

Four Pan Am crashes in 9 months spur studies

By JUDI TALIT

NEW YORK—Pan American World Airways has "received no indication of a premium increase" on aviation insurance, according to a Pan Am spokesman here, despite a record of four Boeing Co. 707 jet crashes in the last nine months, killing all aboard each time.

However, the head of the Federal Aviation Administration, Alexander P. Butterfield said that the FAA will conduct an in-depth inspection focusing on pilot qualifications and performance training programs by the airline, geographic familiarity of pilot staffs and operational checking procedures before take-offs and during flight.

A Pan Am source noted that the company "welcomes the FAA's initiative in undertaking a special in-depth inspection and will cooperate fully with the FAA effort."

It was learned that prior to Pan Am's latest crash in Bali, Indonesia last month, a similar study was being conducted by an independent expert on operations following the Pago Pago crash last January in which 101 persons were killed.

The study, conducted by David Thomas, former president of the Flight Safety Foundation and former deputy administrator of the FAA was in the process of being completed when the latest crash occurred.

With the advent of the latest incident, Mr. Thomas was

asked to expedite his findings. He is currently doing so.

A National Transportation Safety Board spokesman pointed out that the four Pan Am air crashes were not similar in nature.

He explained that the Tahiti crash occurred after the plane hit water and sank, during a night flight. The other accidents took place during a landing, or descent for landing. The planes that crashed in Pago Pago and Boston were both approaching landing during the time of the accidents.

The Bali crash occurred while still 35 miles from the airport, according to an FAA spokesman.

The cause of the latest crash, which killed all 107 passengers and crew members has not been disclosed as yet. ■

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Week of May 13, 1974

business insurance

the national newsmagazine for buyers of employe, property and liability protection and financial services

Tank leak causes polluting toxic cloud

CHICAGO—Almost 300,000 gallons of an industrial chemical leaked from a storage tank here and turned into clouds of hydrochloric acid that sent nearly 200 persons to hospitals while thousands of others fled from their homes.

The leaking tank, owned by Bulk Terminals Co., was filled with silicon tetrachloride, a chemical which forms toxic vapors when mixed with moisture in the air. Clouds of hydrochloric acid were first discovered emanating from the tank on Friday, April 26. The fumes were not stopped until the following Tuesday.

"We don't know exactly what happened," said Bulk Terminals' treasurer and insurance manager Alfred Ellsworth. "We think a weld in the tank failed. The chemical didn't just spill out, it was spraying out."

Bulk Terminals and Cabot Corp., manufacturer of the chemical, have so far been sued for \$20 million in damages in a class action.

BULK TERMINALS' comprehensive general liability coverage, which would cover any damage suits arising from the leak, is with Commercial Union, Mr. Ellsworth commented. The company also has property coverage with Factory Mutual. Brokers for the storage firm are Youngberg-Carlson Co. Inc. Bulk

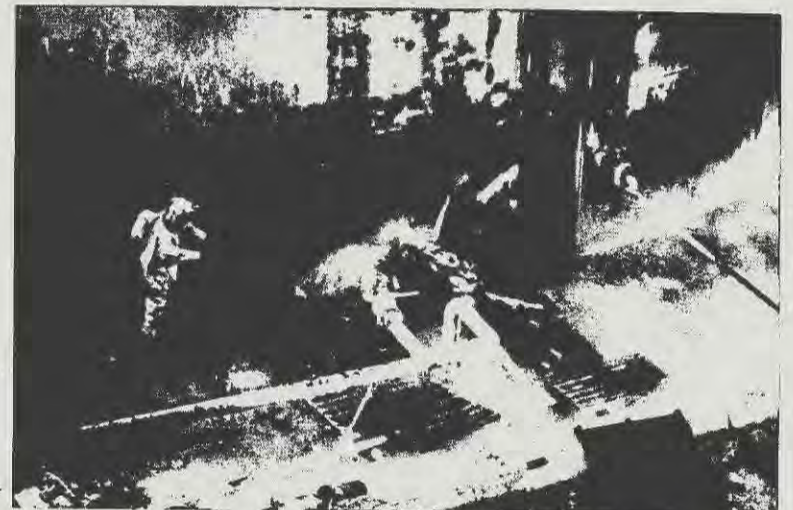
Terminals is not self-insured, the treasurer said, and its deductibles are "not awfully high."

The company also has business interruption coverage, but Mr. Ellsworth explained that Bulk Terminals may lose little or no business because of the incident. Most of its clients buy storage rights on a yearly basis, and the overall interruption of services to these clients may be minimal.

THE ENVIRONMENTAL control department also ticketed the storage company for every day a pollution-causing leak was detected. The first day's ticket will cost Bulk Terminals between \$100 and \$300. All tickets thereafter cost between \$300 and \$500. The company received a total of ten tickets.

Mr. Ellsworth explained that companies storing chemicals in Bulk Terminals' tanks usually arrange their own coverage for their chemicals. So the owner of the silicon tetrachloride, Cabot Corp. of Boston, is not totally covered by Bulk Terminals' property insurance.

"There was an arrangement, a storage agreement with the terminal that would in effect cause a sharing of the loss," a Cabot Corp. spokesman explained. "I think they would bear the loss up to a certain amount per gallon." He added that Cabot was unsure whether anyone was negligent in



Emergency worker makes way toward leak in 500,000-gallon tank spewing liquid silicon tetrachloride. —Wide World

the incident.

Bulk Terminals does not anticipate any negligence suits from any of the other storage clients, Mr. Ellsworth said. The plant's equipment had been tested recently, and other stored chemicals at the plant were analyzed shortly after the incident to detect any damaging effects.

Meanwhile, Chicago's city council is expecting to establish an ordinance that would require all storage facilities to provide the city with a list of their chemicals and methods for neutralizing them. ■

Senate okays amended bill for no-fault; cost cut seen

By RICHARD L. GORDON

WASHINGTON—The Senate passed the Hart-Magnuson no-fault insurance bill by a vote of 53 to 42 but with some last minute amendments of significant interest to insurance buyers.

Senate backers of the bill estimated it could reduce auto insurance premiums by \$1 billion or more. That figure was challenged by opponents.

The Senate bill now goes to the House—probably to the House commerce and finance subcommittee—for hearings later this month or in June. An earlier Senate no-fault measure was killed in the Senate two years ago.

The Senate bill prescribes minimum standards for no-fault insurance to be adopted by the states. States that adopt no-fault plans by Sept. 1, 1975, or already have them, will have four years to bring them into compliance.

States that do not adopt some form of no-fault by Sept. 1, 1975, would face immediate imposition of the federal specifications.

The House version of no-fault, sponsored by Rep. John E. Moss (D-Ca.) would establish a no-fault

Continued on page 10

Captive operators moving to write outside commercial insurance books

By SUSAN ALT

TORONTO—Much of the talk during a day-long session on captives centered on a fast-paced move afoot for many companies with captives to seek outside books of business.

Insurance managers, brokers and underwriters at the popular session during the 12th annual American Society of Insurance Management conference here spoke of Bermuda-based groups of captives presently hurrying to expand into general commercial lines.

The Tuesday session, sponsored by the Captive Insurance Company Assn., drew over 200 people who indicated by their lively participation that there is no decline in interest about captives.

An informal survey of some

participants showed that interest in captives is, indeed, running high. At least a half-dozen insurance managers were counted who are presently starting captive operations. And one official of a Bermuda management company estimated that perhaps several dozen major corporations are in the process of starting captive insurers.

AND MANY, if not most, are headed toward writing outside business. "Big American industry is turning captives into real insurance companies, reinsured by the giants of the insurance business," said Joe H. Blades, chairman of J. H. Blades & Co., Houston, of the fast-paced movement of captives into the general markets.

"We have considered and still

are considering the possibility of participating in the commercial market," added Fred M. Reiss, chairman of International Risk Managers Ltd., the largest of the Bermuda-based captive management firms.

Insurance managers with captives in Mr. Reiss's captives pool told *Business Insurance* that the group is moving now into the commercial insurance market seeking outside business as well as underwriting each other's risks.

"I believe the trend of the future will be for captives to participate in reinsurance pools and selling general insurance to outside companies," said Mrs. Marianne Burge, partner in Price Waterhouse & Co. and an expert on captives. This will provide

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ASIM Conference Report

HIGHLIGHTS of the week-long gathering appear on pages 29 through 53. At its meeting before the start of the conference, ASIM's board of directors voted to change the society's name (page 52), an issue which will now be put before the general membership for a vote.

UNION president Leonard Woodcock told risk managers attending the conference he is disturbed by continuing claims disputes and a general lack of innovation in the insurance industry (page 29).

SEN. JACOB Javits forecast passage of federal pension legislation by early this summer (page 30).

INSURANCE managers were confronted with a three-way discussion about what the insurer, broker and employer expect of the risk manager (page 31) and a lively session on international risk management (page 47).

BENEFITS managers were advised how to control skyrocketing medical claims costs (page 32) and how to work with consultants when encountering problems with group underwriters (page 33). True group auto insurance plans are still moving toward acceptance by employers (page 34).

INTERNAL security and quality control were discussed as the keys to cutting internal theft and product liability exposures (page 53).

CAPTIVES were a main topic of conversation. American Risk Management, the largest captive management firm, has ended its long-enduring merger talks with Commercial Union Assurance, chairman Fred Reiss disclosed at the day-long session on captives (page 45).

Loss control keyed to strong internal reports

LOS ANGELES—The first step in developing major corporate loss control programs is to write top tier internal accident reports.

That was the main message of an Accident Prevention Symposium held here on the campus of the University of Southern California. Three of the 14 speakers, made up of insurers, safety engineers, trial attorneys and

professors, made this point. And according to these speakers, an effective loss control program can lead to gratifying results for the companies creating them.

John Rheinheimer, vp of safety services, R. L. Kautz & Co., pointed out that several of the companies for which his firm administers self-insurance for workmen's compensation pro-

grams have benefited in some obvious ways from a resolute effort to upgrade loss control operations.

A Missouri strip mine, for example, was using dynamite to extract clay to be used in the manufacture of refractory bricks. But there was a problem. Aside from the material handling exposure and the need to maintain unrelenting vigilance on the mining procedure, Mr. Rheinheimer said an investigation disclosed that the dynamite blasted the clay into large segments. These, in turn, threatened the crusher house which was the next step in the operation.

Once this fact was recognized, a relatively easy change could be made, according to Mr. Rheinheimer, who is also president of the Southern California Chapter of the American Society of Safety Engineers. Ammonium nitrate was substituted for dynamite.

AT THE SAME facility, another investigation revealed a bad silicosis exposure problem in the batching department, he continued. The solution: a new ventilation system for the area.

An added dividend of the ventilation system, said Mr. Rheinheimer, was a switch in employee morale.

"Turnover was high, understandably, before the installation of the ventilation system; now, believe it or not, employees are actually bidding on jobs within that department."

A trucking company "that once

was akin to a liability blood bath," also underwent a character change with the coming of an effective loss control program, he said. In fact, the company moved from being known for its bad traffic record to capturing the National Safety Council's safe driving contest for three years in succession. In part, said Mr. Rheinheimer, this was attributable to a well-oiled internal accident investigation procedure.

HOWEVER, before product accident reports can exert any impact on ultimate product safety, quality control people must be enlisted in the investigation process, said Frank Squires of Squires & Assoc., management consultants.

Echoing the opinion of another speaker, that there is little feedback between the engineer who testifies on a product failure and the man at the plant who designed the product, Mr. Squires said this is caused by the fact that engineers tend to concentrate on single defects.

Quality control people, on the other hand, are trained to search for defects in the systems, rather than in a lone product, he said, urging that such personnel be welcomed as integral parts of product loss control teams.

The response at the space division of Rockwell International to a sudden inspection by CAL-OSHA was described by John Gera, chief of the division's health and safety services.

He related that on November 20, an employe phoned the division of industrial safety in Vernon, Ca., to report three problems. They were: exposed wire terminals in the work area; excessive stripper chemicals which employes had to use on work panels; and the fact that a fellow worker had lost four fingers on a machine.

THE RESULT, said Mr. Gera, was a wall-to-wall inspection by the state compliance engineer that endured for three weeks. He underlined that the space division had an ongoing program aimed at correcting serious work hazards and that many of the 200 defects found by the state compliance engineer were already under scrutiny by Rockwell.

However, after the visit, he said that the division moved more swiftly to beef up its safety program, creating a ten-man task force and allocating over \$200,000 for making corrections.

"Our major problems lay in such areas as unused wiring and conduits, ladders, three prong ground wire, walkway access, machine guarding and electrical terminations," he said.

At present, the new safety procedures are mature enough to be exported to Rockwell's new Palmdale plant. Mr. Gera said he is steadfastly holding his supervisors' "feet to the fire," while continuing to convey the safety message to top management.

DEFICIENCIES in aircraft accident investigation were described by Hugh E. Youngblood, Jr., an instructor at USC's safety center.

"Material failure recognition and damage documentation and analysis for accident reconstruction are two areas in which field investigators appear to have limited confidence and knowledge," he told the symposium, which was sponsored by USC, the L.A. Trial Lawyers Assn. and System Safety Society.

To illustrate, he recounted a helicopter accident which occurred when an instructor pilot was practicing a running fixed-pedal landing. As the landing was being made, the aircraft's front crosstube assembly failed, damaging the ship's front portion.

Attempting to assume some responsibility for the accident, the pilot told the field investigator that the aircraft rocked a little more than usual on the slide out during the landing.

As a consequence, said Mr. Youngblood, the fatigue in the crosstube assembly was ignored for a time by the field investigator. Meanwhile, the pilot suffered unfounded anguish.

Aircraft accident investigators also stumble when faced with detecting fire-induced creep damage, said the faculty member.

The result, he said, is that the accident report was inaccurate in its establishment of ground impact attitudes.

AS LONG AS pilot error is found to be the principle aviation accident cause factor in 50 to 80% of the accidents investigated, he asked, "would it not seem plausible to wonder whether the 50 to 80% of all investigation-determined cause factors are in error by the same percentage?"

A direct correlation between the quality of a company's internal investigation procedure and the organization's ability to control losses was drawn by Mr. Rheinheimer. Ground rules in writing good accident reports, he said, begin with executing the report within 24 hours of the incident.

California companies, in addition, must by law notify the nearest division of the industrial safety office of any accident involving employes other than one caused by a motor vehicle.

According to the safety expert, an injured employe's immediate supervisor must write the first report. It should embrace the following facts: Whether the employe was working on a regular or a temporary job; whether he was familiar with his type of work and using the necessary safeguards; and the time and date the incident was first reported versus the time and date it was reported to have occurred.

ALSO NEEDED, he said, are such facts as names, addresses and phone numbers of all witnesses, indications from the supervisor whether circumstances surrounding the incident were discussed with the employe; and an opinion from the supervisor as to whether he is personally capable of instituting corrective measures.

This is only a first step, Mr. Rheinheimer said. He advocated further crosschecking to determine whether the supervisor's investigation has any value for future loss control programs.

The safety expert concluded with the warning that "unless you learn as much as you possibly can about why an injury-producing situation occurred, your chances of implementing a proper control measure to prevent a similar incident in the future are reduced."

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Vol. 8 No. 10—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Chicago, Ill. Copyright 1974 by Crain Communications Inc.

Costly fire protection equipment held to minimum

Hancock buildings provide classic example of high-rise controversy

By MARY ANN CALLAHAN

BOSTON—The overriding concern of a fire insurance company to minimize exposures in a high-rise building is not always consistent with the interests of the profit-oriented corporation which owns that building, according to a real estate-managing agent here.

Even though a company may want to protect its property, it may not want to pay for a full sprinkler network and may decide to use an alternate system, he added.

That statement, or understatement, seems to hold true even when the owner happens to be an insurance company—John Hancock Mutual Life Insurance Co., for example—bemoaned a fire insurance expert who asked to remain anonymous.

HANCOCK, WHICH in recent years has commissioned the leading architectural firms of Skidmore, Owings & Merrill and I. M. Pei, to build imposing high-rise structures in Chicago and here has installed only minimal fire prevention and detection systems. The system is not as dependable a network as at least one major fire insurance carrier would like to see.

One underwriter told *Business Insurance* that his company "wouldn't touch the unsprinklered Hancock buildings with a ten-foot pole."

The 100-story Chicago Hancock Center has sprinklers in its commercial and mechanical areas only, which led this underwriter to react with, "Why is it that a corporation so often feels that its mechanical assets, such as computer systems, are much more valuable than its human resources? Why are not the employes and people living in the Hancock protected by a sprinkler system if its computers and machines are?"

A **HANCOCK** spokesman replied that the company has no plans to install a sprinkler system in its Chicago Center, noting "While it might be safer, it would cost quite a lot."

However, Automatic Sprinkler Corp. of America is presently installing an \$875,000 sprinkler system in the already-completed 60-story Boston Hancock Tower. The system, developed by Fire-Pro Inc., Hancock's fire protection consultants, conforms to the National Fire Protection Assn. standards, and consists of 12,000 sprinkler heads linked to 35 miles of pipes with water fed from the standpipe system already in the building.

The sprinkler system, which was not included in the original design of the building, was added "in view of recent high-rise fires in other parts of the country," according to Albert E. Prouty, vp and officer in charge of the company's home office building project.

What Mr. Prouty didn't say was that one of those high-rise fires occurred in the Chicago Hancock Center on Nov. 15, 1972. That fire established the record for the highest location in a building to have a severe fire, according to the *Fire Journal* of NFPA.

The Chicago Hancock Center has six floors of commercial area, seven floors for parking, 29 office floors, 47 floors of apartments

and 11 miscellaneous floors. It has a steel frame construction with the steel protected by a sprayed-on asbestos material to provide fire resistance. The floors throughout are of poured concrete and the outer skin is of glass set in aluminum mullions with a ¼-inch-thick aluminum skin over the steel beams and columns on the exterior side of the building. The entire building is heated and cooled electrically.

Although the building is not completely protected by either an automatic sprinkler system or an automatic fire detection system, certain parts of the building are protected by such systems in accordance with the Chicago fire code at the time the building was constructed. For example, the kitchen for the restaurant-lounge, where the 1972 fire broke out, on floors 95 and 96, is protected by sprinklers, while the remainder of the restaurant-lounge has a heat-sensitive fire detection system. The local fire department spent considerable time working with building management to plan fire-fighting operations in the building, according to NFPA, which is one reason why damage was not as serious as it might have been.

ANOTHER REASON, according to NFPA, is "the fact that there was very little combustible material in the ninety-seventh floor. Had there been greater occupancy on that floor, with more combustible materials near the windows, a serious fire would probably have developed there, fire experts believe, and the fire would have spread to the floors above 97. The furniture in the cocktail lounge consisted of 24 tables with metal base and plastic-laminated-on-wood top, 44 chairs and 8 couches made of polyurethane cushioning and cotton felt on a wood frame. According to re-

ports, many occupants of the floors below did not even realize there was a fire and there was no attempt to evacuate them."

A spokesman for Sudler & Co., managing agents for the building told *Business Insurance* that "the city of Chicago leads the nation in the fire building code and this building conformed to that code as it was when it went up. Since then, the code has been made even stronger in its sprinkler requirements, however," he added.

IN THE BOSTON building, too, the architect, Henry Cobb of I. M. Pei, included specifications which reduced the fire exposure.

According to a Hancock release, "the Tower was designed to conform with all applicable codes, but it also goes substantially beyond the requirements of those codes in providing special firesafety systems.

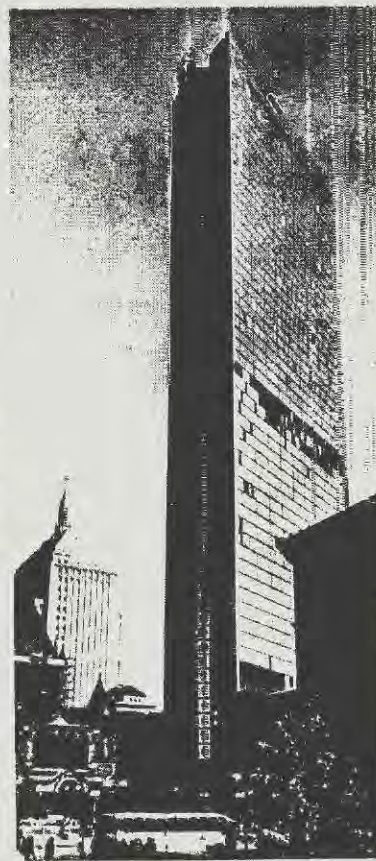
"A Building Safety Center, manned 24 hours a day, enables management personnel to identify, locate and respond at once to an emergency condition anywhere in the building.

"An ionization detection system responds instantly to the presence of combustion on any floor of the building and transmits this information to the Building Safety Center.

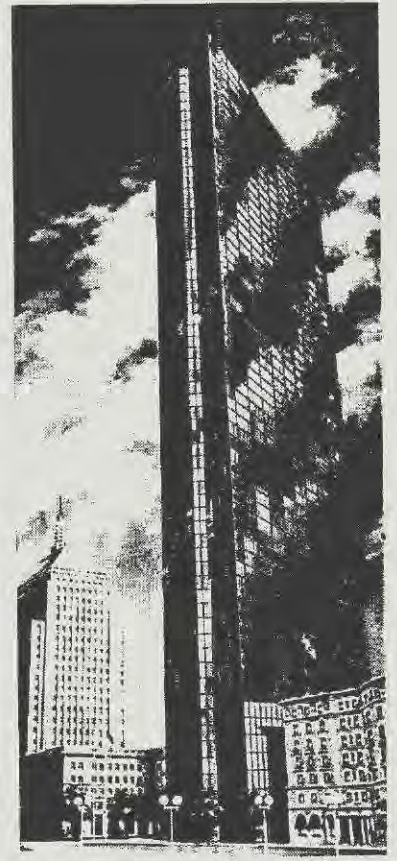
"A smoke-exhaust system when activated by ionization detectors, vents smoke and heat to the outside and prevents its recirculation through the building.

"An elevator-return system in the event of fire on any floor, automatically deactivates the call buttons, returns all elevators serving that floor to the street level and switches them to manual operation, thus making them immediately available for fire-fighting and rescue as needed.

"An internal communication system enables personnel in the Building Safety Center to com-



Hancock Tower, Boston, with blown-out windows boarded up.



Artists' rendering of what Hancock Tower will look like when repaired.

municate directly by loudspeaker with any floor of the building.

"Emergency water storage keeps water immediately available for firefighting, independent of city water supply.

"**FIRESAFETY** was also of primary concern in the selection of interior materials and finished," he Hancock statement said. "Carpeting throughout the building meets the very stringent requirements of the new Boston Code with respect to flame spread and smoke generation. Paint materials are non-flammable and lead-free. Aluminum venetian blinds rather than drapes are used throughout, and light fixtures are of all-metal construction. Interior furnishings, including upholstery fabrics and filling, are fire resistant."

Construction of the Boston Hancock Tower has been plagued by the well-publicized falling-out of its window panes, which in turn have been covered with ply-

wood until all 10,548 can be replaced with a stronger glass. When city fire inspectors in 1973 saw the building half-shingled with plywood, they decided that, too, was a definite fire hazard and ordered the plywood patches covered with black, fire-retardant paint.

Still, chief George Paul of the Boston fire department praised Hancock for installing the sprinkler system, noting that "the company's action . . . goes far beyond the guidelines of the 1969 building code under which the Tower was constructed. I believe this is a giant step forward in improving life safety in high-rise buildings. Recently enacted legislation will now require such systems for all high-rise buildings beginning in March (1974) and I would hope that such buildings erected prior to this date would follow the example set by the Hancock in voluntary installation of sprinklers."

Demand armed nuclear plant guards

NEW YORK—Faced with the onslaught of nuclear power plant sabotage, the Atomic Energy Commission demanded an increase in plant security, requiring all utilities throughout the country to acquire armed security guards by mid-June.

Although most utilities are not expected to have a full service armed security force until that time, it was reported that Consolidated Edison Co.'s Indian Point nuclear plant has already begun acquiring guns.

One major electric company in Connecticut, Northeast Utilities, said that it has already revamped its security system, but would now have to make revisions to include armed security guards in accordance with AEC demands.

A Consolidated Edison source noted that it is wary of arming its guards for fear of dangerous accidents.

ANOTHER NUCLEAR industry spokesman expressed a similar concern. He said, "because the caliber of industrial guards is not very high—they're not exactly an elite corps. In the presence of delicate machinery, you don't like to provoke a gun battle."

A number of utilities have expressed their opposition to the se-

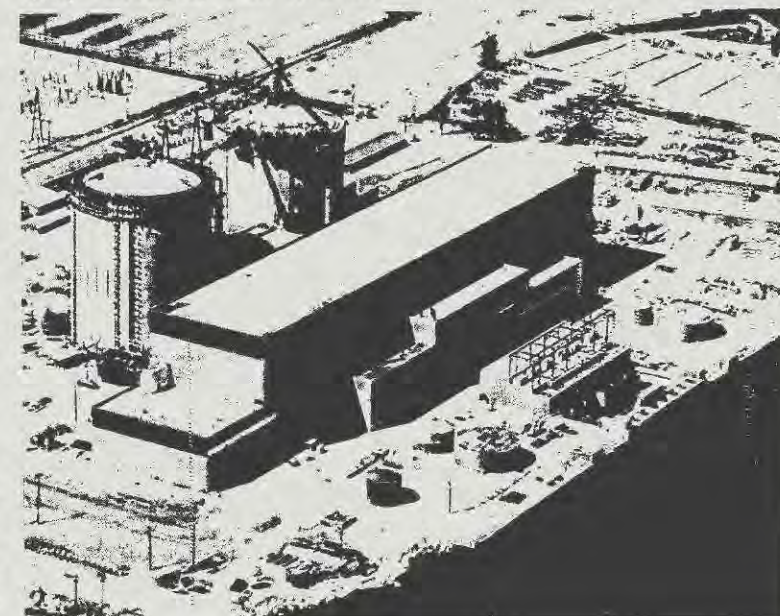
curity demands, according to the AEC because they feel plant security is the function of the national defense.

However, chief of the AEC's materials protection standards branch, Dr. James A. Powers, said that if nuclear power is privately developed, then it is the

nuclear power industry's responsibility to provide security for its plants.

AEC demands are based on a set of standards issued by the American National Standards Institute, last year.

Standards, according to the institute, are very general because



Nuclear plant security is a growing problem for installations such as this one in Zion, Ill., the world's largest.

"specific provisions of industrial security programs must be regarded as highly sensitive information."

THE MANUAL notes that "the extent to which these security forces are supplied with protective equipment: such as firearms, tear gas, crowd control devices, or nightsticks, as well as the duties assigned these forces, must be carefully assessed by the owner organization. The merits of arming security forces to meet the threats . . . shall be carefully weighed against the potential hazards associated with possible misuse of firearms."

The report added that any security systems adopted must be able to respond "to a wide variety of potential threats" from "a spontaneous and undisciplined actions of a relatively large group of people involved in mob activities associated with civil disturbances."

"Protection against actions associated with deliberate assaults by trained para-military groups or militant units of a foreign power is not covered by this standard. Protection against such actions is the responsibility of the U.S. government," the report stated.

ATTENTION: AGENTS/BROKERS

On July 22, *Business Insurance* will publish its third annual Agent/Broker Profiles issue.

Last year's issue contained profiles of 500 leading agents and brokers whose business (property, casualty, employee benefits and related services) is with commercial accounts.

Those profiled last year should have received in the mail a copy of their listing as it appeared last year along with instructions as to how it should be updated for inclusion in the 1974 Profiles issue. Please return it completed as soon as possible.

Those who were not included in last year's edition and would like to be considered this year may obtain the necessary questionnaire by writing to *Business Insurance*, Agent/Broker Profiles, 708 Third Ave., New York, N.Y. 10017. Or, if you desire immediate attention, call Ms. Judi Talit at 212-986-5050. To qualify agencies and brokerages must have gross revenues of \$150,000 or more annually, with 50% or more business from commercial accounts.

Free safety clinics and advisory inspections offered state employers

MIAMI—Small employers in Florida have little excuse nowadays for ignorance about work safety. Two separate programs are now underway to help them overcome safety-related insurance and engineering problems.

Free safety clinics are being sponsored three or four times a year in various cities around the state by the American Insurance Assn. (AIA).

At the same time, the industrial safety section of Florida's Commerce Dept. is offering on-site advisory inspections at no cost to any employer who wants them.

Arthur Spiegelman, a vp at AIA, told *Business Insurance* the association's clinics are designed

"as an insurance service for small businessmen. We don't specify size, but they usually have less than 50 employees. We get a whole group of these fellows together and give them a really good program."

THE CLINICS often have an attendance of more than 200 employers. They are divided into groups of similar industries, varying from construction to hotel-keeping, Mr. Spiegelman explained. Loss control experts from various insurance companies and agencies like the Occupational Safety and Health Administration (OSHA) speak to the businessmen about specific safety problems.

The American Society of Insurance Management also participates in some of the clinics. Each year at the AIA's Administrative Engineers conference, ASIM representatives join the seminars on risk management, Mr. Spiegelman pointed out.

In the Florida clinics, "we actually tailor the program to fit the needs of the specific job categories," he noted. But every clinic focuses on "total loss control," including property-liability risk management as well as work safety.

"We realized that we couldn't compartmentalize safety," Mr. Spiegelman said. "So all our programs are developed around the entire picture."

The AIA's emphasis on employee safety as well as property-liability risks dates back to 1965, he explained. In that year the National Board of Fire Underwriters combined with the Assn. of Casualty and Surety Companies to form the AIA. The hybrid association currently has about 200 "member" insurance carriers who support the AIA as a non-profit organization. And these carriers also pay for the Florida safety clinics.

MR. SPIEGELMAN said the carriers enjoy opportunities to address regular and potential clients in one place almost as much as the small businesses appreciate the educational forum. "It becomes a local event. This is our favorite way of getting to a whole group of people at once," Mr. Spiegelman added.

Clinics also work well because they capture the attention of employers who occasionally ignore work safety as they concentrate on other problems.

"Sometimes the only way we can get to them is to spoon feed them," Mr. Spiegelman lamented. "But it's worth the effort, and we feel we're going to move ahead in the years to come."

"It's hard to gauge results," he added. "What we do know is when we get to these people we create the awareness and the motivation to look further."

Today the AIA clinics are organized in two states, Florida and New York. But the programs are considered successful, and the AIA may someday begin organizing clinics in other states. One obstacle is the AIA's limited staff, Mr. Spiegelman said. It would need to be expanded drastically before the organization could move into more states.

In Florida, the federal OSHA still has fine-levying authority where there are job safety violations. But the state Commerce Dept.'s industrial section offers to make on-site inspections without threatening to impose penalties on employers. And like AIA, it has courses and presentations designed to help small businesses stay out of work safety woes.

"**WE'VE HAD** this for years as far as education and training are concerned," said John C. Glenn, administrator of industrial safety for the Florida Commerce Dept. "And the service we are providing has been very well received."

The state's inability to impose penalties on private businesses tends to give the industrial safety inspectors a "good guy" image because the fear of penalties doesn't exist, Mr. Glenn said.

"The small businessmen will want anything you can give him, knowing you can't impose any penalties," he reasoned.

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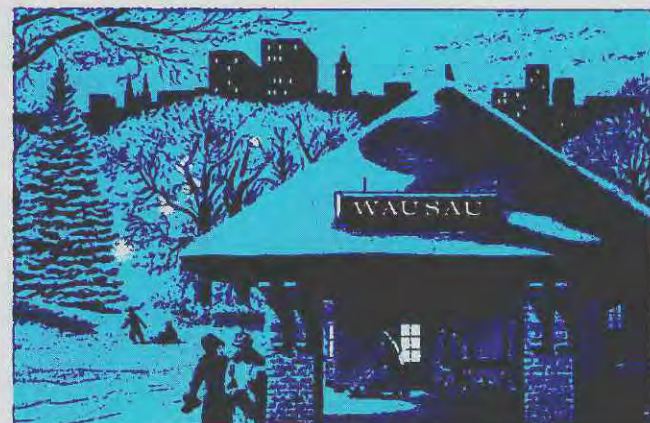
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labor beat

A wrapup of 1973 union negotiations: Tough year for collective bargaining

(Ed. note: The following labor beat is reprinted, with permission of the editors, from AFL-CIO American Federationist. The authors of the article, Rick Galleher and Thomas R. Roth, are members of the AFL-CIO department of research. Mr. Galleher is an economist and Mr. Roth is a research assistant.)

WAGE INCREASES in major collective bargaining settlements negotiated in 1973 showed an overall decline from the previous years under the continuing impact of wage controls. The average first-year wage increase under major contracts—contracts covering 1,000 or more workers—negotiated in 1973 was 5.8%, down from 7.3% in 1972 and 11.6% in 1971. Over the life of the contract, the average wage increase was 5.2% compared to 6.4% in 1972 and 8.1% in 1971.

With wages and fringe benefits combined, the average first-year increase provided by 1973 settlements covering 5,000 workers or more was 7.1%, down from 8.5% in 1972 and 13.1% in 1971. Over the life of the contract, the average gain of wages and fringe benefits combined was 6.1% in 1973 in contrast to 7.4% in 1972 and 8.8% in 1971.

First-year increases in wages and benefits were the same for contracts with escalator clauses as those without escalator clauses, 7.1%. However, over the life of the contract, wage and fringe benefits changes were higher in contracts with escalator clauses, 6.3%, than those without such clauses, 5.9%.

PENSION IMPROVEMENT, as in previous years, was again a dominant issue in 1973 bargaining. Significant gains were made in pension provisions governing such areas as benefit levels, retirement age, survivor benefits and vesting requirements.

The air line pilots at North Central Airlines agreed to a revised pension plan providing \$9 to \$13 per month per year of service, depending on the employee's salary bracket.

Similarly, pension benefits were increased in the rubber workers' settlements with the major tire and rubber companies. At Uniroyal, Goodrich and Firestone the normal pension benefit was raised from \$7.75 to \$9.50 a month for each year of credited service for employes retiring in the first contract year, \$9.75 in the second year and \$10 in the final year. Rubber workers' agreements also allow early retirement at age 55 after 30 years of service with unreduced pension benefits. Early retirees will receive a supplemental "bridge benefit" of up to \$185 a month until age 62, the age of eligibility for Social Security. Other contracts negotiated by the URW at General Tire, Armstrong Rubber and Richardson Tire Co. specify a \$10 a month per year of service pension. These agreements also enable an employe to retire at age 55 after 30 years of service with full pension, plus a \$200 a month bridge benefit until 62.

The "30 and out" clause negotiated by the auto workers at the big three auto companies enables a worker to retire after 30 years with full pension benefit, regardless of age. Those retiring before

age 62 receive a guaranteed monthly benefit ranging from \$550 for employes leaving between March 1 and Oct. 1, 1974, to \$700 for those retiring on or after Oct. 11, 1978.

At age 62, when employes become eligible for early Social Security benefits, the benefit ranges from \$320 for employes retiring between March 1 and Oct. 1, 1974, to \$430 for those retiring on or after Oct. 1, 1978. At age 65 these amounts terminate and the retiree receives a lifetime pen-

sion ranging from \$8.75 to \$11.50 per month per year of service, depending on his pre-retirement wage rate and the date of retirement, plus a "lifetime" supplement of \$75 to \$100 per month depending on the date of retirement.

VESTING OF pension benefits was improved in a number of 1973 agreements. The woodworkers' agreement with Weyerhaeuser provides full vesting after 15 years employment, regardless of

age. A similar vesting provision was negotiated by the Retail, Wholesale and Department Store Union with Foster Grant Co.

The IBEW contract at Arrow Hart requires full vesting when age and years of service equal 60. At Westinghouse the age requirement was dropped and IBEW members now have vested rights after ten years of service.

Soaring medical costs have prompted numerous unions to negotiate improved health and welfare benefits. Although health care packages vary considerably from contract to contract, many gains in this area took the form of increased hospitalization coverage, liberalized surgical schedules, improved major medical insurance and medical protection through dental, optical and prescription drug plans.

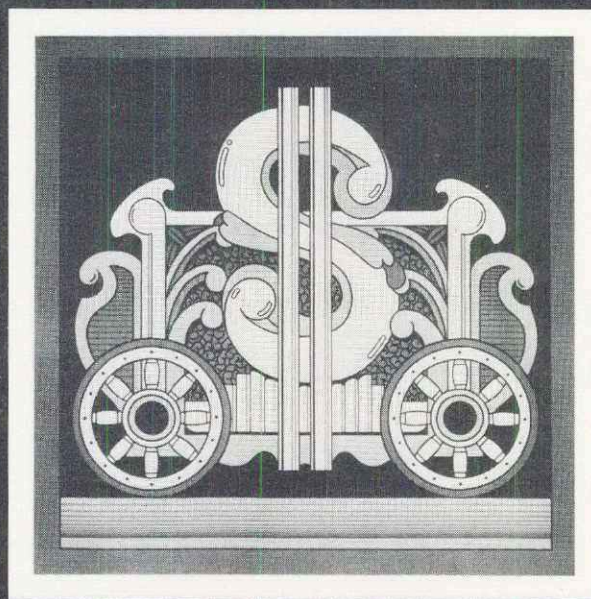
IUE increased the surgical fee limit from \$1,000 to \$1,200 at Warwick Electronics. The molders' contract with the Manufac-

turers Industrial Relations Assn. converted a surgical schedule from a maximum of \$450 to a plan which meets all "usual and customary fees." Some medical care programs were improved by increasing the employer contribution toward Blue Cross-Blue Shield premiums. The Ladies' Garment Workers now receive 75% of the Blue Cross-Blue Shield premium from Knit Manufacturers of New Jersey, while Foster Grant and the RWDSU agreed to a 90% employer contribution.

MAJOR MEDICAL insurance was also improved markedly in the molders' contract. A \$100 deductible, \$250,000 maximum major medical benefit replaces a previous \$10,000 limit. The 15-union National Class I Railroad Accord raised the lifetime major medical coverage from \$50,000 to \$250,000. The \$250,000 major medical plan was also included in re-

Continued on page 7

**If self-insurance can do all it says
it can do, why hasn't every company
jumped on the bandwagon?**



**Because self-insurance just
isn't for everybody.**

Continued from page 6
cent electrical manufacturing settlements. The IUE agreements at GE, RCA and Westinghouse raised the maximum major medical benefit from \$100,000 to \$250,000 per illness.

In addition to amending the benefit levels of existing health plans many unions established new types of medical programs previously not included. Company-paid dental, optical and drug plans were negotiated for the first time in numerous 1973 contracts, including the service employees with San Francisco hospitals, the Bakery Workers with Nabisco Inc., the machinists with a group of California car dealers and the oil, chemical and atomic workers with Parke Davis.

The new meat cutters' contract with Swift, Wilson, Armour and Oscar Mayer included a prescription drug plan with a \$1 deductible, a dental plan with \$25 deductible and 80/20 coinsur-

ance, and an optical plan paying \$15 per examination in addition to a fee schedule covering the full range of eye care needs.

The grain millers' contract at Kellogg Co. provides for a drug plan in the second year and dental insurance in the third year, but immediately establishes a maximum \$2,000 benefit in any 12 consecutive months for mental or nervous disorders and a \$45 per trip ambulance service insurance. Ambulance service insurance is also included in Teamster agreements at ICI American Inc. and Del Monte Corp. The service employees established a psychiatric care provision in its agreement with Kaiser Permanente Medical Facility in Los Angeles.

PROTECTION AGAINST income loss through paid sick leave and sickness and accident insurance were also negotiated in 1973. The longshoremen obtained the 18th day of accumulated sick

leave from the dried fruit processors in the Santa Clara, Ca., area while the teamsters and the Illinois food distributors agreed to 12 sick days with 90 days total maximum accrued. At RCA, IBEW members will receive ten days of paid sick leave which can also be carried over from one year to another. Eastern Airlines and the transport workers have included a sick leave provision which allows 4½ hours per month with a maximum accrual of 400 hours. A multi-union agreement with the Long Island Railroad increased paid sick days that can be accumulated from 60 to 72 and provided 60% pay for an additional 72 days.

The IUE contract at Warwick Electronics increased the weekly sickness and accident benefit to \$70, while a \$115 per week maximum was negotiated at the Minnesota Mining and Manufacturing Co. by the oil workers. The URW contracts with Goodyear, Kelly-

Springfield and Richardson tire companies provides a \$95 weekly sickness and accident benefit—a \$10 increase over last year. The brewery workers also agreed on a revised sickness and accident plan at Anheuser-Busch which will reach \$125 per week by 1975.

INCOME maintenance took a variety of forms in 1973 bargaining, with notable improvements made in supplemental unemployment benefits and severance pay. Jury duty pay clauses and liberalized funeral leave provisions were also increased to protect worker income during brief, but unavoidable absences from work.

The brewery workers' agreement with Anheuser-Busch increased SUB to \$100 per week for 26 weeks. The contract at GE now provides a plan which supplements government unemployment benefits to guarantee workers 50% of normal pay. A special weekly supplement is also offered

ten-year employees aged 55 to 62 affected by plant closures.

Severance pay plans have been initiated in many contracts and improved in numerous others. The service employees representing New York apartment building employees have 11 weeks severance pay after 8 years of service with a minimum of \$300 termination allowance for less senior workers. The IBEW negotiated a maximum of 8 weeks severance pay at Arrow-Hart Inc. while the teamsters' agreement at Campbell Soup allows 10 weeks severance pay after 15 years and one additional week for each year of service over 15. SUB gains were also registered by the allied industrial workers' agreement with Magnavox. One-week severance pay is provided after one year of service, 1½ weeks after three years and two weeks after five years.

The concept of paid jury duty became increasingly popular in 1973. An ILGWU contract established a jury duty provision which enables an employe in the Cleveland knitgoods industry to receive uninterrupted compensation for jury duty up to 6 weeks. Other jury pay clauses were initiated in several teamster and textile workers' agreements.

LIFE INSURANCE coverage was substantially improved in many 1973 settlements. The distillery workers' new contract with Hiram Walker and Sons specifies a fully paid, \$21,000 life insurance policy. Likewise, hourly paid Westinghouse employees will receive up to \$19,500 coverage while salaried employees will receive up to \$30,500 in life insurance.

The steelworkers recent settlement at Dow Chemical Co. provides \$16,000 and \$20,000 in company-paid life insurance coverage. The transport workers union representing New York Port Authority employees and the utility workers representing production and maintenance workers at Boston Edison have contracted life insurance benefits equal to twice the worker's salary.

Rubber workers' contracts raised life insurance coverage to \$9,500 at companies including Goodyear, Dunlop, Kelly-Springfield, Armstrong, Richardson and Electrical Hose. The machinists obtained a \$10,000 life insurance policy from Eureka-Williams Co., as did the railway clerks at Northwest Airlines.

AIRLINE PILOTS negotiated a \$50,000 accidental death policy for agents and clerical employes at North Central Airlines.

Vacations continued to improve for both senior and junior employes under contracts negotiated in 1973. While many contracts lengthened the annual vacation period, others reduced the eligibility requirements for existing vacation allowance. The ILGWU and the knit manufacturers of New Jersey agreed to a graduated vacation plan which provides one week of paid vacation after six months of employment, two weeks after one year and three weeks after two years. In another contract with apparel contractors in Eastern Pennsylvania, the ILGWU reduced the eligibility requirement for a four-week vacation at Christmas to one year of service. The allied industrial workers' contract with Magnavox and the IUE agreement with Sprague Electric allows two weeks vacation after two years of service.

The brewery workers' contract with Anheuser-Busch established eight weeks of vacation after 20 years of employment.

Six weeks of vacation after 25 years is provided by the meat

Continued on page 8

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Non-contributory benefits feature of Washington Post settlement

WASHINGTON—The Washington Post agreed to switch from a contributory to a non-contributory system of health and welfare benefits last month in settling a 16-day strike with the 1,100 member unit of the Washington-Baltimore Newspaper Guild.

The added cost to the company was not disclosed, but officials said the approximately 885 full time guild employees had been paying an average of \$7 a week for the benefits under the former contract.

The guild and the Post also agreed to investigate the feasibility of including the part-time guild employees in the health and welfare benefit package. About 200 members of the unit are part-

time employees.

The part-time employees, some in the editorial department of the newspaper, but most in the commercial department, have already been included in such benefit areas as vacation pay, severance pay, holiday pay, experience credits, and the guild's grievance procedures.

BUT ONE guild official speculated about the "sincerity" of the Post management in agreeing to "investigate" the further extension of employee benefits to part-time workers.

In the retirement benefit area, the guild's full time members severed their participation in the Post's profit-sharing plan in

favor of directing all contributions toward a new pension plan with fixed benefits.

Under the profit-sharing plan, guild members could withdraw from 30% to 70% of their account if they left the company before retiring at age 65. The full amount was available at that age.

Under the old two-year contract, the Post contributed \$5,000 a month to the pension plan for the first of two years and then \$8,000 a month for the second year.

In addition, a pay increase that was ordered rescinded by the cost of living council was funneled, with government approval, into the pension account, creating a fund of about \$500,000 by this year.

The new agreement calls for a company contribution of \$16.25 per week per full-time guild employee, or about \$62,000 a month.

A benefits schedule for the new pension plan has yet to be drawn up, however. The trustees for the fund were only appointed earlier this year, according to the company and the union.

Medical coverage, written through the Prudential Insurance Co., included increases in the following areas:

- full coverage for up to 180 days of hospital stay from 75% of coverage after the first \$10,000;

- full coverage of reasonable surgical costs from 75% of such costs;

- an increase in x-ray and laboratory costs to \$150 a year from \$50;

- a reduction in the major medical deductible from \$100 per calendar year to \$25 per calendar year;

- elimination of the former \$500

maternity benefit in favor of full coverage of maternity costs;

- elimination of the \$100 deductible for drugs to a \$2 deductible per prescription.

THE HEALTH benefit increases were agreed to before the final stages of contract bargaining and went in effect March 1. Their cost, however, was taken into consideration in producing the final package.

The contract immediately raised the top weekly minimum salary to \$423.25 from \$400 with a further increase to \$448.25 effective next April 1.

In approving the contract, the guild membership first voted down a resolution to continue the strike and for putting up a picket line. Picket lines had not been established previously and the Post had continued publication throughout the walkout. ■

Labor beat . . .

Continued from page 7

cutters' new vacation provisions with Cudahy, Rath and Oscar Mayer. The teamsters' new contract with Missouri-Illinois Food Distributors provides seven weeks of vacation after 30 years.

Improvements in holiday schedules were also provided in 1973 settlements. While many unions were bargaining for nine or ten paid holidays, many others negotiated additional holidays, including Martin Luther King's birthday and the day after Thanksgiving.

One relatively new idea in collective bargaining is to provide members of a bargaining unit with legal services on a prepaid, group basis.

FOR THE PAST three years, members of Laborers' Local 229 in Shreveport have been covered by a pre-paid legal insurance plan. The program provides benefits of \$100 worth of legal consultation and advice on almost any subject, not to exceed \$25 per visit; \$250 for legal research, investigation and preparation of briefs, with a \$10 deductible; \$325 for representation before a court or hearing officer, plus 80% of the next \$1,000 in litigation expenses.

After the Shreveport plan and several others were established as experiments, in August 1973, Congress adopted an amendment to the Taft-Hartley Act allowing employer contributions to jointly administered funds to set up pre-paid group legal service plans as a fringe benefit package in a bargaining agreement in much the same fashion as health care, pension and other benefit plans.

A number of contracts have already done so. For instance, Local 101 of the State, County and Municipal Employees representing city workers in San Jose, Ca., has negotiated a city-paid service plan. It includes 3½ hours of consultation per member per year on any subject; review and advice on three contractual or purchase agreements during the year; free simple wills; representation through superior court regarding personal liability arising out of suits brought against the employees in their official capacity and similar benefits.

The UAW has included in its auto and farm equipment contracts a clause that requires the company to pay the workers' share of any taxes levied to cover the cost of a national health insurance program, anticipating the passage of such legislation. Similarly, steelworkers' contracts have provided since 1960 for the company to pay the employee's share of any state or federal health program. ■

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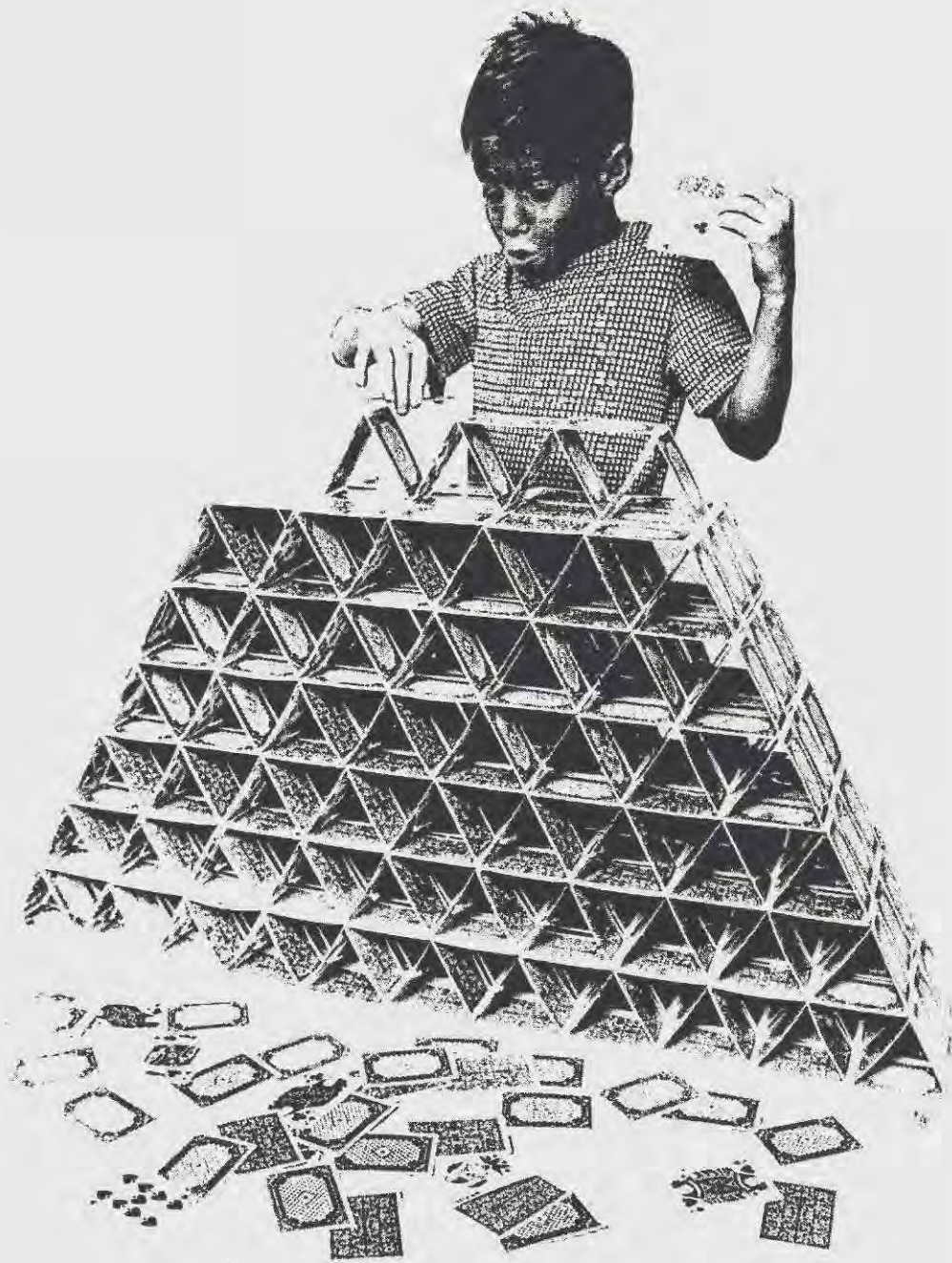
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Senate amends and passes no-fault bill; House hearings to start soon

Continued from page 1

system on an immediate nationwide basis without a need for state legislative action.

The late amendments to the Senate bill accomplished two key things:

- allowed group health insurance writers to compete with auto insurance writers for the medical coverages specified under the Senate bill;

- bent the no-fault principle enough to allow subrogation of claims in accidents involving heavy commercial vehicles that would be based on fault.

The Senate no-fault coverages involve primarily health benefits, leaving to the states the option to extend them to property damage

settlements.

Sen. Walter Mondale (D-Mn.), in what he called a "consumer's amendment," proposed that auto insurance buyers be allowed to use their group medical coverages to meet the no-fault requirements.

If the no-fault buyer elects to use the group benefits, it would leave to his auto policy only such areas as loss of pay and survivor benefits and thus reduce premium costs.

A spokesman for the Blue Cross Assn., a backer of the Mondale amendment, said such transfers from auto policies were not expected to increase group policy costs.

Sen. Mondale's original

amendment would have required states to offer the group health insurance option if state insurance officials agreed it could result in savings to the consumer.

That was later amended to let state legislatures have the final determination on whether the Mondale approach is best suited to the insurance needs of that state.

SEN. MONDALE said the amendment would "allow the health insurers to effectively compete with the auto insurers" so long as the group plans used met the minimum standards of the applicable no-fault law.

The major benefits include:

- unlimited medical and reha-

bilitation coverage from an insured's own company on a no-fault basis;

- workloss protection with a minimum of \$15,000;

- whatever other replacement service benefits may be needed, in reasonable amounts;

- funeral and burial expenses not to exceed \$1,000;

- survivors' loss compensation.

The bill also restricts the right to sue for non-economic damages such as "pain and suffering" to those cases involving serious injury or death or 90 days of total disability.

The states retain rate setting, tax making, and other general supervisory authority over insurance, but the U.S. transportation secretary would supervise the minimum no-fault standards.

In Columbus, Oh., the president of the National Assn. of Mutual Insurance Agents said that the Mondale amendment would be "unfair and discriminatory"

against persons ineligible to participate in group insurance plans.

Charles M. Beteler Jr., association president, told a meeting of the Ohio Assn. of Mutual Insurance Agents, that the premiums paid by persons covered by individual health policies would be used to subsidize those in group plans, while they themselves would receive none of the benefits.

One other area left to the states will be the subrogation of benefits in accidents involving trucks.

Sen. Warren Magnuson (D-Wa.), in order to prevent what were called "windfall" premium reductions to the trucking industry, proposed that states be allowed to reallocate loss based on fault in accidents involving vehicles of more than 8,000 pounds unladen weight.

The determination of fault would be at the insurer level and would not affect the immediate ability of the accident victim to recover benefits.

"**IN ORDER TO** assure owners of heavy commercial vehicles some advantages under a no-fault system," Sen. Magnuson said, "the amendment preserves a no-fault concept, even at the insurance company level, for the first \$5,000 of loss.

Sen. Marlow Cook (R-Ky.) amended the Magnuson proposal to allow the states to determine which classes of heavy vehicles will be subject to the subrogation clause so as not to limit it to accidents involving only the heaviest vehicles.

It appears likely that subrogation will remain in the final bill to emerge from Congress because Rep. Moss' House bill (H.R. 10) includes its own subrogation clause complete with authority for the secretary of transportation to specify damage subrogation formulas.

The trucking industry has indicated its support for a "pure" no-fault system, but only one that did not allow a fault system to be "discriminatorily" applied to their vehicles.

Flying tigers.

Meet Lee G. Barnes and a squadron of his "flying tigers" from the Sky-Life camp near Edinburg, New York. □ Lee, a former Navy and commercial helicopter pilot with over 10,000 accident-free hours, founded Sky-Life in 1963. It's the nation's oldest flying camp and the first one designed for the purpose of teaching youngsters to fly. □ To date, Lee has graduated over 250 licensed teenage pilots. Over sixty of his students have soloed on their 16th birthdays; many have gone on to earn higher ratings, and not a single one has ever had an accident during or after his Sky-Life training! □ Lee is justifiably proud of Sky-Life's safety record, but he's prouder still of the boys themselves. "They've made this camp what it is today", he says, "they built it, they run it, and they believe in it." □ USAIG believes in it too. We have insured Sky-Life from its inception and we are proud to be sharing in its growth and progress.

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No-fault bill sparks flood of reaction

WASHINGTON—Stormy debate over controversial issues is a test of the ingenuity of the various sides. The Senate no-fault debate was no exception.

Sen. Frank Moss (D-Ut.), floor manager for the Hart-Magnuson no-fault bill passed by the Senate this month, charged that the American Trial Lawyers Assn., in cooperation with Western Union, had developed a new method for deluging Congress with protest letters.

Under the system, association members could send protest messages to ten selected Congressmen and government leaders merely by telephoning Western Union and supplying a name.

The lawyers association even suggested its members supply not only their own names but the names of "associates, secretaries, clients, relatives, friends . . ."

And for each name, off would go ten Western Union Mailgrams.

The association even supplied Western Union with 30 numbered, pre-written messages, for members who didn't want to take the time to write their own.

The lawyers association was bitterly opposed to no-fault limitations on the right of accident victims to sue for non-economic damages.



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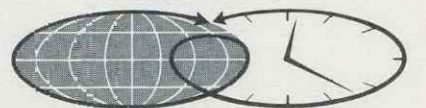
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washington watch

Improvements in state work comp partly due to fear of federal act

WASHINGTON—The United States Chamber of Commerce says that 49 states enacted improvements in their workmen's compensation laws last year, due in no small part to the threatened federal takeover of state programs by the federal government.

The chamber, in its annual survey of workmen's compensation laws, said indemnity benefits were increased in 38 states, and

in 25, maximum weekly benefits equal or exceed two-thirds of the average weekly pay for temporary total disability cases.

Two more states, bringing the total to 48, increased medical care payments to provide unlimited amounts, and 49 states, up from 45 in 1972, now provide broad coverage for occupational diseases.

* * *
THE NATIONAL Transporta-

tion Safety Board came down hard on the Southern Pacific Railroad last month in a report calling for federal regulations that would give train crewmen the same type of no-drinking periods before they go on duty as are imposed on airplane pilots.

The board blamed a crash of two SP freight trains last June 25 on one train being operated "at excessive speed by an engineer under the influence of alcohol."

Contributing to the failure, the board said, was "the ineffectiveness of the Southern Pacific in assuring compliance with its operating rules and procedures, which were specifically designed to prevent an accident if a crewmember failed to perform his duties."

An engineer and a front brakeman died when their 71-car train passed both an approach caution signal and a stop signal and collided at about 60 miles per hour with the rear of a standing 23-car freight in the Indio, Ca. yards.

The board also said that the freight's locomotive, should have had both an engineer "dead man" control and an overspeed prevention device, both had been cut out without the train conductor's knowledge.

This did not violate SP rules, and there are no federal regulations requiring dead man's controls or overspeed devices on locomotives, the board said.

And while SP rules prohibited drinking by employees subject to duty, the board noted, the railroad's procedures "do not insure that an engineer or conductor will be in proper condition when he goes on duty."

The SP, said the board, should require a "formal check of the crewmembers by the conductor before they go on duty," with the conductor "supported by rules and procedures which are consistently applied by management."

In addition to new federal regulations and more thorough checks on SP employees, the board also wants the SP to train all new employees, including brakemen, to understand their responsibility to "monitor the performance of other employees and to take positive action when the situation warrants."

The board also recommended the use of dead-man and overspeed controls and a requirement that all crewmembers be notified when they are inoperative.

On a longer term basis, the board repeated a 1972 recommendation that the Federal Railroad Administration and the rail industry develop and require the installation of fail-safe train stop devices and to study environmental conditions that could distract crews or cause them to fall asleep.

* * *
THE NATIONAL Transportation Safety Board also urged last month renewed emphasis to pilots on the limitations of airport visibility measurements in a report of its findings on the crash last July 31 of a Delta Air Lines DC-9 at Boston's Logan International Airport.

Visibility at impact, said the safety board, was almost zero in fog although 20 seconds earlier the crew had been told by the control tower that there was 6,000 feet of visibility along the runway.

The tower, however, mentioned a "pretty heavy" fog bank moving across the runway's approach end, the board said.

The crash killed all 83 passengers, five crewmembers, and one cockpit observer.

The aircraft was also reported too high and too fast for a normal approach at the runway outer marker, and was at too sharp an approach angle, the report said.

The flight crew, the board said, also neglected altitude monitoring requirements which specified the altitude should be called out loud during the approach.

* * *
THE DEPARTMENT of Health, Education, and Welfare says it has paid out \$4.6 million to seven states particularly hard hit by a wave of tornados early last month. The funds were used mostly for medical service and reconstruction.

Insured property damage was estimated shortly after the storm to be in the \$400 million to \$500 million range.

The department also estimated about \$24 million in damage was done to schools in the hard hit states of Alabama, Georgia, Illinois, Indiana, Kentucky, Ohio, and Tennessee.

Most of the school damage was covered by insurance, according to the department, but states have 90 days to apply for federal assistance through HEW's School Assistance program.

* * *
THE CONSUMER Product Safety Commission named Mary K. Ryan, a former attorney for the cost-of-living council, to direct a comprehensive review of the commission's compliance and enforcement activities. She is also to develop recommendations for streamlining those programs in Washington and the commission's 14 area offices.

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Contractors fined \$4,300 for 82 OSHA violations

HARTFORD—Ten contractors working on the \$70.3-million Hartford Civic Center project, one of the largest construction developments in Connecticut, were fined more than \$4,300 for at least 82 violations of federal regulations designed to protect worker safety.

The fines were imposed by inspectors from the local office of OSHA (Occupational Safety and Health Administration), following site tours, which were conducted without advance warning, in December and February.

Most of the fines have been paid. No contractor, to date, has appealed the citations.

LARGEST PENALTIES were levied on the Gilbane Building Co. (\$2,625), Providence, general contractor on the city-owned portion, and Anderson Fair Oaks, Hartford (\$1,395), a prime contractor on the adjoining ITT-Sheraton hotel.

One Anderson Fair Oaks violation was listed as serious, defined by OSHA as a situation "where there is a substantial probability that death or serious physical harm could result."

The violation (\$800 fine) was tied to a section of OSHA rules, called "housekeeping," which require construction sites to be free of large piles of debris.

Anderson Fair Oaks, it was said, allowed accumulation of excessive trash in the hotel yard and on upper floors.

John Barnes, OSHA inspector, did not provide details relating to injuries on the site but indicated that a number of accidents prob-

ably could be traced to hazardous working conditions.

All other cited violations were listed as nonserious, (and resulted in fines) including electric extension cords laying in water;

railings missing on high platforms; use of a propane heater inside without sufficient ventilation; lack of an alarm system to alert workmen and the fire department in emergency; men working on a scaffold some 26 feet in the air without railings.

The housekeeping requirement was tied to the most-frequently-cited violations, with Mr. Barnes noting, "It (the project) is proba-

bly one of the worst construction sites we've inspected around this town. It was very bad over there."

GILBANE WAS fined \$285 for accumulation of trash during the initial inspection, \$710 during the next inspection.

Also fined: Crow Construction Co., North Carolina, \$385; Tarco division, Acmet Corp., East Hart-

ford, \$365; Acme Plumbing & Heating Co., Hartford, \$125; B & T Masonry Co., Hartford, \$120; Baldwin Stewart Electric Co., Hartford, \$110; Pilloramo Construction Co., Boston, \$75; Sheppard Steel Co., Hartford, \$50; and Talco Insulation Co., \$45.

Joseph Anderson of Anderson Fair Oaks remarked, "We got careless. I didn't realize it was as bad as it was." ■

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Production & Service Offices from Coast to Coast

Subcontractor not insured for penalties

NEW YORK—Miller & Long Co., subcontractors working on the site of the Virginia high-rise collapse last year (*Business Insurance*, March 26, 1973) were not insured for OSHA penalties or for non-OSHA criminal charges or civil damage suits, according to the attorneys who are handling the case, Arent, Fox, Kintner, Plotkin, and Kahn.

It was learned that the review commission approved a settlement between Miller & Long and OSHA, in which the subcontractor agreed to pay penalties of \$13,000.

Mr. Page, an associate of the law firm on the case said that Miller & Long were charged with a misdemeanor and subsequently fined \$300 for building code violations.

HE ADDED that "there was no insurance coverage for this, as far as I know."

Nor was there any insurance for non-OSHA charges, Mr. Page added.

"One of the officers of the firms was indicted for manslaughter and acquitted by a judge in Virginia," he said.

Three violations issued by OSHA after a three-month investigation were:

- willfully removing concrete forms prematurely from the 23rd floor following concrete pouring on the 24th floor;
- failure to provide guard railing on open sides of two floors, and;
- use of damaged timbers for post shores on two floors. ■



Most costly welfare plans are those jointly managed by union/employer

WASHINGTON — Welfare plans jointly administered by employers and a union appear to be five times as costly to run as employer-administered plans, according to a recent U.S. Labor department study of administrative costs of pension and welfare plans during fiscal 1967-69.

The cost disparity is at least partially attributable to the fact that nearly all of the jointly administered plans in the survey provided administratively costly health benefits and only 36% of the employer administered plans provided such benefits, according to the survey.

The survey included 250 pension, welfare, and combination pension and welfare plans which

reported direct disbursements for administrative expenses.

In total the 250 plans held assets of \$10.3 billion, received annual contributions of \$1.5 bil-

The study revealed that the most costly . . . plans were the insured plans, averaging \$20.06 per participant, with self-insured plans being the cheapest, averaging \$12.59 in administrative costs per participant.

lion, and disbursed \$30.6 million annually for the direct payment of administrative expenses.

The administrative cost per participant average \$10.40 in pension plans, \$16.67 in welfare plans, and \$25.37 in combination

pension and welfare plans.

The administrative cost of the welfare plans was 60% greater than that of the pension plans largely due to the heavier workload involved in medical, surgical and hospital benefit programs.

The study revealed that "surprisingly" the most costly welfare plans were the insured plans, averaging \$20.06 per participant, with self-insured plans being the cheapest, averaging \$12.59 in administrative costs per participant.

The cost figures for pension plans were just the opposite. Self-insured pension plans were most costly, at \$11.23 per member, followed by \$8.42 per member in split funded plans and only \$2.85 per member for insured

plans.

The explanation, says the study, is within the mix of benefits provided by the plans. Among the insured welfare plans, all provided health benefits; among the split-funded plans, 94% provided health benefits; but among the self-insured plans, only 62% provided health benefits.

THIRTY-EIGHT percent of the self-insured welfare plans provided supplementary unemployment benefits (SUB), and among the SUB plans, all but one were single employer plans administered by the employer, the study said, who bore most of the administrative cost, thus reducing average administrative costs for self-insured welfare plans.

Jointly administered pension plans disclosed per member administrative costs of \$14.13, nearly twice the amount reported for employer administered plans.

The data used for the study

was limited to disclosed data, the study's authors emphasize, and in many employer-administered plans the employer, rather than the plan, absorbs much of the administrative costs which remain undisclosed.

By Dec. 31, 1969, about 124,000 welfare plans had filed D-1 forms with the Labor department and about 47,500 of these plans with 100 or more participants filed D-2 reports providing detailed information about the finances of their operations.

About eight out of ten plans were insured and about one out of 10 was unfunded. Plans with assets totaled only about 5,500 and an estimated 4,260 reported disbursements for administrative expenses.

USING A SAMPLE of 55 plans reporting administrative costs, 43 offered at least a basic health plan providing hospital, medical and surgical benefits. Thirty-five of the 43 plans also offered death benefits and or disability income benefits.

Nine of the 55 plans provided supplementary unemployment benefits alone or in combination with other benefits. The three remaining plans offered miscellaneous health benefits, according to the study.

Administrative expenses of seven employer administered SUB plans were equal to 2.3% of annual contributions and averaged only \$1.42 per participant. The multiemployer basic health and welfare plan administrative cost was equal to 4.1% of contributions and averaged \$9.20 per participant.

Administrative costs in 37 multi-employer plans ranged from \$2.46 per participant to \$45.68 per participant. Fees and commissions accounted for 47.9% of total administrative costs and salaries accounted for 29.6%, according to the study.

The variable having the greatest impact on administrative cost was size. Among jointly administered welfare plans, the study reported, costs per participant were 160% greater in plans with only 100 to 999 participants than in plans with 10,000 to 19,999 members.

"IT WAS NOT surprising," said the Labor department study, "to find that the administrative cost per participant decreased as the number of participants increased. What was more significant was that among plans comparable in every way in terms of type of administration, type of funding, and size, there were still wide variations in the administrative cost per participant.

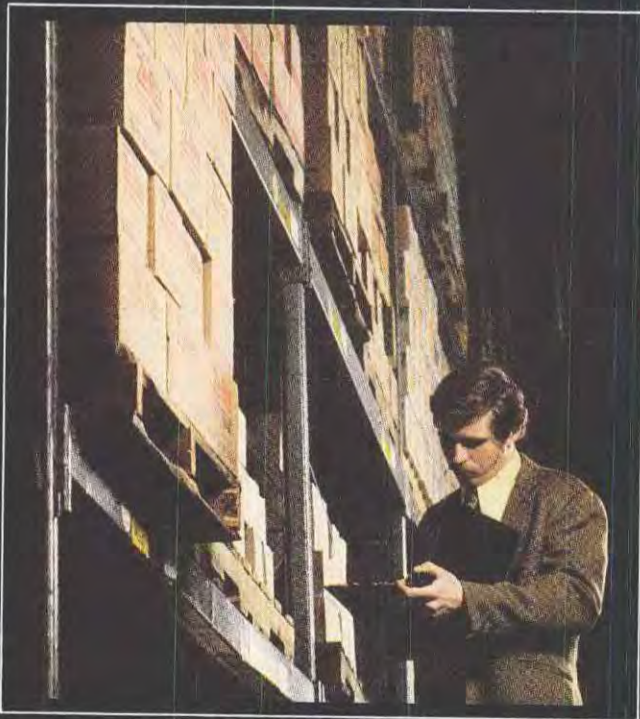
"This raises the important question of internal procedural efficiency of plan operations which cannot be studied by using plan documents and reports filed with the Department of Labor. It also indicated that, regardless of plan size, economies of operation are possible when pursued by administrators committed to this objective."

The full, 146-page report, entitled "Administrative Expenses of Welfare and Pension Plans," is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. ■

Vermont Blues rates up

Vermont banking and insurance commissioner James Guest authorized a 27.8% rate increase for Blue Cross and an 11.6% rate boost for Blue Shield. The rate increases were effective May 1 and will continue for the following 12 months. Blue Cross had sought an increase of 35.3% and Blue Shield a 19.6% hike.

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Competition forcing D&O premiums down

LOS ANGELES—Premiums on directors' and officers' liability insurance policies are drifting downward somewhat under the pressure of fresh competition while dollar limits are on an upward climb, said Tom McHugh, vp of Harbor Insurance, a subsidiary of Union America Corp.

A carrier that has been in D&O coverage for eight years, Harbor does not intend to lower its premiums, he asserted, declining to reveal specific figures on rates, average deductibles or the number of D&O policies underwritten.

He did say, however, that the \$5 to \$10 million average limit on D&O policies found by the Wyatt study is already moving upward.

HARBOR HAS never suffered a major loss in its near decade of D&O coverage, he went on.

"I guess you can say we've been lucky, at least we usually seem to pick good risks," he observed, adding that he himself is an attorney.

Nevertheless, Mr. McHugh said that the 22% loss ratio figure found by the Wyatt study is probably unrealistic "because many of the insured who took part in the study were not aware of their loss reserves."

New companies have been trying their skills at D&O in the recent past, he explained, which is the reason why premiums are

on a downward drift.

Mr. McHugh made no secret of the fact that he is less than optimistic about the ability of companies not cognizant with D&O to succeed in what he describes as a highly demanding specialized field.

Unlike other observers who contend that layering is on an increase in D&O coverage, Mr. McHugh maintained it is not. The capacity problem which plagued the industry two years ago has abated, he said, leaving only substandard risks as a reason for policies with participation in the excess layers.

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ASSE calls for safety professionals

PARK RIDGE, IL.—The American Society of Safety Engineers issued a statement to a number of congressional committees explaining their concern about the future implementation of the Consumer Product Safety Act.

The society is particularly "concerned that in the past the level of in-depth follow-up investigation (of accidents) has been below what it should," according to Michael Krikorian, president of the ASSE. "The reason for this, he said, is due to the lack of qualified and properly trained investigators."

To assure complete and equitable application of the Consumer Product Safety Act we must use professional knowledge and capability to reduce accidents in the development of safe products, Mr. Krikorian said.

"**THE CONSUMER** Product Safety Commission has only a handful of professionals with prior experience in the professional safety field," Mr. Krikorian pointed out.

The current product hazard notification guidelines and practices need better definitions, he added. The terminology is vague and subject to several interpretations when indicating a product contains a serious defect that could create a substantial product hazard, Mr. Krikorian pointed out.

The fastest way to improve product safety is by "convincing producers of consumer products that their product design systems should take into account safety requirements." There is a need for identifiable programs and employes qualified in product safety and they should be on a high enough level to be included in the decision making process, Mr. Krikorian said. ■

editorial opinions

How to eliminate your own job

IN A MOVE THAT SEEMS to us to be penny wise and pound foolish, Jonathan Logan Inc., the largest domestic producer of women's apparel, has disbanded its risk management department.

As reported in the last issue of *Business Insurance*, the company has released its corporate risk manager Bruce Ebert, and put the business of administering the risk management of employee benefit programs in the hands of a broker and a consultant.

The irony of the situation is that Mr. Ebert may have been practically responsible for eliminating his own job, for earlier this year he had completed the task of revising Jonathan Logan's insurance program. Another irony is that as part of those revisions, Mr. Ebert negotiated most of the insurance program through direct-writing carriers, principally Allendale Mutual Insurance Co. and Allstate Insurance Co.

And now the ultimate responsibility for staying in touch with the insurers and for the management of the risks assumed has passed to a broker and consultant. They may be well-qualified to do the job, of course, but there's no escaping the fact that they're off the premises.

According to a spokesman in Jonathan Logan's controllers office, the rationale behind the move is this: "We don't plan to make any changes in the insurance program for a while, so we feel that the broker is capable of supervising our account. We do not consider ourselves to be a heavily insurance based industry and since the whole program is set,

we don't feel we need an insurance department to administer it."

To our way of thinking this is an extremely shortsighted approach to the subject of risk management. True, Jonathan Logan's product liability exposure may be practically nil, but risk management goes far beyond product liability control. What about safety? What about property loss exposures at the company's 300 locations? Logan has a \$250 million blanket property policy and the fact that this coverage is placed with direct writers seems all the more reason that there should be someone on the premises to communicate and stay in touch with those insurers. Too, it seems to us that an estimated \$1.5 million spent on premiums alone justifies a person on the premises.

Logan has not confirmed it, but there's reason to believe that the elimination of the risk management department may have been motivated by economic reasons. The company had expected sales of \$400 million last year, but came in about \$40 million short of that.

Releasing a couple of salaried employees is the way to take up some of the slack when sales goals fall short, of course, but the insurance department? It is, we feel, a pound foolish move that could one day come home to roost on the bottom line at Jonathan Logan. We wonder, too, how the company's insurers react to such a move. If this be a corporate management's basic attitude toward loss prevention and risk control how will those insurers react the next time a policy comes up for renewal?

Nobody loves a risk manager

EVER HAVE TROUBLE convincing your boss—or the financial vp or the president or the chairman of the board—that the risk and insurance manager is really important to the company? If not, you're one of the few, because we certainly hear a lot of moaning and griping from the risk managers we've talked to lately. It's a basic story: nobody loves me.

If so, then why not make yourself known? We believe that every risk and insurance manager and buyer should regularly present detailed reports to his managers about the state of the department, savings achieved, if any, losses incurred, if any, new exposures, new insurance techniques, loss control and safety methods, and on and on. If no one in the corporation adequately recognizes the insurance or risk manager, it may be because no one fully understands exactly what this staff man does.

Waller Smith, risk manager for United Air Lines, is well-recognized for his achievements. We're glad of it. Mr. Smith recently received a high honor in his company when UAL's chief executive officer presented Mr. Smith with The President's Award for the outstanding contributions of his department.

Waller Smith is one man who makes regular reports to his superiors about what he's up to. We understand, in fact, that he is required to give an annual presentation to UAL's ex-

ecutive committee on the year's activities and achievements, and yes, even failures. Mr. Smith puts on an extraordinary presentation, we hear, complete with visual aids, flip charts and other helpful touches that would do a marketing man proud.

He's not the only one. We've also heard of one insurance manager who produces a movie every year to tell his risk management department's story. And it's quite a deal.

H. Felix Kloman of Risk Planning Group was telling us the other day of a company he heard about that now requires a weekly newsletter from the risk and insurance department. It only has to be a one-page memo, and includes news of losses, hazards, safety and loss control procedures set up, policy negotiations and renewals, and mentions of any occurrence of "materiality" which might affect the firm.

Something like this accomplishes two things. It lets everybody up the ladder know just how important the departments related to insurance are, preferably in terms of actual dollars and cents. And since outside scrutiny of corporate disclosures of "material" facts is likely to increase in the future, it tells management what it needs to know for purposes of disclosure.

We applaud this approach to management. And we think more of this activity would cure a common problem: lack of recognition. Don't wait for the request, offer the information. See what happens.

letters

This column is a reader's forum. Letters are welcome. Address Letters to the Editor, Business Insurance, 708 Third Ave., New York, N.Y. 10017.

Broker & insured con't.

To the Editor: I have been following with some amusement the apparent deluge of letters to you from brokers and from their associations regarding Warren, McVeigh, Griffin and Huntington's article "Does a broker really represent the insured? Not usually."

Brokers should represent the insured; however, we agree that they usually do not. Relevant to this issue is the basic point included in the model NAIC licensing law disputed by Warren, McVeigh, but supported by the NAIB and other producer respondents. . . . that is, that the agent represents the insurer, but the broker represents the insured. Even the world's largest broker feels that there is no difference in the functions of agents and brokers.

A local taxation case in California is a good example. The testimony of Jay Lloyd, a vp of Marsh & McLennan's divisional marketing operations included a statement that ". . . all of the monetary functions performed by plaintiff (Marsh & McLennan) in transacting insurance business are identical regardless of whether there is on file a notice of appointment under Section 1704 of the Insurance Code . . ." (as agent). "Under one broker's agreement (with Apalachian Insurance Co.) plaintiff has written authority to bind coverage to an insured". The key point in Marsh & McLennan's case was that there is no difference in the functions of agents and brokers.

Neither this basic issue, nor any of the other supporting reasons outlined in the original article, have been directly discussed by any of the producer responses.

Edgar S. Clark

VP, Risk Planning Group Inc., San Francisco, Ca.

Arab pressure?

To the Editor: On page 25 of the March 4, 1974, International Issue of *Business Insurance* you had a very interesting report on the pressure being put on international carriers by the Arab nations to stay away from Israeli risks. In your article you state that Israel requires that cargo coverage on both imports and exports must be purchased in Israel.

As a major underwriter of ocean cargo insurance, we try to keep our policyholders informed on legislation by various countries that restrict their freedom to place the coverage with INA. Sometime

Continued on page 20

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Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Pensions & Investments, Promotion, Industrial Marketing, M. A. HARTENFELD, executive vice president; D. J. CLEARY JR., senior vice president; ALFRED MALECKI, J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, LOUIS F. DEMARCO, WILLIAM STRONG, ROBERT W. KRAFT, vice presidents; MERRILEE P. CRAIN, assistant secretary; RICHARD M. DAUGHERTY, controller.

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Published biweekly at 740 Rush St., Chicago, Ill. 60611 (312-649-5200). Offices at 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). 45 cents a copy. \$10 a year in U.S., Canada and Pan America. Elsewhere \$4 a year extra. WILLIAM STRONG, circulation director. ROGER DEGREGORIO, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, Business Insurance, 740 Rush St., Chicago, Ill. 60611.



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letters

Continued from page 18
ago, we were forwarded correspondence by one of our policyholders from an Israeli bank which indicated generally that there were some restrictions. However, we were never able to get anything more definitive.

We would appreciate knowing the source of your information and if you should have a copy of any specific regulation, could we have one also?

H. O. White

Manager-administration, marine & aviation department, Insurance Co. of North America, Philadelphia, Pa.

Editor's note: We are not trying to be coy in quoting James Michener when we say that for questions about Israel, one must go to

the original source. In this case the best answers you could find for cargo coverage questions would come from Israel's own Ministry of Finance. A consulate or the embassy in Washington will be happy to tell you who would be best to talk to about specific questions.

Certain of our sources for the story asked to remain anonymous, so we are unable to provide you with other names.

German benefits

To the Editor: I received a copy of your article "Employers become legally liable for pension promise under German law," and ask you to correct a few points in your next issue.

Our Social Security system was introduced in steps:

- 1883 Sickness Insurance.
- 1884 Workmen's Compensation.
- 1889 Annuity Insurance (disability, old age, death).

This was initiated by Chancellor Bismarck by a paper he wrote in 1881, the "Kaiserliche Botschaft."

I cited working children to illustrate the situation in those days but these funds and associations that were introduced at that time provided financial aid to all dependent workers of a company or industry.

It is not correct that most benefit plans in Germany are administered through life insurance companies. Most benefit plans are funded by book reserves. If you distinguish between German and foreign-controlled companies, you will find that the latter are using insurance companies as the carrier of their benefit programs to a much greater extent, because they are used to separating means from the company from their home country where they could not otherwise get tax relief as in the U.S.

It is true that direct insurance is an ideal method of funding, especially for supplementary plans,

but changes of tax provisions under the new law will alter this considerably. Further, we talked about a method of integrating Social Security that we favor, because it has and will prove to be most practical: to divide a benefit plan into two sections, first a basic plan covering earnings up to the Social Security ceiling, and second a supplementary plan covering earnings in excess of the ceiling. This is the supplementary plan I had in mind, because providing this through direct insurance has been of particular advantage for higher-paid employees taking all factors into account.

Usually, a benefit plan in Germany covers all employees and there are, in most cases, no separate schemes for workers and salaried employees. Therefore, it is not correct to state that the percentage of persons covered depends on the size of the company. I merely said that the question whether employees may expect

benefits or not from their company can be related to the size of the company measured by the number of persons, approx. 70% to 80% of all employees working in such firms may expect company benefits. However, if you look at one of the companies that got an employee benefit plan, all employees will be covered unless a few are excluded because they cannot fulfill the eligibility requirements anymore.

The Social Security ceiling is regularly raised January 1. At the time I met with your reporter, in December, the ceiling was DM 27,600. As of January 1, 1974, it is DM 30,000.

The ceiling for compulsory coverage under health insurance is 75% of the ceiling for the annuity scheme.

1973: DM 20,700; 1974: DM 22,500 (also revised January 1).

Companies are also required to pay half the contribution for employees not subject to compulsory insurance up to a maximum of 50% of the maximum contribution charged for employees subject to compulsory insurance.

Salary continuation for the first six weeks of illness (not only in case of hospitalization) has been provided by law for salaried employees for many years, whereas workers received sickness pay through the legal fund. A few years ago, this was also switched over to the companies so that they now have to also pay for workers during the first six weeks.

Continued payment of salaries by the "Krankenkassen" after the first six weeks is limited. The maximum covered pay is equal to the ceiling for sickness insurance.

The Savings Act does not necessarily require the employer to pay half the total savings. If a company does not pay anything, the employee may save from his earnings up to DM 624 p.a. If the unions have negotiated a company contribution of, for example, DM 312 (already usual in most industries), the employee can save an additional DM 312, but he is not obliged to do so.

As far as workmen's compensation is concerned, the ceilings up to which salaries are recognized, are different depending on the "scheme" of industry. Therefore, please be cautious in quoting amounts.

Klaus D. Herbertz

Jauch & Hubener, Mulheim/Ruhr, Germany



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Car safety study may lower rates

DETROIT—The federal government expects to release by the end of 1975 information that will allow consumers to compare damageability, crashworthiness and safety and repair features of new cars, the U.S. Transportation department announced.

"The availability of all this comparative information to consumers will provide a competitive stimulus for manufacturers to produce cars that are more resistant to damage, safer for occupants and easier to repair. It is reasonable to expect that such vehicle improvements should naturally have a significant impact on insurance rates," said Edward J. Lievens Jr., director of the title II task force of the Transportation department.

The task force, set up for the purpose of conducting a consumer information study, plans to collect data from the insurance industry, automakers, repairs shops, diagnostic centers and auto clubs.

INA casualty losses major factor in bad year

PHILADELPHIA—INA Corp. said it had satisfactory property insurance results last year, although casualty business was "not satisfactory," and pushed losses for INA's commercial insurance operation to \$6.1 million for the year.

The marine and aviation department had one of its best years ever, despite commercial aviation losses from terrorist activities, and non-commercial aviation rate competition. Marine insurance was good, INA said.

INA's international insurance business increased 20%, but the company reported heavy losses in its group accident insurance division after a series of airplane crashes.

INA NOTED in its annual report that it reorganized its national accounts division, which will be expanded beyond underwriting into other aspects of risk transfer and risk management services.

INA's many service divisions were also consolidated into the international service organization, to provide a full range of administrative services only. Revenues from the service com-

CNA change follows poor year in '73

CHICAGO—CNA Financial Corp. said that 1973 was generally a very poor year for its insurance business, with losses recorded in general casualty, liability-property-surety, and health insurance lines.

"Premium increases are being implemented to counter the exceptionally rapid rise in claim levels, and underwriting standards for accepting commercial business have been tightened," CNA declared.

"Further, management is carefully assessing all casualty lines with the intention of eliminating or de-emphasizing those that continue to operate at a loss or that display little potential for profitability," the firm added in its annual report.

CNA HAS ALREADY begun phasing out payroll deduction personal coverage, marketed primarily to motorists and a steady loser the report said. "Instead we are concentrating on group auto insurance, which we believe has attractive potential."

Major factors in the bad casualty year were bigger claims and higher frequency of claims, CNA said, which resulted in a \$51.3 million underwriting loss. A sharp claim rise took place in commercial liability, retrospective and health lines. CNA said it had an unusually large number of claims over \$150,000.

"The general public is tending toward litigation rather than out-of-court settlement," the report noted.

Health insurance lines were unprofitable because of a continued trend toward prolonged disabilities.

CNA also suffered from a \$4.1 million extraordinary loss in its Larwin Group division, from a slump in land values resulting from newly-enacted environmental legislation and flood damage, the annual report disclosed.

panies were ahead 40% last year. The insurance services division acquired new accounts in petroleum, food, travel, transportation and insurance industries, INA claimed.

INA noted that the Insurance Co. of North American "insures more of the country's top 1,000 industrial corporations than any other American company," and "was the first major carrier to refuse to write liability policies on companies which continue to pollute deliberately as part of their manufacturing process."

INA said it offered for the first time last year a group prepaid legal services policy, in conjunction with a major bar association, through payroll deduction.

PRODUCT LIABILITY

That's the subject of the next RISK MANAGEMENT REPORT to be issued in May. Edited by H. Felix Kloman and published by *Business Insurance*, RISK MANAGEMENT REPORTS are published 6 times a year at the low annual rate of \$60, which includes an attractive and practical binder which holds several years of the report. RMR are practical working tools for the risk manager and well worth the low rate. You may start with either the March (Vol. No. 2, The Care and Feeding of Agents and Brokers) or May (Vol. No. 3, Product Liability) issue. Sorry, Vol. No. 1 is out of print.

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london line

Lloyd's 8,000 members include more than 200 American names

LONDON—More than 200 members of Lloyd's now come from the U.S. This membership has been growing rapidly in the last four years, apparently as a result of a Lloyd's survey emphasizing the value of allowing overseas "names" to join from outside Britain.

This vital element represents a wide range of interests, including individual members with resources of private wealth to whom the chance of potential profits is a natural incentive for investment.

But it seems that most of the U.S. names at Lloyd's are rightly engaged in the insurance market already in one way or another, either because of corporate interests, or since they have direct underwriting links.

Because its work is global, Lloyd's has welcomed this encouraging influx of new members, and wants more to join in the future if they wish.

Paul Dixey, Lloyd's chairman, explained to *Business Insurance*:

"Lloyd's is an international insurance market and I have always felt that our membership should be international as well. A great deal of our premium income comes from the insurance of American risks, so we naturally welcome U.S. citizens. It seems only right that Americans who have the necessary capital should have the chance to share in the risk-taking and the profits.

"Response to our arrangements for the admission of foreign

members has been most encouraging, and U.S. membership in particular is increasing.

"Many of our U.S. members are insurance people who have placed business at Lloyd's for many years. Others come from business and commerce. Each member joins a syndicate or syndicates and takes his share in the fortunes of that group.

"He accepts unlimited liability for his share of the losses. The syndicates specialize in either marine, non-marine, aviation or auto. U.S. members can thus choose which, or how many classes of business, they wish to write."

Currently Lloyd's has nearly 8,000 members, of whom no more than 300 are from outside the U.K., so that clearly the U.S. predominates in overseas representation.

Those members from overseas, including the U.S., have to make a so-called "show of means," currently to the extent of \$240,000,

to be able to join this historic institution. This can be laid in dollar funds which can remain in their own possession, but they also have to make a specific supplementary deposit related to the premium business they hope to write. For example, a \$3,600 deposit will enable a member to underwrite up to a premium limit of \$120,000 annually, geared to his syndicate's needs.

Business Insurance has estimated that the U.S. membership, which includes 16 women, can take responsibility for at least \$25 million premium income at Lloyd's, and probably much more as their share rises. When set against its global income of \$2 billion, this is small but helps to foster international links and adds capacity to the market.

* * *

NEW BOMB ATTACKS in Northern Ireland have led to greater security measures, but the insurance community is largely unaffected, as the British government has already arranged to pay for any damage done to property.

The system also operates in England, where there were sporadic acts of terrorism in some city centers including London, fortunately without extensive property losses.

Scotland Yard is keeping a watchful eye on the problem, since there are always ingenious ways to hide arms, weapons, and explosives.

Businessmen are being asked to co-operate with the authorities, so that in most cases there has been no loss of lives except in Northern Ireland where the position is always grave.

Merlyn Rees, government secretary of state of Northern Ireland, told Parliament: "Members of the community must help to deal with bomb threats. If business and commercial premises are to be put at risk by fire-bombers, those responsible for the premises must do everything possible to protect their property."

Advice on how to protect property will be given by Scotland Yard, which has already been put on the alert to security needs. The insurance position is that basically the government pays, but insurance companies are checking the situation so that they are not exposed to unrealistic risks.

* * *

CAPTIVE INSURANCE companies have an excellent future if they are knowledgeably and sensibly handled, David Palmer, deputy chairman of Lloyd's brokers, Willis Faber and Dumas, told the U.K.'s Chartered Insurance Institute.

But he warned: "When an assured embarks on a captive program there are pitfalls. Tax advantages can evaporate and administrative aspects of running it can be underestimated. The volatility of the excess loss reinsurance market has also to be taken into account.

"The professional reinsurer's attitude to costing, particularly in excess loss, is very different from that of primary insurers. After a catastrophe—and that's what insurance for a big corporation is all about—rates at the catastrophe level can easily treble or quadruple, whereas at the primary level an increase of 20 to 50% is regarded as severe."

Insurance by a captive encourages better loss prevention and risk management techniques, he pointed out, and loss settlements might be lower as well, with better recognition for good records. It was natural for the insurance establishment to take a defensive attitude towards the captive concept, because it was conservative when the prime responsibility was security.



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California legislation to raise regulator's budget

SACRAMENTO—The annual budget of the California department of insurance, headed by Gleeson L. Payne, would be increased by \$189,000 under legislation introduced here by state senator Randolph Collier and assemblyman Willie L. Brown.

The increased appropriation, if adopted by the legislature and approved by Governor Ronald Reagan, would provide for 12 new positions in the state insurance department, including an additional rate analyst and four new jobs in company information and analysis divisions.

An additional five positions would be provided in the insurance department's division of consumer affairs.

THE TWO BILLS also would provide \$20,000 for continued participation by California in the crime insurance program and \$200,000 to secure reinsurance under the U.S. riot and civil disorder program.

The \$20,000 budget allocation reflects an apparent disagreement between senator Collier and assemblyman Brown with a recent recommendation by legislative analyst Alan Post that California withdraw from its contract with the Crime Insurance Pool.

Mr. Post recommended that the state initiate participation in the U.S. crime insurance program, on the basis that urban centers "re-

quire a guarantee that crime insurance be available at affordable rates, such as the federal program provides."

Mr. Post has contended that residential policies written under the federal program provide greater coverage at lower cost than similar policies written by California's crime insurance program.

California lost its eligibility to participate in the federal program in which 13 states are now involved after the legislature established a state crime insurance pool. To permit a re-entry into the federal program, Mr. Post is urging the legislature to repeal the state law creating the California crime pool. ■

Old Line assessment law upheld

OLYMPIA—The Washington state supreme court unanimously upheld the constitutionality of a law providing assessments on existing life insurance companies to pay claims against Federal Old Line Insurance Co. which is in receivership.

The high court ruling upheld a March 1973, decision by Thurston county superior court judge Hewitt Henry in Olympia.

The law, challenged unsuccessfully by nine major out-of-state insurance companies, was prompted by the financial difficulties of Federal Old Line.

Under the act, all insurance companies doing business within the state are assessed to set up a fund intended to assure the continued performance of insurance obligations of companies becoming insolvent.

Karl V. Herrmann, state insurance commissioner, termed the high court ruling "the greatest news I've ever had." He has long contended that insurance policyholders should have the same protection offered persons who deposit money in banks.

He said claims against the Federal Old Line could total as much as \$6,000,000, although the final figure isn't yet available.

The high court opinion, written by Justice Robert Utter, said the guaranty law is reasonable, rests on a rational base and does not violate the equal protection clauses of the state and federal constitutions.

The companies which challenged the law included Aetna Life & Casualty, John Hancock Life, Mutual Life of New York, Northwestern Mutual Life, Occidental Life, Pacific Mutual Life, Metropolitan Life and New York Life. ■



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Aircraft fire prevention is technological dilemma

By STEPHEN GOOD

BOSTON—At Logan International Airport last month, the fuselage of an empty TWA jumbo jet caught fire. It burned so fiercely the aircraft's metal roof melted. Firefighters tried saving the \$22 million jet by dousing it with foam, but flames gutted the entire hull.

Fifteen months earlier, on a foggy night at Chicago's O'Hare International Airport, a North Central Airlines DC9 collided on take-off with a taxiing Delta flight. Ten persons on the North Central plane died. Investigators discovered that most of them survived the DC9's crash, but perished in the ensuing fire. Autopsies later found traces of hydrogen cyanide in their bodies.

Meanwhile the Federal Aviation Administration (FAA) claims "a fantastic effort" has been made to control fire hazards in commercial aircraft. The agency passed regulations requiring the use of flame-retardant materials in passenger cabins. And the feasibility of fire extinguishing systems was tested.

BUT AIRCRAFT still turn into winged infernos ravaged by flame, smoke and toxic fumes. Why? Can the risks of fire and passenger death be eliminated?

"It's a stinky problem and it's far from a solution," said Jim Danaher, chief of the human factors branch in the National Transportation Safety Board (NTSB) technical division.

"Passenger cabin materials are not supposed to support combustion according to federal aviation regulations. But it's been said that a candy wrapper can pass the standards.

"We believe the standards are not adequate and we have passed this on to the FAA."

Reducing fire risks in commercial air liners has forced the FAA into a technological dilemma. As one agency official complained, "Material treated to be flame-retardant gives off smoke. The smoke hinders escape and produces gasses like carbon monoxide and hydrogen cyanide.

"It's not just a simple matter," he added, for anyone trying to eliminate the smoke as well as the fire.

"SINCE THE 1950'S there's been an effort to improve the aircraft interior's flammability aspects," noted Dick Johnson, an FAA aerospace engineer. "No question about it, there's an all-around industrial effort in this area. And the jumbo jets are representative of the latest materials in use."

The FAA has made two attempts at legislating fire prevention into aircraft design, Mr. Johnson said. Amendments to the transport category airworthiness rules in 1967 and 1972 "require materials to be self-extinguishing."

"We have a six to eight inch burn length requirement. The fire has to go out in 30 seconds.

"But you cook anything up to 2-3,000 degrees and it'll burn." The only way to insure that a plane's interior never catches fire, he added, would be to have an all-metal airplane.

A spokesman for Boeing Corp. explained that a plastic called "Nomex" is used throughout many commercial aircraft built today. In sheet form it can line the fuselage's inner walls. And the plastic can be woven into a fabric as well.

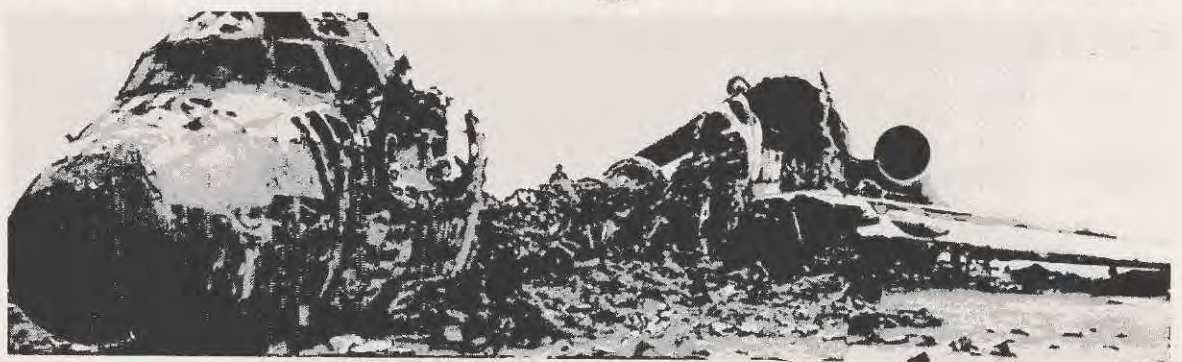
"In carpets and seat covers they're using more and more wool because it's very hard to burn,"

the spokesman said. The wool is treated with chemicals to retard flames.

But wool is a deadly culprit in the passenger cabin when fire breaks out. Marion Roscoe, deputy director of the NTSB, noted that "the producer of cyanide gas can be anything from hair to woolen materials." All natural fibers, because they are hydrocarbons, can produce toxic fumes when burned.

Mr. Danaher said "there are all kinds of flammable objects in the aircraft. Clothing, and luggage could produce toxic gasses too."

"PROJECTS AIMING toward further regulation amendments for the reduction of toxicity and flammability are underway," he added. "But it's been said you can't legislate this problem away."



Nine died aboard this burred-out North Central jet in late 1972 at Chicago's O'Hare Field. —Wide World

What about sprinklers?

"There's probably some feasibility involved in sprinklers, but there are so many other considerations it's not a yes-no answer," explained Chester W. Schirmer of the Schirmer Engineering Corp.

in Niles, Ill.

"It gets complicated," he said. First, the weight of the water in a conventional system would probably prohibit its use. The hull's division into a cargo and passenger section presents another

problem. Each area would need its own sprinkler system.

"It's conceivable you could get into a halon system," Mr. Schirmer noted. "The halon would extinguish a fire without water, and

Continued on page 25



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Continued from page 24

allow passengers to breathe at the same time. But noise and air drafts could never impede the passengers' escape attempts or the system would be self-defeating."

Boeing's spokesman said "there have been sprinkler tests done on this sort of thing. I think some were done by the FAA several years ago."

Mr. Johnson at the FAA explained that "all types of sprinkler systems have been discussed." But none were ever considered seriously.

"THE KEY TO the matter is that (sprinklers) haven't really been necessary," he said. "The service history just hasn't shown the need."

In recent years the FAA concentrated on quick passenger exiting procedures, the Boeing spokesman pointed out. So it has leaned toward flame-retarding

instead of firefighting, hoping enough time would be available for simple evacuation of a burning plane.

"I think all the big new jets are in pretty good shape this way," the spokesman added. "Our 747 has 10 double-width doors. You can get all the people off very quickly."

Before the FAA will approve a commercial jet's design, a full planeload of passengers in total darkness must be able to escape through one-half of the exits in less than 90 seconds. Boeing has successfully evacuated 500 people representing all age groups from a plane in 80 seconds, the spokesman said.

Meanwhile the FAA is considering another fire-retarding measure. This one involves the fuel supply. With a foam or hydrogen atmosphere system in fuel tanks the danger of accidental fires and explosions could be reduced. And the military has al-

ready tested this fuel-inerting concept successfully.

"If the fuel tank was ruptured, however, the system wouldn't do much good," noted Boeing's spokesman. He doubted the FAA would ever require fuel-inerting systems.

BUT THEY might "possibly" have saved the TWA jumbo jet in Boston.

"The fire was apparently fed by fuel from a gas turbine engine in the tail. This little engine uses fuel from the main tanks. Someone obviously didn't turn off the fuel supply."

The FAA and design engineers are searching for new ways to reduce fire and smoke risks in commercial planes. But the problems offer no immediate solutions. "There really are not a lot of revolutionary changes in our business," the Boeing spokesman observed. "We have to go painstakingly." ■

Propose firesafety rule to protect jet aircraft

WASHINGTON—The Federal Aviation Administration (FAA) proposed safety regulations that would require all commercial jet aircraft to carry fire and explosion prevention equipment in their fuel systems.

The safety equipment would protect aircraft and passengers from fire-explosion risks during refueling operations, in-flight engine disintegrations, lightning strikes, and survivable crashes.

TWO SYSTEMS could be used under the proposed regulations, an FAA official noted. One is a nitrogen gas inerting system that automatically fills fuel tanks and venting systems with a non-flammable atmosphere during

normal operations. The other system uses fire-fighting foam that would release whenever a fire begins.

"We've been talking about this for a long, long time," the FAA official said. "This is the fruition of these efforts."

The proposed rule would probably require jets already in service to have the equipment installed within three years of the final law's effective date. Jets built shortly after the rule goes into effect would have to comply with the requirements within two years.

The official said there were no available estimates of how much it would cost airline companies to buy and install the equipment.

The public has until May 20 to submit comments to the FAA, but no public hearings are expected. The rule would probably go into effect in late 1974, the official said.

"I'M SURE we'll get plenty of comments from the airlines," he commented. "It's money out of their pockets to fix these aircraft." The official added that about 1,800 passenger and transport jets would be affected by the rule, not counting those jets now on the assembly line. And almost none have the safety equipment required by the proposal.

Waller Smith, risk manager for United Air Lines, told *Business Insurance* that the rule may still undergo some changes before it is written into law. The issue has already been debated "for four or five years," he said.

And the question of whether the equipment would make the jets safer is still subject to debate. "What happens when you're over the Rockies or someplace and you end up by inerting your fuel, making it non-combustible when you don't want it to be?" Mr. Waller asked. ■

Charged with selling free insurance

SAN DIEGO, CA.—Greyhound Bus Lines is accused of inducing travelers in California to buy unneeded insurance which by law they are obliged to offer free.

A superior court suit asked that a trust fund be set up into which all such money collected by Greyhound be placed.

Ken Roye, an attorney for the San Diego Legal Aid Society, which filed the suit, said "only Greyhound knows how much" money is involved but "it is a vast sum."

In his suit Mr. Roye said Greyhound for two years led travelers to believe that its liability for baggage loss was limited to \$50 and that any additional insurance would have to be purchased from the company. But this is true only for interstate trips, which are under federal jurisdiction, the suit said.

Trips within California are governed by a 1972 state law which sets the bus line's baggage liability at up to \$250, Mr. Roye said.

The premiums charged by Greyhound have ranged from 25 cents for \$50 worth of insurance to \$1 for \$250 worth of insurance. Mr. Roye said the excess money should be refunded or rates could be rolled back. ■

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County gets lower cost, better covers with bids

BUFFALO, N.Y.—Erie County shopped for an insurance package through competitive bidding for the first time and found "broader coverage and higher liability limits" at an annual saving of about \$7,534 a year.

That's what county finance commissioner Vincent J. Muffoletto said in announcing the award of insurance contracts to two insurance firms which will handle the county's liability and automobile insurance.

The municipal contracts, which went into effect April 15 at a total yearly cost of \$195,123 were awarded to:

- Utica Mutual Insurance Co. represented by F. E. Seymour Inc. for three-year contracts for general liability and comprehensive catastrophe liability insurance at an annualized cost of \$152,404.

- U. S. Fidelity & Guaranty Co. represented by Ryan & Cable Inc. for a one-year automobile collision and liability insurance policy at a premium of \$42,719.

BOTH FIRMS submitted low bids for the coverage when six local agents entered proposals for the insurance package. Merchants Mutual Insurance Co., which carried the county's 1973

coverage, unsuccessfully bid through two different firms.

Commissioner Muffoletto said the insurance contracts do not have to be approved by the county legislature, which ordered the bidding late last year.

"These insurance packages are not really comparable to the coverage the county carried last year," Mr. Muffoletto said.

"We are now going to get broader coverage and higher liability limits particularly in regard to Meyer Memorial Hospital operations and medical liability costs."

A LARGE segment of the insurance business here turned its back on underwriting county policies on a competitive bid basis.

Four of the largest insurance companies in Buffalo declined to submit bids on Erie County's general liability insurance.

The four—Hartford Insurance Co., Fireman's Fund Insurance Co., Kemper Insurance Co., and Insurance Co. of North America (INA)—are all large, national companies with sizable underwriting offices in Buffalo.

Several other insurance underwriters confirmed that they were submitting partial bids, but would not bid on the entire liability

package.

When the county's mandatory insurance bidding law was passed last fall, proponents argued that the competition would be brisk and heavy for the county insurance.

Privately, county officials had expressed hope to receive between ten and 20 bids on the general liability policy.

"It looks like we'll be lucky to get three good, complete bids on the entire package," said Robert D. Mason III, supervisor of insurance in the Erie County finance department, as bids were being submitted.

THE POLICY WITH premiums running over \$200,000 a year, is the largest to be bid since the county charter amendment mandating formal competitive bidding on insurance went into effect last December.

The former policy included liability coverage for the county's auto fleet of some 600 vehicles, property damage, general liability and malpractice insurance for Meyer Memorial Hospital.

Spokesmen for the four companies confirmed that they declined to bid, and all gave similar reasons.

"We would be interested in writing the county insurance but not on a bid basis, because our chances of writing it at a premium that would be adequate are just about nil," said Wayne Watson, manager of the Fireman's Fund Buffalo office.

info for buyers

To receive literature listed in Info for Buyers write directly to the name and address accompanying each item, mentioning that you saw the offering in *Business Insurance*. Readers are welcome to submit items for possible inclusion in the column. A sample of your literature should be sent to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Il. 60611.

- The Home Insurance Co. has prepared a booklet **Household Inventory** for use by homeowners and tenants. After a fire, it is frequently difficult to remember everything that was destroyed. A complete inventory made in advance will assist to expedite claim services in the event of loss. For a free copy write the company, Public Relations Dept., 59 Maiden Lane, New York, N.Y. 10038.

- **Insurance Tips for Not-so-Big Businesses**, released by Zurich-American Insurance Cos., offers suggestions that should lower your premiums. The brochure explains why and how they care about your costs and safety too. For a copy write Zurich-American, 111 W. Jackson Blvd., Chicago, Il. 60604.

- Security Services Inc. is offering **PARIS**. The acronym stands for Perimeter Alarm Response and Interior Supervision. It is believed to be a rather interesting combination of central station alarm and patrol service. For a free copy write the company, P.O. Box 123, Southfield, Mi. 48075.

- **The Liabilities of Directors and Officers: With Practical Solutions for Their Discharge** by Thomas F. Sheehan is now in its second edition. The 75-page paper seeks to explore 1) the rights of directors and officers to indemnification by the corporation, 2) the standard care which a director or officer owes to the corporation and other parties, 3) the transfer of the corporation's indemnification obligation to an insurance carrier, and 4) the state's interest in the transfer through public policy considerations. For price information write Directors Press, 260 Little John Court, Bartlett, Il. 60103.

- **Small Businessman's Liability** is a brochure describing a small business commercial umbrella coverage. This coverage is for shopowners, light manufacturing concerns and service operations. The brochure is free to agents, brokers and risk managers. Write Dept. 12, American Home Group, 102 Maiden Lane, New York, N.Y. 10005.

- Valuable information pertaining to the fire extinguishing mechanism of dry chemicals appears in the expanded appendix of the 1973 edition of the **Standard for Dry Chemical Extinguishing Systems**, now available from the National Fire Protection Assn. Copies are available for \$1.25. Write the NFPA Publications Service Dept., 470 Atlantic Ave., Boston, Ma. 02110.

- Norris Industries Fire and Safety Equipment Division has a new catalogue of **Interior Fire Protection Equipment**. The 12-page brochure provides charts and illustrations of hoses, extinguisher cabinets, valves and other devices that will assist architectural and engineering firms choose insurance-compliance equipment for new building plans. For a free copy write R. C.

Elder, Norris Industries, Fire & Safety Division, P.O. Box 2750, Newark, N.J. 07114.

- The Gypsum Assn.'s **Fire Resistance** manual has become the first industry document listing fire-rated construction assemblies to be referenced in the three major model codes. This manual can be used across the United States and lend uniformity to building codes. Copies are available, in bulk, at 85 cents each, plus postage. Write the association, 201 N. Wells St., Chicago, Il. 60606.

- An 80-page catalog, including a 20-page OSHA reference section, has just been published by Seton Name Plate Corp. The four-color catalog illustrates and describes hundreds of accident prevention signs and tags which are offered to exactly meet



OSHA requirements. A handy sign selection guide is furnished in chart form to help the reader quickly identify and select the proper signs and tags to meet OSHA obligations. For a free copy write Seton, Dept. NR4, New Haven, Ct. 06505.

- Kwasha Lipton Inc. has made available **Benefit Communications**, a booklet describing the company's approach to total benefit communications. It includes a definition of communication objectives, program analysis and design, media selection, production, program implementation and follow-up. For a copy of the booklet write Leonard Zimmerman, Kwasha Lipton Inc., 429 Sylvan Ave., Englewood Cliffs, N.J. 07632.

- **Product Safety Act** has been printed by Allstate Insurance Co. It outlines major provisions of the act, which became effective Dec. 26, 1972. For a free copy write Q. C. Anderson, Commercial Loss Control Director, Allstate Insurance Co, Allstate Plaza D-1, Northbrook, Il. 60062.

- A brochure from Cardkey Systems analyzes five different levels of security in terms of the types of access controls best suited for each level. Access controls covered range from the simplest mechanical type to sophisticated electronic multiple access control systems. For a free copy of the brochure contact Cardkey Systems, 20339 Nordhoff St., Chatsworth, Ca. 91311.

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• **A Comparative Analysis of Automobile No-Fault Statutes** has been released by the General Adjustment Bureau in a newly expanded and updated version. The 24-page booklet presents comparative data on no-fault regulation in two formats. Added to the booklet's contents for the first time is a section presenting all the pertinent statutory elements for each state on a single, two-page format. Copies of the booklet may be obtained from GAB, Management Services, 123 William St., New York, N.Y. 10038.

• You can find out **How To Tell When Your Company Has Outgrown Its Insurance Service** by reading Alexander & Alexander's brochure which poses nine basic questions for senior corporate executives of growing commercial enterprises. Each question in the 40-page booklet is illustrated with cartoons designed to reveal problems potentially lethal to any business. For a free copy write R. Scott Taylor, Alexander & Alexander, 1185 Ave. of the Americas, New York, N.Y. 10036.

• Western Drinking Fountain has a 40-page catalog describing **Western Safety Equipment**. The catalog describes more than 150 eyewashes, deluge showers, and eye/face wash units. There is a complete section on accessories and dimensional drawings are included. For a free copy write Western Drinking Fountain, P. M. Lindley, Director of Advertising, Box 47, Glen Riddle, Pa. 19037.

• The Aetna Life & Casualty Co. has made available a kit concerning the Occupational Safety and Health Act entitled **Obligation or Opportunity**. The kit includes an introductory booklet pertaining to OSHA in general along with three individual booklets: Sources of Information, Premises Inspection Guide, and How to Avoid Duplicate Record Keeping on Workmen's Compensation. The kit may be obtained by writing William F. Madison, Commercial Lines Sales Division, Aetna Life & Casualty, 151 Farmington Ave., Hartford, Ct. 06115.

• **Twin Sense** is an illustrated booklet published by Associated Aviation Underwriters to encourage flying safety. It is the stated objective of the booklet to point out some limitations of twin-engine planes, and alert pilots so they may better understand them. For a free copy write R. Miller, Associated Aviation Underwriters, 90 John St., New York, N.Y. 10038.

• **The ABC's of Fire Protection** is an 8½ by 25 inch fold-out chart which supplies basic information on choosing the correct portable fire extinguisher for the various classes of fires. For a free copy of the brochure write Advertising Manager, Walter Kidde & Co. Inc., 675 Main St., Belleville, N.J. 07109.

• **Protection for Your Computer Systems** details some of the potential for losses due to failure to take essential steps to protect computer equipment and records. For a free copy write B. Gorrill, Wackenhut Systems Corp., 3280 Ponce de Leon Blvd., Coral Gables, Fl. 33134.

• The National Fire Protection Assn. has made available a **Publications and Visual Aids Catalog**. Through this catalog you can order pamphlets, books, slides and films about fire codes, recommended practices and standards. You can also order material to present to businesses, industries and fire departments. For a free copy write Publications Dept., Na-

tional Fire Protection Assn., 470 Atlantic Ave., Boston, Ma. 02210.

• **Quality Care Review**, an eight-page review discussing the various aspects of the quality assessment (or quality assurance) approach to the administration of health care benefits, is now being circulated by U.S. Administrators, a health benefits administrator. The publication is available on a free subscription basis to readers of *Business Insurance* by writing Quality Care Review, U.S. Administrators, 8383 Wilshire Blvd., Beverly Hills, Ca. 92011.

• The insurance division of Special Libraries Assn. is distributing the two most recent editions of their **Insurance Periodicals Index**. Indices for *Business Insurance* during the periods of July 1971- June 1972 and July 1972- June 1973 are included. Each of the two indices is priced

at \$15.00 and can be ordered by mailing a check to Robert Enequist, Chief Librarian, The College of Insurance, 123 William St., New York, N.Y. 10038. Make checks payable to Special Libraries Assn. Insurance Division.

• **Fire Protection Trends**, a bi-monthly newsletter published by the Sierra Group, a nationwide fire protection consulting engineering organization, contains news items concerning developments in the fire protection field. To be placed on the mailing list without charge, write Kenneth E. Berg, The Sierra Group, 145 Natoma St., San Francisco, Ca. 94105.

• The **1973 Argus FC&S Chart**, an annual statistical publication, is now being distributed by the National Underwriter Co. This year's chart has detailed exhibits of the financial and operating reports of 1,036 insurers of all types. Copies may be obtained for

\$4.95 per copy from the company, 420 East Fourth St., Cincinnati, Oh. 45202.

• **Advanced Security Techniques**, a booklet available from Advanced Computer Techniques Corp., describes the company's services for assessing the internal and external vulnerability of automatic data processing systems and facilities and developing individually designed practical and cost-effective corrective measures for their security. For a copy write the company, 437 Madison Ave., New York, N.Y. 10022.

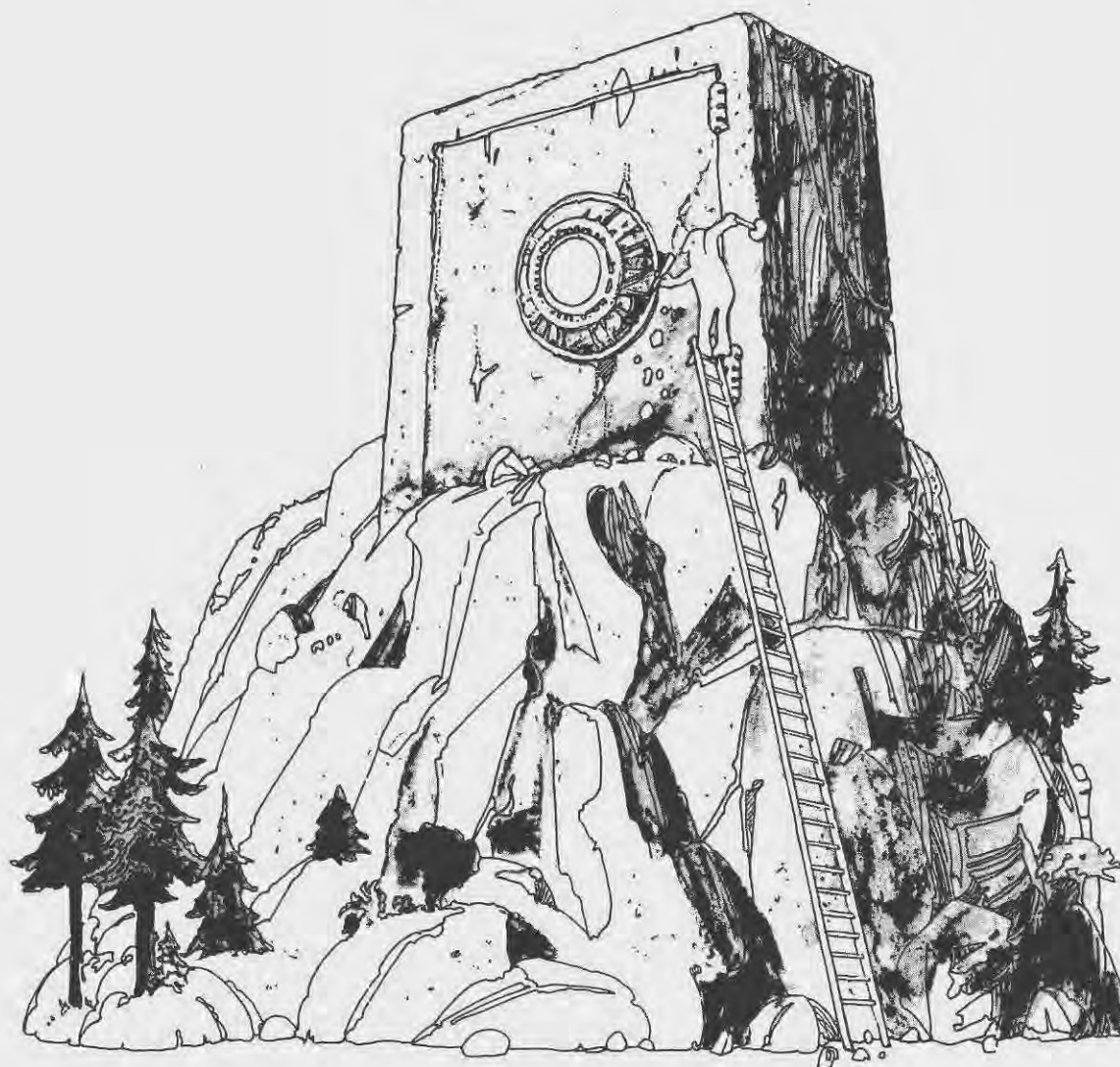
• Justin S. Lencke, an insurance consultant, offers a brochure entitled **Insurance Is a Puzzlement**. It offers suggestions about how to examine your policy to find what it doesn't cover, where it restricts your rights, and in what ways it fails to provide for your exposures. For a copy write Justin S. Lencke, Consultant, 2528 Colum-

bus Way South, St. Petersburg, Fla. 33712.

• Haws Drinking Faucet Co. has published a 12-page brochure called **Haws Safety Equipment—Catalog No. 571**. This is a mini-form reproduction of 40 pages of the company's safety equipment catalog. The product line of emergency eyewash equipment drench and decontamination showers are described. For a free copy write Faucet Co., Fourth and Page Sts., Berkeley, Ca. 94710.

• Fire Protection Co. has come out with a 28-page illustrated brochure entitled **Halon Vapor and its 10-Second War Against Fire**. It reviews in depth the Halon qualities in automatic fire protection. The brochure is informative and profusely illustrated. For a free copy, write Attn: R. C. Elder, Norris Industries, Fire & Safety Equipment Div., P. O. Box 2750, Newark, N.J. 07114.

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Occupational and non-occupational illness separated by hazy legal line

NEW YORK—"The distinction between so-called occupational and non-occupational illness are increasingly difficult to define and this profoundly affects our long-standing legal concepts," declared Arthur Bardack, administrative director of the New York state workmen's compensation board.

Mr. Bardack, speaking at the annual conference of the Eastern Assn. of Workmen's Compensation Boards, noted that the challenge now is to "provide full coverage for employment incurred disease disability within the economy and the equities of our present workmen's compensation insurance system."

He noted that "full coverage occupational disease amendments have been enacted recently in some states. Yet, they continue to be restrictive."

FOR EXAMPLE, he said, "in Arizona, their Occupational Disease Law was repealed and full coverage was provided by redefining personal injury to include all occupational disease which is due to a condition peculiar to the employment and to which the general public is not exposed."

Mr. Bardack also pointed out that the national commission submitted a report advocating full coverage for occupational disease.

The report stated that "all work-related injuries and diseases should be covered by workmen's compensation."

It stressed that "statutes which restrict coverage to a list of specified occupational diseases are incompatible with the objective of complete protection."

Mr. Bardack noted that certain diseases were always associated with certain trades, but now "the deep growing concern for industrial health has lead to new thinking, and a realization that the subtle, hidden obscure hazards in employment can no longer simply be described by quaint catchphrases."

"NOW SCIENTIFIC knowledge points to hitherto unsuspected relationships between occupational exposures and many of the so-called chronic diseases—cancer, respiratory ailments, allergies, heart disease and others," he added.

He stressed that "despite the tremendous advances in social legislation and the broad scope of compensable coverage today, we still have disabling diseases caused by employment which are without legal recourse."

For instance, Charles F. Eason, assistant director for workmen's compensation for the Atomic Energy Commission, noted that "when the radiation worker files a claim with substantial exposure, he can recover the claim easily. But, if the claim is filed after his employment is terminated, then the claim is usually not received."

The question arises in the minds of both physicians and the court or board whether the radioactive damage is occupational or non-occupational, Mr. Eason noted.

In order for a radiation worker to receive compensation, "physicians and courts or boards must concur causation and physicians will not usually testify that the causation is occupational," the speaker said.

Therefore, he added, it is extremely difficult for a worker to collect on claims. "If the amount

of radiation is within the recommended standards then compensation is unattainable."

Mr. Eason explained that "only a small percentage of regular radioactivity comes from nuclear activities. Most of it, 90%, comes from x-rays."

SPEAKING ON asbestosis and related diseases associated with asbestos exposure, Dr. Irving Selikoff, director of the Environmental Sciences Laboratory at Mount Sinai School of Medicine, noted that asbestosis, a lung scarring, does not show up until at least 20 years after first contact with the material.

He noted, too, that other diseases have been found related to

asbestos exposure including cancer of the stomach, rectum, esophagus and colon. Also, a thickening of the encasing around the lungs, called mesotheliomas had been cited in many asbestos workers, relatives and those who lived or worked near asbestos dust.

Therefore, the doctor noted, "dust disease is no longer a disease of the lung."

He added that "this disease (mesothelioma) cannot be measured. Pulmonary function tests would probably show normal because the test shows largely what is happening in the lung, not the pleura."

John V. Keaney, chairman of the Maine Industrial Accident Commission said that "there are

eight states that have specified restrictions for silicosis, asbestosis and other dust diseases."

POINTING TO the new-found dangers of a certain type of key-tone and vinyl chloride, Dr. Carl U. Dernehl, associate medical director at Union Carbide Corp., said "the shock of it was that there was no forewarning. There was no reason to believe these materials could do this."

He noted that "vinyl chloride is probably the greater problem of the two. The reason being that this is a massive industry in the U.S."

He pointed out that "there are 11 cases in the U.S." of angiocarcinomas of the liver "and we believe we'll have more."

"There is no way of knowing if there is a safe level of vinyl chloride. I basically think there is," Dr. Dernehl said.

"All of us in the industry have to think about what chemicals

can do to people. We should work on a principal that the only real safe exposure to a chemical is none. We have to find a safe level working as close to zero as we can and still remain in business."

He added that "we know absolutely that you can't run vinyl chloride on zero or you'll shut down the entire industry."

"Lately 50 parts per million are used now as an acceptable level," Dr. Dernehl noted.

Speaking on occupational diseases associated with compressed air like tunnel workers or deep sea divers, Robert W. Hamilton Jr. manager of the environmental physiology laboratory at Union Carbide noted that there is one kind of decompression sickness that is very serious.

"Bone necrosis is debilitating and takes a long time to develop and form lesions. Lesions can form in the shaft of the bone and they are not debilitating, but in the joint, they can be." ■

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Woodcock recites 'litany of concern' over insurers

TORONTO—Leonard Woodcock, president of the United Auto Workers (UAW), told ASIM members here that his union has a "litany of concern" over problems and shortcomings of the insurance industry.

Despite labor's progress in gaining more benefits and better working conditions, Mr. Woodcock said, unions still experience "numerous problems" with private insurers. Among these are claims disputes, a lack of insurance regulation, wide variance of coverage costs and insufficient innovations by the industry.

"I must in candor indicate that the UAW and other unions are most concerned about our relationship to the private insurers," Mr. Woodcock stated. "In many instances, the insurance industry feels that since employers pay

the premiums for coverage, interpretation of benefit eligibility should be weighed in favor of the employers' interest."

This siding with the employer creates a bias against the unions,

tance by insurers to make coverage innovations, he said. The unions were forced in some instances to show carriers that coverage could be arranged.

"We have, over the years, bar-

ing to the education of the insurer, a process which has proven to be both long and difficult."

Insurers' lack of cooperation in the bargaining of coverage costs has produced "intolerable situations," Mr. Woodcock complained. Sometimes, he noted, "we have been refused the data we need to make judgements on the validity of premium quotes."

In an unveiled criticism of the National Assn. of Insurance Commissioners, Mr. Woodcock said there is a "near total absence of effective regulation of the insurance industry." He noted that many of the state commissioners who are supposed to be unbiased representatives of insurance consumers are former officers of insurance firms.

Looking ahead, the UAW president predicted that "within the

next two years . . . some form of national health insurance will become law." His union still supports the Kennedy-Griffiths bill, Mr. Woodcock noted, because it "contains all the necessary elements excluded or limited by the insurance industry-inspired proposals."

The pension reform act before Congress is another piece of legislation that needs to be passed, he added, because it would take away the risk of unforseen plan terminations. Mr. Woodcock predicted an act would be passed by this July.

"Plant closings, transfers, involuntary retirement and other contingencies annually wipe out the pension promises made by 500 employers to 25,000 workers," he said. "Moreover, private pension plan assets which now have a book value in excess of \$170 billion and are growing by \$20 billion annually represent the largest accumulation of virtually unregulated dollars in the nation.

"PENSION PLAN participants," he added, "have almost no influence" over the operations of their pension funds.

In the area of unemployment, Mr. Woodcock said insurance coverage should be available for the laid-off worker. "The mere provision of income during unemployment will prove to be inadequate support . . . for illness and injury do not respect employment-unemployment status."

In the area of work safety the labor leader termed the Occupational Safety and Health Act's enforcement "a human tragedy."

"Much further work has to be done with regard to the OSHA Act, for more effort has been expended to dilute than to enforce its provisions," he told the conference. "It represents a failure in risk management, for there has been no diminution in work injuries and deaths since OSHA became law."

IN GENERAL, union demands for increased fringe benefits programs show no signs of tapering off, Mr. Woodcock said. "Today, fringe benefit provisions are of major importance to union members."

"In 1972, under UAW negotiated-employer-financed fringe benefit agreements, more than \$2.3 billion was expected for pension, health insurance, life and accidental death and dismemberment insurance, sickness and accident insurance, survivor's insurance benefits and supplemental unemployment benefits," The UAW president noted.

The faltering national economy is not hampering unions which are negotiating benefits programs this year, he added. The can, aluminum and steel workers' unions "have been successful in large part" in the negotiation of new benefits.

The trend of union bargaining for pension plans with cost of living escalators would probably continue, he said.

Subsidiary established

A new subsidiary specializing in insurance related to installment loans and automobile financing has been established in Los Angeles by brokers Bayly, Martin and Fay. Known as Bayly Martin and Fay Inc. Financial Insurance Services, the new subsidiary initially will operate only on the West Coast where the company will serve automobile dealers and financial institutions with a full line of policies.

ASIM Conference Report

Mr. Woodcock contended. "Consequently, many apparently valid but disputed claims are not resolved in favor of workers."

Another source of frustration for unions has been the reluc-

gained a whole series of insurance benefits which the insurance underwriters and their actuaries were either unaware of, or claimed were uninsurable.

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Sen. Javits predicts new federal pension law early this summer

TORONTO—Sen. Jacob K. Javits of New York, co-sponsor of the Senate's private pension reform bill, predicted that a final version of the bill will be signed into law early this summer, pending the outcome of joint Senate and House of Representatives conferences this month to iron out a mutually acceptable version.

While Sen. Javits vowed he will 'fight like a tiger' against parts of the House bill, including administration and fiduciary provisions, he indicated that he would be open to some compromises, if necessary, "because I won't allow any division to stand in the way of this legislation."

Addressing the American Soci-

ety of Insurance Management's annual conference here, Sen. Javits estimated that the pension bill's requirements will add an average of only about 1.5% to 2% of payroll to corporate pension costs. ASIM's national membership supports the federal pension reform bill, in an official position announced earlier this year.

SEN. JAVITS said he expects about ten million pension plans will be added in the next few years to the 35 million already in existence in the private sector. He anticipates that the bill will redefine pensions as "deferred wages" and a right of income security for employees, and "not just an employer's frill."

"Both bills make efforts to encourage 'portability' among pension plans as well as to expand private pension coverage," he said. Among the vehicles for expansion, he noted, are the new individual retirement savings provision, based on a \$1,500 tax-free base, and expansion of the Keogh Plan deductions for the self-employed from \$2,500 to \$7,500 annually.

"The bills also establish maximum tax deductible limitations for corporate pension plans—a significant step toward producing greater tax equity and uniformity," he said.

At a press conference before his speech, Sen. Javits said he does not foresee a Constitutional-

ity battle over the proposed pension bill's preemption powers over state insurance departments.

"**BOTH THE HOUSE** and Senate have adopted vesting provisions which will give credit to employees for service earned prior to the law, as well as service earned after the law," he noted. "This is a major social advance—and it will provide more adequate retirement income protection to untold thousands of older employees," he added.

There are also provisions in both bills, he said, to establish procedural due process for the settling of individual benefits disputes and provide ready access to the courts to protect against interference with employee pension rights. "For the first time, workers will have adequate remedies to protect themselves against arbitrary frustration of their benefit rights," he said.

While he noted that the scope

and depth of the Senate and House pension reform bills are without parallel, Sen. Javits pointed to "material differences in detail" between the two bills which will be up for grabs in conference negotiations this month.

Both bills delegate responsibilities to the Treasury and Labor departments, but in different ways. The Senate bill assigns the Treasury the dominant role in vesting and funding, while Labor gets the dominant role in termination insurance, portability, fiduciary standards and disclosure. The House bill allows Labor to get involved in vesting and funding.

"Functions of the Treasury and Labor should be separated and marked out clearly so there is no duplication, overlapping or interference," Sen. Javits said.

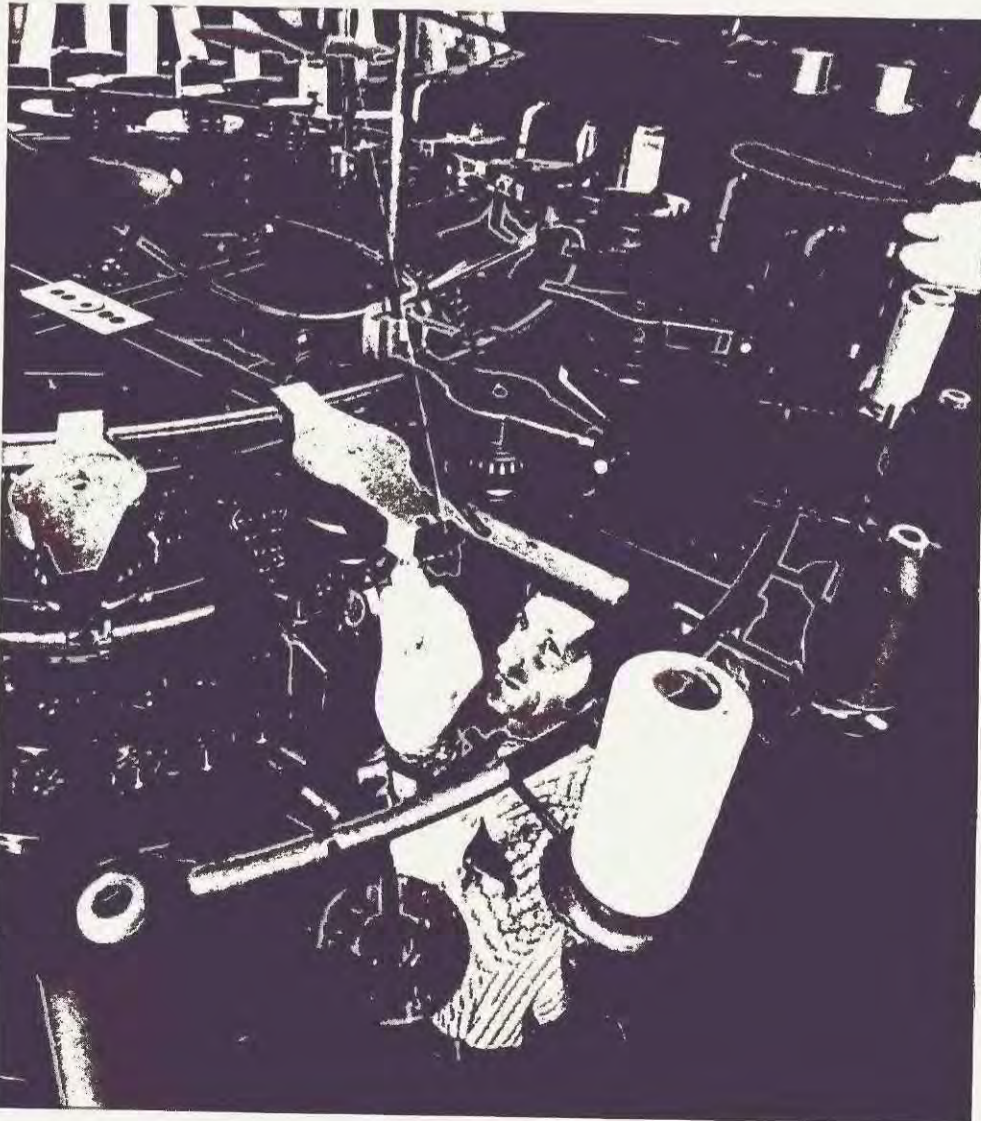
ANOTHER ACUTE difference concerns fiduciary provisions, he said. The Senate bill generally forbids so-called "conflict of interest" transactions by plan managers, while the House bill would not require trustee managers to be sealed off from the trust as long as adequate consideration is paid.

The "self-dealing" approach to the House bill, he charged, "may continue to reflect an outmoded theory that pensions are gratuities—to be offered and withdrawn at the will of the employer . . . and it is a tried and true principle of trust law that the fiduciary must not place himself in a situation where any other motive than the best interest of the beneficiary may affect him."

"Given the present climate of broad public support and the genuine desire in the Congress to enact a pension reform bill this year, I say again, I believe we can anticipate a new federal pension law early this summer," Sen. Javits concluded.

"There will be no last-ditch, hard rock stand by me on any issue facing the conference this week," he added, "for the bill is too important to hold up because of personal views and beliefs." ■

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CNA plan expanded for associations

CHICAGO—The hospital coverage plan for associations carried by Continental Casualty Co. was expanded "to make it more than just a supplemental type of insurance protection," according to CNA vp Robert J. Miller.

Maximum benefits were raised from \$40 a day to \$100. The plan pays the insured directly for each day he spends in the hospital.

The new program's cost is based on earlier association coverage rates, Mr. Miller said. Full coverage for a male under the age of 40 is \$15 a year for each \$10 daily indemnity. A plan including family dependents is also available.

COVERAGE includes daily hospital costs from the date of hospitalization up to age 65. One year's convalescence at home is also covered to age 65 at one-half the daily hospital benefit.

Full coverage is provided for congenital abnormalities, and a double indemnity provision has been added for intensive care. In states where it is permitted, survivor benefits following a death in the hospital are 30 times the daily benefit.

The new plan also provides that pre-existing conditions will be covered after the policy has been in effect for two years. ■

What corporations expect of their risk managers

TORONTO—In a brief reversal of roles, the 12th annual conference of the American Society of Insurance Management heard details of what the corporate-financial, insurance carrier and brokerage sectors expect of the risk manager: a highly-trained, competent manager who is candid, loyal, cooperative and eventually eligible for executive appointment.

E. Laurence Gay, vice-chairman of AMFAC Inc., Charles W. Pachner, president of Frenkel and Co. Inc., and Frederick D. Watkins, president of Aetna Insurance Co. discussed their image of the risk manager in the annual presidents' panel, moderated by Waverly G. Smith, president of St. Paul Fire and Marine Insurance Co.

"First of all, he should know the corporation inside and out, its property, its strengths, its weakness, its exposure to loss," said Mr. Gay, who stressed "very few elements of the business need be kept secret from him and this imposes the responsibility on senior management of maintaining open doors to information, against the inevitable protectionist tendencies."

ONCE THE risk manager has been taken into management's confidence, both Mr. Watkins and Mr. Pachner called on him to supply candid information on all risks. "The broker is entitled to the same confidentiality that is accorded a lawyer or accountant," Mr. Pachner said.

Mr. Watkins added that the carrier deserves to know "loss listings, internal controls, future growth and development plans, cash flow and reserve needs. This type of information—along with the risk profile information developed by the insurance companies on their own—permits solid underwriting and pricing," he added.

"We still see too much of a hurried, 'blind man's bluff, pin the tail on the donkey' type of matching corporate insurance needs with insurance company capabilities," Mr. Watkins said.

Although Mr. Watkins warned that the present high rate with which corporations change their insurance carriers could reduce the industry's effectiveness in serving the corporate community, he also said firmly that in pricing its accounts, an insurer must be responsive to its own basic needs as well as those of clients and agents and brokers.

ACCORDING TO Mr. Watkins, "the rate cutting we have been witnessing hurts the insured because as the premiums are cut, the company must also cut back on the level of service it can offer. The agent is hurt directly because his income is cut, and he is hurt in a more subtle but profound way because his reduced commission income encourages him to devote less time to serving each customer. This damages that valuable relationship he has built up with his client," he noted.

"The risk manager enjoys a somewhat exalted economic status in his relationship with the broker," Mr. Pachner said. He also called on risk managers to be loyal in spite of occasional "distressing surprises" in today's uneven insurance marketplace.

Mr. Pachner also stressed the importance of the risk manager's administrative ability and personality in motivating corporate personnel to alert him to new exposures in operations.

"It is also a factor in strengthening the understanding and respect for the risk management

function inside the corporation, since the positive financial benefits . . . are not readily identifiable in financial reports," Mr. Pachner added.

ASIM Conference Report

Although the risk management department is not generally highlighted in the corporate annual report, the risk manager's reports to management "have a role both as the material for charting progress of our programs and for evaluation of the performance of the risk manager," Mr. Gay said.

"These reports include an annual report highlighting the major changes in risks covered, losses assumed and incurred and the current cost of the total risk management programs in effect and those planned for the coming year," he said.

"Also, they include cost and loss history reports for each corporate division often coupled with loss reduction suggestions, and comprehensive, updated risk management manual, periodic reports on the current loss prevention activities and related costs, and finally, comparative reports showing how our programs compare with those of similar operations,"

Mr. Gay added. He noted that membership in ASIM lends the opportunity for the risk manager to view his program in terms of other corporate programs.

"**WE HAVE** also resolved that at least every five years there be a risk management audit by a competent and independent consultant," Mr. Gay said, adding "last year such a risk management consultant audited our programs in exhaustive detail."

"It was reassuring to me and to our board of directors that the independent consultants concluded, that AMFAC Inc. has one of the best conceived and managed

risk management programs they have observed," he said.

"The important of the independent audit, however, is that it assures senior management and the board of directors that a highly technical function, when judged by a professional in the field, is performed at a superior level of competence."

"Additionally, it seems to me, that because risk management has such a wide-ranging knowledge of the corporation, that senior management might then very well look to risk managers to fill key staff and even operating positions in their companies," he concluded. ■



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Doctor cooperation necessary for controlling medical claims costs

TORONTO—An employe benefits manager trying to control medical coverage costs under group health plans needs to secure the cooperation of doctors in order to keep medical fees at a "reasonable and customary" level.

"Communications with the medical profession is a difficult but essential element in controlling medical claims costs," said Noel P. Kelliher, group specialty marketing consultant for Aetna Life and Casualty Co.

"It is no easy task, but it is obvious to me that controlling the flow of medical benefits is impossible without the involvement, cooperation and commitment of all four components of the medical care delivery system—and this particularly includes the medical profession," he said.

SPEAKING BEFORE a session on claims control at the 12th annual American Society of Insurance Management conference here, Mr. Kelliher noted that a growing problem is "determining what is a 'reasonable' charge for necessary medical service.

"We must make clear to all concerned that there is a limit to what a corporation can afford to pay and what an insurer should pay."

Increased emphasis on "reasonable medical pricing patterns" by physicians, insurers and employe benefits managers would cut down the amount of money wasted on excessive medical treatment, Mr. Kelliher said. Wherever costs appear to be high, the benefits manager should investigate in order to determine whether costs were justified.

Mr. Kelliher noted that the current cooperation among physicians, insurers and companies has kept the cost problem down to a manageable level.

"USING ALL the avenues open to us, including consultations with attending physicians, referral to medical consultants and referral to medical society peer reviews, less than one percent of the medical claims handled by our company have been determined to be beyond what could be considered prevailing . . . or reasonable and customary," he noted.

John Kajander, vp of employe relations for the Pennzoil Co., recounted at the session how his company changed its benefits program in 1968 and then explained the new plan in small employe meetings at all the company's plant.

Communication with the physicians has been important as well, Mr. Kajander said, "so there's a clear-cut understanding prior to the care as to what the employe is going to pay and what the employer is going to pay."

To help pinpoint problem areas in cost of care, Pennzoil conducts monthly cost analyses of each type of care, in each division of the company. This way excessive costs can be cut back by exposing all abuses of the medical plan.

Mr. Kajander noted that his company experienced trouble with a few doctors "who had questions about why they weren't paid in full."

"IN EACH CASE we attempted to show what the objective was of our plan," Mr. Kajander said. If a doctor's explanation was justified, we paid. If it was not, the employe did."

Pennzoil's drive to control loss

claims found a little resistance came from within the company. The personnel dept., which used to explain benefits to an employe about once a day, was finding itself burdened with more and more employes' questions.

But Pennzoil's management and its carrier, Aetna Life & Casualty, held a seminar with the personnel dept. and "we explained why we had to have good loss claims control.

"They seem to be taking up the cudgel now when we need them," Mr. Kajander noted.

The communications program combined with monthly cost analysis has given Pennzoil some "pretty striking results," he added. In the last five years, the

company has had only one rate increase in medical coverage.

A FILMSTRIP presentation by the SCM Corp. on claims cost control at the ASIM session outlined the savings where excessive claims are eliminated.

In 1972 the company paid about \$4 million in premiums, the filmstrip explained. An estimated 5 to 15% of these claims were unnecessary. Even a cutback of 5% would have meant a savings of about \$214,000.

In addition to communications programs and claims analyses, a company should make sure its employes don't overextend their hospital stays, the filmstrips said. A simple phone call by a compa-



Claims control panel discusses skyrocketing medical care costs.

ny can show its concern in an employe's health—and also its interest in the amount of care he should be receiving.

One benefits manager told the session about his own company's method for keeping down the length of hospital stays in mater-

nity cases. The new father is allowed to take off one-half day with pay on the scheduled date of his wife's release. The lost work hours cost far less than the cost of unnecessarily extended hospital coverage, the benefits manager said.

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Consultant should be 'last step' during difficulties with insurers

TORONTO—Asking a consultant to find another group insurer should be the "last possible step" when a company has difficulty with its carriers, a group insurance consultant said at the ASIM conference here.

"Our experience is that usually the policyholder gets hurt in the process of change," explained Robert O'Meara of Hewitt Associates in Deerfield, Ill.

If the communication between a company and its carrier becomes bad enough, a consultant may be forced to find a new insurer, he added. But "changing carriers is costly and time-consuming."

Sometimes a company-carrier relationship can be salvaged if

the communication channels are cleared. A company may then find that the quality of its relationship with the insurer is largely based on the ease of communications between the two parties, Mr. O'Meara noted.

ASIM Conference Report

Mr. O'Meara pointed out that "most of the major underwriters can offer an equal level of services if the relationship can be established between the policyholder and the underwriter."

A consultant may also be used by an employe benefit manager who feels he "lacks leverage"

with the company carrier, Mr. O'Meara noted. Insurers often give more heed to a client when consultants enter the company-carrier dialogue.

"We want to maintain relationships that are of such a nature that the carrier understands the firmness of our positions—our perspective in serving the client as the sole party to whom we are responsible," Mr. O'Meara said.

Speaking at the same session, Paul H. Gregg, vp of the John Hancock Mutual Life Insurance Co., said "an adversary relationship can only be disruptive and counterproductive."

"It is essential that our three partners work together to determine the best course," he ex-

plained. "Each one—the benefits manager, consultant and carrier—is in a position to make important contributions from his particular perspective."

Mr. O'Meara and Mr. Gregg agreed that they each have a three-fold task in helping the employe benefits manager. "Step one is to help the client crystalize its objectives," Mr. O'Meara noted. "Once these are established, alternatives can be considered—and decisions made. From that point it is a matter of implementation."

THE INSURER and the consultant both noted that they thought it was important to make an ongoing analysis of the benefits program through an efficient data collection system. If analysis showed too much was being spent for the amount of benefits received, the insurer or the consultant would recommend re-vamping the plan.



Robert O'Meara

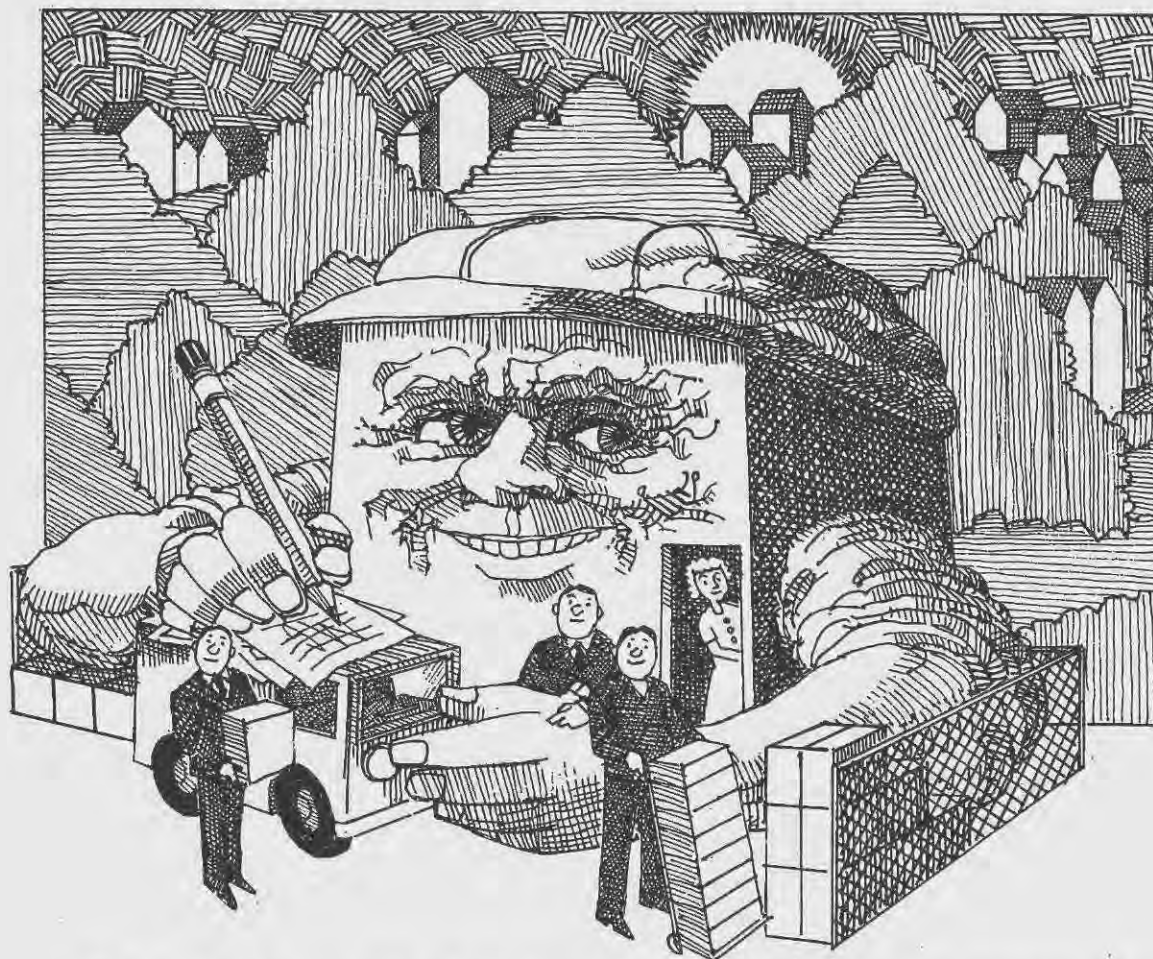
Edwin McManus, employe benefits manager for Rockwell International Corp., noted at the session that he has "organized his staff, carrier, and broker and consultant into a three-way team."

"Because we're involved in nearly all of the manufacturing industries, and we've entered them largely through merger and acquisition, we have been able to choose between the simplicity of one benefits package with its inherently higher costs or the more difficult to handle but more likely to be competitive division-by-division approach. "We've chosen the latter," Mr. McManus said, "and that decision means I need all the help I can get."

State commissioner to expand, get specialists

The Montana senate advanced a bill aimed at upgrading the office of the state insurance commissioner. The \$342,556 appropriated was nearly \$100,000 less than requested by state auditor E. V. Orholt, who also is state insurance commissioner. The measure provides for seven new staff members, including an attorney, a field examiner and a certified public accountant to serve as chief examiner. The senate rejected a request for an assistant chief deputy and turned down a proposal to provide pay increases to present member of Mr. Orholt's staff. The bill also provides money to contract for the services of insurance specialists.

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True group auto plans need tax law changes before they will flourish

TORONTO—True group automobile insurance for employees, says Thomas A. Clark Jr., vp of Johnson and Higgins, "has been 'five years away' for about 15 years in all but eight states."

And it won't come of age until the tax laws are changed to allow tax deductions for employer contributions to personal lines of coverage, said George Knapp, senior vp at Chubb & Son Inc., as he and Mr. Clark joined Jerry A. Trebesch, corporate employee benefits consultant at Control Data Corp. in a discussion of the increasingly popular half-way concept of mass merchandising at the 12th annual conference of the American Society of Insurance Management here.

Mr. Trebesch reported "satisfactory experience" with Control Data's mass merchandised auto plan, with over 3,000 presently enrolled out of 23,000 eligible domestic employees and about 75 to 100 enrolling each month.

HE SAID A recent survey of those enrolled showed "price is obviously the single most important factor in an employee's decision to enroll." About 67% of respondents indicated premium savings motivated them to join, with 28% indicating the convenience of payroll deduction attracted them.

Mr. Trebesch said 48% reported a 10% or greater savings, with 13% of these showing a pre-

mium savings of 22% or more. Although he added not all employees find a reduced premium through mass merchandised policies.

"Employee premium cost is based on individual driving experience and participation in the plan is entirely voluntary," he noted.

Mr. Knapp said mass merchandised auto is an underwriting headache this year for Chubb, because inflation is causing it "to be a red item on our balance sheet," and also because of the complications of new no-fault laws.

Although we have some association business, we greatly prefer the employer-sponsored plan," he said, because here "we expect to



Panel speakers for the subject of mass merchandising included (from left) Thomas A. Clark, Johnson & Higgins, George P. Knapp, Chubb & Son, and Jerry Trebesch, Control Data Corp.

find the normal characteristics of a sound business enterprise plus a strong commitment to the success . . . of the plan." He defined success as "significant employee participation along with a reasonable underwriting profit."

He said the timetable for setting up a plan occurs in four stages, including the evaluation and underwriting decision, which takes from one to three months, the system and procedures development, which takes at least three months, the introduction and initial enrollment running for about a month and then the ongoing administration.

THE BROKER'S ROLE in each of these phases, according to Mr. Clark, is "to make sure the product is completely understood by the buyer."

The employer will need a minimum of 1,000 interested employees, as well as a limitation on the geographical spread for the sake of accounting and administrative planning and may have to watch geographical spread for the sake his employee turnover rate carefully. Although usually, "he'll be able to plug that out through waiting period provisions."

The broker, he added, when considering the insurance markets, should keep an eye on price, which should be on or around the direct writer level, underwriting attitudes, especially noting what adjustments would be made on a policy with bad experience, the claims services, and the systems capability for getting fast automated quotations on-time for payroll deductions.

Urge new sulfur dioxide standards

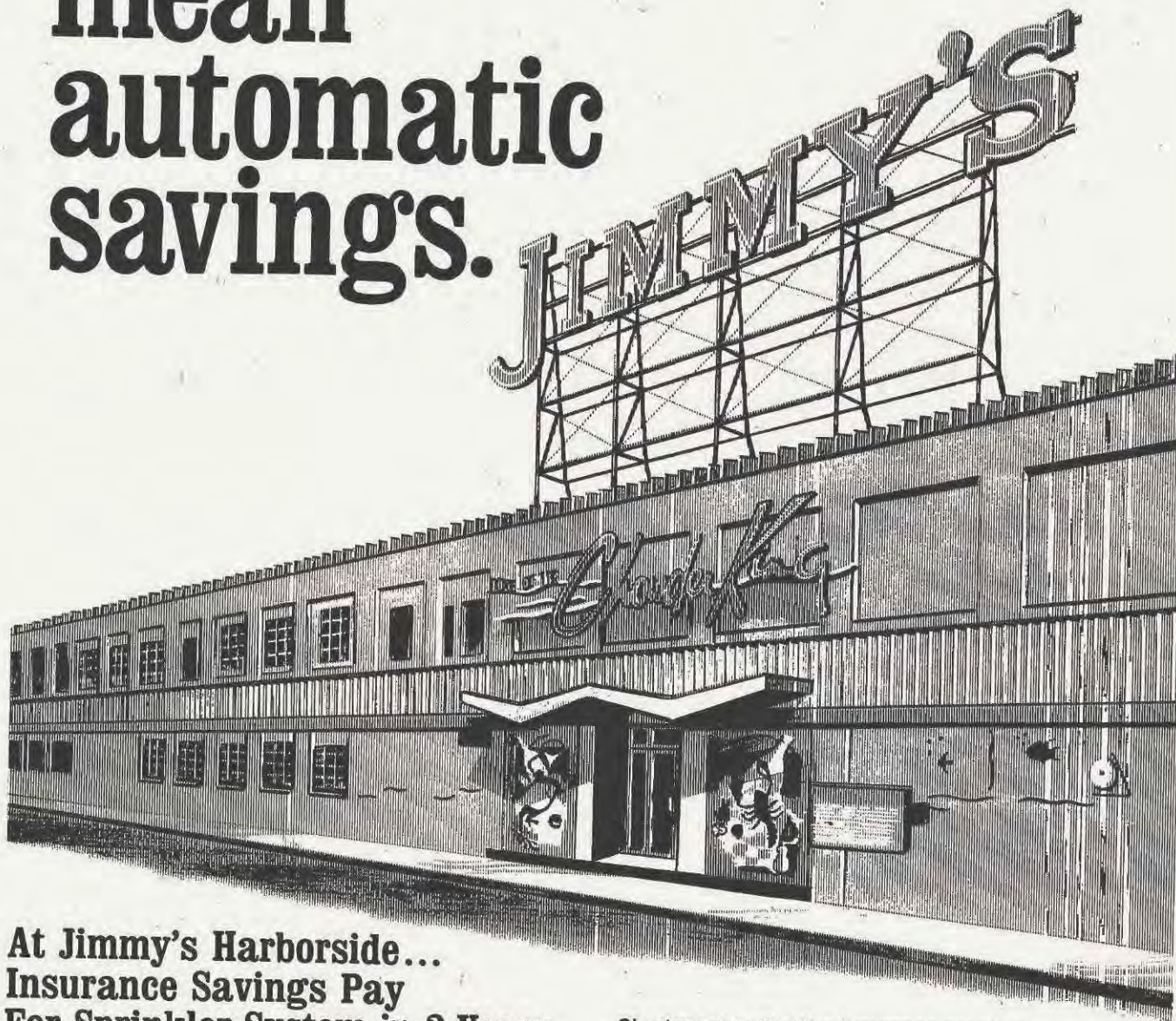
WASHINGTON—The National Institute for Occupational Safety and Health (NIOSH) recommended a new federal standard for sulfur dioxide. NIOSH called for a reduction in the occupational exposure level to two parts per million from the current level of five parts per million for up to an eight-hour work day and 40-hour work week.

NIOSH also recommended annual comprehensive medical examinations should be given to all workers exposed to sulfur dioxide and that medical records should be maintained for workers employed one or more years in work involving exposure to sulfur dioxide.

After examining experimental studies, NIOSH concluded "exposure to sulfur dioxide at the existing federal standard of 5ppm can cause adverse respiratory effects. Compliance with the NIOSH recommendation should, however, prevent adverse effects of sulfur dioxide on the health and safety of workers."

It is estimated that 500,000 workers are potentially exposed to sulfur dioxide which is used in the manufacture of other chemical materials.

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To protect their growing business, owners Jimmy Doulos and his son Charles (patrons call him "Jimmy Jr.") installed "Automatic" Sprinklers several years ago. "When you have a following like the one Harborside has built over the years, you need to find ways to limit your risks. Good fire protection assures our business continuing in the event of fire," says Mr. Doulos.

Charles notes that fire insurance premiums were noticeably reduced after installation of the "Automatic" Sprinkler system. According to their insurance agent, Fairfield & Ellis of Boston, "substantial savings in fire insurance costs enabled Jimmy's to amortize the cost of the new automatic sprinkler installation within three years."

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Special police force cuts crime at port of Toronto

TORONTO—A dramatic reversal here of the trend in booming criminal activity common to waterfronts has been credited to an eight-year-old special police force at the port of Toronto.

Not only has the 23-member, specially-trained force reversed the trend, but as a result of their security programs, "no pilferage has been attributed to the port in over two years," according to Toronto harbor commissioner John Hanbridge.

Chief Robert Kornish, who heads that special force, outlined his successful methods for a group of maritime risk managers at the 12th annual conference of the American Society of Insurance Management.

THE PORT OF Toronto until 1966 depended on a security guard service, like many cities today, Chief Kornish said. But, as the crime rates grew, officials, including representatives of shipping companies, stevedores, warehouses, transporters, and the government, became concerned for the safety of cargos and resources as well as the reputation of the port, he added.

In 1966 the National Harbors Board approved the formation of the special force with law enforcement powers, he said, "and

\$700 million mine suit; largest ever

BOISE, ID.—The largest suit reportedly ever filed in U.S. district court of Idaho seeks more than \$700,000,000 on behalf of the families of 56 miners killed in the Sunshine mine disaster two years ago.

Agnes House, the widow of one of the miners, filed the suit for herself and 220 others, charging 21 companies and the federal government with complicity in the deaths of the miners.

The suit claims the defendants provided false or inaccurate information about the hazards of products used in the mine and were willfully negligent by providing or installing inadequate equipment and materials for use in the mine.

EACH OF THE survivors of the 56 miners claims \$1,000,000 in general damages from each of the defendants and \$10,000,000 punitive damages from all but three defendants. In addition, the action seeks medical, funeral and legal expenses.

The suit is the third version of a suit first brought in federal court in California in 1972 and transferred to Idaho four months later. The original complaint listed 12 plaintiffs and three defendants.

The 8,000-page suit names as defendants: Mine Safety Appliances Co.; Westinghouse Electric Corp.; Joy Manufacturing Co.; Olin Corp.; Owens-Corning Fiberglass; American Society for Testing and Materials; the Society of the Plastics Industry Inc.; Union Carbide Chemical Co.; Underwriters Laboratories; Wyandotte Chemical Corp.; Mobay Chemical Co.; Pacific Vegetable Oil Corp.; E. I. DuPont de Nemours and Co.; Allied Chemical Corp.; PPG Industries Inc.; Dow Chemical Corp.; Upjon Polymer Division, Atlas Chemical Industries Inc.; Carwin Co.; and Kaiser Aluminum and Chemical Sales Inc.

a number of municipal police—myself included—took on the new challenge." Toronto was the first port to have such a force.

"First of all, let me stress that we do not get involved in enforcing any employe rules," he said.

ASIM Conference Report

"What we are concerned about is law enforcement.

"We have a strong communications systems, including walkie-talkies and other equipment, as well as a three plainclothesmen investigative unit. And," he added, "we keep a regular surveillance on cars and trucks leaving the port to check for

stolen cargo.

"Even before a ship arrives, we get a copy of the manifest and we can note which shipments seem to be most susceptible to theft," he said. "If our investigation uncovers cargo which seems to have been stolen from another port, and this often happens, we call police at the other port to alert them."

"We have discouraged what were loose connections with organized crime in the port by keeping a tight control and have fostered a liaison with labor groups, which wasn't so easy at first," he noted.

"We have a law now that says that a person convicted of a criminal offense won't be rehired—this more than anything else—is a deterrent for crime."

He said that because conviction is necessary for this penalty, the early reporting of losses is extremely important in order for police to get solid evidence to take into the courts.

AT FIRST THE port police found some apathy on the part of the courts, but by showing the cumulative effects of smaller crimes, they have gained ground in their position as prosecutors. "It used to be," Chief Kornish said, "that a victim of a crime would surely suffer recrimination, but we now have it arranged that the police, and not the individual victim, makes the charges. All witnesses are subpoenaed to the trial without choice, so they don't have to fear recriminations, either," he added.

"We've reduced the heavy on-the-job drinking in the port by enforcing the liquor laws. And now, the truckers as well, are getting better control on the drinking problem because their drivers know it won't be tolerated when they come to transport the cargo from the port," he said.

"We presently have initiated a campaign to get shippers to use indelible markings on all inventories to help us to identify them," he said, "because the documentation helps provide the kind of strong evidence we need.

"No longer is the dock a criminal's sanctuary," he said, "because as police we have the legal power to do much more than the private security guards, many of whom are just not capable of dealing with criminals."



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The Knowledge Broker

New British legislation will result in 'unprecedented' pension reforms

TORONTO—Britain's Labour government is likely in the next few years to require pensions in the U.K. to contain even more built-in protections against inflation than are presently being initiated under the new state reserve scheme effective in 1975.

So said Michael Pilch, director of Noble Lowndes and Partners Ltd., speaking at a session on British pensions during the 12th annual American Society of Insurance Management conference here. Noble Lowndes is the pension division of the Lowndes Lambert Group.

"Unprecedented activity" on the British pension scene is arising out of the recently-passed

Social Security Act, he said, noting that "virtually every pension plan (in the U.K.) has to be amended in one way or another to comply with the act."

The broad effect of the legislation is to require 100% vesting of pensions for anyone over age 26 who has completed five years' membership in the plan, he summarized.

IN THE SAME session, J. Stuart Irvine, also of Noble Lowndes, noted a trend for British employers to extend pension plans across the board to cover employees, "The gap in benefits between U.S. and U.K. pensions is already beginning to close," he added, "but it

will take a fairly long time" until they are equalized. He noted a wide disparity among plans of four U.K. subsidiaries of a single U.S. firm, ranging from extremely generous and non-contributory to nothing at all.

Mr. Irvine said there "are a number of (pension) package schemes now available in the U.K. aimed at merely providing benefits at a sufficient level in order to achieve (state reserve scheme) recognition."

Mr. Pilch indicated that as a result of legislated pension changes in Britain, pension management will change. He told his benefit manage audience that British pensions are "conservatively"

funded, and for the most part, insured. "I'm really concerned with the levels of funding. In the U.K. we tend to put more money, possibly too much—into the plan," he said.

Mr. Irvine predicted that the retirement age may be lowered in Britain sometime in the future, as the result of currently increasing concern for equalizing the present retirement age regulations of 65 for men and 60 for women.

MR. PILCH urged employers with subsidiaries in the U.K. not to defer plans for complying with the new legislation. "There is a possibility that we shall see further legislation in the pension field before very long," he said.

"Nevertheless, I believe that this is likely to build on top of the Social Security Act rather than pulling it down and starting again and, in any case, the time left for employers to take action under the act is far too short for

any policy of wait-and-see to be pursued," he advised.

Pensionable salaries in Britain have in the past tended to be restricted to basic salary, excluding any fluctuating earnings such as bonus or commission, Mr. Pilch noted.

"This situation is likely to change as the Social Security Act takes effect, because the minimum requirements of that act are all tied to full earnings, and many employers are likely to amend their pension funds accordingly rather than maintain two different definitions of earnings" he predicted.

Object to reserves for future losses

TORONTO—Price Waterhouse and Co. issues a position paper which states that it does not believe commercial and industrial corporations should accrue reserves for future losses.

This is one of the key questions to be raised in hearings of the financial accounting standards board. (*Business Insurance*, April 29, 1974.)

Mrs. Marianne Burge, partner in the firm, said here last week at the ASIM conference that a question of accrual of reserves is arising out of the increased frequency of non-insured or captive insured risks.

"But we believe these are future contingencies not predictable or accruing with any regularity," she said. "We feel an insurance company should accrue catastrophic reserves for regular multi-period losses," Mrs. Burge added, noting that this applies also to captive insurance carriers.

Mrs. Burge also noted that the Price Waterhouse position paper objects to the use of the term self-insurance for commercial and industrial corporations.

"We see this as non-insurance" she said.

Two carriers begin small group plans

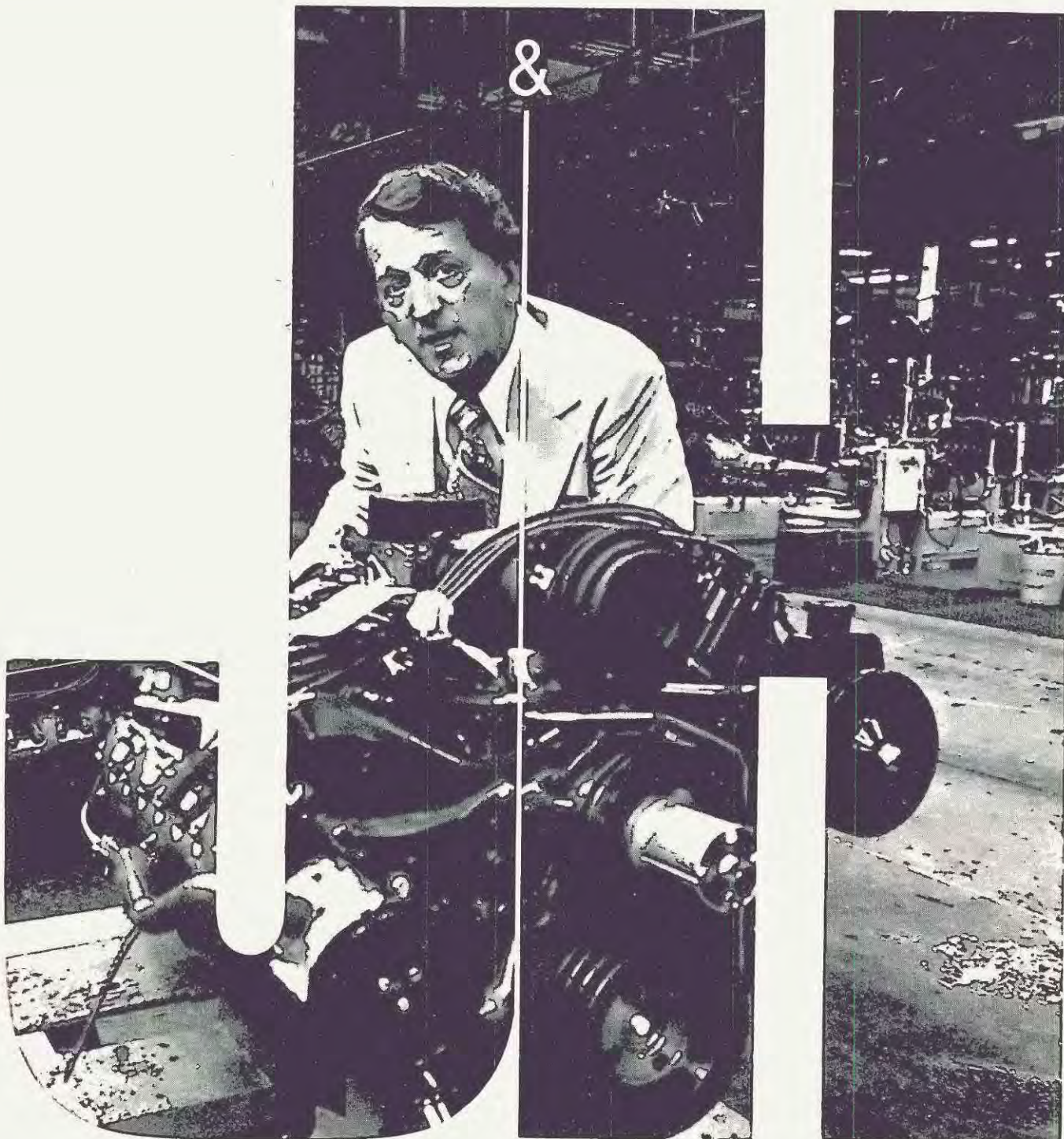
CHICAGO—Two carriers are making their debut in the field of small group life and medical expense insurance with packages for businesses employing as few as two workers.

The Hartford Life Insurance Co. is beginning a new small group plan May 15, and Lincoln National Life Insurance Co. recently announced the birth of its own accidental death and dismemberment coverage package.

A SPOKESMAN for Hartford Life told *Business Insurance* "we haven't even announced it yet." But he did say it would be a plan for three to nine employees, providing group life and medical coverage.

Lincoln National Life's small group package offers seven amounts of life insurance ranging from \$5,000 to \$50,000. It will cover between two and nine workers. Premium rates are set up in five-year age brackets, a company source noted.

Rates for life insurance covering a 30 year-old male are about \$1.70 a month for each \$5,000, the source explained. For the basic expense benefits, the same man must pay \$8.65 a month, or \$14 for his whole family.



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Here's how it's shaping up.

In an ad last year you saw me laying the foundation for an improved Zurich-American. And I asked you to tell me how we can do a better job for you.

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Our new Western zone.

To improve our system even more, we're now opening a fourth zone, our Western zone with headquarters in Fresno.

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Many branches are already using ZIP—the Zurich Instant Price computer-based quotation system for our multiple line package policy—TOP SECURITY.* If the system isn't operating in the Z-A branch near you, it soon will be.

Our branch offices can provide your independent agent with quotes quickly—in a few hours on the telephone and not more than a few days by mail.

Quite a tool for servicing the small-to-medium sized commercial risks that are a specialty at Z-A.

Our new commitment.

We're concentrating our efforts to reach small and medium-sized businesses—companies with sales up to about \$10 million annually. We have the expert "know-how" and the flexibility to protect and service this kind of business.

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Here's the point.

Remember the independent survey we reported on last year? Conducted by Francis D. Barrett, Jr. & Associates, San Francisco, among agents across the country, it ranked Z-A first in overall services. We're going to keep busy trying to live up to that.



George F. McDonnell
President

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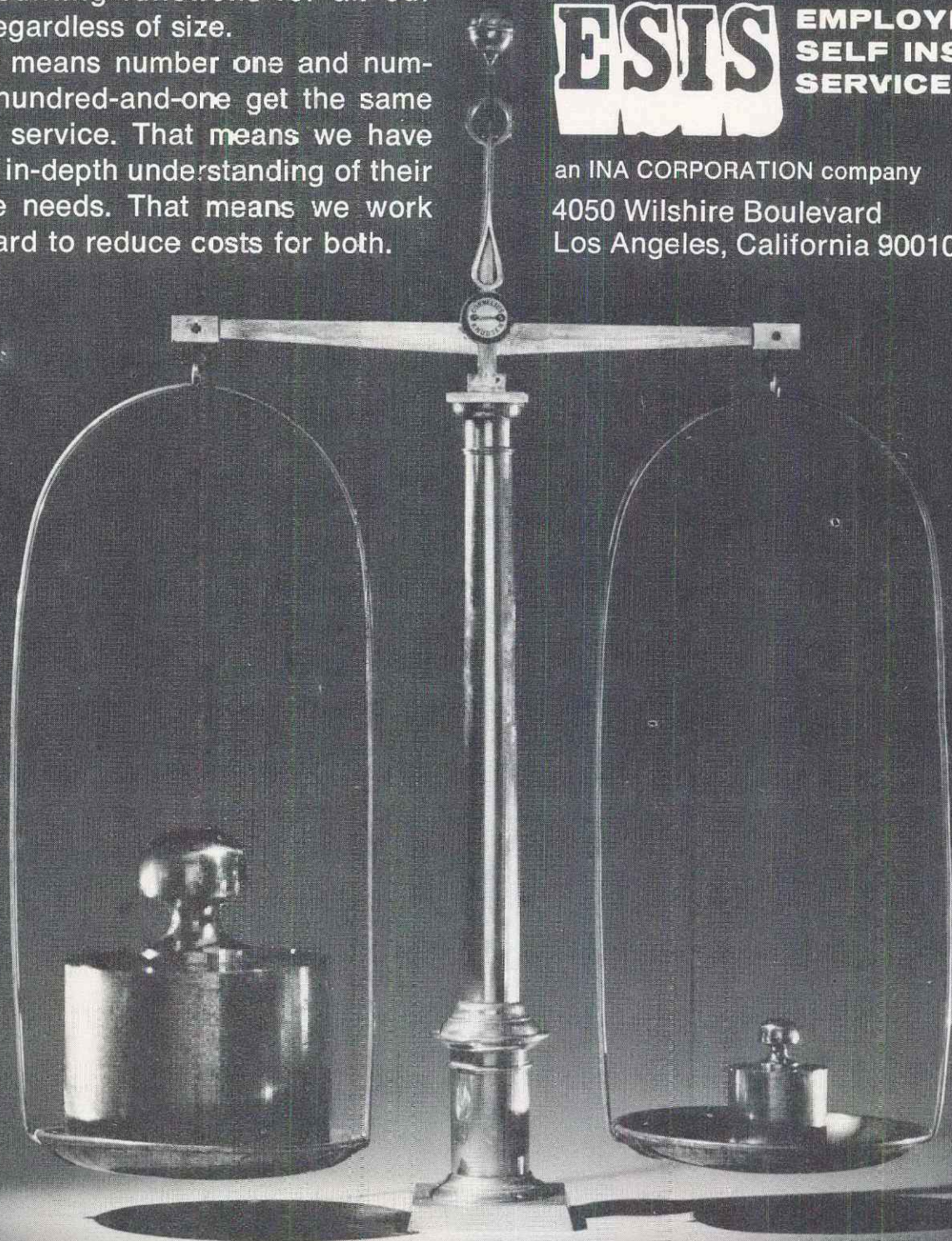
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business insurance

PERSPECTIVE

Be aware of deficiencies that may occur in your D & O cover

"Unfortunately some of these exclusions and limitations leave wide openings in the coverage that might be needed by individuals . . . on boards of directors."

BY WILLIAM H. RODDA

President,
Marine Insurance Handbook Inc.,
Chicago, Ill.

MEMBERS OF THE governing board of an officers' club were sued individually because an employe of the club suffered injuries while at work. The employe decided that the workmen's compensation benefits were insufficient to pay for the severity of his injuries. He alleged that the members of the board had permitted an unsafe condition to exist and that they personally were liable for his injuries. A directors' and officers' liability policy (had the club been foresighted enough to buy one) would not have covered the liability of its board members.

The individual members of a church official board were sued by the parents of a child who fell over a cliff and was killed during a church picnic. The parents alleged that the board members should have exercised supervision to prevent the accident. A directors' and officers' liability policy would not have covered the liability

of the board members if it had been written in its usual form.

The directors' and officers' liability (D&O) policy has exclusions and limitations that tend to be accepted as reasonable or necessary. Unfortunately some of these exclusions and limitations leave wide openings in the coverage that might be needed by individuals in their capacities on boards of directors.

SERVICE ON THE governing board of any organization should not be taken lightly. Directors have been sued because their continued or frequent absence from meetings allowed other persons to steal or to act improperly. Suits have alleged that acts of boards were improper, unwise or negligent. Such suits allege injury to stockholders or others from the improper payment of dividends, unwise investments, unfortunate mergers, and expansions of business that later proved to be costly to the organization.

Many states permit an organization to reimburse its directors for amounts that they are required to pay as a result of their acts for the organization. This is a

desirable arrangement wherever it is permissible. This reimbursement arrangement has two problems. First, it is of little benefit to the directors if the organization does not have the assets to make payment. Second, it could be a serious drain on the organization's finances if it is not backed up by insurance. D&O insurance has the dual purpose of covering the directors for their acts and also to pay the organization for its contribution under any reimbursement agreement.

What are the deficiencies that may occur in a D&O coverage? The coverage applies to a "wrongful act" of the directors or officers. A broad definition of a wrongful act that appears in some policies covers essentially any matter claimed against a board member or officer solely by reason of his position in the organization. Other definitions list breach of duty, error, neglect, incorrect information, misstatement, or other wrongful acts committed solely in the capacity as officer or director. All of these definitions standing alone would provide a broad degree of protection but all of them are circumscribed by exclusions and limitations.



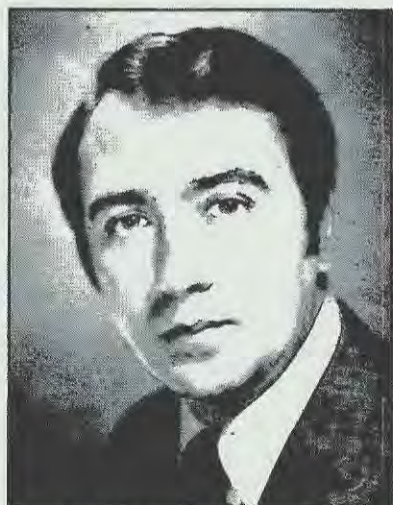
William H. Rodda

Substantial deductibles and participation by the insured are characteristic of D&O policies. A policy written for a large corporation may provide for a \$20,000 deductible and a 5% participation for each occurrence. This means that the insured would pay \$69,000 of a million dollar claim: (\$20,000 deductible plus 5% of the \$980,000 remaining after application of the deductible). Lower deductibles and participations are likely in policies written for boards of education and similar bodies where the directors are not expected to have a financial interest in the acts of the board.

Insurance companies consider that a deductible and participation are necessary because of the judgment nature of the acts to be covered. An insured might be more

Continued on following page

Can the insurance industry cope with consumer product safety?



BY MARSHALL W. REAVIS

Professor of business administration,
Governors State University
Park Forest South, Ill.

(Editor's note: In the March 18 issue of Business Insurance the author gave his view of the Consumer Product Safety Commission during its first year of activity. In this companion article Professor Reavis reviews the past habits of the insurance industry in crisis response and wonders how it will cope with the varied problems created by the Consumer Product Safety Act.)

"Indeed they felt that here, at last, was the tool they needed to force their reluctant policyholders into producing a safe and therefore claim-free product."

BECAUSE OF THE RAPID growth of products liability claims during the latter half of the 1960's, plus the fantastic boost its aged safety programs had received by the enactment of OSHA, many insurance professionals sighed with relief as the Consumer Product Safety Act became law. Indeed they felt that here, at last, was the tool they needed to force their reluctant policyholders into producing a safe and therefore claim-free product.

But it has not worked that way. There has not been an immediate decline in claims but instead a continuing increase in the number of product liability losses. The knight in shiny armor who was to rescue them has not yet made it out of the castle. And before he does it appears there is a great deal the insurance industry could do in its own behalf to wrestle with the joint problem of product safety and product liability claims.

TO UNDERSTAND WHY the CPSA has not been an immediate cure nor has yet to accomplish all they hoped it would, it is first necessary to examine the insurance industry and the impact of such an act upon it. One must be aware, however, that consumer product safety cannot be viewed

from the historic standpoint of underwriting, claims and marketing, the three common approaches of the insurance industry. Instead we will trace the industry through its practices and attitudes in prior crisis situations. For unfortunately that is what the insurance industry faces . . . a products liability crisis in an aware society.

The insurance industry has lived through and often grown because of social phenomena and crises. In fact, Dr. Barbon founded the first fire insurance company in London following a fire which left the city in ruins. Another example involves the efforts of labor to win its rights from management at the end of the last century. One offspring of this social revolution was the passage of workman's compensation laws during the early 1900's. Many insurance carriers were founded because of these laws and many more grew because of them. However, this was not an innovation of the industry but a reaction to social change.

In the area of automobile insurance we find a classic example of industry reaction to change. In the unexpected prosperity at the end of World War II a new social phenomenon developed—the suburban subdivision and the shopping

center. Tie to this the automobile and its new role in suburbia and an unexpected spiral began within the automobile insurance business. This spiral was undoubtedly aided by the enactment of motor vehicle responsibility laws and the broader base of carriers as a result of the multiple line laws. One now "needed" insurance and there were companies that were more than willing to write it. Necessary limits for the coverage were established by law. More claims began to occur or at least were being reported and settlements were being made. Then bigger claims . . . higher premiums . . . tighter underwriting . . . more cars . . . faster highways.

The cry went out to settle fast, don't warehouse claims! We need more premiums! Cancel risks! Cut commissions! Tighten underwriting! Then someone said, "Hey, wait a minute. This isn't the way to survive. Let's not pay these claims so easily." Finally rates increased and premiums began to catch up with losses.

BUT IT MAY HAVE been too late because everyone had wanted some magic solution to the automobile "problem" without any introspection. Now there are new federal regulations on automobiles and "no-fault" was viewed as the saviour of the industry whether at the state or federal level. A crisis reaction. The spiral has confused the industry so much and so long that it may eventually bow to government regulation.

Another example of the industry's reactions was during the social changes of the 1960's. The Watts riots resulted in heavy property loss to a confined area in a short period of time. At that time extended coverage rates were pennies, thus on premiums of probably less than a \$1 million more than \$10 million was paid out in

Continued on following page

business insurance

PERSPECTIVE

D&O cover . . .

Continued from preceding page

willing to take chances if every dollar of the consequences is insured. These are deliberate acts and are not the same as the accidental occurrences that are covered by the usual liability policy.

Deductibles and participations can be negotiated. An insurer may hold out a lower rate as a bait to secure a high deductible and participation but may be willing to settle for lower amounts if the actual chances of a claim are low. The size of the deductible is not a major consideration in the insurer's loss expectancy. Claims in this field are big. Even a \$69,000 participation by an insured is small in comparison to the total of a million dollar claim. A reasonable deductible and participation may be acceptable to an insured but a suggestion by an insurer for large amounts should be negotiated.

THE FOLLOWING discussion of exclusions necessarily is general. There is no standard form or policy.

D&O policies exclude bodily injury, sickness, disease or death, and damage to or destruction of tangible property. That is why a D&O policy would not have covered the directors of the officers' club or the church board mentioned in the beginning of this article. These suits alleged bodily injuries as a result of actions or lack of actions on the part of board members.

There is an increasing frequency of suits by employees looking for ways to circumvent the limited recoveries under the workmen's compensation system. These suits may be against boards of directors for allowing an unsafe condition to exist. It is insurance company practice to cover all bodily injury claims under workmen's compensation, employers' liability or general liability policies. The general liability policy, for example, includes as insureds any executive officer, director or stockholder while acting within the scope of his duties for the named insured. But what happens to the officer or director if he is sued personally and the limit of liability of the general liability policy is already exhausted by a suit against the named insured?

Let us look at a possible occurrence. A catastrophe may kill or injure numerous workers, or there may be a conflagration that is started by a fire in the named insured's plant. Workers or their families may sue for damages in excess of workmen's compensation benefits, neighbors may sue for injuries or deaths, or neighboring plants may sue for property losses. Even very high limits under general liability policies may be exhausted. Claimants may allege that the occurrence was caused by some process that was authorized by the directors and they may be sued individually. Such claims would be excluded from the usual D&O policy.

IT IS SUGGESTED, therefore, that the D&O exclusion of bodily injury and property damage be changed to an excess provision so that it would step in to protect the officers and directors if the limit of the liability policies is exhausted or if for some other reason it does not protect the officers and directors. The exposure to the D&O insurance company would be minimal if the bodily injury and property damage liability coverages were written with adequate limits.

The D&O policy usually excludes claims for libel and slander. Action of a board of directors might be claimed to constitute libel or slander. The members of the board may be sued individually. The organization can protect itself by adding personal injury coverage to its general liability coverage. This would protect the officers and directors if they are covered by the general liability policy.

However, they would be exposed if the limits of the general liability policy are exhausted, as pointed out in the case of bodily injury claims. A desirable exten-

sion of the D&O policy would cover personal injury on an excess basis above the general liability policy of the named insured. This should include not only libel and slander but the other personal injuries such as false arrest, invasion of the right of privacy, and the related occurrences covered in the usual personal injury endorsement to the general liability policy.

D&O INSURERS have become scared of pollution liabilities. This has resulted in a new exclusion applying to bodily injury and property damage. Insurers tend to dismiss this exclusion as merely a clarification of the original intent of the policy, but it does widen the gap in coverage as far as the officers and directors of an organization are concerned.

An excess cover for pollution exposures may not be adequate for board members. Many general liability policies have pollution exclusions. Coverage under the D&O policy should be coordinated with the

Safety. . .

Continued from preceding page

losses. Then there were additional riots in other cities and the losses moved up. The industry's response? Cancel risks . . . tighten underwriting . . . try for premium increases! What has happened? FAIR plans and federal regulations. Other areas such as crime insurance and flood insurance have also found their way into the federal government's book of business because the insurance industry found them to be "unacceptable".

In the middle of this confusion the industry was hit by a rapid increase in product liability case loads and costs. Why? Partly social pressure, social awareness and a new income source for plaintiff attorneys. No longer did one just put aside a product that failed and mutter in embarrassment. Now you set out to let someone know you received a lousy product.

AGAIN A SPIRAL developed within the insurance industry. The premiums that had been collected over the years were pennies compared to the losses. If the risk was a tough one most companies just refused to write the line. It was a well known marketing technique to cut the premium on the general liability in order to lower the total cost on a good workman's comp, fleet and GL account. So if only good risks were written and at heavily credited rates there could not be much of a premium built up to handle the sudden rush of claims.

What happened? The number of claims jumped. From about 10,000 per year to 100,000 to then 500,000 and now there is talk of a 1,000,000 product liability claims year. Loss ratios are expected to be "ominously" high in 1974. Risks will be cancelled, claims paid and premiums increased. Sounds familiar doesn't it. And now thanks to the Consumer Product Safety Act there is the potential for more federal regulation of risks which are normally considered insurable by the industry.

Only once has the insurance industry, which has fought federal regulation of its own business, come out ahead due to a federal law. And that is through its current love affair with OSHA. But OSHA is different, what it has done for the insurance industry is what many had preached for years and that was to regulate "a safe work place" . . . plus it had the blessing of both government and labor. Thus while backing the management of our industrial nation into a corner the government had performed a service for the insurance industry. And since it was already in the job of working for safety, the insurance industry could jump onto the band wagon with both feet. OSHA will probably level

general liability policy but a basic coverage under the D&O policy may be needed in order to provide satisfactory protection for the board members.

D&O policies usually exclude nuclear exposures. Here again is a coverage that the board members may need. They may have to decide whether to install certain nuclear processes or materials. The nuclear exclusions should be deleted if the coverage is needed, or in any case the exclusion should be re-worded so that board members are protected from the future effects of a well considered decision. It would be manifestly unfair to exclude coverage for the directors of a public utility that found it desirable to establish a nuclear power facility.

The named insured's attorneys as well as the board members' personal attorneys should examine carefully the exclusions and limitations applying to unlawful acts, conflict of interest, personal gain, violations of the Securities and Exchange Act or regulations, and dishonesty of the board members. Regulations and laws are so complex that it is difficult at times for directors to act without doing something that a bureaucrat at some later time will say was illegal. The intent should be clear that the board members are protected for any honest act that they perform in the general interest of the organization. Fraud provisions should be carefully reviewed.

Defense expenses customarily are considered part of the settlement costs and are subject to any deductible and participation. This usually is not objectionable, particularly if the policy limit is high. Consideration should be given to whether the insurer should have the right to settle a claim without the consent of the affected board members. There may be circumstances where settlement would imply misconduct. Determination should be made when the policy is written whether the ultimate decision as to settlement will rest with the insurer or the board members.

THE POLICY SHOULD be clear as to what positions or persons are covered and whether notification is required when there is a change of personnel. It is preferable from the insured's standpoint for the policy to cover by position so that all persons occupying the stated positions will always be covered.

D&O policies may contain an exclusion which says in effect that the policy excludes losses that should be covered by other policies. Other insurance carried by the organization should be coordinated with the D&O coverage so that there is no need for such an exclusion. The interest of board members may not always track with those of the organization. The object of the D&O policy is to protect the board members first and the organization second. ■

off much like other reform legislation (i.e. mine safety) has done over the years but it will still be the pride and joy of the insurance industry.

Looking back over these several comments, what is it that is so unique about our industry when it faces something new or unexpected? Particularly when it faces social change or crisis? One thing we have seen is that its first reaction is to try to eliminate the problem by rejecting the class of risk . . . or to fight the claim . . . or to tighten its selection process. The insurance industry has never been one which sets out on a unified basis to seek the source of the problem and fight it at that level.

Knowing this about our industry's reaction to social phenomena in the past, what

The third approach and the most proper it seems is a full understanding and acceptance of the fact that this is a new type of problem which cannot be divided into neat little compartments for underwriters, claims people, engineers, lawyers and then filed in manuals and shipped out to the field for routine handling. We are dealing with a social problem. One in which the manufacturer's attitude is of utmost importance—his attitude toward his product, the marketplace and the general public.

In a recent study at Governors State we found that the insurance industry has apparently boiled down its analysis of a products liability risk to 13 areas. The individual carriers ask questions within

"And now thanks to the Consumer Product Safety Act there is the potential for more federal regulation of risks which are normally considered insurable by the industry."

can be done about the present problem of consumer product safety and product liability? How can our industry face this joint problem? What can it do? Where has it failed to react?

One choice is to do nothing and continue to crises react. This philosophy is one of hoping the problem will solve itself or go away. One insurance spokesman wrote, "In the long pull the Act (CPSA) will cause firms to build better products which will cause fewer injuries and result in a more stable, less costly insurance market." While this may be true he may have a long and lonely wait. And in the meantime who will insure the risks, pay the increased claims and fight the mounting law suits?

SO FAR THIS has been the approach. Very few insurance representatives have gone before House and Senate committees or the National Commission on Product Safety. None of the five CPSC commissioners came from the insurance industry. And too, none of the fifteen man advisory committee came from the insurance industry or related areas. All of this has happened during the past few months and none of the insurance companies had anyone selected. It certainly doesn't say much for the industry's lobbying ability in Washington.

A second approach is for the insurance industry to react—they can state that they will or they won't insure a company that has products subject to CPSA standards because these standards may or may not increase the chance of loss. And I can't tell you which way they will go . . . probably some will and some won't.

these areas as their guide to underwriting decisions. These questions cover such topics as the number of years a product has been manufactured, the losses incurred, the processes used, etc. It appears at this point in most of these areas it doesn't matter if the firm has had a record of unsafe products or not . . . they still answer the questions the same. This leads one to wonder if the industry has been asking the right questions.

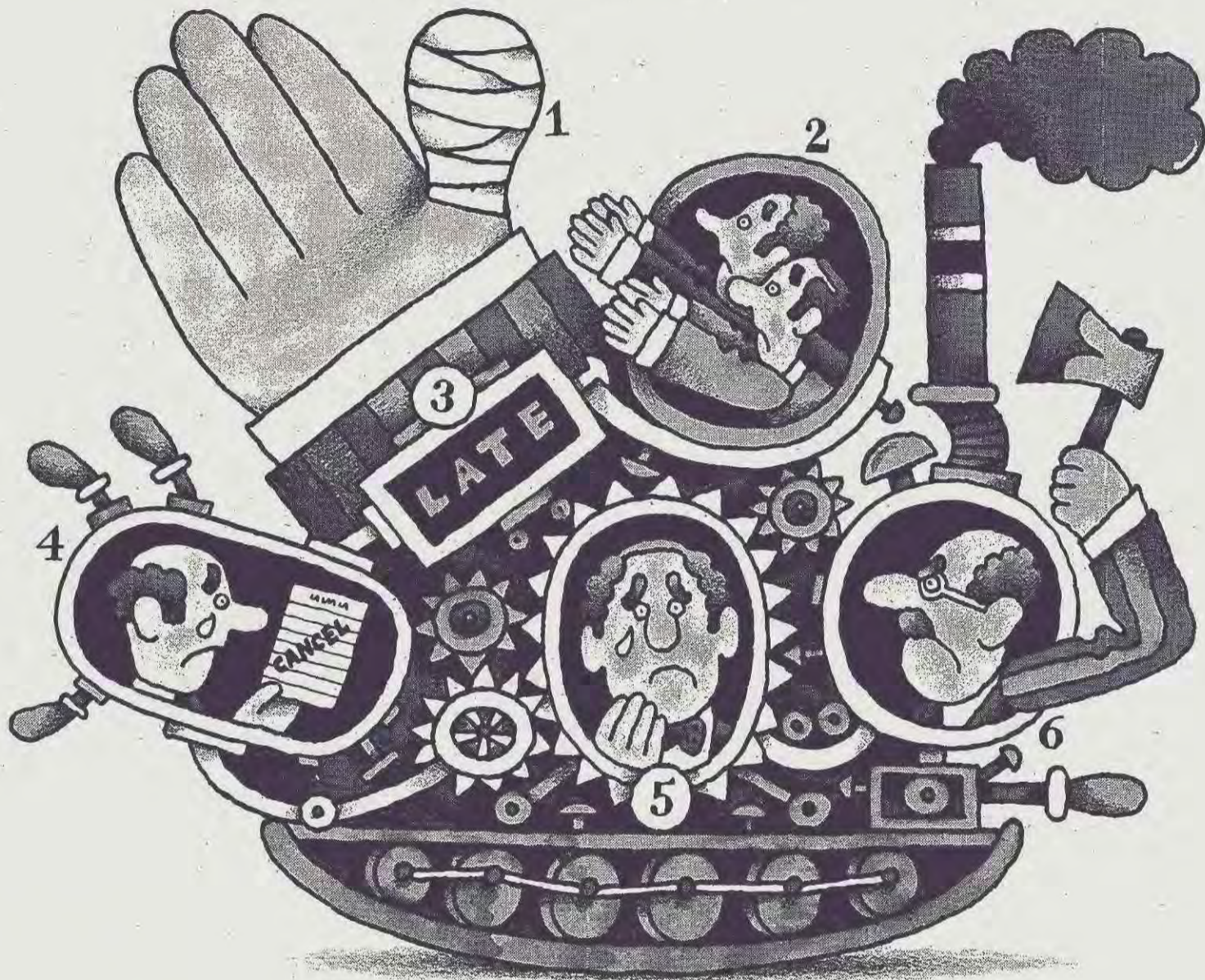
In a recent project conducted by two students, three hundred housewives were interviewed to determine if they had ever found foreign objects in canned, baked or frozen foods and what they did about it if something was found. Of the group 55% had found something, and of those 80% had returned the product to the grocer while only 20% sent a complaint back to the manufacturer. These results indicate that if insurance companies are rating and underwriting an insured based on his claims experience they are looking at only the top of the iceberg unless he has some method of collecting information from the field.

IN ANOTHER STUDY we have looked at the attitude of the manufacturer toward six factors that exert pressure on his decisions regarding the manufacture of a safe product. These factors are: government regulation, consumerism, and legal judicial actions plus the profit motive, employe relations and peer pressures.

The first three are external pressures and these we found varied with the industry, the product line and the past experience of the firm. However, the other

Continued on page 42

The busted thumb boat-rocking machine



(1) Charlie busts his thumb. (2) Willie and Stan rush over to Charlie; their job goes to pot. (3) Shipment to customer is late. (4) Customer's cancellation leaves manager grief stricken (already weakened by sight of Charlie's replacement). (5) Now the front office is grief stricken. (6) Big Boss descending to axe everybody who is rocking the boat.

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Product safety . . .

Continued from page 40

three, the internal pressures, were interesting in that profit was a disguised concern, there was heavy blame put on the employe for "doing the job wrong", and peer pressure from other executives was of concern (in other words everybody must say yes if the boss does). Probably of greatest significance is that those factors that turned out to be most important, the internal pressures, are the ones over which the firm can exercise the most control.

Thus it appears that the insurance industry can be of help to a firm in finding out just what it is that is causing it to produce unsafe products. It may be something simple like no follow-up on product complaint information or the reduction of peer pressure in decision making situations.

WE DEVELOPED a product risk survey manual, containing 85 pages of questions designed to cross check on different areas of the problem. In one study the answer was simply poor internal communications . . . not an usual underwriting

question.

But this approach is costly, it is not simple and it cannot be done by sending a form or two out to an agent to complete and send back to the underwriter to read.

Basically the point is, that there is the social phenomenon of consumerism tied to the creeping regulation of the federal government and this requires a much different approach for the insurance industry than it has ever faced before. It can no longer face such a risk with underwriting and engineering. We must not only hope that the manufacturer builds an idiot proof product but we must take a good hard look at this total firm and its collective attitude toward society, its profits, its employes and the marketplace.

There is no simple solution. Our research has been limited by a lack of good data. The two sources today are claims filed with insurance companies and the CPCU electronic injury collection system, NEISS. This latter is too new to be very helpful and still has its limitations but at least it is a start. So in our research efforts we have had

to go directly to the firms and they often don't have any better information than the claims filed. What we need is complaints as well as claims to fully understand the problem.

THE INSURANCE industry can help solve this road block if they too would think in terms of complaints and not just claims. Only in this way can the extent of the problem be determined.

Another assist the industry can give is to help finance studies of product risk analysis. An examination of the firm as a whole. This is a costly approach but may be the only way that a crises reaction can be avoided in the long run.

Looking at the past history of the insurance industry one should note carefully that everytime it did not act decisively the solution was found by federal legislation. Perhaps the next step may be the nationalization of the insurance industry. It is not as remote a possibility as one might think. ■

Mr. Reavis is a university professor of business administration at Governors State University, Park Forest South, Ill., and has had extensive risk management and insurance experience. He holds the CPCU designation and the Associate in Risk Management (IIA) designation.

\$9 million awarded in tunnel blast

LOS ANGELES—Twenty-three civil suits resulting from the June 24, 1971, Sylmar Tunnel explosion which killed 17 persons were settled for \$9,315,000 by superior court judge Bernard S. Jefferson.

The awards included \$9 million for damages for 16 deaths and injuries to three persons at the time of the explosion, and \$315,000 for injuries to four men in a flash fire the day preceding the explosion.

The metropolitan water district will have to pay 76% of the money, the Mine and Safety Appliance Co. 12.5%, and the state division of industrial safety 11.5%. Awards for deaths ranged from \$70,000 to \$800,000.

Still pending is a case by survivors of Louis Richardson, the single metropolitan water district employe killed, against Lockheed Shipbuilding & Construction Co. Judge Jefferson said he hopes to settle that case in the near future.

HE SAID Argonaut Insurance Co., workmen's compensation insurance carrier for Lockheed, agreed not to try to recover money it has paid the survivors from their court award. Because most of the men who were killed worked for Lockheed, their survivors could collect the benefits but could not sue the employing company.

Two criminal trials resulted from the explosion, which occurred during construction of a tunnel planned as a water feeder line.

In one, Lockheed's subsidiary was convicted of concealing evidence and fined \$500. A safety engineer, Otha G. Ree, was acquitted of misdemeanor charges involving removal of a gas recording meter from the tunnel after the explosion.

In the second case, the firm was fined \$205,000 for safety violations. Mr. Reed and project manager Loren Savage were given deferred prison sentences on charges of safety violations and gross negligence. ■

Call for reform of N.J. work comp practices

TRENTON—After an extensive ten-month inquiry into alleged abuses in the New Jersey workmen's compensation system, the State Commission of Investigation called for stringent reform, recommending 13 bills, two joint resolutions and eight administrative actions to Gov. Brendan T. Byrne and the legislature, seeking an end to corruption of the courts, lawyers, doctors and others involved with insurance payments to injured workers.

A spokesman for the SCI said that prior to the report, "there were persistent reports and allegations that the atmosphere in the workmen's compensation courts had evolved to a point where irregularities, abuses and even illegalities were being ignored or tolerated."

Executive director at SCI, Martin G. Holleran said that "our feeling is that we have looked at the workmen's compensation system in the state and, as a result of our analysis, we feel this is something the legislature should give priority to within this term."

IT HAS BEEN learned that preparations for legislation will be made within the next three weeks, despite the official comment from state labor and industry commissioner Joseph A. Hoffman, that the SCI report is only being studied.

Under the recommendations submitted by the SCI, the director of compensation would have the power to dismiss any judge or referee "for cause" and would

serve for a period of seven years to avoid the political stress characteristic of changes in administrations. He would receive an increase in salary comparable to the salary of superior court judges, or \$37,000.

Recommendations also seek to end the practice of two tier billing, which involves a charge of one fee for regular treatment to doctors and another 200% higher fee for compensation cases.

THE COMMISSION also called for a formation of a nine-member commission to study compensation rate-making practices.

Under this reform posed, compensation court judges' salaries would be raised to \$34,000 from \$29,000, putting them on the same salary scale as county district court judges.

In addition, insurance companies and employers would be subject to a 25% penalty for holding up temporary disability payments to injured workers.

The report also recommends yearly audits for insurance companies dealing in compensation insurance.

Other proposals noted in the report include a stop to the practice under which some lawyers reduce doctors' fees in work comp cases where settlements are low; making work comp court judges subject to screening by the state bar assn.; charging doctors with a misdemeanor in case of filing false medical reports, or knowingly using an unlicensed x-ray technician. ■

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Continued from page 1

further evidence "there is a real shifting of risks" from the parent company to the captive insurer, she noted.

THE INTERNAL Revenue Service has recently treated the use of captives as a shift in self-insurance reserves, thus eliminating much of the tax advantage in having an offshore captive. But the IRS may well be more favorably disposed to allowing deductions of premiums paid into a captive if it is, indeed, shown to be a "real" underwriter doing business outside and maintaining evidence of "an arm's length relationship" with the parent company, experts believe.

Mr. Blades, whose firm is estimated to be the second largest Bermuda captive-management company, noted during his presentation that "several of our Bermuda captives are participating with Swiss Re, in addition to London," as evidence of captives going into outside markets.

Commercial Union and ARM call off merger talks

TORONTO—Fred M. Reiss, chairman of Englewood, N.J.-based American Risk Management, said here at the annual ASIM conference that talks with Commercial Union Assurance Cos., Boston, have been terminated.

For 15 months, ARM talked with CU about the insurer's acquisition of the captive specialist. Mr. Reiss said merger talks ended Tuesday, April 16.

It is understood that the halt in negotiations was a unilateral decision on Mr. Reiss's part which was based on CU's final offer, which he could not accept. The decision was not based on financial considerations, sources close to the company said.

Mr. Reiss declined to confirm or deny industry reports that American Risk Management had been asking over \$20 million from CU for the company.

ARM officials said, however, that four other underwriters besides CU have approached ARM about acquisition. ARM has subsidiaries in the insurance brokerage business and in the property engineering and fire protection engineering business, but its major endeavor is International Risk Management, which sets up and manages captive insurers and operates a master captive of its own.

Mr. Reiss told *Business Insurance* that International Risk Management now has over 60 captive clients, 45 of whom contract for property engineering services which have grown to a "substantial" part of ARM's business.

At a discussion here on the use of captives, Mr. Reiss said that his company now manages reinsurance pools "in all lines," an expansion from the pools' beginnings in the fire, boiler and machinery, and inland marine lines.

He disclosed that the company's loss prevention engineering services operation now employs some 200 people who account for 80% of total dollar payroll. American Risk Management now does business with about 140 different reinsurers, Mr. Reiss said.

"I think you'll find more and more Bermuda companies acting as brokers on commercial business, too," Mr. Blades predicted. "A few are already participating with the large national brokers, some as the sole producing agents for their business," he added.

Mr. Blades said there are four reasons for expanding a captive

ASIM Conference Report

subsidiary into a commercial lines writer: to make the company a profit center, to give the captive substance as well as form, to take advantage of reciprocity, and to be in a better position to know current market

conditions and the latest insurance forms and procedures.

To get a captive ready for the outside commercial insurance market, Mr. Blades advocated a minimum capital and surplus of \$2.5 million, in addition to establishing proper auditing and financial reports. "This has been a real problem in Bermuda with some of the auditors," Mr. Blades said.

He went on to note that in order to write outside business, a captive should make certain that its business with the parent company is on a sound actuarial basis. The captive should review its need for reinsurance protection. It should also find out if the parent company will indemnify against losses, and to what extent. And it should get on the "approved" list used by reinsurance markets.

"Some people deny that there are such lists, but we know they are there," Mr. Blades stated.

"Obviously the bulk of the international underwriting is done in London, and I personally think it will be there for a long time to come," Mr. Blades said, noting that his company has introduced about six Bermuda-based captives into the London market.

"If your captive is set up properly, you can be doing business with the country (the U.K.) and not technically in the country, and you don't pay British taxes," Mr. Blades added.

"IF YOU'RE trying to write a book of international business, make sure you're within the IRS definition of 'foreign' business," Mr. Blades urged.

Cyril Rance, an officer of Bermuda Fire & Marine Insurance Co., Hamilton, Bermuda, told *Business Insurance* that the international banks with branches

in Bermuda are also starting to form reinsurance corporations to reinsure risks of captives, encouraged by the growing prospect of good cash flow from this business. Bermuda Fire & Marine has a subsidiary called BF&M Management Ltd., which manages about 23 captive insurers.

During the questioning period at the captive session, Robert Lee of Armco Steel's Bellefonte Insurance Co. subsidiary noted that Bellefonte figures it gets about a 17 to 18% after-tax return on investment, making the captive operation a most worthwhile arrangement for Armco. Bellefonte, he said, expanded into the European market last year by acquiring a French reinsurance firm, accomplishing two things: gaining access to the London market for further large-scale business there, and gaining stature in the European Economic Community by having a company domiciled in France.

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"It's time we looked into other investment vehicles, Stanley."

Wallace lambasts Fortune buyer survey

TORONTO—"My personal overall reaction is considerably more negative than positive," declared J. Bransford Wallace of his feelings about the Fortune magazine survey of major corporations' views of property and liability insurance.

Mr. Wallace, speaking on a panel discussing the study at the 12th annual American Society of Insurance Management, is president of Armistead Miller Wallace Inc., insurance brokers.

He attributed his "rather harsh judgment" of the survey to the fact that he contended it was difficult to interpret and doesn't contain much significant information.

Mr. Wallace criticized Fortune for sending the questionnaire to

the chief executive officers of corporations queried, resulting in answers drawn from people not entirely familiar with risk management.

He also noted that widely varying interpretations of liberal versus conservative underwriting philosophies clouded the information in the survey. (The Fortune survey was reported fully in *Business Insurance* Nov. 19, 1973.)

"IT IS MY feeling that categorizing captives as self-insurance within the framework of the question (number 5 about corporate risks self-insured through a firm owned by our company) had a negative effect on the re-

sponses and could account for an unreliably low number of affirmative answers to the questions," Mr. Wallace contended. He noted that his criticism in this instance stems from the sensitivity if the issue of tax deductibility of premiums paid into captives, which "in most instances operate independently and at arm's length from their parent."

THE FORTUNE study reported that only 7% of the top 500 industrial companies and only 1% of the second 500 said they used captives for purposes of self-insurance.

Mr. Wallace went on to note that risk managers' choices of companies having the best multi-line capabilities was indicative of a "lack of attentiveness" by the respondents, since Factory Insurance Assn. and Factory Mutual System were both prominently mentioned and both are specialty underwriters.



Walter D. Woodard, outgoing president of The American Society of Insurance Management presented the prestigious President's Award to Frank Hornby Jr., insurance manager for J. P. Stevens & Co. Inc. Mr. Hornby was honored for his distinguished service to ASIM and his contributions to the concept of risk management. Mr. Hornby has served ASIM for some 29 years as a member of a major national committee, or as officer of the national organization or a local chapter. He was ASIM's first representative at a National Assn. of Insurance Commissioners meeting. At J. F. Stevens, Mr. Hornby is responsible for insurance and risk management, as well as employe benefits, loss prevention, safety, property, casualty and marine.

New targets for product safety to be announced

TORONTO—The Consumer Product Safety Commission will announce shortly as its target products book matches, lawn mowers, swimming pools and architectural glass, based on injury rates compiled from the daily reports of 119 hospital emergency rooms nationwide.

David Schmetzer, assistant general counsel for CSPC, said CSPC will accept offers from any interested person or company who wish to help in the formulation of safety standards for the products, in line with its intention to "use existing expertise in each product area in developing standards."

Mr. Schmetzer, who addressed the consumer product safety ses-

sion of the 12th annual conference of the American Society of Insurance Management here, was introduced by moderator Bryant H. Balcom, secretary of Royal Globe Insurance Cos.

Mr. Balcom said that in the 1960s, there were 50,000 product claims outstanding, but today there are 500,000. The average claim is up to \$25,000, compared with \$10,000 in the last decade, he noted. "I predict there will be a million claims outstanding, at an average of \$50,000 by the end of this century," he added.

"I feel that 45% of all product claims are phony . . . There is a whole army of people out there who want to file claims," he charged.

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Lively international session views foreign risks

TORONTO—The need for constantly updated appraisals of foreign assets, currency fluctuations and inflation, and a wide range of foreign insurance problems sparked lively discussions at the international risk management problem clinic at the 12th annual conference of the American Society of Insurance Management here.

A panel of nine international specialists from corporate risk management departments, brokers and insurance companies explored the technical questions before an audience of about 300.

Moderated by Burton J. Carbinno Jr., risk and insurance manager at Schlumberger, Ltd., the panel included: William Crowley, secretary at AFIA; Jerome Karter, marketing manager at F. M. Insurance Co. Ltd.; Michael J. Twomey, senior vp at American International Underwriters Corp.; Paul Pinkham, vp at Johnson & Higgins; William B. Baxter, risk manager at J. C. Penney Co.; William J. Manson, Jr., vp at Marsh & McLennan Inc.; William E. Bray, vp at Alexander & Alexander; and John Pritchard, vp-international at Fred. S. James & Co.

"WITH RAMPANT inflation, it's most important to keep insured values current," said Mr. Twomey. He and Mr. Baxter indicated that after checking they did not find any property insurance carrier abroad providing a free appraisal services similar to U.S. insurers.

"However, there are a number of professional appraisal services, some in western Europe, for example, working on a cost basis," Mr. Bray noted. Mr. Pinkham added that while updating is important, it is not as difficult as some risk managers think.

"I feel that getting rid of extensive coinsurance solves the first big step," Mr. Pinkham said. Mr. Baxter noted that Penney's "blankets everything up" in order to get rid of the coinsurance provisions. "To have a proper valuation at the time of a loss it is also important to sit down in advance with the underwriter to determine how you would face a loss," he said.

Mr. Bray used the example of a loss in a U.S. company's German location, where no up-to-date insurance inventory was available and the valuation originally estimated by the company at 40 million deutschmarks dropped to 7 million deutschmarks. "If there is no insurance inventory available how do you calculate the value of the loss?" he said.

IN LINE WITH the importance of proper valuation and appraisal, Mr. Pinkham noted, is the importance of watching currency fluctuations, the revaluation and devaluation of the dollar. Mr. Carbinno asked which currency—domestic or foreign—is best in terms of insurance. Several panel members answered that "it depends essentially on how you would replace a loss."

The question of insuring foreign exchange risks, posed by Prof. Kailin Tuan of Upsala College, who was in the audience, was at first disregarded by panelists. "In a centralized-control multinational company, it would seem to be a straight business risk to be handled by the financial office, rather than insurable," one panelist answered.

Prof. Tuan challenged them, noting that if insurance companies are unwilling to underwrite the risk, government-regu-

lated agencies might very likely include such coverage in a program akin to the Overseas Private Investment Corp.

Mr. Pinkham added that there is a clause in some foreign insurers' policies that temporarily protects the buyer when the currency fluctuation results in a coinsurance deficiency and a fortuitous loss occurs. Mr. Crowley noted that most of AFIA's DIC losses have been because of a coinsurance deficiency in the original policy.

ARE STANDARDS of construction for overseas properties promising improvement? Will Western Europe become more responsive to the priority of a safe building? members of the audience asked.

Mr. Baxter said the highly-protected-risk standard has been

exported recently to Penney's overseas locations, noting that "we are major self-insurers of building contents." Very strict fire prevention standards are being enforced in Belgium as a result of a severe fire several years ago, he added, noting that the shortage of water supplies in western Europe is usually the biggest fire prevention problem.

Mr. Karter noted that FM uses its own set of standards and tries to work with local laws overseas. "We haven't seen any immediate changes overseas, although the NFPA (National Fire Protection Assn.) standards seem to be making some inroads," he added.

Mr. Carbinno asked whether a change from FM standards to those of a different carrier usually means costly equipment instal-

lations in foreign locations. Mr. Pinkham said, "If you're under NFPA standards, you're probably within range with the local laws. There is a rapidly growing concept of the HPR in Europe and a strong trend for new construction."

MR. PRITCHARD noted that "from the vista of South America there has been a tremendous growth of basic protection, especially in Brazil. It may not be fancy and it's not what we have here, but it does encourage planning ahead."

How can the risk manager encourage his company's management to install protection in a foreign location when its capital investment is low? Mr. Karter, suggested approaching the problem from the point of view that

the company probably expects the branch to at least establish its foothold in Belgium, or some other country for example, and "the sprinkler investment now would be much better than having the foreign location, however small, burn down."

Mr. Crowley said AFIA considers engineering for foreign plants to be "an increasingly important factor, because we want to write a more profitable book and because we want to help risk managers reduce losses."

"Higher retentions now than even a year ago make engineering increasingly important," he added. Mr. Pinkham noted that American companies are at the forefront of efforts to get engineering services, "not just be-

Continued on page 48



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Continued from page 47

cause risk managers want it, but because you are demanding it."

Mr. Carbino said he foresees a great future for product reliability engineering, although Mr. Bray said there does not appear to be any casualty engineering available in western Europe

today.

On a question of boiler and machinery coverage Mr. Twomey said AIU has adopted some standards although not the Hartford Steam Boiler standards yet. Mr. Crowley noted that AFIA works with Hartford Steam Boiler as a reinsurer. Mr. Karter said FM

has offered boiler and machinery coverage in the United Kingdom for almost five years, with regular inspections. He added that the coverage is available on an individual risk basis all over the world.

WHO PROVIDES better service—a multinational broker, foreign broker or correspondent of a U.S. broker? Mr. Baxter said, "I have found that I get better service if I work through the local foreign broker or a U.S. multinational broker with an office near the overseas location, rather than a correspondent.

"If the correspondent has to do all the work and then split the commissions with an American broker he usually won't financially be able to service the account as closely as I might want him to," he added.

Mr. Pritchard disagreed with Mr. Baxter. "There are some very fine correspondents. And sometimes a broker seeking to expand overseas finds local indigenous firms which are very sophisticated and who just don't want to be owned," Mr. Pritchard stated.

On the subject of kidnap-ransom insurance and executive security, Mr. Carbino said "there has been and is a market in London, plus underwriting by a leading U.S. carrier."

MR. TWOMEY said AIU has been writing kidnap ransom risks overseas, and American Home has been doing the same in the U.S. "We are planning a combination approach for these two so that the coverage will be truly worldwide," he added.

Mr. Carbino said that while "it is tough to get the cover in Argentina, if you buy on a multi-country basis, it is possible. The

rating is similar to the travel-accident policy, with an additional 10% premium covering immediate families."

"Make sure you shop this insurance because the rates are fluctuating," Mr. Carbino noted, "but there is a market and usually if you shop around you can get what you want." He added that a corporate plan for executive security is important, too, and suggested that risk managers give serious consideration to the executive security seminars available.

The use of non-admitted DIC coverage, which could be a serious breach of the law with severe consequences for the corporation that is found out, seems to be a necessary evil, especially if the exposure to loss is substantial and has to be protected beyond the local capacity, panelists said.

MR. CROWLEY noted that "the same is true with umbrella coverage, but you really have no alternative." Mr. Twomey and other panelists suggested an in depth consultation with the corporation's certified public accountant, chief financial officer, and legal authority before making any decision to circumvent local laws in a foreign country.

Mr. Pritchard noted that if the local policy fails, and the government finds out about the DIC or the umbrella, the corporation is subject to a severe penalty.

Although none of the panelists had heard of any case of penalties enacted against a multinational corporation, one noted "it is difficult to get the premiums back into the country after the loss." The government can make it really difficult, Mr. Pritchard added.

ASIM focus to improve dialogue on two fronts

TORONTO—Improving communications on two fronts—with society members and with the insurance industry—will be the biggest challenge facing ASIM's new officers, according to this year's president, E. William Altstaetter.

"Sometimes it's difficult to get your message through," Mr. Altstaetter explained at an ASIM press conference here. "We're faced with the same problems as other organizations in this area." But by increasing the "personal involvement" of members in their ASIM chapters and the national society, the risk managers' society will continue to grow.

"I don't think the communications problem is so much a lack of interest as that you have to get people's attention and develop their involvement," the president said.

Walter D. Woodard, the outgoing president of ASIM, noted that the primary allegiance of society members is to their respective companies as risk managers, and this creates diversified interests within the membership.

"ASIM IS A voluntary organization of some 2,200 members who represent employers. This group may appear lethargic at times, but that's because it's so diverse in interests, and represents so many companies."

Mr. Woodard added that he was "very encouraged by the response to the programs we've put together," for the Toronto conference. "The contents of the meetings have been most effective, and the attendance has increased over the previous year. The feedback I'm getting appears to be on the positive side."

Mr. Woodard noted that "this remains a working conference, and that is a continuous challenge to us."

Berry L. Griffin Jr., vp of the ASIM conference for 1974-75, said that the society would continue its drive to improve communications with the insurance industry.

"One of our prime efforts is to see that the society is designed to the risk managers needs," he told reporters, "and this means putting our thoughts across to the insurers about how they can improve their product."

ASIM would continue its involvement in the legislative area as well, Mr. Griffin said.

"THERE'S NO AREA of legislation that touches upon risk management that we won't be involved in," he commented. The society would continue its support, for example, of state workmen's compensation reforms.

Working with consumer groups will also be part of the ASIM communications program, Mr. Altstaetter added.

"We recognize this growing consumer attitude and we intend to move ahead, continuing to work with these people. We've established a number of good relationships and we think it's important these continue."

Commenting on the speech by United Auto Workers president Leonard Woodcock, who told the conference members that unions were risk managers too, Mr. Altstaetter said "I don't see us working with the unions in a more structured communication. But I see more communications in this area than ever."

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Insurer sees less group and more tailored employe benefits in future

TORONTO—Group life insurance will become a less significant employe benefit in future years, as more emphasis is put on benefits tailored to the changing needs of workers at different age levels and in various life stages.

Gary F. Burt, speaking at the 12th annual American Society of Insurance Management conference here, also indicated that part of this tailoring of benefits will involve significant changes in group policies. Mr. Burt is director of the group division of Aetna Life and Casualty Co.

Aetna is "giving a lot of thought" to group life plans providing different sets of options. One for young employes and a second for workers with families. Still a third set of options would be available to employes nearing retirement, or whose children are grown.

HE SUGGESTED such things as a survivor income option at the time employes have new eligible survivors. "By changing the potential benefit to monthly income related to a percentage of final salary, but with contingencies for ending the benefit payment on remarriage or death of the survivors, and including other

Calif. hopes to solve work comp issues for all states

LOS ANGELES—The National Commission on State Workmen's Compensation has not tackled some of the really complex problems in state workmen's compensation, the executive director of the National Program to Improve State Workmen's Compensation said.

Clarence G. Johnson thinks the California Workmen's Compensation Commission has the talent, time and money to come up with answers to these stubborn roadblocks such as permanent partial disability payments. "Hopefully, our answers will help the whole country," he said.

AFTER 30 years of inadequate attention in some states, compensation reform will cost money, Mr. Johnson added. But the amounts will not be prohibitive, especially if the systems are totally reformed.

As recommendations for improvements mount, he said, it is more important to look at reforming the complete state system. "To balk at the cost of modernizing a state system is to eventually defeat the whole system."

The cost can be predicted rather accurately by rating the state organizations. Also, the cost of workmen's compensation probably will rise over the current less than 2% of payroll, Mr. Johnson said.

If handled judiciously, the additional cost involved can be controlled and we can still keep within the social requirements, he added.

The National Conference of Commissioners on Uniform State Laws has appointed a committee to draft a uniform state workmen's compensation law, but the committee has been inactive so far, Mr. Johnson said.

features which target this need more directly, it is possible to provide greater benefits for the surviving family than is possible with a single sum benefit," Mr. Burt noted.

ASIM Conference Report

A further set of options could become available when an employe reached age 55 or had a youngest child reach age 22, Mr. Burt continued.

"If he is concerned primarily with estate preservation," Mr. Burt said, "providing cash for his wife and the payment of estate

taxes, perhaps a return to the single sum benefit related to his salary is indicated. Or if his accumulated assets have established a base of financial security for his wife, why not offer him an option of a reduced single sum benefit, perhaps a flat amount of one-half or one times salary, with the remainder of the contribution you would have made toward life insurance directed to a widow's option arrangement," he suggested.

Mr. Burt called on the insurance industry as a whole to re-examine traditional group life insurance and options to fit the attitudes and expectations of the employes "who are supposed to benefit."

This restructuring of group life insurance options, he said, will be a response to the growing importance of other benefits such as disability coverage, health insurance, pensions, dental insurance, savings plans and profit-sharing plans.

The average company presently spends as much as 30% of payroll on employe benefits, of which only 8% goes for group life insurance, Mr. Burt said.

FURTHER, he noted a recent study of executives showed American business receives only about a 66 cent return on investment for every dollar spent on group life because of a low recognition of the value of company-paid benefits provided.

If this trend continues unchecked, group life insurance may be destined to become the most unappreciated employe benefit of this decade," he predicted. Mr. Burt noted that group life

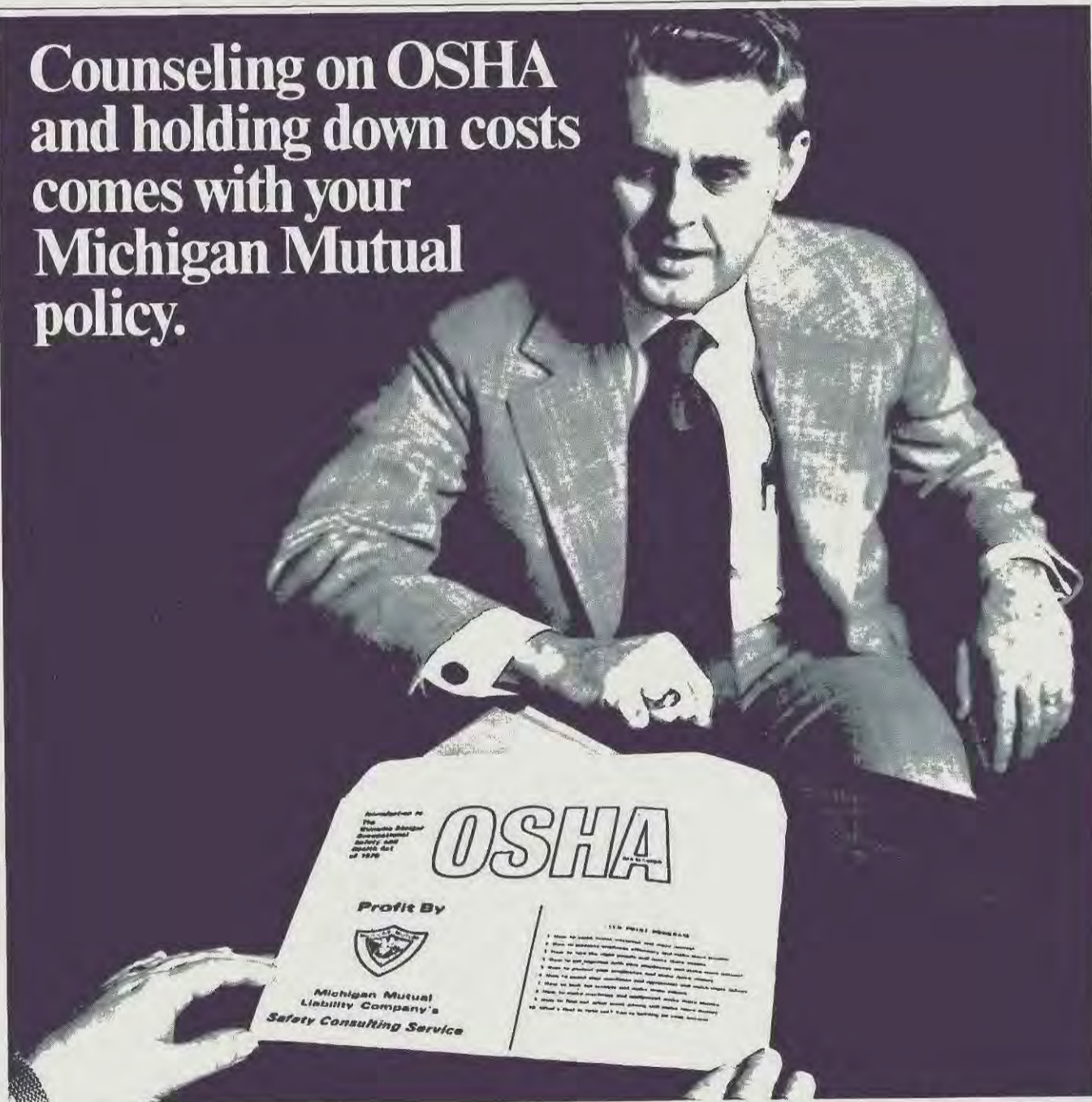
insurance has reached the point where it frequently provides benefit amounts up to two or three times pay. "In my own company, the average certificate is about \$10,000 per employe," he added, noting that total group life insurance in force is up to \$6000 billion.

"As one of the favorite playthings of Congress, Social Security will undoubtedly continue to provide every increasing survivor benefits," Mr. Burt predicted. But, he added, "Even with the combination of group life insurance and Social Security, a portion of the employe's basic needs remain unfilled."

Mr. Burt urged employers to send each employe a benefit description periodically, and to "have him re-elect or confirm beneficiary designation—anything to get him actively involved in the benefits you are providing."

Each employer should provide an annual employe benefit statement he said.

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Employee benefits communications award winners (from left) were Mario Catuogno, benefits manager for Metromedia Inc.; James Dunham, A.S. Hansen Inc., consultants; George Heiring, consultant with Hewitt Assoc.; John Lamantia, Lever Bros.; David Caughlan, DeSoto Inc.; Richard Harvey, Pfizer Inc.; and Leonard Zimmerman, Kwasha Lip-on Inc., consultants.

Benefit award winners named at conference

TORONTO—DeSoto Inc., and its consultant, A. S. Hansen Inc., took top honors in two categories of employee benefits communication competition.

Awards were presented here at the 12th annual American Society of Insurance Management conference by the competition's sponsor, *Business Insurance* magazine.

First place awards went to DeSoto for its employee benefits booklets and its audio visual presentation. In the two other communications categories, Pfizer Inc. of New York won top prize for its total communication, and Hunt-Wesson Foods Inc. of Fullerton, Ca. took the highest award for its personalized correspondence program.

Hewitt Assoc., a consultant firm in Deerfield, Ill., was also given an award for its work in

preparing Hunt-Wesson's personalized correspondence package.

In the total communications category, second place awards went to Coats & Clark Inc. of New York and their consultant, Marsh & McLennan. Johnson & Johnson of New Brunswick, N.J. picked up the third prize with their consultant, Edward Naylor Productions.

SECOND PLACE in the audio visual presentations went to Lever Brothers Inc. of New York and to their consultant Hewitt Assoc. Metromedia Inc. of New York and Pfizer tied for third place. Metromedia's consultant, Kwasha Lipton, also received a prize.

Equibank, N.A. of Pittsburgh took second prize in the booklets category along with its consultant, Towers Perrin Forster & Crosby. Third place went to Squibb Corp. of New York and its consultant, Hewitt Assoc.

In the personalized correspondence category, First National Bank of Chicago won second place with its consultant Hewitt Assoc. Pfizer picked up the third prize for a total three awards in all.

Five judges from the communications and advertising field considered almost 100 entries in the annual competition. The judges were: Winthrop Clement, chairman of the board of Clement & Ganfield, New York; Theodore Barash, Ted Barash & Co., New York; W. Barry McCarthy, director of corporate communications, The New York Times Co.; and James V. O'Gara, editor-at-large, *Advertising Age*, New York.

SIDNEY R. Bernstein, chairman of the executive committee of Crain Communications, said at the awards presentation that "the best program of employee benefits can fail to fulfill its mission if it is not supported by a communications effort which is completely and professionally handled.

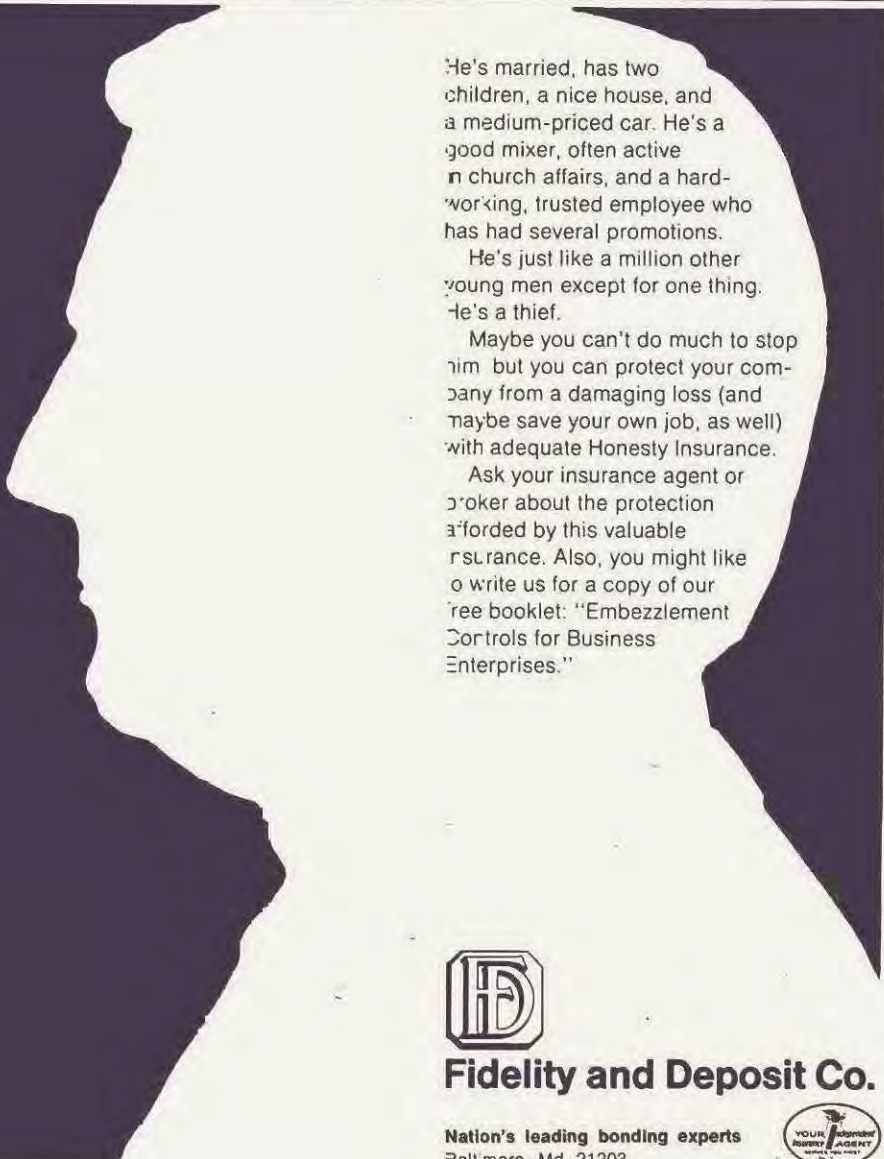
"In dealing with employee benefits," Mr. Bernstein added, "the most important communications problem is to tell your employees what you are doing, in the most straightforward, easy-to-understand manner.

"But that's only half your communications job," he noted. "The other half is to explain why each employee benefit is set up as it is . . . and in general to try to develop a positive force for creating rapport between management and workers and a real attitude of appreciation is developed." ■

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Speaker predicts 1975 passage of health bill

TORONTO—While pressures are building in Congress for passage of a national health insurance bill, this year "chances are that something will pass in 1975," predicted one insurance broker at the ASIM conference.

"It's somewhat possible that a bill will come through this year, but Congress is pressuring to get back home and campaign," said Joseph Holtzer, senior vp for Marsh and McLennan in New York.

If a bill passes before this fall's elections, "I think it would resemble the Kennedy-Mills bill the most," he added. "In my opinion the Kennedy-Mills bill is politically the most important bill. Politically speaking it's potent."

The Kennedy-Mills bill, introduced in early April, is considered by many legislators to be a compromise between the Kennedy-Griffiths proposal and the administration's health insurance bill.

AN IMPORTANT aspect of the Kennedy-Mills bill is its "significant role for private health insurance," Mr. Holtzer noted.

Timing of the congressional elections and the nation's political atmosphere are affecting labor's endorsement of the bills already before Congress, Mr. Holtzer pointed out. Major unions like the United Auto Work-

ers and the AFL-CIO are still steadfast in support of the Kennedy-Griffiths bill, which would take health coverage out of the hands of private insurers.

"Maybe they feel that if they have enough of their representatives elected in the fall they can have a veto-proof bill passed

ASIM Conference Report

closely resembling the Kennedy-Griffiths bill," Mr. Holtzer said.

But the Kennedy-Griffiths bill, along with the Long-Ribbicoff bill and the American Medical Assn.'s Mediredit proposal "have virtually no chance of being passed," the broker added.

The growth of the medical care

industry "leaves no doubt that the issue of health insurance is a big one, Mr. Holtzer commented. Because of all the attention in this area, eventual passage of a national health insurance bill "is a virtual certainty."

MR. HOLTZER noted that in 1929 about 3.6% of the nation's gross national product was related to medical care costs. By 1973 medical care accounted for 7.5% of the GNP. And at the current growth rate, medical care could take up 10% of the GNP before the end of the century.

Under national health insurance "employers' costs are going to rise tremendously," Mr. Holtzer said.

"But nobody's come up yet with any cost figures." The effects on the insurance industry

could be substantially more painful. Canada's health insurance precedent, however, makes it look unlikely that the private insurers could be badly hurt, he noted.

Whenever national health in-

surance legislation is passed, employers will have "at least a year" before they must comply with it, the broker added. "They're talking about July 1, 1976 for the effective date of the Kennedy-Mills bill," he said.

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Approval of dental plans dependent on good control

HARRISBURG—Until Pennsylvania insurers come up with some good "quality control programs" for dental plans, the plans themselves and rate hikes will not be approved, according to William J. Sheppard, acting insurance commissioner.

Speaking at the first conference on quality dentistry last month, Mr. Sheppard told the group of dentists and insurers that it is the responsibility of the insurance companies, regulatory agencies and dentists to insure that consumers get improved dental care. He advocated statewide standards and applications for the final approved dental plan.

MR. SHEPPARD noted that for years Pennsylvania "was caught in an almost unstoppable upward spiral and our experience with Medicare has shown that the infusion of dollars without attendant quality control only serves to worsen the problems. The Medicare experience also proves that existing controls are sadly inadequate. This is why we need a good cost and quality control program for dentistry before dental insurance becomes commonplace."

He stressed that there should be a provision to insure that dental work done was actually necessary and of the best possible quality.

A provision assuring that preventive services such as periodic checkups, cleaning and fluoride treatments should be included in the quality control program.

He added that there should be a provision in the plan to limit the amount of x-rays given to a patient, adequate measures for follow-up treatment; auxiliary personnel available and the initiation of effective educational programs for all dentists involved. ■

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Walter D. Woodward, outgoing president of ASIM, addresses his final board of directors meeting in Toronto. Mr. Altstaetter, new president of the group, is to the right of the podium.

ASIM elects officers, votes name change

TORONTO—The American Society of Insurance Management's board of directors elected E. William Altstaetter, director of insurance and risk management for Rockwell International Corp. in Pittsburgh, president of the group.

Also elected officers for the 1974-75 term were: first vp—Daniel E. Sullivan, manager of insurance and property taxes, Northern Electric Co. Ltd., Montreal; vp of communications and research—Joe E. Briffes, risk manager-director of corporate insurance, AMFAC Inc., Honolulu; vp-conference—Berry L. Griffin Jr., manager, insurance, Hughes Aircraft Co., Los Angeles; vp of member affairs and secretary—Burton J. Carroiro Jr., risk and insurance manager, Schlumberger Ltd., New York; vp of public affairs—Paul Kipp, manager of insurance, United States Gypsum Co., Chicago; vp of technical services—Robert S. Spencer, vp of insurance, Fujia Industries Inc., Atlanta; vp and treasurer—Ralph Gentry, insurance manager, The Times-Mirror Co., Los Angeles.

Directors also voted a change in Ron Judd's title to executive

director of ASIM.

In addition to electing new officers a name change was voted by the board of directors.

If approved by the general membership, the association would change its name to Risk and Insurance Management Society Inc. (RIMS) soon after Jan. 1, 1975.

Members of the society would have to vote approval of the new name by a simple majority. The board of directors approved the change by at least a two-thirds majority.

Actuarial division

Booz, Allen & Hamilton Inc. management consultants, announced the formation of a new division, Booz, Allen Consulting Actuaries, which will be headquartered in Newport Beach, Ca. The division will provide actuarial services in the life and casualty insurance and employee benefit areas with emphasis on all-lines applications. Coordination with the management consulting operations of Booz, Allen & Hamilton will be maintained through the San Francisco office of the firm.

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Security depends on close check of newcomers

TORONTO—Upgrading the caliber of a company's employees is a top-priority measure for improving any security system, a trucking industry security director said here at the 12th annual ASIM conference.

About 85% of all thefts in the motor carrier industry are attributable to employees, Carroll J. Hunt of the McLean Trucking Co. told a session on property security. So job applicants should be studied carefully if a company wants to keep down the amount of stealing done by employees.

"This, of course, is a cooperative venture between security and personnel," Mr. Hunt said. He added that job applicants at his company are reviewed in a number of ways for security purposes.

"It is interesting to observe a room full of prospective employees as they listen to a personnel department representative explain our requirements and qualifications," he noted.

"SOME QUIETLY leave when fingerprinting is mentioned—others at the mere thought of a driving record check."

Mr. Hunt estimated that "out of 200 applicants, we feel ten to 15 are qualified to drive a truck."

The full cooperation of top management is required if a company wants to tighten its security properly, the security director explained. "Most security procedures will be an inconvenience to operations . . . The most successful security executive is one who knows his company's operations, and one who has gained the respect and support of top management by making recommendations that offer a minimum of interference with normal operations."

After gaining the cooperation of top management and personnel, a security director must turn

his attention to the protection of his company's property. Organizing property security should be done before plans for a new facility are off the drawing board, Mr. Hunt said.

"The building itself will have sensitive areas which must be protected," he added. "Knowing how these areas will be protected, and building in as much protection as possible gives one a head start on preventing theft, and is much less expensive than if no thought is given to the matter until after completion of construction and the beginning of your operations."

IN DETERMINING how much and what kind of protection is needed for company property, Mr. Hunt advised consideration of the property's value, the threats involved, the location of the facility, legal and social restrictions, and the cost of security.

John R. Hitt, vp of security for Pinkerton's Inc. told the session that effective security is not "just a matter of keeping the plant from burning down or keeping a person from taking a typewriter."

Security can mean protecting personnel as well as property, he noted. And the proper training of security guards is another important responsibility. Finally, the evaluation of an ongoing security program is necessary to find whether it is adequate and realistically funded.

ZEROING IN on computer security Joseph J. Wasserman, president of Computer Audit Systems, commented that many corporate computer centers "have a rather ineffective level of security over their property."

In companies that rely heavily on computers, a data center disaster could mean a business interruption loss. "We have to look at this as 'what happens to my

company if we have no more computers?" Mr. Wasserman said.

The four main risks a company faces with its computers are human error, fraud, fire and water damage, and natural disasters. But human error "is where most monies are lost," he noted.

SINCE VALUABLE computer data is easily lost or destroyed, computer personnel need to be trained well in order to keep

needless error and loss at a minimum.

"All sorts of weird things happen under the pressure of getting a job done," Mr. Wasserman pointed out. "During the celebration following the Mets' world series victory a few years ago, punch cards and tapes were thrown out of Manhattan office windows in innocent jubilation . . . Humans are a problem."

A company with computers

should keep its auditing thorough and up-to-date in order to catch any fraudulent computer use, Mr. Wasserman said. He then predicted that "a tremendous computer fraud" in a bank payments system would probably happen in the future "due to auditing shortcomings" in some company.

If the operation were smooth enough, he added, it might "go right through to a bank account in Switzerland."

Legal weather often good predictor of product liability suit outcome

TORONTO—Risk managers trying to master the product liability problem should learn how to recognize trends in the legal climate, one lawyer-insurance director noted.

"You have to watch the legal liability trends so you can anticipate what's coming," Russell Drake Jr. of Borden Inc. told an ASIM session on loss prevention. "This is, I think, our best defense against legal exposures and liabilities."

Using the company's legal department for counsel on risk problems can help a risk manager gain legal overviews he needs, Mr. Drake added. But the responsibility for coordinating the legal department and other corporate resources ultimately rests with the risk manager.

"You have to educate, communicate, and you have to overcome the pride of various corporate departments," he said. "Show them how the elements of insurance have to be viewed . . . you have to follow them and you have to agitate. It's a continuing educational process."

Steve Valovic, Kaiser Aluminum & Chemical's insurance director noted that "the ability to work with other corporate specialists is especially critical in the area of product liability."

"Managing product liability is not the exclusive domain of any one specialty," he added.

"Recognizing that legal, quality control, research, product development, sales and manufacturing, as well as insurance departments have their particular inputs to make is essential if a viable product liability policy, organization and loss prevention program are to evolve."

An awareness of legal trends in product liability is necessary in order to convince top management that changes may be required, he explained.

"THIS AWARENESS includes knowing that strict liability is not absolute liability . . . that product liability losses can be prevented, and that product liability suits are defensible."

A risk manager should have specific knowledge of the company's operations and products, he noted. Such knowledge "can insure that those products which are likely to result in the most severe losses are accounted for in any loss prevention program."

Risk managers intent on keeping their jobs should not take a do-nothing-and-hope-for-the-best approach to product liability, Mr. Valovic said. A company may find itself with a complacent attitude regarding product liability "because of a good loss experience or a product mix that includes few significant or high-risk products."

The complacency trap is usually short-lived, he noted, due to a number of changes in loss experience such as:

- a serious product liability claim;
- competitors suddenly experiencing their own product liability losses;
- a significant increase in the cost of liability insurance;
- the appearance of strict and costly standards set by the Consumer Products Safety Commission.

A RISK MANAGER who wants to curb losses by anticipating them through a good loss prevention program has to get out of his office and view his company's operations close up, said Kenneth E. Kerr, insurance manager for the Steel Co. of Canada Ltd.

"We have always felt the risk management job cannot be done sitting at a desk, and our schedule provides for periodic visits to each works, to keep ourselves up to date and to discuss progress

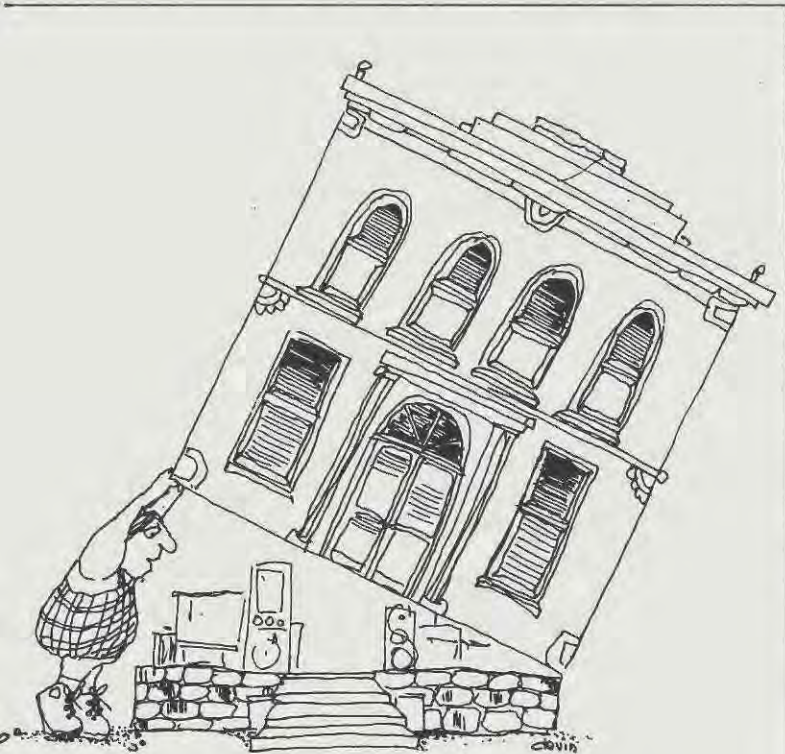
along loss prevention lines," he told the session.

"Excellent liaison has been established with the supervision of the various plant protection departments," he added, "who realize we are complementing their activities not usurping their authority."

Generating momentum in a loss prevention drive often requires "missionary zeal" from the risk manager, Mr. Kerr pointed out. "But eventually the word seems to get around."

Once the company is conscious of loss prevention, the risk manager cannot allow his attentions to diminish, or hand responsibilities over to anyone else. He is the nucleus of a loss prevention program.

"I am also convinced that you know your operations far better than an insurance inspector or your broker," he added.



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dates for buyers

May 29-31: American Management Assn. is offering a seminar on insurance management and its role in financial planning for the small company in New York City. Write the AMA, 135 W. 50th St., New York, N.Y. 10020.

June 2-5: Insurance Accounting and Statistical Assn.'s annual meeting will be held at the Palmer House, Chicago. Subjects will cover accounting, data processing, statistics and management and supervision. Write E. C. Carlson, Insurance Accounting and Statistical Assn., 406 W. 34th St., Kansas City, Mo. 64111.

June 2-6: Municipal Finance Officers Assn. will have its annual convention in Las Vegas at the Las Vegas Hilton. Write the association, 1313 E. 60th St., Chicago, Ill. 60637 (312-324-3400).

June 2-8: National Assn. of Insurance Commissioners annual meeting will be held at the San Francisco Hilton Hotel. One of the issues will be the effects of the energy crisis on the industry. Write the NAIC, P.O. Box 3902, Rincon Annex, San Francisco, Ca. 94119 (415-392-3185).

June 3-6: International Foundation of Employee Benefit Plans will host a Canadian series of one-day seminars in Halifax, Toronto, Edmonton and Vancouver. Employee benefit trust fund problems related to delinquency in contributions will be the subject. Write the foundation, P.O. Box 69, Brookfield, Wi. 53005 (414-786-6700).

June 4-5: Chicago State University will present a seminar on the Consumer Product Safety Act: how to protect your products from liability, at the Pick-Congress, Chicago. Techniques for compliance will be featured. Write the university, Management Program in Business Administration, Ninety-Fifth St. at King Dr., Chicago, Ill. 60628.

June 10-11: The Society of Chartered Property and Casualty Underwriters' New Mexico chapter is sponsoring a seminar on agency management, administration and planning, at the Airport Marina Hotel, Albuquerque, N.M. The program is divided into three sessions: the agency, the accounts and the future. Write Jim Reed, Society of CPCU, Box 566, Media, Pa. 19063.

June 13-14: The American Management Assn. will host a seminar on how to increase profits through self-insurance, in New York City. Write AMA, 135 W. 50th St., New York, N.Y. 10020 (212-586-8100).

June 13-14: American Management Assn. is having a seminar on product liability, in New York City. Write the AMA, 135 W. 50th St., New York, N.Y. 10020.

June 17: The American Management Assn. is sponsoring a seminar on punitive damages—the impact of recent awards on insurance claims, in New York City. Write the AMA, 135 W. 50th St., New York, N.Y. 10020.

June 20: The American Management Assn. is sponsoring a seminar on group dental benefits in Chicago at the AMA Management Center. Write the AMA, 135 W. 50th St., New York, N.Y. 10020.

July 7-10: The International Foundation of Employee Benefit Plans will have a foundation meeting at the Bayshore Inn, Vancouver, Canada. Write James J. Neitzel, Public Relations, 18700 W. Bluemound Rd., P.O. Box 69, Brookfield, Wi. 53005 (414-786-6700).

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Hearings held on state sex bias guidelines

SACRAMENTO—Public hearings were held in April at Los Angeles and San Francisco on proposed guidelines which the fair employment practices division of the California Department of Industrial Relations would impose on the insurance industry as well as other business and industrial operation in the state.

The guidelines would govern California enforcement of anti-sex discrimination procedures. The public hearings attempted to determine situations when bona fide occupational qualifications exist for hiring only male or only female applicants.

OTHER AREAS of discrimination reviewed included violations in newspaper help wanted advertising; questions on job applications; granting of maternity leaves and benefits; hiring of women who may be pregnant; equal pay for equal job classifications for women; equality of promotion and seniority systems and employment agencies practices.

Prominent among those testifying were Ms. DeDee Ahern, a pension fund consultant in San Francisco for Bankers Life Co., who

charged last year that "women have suffered the most from inadequate pension and investment plans" as well as sex discrimination.

The San Francisco also listened to contract compliance officers for that city's Human Rights Commission, who accused five insurance brokers and 12 insurance companies last year with being "deficient in providing job opportunities for women."

"Inequities exist across the board," asserted Edward Vurek, in a report to the Human Rights Commission which alleged that "those insurance carriers which do business with San Francisco city agencies have been relatively

untouched by contract compliance."

Mr. Vurek said five brokers "place 97% of San Francisco's insurance business" and that the 12 carriers involved "each are paid premiums in excess of \$35,000 a year."

"More than 50% of the total work force of those 12 insurance companies," Mr. Vurek said, "are women. However, less than 8% of those women hold jobs higher in rank than the clerical level." ■

International expansion

Willis Faber & Dumas Ltd. of London and Boels & Begault of Brussels have combined to form Willis Faber Boels & Begault. The company is based in Brussels and is handling international insurance and reinsurance business in Belgium. Boels & Begault are Belgian correspondents for Johnson & Higgins.

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Korn joins E. & J. Gallo

Ralph Korn will join E. & J. Gallo Winery in Modesto, Ca. May 20 as director of risk management. Mr. Korn, who resigned as a member of the ASIM executive council during the society's annual conference because of the job change, has been director of risk management for Duplan Corp. for four and a half years. No replacement at Duplan has yet been named, but the company is moving the risk management department to New York from Winston-Salem, N.C. At Gallo, Mr. Korn replaces Richard C. Feddersohn, who left the firm in March to join Marsh & McLennan in San Francisco as an accounts manager.

* * *

Joseph Gullo joined Richardson-Merrell Inc., New York, as director of insurance, a newly-created position. Mr. Gullo was formerly with The Overmyer Co., New York, as vp, director of insurance and administrative services. Richardson-Merrell said the insurance manager now reports to the corporate director of insurance.

* * *

Philip J. Saturnino was named manager of the corporate insurance division for Inland Steel Co., Chicago, succeeding William F. Burke, who retired April 1. Mr. Saturnino was formerly assistant manager of the division.

* * *

Raymond Cox is retiring May 17 from City Stores Co., New York City, as corporate risk manager. He has been with the company for some 17 years, with responsibility for property, casualty, employee benefits and pensions. Robert Alkire will succeed Mr. Cox. He was formerly risk manager for the Glen Alden division of Rapid-American Corp.

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