Kinney, each compensation package is negotiated on an individual basis in an effort to permit each executive to receive his compensation in the form that will be most beneficial to him, Robert S. Fenn, Kinney vp, said at the meeting.

"THE ADVANTAGES of this when compared with the highly structured compensation systems of many major corporations are that the executive's compensation is tailor-made to fit his needs and compensation becomes more of a motivating factor because the executive can build his estate in

the manner he wishes," Mr. Fenn later said in an interview.

Typically, an individual and his tax lawyer talk with the president of Kinney or one of two executive vps and an outside consultant from Employee Incentive Plans of America, Mr. Fenn explained.

Compensation packages can include such items as deferred bonuses, stock bonuses, qualified stock options, pensions, annuities at retirement, tax shelters, low-interest college loans, hospitalization, long-term disability and life insurance.

The open negotiation approach is used in determining compensation for some 50 top executives, out of a total employee force of 14,000, or 3,000 if union workers are excluded, Mr. Fenn said.

KINNEY IS NOW looking into the possibility of using a similar approach in the compensation of middle management by institut-

ing a cafeteria plan which would make available a choice of four or five compensation packages, Mr. Fenn said.

THE FACT THAT Kinney is a conglomerate, encompassing in its divisions several industries with widely different salary patterns, has also contributed towards the company's favorable view of a relatively open approach to compensation, Mr. Fenn noted.

Kinney National Services was organized in 1961 (as Kinney Service Corp.) and incorporated four family-controlled companies—Kinney Rent-A-Car, a parking lot chain, a cleaning and maintenance firm and a funeral chapel service.

Since 1961, Kinney has acquired companies in the construction and maintenance, data processing, funeral chapel and communications industries. Total sales last year came to more than \$223 million.

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IN ADDITION, Kinney is now in the process of negotiating acquisition of Warner Brothers-Seven Arts, a move that would double Kinney's annual receipts if successful. The boards of directors of both companies have approved the acquisition, and the agreement is now subject to the approval of stockholders of both companies at meetings next month.

The prospectus shows, for example, that the secretary of National Periodical Publications received \$63,800 in fiscal year 1968. The president of Circle Floor Co. received \$85,417 while William V. Frankel, Kinney board chairman, received \$85,000.

At ITT, salary is determined by grades established for executive personnel all over the world. A salary range is assigned to each grade, and the individual's exact salary within the range is dependent upon an annual performance appraisal by management, Mr. Gartner explained.

IN ADDITION, this merit review is used as a guideline in awarding bonuses and stock options. It is a formal document prepared annually by the individual's immediate supervisor and the next level of supervision. It is in many instances reviewed by the corporate personnel director in New York headquarters, and finally by the compensation committee of the board of directors partly in an effort to achieve objectivity, Mr. Gartner said.

The bonus and stock option elements of ITT's executive compensation program follow:

Continued on page 34

N. D. rules on variable pacts

BISMARCK—The North Dakota attorney general has ruled that all insurance companies operating in the state are subject to the same ban on sales of so-called variable annuity plans no matter where their companies are based or incorporated.

The opinion amplified one Attorney General Helgi Johannesson issued in January, 1968, in which he said it was illegal to issue the variable annuities until the legislature had given its permission.

The 1969 legislature killed the bill which would have permitted issuance of the plans in the state.

It was pointed out that the ruling potentially could affect some group insurance policies obtained by employers for their North Dakota workers. ■

Hartford cop blasts pension 'runaround'

HARTFORD—The head of the Hartford policemen's union has challenged the city pension commission to disclose facts and figures of police pensions.

Maxwell J. Atwater, president of Hartford Police Local 234, asserted, "Someone's hiding the pension figures and I can't get an answer. I'm getting the same runaround I got two years ago."

Mr. Atwater disputed a commission study estimating a change to a proposed 20-year pension would cost the city some \$3.5 million over a five-year time span with some 120-plus police officers eligible to retire.

THE STUDY WAS requested by City Manager Elisha Freedman after discussing a state legislative bill, backed by police union locals in Connecticut, that would authorize a 20-year pension plan. (The existing Hartford police pension agreement permits retirement after 25 years of duty.)

Mr. Atwater continued: "Even if the bill were passed, it wouldn't be effective in the city until March 31, 1971, when our contract with the city expires. The contract states that any bill would be void until that time."

He estimates that only 40 to 50 police officers would be eligible for retirement in five years "and at a high figure of \$5,000 pension each, it would cost the city \$250,000."

"ALSO, NOT ALL the policemen who are eligible will retire, and with each of 400 men on the force paying an average of \$700 a year into the fund, that works out to \$280,000 a year we pay into it."

CG sets up pension fund for small firms

HARTFORD — Connecticut General Life Insurance Co. has established a new pension funding method for small employers.

The setup will let companies with 25 employees or more put pension contributions into common stocks through a CG-operated "separate account."

The method allows the small employer latitude to put pension contributions into any combination of equity or fixed-income investment vehicles, CG said.

WITH THE separate account, smaller companies can offer the same sort of retirement benefit as larger corporations without increasing the benefits to payroll ratio, according to the insurer.

The pooling arrangement will allow small businesses to maintain lower reserves for pension funds, CG said. The separate account also relieves the firm of buying a full annuity for each retiree in one lump sum when its pension plan is still new.

Under the CG plan, annuities on retiring employes can be purchased in small amounts on an installment basis, freeing larger portions of the pension fund for investing.

Previously an employe had to select the method of receiving pension benefits up to five years before he retired (unless the employer paid extra); the new plan allows the worker to choose right up to his normal retirement date.

City Treasurer John J. Mahon said that only the Pension Commission knew how the \$3.5 million figure was derived. His office only provided information on payroll figures, he added.

City Manager Freedman commented that if Connecticut police got such a pension agreement—i.e., the ability to retire after 20 years of working association—the firemen would not be far behind, hence creating additional fixed costs.

Mr. Atwater remarked that in the next bargaining session with the city, the police union intends to seek complete disclosure of pension information plus a written contract of detailed pension agreements.

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Harris Bank profit-sharing changes allow early payouts

CHICAGO—Revisions in one of the oldest profit-sharing plans in the U.S. have "improved the quality of living" for those eligible retirees and full-time employees of Harris Trust and Savings Bank, according to John W. Cooper, an assistant vp in the bank's trust department.

According to another Harris assistant vp, Thomas Parfitt, "Originally the profit-sharing plan was a retirement benefit." Now it works as an incentive program—a supplement to the bank's pension plan, which now pays a pension equivalent to the average of 1¼% of an employee's salary for the five highest paid consecutive years times each

year of service with the maximum pension 50% of average salary.

"Actually, the changes themselves in the profit-sharing plan are not new or startling," Mr. Cooper told *Business Insurance*. He explained that the restructuring of the Harris plan was done to accommodate the bank's present philosophy that a retirement program should serve current needs while also accumulating funds.

BEGUN IN 1916, the Harris profit-sharing plan was conceived as a sliding benefit, one that would move up and down with the economy and the profits

of the bank. A. W. Harris, the bank's founder, "didn't want a fixed-dollar amount going out," Mr. Parfitt said.

By 1944, the bank had instituted a pension plan, primarily to give employees a financial backbone for retirement.

"In the past 20 years, the pension plan benefits have been greatly liberalized and the bank's retirement program is now considered to be a pension plan supplemented by profit-sharing," Mr. Cooper said. "Because the pension plan benefits were boosted in 1960, the profit-sharing plan was modified into an incentive to employees."

To bring this about, three

changes were made. The first involved the investment of the fund.

PREVIOUSLY, all contributions to the profit-sharing plan were invested in a balanced fund (60% common stock, 40% fixed securities). This fund grew 10% last year. Now employees can opt for one of three investment funds. They can remain in the balanced fund, invest in an all common stock fund or place their share into an all fixed-income security fund.

This change was made because the investment needs of a near-retirement employee are far different than those of a 28-year-old man beginning his career at the bank, Mr. Cooper said.

In addition, an employee's share can be directed into any one of the three funds, or any combination, in even multiples of 1%. "Many of us feel that this multi-

ple investment fund approach is possibly the most significant change being made in the bank's long-range, profit-sharing philosophy," Mr. Cooper said.

The second major change involved permitting full-time employees to withdraw money from the fund twice a year. In general, during the first 10 years of employment, a participant can withdraw what the Internal Revenue Service permits, which is usually that portion of the participant's account that has been held in trust for more than two years.

AFTER 10 YEARS' service, an employee can withdraw his own contribution as permitted by the IRS or 50% of the bank's input credited to his account, whichever is greater.

After 10 years' service it's not unusual for an employee to have accumulated a substantial sum, certainly enough in his portion of the fund to have a down payment on a home, Mr. Cooper said. Although there are no restrictions on its use, withdrawals that are in excess of the participant's contributions are taxable as ordinary income and are subject to a forfeiture of approximately 5%.

The last major change in the profit-sharing plan involved permitting voluntary contributions to the fund. Employees can now contribute up to 10% of their annual salaries in addition to the 2% mandatory contribution, which is required after three years' employment. (The bank's current contribution is 10% of its net operating earnings after taxes.)

This change was made to accommodate those who in general wanted to contribute more and allow older employees who joined the profit-sharing plan late in their careers to build up their account, the bank executive said.

"Women, in particular," Mr. Cooper said, "seem to feel this is a good way to build up a nest egg for their retirement security."

In total, the fund is now valued at \$25 million. And according to a conservative estimate by Mr. Parfitt, a 28-year-old employee with six years' service now and a stable income of \$10,200 a year would retire with \$104,266 in his account, figuring on a 4% growth rate. ■

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Prospects brighten for all-province medicare

OTTAWA, Ont.—Prospects for adoption of the federally-sponsored medicare plan by all provinces in the near future appear brighter.

The federal and Ontario governments agreed to a series of official meetings which could lead to Ontario's entry into the scheme.

The meetings of officials were agreed to by national health minister John Munro and Ontario health minister Dr. Matthew Dymond in a 90-minute session here.

Following his meeting with Mr. Munro, Dr. Dymond emphasized the coming official meetings only meant Ontario "is not committed to anything except to discuss more fully problems of common concern."

But the political picture indicates it is only a matter of face-saving time before Ontario enters medicare.

When that happens, the government will be bailing itself out of a political jam and saving Ottawa from a potentially ticklish political situation too.

Meat cutters' national pension provides portability of credits

By ROBIN SUHRBIER

MINNEAPOLIS—A national pension fund for meat cutters set up three years ago provides portability of pension credits if an employe moves from one contributing employer to another.

The plan, designed for the Amalgamated Meat Cutters and Butcher Workmen's Union and Industry, stabilizes eligibility rules for pensions regardless of where an employe may work, and if he changes employer he takes his pension credits with him.

Willard J. Carlson, vp of labor relations for Red Owl Stores Inc. and a trustee of the national plan, pointed out that under certain circumstances an employe who does not earn pension credits during a 24-consecutive-month period will not lose his prior credit.

ONE SUCH GRACE period, he said, is granted for any period beyond three years during which an employe served in the military, provided he make himself eligible for employment 90 days after discharge.

The pension plan provides that a military man can continue accumulating pension credits while he is in the service up to a maximum of three years. The grace period allows for any military extension.

Further, an employe will not lose his prior credit if he is absent from work due to a strike, lock-out or labor dispute.

The pension benefit for the national plan is determined by the monthly amount of contributions to the fund and the years of credited service at retirement. Pensions paid by the plan are in addition to Social Security benefits.

THE PENSION contributions are set by the collective bargaining agreement of a particular local. Contributions are on either a dollars-per-month basis or cents-per-hour.

In addition the national pension plan features an early retirement benefit, disability income and survivors pension. If an employe elects early retirement he may defer the start of pension payments and receive a larger pension, based on his age when payments begin.

The survivor of an active employe eligible for a pension would receive 40% of the pension with a maximum of \$70 per month. Survivor of a retired employe with a pension would receive 20% of the pension amount with a maximum of \$35.

The disability feature provides a pension at any age if the employe has ten or more years of pension credit and becomes permanently and totally disabled. Payment begins with the first day of the month following a period of six months of total and permanent disability.

MR. CARLSON contended that the savings in costs for administration and professional fees through use of a single large fund help to pay higher pension benefits to qualified employes. Further, the requirements of all Federal and state laws need be met only once through the national pension fund rather than many times for separate plans.

Unlike the national union, which is for meatcutters and butchers, a separate union in Minneapolis combines meat cutters and clerks into one group.

All food stores under contract to the union have a reciprocal agreement—meaning that if an employe leaves one store in the area to go to another, "he doesn't miss a lick in his pension credits," Mr. Carlson explained.

As a trustee of several different health and welfare plans in the grocery industry, Mr. Carlson has observed the variations in benefits. For one thing, he explained that benefits vary according to the particular makeup of the workers in a given area. Age, marital status, accident records, hospital and medical rates, etc., all go into determining how the appropriated money will be spent for benefits.

"First we negotiate the funds, then we determine the benefits," he said.

UNITED BENEFIT Life Insurance Co. underwrites the life insurance, medical coverage and major medical benefit for the Minneapolis retail meatcutters and food handlers and their dependents.

Life insurance for the employe pays up to \$9,000. For dependents, the spouse is covered to \$1,000 and each child is covered with a benefit based on his age up to four months. After that the benefit remains constant at \$500 until age 19.

The weekly benefit for acci-

dent and sickness equals 55% of basic weekly wage up to a maximum of \$100 per week for 26 weeks.

Medical benefits pay the average semiprivate room rate of a particular hospital with a \$38 maximum up to 120 days in hospital. Anesthetics and ambulance are covered up to \$25 each.

THE MAXIMUM surgical benefit payable during any disability is \$300. Maternity benefits pay \$250 for a normal delivery and \$375 for a caesarean.

The medical plan pays up to \$4 for each in-hospital medical call up to a maximum of \$200 for any one confinement. When surgery is performed benefits are paid under either the medical benefit section or the surgical benefit provision, whichever pays the greater benefit.

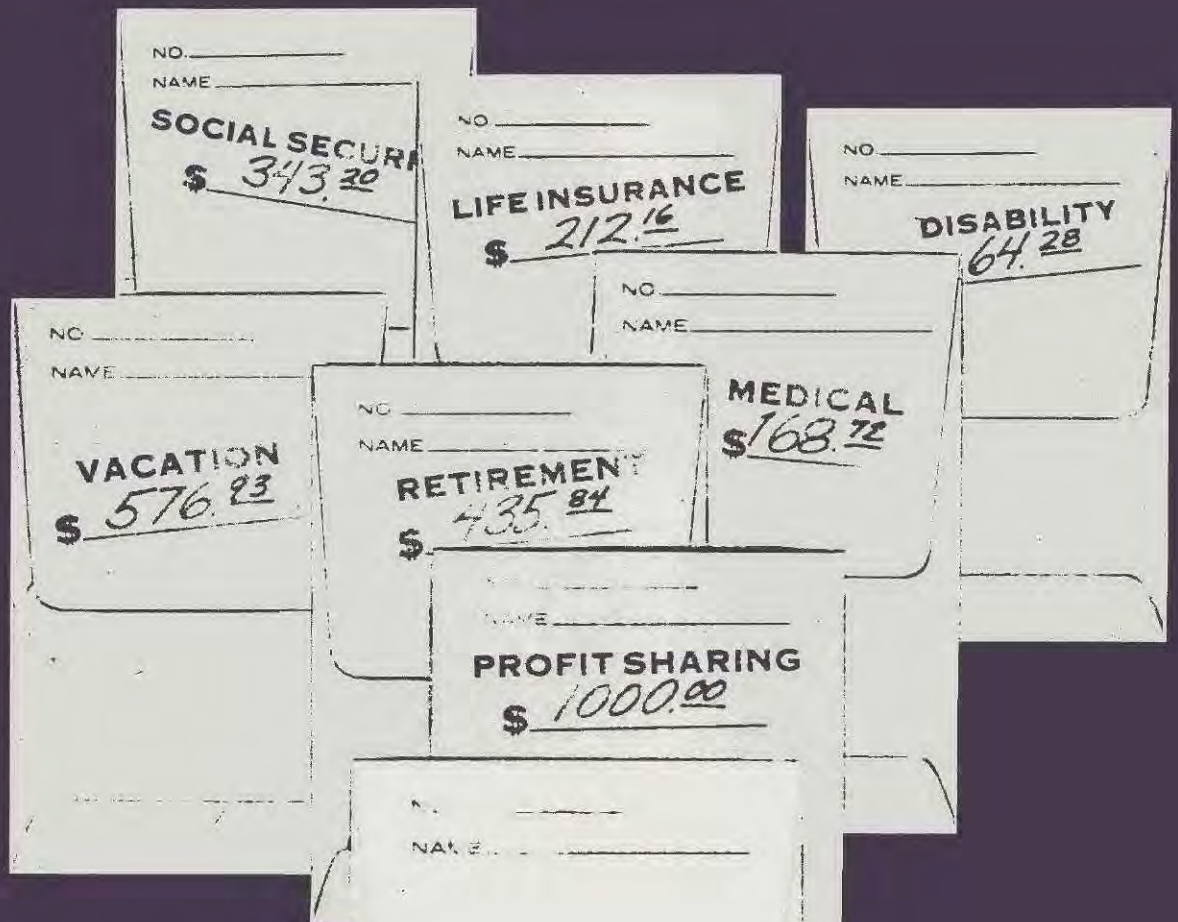
Major medical pays 80% of
Continued on page 35

Winnipeg aldermen may get pensions

WINNIPEG, Manitoba—The Winnipeg city council has endorsed application to the legislature for a charter amendment to set up a contributory pension plan for current and future aldermen.

The proposed plan would provide pensions at age 65 to aldermen serving at least eight years on the council, including at least two successive two-year terms. Their amount would depend on years of service and salaries paid aldermen, now \$3,000 a year.

The pensions would vary in amount from \$1,000 a year up; the maximum would be \$1,800.



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Continued from page 21
and provide a framework within which future uniformity may be accomplished.
There are two funds under the savings plan: A diversified fund invested by two bank trustees principally in common stocks

and other equity investments (other than company stock) and a fixed-income fund invested by two insurance companies as part of their general fixed-income portfolios. Participating employees can elect to have 100% of their contributions in either fund, 50% in each fund or 75% in one fund and 25% in the other.
New retirement program



Harold A. Clark

ploye's total retirement income from all sources. The inclusion of the Part B savings plan helps and encourages employes to save to supplement their Social Security and company-provided pension benefits and permits a great deal of flexibility in the scheduling of the amount and investment of the employe's contributions.
"It would appear," said Mr. Clark, "that employe participation in accumulating retirement funds will become even more essential as pension levels increase, retirement ages are lowered, and cost of living and other similar adjustments are contemplated."
These trends will require greater coordination of savings plan retirement benefits with other retirement income plans and Social Security benefits, he contended. The employe contributions to savings plans will, therefore, have to be weighed in connection with the emergence of new plans (dental insurance, automobile coverages, etc.) involving employe participation.
"There is a real question," Mr. Clark feels, as to what are the limits of employe contributions. For this reason he is not at all sure that employes are going to totally embrace various payroll deduction schemes.
At some point, Mr. Clark said, the employe is going to forget that the difference in his net pay and his gross pay is in areas he himself elected.

Florida groups want safety glass in doors

MIAMI—Southern Florida civic groups are being asked to support proposed legislation to require safety glass in all sliding doors in Florida.

While injuries have been reported in various states, Florida, with its proliferation of sunrooms, patios and enclosed pool areas, has had an unusually serious problem.

This month, Dade County legislator George Firestone called on the South Dade Council Chamber of Commerce to endorse legislation that he plans to introduce in the Florida house. State Sen. Ralph Poston will also introduce the measure outlawing the lethal fragmenting doors.

"CHILDREN have bled to death from crashing through glass doors," Mr. Firestone said. "We have a bomb in 70% of South Florida's homes." Adults as well as youngsters have been slashed inadvertently hurrying through deceptive closed doors.

Dade County and various municipalities in the state already have specified that new homes must incorporate safety glass, but many areas still allow non-shatter-resistant glass.

More than 100,000 persons are injured yearly in accidents with glass doors throughout the nation, Mr. Firestone said. "The U.S. Public Health Service studied 110 injuries to people moving from inside to outside," he said. The results indicated that all would have been avoided if safety glass had been used in the doors, he added.

Bills seek new Oregon taxes

SALEM, Oreg.—State Rep. William Markham, Riddle, has introduced legislation here to impose a 2.25% premium tax on currently exempted insurance organizations.

Rep. Markham contends the tax would "close loopholes" and raise nearly \$6 million a year along with "achieving a uniformity of taxation."

Another measure now before the house taxation committee here would apply a 6% tax to the net profits of all domestic stock and mutual property and liability insurance firms.

Most such firms now pay a "fire marshal's tax" which would be credited against the proposed excise tax. Effect of the measure would largely be to collect taxes from Standard Insurance Co. which does not now pay taxes to Oregon.

James R. Faulstich, Oregon insurance commissioner, has told the committee he believes that "a premium tax would be very unfair to the consumer and would disrupt the marketing of insurance."

"Federal legislation is now planned in this field," Commissioner Faulstich said, "aimed at getting premium taxes removed."

He added that Rep. Markham's proposal would, in effect, put a sales tax on the insurance industry.

Thackaberry heads Menner in Chicago

Leo B. Menner & Co., Lloyds of London correspondents, has named Joe J. Thackaberry, CPCU, underwriting manager of its Chicago Office.



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booklets were recently distributed, which include the complete text of the retirement program document, an option booklet and a unique pocket-sized calculator for the employe's use in estimating his own Part B accumulations. Comprehensive individual employe statements are presently being prepared for completion by a Univac 1108 computer and will be distributed later this year.

"There are two basic concepts underlying the retirement program that appear to make good sense in retirement planning," said Mr. Clark. The two-part program is designed to supplement Social Security benefits and focus attention on an em-

United Aircraft pact grants retirement at 62

HARTFORD—An agreement increasing wage and fringe benefits by more than \$5,500 per employe over the next three years has been ratified by members of Local 473, IAM (International Assn. of Machinists) at the Hamilton Standard division of United Aircraft Corp. United Aircraft, with some 80,000 employes, is Connecticut's largest industry.

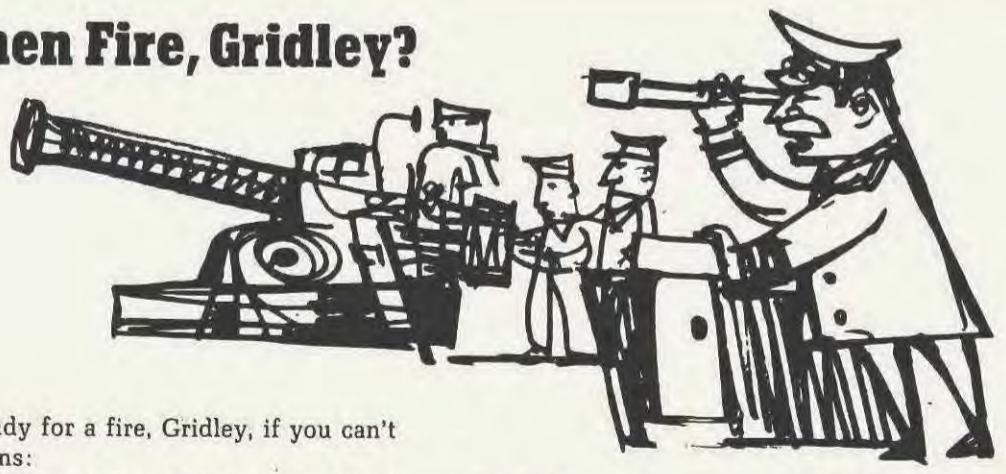
The agreement, covering some 4,600 employes, follows a pattern established some months ago when the union and United Aircraft negotiated a \$123 million settlement for the Pratt & Whitney Aircraft division.
The additional \$25 million

newly negotiated for Hamilton Standard employes brings total cost of contracts negotiated this year between the aircraft corporation and the union to \$148 million.

THE SETTLEMENT, among other things, provides a reduction of employe contributions to group insurance and pensions, saving each employe an average of \$280 annually.

The agreement also calls for a reduction in the retirement age from 65 to 62, with full pensions for workers who have had 20 years of service, and an extension of hospitalization and life insurance benefits.

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U.S. pension plans found in good health

By ALLEN M. WIDEM

HARTFORD—America's private pension plans have been found to be in good health by two pension experts following an intensive five-year study.

The examination, financed by a grant from the Social Security Administration and private companies, was conducted under sponsorship of the Pension Research Council of the University of Pennsylvania's Wharton School of Finance and Commerce.

The study's two authors were C. Trowbridge, vp and chief actuary of the Bankers Life Co., Des Moines, and Frank L. Griffin Jr., vp of Wyatt Co., Chicago, a pension-consulting firm.

THE FINDINGS ARE to be published shortly.

The pension plans, the two comment, have responded with remarkably healthy growth, both in the evolution of benefits and benefit firms and in the enhancement of employment security through sound financing.

The study was limited to 1,000 pension plans, covering some 4.5 million workers—excluding all government plans. In all, they contained assets of \$22 billion.

Mr. Trowbridge and Mr. Griffin attribute pensions' health in part to the past two decades of rising interest rates.

Since most of the pension-plan assets are invested in bonds and similar investing elements, the return has been somewhat higher than anticipated.

THIS MEANS THAT pension contributions, on the whole, have been computed on more conservative interest assumptions than the yields on which it is currently proper to base the value of accrued benefits to the covered employes.

But, they add, that in the future the same accomplishment should not be expected over a corresponding period of observation occurring at a different phase of the investment cycle.

Moreover, they said that 94% of the plans had enough assets to pay off employe benefits if the pensions had to be discontinued immediately.

In some instances, some of the

plans lack the assets to cover younger employes—those with the least accrued benefits.

But these younger employes can more readily find other employment, it is noted.

At the same time, it was found that some plans were inadequately financed to meet their obligations in the event the pension programs were immediately discontinued.

Mr. Trowbridge and Mr. Griffin said that this resulted primarily from the employer not contributing sufficient money to meet current accrued benefits.

These employers would make up the difference at later stages, their study said.

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Legislature 'boxes' police pension bill

HARTFORD — Twenty-year retirements for local or state police in Connecticut will have to be worked out at a level other than the state legislature.

The legislative personnel committee has side-tracked a proposed measure that would authorize retirement of police after two decades of service.

During a recent public hearing at the state capitol—as reported in *Business Insurance*—Hartford city officials voiced voluble protests, contending that passage would cost the state's largest city some \$3.5 million in added pension benefits and new wages for men to replace the officers eligible for retirement.

The personnel committee has "boxed" the proposed bill. (This means that it will not be reported out to the House of Representatives or Senate).

Supreme Court blocks union from receiving pension assets

WASHINGTON—The Supreme Court has declined to review a lower court decision that blocked a union from receiving the unused balance of a bankrupt company's pension fund. But a lower court suit is still pending on the issue.

In other action, the High Court agreed to decide whether fishing boat owners must pay insurance premiums and unemployment tax payments for captains and crews who work for a share of the value of the catch.

Central to the bankruptcy case, which involves Hamilton Steel Products Inc., Chicago, and the United Steelworkers, is whether the remaining proceeds of the pension fund should be

turned over to Hamilton employees or revert to the firm's estate.

HAMILTON was declared bankrupt in 1965 and its assets were assigned to a trustee. The company, in accordance with an agreement with the steelworkers union, had set up a pension plan for retiring employees funded and administered by Union Central Life Insurance Co., which called for the purchase of annuities for each eligible retiring employee.

When Hamilton went bankrupt, the union and the trustee agreed that part of the money from the pension fund should be used to buy annuities for certain senior employees. Purchase of the

annuities, which cost \$50,000, left the fund with \$100,000.

Union Central filed suit in Federal district court in Chicago, asking that the dispute between the union and the Hamilton trustee be settled in accordance with the contract between Hamilton and the insurer.

The steelworkers union, in a counter suit, argued that distribution of the \$100,000 in the pension fund should be made on the basis of the union's 1965 collective bargaining agreement with Hamilton, calling for establishment of the pension.

It was this suit that the Supreme Court declined to review.

Washington state may link firemen, police pensions

OLYMPIA—The Washington house of representatives has given 94-2 approval to a pension bill for police and firemen in the state and returned it to the senate for concurrence in amendments that virtually rewrote the bill.

The legislation would combine all fire, police and sheriffs' officers' pensions into a single program.

All police officers, except those of the first-class cities, will be brought under the uniform pension system as will fulltime sheriffs' deputies and firemen when the measure takes effect March 1, 1970.

The retirement age would be set at 50 and/or after 25 years of service. All employees under the system would be required to retire by the age of 60 even if they elected to stay past the normal retirement date. They must now work to 55.

Retirement payments would be 2% for each year of service applied to the final average salary. Officers would be granted retirement pay equal to 50% of the salary they received when they retired.

EACH YEAR retired officers would receive cost-of-living increases in pension payments. Persons covered by the system would receive disability retirement benefits equal to full pay for the first six months, then would receive half pay for life, regardless of years of service.

Those retired for service connected disability would also receive up to 10% more for dependents under age 18.

The major difference between large city police and fire pensions and benefits for small city officers and sheriffs' deputies would be in an escalator clause which would require pension payments to increase each time the base pay of the position at which the officer retired is increased.

New officers and firemen who join the departments after effective date would receive half pay and annual cost-of-living hikes.

A move to grant the escalator

to sheriffs' officers was defeated in the house because it was claimed it would be too expensive.

A MEASURE already approved by the senate calls for an appropriation of \$1.7 million. The present police pension system covers first-class city police only, or about 1,735 of the 2,635 policemen in the state.

The firemen's system, with 2,400 members, includes all firemen in departments employing more than three men.

Under the proposed legislation, an employee would contribute 6% of his salary.

The measure, however, also provides for 6% contribution by the employer cities or counties. The present system computes the employer's contribution differently, but it comes to between 10% and 20% of the employee's salary in both cases.

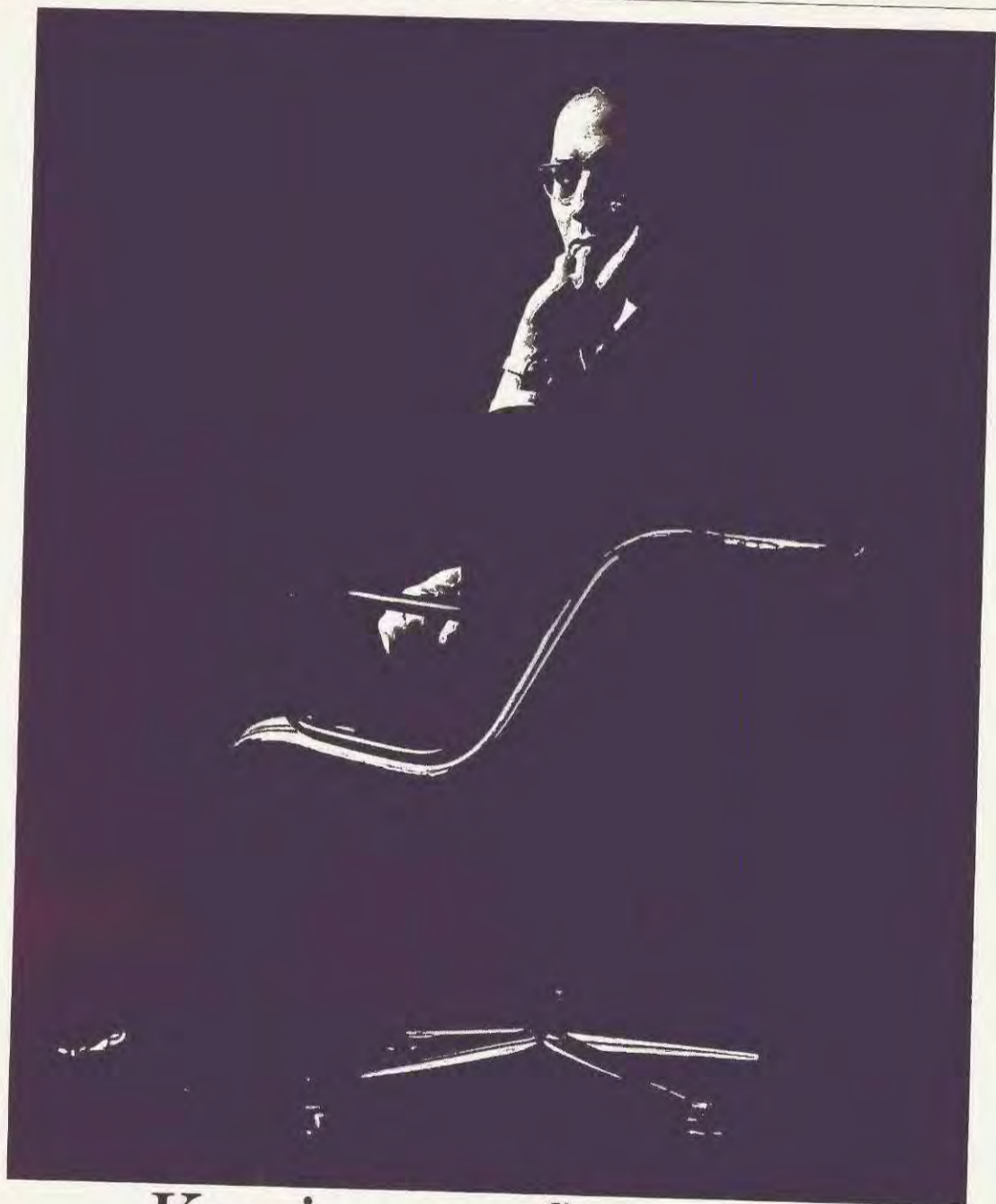
The proposed legislation provides for the state to make up the difference between the total of the employee's and employer's contributions and the amount an actuary determines to be necessary to fund the system.

Operating engineers get plan reciprocity

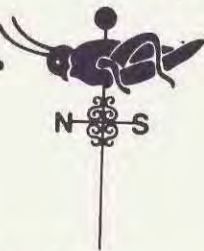
SEATTLE—Some 85,000 hoisting and operating engineers will have reciprocity under their pension plans in 13 states in a program adopted by the Western Conference of Operating Engineers, according to Russell T. Conlon, business manager of Seattle Local 302, which has jurisdiction in western Washington and Alaska.

He said the program was adopted during four days of meetings in Las Vegas.

Most locals in the 13 states already have taken action to implement the program so that engineers will take along their pension credits when their employment takes them into new areas, Mr. Conlon noted.



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City self-insured for convention ruckus suit

CHICAGO—Following a Federal court opinion that Mayor Richard Daley and top police officials could be held liable for violence during the Democratic National Convention, it was learned that the city is self-insured for the public liability of all officials.

The opinion came as a Federal district court judge denied a city motion to dismiss a \$1.25 million suit against Mayor Daley and three top police officials. It is believed to be the first time a judge has ruled that Mayor Daley could bear liability for alleged police brutality.

The suit was filed by a seminary student who charged that an unidentified policeman fractured his skull with a gun butt when clearing a Chicago park in which protesters were gathered.

ROY REIS JR., the seminararian, was hospitalized for 13 days for treatment of the fractured skull and lacerations of the forehead, temporary loss of vision in the right eye and double vision, according to the suit. The incident out of which the suit grew

\$75,000 award upheld; church let off

STAMFORD, Conn. — A motion to set aside the largest jury award in a personal injury suit ever recorded in Stamford superior court has been denied by Judge William L. Tierney Jr.

The judge declined to upset the award of \$75,000 to Dominic Ciaraldi, Stamford factory worker, who lost the sight of an eye when he stumbled on an ice-covered sidewalk and fell on a picket fence in front of the Holy Name of Jesus church.

MR. CIARALDI sued both the city of Stamford and the church but the latter was held not liable and a verdict was directed in its favor by the court.

The plaintiff, now in his early 20's, had emigrated from Italy with his family shortly before the mishap occurred on March 8, 1960.

To allow the youth and his father, John, to bring action against the city, a special bill was adopted by the Connecticut state legislature's 1961 session; it validated as legally sufficient the notice to the city provided by a police investigation of the accident.

FAIR leaflet for California

LOS ANGELES—The California FAIR plan, with offices here at 1930 Wilshire Blvd., has completed a brief leaflet explaining what the plan does and how it works.

The new leaflet is available for purchase at \$2 per 100 copies to insurance companies and agents and brokers.

G. R. Pahlman, chairman of the governing committee, explained "our purpose was to make it easier for companies and producers to make abundantly clear to the public the ability of the plan to help most property owners who have problems in obtaining basic property insurance."

is described in Mayor Daley's report and the Walker Report on the convention week violence in Chicago.

In his opinion, U.S. District Judge Bernard Decker cited a U.S. court of appeals ruling, which said in part:

"If the police officials had a duty, as they admittedly had here, to prevent officers under their direction from committing the acts which are alleged to have occurred during the convention, they are proper defendants in this action."

Besides Mayor Daley, defendants are Police Supt. James B. Conlisk Jr., Deputy Supt. James M. Rochford and Comdr. Clarence Braasch.

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formed in 1961 eight out of ten of its recommendations have been wholly or partly implemented.

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Atlantic consulted Mr. DeRoner and nearly 500 of his fellow agents when Safeguard was planned in 1950. Their ideas and suggestions did much to achieve the greater flexibility and ease of handling which make Safeguard the leader.

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Communication is basis of risk control: Trans Union's Hansen

CHICAGO — Communication is the essence of sound risk management, according to Edward D. Hansen, risk manager and attorney at Trans Union Corp., the newly formed holding company of Union Tank Car Co.

"The last thing I do is buy insurance. If buying standard commercial insurance is all that an insurance-risk manager sees in his job, he is performing a clerk's function and deserves to be treated and paid as a clerk," said Mr. Hansen, the immediate past president of the Chicago chapter of the American Society of Insurance Management.

Mr. Hansen said he is paid for risk management, and as he put

it, "You can't manage what you don't know about. In this business, ignorance is not bliss. Ignorance of any facet of my company's operations may result in an unmanaged loss—and that's one thing I want to avoid."

THE RISK MANAGER explained that he is not afraid of an uninsured loss if he has had an opportunity to examine the risk and make a judgment as to how it should be managed. "What I want to avoid," Mr. Hansen said, "is the loss (insured or not) that was created by a risk I didn't even know existed."

Mr. Hansen and his department must be concerned about the existence of many risks in

Trans Union's multimillion dollar business in three major groupings. The first is services including not only leasing of railroad tank cars but a substantial land development project in California and the recently acquired Credit Bureau of Cook County. Water and waste treating is the second grouping. The third Trans Union group, manufacturing, includes the operation of a steel rolling mill and forging shop and the manufacture of threaded fasteners.

To illustrate what he means by communications being the essence of risk management, Mr. Hansen told *Business Insurance* of how he was called at home late one night and advised of a fire at



Edward D. Hansen

one of his company's small manufacturing plants.

The next morning, before flying to the site of the fire, which destroyed the plant, Mr. Hansen informed his superior of the loss. Because he had been thoroughly apprised of the situation long ago, he was able to report that there had been an inadequate

water supply to the plant, which wouldn't support a sprinkler system.

In addition, he reported that the operation had been studied, the maximum lead time necessary to replace machinery computed and production necessary to carry the company through a shutdown period had been stockpiled at another location.

IT WASN'T until Mr. Hansen was on his way to the site of the fire that he realized he had forgotten to report that the loss was covered by insurance.

Solid information about this particular plant allowed Trans Union's risk manager to evaluate the situation fully before it became a loss. "That we knew we had a poor fire risk, that we had considered protection, and that we had set up an alternate program are all indications of good communications and true risk

Continued on page 52

ITT benefits...

Continued from page 24

• **Central bonus plan.** An annual bonus for some 400 to 500 key executives, including corporate management, group area management and division heads. The standard bonus range here is 14% to 56% of annual salary and is paid in cash and in full at the end of the year.

• **Local bonus.** An annual bonus which may be awarded to about 2,000 members of management who are below the division head level and earn a median salary of \$25,000. The bonus standard here is 14% to 24% of annual salary and the bonus is paid in cash and in full at the end of the year.

• **Qualified stock option.** A five year option to buy ITT stock at the full market price on the date the option is issued, offered to 300 to 400 key executives in approximately a \$40,000-a-year and up salary range. One third of the option may be exercised after two years, the next one-third after three years and the final one-third after four years. In any case, the entire option must be exercised within five years, otherwise it will expire.

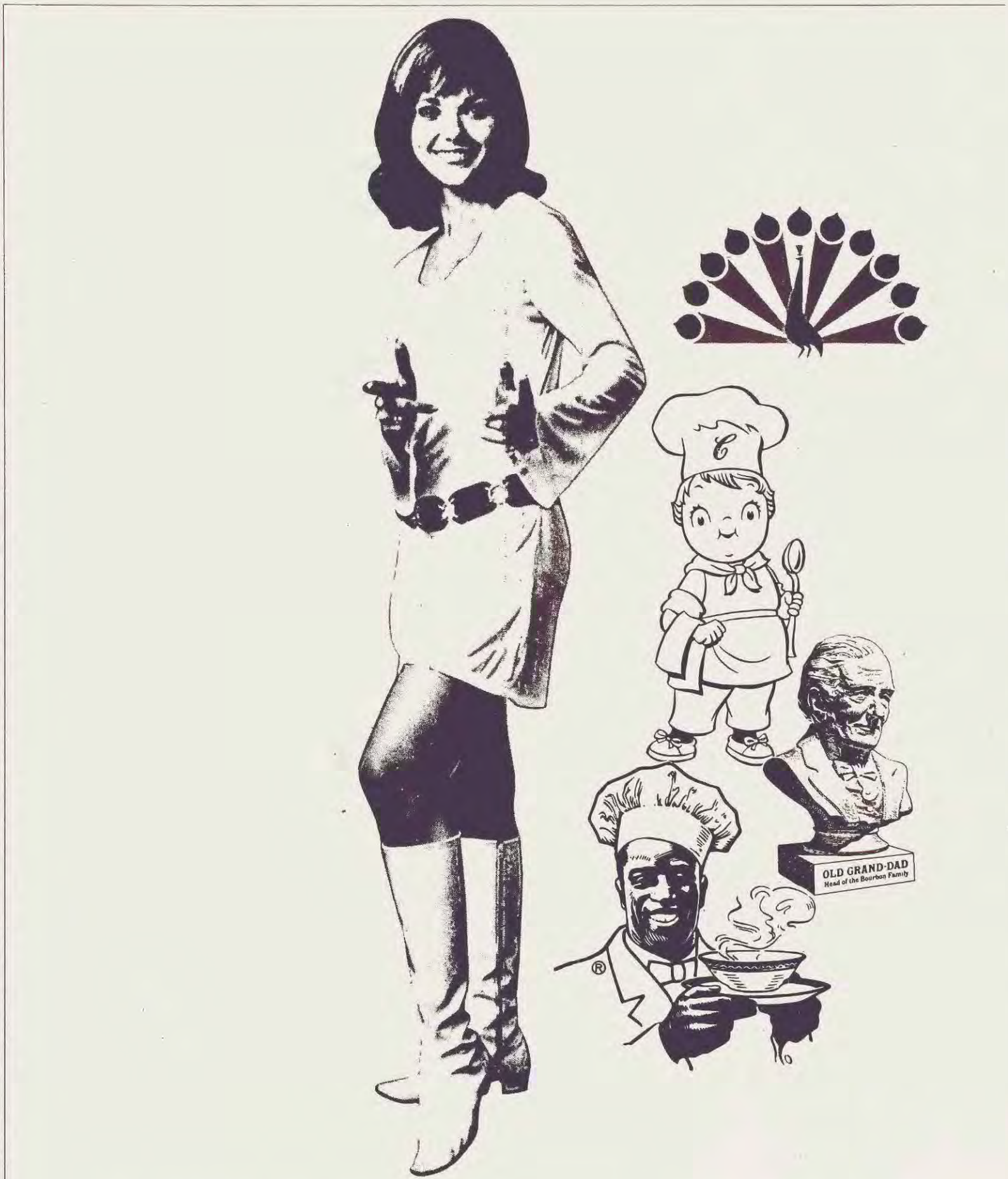
The amount of option granted is determined by the individual's grade and performance evaluation, and is scaled up to 450% of total compensation. An individual leaving ITT for any reason forfeits his unexercised option.

• **Career stock option.** An opportunity to purchase shares of restricted stock at half the market price on the date offered. The stock may be purchased within 60 days after it's offered, and the company will guarantee a personal loan for an individual desiring to arrange one in order to buy the stock.

FIVE PERCENT OF the shares become free of restriction five years after purchase. After that, an additional 5% become free of restriction each year until 50% of the shares are free. The remaining 50% is restricted until 25 years after purchase or until retirement.

Should the individual leave the company for any reason, he is required to sell the restricted shares back to ITT at the purchase price.

The career stock option program seeks out the younger man and offers him a substantial financial incentive for spending a full career with the company, Mr. Gartner said. It is also meant to build a strong identification with the company and influence throughout the full career span. ■



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Martin Marietta Corp. safety men hear favorable insurance report

ORLANDO, Fla.—During a three-day meeting with Martin Marietta Corp. safety managers, James H. Hughes, director of insurance and supervisor of Martin Marietta's safety program, said his company's safety program has reduced workmen's compensation premiums to a fraction of those of most companies.

With 30,000 employees, Martin Marietta pays less for workmen's compensation than many companies with 1,000 employees pay for their insurance, according to Mr. Hughes. Martin Marietta's workmen's compensation is underwritten by CNA.

He credits the safety program to J. Milton Durham, director of

safety, who, he says, is "never satisfied."

SAFETY HAS ALWAYS been under the supervision of the director of insurance at Martin Marietta, which grew out of a merger in 1961.

At the time of the formation, the corporate treasurer, to whom Mr. Hughes reports, suggested that the director of insurance report to him and the director of safety be part of the department of insurance. William Luckas, the treasurer, reports to the vp in charge of finance.

Mr. Durham, who is assisted by Robert Holdereid, associate director of safety, is responsible for coordinating the activities of

55 field safety managers, all of whom attended the conference here. The entire department works on safety, fire-fighting and security problems.

The purpose of the meeting here, according to Mr. Durham, was to show safety managers how insurance and safety tie together. In addition to that, the safety managers discussed semi-technical problems, the recent changes in the Walsh-Healey Act and took instructional tours of local Martin Marietta operations, including the Titan III space system and a defense plant near Orlando where the Pershing, Sprint, SAM-D and other missiles are designed and manufactured.

"This company has a whole bunch of organizations," Mr. Hughes told *Business Insurance*. "This is one way to bring them together." He mentioned one discussion that involved explosives. "These men could talk for weeks and weeks on this subject," Mr. Hughes said.

Another topic that came in for discussion was Mr. Durham's elaborate system of "advertising," monthly safety bulletins to Martin Marietta's three divisions—cement and rock, chemical and aerospace. The purpose of the bulletins, according to their creator, is an "attempt to get to the men who control the men who have the accidents"—the foremen.

Among the media used for the "advertising" campaigns are newsletters, posters and pamphlets—even hanging mobiles.

Mr. Durham, in addition to his supervisory duties, directs the compilation of the monthly safety report.

Halliburton buys big share of Harlan Inc.

DALLAS—Halliburton Co., a big technological service outfit with 1968 revenue of \$805.2 million and net income of \$45.76 million, has bought a "substantial interest" in Harlan Inc., insurance agency holding company.

Halliburton invested \$3 million in the Harlan firm, which is in the process of forming a nationwide network of offices linked by computer. Harlan has bought its thirty-first agency operation in the past 18 months and has offices in 15 U.S. cities.

Harlan last month merged with Fletcher & Associates, Jacksonville, Fla., to form Harlan Incorporated of Florida. The firm said that the combination of the two enterprises makes it the largest insurance agency in the city.

The Fletcher agency is the second Jacksonville firm to join Harlan. Last year Donald A. Bolton & Co. merged with the Houston company.

It's reported that the joining of Bolton and Fletcher with Harlan is expected to result in an agency producing about \$5 million in yearly premiums.

Harlan executives have gone on record as saying they want to become the second biggest insurance brokerage business in the country in three years, when the firm plans to go public.

The organization now is said to produce insurance premium business of some \$50 million, and it has announced plans to at least double that figure this year, mainly through acquisitions.

Harlan handles such commercial lines as liability, property, group, admiralty and bond.

Portability...

Continued from page 27

covered charges after a deductible.

Mr. Carlson said a great deal of attention is being given to dental and eyeglasses coverage. Normally such plans begin with the employee and later bring the family into the coverage.

HE CONTENTED that many plans today are being designed with a preventive medicine approach in mind. For instance, Mr. Carlson referred to a dental plan which decreases the coinsurance rate if a member goes regularly for a six-month checkup. By doing so the rate might go from 80%-20% to 90%-10%. However, if a member fails to meet the requirement, the coinsurance rate is increased.

If this plan works, he predicted that more and more preventive medicine features will be incorporated into group insurance plans.

With hospital rates rising rapidly, more attention will be given to liberalizing the out-patient benefits, Mr. Carlson said.

"We need to encourage members to see a doctor before a minor problem develops into a major illness requiring lengthy hospital confinements," he said.

AT PRESENT, the trustees of benefit plans are waiting for underwriters and insurance consultants to gather their facts and make recommendations.

Nathan M. Shapiro Co. acts as the consultant for the Minneapolis group.

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Ex-agent now heads 'mini-mutual' in Missouri

ST. LOUIS, Mo.—An ex-insurance agent who surrendered his licenses under fire in 1965 now operates a "mini-mutual" insurance company that writes commercial risks outside of Missouri because of a loophole in this state's insurance laws.

Phillip Morell Wilson, 31, a diminutive (5'5") redhead, now heads Farmers & Merchants Mutual Fire Insurance Co., a farm mutual insurer domiciled here that is exempt from regulation by Missouri's division of insurance. The company is not required to file annual statements nor do its operations come under the scrutiny of Missouri's Insurance Superintendent Robert Scharz.

Though limited by its charter to writing fire and lightning cov-



Phillip M. Wilson

erage in St. Louis and adjoining counties, Farmers & Merchants Mutual, under Mr. Wilson's administration, has entered into

complex quota reinsurance contracts with World Insurance Co. Ltd. of Bermuda. It has also written policies on a wide range of business risks including:

- An excess property insurance policy through a legitimate West Coast broker on plants owned by a capacity-starved conglomerate in California.
- An auto liability policy on a truck operated by a Washington state firm.
- Auto liability coverage for a Florida business.
- Hull coverages on a marine operation in Texas involving "huge premiums."

These commercial insurance writings by Mr. Wilson's company are documented in complaints filed with the state's insurance division. But, because

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Company **CONTINENTAL CASUALTY COMPANY**
of **CHICAGO ILLINOIS**

Dated **8 01 62**

Whereas, the above named **Phillip M. Wilson** is a resident of the State of Missouri and desires to contract the business of insurance in this State in accordance with Certificate of Authority No. **12155** issued by this Division;

Therefore, I, the undersigned, Superintendent of Insurance for the State of Missouri, pursuant to a request of said Company, do hereby license the above named **Phillip M. Wilson** as agent for said Company in this State, for a period concurrent with the authority of said Company to do business in this State or until such license is otherwise terminated, suspended or revoked.

Jack S. Gray
Superintendent

One of 10 licenses with respected insurance companies surrendered by Phillip M. Wilson at a 1965 hearing before the Missouri insurance division.

the company does not come under official jurisdiction of the division, the complaints are merely filed and the complainants informed that they have no recourse under state insurance laws.

straight and narrow path.

"I don't know what line of endeavor you're to go into but I'm afraid that whatever field of endeavor you try you're going to find that eventually, unless you mend your ways, you're going to be in trouble again. I'm not here to give out a sermon, but that's just advice that I can see from the little things I've heard here this morning. And I can only say one other thing, that there were 35 people out there this morning to testify against you. You heard the testimony of only five."

Not long after Mr. Wilson was delicensed as an agent, he bought the charter of Farmers & Merchants from Bill Landwehr, an ex-convict. Yet Missouri state records are not required to show more than the date and county of incorporation of the farm mutual.

MISSOURI'S NEW Attorney General John C. Danforth began an investigation of the status of the charters of Farmers & Merchants Mutual and other "mini-mutuals" that are exempt from division of insurance jurisdiction after *Business Insurance* exposed commercial underwriting outside Missouri borders by Mr. Wilson's company and others, including Bankers Security Mutual Insurance Co. of Kansas City.

Postal inspectors are understood to be investigating Missouri "mini-mutual" operations in the wake of the conviction this year of William M. Wider, who was sentenced to four concurrent five-year terms as a result of his insurance operations that included Central Missouri Mutual Insurance Co., another unregulated farm mutual.

In 1965, Mr. Wilson, then an agent under the jurisdiction of the insurance division, turned in 10 agent's licenses and had seven others cancelled. In the course of the hearing, conducted by Deputy Insurance Superintendent John A. Sartorius, Mr. Wilson asked that the testimony be terminated and that he be allowed to surrender his licenses. That done, Mr. Sartorius told Mr. Wilson:

"For a young man I can only suggest to you this: You've got yourself in a pot of hot water in a very short period of time, because it's my understanding you're only 28 years of age. My advice is try to get on the right side of God and sort of travel the

MR. WILSON'S company operates out of a building at 10060 Natural Bridge Road, St. Louis, whose list of occupants includes more than a score of businesses, including insurance companies whose names are unfamiliar to corporate insurance buyers and the public.

One St. Louis county official told *Business Insurance* that he and an associate visited the building and found one door marked with "a long, complicated name that ended in 'Limited.' We opened the door," he related, "and found that it was a broom closet."

Mr. Wilson, in addition to his insurance interests, has business associations with a string of barbecue pits and a company that produces paper dresses. Many of his business interests are conducted through a post office box in St. Louis that lists more than a score of companies and more than 10 individuals.

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Security backed by insurance protects Brink's

By THOMAS LUTZ

CHICAGO—Massive security measures and a sound insurance program protect 40,000 pick ups and deliveries each day by Brink's armored cars, according to Donald Hoagland, vp in charge of operations.

Losses from armored cars are minute compared to other truck hijackings, Mr. Hoagland answered *Business Insurance*. But because of the large sums of money involved in armored truck theft, they are given more publicity.

This publicity is a "sore spot" with the Brink's vp. "Reporters were making up their own stories about a recent \$500,000 Boston hijacking," Mr. Hoagland complained.

THAT ROBBERY took place on Dec. 28 last year and was the largest Brink's robbery since the famous \$1.2 million Boston heist in 1950.

Three armed guards were assigned to the hijacked truck. Two were on a coffee-break, a violation of Brink's regulations, when two gunmen forced their way into the armored car and told the third guard to drive to a parking lot.

The hijackers then handcuffed the third guard and unloaded the truck. Estimates are that four to six men were involved in the theft, which involved checks and cash valued at \$800,000.

Recovery of part of the loss was made when three men who were inspecting a water reservoir near Boston stumbled onto several bags containing the stolen checks. Each received a \$5,000 reward from Brink's, and the checks were given to the Federal Bureau of Investigation to be examined for finger prints. The FBI still holds \$1,000 worth of the checks, having notified the makers of the checks.

Primary insurance coverage, written by Commercial Union Ins. Co., New York, absorbed the rest of the loss. No claim was made by Brink's under a \$50 million limit per occurrence excess all-risk coverage written through Johnson & Higgins by Lloyd's.

When Brink's is hit with a rob-

Buy voluntary health cover: AMA chief

SAN FRANCISCO—The public could provide "complete medical and health protection" for themselves if they would buy "comprehensive voluntary health insurance policies."

"Such a policy," declared Dr. Dwight L. Wilbur, president of the American Medical Assn., "would cost not much more than insurance on their car or house."

Dr. Wilbur addressed a meeting of the Commonwealth Club here on the topic, "What Can Be Done about the Rising Costs of Health Care."

He warned health care costs "are going to continue to rise," but he said flatly, "it would be irresponsible to talk about lowering health care costs or even holding them at their present level."

The increases, Dr. Wilbur contended, are linked to "the growing complexity and sophistication of medical and health care, equipment, climbing wages of professionals and workers in the field and inflation."

bery, Mr. Hoagland told *Business Insurance*, its security department starts an investigation in conjunction with the local police department. This investigation is made chiefly to learn what will prevent future holdups.

OFTEN, BRINK'S also hires an outside detective agency to work with the police. "Most good agencies work closely with the local police department," Mr. Hoagland said. They can get some things done that the police cannot. Informants, for example, will usually talk to a private detective more readily than they will talk to police, he added.

Mr. Hoagland, commenting on the possible involvement of organized crime in money hijackings, said, "If there is an involve-

ment, it's a very loose one." Often, the syndicate will discourage large holdups because the investigative work that follows endangers their operations, according to the Brink's executive.

In recent years, Brink's service has grown. But Mr. Hoagland contends that "economics have more to do with the rise in Brink's services than the rising crime rate." Today, money operations are more centralized, demanding the type of security services Brink's provides.

Increased use of checks and credit cards have also been factors in the increased business Brink's has received.

These and other economic factors, coupled with a declining railroad service, have caused Brink's to use air line services.

Today, about \$3 billion is shipped by Brink's every year by aircraft.

EVALUATING THE CURRENT ways in which money transfers from one party to another, Mr.

Hoagland said, "People are inclined to believe checks and credit cards are very safe." But the vp contended that 60% of all unrecorded checks and credit card receipts that are stolen are total losses.

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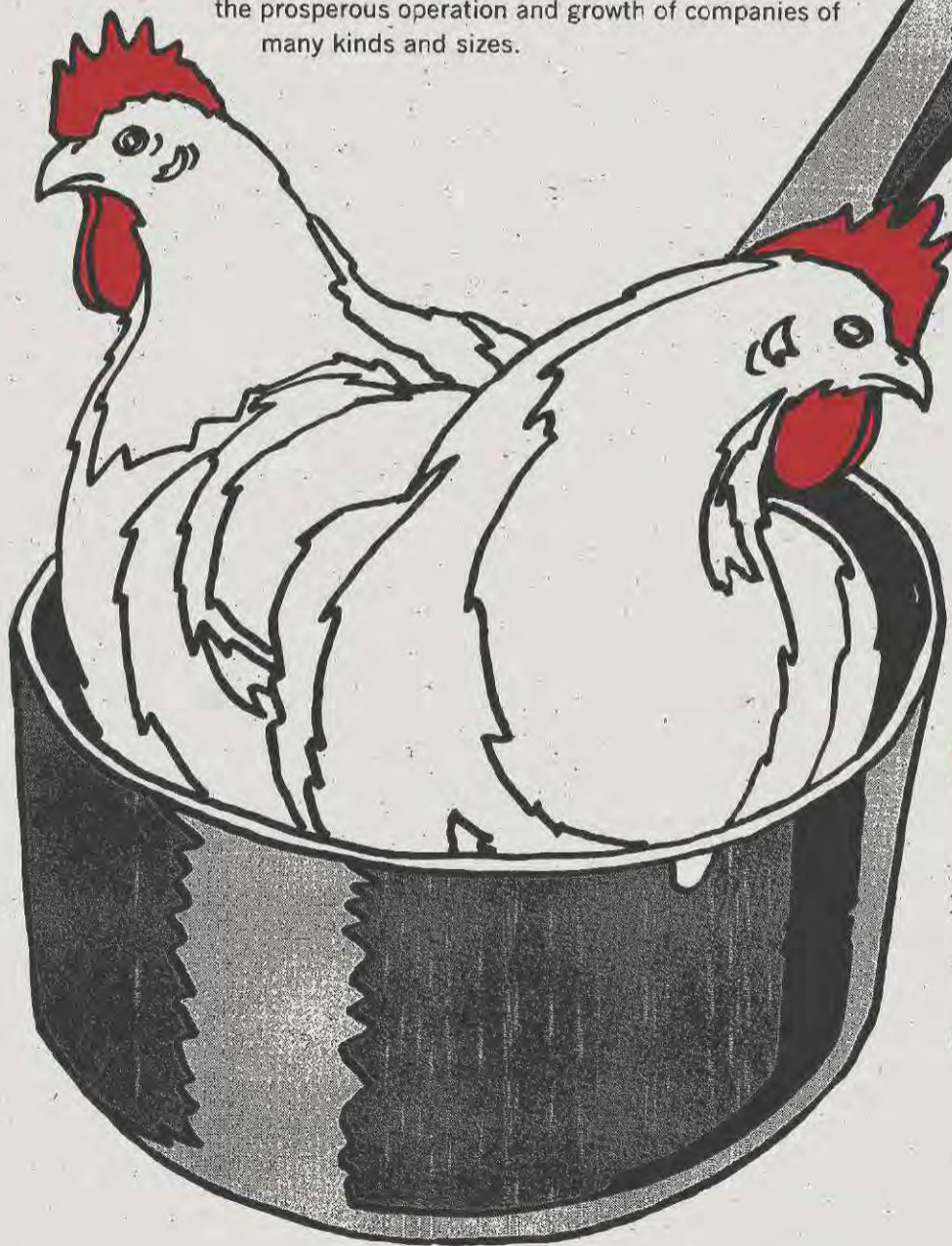
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Coast builders eye captive for earth risks

SAN MATEO, Cal.—Insurance against earth failure such as mud slides or settling may result from efforts launched here by the Peninsula Building Industry Assn.

California's recent rash of predictions from seers and crystal ball gazers that the state would be "devastated" by earthquakes deluged even Lloyd's of London with requests for special coverage.

The building industry group has taken the first step toward setting up a "captive" insurance company to underwrite risks for builders—and building owners—against landslides, subsidence or fissures.

The action, involving an "in-depth" study, was ordered by

the association when the insurance industry cancelled clauses against earth failure following extremely heavy rains in 1957.

Edward B. Howell, president of San Francisco's Risk Analysis and Research Corp., has been asked to gather "the actuarial data needed to form a company to sell comprehensive land insurance."

"SINCE THE WITHDRAWAL by the insurance companies of this kind of protection," explains Gordon Hansen, president of Challenge Development Inc. and chairman of the association's insurance committee, "many municipalities throughout California have attempted to write much

more stringent zoning restrictions on land use.

"We don't believe that will solve the problem," Mr. Hansen continued, "because the risk and liability on the builders just increases the cost of development."

Mrs. Hansen is visualizing a captive company capitalized for about \$1 million, with starting premium rates of \$100 a lot for a five-year period.

Mr. Howell believes the organization could go before the California Insurance Commission "within two years, with a proposal which would also probably copy the bigger insurance companies."

Improved hospital plan

A 16-day strike at the New England Concrete Pipe Corp., Westfield, Mass., ended with employee acceptance of a 48-cent-an-hour wage package increase and a boost in Blue Cross hospital room benefits to \$42 a day.

Back injuries costly, Wisconsin tally shows

MADISON, Wis.—The Wisconsin department of industry, labor and human relations reported that back injuries cost Wisconsin industry \$5.5 million a year in lost wages, medical expenses and indemnity payments.

That is the equivalent of paying an extra 1,013 workers for a full year, the state agency said.

A study of 5,643 back injury cases in one year showed:

Indemnity payments cost \$2,737,028 or \$485 a case; medical expenses totaled \$1,496,811 or \$265 a case, and lost wages came to \$1,289,073.

More than three-fourths of the cases cost less than \$200 in medical payments but four cases alone totaled \$22,038 or an average of \$5,509 each.

Compensable back injury cases have cost Wisconsin industry \$48.5 million in compensation payments and medical expenses over the past 30 years and \$12 million in the past three years.

Sprains and strained backs were the causes in 73 of every 100 back injuries and they cost \$59 of every \$100 in medical expenses and compensation payments.

SOME OF THE LARGEST STOCK AND BOND LOSSES REPORTED IN 1968

Amount (est.)	Number of Shares	Company	Owner or Custodian
\$ 945,000	15,500	Cities Service Communications	Cities Service
660,000	10,000	Satellite Corp.	Bing & Co.
185,000	4,500	Consolidated Foods	John Hancock Life Ins. Co.
210,000	4,100	Continental Oil	Bankers Trust; Reynolds & Co.
300,000	6,000	Ford Motor Co.	Dunlap & Co.
250,000	16,635	General Electric	Pitt & Co.; Francis I. Du Pont & Co.; Cal & Co.; Age & Co.; Hayden, Stone & Co.; Gerstley, Sunstein & Co.
260,000	5,000	Gillette	Donaldson, Lufkin & Jenrette; Paine, Webber & Curtis; Hayden, Stone & Co.; Reynolds & Co.; Kane & Co.; Sandussen & Co.; Marjorie H. Greene
240,000	6,666	Ionics Corp.	Rutner, Jackson & Gray
265,000	5,000	National Biscuit	Hardwood & Co.
144,000	5,200	Northrop Corp.	Elk & Co.; Ben & Co.; Neb & Co.
---	30,600	Otis Gas & Oil	Rutner, Jackson & Gray
---	1,640	Radiatronics	Rutner, Jackson & Gray
---	4,450	Telechek International	
180,000	4,000	Western Union	Watson & Co.
496,000	8,000	Westinghouse	Bing & Co.
227,000	3,500	Williams Bros.	Bing & Co.; Ben & Co.; Westinghouse
---	3,900	Wilson & Co.	Ben & Co.
---	30,600	Yankee Plastics	Ben & Co. Yankee Plastics

Amount	Name of Bond	Owner or Custodian
\$1,000,000	Chesapeake & Potomac Tel.	Cal & Co.
200,000	FNMA	Salked & Co.
500,000	Mountain States	Fireman's Fund
316,500	U. S. Treasury Bills	Old Colony Trust
100,000	Zapata Overseas Corp.	Fireman's Fund

The cashier's division of the Assn. of Stock Exchange Firms made public its third annual report of lost securities totaling \$50 million. The list above represents some of the biggest losses contained in the report. For a complete story on the report and security losses by investment companies, banks and insurance companies, see *Business Insurance*, April 28, page 1.

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List insurance covers for renewal projects

LOS ANGELES—A new and potentially substantial source for commercial insurance is rapidly growing out of the rebuilding of American cities.

One of the most dramatic examples is an ambitious central city redevelopment now turning the ragged northern fringe of downtown Los Angeles into a modern residential-cultural-business complex.

Center of the construction-insurance activity is Bunker Hill, designed to draw suburbanites back as permanent residents of the city's center in \$60 million medium- to high-rise apartments.

TWO OF THE structures began taking tenants in January. A third is scheduled for occupancy late this summer. The remaining two will be completed by 1972.

Behind construction of Bunker Hill is the Fireman's Fund-insured City Reconstruction Corp.

A private organization formed to build high rise projects in urban areas, the corporation is owned jointly by the Prudential Insurance Co. of America and Kidder Peabody Realty Corp., New York.

Mortgage financing was provided by Prudential for the \$24 million first increment of Bunker Hill.

FIREMAN'S FUND, of San Francisco, is writing workmen's compensation insurance for the first three apartment towers, on a wrap-up arrangement that includes general contractor William Simpson Construction Co. and all sub-contractors.

Coverage of these three construction jobs alone should develop a premium of \$360,000.

In addition, the San Francisco subsidiary of American Express also is writing all-risk builder's risk in the amount of \$22 million.

This policy also provides against loss of rental income should physical damage to the properties delay completion of the construction program.

PREMIUM FOR this second policy approximates \$90,000, subject to adjustments based on time and amounts.

Coverages are based on a two-year construction contract. However, the same contractor is expected to obtain additional jobs as new contracts on the project are let and premium income should continue well beyond the two year period.

PROJECTS in other communities are being considered. The corporation does not confine itself to renewal of slum areas and to date has produced no low-income housing.

The insurance principals in the Bunker Hill project also are engaged in two other large construction projects in Southern California.

These are a high-rise office building for Occidental Life Insurance Co. in downtown Los Angeles and the expansion of Lockheed Aircraft Co. facilities near Palmdale.

The latter two projects have also resulted in a workmen's compensation insurance wrap-up arrangement expected to produce a premium revenue of approximately \$400,000 for the Occidental Center alone.

THE LOCKHEED expansion, which includes nine aircraft assembly buildings, includes general liability as well as work-

men's compensation coverage in the wrap-up program.

The workmen's compensation insurance is expected to develop approximately \$1,600,000 in premium for the four-year period of construction and the general liability policy a premium of about \$400,000.

One of the biggest of such developments is the giant \$200 million complex known as The City, now rising in Orange County on some 200 acres. Construction will require 23 years.

Workmen's compensation and general liability policies on this project will produce a premium volume conservatively estimated at \$260,000 a year on just the first phase of construction.

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Judge rejects damage claims by machinists

HARTFORD—A Federal judge has rejected sweeping damage claims by the IAM (In-

ternational Assn. of Machinists) against the United Aircraft Corp. but left the door open for limited damage awards in individual cases.

U.S. District Judge T. Emmet Clarie turned down the union's claim for \$177 million in losses allegedly suffered by the union itself and individual strikers in the aftermath of an abortive strike nine years ago against the aircraft parts manufacturer, largest industrial employer in the state (some 80,000 persons are on the payroll).

At the same time, the union claimed a victory in the decision, contending the action "opens the way for up to 2,000 members of the local . . . to recover seniority rights and wages denied them for nine years."

THE UNION SAID appeals would be made on "all adverse aspects of Judge Clarie's decision."

Judge Clarie's long-awaited decision made these two basic findings:

- Except in limited areas where there were specific contractual violations, UAC "exercised good faith in its overall

No-fault coverage set in British Columbia

VICTORIA, B.C.—The insurance industry will be required to provide compulsory noncancellable automobile insurance with basic no-fault coverage for the one million licensed drivers in British Columbia, Attorney General Leslie R. Peterson said.

He introduced two bills in the legislature which, when proclaimed, will establish a statutory minimum limit of \$50,000 for third-party liability covering death, injury and property damage.

They will also provide for heads of families killed in automobile accidents to qualify for immediate death benefits of up to \$5,000, amounts up to \$2,500 for spouses and up to \$1,500 for dependent children.

In addition to these outright payments there is an additional \$1,000 for each survivor and weekly payments of \$50 for the first survivor and \$10 for others for 104 weeks.

Court blocks Equitable from opening grave

DOVER — The Delaware supreme court has ruled that the Equitable Life Assurance Society could not "reach into the grave" of a policyholder in an effort to determine the cause of death.

The court affirmed a superior court ruling refusing to exhume the body of a Milwaukee businessman to perform an autopsy. The man died in his swimming pool Aug. 5, 1967.

G. Thomas Revel Jr., president of Young & Revel, was covered by a double indemnity policy against accidental death written by Equitable when he drowned in his swimming pool.

About 10 weeks after the accident, Equitable asked the widow to approve an autopsy. She refused, and the insurance company sought a superior court order to exhume the body.

The state supreme court ruling quoted a U.S. Supreme Court

decision which said:

"The law . . . will not reach into the grave in search of 'the facts' except in the rarest of cases, and not even then unless it is clearly necessary and there is reasonable probability that such a violation of the sepulchre will establish what is sought."

IN AN OPINION written by Associate Justice James G. Carey, the court said, "Nothing in the record suggests any possible causes except drowning or heart disease."

Affidavits of pathologists offered by the insurance company claiming that an autopsy 'may' show evidence of a heart attack if the body was properly embalmed "do not make it reasonably certain that the autopsy will establish the cause of death or even the existence of heart disease," the court said.

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performance of the strike settlement agreement."

• The union and UAC are to reach agreement, if possible, on the limited number of strikers who will be entitled to damages based on loss of wages after the strike ended. Lacking such an agreement, there will be hearings before the court or a master appointed by the court to make the determination.

STRIKERS COULD conceivably collect damages running into millions of dollars, according to the union.

The number of such strikers was comparatively small, approximately a couple of hundred, whereas the union claimed that thousands of strikers were entitled to damages.

IN ADDITION, the union claimed large damages on its own behalf, charging that several lodges had been adversely affected by UAC's conduct. Judge Clarie, however, did not grant any damages of this kind.

Tucson airport considers private compensation insurer

TUCSON, Ariz.—The Tucson Airport Authority board was told at a meeting this month that it can save \$1,000 a year in workmen's compensation insurance costs by dealing with a private insurer instead of the State Compensation Fund, formerly the State Industrial Commission.

But in his report on a meeting of the authority's insurance committee to determine whether it should convert from state to private coverage, chairman Clayton E. Niles said it cannot legally do so until Jan. 1, 1971.

He explained that state law permitting such conversion under more liberal terms and conditions than in the past specifically excludes governmental bodies and their subdivisions until that date, after which all subdivisions would be permitted to choose private coverage, leaving only agencies that are specifically part of the state govern-

ment required to retain coverage with the State Compensation Fund.

Another advantage of having private coverage, Mr. Niles noted, is that private carriers can pay dividends, whereas the state cannot.

Other advantages are:

• Private carriers frequently provide assistance in establishing excellent safety programs.

• The size of the premium discount would be greater with a private carrier than with the state.

At present the authority has been paying \$9,800 a year for state workmen's compensation insurance.

The authority also carries a \$6 million liability policy.

In his report April 7, Mr. Niles said his committee was of the opinion that the authority may not be adequately covered for liability.

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Correspondents Throughout the World

Cuddlesome canine creatures create calamitous catastrophes

HARTFORD—A pooch isn't always man's best friend, and, for that matter, some of the most cuddlesome of the animal kingdom may well figure in headache-inducing activity for the insurance industry.

An excursion through the Aetna Life & Casualty Insurance Co. files came up with rather unusual happenstances, several involving animals. Items:

• In Palo Alto, Calif., a physician had to provide himself with emergency treatment when a cat sneaked into his vehicle and clawed his shoulders as the doctor stepped on the gas.

THE CAR BOUNDED backward into a utility pole, then forward into a brick pillar.

Not surprisingly, the cat was black.

• In Denver, cars in which dogs were riding paused at an intersection. One animal leaped into the other automobile. The driver of the second was bitten while trying to quell the melee.

But there are other unanticipated occurrences, these involving the human species, it is grimly noted at Aetna Life & Casualty.

• In Coral Gables, Fla., a male motorist plowed into a gate, distracted by a woman in topless attire, who was in pursuit of a small boy.

• In Missouri, a police officer came across a woman standing near an auto wreck. She was unable to speak. He forced her to go to a hospital. Recovering, she explained that she had not been

involved in an accident; she was out of breath after pushing her sister's car, stalled on a nearby bridge.

• In Texas, a motorist, already uneasy after a collision with another driver, got very much upset when he found a 4' boa constrictor draped around her neck.

• In Charlotte, N.C., a dentist patient at a hospital, walking about, got his leg stuck in a laundry chute. Nurses rushed to free him.

• In San Antonio, a family decided to frighten youngsters on Halloween. They left a bear skin rug, worth \$600, on the front porch. Somebody stole it.

AETNA's St. Louis office has a

nomination for Meanest Cuss(es) in the World: A policyholder stopped to help two men whose car had stalled.

His own machine got stuck. He left to get a tow truck. On his return, he learned that the men he had tried to assist proceeded to assist themselves, by stealing his battery and driving away.

On still another tack, Hurricane Betsy, costliest catastrophe in the insurance industry's history, is still exacting its toll, the Aetna files point out.

A policyholder's boat in the Gulf of Mexico collided with a submerged house trailer, blown into the water three years previously from Grand Isle, La., when the storm struck that town. ■

Brutus barks out

Dog turns paws down on new pet insurance

By CAROL RATISHER

NEW YORK—Out on the West Coast, where cultural morsels like granny glasses and the Hell's Angels are hatched, sober gray-flannel insurance executives are doing some hard thinking about insurance policies for pets.

Forward-looking entrepreneurs have already pioneered experiments with Blue Cross-style hospitalization insurance for pets, and surely life, casualty, property and corporate pet policies cannot be far off on the sunny California horizon.

In the interests of market research, I sounded out Brutus, an ornery but philosophic beagle, on this wide new world of insurance soon to be set before his scruffy paws.

"BRUTUS," I told him, "some people out West who are really tuned in to pets' problems are putting together some insurance programs for pets and I'm thinking of buying you a policy."

Brutus yawned, poked a floppy ear with his paw, and resumed chomping on the wire of the six-speaker integrated-circuit. *Continued on page 48*

Ohio union wants to offer 'true group'

COLUMBUS, O.—The Ohio AFL-CIO will borrow \$5 million from pension and welfare funds of locals in the state to start its own auto insurance company, if the green light for the project is given in June.

The new insurer, which would serve the Ohio union's 600,000 members, would begin selling policies next January, according to state AFL-CIO President Frank W. King and Warren Smith, secretary-treasurer. Eventually, the union would like to offer "true group" policies.

The labor officials indicated they were interested in buying the rights to operational systems of existing insurance firms—and several Ohio insurers have asked the union to buy them out—rather than buy another company outright.

"The operations of the industry as a whole are outdated," Mr. Smith said. But there are a few companies with modern operations which are willing to sell their systems, he added.

MR. KING SAID the Ohio AFL-CIO won't start an insurance company unless it can offer auto coverage for "considerably less" than the existing market.

"We plan to sell for less than any of the companies, including Nationwide, Allstate and State Farm," Mr. Smith said.

"What we eventually would like to offer is true group auto insurance," Mr. King said, in which all drivers insured would pay the same rate. "We think it can be done," he said. ■



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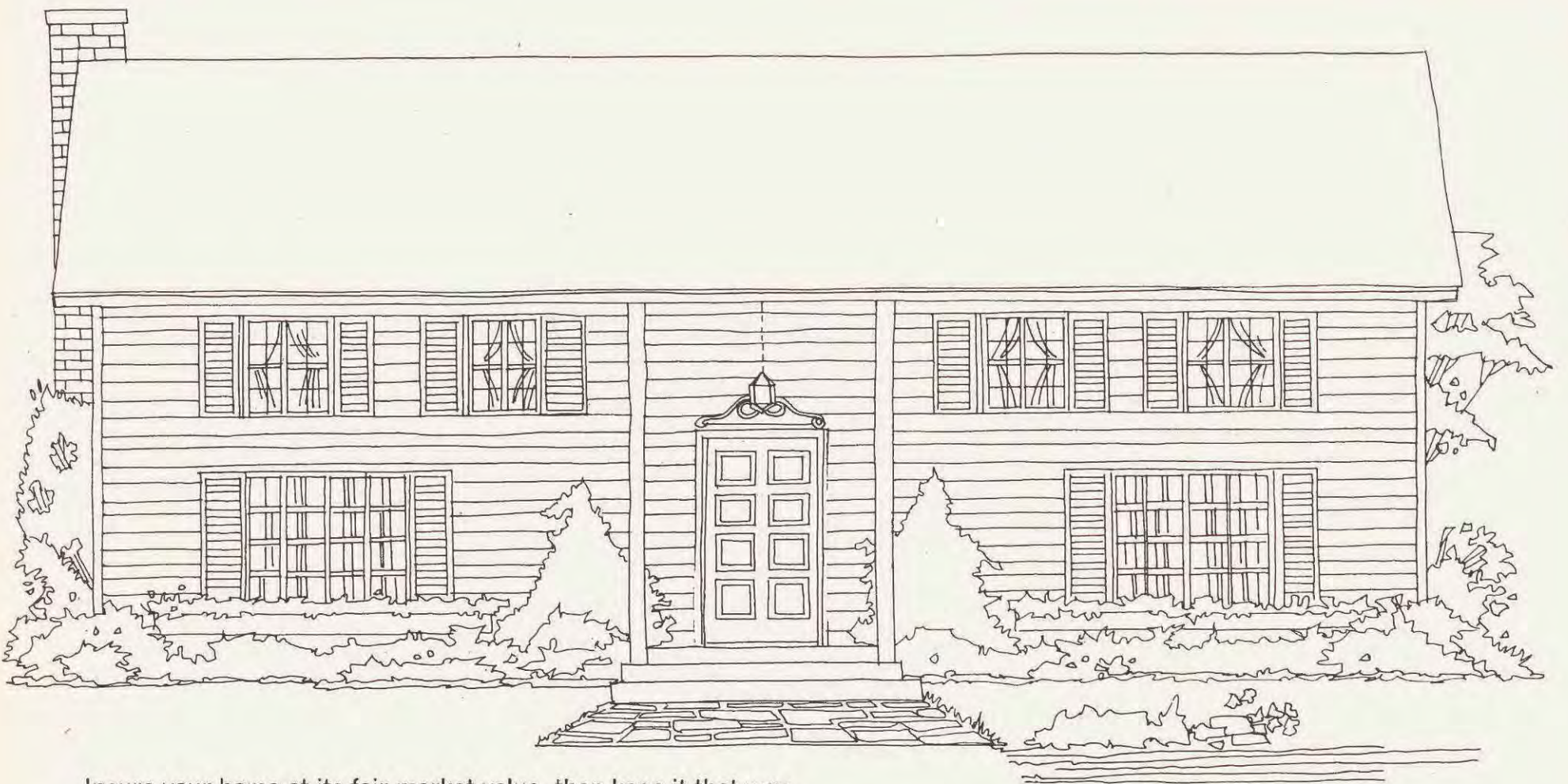
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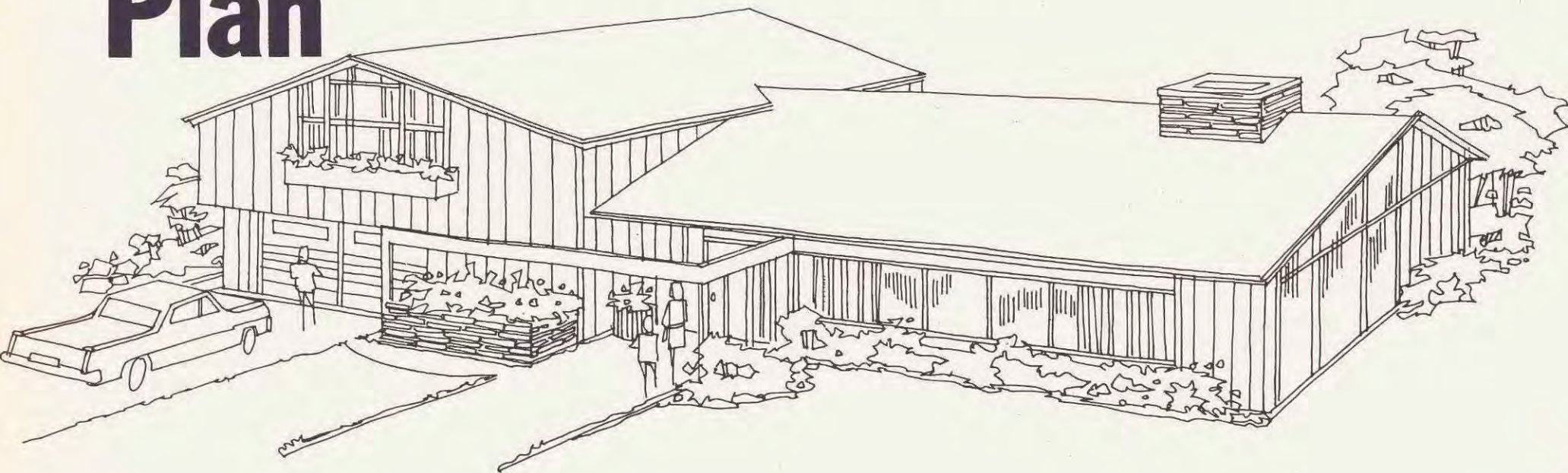
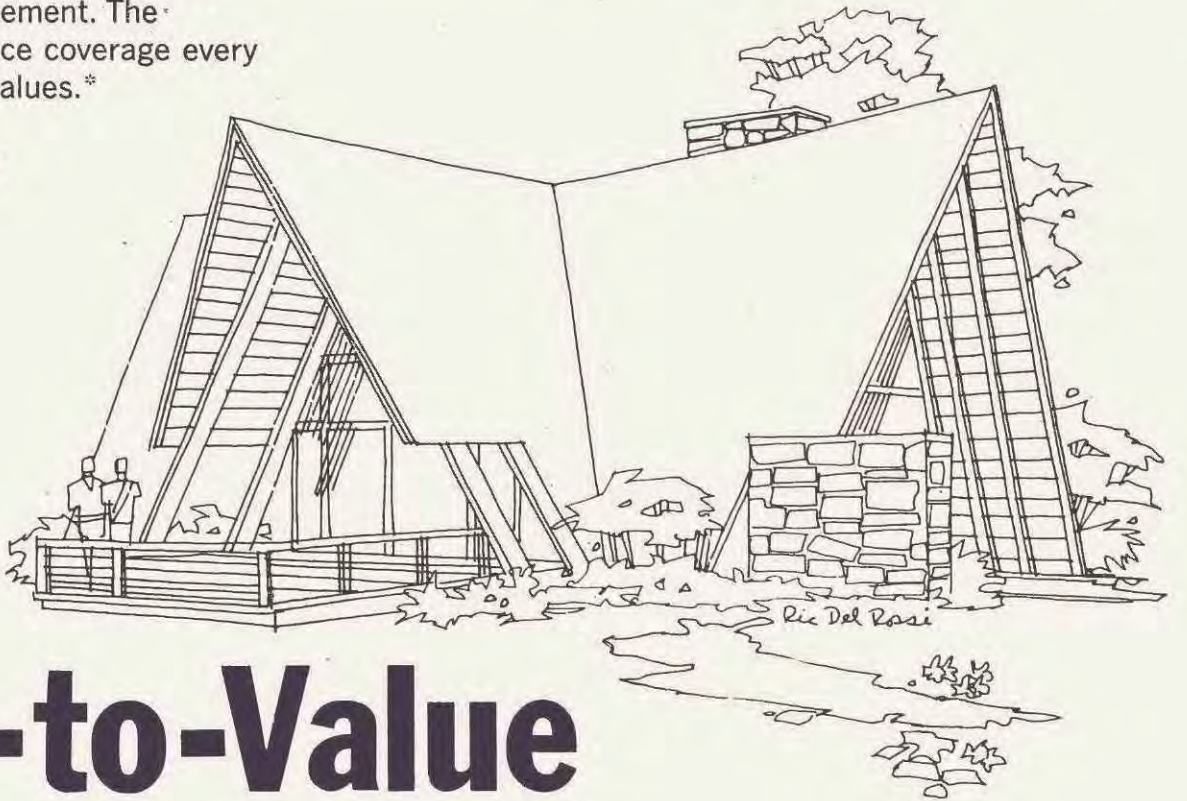


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Transfer of risk to transporter means higher costs

by Paul C. Johnson,
manager—insurance,
Sea-Land Service Inc.



Paul C. Johnson

It has been proposed by many that in this "new day" of containerization the old methods of handling the insurance transaction are no longer proper and should be changed.

It is now suggested that automatic all-risk insurance be obtained by the carrier for the benefit of all his shippers and the cost included in the freight rate. Other schemes involve optional insurance facilities or full liability regardless of the fault on the part of the transportation company.

Unfortunately, it has not been properly understood that such schemes do not have general application and are designed to attain an objective not other-

wise attainable—they do not provide a better way to accomplish the marine insurance transaction.

THERE MAY BE SOME fault to find with the established methods of insuring cargoes but there is nothing that will be improved with the introduction of full liability on the part of the transportation company or by its becoming the normal source of insurance.

Why does a shipper insure? There are two reasons: (a) to transfer risk, (b) because of some reason having nothing to do with (a). Let us look at the transfer of risk.

A foreign trader insures his shipment for his account or for the account of his buyer or some other assignee. He does this to transfer risk of loss of the shipment. He obtains a policy of marine insurance within an existing international set of circumstances which are well established worldwide, so that if the shipment is lost at any stage of the voyage, uniform practices are called upon by shipper, buyer, vessel, surveyor, insurer, bank, to the end that the loss is adjusted pretty much to the expectation of all parties, if not to their thorough satisfaction.

THIS IS POSSIBLE only because networks of mutual assistance, custom, standardization of proof of loss requirements and many other aspects have evolved over many years and unfortunately are taken entirely too much for granted even by the insurers themselves. All of these things make the transfer of risk entirely reliable with so little degree of care on the part of the assured that there is some danger of his forgetting the consequences of dumping the system for some apparently attractive substitute.

It bears repetition that insurance involves essentially one thing—the transfer of risk. This risk is transferred by the party not wishing to bear the risk onto the party contented to bear the risk in exchange for a fee known as premium. It is obvious, therefore, that the risk must be properly transferred—that is, it would not be very good business to transfer the risk to an insurer who could not afford to accept it, even if he wanted the premium.

Brokers and agents have for many years concentrated the placing of marine risks in specialist insurance companies who are not only financially solvent but who have the necessary international loss servicing facilities. Insureds have ceased to worry about the adequacy of their marine insurance companies, although in certain lines the adequacy of the company is still a considerable concern.

LET US THEN CONSIDER that one has the choice of insuring a cargo with a prominent marine insurance company, or on the other hand one will rely on a statement in a bill of lading that the freight includes insurance of the goods.

Since it is "so much simpler" to rely on a bill of lading, why not save the premium?

It happens, however, that a steamship can carry many millions of dollars worth of cargo, and it is entirely possible that if the vessel sinks the steamship operator will have properly done what the shipper has not; namely, transferred the collective risk over to an adequate insurer. It is, unfortunately, equally possible that the cause of loss is one of those excluded in the steamship operator's policy; and in this case there will be a great deal of

weeping and gnashing of teeth.

In short, by the introduction of the transportation company into the shipper's marine insurance transaction the shipper has assumed the added risk of the sufficiency of the transporter, his ethics, his financial condition, his insurance skill and his ability to service losses. Since this is a risk that did not exist before, it means an added cost, not a reduced cost in the short or in the long run.

THERE IS SOME FAULT to be found with present marine insurance practices. It is the writer's conviction that there is simply too much of it. One need only to look at the strange practice in which mammoth firms insure all their shipments for first dollar rather than with large deductibles. One can only conclude that it is cheaper to insure against and collect small losses than it is to self-assume these losses. After some development of that observation one can understand that larger firms would enthusiastically support the increase in carrier's liability, but one should not expect too much enthusiasm for changing the time-honored methods of transacting marine insurance.

With regard to the burning desire in the hearts of some to force unrealistically high limits of liability on steamship operators, one can only suggest that all the added risk equals added cost, and unless there is an offset in some other facet of transportation, such increases will doubtless increase the total cost of transportation.

It is argued by only too few, and there is considerable validity to the argument, that a new risk arises out of the apparently simple act of increasing carrier's liability. That risk is the possibility of non-availability of liability insurance at any but an exorbitant cost, simply because of the enormous catastrophe hazard involved in the sinking of a vessel or in the collision of two vessels that belong to the same owner.

That risk means added cost to the shipper. It would be well for the enthusiasts of full responsibility on the part of steamship carriers to discuss the added cost of carrier's liability insurance and the unwillingness of ship owners to bear the additional burden regardless of the current availability of insurance. ■

Insurance problems of antipoverty programs

by Charles F. Levinson,
insurance manager,
Port of New York Authority

The problems of the poor and underprivileged have never before been attacked so vigorously by American business—either because it's fashionable or because industry sees a far-reaching personal advantage to engaging in antipoverty programs. Your organization and mine either are in this action with both feet or thinking about it.

Like many other new activities, the buyer of insurance will find it creates problems of a very complex nature for him.

While the so-called "antipoverty" activity of private industry involves many

different programs, these all seem to divide roughly into three main areas:

- Programs of instruction or training for unemployed.
- Programs to organize or turn over business to people in depressed areas.
- Firms that are establishing branches in depressed areas to give training and employment to local underprivileged peoples.

OBVIOUSLY, EACH OF these general classifications contains special circumstances and situations that require separate treatment. I would, however, like to discuss here similar problems generally created for all of us when we encounter potential or actual deals with which our concerns are involved.

In the category of training programs,

we find two general types. In the first the activity is in cooperation with some formal antipoverty organization or local government to furnish definite types of instruction for the unemployed designed to make it easier for them to get a job. Usually the arrangements are by written contract between your concern and an antipoverty unit. The terms should establish that the students are not your employees and a nominal amount of purchased liability coverage on a first-dollar basis should cover this activity in both names.

The other general area of instructional training involves the voluntary type in which there is no formal affiliation with any antipoverty groups and the trainees become in fact employees of the firm. This creates several insurance prob-

lems. The standard fidelity form excludes coverage on anyone your firm hires when your firm has knowledge of a criminal record. Most training needs are of the "hard-core" unemployed who often have some sort of a police record.

SOME FIRMS AWARE of this exposure have been able to get their bonding carrier to give written permission to waive this provision insofar as it applies to employees under this program. Other firms, aware that they have always been exposed to the hiring of someone with a record when only the personnel department is aware of the facts of the case, have had this clause realistically amended in regard to all employees. This can be done by requiring that the awareness of a past criminal record must be on the part of the insurance manager, the comptroller or chief financial officer.

Since it is hardly possible for a person with a prior criminal record to be put in a position of handling funds or in other key spots without this information coming to the attention of one of the aforesaid, insurers usually can be persuaded to so amend the contract.

Continued on following page

Continued from preceding page

Another facet to the hiring of employees from the relief rolls or hard-core unemployed, lies in its potential effect on your total employee benefit experience. Many health insurance company people feel that large scale hiring of this type warrants a rate increase but politically are afraid to make the charges. They say that relatively poor prior care and treatment, plus poor work attitudes, will ultimately worsen overall experience in all areas of employee benefits.

THE SECOND MAJOR area of anti-poverty activity by private business is the creation of minority ownership of businesses either by turning over an existing facility to such a group, or organizing and establishing an entirely new business to be operated by minority groups on their own after a period of supervisory training. Turning over a facility normally presents no problem to the giver except for the implied guarantee that some sort of workable insurance program can be installed and continued for the new owners. This can develop problems with the existing insurers who



Charles F. Levinson

may feel that the combination of the slum location and the new ownership changes the desirability of the risk.

Helping to organize a new business also brings insurance marketing prob-

lems when the ultimate operators take over. While public-spirited insurance companies would probably cooperate during the organizational and training period, continued participation thereafter could perhaps be more limited and more costly premium-wise because the take-over organization would not be able to continue the inspection, loss-control and safety activities of the larger insured.

Some people have been suggesting that more property and liability insurance firms—in addition to new life insurance ventures—be organized for ultimate takeover by minority groups to handle this special type of business. Others urge that the FAIR plan pools all be enlarged to take commercial risks for all types of depressed area insurance business.

THE LAST GENERAL type of anti-poverty activity for industry is the establishment of new branches for firms at locations in depressed areas for the purpose of training and hiring local people. The problem here is pretty much a combination of all those present in the anti-poverty programs previously discussed.

Capacity of market should only be a

serious problem for the relatively small firm. Increased workmen's compensation and employee benefits costs should be a consequence of the relatively unskilled work force to be hired. Employment of some individuals with criminal records will again either be handled by letter agreement with the insurer or amendment of the form.

As you can see, getting into anti-poverty programs creates problems for the firm's insurance buyer. If you are not already in this activity, make your management aware that bringing you in on the preplanning could simplify or minimize the insurance aspects of your company's participation.

Charles F. Levinson, insurance manager, the Port of New York Authority, holds a B.A. degree from Columbia University and a CPCU designation. He was formerly associated with a number of Midwest stock insurance companies as insurance underwriter and field man. Mr. Levinson served as insurance manager of Magnavox Co. from 1954-57, subsequently becoming insurance consultant to Insurance Audit & Inspection Co.

How employes can punch their own benefits via computer

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



Ned A. Miller

In our last article, we indicated that more and more corporations of all sizes are now computerizing their fringe benefit reports for each individual employe.

Confirmation of this trend came in the March 1 issue of Business Week in an article entitled: "New system fills in the blanks on benefits." It says, "A new communications device—an individualized benefits report prepared for large numbers of employes—is spawning a little industry to fill in those blanks with fast, accurate information." Inquiries into our office based on these two articles bear witness to the fact that the "little industry" is already born and is a healthy youngster.

For the moment, let's skip the problems (all solvable) of what format to use, of how to program the computer, of what information we wish each employe to have and what information might better be withheld. Let's talk instead about how we communicate the desired information to the employe.

MOST OBVIOUSLY (and least imaginatively) the form can receive an impersonal distribution by inclusion with the normal paycheck, by mailing to each employe's home (where the wife is more likely to see it), or by distribution at the

company Christmas party or an annual outing, by mass meetings of various departments and sections; or it could be personally delivered by the individual supervisor to each employe.

But let me tell of the most ingenious (and probably most effective) method we have come across. It is one which entails the actual participation of the employe *himself* in the preparation of his computer printout.

Here's how this works. It utilizes a small table-top computer, portable enough to be brought right to the place of business. This small unit is usually limited to the use of numbers rather than letters but that does not impose any great limitation on the plan.

THE COMPUTER IS placed in a private room. Each employe comes in on a schedule which need not allocate more than five minutes for each interview. It will probably be the most interesting five minutes of the man's life because he will actually be running a computer for his own personal benefit.

With minimum briefing, the programmer asks the employe to be seated at the machine. The first program card is inserted. The employe is instructed to "push" his date of birth and salary. These, of course, are variables. After the programmer pushes the "start" button, the Social Security and other governmental benefits begin to appear on the printout paper.

The employe now feeds in the information about his years of service with the company. Now the computer takes over again and assigns a dollar value to vacation days, sick leave, and holiday benefits, and so it continues. Whatever the variable, the employe feeds it to the machine on cue from the programmer. He then sits back, smile on face, and watches this mysterious machine tell him all about himself.

AND WHAT FORTUNES it can tell! What will his pension benefits be? What will be the projected profit sharing? How much medical protection do he and his family have? How much income would be paid to him and for how long in the

event of his personal disability? This is fortune-telling with scientific accuracy!

Can you imagine the excitement the employe will feel when he is handed his personal printout—the one which he helped the computer to prepare? Can you imagine how the advantages of this method of communicating to him are going to mushroom as he tells the "other fellows" and as they wait for their turn on the machine?

But apart from all that, it's the last series of numbers on his printout which are most significant. Here the consultant has programmed the total dollars contributed by the employe toward his own fringe benefits. This shows as a dollar amount and as a percentage of his income.

Also, the computer shows the corporation's contribution to this particular em-

ploye's program in terms of dollars and percentage of income. In average figures, the employe contributes about 3% and the corporation contributes about 26%.

Time elapsed—five minutes. Good will gained—immeasurable. Communicating a cost to each employe that represents 26% of the company's payroll—unexcelled!

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

The answer man

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

Dear Answer Man:

This is sent to ask for your help in locating some material on a certain approach to fire safety in the home.

Some time ago we saw a brief mention in a publication about a home fire safety promotion in which the emphasis was on "Exit Drills in the Home," and the booklet was entitled EDITH. The campaign serves as a vehicle for various pointers on fire safety in the home. Unfortunately,

we cannot remember the publication or the originating organization.

Because our safety coordinator became interested in the EDITH program when we mentioned it, we'd like to learn the name of the originating group if you can help us.

Robert J. Urban

Senior Insurance Analyst, The Cleveland Electric Illuminating Co., Cleveland, O.

ANSWER MAN SAYS: *Business Insurance* has listed EDITH, published by the American Mutual Insurance Alliance, in its Info for Buyers column. The 16-page brochure emphasizes advance planning for fire exits in the home and the fact that this responsibility falls on the head of the household. The illustrated booklet also explains the help available to individual families from their local fire departments. The item may be obtained from the Alliance, at 20 N. Wacker Dr., Chicago, Ill., at \$2 per 100 copies.



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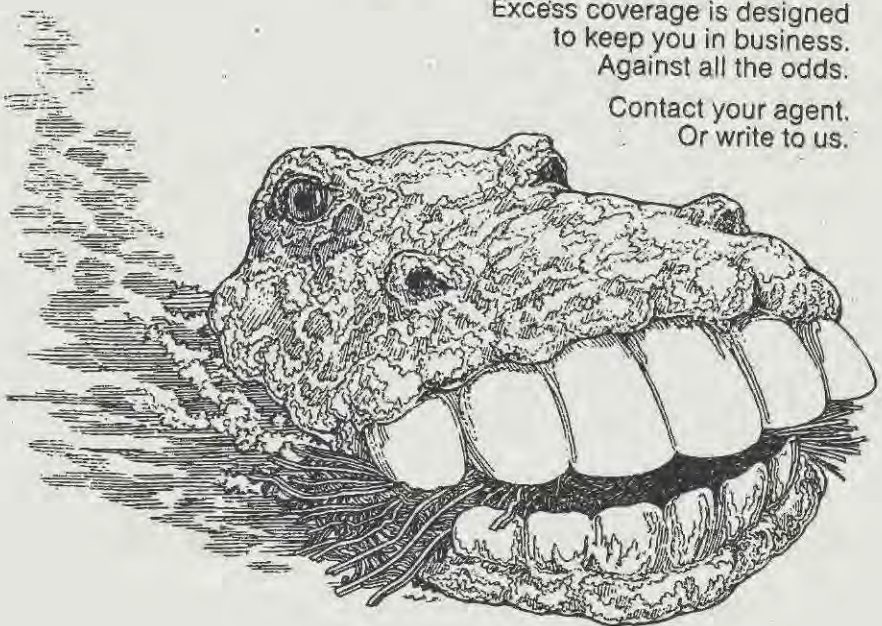
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speaking of security

Silent holdup alarm devices help notify police without alerting crooks

By WILBUR CHARLES

FT. WAYNE, Ind.—The FBI defines robbery as the stealing or taking of value from the person by the use of force or the threat of force. During the most recent year for which crime totals were published by the FBI there were nearly 50,000 more

robberies in the United States than in the preceding year.

Robbery is a big city crime. The 56 large core American cities with over 250,000 population accounted for 71% of all robberies. During the past seven years, bank robbery increased 278%, gas or service station holdups rose 123%, chain store

robberies were up 156%, robberies in residences 64% and holdups of other commercial or business establishments 60%.

When confronted by an armed bandit, you can do only one of two things. Common sense tells us that you should obey the gunman's orders. Yet, some holdup victims offer resistance or set off audible alarms—either of which may be suicidal.

IN ADDITION TO being armed, holdup men are usually scared—often under the stimulus of drugs. They're tense and on the watch for the slightest move that may mean an attempt to give an alarm. It's foolhardy—and usually futile—to risk your life in an effort to protect your property. During a holdup, common sense tells us, just do as you are told.

But with a holdup alarm, you can do as you're told—and still give the alarm—without the robber's knowledge.

With adequate holdup alarm equipment, you can obey the bandit's commands and yet transmit an alarm. You may actuate any one of a variety of concealed alarm devices without giving the criminal the slightest

indication that you are calling for help. By sending an alarm quickly and silently, it is often possible for guards or police to respond in time to prevent the robbery and capture the criminal.

A GREAT MANY holdup alarm devices in use today are shrouded in secrecy. They are designed to be operated without any movement that can be detected by a keen-eyed robber, and are not discussed by their inventors with the general public. Several reliable manufacturers provide holdup alarm installations wherein each is planned for the specific requirements of the protected premises. They include many of the following more commonly known devices.

As in burglar alarms, a holdup alarm system is comprised of three units: Triggering devices, a control unit and an alarm. The control unit receives a signal from one or more triggering devices, and actuates the alarm. The alarm may be a loud gong or siren on the protected premises, or it may be a distress message silently relayed to other locations, such as the police department. Some of these triggering devices and their applications are as follows.

The most commonly used devices for setting off a holdup alarm are doorbell-type buttons. They are dependable, last for years, and can be mounted anywhere, within reach of anyone. They have, however, two important disadvantages. First, they are often touched by mistake and cause costly and embarrassing false alarms. Second, it is often impossible to hold the button on for any length of time.

LEE ELECTRIC Inc. of West New York, N.J., provides a hold-

up button that is actuated by pushing your finger into a hole—to avoid false alarms. Once activated, the device's switch locks in until it is reset by an authorized person with a key. That company also manufactures a pull trap. It consists of two switch contacts held apart by an insulating clip. A taught wire or bar is usually attached to the clip, so it can be pulled out by a motion of the knee or foot, thus setting off the alarm. Both devices are usually mounted under desks and counters.

Mosler Electronic Systems of Danbury, Conn., also manufactures under-counter holdup buttons. One initiates an alarm when pulled by two fingers. It locks in the alarm position until it is reset with a removable plunger. Another style consists of a double pinch button. The two buttons must be pressed simultaneously to initiate the alarm. It is self resetting when released. Both buttons are usually mounted out of sight under desks and counters.

Mosler also provides a money clip that is installed in the cash drawer. This device closes an alarm circuit when the robber removes the bottom bill from the clip, or commands you to do so. The circuit remains closed until a bill is replaced between the contacts of the clip.

A. W. FRUH & Co. of Chicago provides a stainless steel foot-operated holdup alarm that can be mounted in a teller's cage, or under a desk or counter. It consists of a small foot pedal to trigger the alarm. There is a guard over the top of the pedal to prevent triggering it inadvertently. To operate, you insert the toe of your shoe under the guard and press down.

Continued on page 47

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Coverage costs 'small fortune' for Ohio city's aging bus fleet

WARREN, O.—A bus company here had its insurance protection cancelled by one insurer but after a little scouting around found an underwriter at higher rates.

The Markel Insurance Co., Richmond, Va., would not renew coverage for the some 30 buses belonging to the Warren Transportation Co. and Warren Suburban Co. because of the condition of the buses and the financial condition of the two companies.

The bus company has instituted a \$10.1 million suit against Markel and its subsidiary, Security Insurance Co., Hartford.

Insurance protection is now with Michigan Mutual Liability Insurance Co., which until two years ago was the insurer for the bus lines for nearly 25 years. Rates while with Markel were \$6 per \$100 of income; with Michigan rates are now \$10 per \$100 of income.

Because of the financial condition of the bus lines, there are no plans to purchase new buses or repair the old ones. The city of Warren subsidizes Warren Transportation Co. but has no part in the operations.

WASHINGTON has approved an application for a Federal grant to provide funds for the city to buy the buses. If the city purchases the buses, it will begin to buy new vehicles and repair those that can still be used. Many of the present buses date back to 1945.

It was explained that if the city takes over then lower insurance rates may be found once the

buses are made safer and new ones are purchased. Right now the bus companies are paying a "small fortune" for insurance protection, according to management spokesmen.

Even though the city uses some of the buses to transport students to schools, the people of Warren are pressuring city council to stop the buses. The city does not permit buses to run without insurance.

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speaking of security

Continued from page 46

That company also provides a foot operated alarm rail, used behind the counter where two or more people work or where greater range is desired. It consists of two of the foot operated pedals described above, several feet apart. A rail is mounted above the pedals so that anyone who presses down on the rail will actuate either or both pedals.

Alarm Device Manufacturing Co. of Carle Place, Long Island, provides a lift-up rail. A simple upward movement of the toe is all that is needed to operate the alarm. An indicator flag on the foot rail locks in when the alarm is tripped. This is invaluable in installations where more than one foot rail is used, since the cause of the alarm can be immediately pinpointed. The indicator flag can be reset only by an authorized person with a key.

WHILE NOT DESIGNED specifically for holdups, ADEMCO also manufactures floor mats that are often used to trigger alarms. They are of tough vinyl plastic, beveled at the edges and sealed against dirt, oil, moisture, mold and chemicals. They are used at entrances, exits, for actuating safety devices and door openers, and for all general signaling. When they are stepped on by anyone, even a small child, they can trigger the alarm.

Holdup alarm buttons are often supplemented by one or more "wireless" panic buttons. These are small radio transmitters that can be operated by persons on the premises who may see a holdup in progress but who cannot move toward a wired holdup button.

American District Telegraph Co. manufactures this kind of device in a tiny leather covered case, small enough to be easily carried in a pocket or a purse. It requires only a finger-tip touch to activate a standard holdup alarm call for help.

Cameras are often used in conjunction with standard holdup alarm service. When the alarm device is actuated, cameras operate simultaneously with transmission of the silent alarm signal.

CAMERA SURVEILLANCE discourages robberies, but if a robbery does occur, the cameras will photograph the holdup in progress. One or more 35 mm sequence cameras take a series of still pictures in rapid succession, recording the crime and criminal on film. Printed enlargements aid in identifying the criminal and increase the likelihood of his apprehension and conviction. Such pictures have been admitted as evidence in court and may also be used in a defense against possible lawsuits brought by persons who were present during the robbery.

Camera surveillance can also be adapted for photographing suspicious persons. Especially suitable for use in small retail stores and service establishments, this application permits businessmen to take pictures secretly of persons who may arouse their suspicions for any reason, without transmitting the silent holdup alarm signal. In such applications, the camera is usually activated by a switch and will run only while the switch is held on.

ADT provides surveillance cameras that take pictures at the rate of approximately two per second for up to five minutes.

This is generally more than enough to photograph a holdup. A second camera can be connected, if desired, to take pictures from a different location simultaneously with the first camera. One control unit can accommodate two cameras in simultaneous operation.

CRIMINALS ARE camera-shy. Establishments using ADT cameras are provided with display signs for posting at their front door to warn would-be holdup men that their pictures will be taken. Their understandable aversion to such incriminating evidence undoubtedly prevents many holdup attempts.

Retail and other business security systems frequently employ closed circuit television

(CCTV) to provide on-the-spot visual surveillance. Honeywell, which provides this service, believes that CCTV is necessary in any complete protective system, provided that it is used with care and the public is aware of it. They contend that television can be used to apprehend criminals, but its greatest virtue is as a psychological deterrent to would-be bandits.

The number of cameras and monitors depend on the size of the operation. Some retail stores have their entire floors covered by cameras, and employ a security man to watch a bank of monitors. Other stores have the cameras and monitors visible to shoppers. Still others use hidden cameras and have the monitors in the office. One store has its monitors by the checkout stands. However, one department store reports that it has complete television coverage but does not use

it because they cannot get anyone to monitor it. Another retail concern believes that CCTV creates resentment among their customers.

MANY OF THE NEW high-rise apartment buildings use CCTV to scan all entrances, garages and corridors on a 24-hour basis with a concierge station at the center of the main entrance serving as the control center.

Photo cells on the camera's lenses control the amount of light needed to keep the area under surveillance day and night. This means that no matter how late a resident returns, he or she can park in the garage, walk to the building entrance and then on to the elevators—all under the watchful eye of a guard.

The concierge monitors all persons leaving or entering the building. No stranger is permitted entrance without proper

identification. Residents are advised of all their callers and can view them via a special channel on their own television set for quick identification. This also permits a resident to be "not at home" if he so desires, by merely not acknowledging the concierge's call.

A special adaptation of CCTV in retail establishments is the use of "dummy" television cameras. Detector Industries of Houston provides a model that is motorized to give continuous 90° panning. It is equipped with a red "on the air" light to simulate the real thing.

Many stores install a live television camera and monitor where everyone can see them, and then place dummies in other strategic areas. They say that many would-be robbers who see this system in operation change their minds in a hurry and walk out.

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Power company held liable for boy's injury

MONTREAL — A superior court judge here awarded \$193,189 damages to the parents of a ten-year-old boy who was crippled for life when he came into contact with a high-tension wire.

Peter Muhl, son of Mr. and Mrs. Henning Muhl of St. Johns, lost both arms after climbing a platform and touching a power line on the property of David Lord Ltd., the defendant company.

The boy's parents alleged the injuries were entirely the fault of the Lord company, and sued for \$526,784 damages. The accident took place Oct. 18, 1964.

Justice Paul Trepanier held that the company had tolerated

a dangerous situation on its property and said there was no doubt that the defendant was responsible.

THE JUDGE quoted jurisprudence to the effect that: "A permanent legible warning notice shall be placed in a conspicuous position at vaults, equipment rooms, areas, or enclosures, carrying the wording 'Danger—High Voltage' or 'Danger—Volts'."

Justice Trepanier said the evidence showed there was nothing enclosing the transformer installation and no sign indicating danger. In addition, he said, the structure was readily accessible, as the victim and a 14-year-old

companion easily climbed on the platform.

The evidence also showed that the grounds of the Lord company had been used as a kind of playground by neighborhood children who had even constructed a tree house on the property, Justice Trepanier said.

THE DEFENSE had argued that the boy himself should be held at least partly to blame for his injury. Justice Trepanier held there was no reason for a boy of 10 to have thought there might have been any danger in what he was doing.

Justice Trepanier also said the company providing the electricity to the defendant should share the blame, although the plaintiffs had not brought suit against it, since in some ways it had contributed to a dangerous situation.

Firm whose car used without permission not liable: Court

CASPER, Wyo.—District Judge T. C. Daniels has ruled that the insurance company which insured a vehicle used during a murder is not liable for damages because the individual involved did not have his company's permission to use the automobile.

The ruling came in a \$324,329 damage suit brought by Julia Bucina, administratrix of the estate of Grace MacManus, Casper, who was run down by a car on an isolated road near here in March, 1966.

B. J. Dickey of Casper, serving a life sentence in the state penitentiary for the murder, testified at the recent three-day trial that he was not engaged in company

business at the time of the incident.

Mr. Dickey was employed by Mid-Continent Supply Co., owner of the car.

Dog turns...

Continued from page 41

cuit stereo beside him. "There comes a time when a beagle has to make sensible arrangements for medical care," I began, reminding him how he had wheezed and sniffled his way through the winter, and not in very good humor either.

"ONE BAD CASE of fleas or one losing scuffle with a sharp-clawed cat could take a dog out of the action for weeks," I argued.

I could see that Brutus was not impressed.

"Some policies might be giving coverage for this new pet psychiatry and psychology now in the works, and with your hang-ups you could certainly use some of that," I pointed out, rather sensibly I thought.

Brutus, it appeared, was not going to be an easy customer to sell on major medical.

"PROPERTY INSURANCE could be just the thing for a beagle in your situation," I ventured, sounding out Brutus on this kind of coverage.

"One heavy rain could flood out the whole doghouse and then it would be back to sleeping under the old sycamore tree the rest of the summer."

"And that ragged old Army blanket you drag around may not bring much at a pawnshop, but I'd suspect its value to you might tote up to a tidy sum of dog biscuits," I said.

BRUTUS BEGAN to growl—a low menacing sound coming from way in the back of his throat.

"Life insurance might be just what you're looking for," I said, trying to change the subject.

"No one in your flabby shape could expect to get a very good rate, of course," I said, "but a responsible kind of canine would want to meet his long-range obligations to all those pups—whom you don't even bother to visit on Sundays."

I THOUGHT IT was time to start talking about some of the sacrifices that would have to be made to take advantage of these programs, since Brutus' growling was growing stronger.

"The premiums on these programs might be a bit steep," I explained, "and the money, of course, will be coming out of your share of the budget."

"You might have to settle for a less expensive brand of dog food—maybe even horsemeat—and carried chicken livers will definitely be out," I said.

"Week-end hunting trips to the Adirondacks will be out too ..."

Brutus, who was now barking wildly, snarled, made a final show of long white un-insured teeth, then slipped under the sofa to settle down to some serious sulking.

Neither of us has mentioned pet insurance since.

Name Ikeda assistant

Jiro Ikeda has been appointed chief assistant insurance commissioner in the San Francisco office of the California department of insurance.

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Lawyer discusses 'most significant' case of year in pension trust field

NEW YORK—The *Moglia vs. Geoghegan* decision, in which a Federal court held that fully paid pension benefits could be forfeited if a union failed to obtain a written agreement from an employer, was reviewed at a seminar here sponsored by the National Foundation of Health, Welfare & Pension Plans.

Richard P. Donaldson, a partner in the Seattle law firm of Bassett, Donaldson & Hafer, called the March decision "the most significant case of the past year in the jointly administered trust field," and emphasized the need for signed agreements in jointly administered plans.

John J. Moglia, a member of

New York Teamsters Local 282, was an employee of the Elmhurst Contracting Co. Elmhurst made regular contributions to the local 282 pension trust fund on behalf of Mr. Moglia for 12 years, beginning in July, 1953, Mr. Donaldson said.

IN APRIL, 1965, Mr. Moglia submitted a pension application to the local's pension trust fund board of trustees. He had reached retirement age, met all eligibility requirements and had pension benefits calculated at \$200 a month.

The trustees refused the application on the ground that payment would be unlawful under

Section 302 of the Taft-Hartley law requiring that employer payments to employee benefit trust funds be specified in a "written agreement."

Mr. Donaldson noted that the local had attempted to obtain a signed collective bargaining agreement with Elmhurst without success on several occasions.

Shortly after filing the application, Mr. Moglia died and his wife brought action against the trustees in U.S. district court in New York. The district court dismissed the action and an appeal to the U.S. court of appeals for the second circuit affirmed the dismissal.

The court of appeals held

that under Section 302 of Taft-Hartley the trustees could not lawfully pay benefits to Mr. Moglia or to his widow because the contributing employer was not a party to a written agreement with the union.

Mrs. Moglia had argued that the trustees had knowingly accepted contributions from Elmhurst for 12 years and that considerations of basic fairness should prevent the trustees from denying benefits. The court said that regardless of questions of fairness or equity the mandate of Section 302 must be observed.

In his discussion of the Moglia decision, Mr. Donaldson noted that the court had also held that Mr. Moglia was an innocent victim of the trustees' practice of accepting contributions where there was no written agreement and that the court had called the situation "regrettable" and "deplorable."

The court also noted that Section 302 is a criminal statute and indicated in its decision that in the future it will be possible for individuals like Mr. Moglia to sue the union, the trustees or both for not obtaining a signed agreement, Mr. Donaldson said.

TO COMPLY with Moglia and avoid possible civil or criminal penalties, unions should obtain signed agreements with employers before accepting contributions to joint pension funds. Mr. Donaldson said unions should try to obtain a signed collective bargaining agreement with employers, and if this is not possible, then a compliance agreement is the next best arrangement, followed by a participation or subscription agreement.

If none of these can be obtained, then a paragraph detailing the pension agreement should be added to the employer reporting form, Mr. Donaldson said. He noted, however, that the courts have ruled in three recent cases that such a paragraph did not constitute a valid bargaining agreement since the union and the employer were not parties to a contract.

W. W. Ward, owner of W. W. Ward & Associates, California, challenged his audience to take a good look at a national health plan and to determine just "how to draw the line on the right to medical care. In that lies the reality," he said.

He pointed to multi-thousand dollar transplants, \$75-a-day private rooms and \$200-\$300 annual physicals and questioned, "Are these our right? If so they must be equal to everyone but where do we get the facilities, professionals and money to make them equal to all?"

A NATIONAL health insurance system is in the forecast for 1976 with the beginnings already seen in Medicare and Medicaid. The fundamental principles for a national plan lie in universal coverage, comprehensive coverage and high quality coverage.

Mr. Ward contended, "I'm not so sure we shouldn't recommend to our employers to let the government take over." Washington, he said, could place controls on the "whole runaway area of rising rates, doctors fees and fee schedules."

He asked if government control will solve all the problems. "Do we," Mr. Ward queried, "really avoid paying the bill by turning medical control over to the politicians?"

He reminded that universal coverage would provide coverage for everyone—the working, the unemployed, students and welfare recipients.

He left his audience with one other serious thought—"Is there a future for labor-management trust funds? Will they be enlarged and multiply or will they be replaced by government?"

Name Pearson consultant vp

NEW YORK — C. William Pearson has been elected vp of Resources and Management Systems Corp., a management and engineering consultant, and will direct the firm's risk management services division.

He was formerly vp of Commonwealth Services Inc. and was managing director of risk management for Ebasco Services Inc. The firm is the result of a merger between John B. Joynt & Associates, Advanced Management Planning and George L. Wright Organization, three consultant firms.



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Larceny indictment follows two more extensive financial thefts

NEW YORK—Two major losses have been added to the financial community's rising toll of stolen funds and securities—one involving indictment of a sugar market executive for larceny, the other the robbery of several brokerage houses.

Gerald Farrelly, former secretary-treasurer of the New York Coffee and Sugar Clearing Assn., was named in a 12-count indictment for grand larceny in the alleged theft of \$401,198.75.

Henry J. Furey, treasurer of the association, said that part of the loss was covered by a \$50,000 bond written by the Fidelity and Deposit Co. of Maryland. The association raised its coverage to \$1

million following discovery of the loss.

THE INDICTMENT charged that Mr. Farrelly took the money in checks he had signed himself between June, 1966, and December, 1968, beginning two days after he was appointed to the \$20,000-a-year secretary-treasurer post.

Mr. Farrelly resigned last September and allegedly cashed more than \$49,000 of the association's checks in the three months following his resignation, according to the indictment.

The losses were discovered during a year-end audit in January and reported to the district attorney's office. On January 20, after a preliminary examination and loss estimate, the 57 members of the Coffee and Sugar Clearing Assn. were assessed a total of \$200,000 to make up the loss.

The association will fully re-

imburse its members for the loss as soon as possible, and expects to have made full repayment by no later than the end of the year, Mr. Furey said.

IN ANOTHER heavy loss in the financial district, thieves ransacked offices in the New York Mercantile Exchange Building, which houses brokerage firms and the National Stock Exchange.

According to police, six thieves broke into the building about 10 p.m. on May 1, tied up a night watchman and spent four hours moving through the offices of the five-story building.

Edelstein & Co., a brokerage concern with offices in the building, reported that about \$500,000 in securities belonging to the firm were stolen. No customers' securities were involved.

Charles Edelstein said most of the loss was covered by a brokers' blanket bond written by Fireman's Fund.

Government to probe union pension funds

WASHINGTON—Attorney General John Mitchell has begun an investigation of union-run pension funds to learn whether any of them are sources for Cosa Nostra funds as part of the new administration's war on organized crime.

The new attorney general wants a team of four Labor Department men on each of his eight anticrime task forces and on each of the twelve new ones he hopes to put into the field, according to a syndicated column by veteran labor reporter Victor Riesel.

The Labor Department men in each task force would be working with members of the FBI, Internal Revenue Service, the Justice Department's organized crime and racketeering section and other investigatory agencies in an overall attack on organized crime.

To this end, assistant secretary of labor W. J. Usery has cooperated with the Attorney General in requesting a \$2 million appropriation for fiscal 1970 to put 88 new investigators into the field and back them up with 42 researchers and clerks, Mr. Riesel said.

In addition, a part of the proposed appropriation would go toward speeding up the office of labor-management's projected computerization of its files on pension and welfare plans. This would make for more efficient processing of the data now reported to that office, and give the field men more ready access to the available information.

There are currently 33,300 pension and profit-sharing funds on file with the Labor Department's office of labor-management relations. Of these, roughly 5,000 (many more if units are counted individually) are union managed or joint employer-union managed funds, according to Labor Department estimates.

IN THIS COLUMN, Mr. Riesel charged that some of the laborers pension funds have been "infiltrated by the Mafiosi types," and that "there are racket unions operated by veterans of Murder Inc., (and) units fully chartered by the states and the Cosa Nostra.

"There are scores of other locals," he wrote, "whose funds are dominated by the mobs who find them the juiciest legal pork barrel in which they've ever wallowed."

He also cited the case of the Chicago Teamsters pension fund, with 10 or 12 investigations and grand jury proceedings now in progress against persons who attempted to raid the \$400 million fund.

Offers D&O to small banks

American Home Assurance Co., New York, is offering directors and officers liability insurance to small banks and savings and loan institutions for the first time. All small banks and savings and loan groups in the U.S. and Canada having less than \$40 million in deposits will be considered for D&O coverage, the company said.

Missouri . . .

Continued from page 1

were brought to our attention by several people," Mr. Sikes added, "and they indicated the need to move and to move swiftly."

Business Insurance first called attention to the "mini-mutual" problem in Missouri on Dec. 2, 1968, in an article reporting that some unregulated farm mutuals in Missouri were under investigation by postal authorities. That investigation is continuing and it is understood that an indictment of one company operator will be delivered soon.

ON DEC. 16, 1968, *Business Insurance* detailed commercial insurance dealings by Missouri "mini-mutuals" that exceeded their charters by writing policies outside of the state on lines other than fire and lightning insurance. Such policies were written in such far-flung places as California, Washington, Texas and Ethiopia, sometimes with the back-up of reinsurance contracts concluded with an insurance company domiciled in Bermuda.

On Jan. 6, *Business Insurance* carried an editorial titled "We dare you, Mr. Danforth, to take prompt action." The editorial called for the action represented by the *quò warrantò* information now filed by Mr. Danforth's office in Jackson county circuit court. The title of the editorial was a play on Mr. Danforth's campaign slogan, "I dare you!"

In filing the suit, Mr. Sikes said, "The law very specifically sets out the jurisdictional limits

Lloyd's . . .

Continued from page 1

Furthermore, they want to make such a move while there is still free movement of sterling within the commonwealth. Bermuda, for instance, in paying interest rates on two categories of sterling, allows no convertibility between British sterling and sterling issued by Bermuda government.

Another reason, industry experts point out, is that Australia has a stable tax base, which can be "very well forecast." In England, on the other hand, the Labor government is faced with the problem of either cutting back benefits or jumping the corporate and personal tax rates to even higher levels.

One insurance man familiar with the Lloyd's of Sydney plan contended that the scheme probably wouldn't result in additional underwriting capacity "because you're talking about the same money."

He said that the significance of the move was that it showed a continuing "dilution of concentration of underwriting talent from London."

AT&T . . .

Continued from page 1

subsidiaries in which a minority interest is held.

AT&T ENDED a stock purchase plan last June in which employees purchased some 71.3 million shares of newly issued AT&T stock over a ten-year period. The shares were purchased at roughly 85% of the market price.

New shares were issued under the previous purchase plan for the purpose of raising equity capital, an AT&T source said. New shares of the common stock will not be issued to meet demand under the new savings plan.

of these companies which in most cases extend only to the county in which they are organized and adjoining counties. In addition, Missouri law restricts the type of insurance a farm mutual company may write. For example, there is no authority to write automobile casualty insurance, life insurance, or health and accident insurance.


"The attorney general's office recognizes that most farm mutual companies are reputable and operate wholly within the law, but," he added, "the attorney general will continue to file suits against those companies not operating within their statutory authority."

Mr. Sikes said that the suit filed in Jackson county was one of several that will be filed to reclaim the charter now being used by Phillip M. Wilson, who is president of Farmers & Merchants Mutual Insurance Co. doing business out of an office in St. Louis. Mr. Sikes said that there are three Farmers & Merchants Mutual companies in Missouri and that it is not clear just which charter Mr. Wilson employs. An article on Mr. Wilson's operations appears on page 36.

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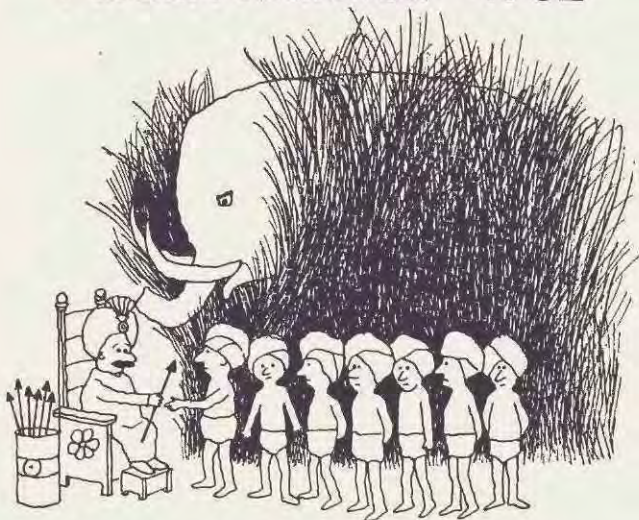
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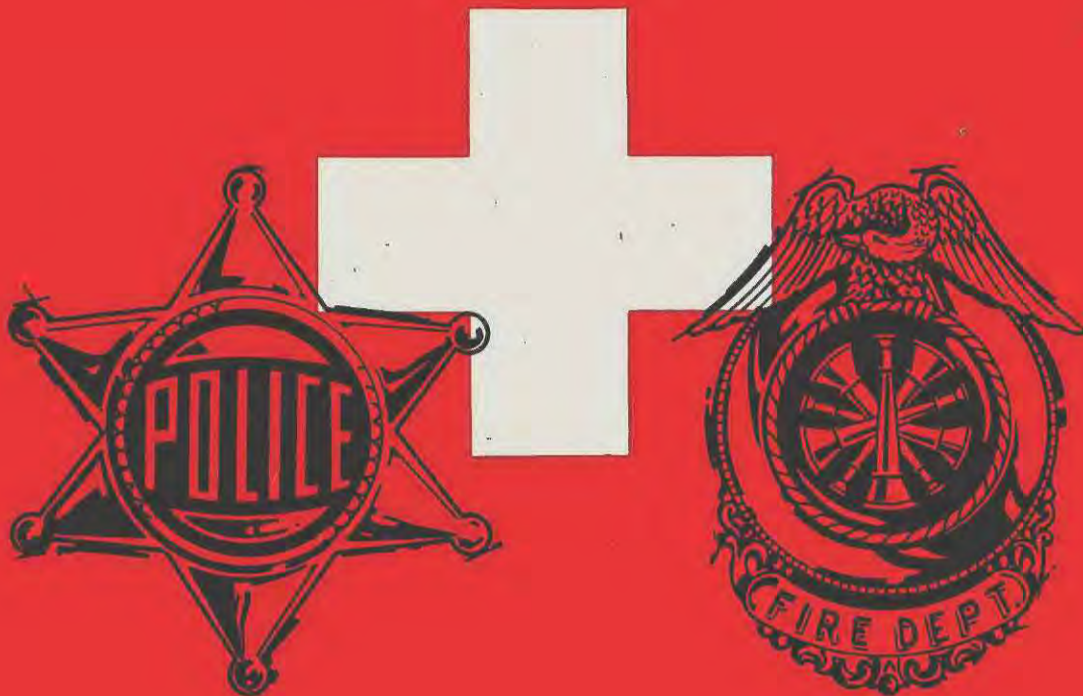
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How "total loss prevention" integrates with industrial risk management—
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Shrinking insurance market capacity, which has forced many insureds to assume higher deductibles, is but one of the factors in the greater awareness of the safety and security aspects of loss prevention. With virtually billions of dollars worth of property and equipment and millions of lives subject to possible losses, risk managers and senior executives are taking an unprecedented interest in plant safety, fire prevention, loss control and security. It is an established fact that knowledgeable corporations have already integrated all major aspects of loss control, safety and security under "total risk management."

This new direction will be analyzed in depth by *Business Insurance* editors in the June 23rd issue. Here's a sample of what's in store...

Case Studies—how companies have restructured

their organizations to link safety and security to risk management... how this new approach to loss prevention has provided actual insurance savings.

Hardware—the risk manager's involvement in the purchase of fire fighting and detection equipment, security and in-plant communications systems for surveillance even basic safety equipment—everything now used to curtail losses.

Research/Development—the effects of human-factors engineering, biomechanics and industrial hygiene on insurance problems.

Legislation—an up-to-date look at the controversial Occupation, Health and Safety bill and the proposed Federal standards for workmen's compensation, as well as a roundup of safety and security legislation in the various states.

A Special Report—on the role the insurance carrier,

agent, broker and outside consultant play in loss prevention and rehabilitation activities.

This current report is designed to bring corporate risk management teams up to date on everything in safety and security—new products, new programs, new services—show them what's being done, what's ahead.

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Trans Union ...

Continued from page 34

management," Mr. Hansen added.

A more recent example of how communications are the backbone of Trans Union's risk management program was Mr. Hansen's decision not to insure \$30,000 worth of goods in storage.

The controller of one of his company's divisions called to ask that the goods be insured. As they talked about the risk, Mr. Hansen discovered that there was little likelihood that the goods could catch on fire. If a

flood came, the goods probably wouldn't be damaged because they were in containers. And the location of the warehouse in which the containers were stored almost eliminated the possibility of theft.

BY THE TIME they finished the conversation, Mr. Hansen and the controller agreed that there was little risk to insure. "That's another example of good communication that saves money," the risk manager commented.

Mr. Hansen uses two major tools to better his risk management communications: One is an insurance manual that he wrote and has distributed to about 70 key men in Trans Union's organization. Periodically, he updates the manual, and annually he sends each division a recap of their insurance coverages.

The second way in which the risk manager gets "wired in" is when a division sends in an appropriation request. Any expenditure of more than \$10,000 by a division must be approved by the company's home office in Chicago. With his copy of such requisitions, Mr. Hansen is able to recommend fire prevention and safety precautions along with what insurance is necessary.

Mr. Hansen's emphasis on communication is evident in the first two sentences of his corporate position description: "There is virtually no activity within this company that does not have some insurance or risk ramification. The establishment and maintenance of open channels of communications to uncover the existence or possibility of pure risk is one of the most important functions that the incumbent

Insurers bullish on Mill Factors loans

HARTFORD — Locally headquartered insurance companies said that chances are good they will recover a major share of the \$7 million which has been lent to the financially troubled Mill Factors Corp., New York.

The prestigious financial firm was found some weeks ago to be close to bankruptcy, being kept afloat primarily by creditors' suffering.

Hartford companies with Factors notes include: Aetna Life & Casualty, \$2.8 million; Travelers, \$2.5 million; Connecticut General, \$1.25 million; and Hartford Life, \$500,000.

Big lenders, such as insurance companies, would get priority in fund distribution to retire Factors' \$35 million debt.

performs."

MR. HANSEN suggests as a way to keep informed frequent talks with plant managers, division and subsidiary heads, division controllers and others at division or subsidiary levels concerning their operations.

In addition, Mr. Hansen makes personal inspections of company plants and offices. He reviews proposed contracts and leases and evaluates loss prevention reports submitted by insurance carriers.

Beyond that, Mr. Hansen said he reads insurance and risk publications, contacts insurance carriers and brokers, and talks with other insurance and risk managers.

Mr. Hansen gives freely of his time, with his company's blessing, to further his concepts of insurance and risk management. In addition to his past service as Chicago ASIM president, he serves on the national membership committee of that organization and was a speaker at its national conference in New York this year.

HE ALSO teaches a Chartered Property & Casualty underwriters course at De Paul University, Chicago, and has been chairman of the American Management Assn. five-day seminar on risk management. Mr. Hansen is a member of the AMA insurance planning council and is scheduled to speak on risk management before the Administrative Management Society's 50th anniversary meeting in Toronto this year.

"If a risk manager cannot take the affirmative steps necessary to open up channels of communication to himself," Mr. Hansen contends, "then he's beat before he starts. Communication is a two-way proposition. If a risk manager wants people to feed information to him, he must be even more eager to reciprocate when he has information needed by others."

Dental plan for Longshoremen local

Dental care benefits for 1,100 members of local 19 of the International Longshoremen's Assn. and their eligible dependents are being provided under an agreement signed between the Marine Terminal Welfare Fund and Illinois Dental Service, Dr. John E. Zur, IDS executive vp, announced in Chicago. The program, which was made retroactive to Feb. 1, provides dental care coverage for most members of local 19 employed in the Port of Chicago area.

Hartford Group wars against absenteeism

HARTFORD — The Hartford Insurance Group is conducting open warfare against absenteeism in industry.

Absence of a skilled employee from his job, because of illness or disability, is, first, the employer's worry—and then, in many cases, that of insurance companies that write group wage replacement insurance.

Modern-day highly specialized production procedures can be slowed down and sometimes even halted by too many employees being absent, and the Hartford Group has launched a "facts of life" campaign to promulgate better employee health care, prevent illness and off-work accidents hazards, and, it is hoped, reduce the group's insurance payments to both employee and employer.

"THE HARTFORD AGENT," group publication, comments: "As an insurance carrier, we have a very important stake in controlling absenteeism—and in keeping loss ratios on major group lines at profitable levels."

The group has in force some 32,000 master contracts providing non-occupational wage replacement insurance.

To be sure, the question is asked, why are employees absent from work? It cannot be attributed to on-the-job accidents or occupational health hazards, since they are at an all-time low because of industry's engineering services, safety campaigns, exceptionally efficient lighting and equipment, plus safety education elements and workmen's compensation warnings.

TODAY'S PRINCIPAL causes, it is noted, are accidents that happen around the home, in sports or handyman projects and illnesses stemming from daily contacts when off the job.

Heart disease, cancer and broken bones are not anywhere near the top among causes for being absent from work, significantly enough.

Major offenders are relatively

minor troubles—i.e., sprains, dislocations, viruses and the common cold.

Fortunately, these ordinary culprits are amenable to preventive steps: Moderate and regular exercise at home, a sensible diet, regular physical examinations, safety precautions in the home and during play.

THE "FACTS of life" campaign, to make the typical employee more conscious of these health-safety factors, is supplying monthly bulletins to be posted or mailed at industries with Hartford Group contracts, posters for plant display and payroll stuffers.

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Giles on the law

When is an employe an employe? Massachusetts court has answer

By JOHN W. GILES
Attorney-at-law

WASHINGTON—Employe or no employe, that is the question.

The Massachusetts supreme judicial court has rejected its time-honored test of what an employe is in an auto damage case. The court now says it should no longer assume that a master-servant relationship does not exist unless the employer has a right to control the manner and means (the details, in other words) of operating the car.

The facts here were that the employe, while on the job in Chelsea, was instructed by his supervisor "to jump in the car and get the payroll" at the company's office in Boston.

He was not told what car to take, but, other than his own, the only car at the site belonged to the supervisor. The employe chose what he considered the "most direct route" and determined the speed of the car. The car was registered in his name and he paid both the registration and operator's license fees.

THE COMPANY, as was its practice, later reimbursed him for the bridge toll fee and paid for the gas and oil used by him. The accident occurred before he reached the office in Boston.

Was this man an employe or an independent contractor at the time of this accident? The Massachusetts court says in the circumstances here the employe clearly was a servant in relation to his duties as a timekeeper where he was instructed to do a specific job and where he had at least implicit permission to use his own car.

The fact that he chose the route and determined his speed does not change his status to that of an independent contractor. The court thought a directed verdict was proper for the plaintiff. Apparently in Massachusetts, now, you have to be pretty independent to be an independent contractor (Mass. Sup. Jud. Ct. *Konick v. Berke, Moore Co. Inc.* 3/10/69).

IF YOU ARE A PATIENT in a hospital and a rat runs across your feet, giving you such a scare that you fall into the bathtub and are injured, can you recover from the hospital?

Of course, it depends, at the outset, whether the hospital is in a state which grants immunity to charitable institutions. This case arose in North Carolina and the complainant alleged that she was a paying patient of the James Walker Memorial Hospital.

She was frightened when a rat ran across her feet and caused her to fall into a bathtub. She sued the hospital and the exterminating company for negligence, alleging that the exterminating company was negligent in not ridding the premises of rats.

THE DISTRICT COURT decided for the defendants. On appeal, the court noted that the cause of action arose before the supreme court of North Carolina overruled its long-standing doctrine of immunity for charitable hospitals (see 152 S.E. 2d 4857).

That case limited the decision's applicability to causes of action arising after January 20, 1967. The question in this appeal was whether this action for damages was barred by the charitable im-

munity doctrine or whether it could be prosecuted to the extent that the hospital's trust funds were protected by insurance.

The court said, in allowing recovery, that where the hospital has insured itself against the risk, the only possible beneficiary from preserving the immunity would not be the charitable hospital, but the paid insurer. The lack of privity between the plaintiff and the exterminating company was no defense.

It is clear that the hospital was under a legal duty to exercise reasonable care in regard to the safety of its patients, and the ex-

terminating company, under its contract, had undertaken to perform a certain aspect of this duty in the hospital's behalf (U.S. Ct. of Appeals—4th Circ. *Hill v. James Walker Memorial Hospital*. 3/11/69).

IN A RECENT CASE in Louisiana in which an insurance company arbitrarily refused to defend the insured in a personal injury action against him, the insured was awarded a judgment against the insurer in the sum of \$17,279.07, representing legal fees and costs incurred by the

insured, plus a 12% penalty thereon.

The district court held that after the question of whether or not the allegations of the petition against the insured stated a cause of action under insurer's liability policy was decided adversely to the insurer by an intermediate state appellate court, and the case was sent back for trial on the merits, the obligation of the insured to defend the action became absolute, and the refusal of the insurer to defend was arbitrary and capricious.

The court approved the doctrine that it is not entirely within the discretion of the insurer to determine which suits against the insured it will or will not defend. It is not within the insurer's rights to say to the insured, even in cases whose outcome is doubtful, that if the plaintiff wins, the policy provisions will be binding, but if he

loses, they are not binding.

The insurer's obligation to defend a suit against the insured, whether groundless or not, is measured by the allegations contained in the complaint rather than by the outcome of the suit. This is true even though the insurer may have determined that there was no coverage on the basis of known or ascertainable facts (See *Parks Equipment Co. v. Travelers Insurance Co.* 293 Fed. Supp. 1026).

Ekeberg gets bureau post

John M. Ekeberg, a career Labor Department employe for over 25 years, has been appointed director of the bureau of employes' compensation. The bureau is responsible for administering statutory Federal programs providing workmen's compensation protection for about four million workers in public, and certain private, employment.

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following the funds

Noninsured pensions' stocks: \$53.4 billion

(In line with an editorial printed in our April 14 issue, *Business Insurance* will publish the pension and profit-sharing fund results of leading companies in the U.S. and elsewhere. This magazine carried the results of 15 leading pension funds and 10 leading profit-sharing plans in its special report on retirement and incentive plans. Firms are invited to mail fund annual reports to *Business Insurance*, 740 Rush St., Chicago 60611.)

By RANCE CRAIN

NEW YORK—Noninsured private pension plans hold an estimated \$53.4 billion in common stocks—or about 7.8% of total stock outstanding, the Securities & Exchange Commission has reported.

Interestingly, life insurance companies, with \$12.8 billion of stocks in their portfolios, and property and liability insurers, with \$14.7 billion (excluding insurance company stock), hold a combined \$27.5 billion in common stocks, the SEC report showed, up from \$23.8 billion in 1967.

The pension plans registered net common stock acquisitions of \$5.7 billion in 1968, up from \$5 billion in 1967 and only \$3.6 billion in 1966. To accomplish this net acquisition figure of \$700 million greater than in 1967, purchases of common stocks were increased \$3 billion and sales rose by \$2.3 billion during 1968.

SEC said that the noninsured pension plans' "activity rate"—the average of purchases and sales divided by the average market value of stockholdings at the beginning and end of the period—rose from 12.6% in 1966 to 19.1% in 1968.

The commission explained that its new activity rate is a better measure of market impact than the old turnover rate. Mutual funds, with an activity rate of 46.6%, had the highest percentage in this category of all institutional buyers.

Surprisingly, life insurers, with an activity rate of 27.6%, were next highest. Activity rate for all stocks on the New York Stock Exchange was 22.3% in 1968, the SEC said.

The institutional groups in the SEC survey collectively bought \$38.2 billion of common stock in 1968, up from \$27.7 billion in 1967.

The institutions held 37% of total stock outstanding at the end of last year, compared to 31% in 1964 and about 25% a decade ago, SEC said.

MOST OF this comes as no surprise to the nation's pension fund managers, of course. One pension advisor at a major company said his management has set a "100% equity target" for the two pension funds. The company has five banks each managing a portion of the funds, and the spread on rate of return was 2.8% "from top to bottom" in the past five years.

The fund has appreciated more than \$200 million since 1966, the advisor told us, during a period in which benefits paid out "far exceeded" contributions. So the five banks must be doing something right.

Key to this corporation's performance is that executives, under the trust agreement, have no veto power over the banks' decisions. But the banks "sink or swim" on how well they do, and they're ranked accordingly.

Performance, by the way, is based on a discounted cash flow technique in which the average annual rate of return is adjusted for inflows and outflows.

According to the company's pension advisor, it's of little meaning

to know the performance of your fund unless you're prepared to take some action on the information. Once the company started feeding money to the group of banks on an equal basis, company management was "very reluctant" to second-guess investment decisions.

Although the company doesn't lay down any hard and fast investment goals (it doesn't want to give the banks any stationary targets to shoot at), one bank so far has been fired for "consistently poor" performance.

International Paper Ltd.

Pension fund results, 1968: Value, \$229.3 million; interest and dividends, \$8 million; profit on sale of securities, \$8.6 million; company contribution, \$5.6 million; benefits, \$3.9 million; eligible employees, 24,000.

Firestone Tire

Pension fund results, 1968: Value \$174.8 million; interest and dividends, \$7.2 million; profit on sale of securities, \$1.4 million; company contribution, \$17.6 million; benefits, \$7.4 million; eligible employees, 36,707 plus 5,406 retirees.

Swift

Pension fund, 1968: Value \$217.6 million; interest and dividends, \$11.3 million; company contribution, \$6.3 million; benefits, \$18.1 million; employees, 65,240.

Lockheed Aircraft

Pension fund, 1968: Value, \$388.9 million; profit on sale of securities, \$3.9 million; interest income, \$9.7 million; dividend income, \$4.25 million; pension payment, \$3.65 million; employees, 95,400. Figures represent five hourly and five salaried funds.

North American Rockwell

Pension fund results, 1968: Value, \$688 million; interest and dividends, \$18 million; profit on sale of securities, \$5 million; benefits, \$4.8 million; company contribution, \$72.2 million; employees, 108,814. Figures are preliminary on 30 pension trusts for U.S. and Canada.

N. Y. welfare, pension funds total assets hit \$3.14 billion

NEW YORK—There was a substantial increase in the number of welfare and pension funds under the Employee Welfare Fund Act last year, according to the state insurance department.

The 109th annual report of the state superintendent of insurance to the New York legislature revealed that 1,304 funds were registered with the department. This is a jump of 66 over the previous year.

To be subject to the Employee Welfare Fund Act, pension funds must be jointly administered or organized by representatives of employees and employers.

THE NUMBER OF EMPLOYEES covered by registered funds increased by 115,000 to over 2,200,000 in 1966, the last year for which statistics are available. The 1966 chart also showed an increase in assets by over \$250,000,000 to \$2.2 billion and contributions almost reaching \$700,000,000.

These figures are all-time highs for the Welfare Fund Bureau, which was established in 1965. Another \$868,000,000 in pension funds is supervised by the state banking department, making the total for fund assets \$3.14 billion.

Other figures which showed all-time highs were the volume of paid insurance premiums, which rose to \$226,800,000 and the amount of direct benefits to members of registered plans, which increased to \$292,185,000.

The proportion of assets filed with the insurance department which were invested in equities has practically doubled from 1957 to 1966, although bond holdings still represented nearly one-half of the assets of registered funds.

The proportion of bond holdings has been reduced, however, since 1957. Mortgage and real estate holdings have remained about the same in this time period.

Pension funds have invested a much greater share of their as-

sets in mortgages and stocks than have welfare funds, which maintain a "more liquid position" with cash in banks amounting to more than one-third of total assets.

Securities safe at last after 5-hour move

SAN FRANCISCO—Executives of some 14 major insurance carriers, Brink's and Bank of America are now sleeping a bit easier at night.

Their somewhat more peaceful slumber results from the "uneventful" carrying out of an event for which approximately \$100,000,000 insurance was provided.

The event was the transfer of approximately \$4 billion in securities, treasury bills and jewelry from the Bank of America trust department vaults to a new vault in the bank's new world headquarters about 300 feet from the old headquarters.

ONE OF THE largest moving jobs in securities ever made, handled by Brink's, found at least 100 special officers, uniformed guards and policemen on duty.

Special authorization and identification was required to enter the area while the Brink's moving job was in progress.

Three armored trucks were involved in the five-hour move. Each truck was limited to \$50,000,000 per load, with no more than \$100,000,000 on the street at any time—because of the insurance limits.

The major share of the insurance coverage was borne by Fidelity Deposit of Maryland, with 12 other indemnitors involved. Policies were placed through local insurance brokers Marsh & McLennan and Johnson & Higgins.

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