

# business insurance

for buyers of employe, property and liability protection

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## Bunge ruling holds against insurer's plea

NEW YORK—The insurance industry lost a major battle in the notorious salad oil scandal when an appellate court here ruled against an insurer on two major counts.

The ruling indirectly involves at least \$300,000,000 in liability claims resulting from the discovery of huge oil shortages in a warehouse operated by an American Express Co. subsidiary.

Reversing a lower court ruling that held Bunge Corp. couldn't collect from its insurer, London & Overseas (referred to in the decision as Lloyd's), because Bunge had settled with American Express for \$8,000,000 of an estimated \$20,000,000 in losses, the appellate court decided that Bunge did not prejudice its right to seek retribution from its insurer by entering into a settlement with American Express.

"To require that the insured first fully litigate its dispute with the insurer before pursuing the third party would be manifestly unfair," the court said. On the other count, the court also ruled against the insurer, "Even if Lloyd's were now to pay Bunge in full, it would succeed to no rights against American Express."

The decision continued, "Of course, it remains open to Lloyd's to challenge the settlement on the ground that it was entered into in bad faith; certainly, an insured cannot claim as losses such amounts as it could have recouped in a good faith settlement."

Pending an appeal by Lloyd's, the decision affects at least 16 other insurance companies, including Insurance Co. of North America and Continental Insurance Co., which have claims amounting to \$240,000,000.

## Ark. denies riot charge

LITTLE ROCK, Ark.—State Insurance Commissioner Allan W. Horne has refused a request by insurance companies for a surcharge on fire, burglary and property damage policies in Arkansas to offset possible claims from riots.

Mr. Horne said the charges sought by the insurers "appear to be a charge on the residents of Arkansas for the benefit of riot-prone states."

Other states to turn down the surcharge request are Vermont, Wisconsin, Missouri and Maryland.



A Navy commander's cap is inspected by a rescue worker amid the remains of the wreckage of a Braniff Electra turbo-prop aircraft. The plane crashed near Dawson, Tex., killing 79 passengers and five crew members.

Wide World photo

## Two airline crashes increase pressure on aviation insurers

NEW YORK—Aviation insurance capacity is under pressure once again as the result of two crashes in the past month involving hull values of more than \$1,000,000 each and passenger liability claims that are certain to far exceed that amount.

A Braniff International Electra, valued at \$1,200,000, came apart over Dawson, Texas, on May 3, killing a crew of five as well as 79 passengers.

A DC8, valued at more than \$4,000,000 and operated by Capitol Airlines, a "support" airline operating out of Nashville and handling mostly military cargo, went off the runway while on a training flight on April 28 in Atlantic City, N.J.

**THE PLANE** "looped" and hit its nose gear on the ground, at the same time twisting the fuselage; the hull claim is expected to be "substantial." However, in

this case, no passengers were involved.

Both aircraft were reportedly covered for hull insurance by the U.S. Aviation Insurance Group, and the Braniff liability cover was also written by USAIG up to a passenger limit of \$100,000/\$3,000,000.

Any claims arising above the maximum USAIG retention will be taken up by excess treaties which are written for the main part by Lloyd's.

The reason for the much lower value placed on the Braniff Electra, according to an aviation specialist, is that it is the last turbo-prop built by Lockheed before it moved into constructing jet aircraft. Their values have "gone down steadily" with the advent of the jets, and one underwriter commented that the \$1,200,000 value was "very fair" and quite in line with current resale prices.

## Pension bill's quick passage doubted; critic cites its 'social goals'

NEW YORK—A bank official predicted that the Labor department's pension legislation, introduced earlier this month, won't get consideration in 1968.

The legislation is in the hopper but "it is unlikely it will come up this session," said Theodore Kane, vp of Chase Manhattan Bank, at an American Management Assn. seminar on government and employe benefits.

Other participants remarked that many pension plans already surpass the standards of the Labor department's proposal, and one speaker wondered to what extent private pensions would achieve the goals of the legislation if left alone.

**JOHN J. CARROLL**, director of the division of economic and long range studies, the Department of Health, Education, and Welfare, said there is a tremendous diversity of pension plans in existence today. Another speaker added that in years to come "we will see more and more diversity."

Thomas H. Paine, partner, Hewitt Associates, New York, contended that as Social Security more adequately meets the needs of retired persons, private pensions will supplement Social Security in providing for special groups.

Robert G. Moss, vp and actuary, Marsh & McLennan, told AMA members that new integration provisions of Social Security with private pensions are expected to be released at the end of May or the beginning of June. He added that many companies have deferred changes in their pension plans because of the upcoming integration formula. "I just hope it is something we can live with," Mr. Moss said.

**IN DESCRIBING** pension legislation in Ontario, Canada, A.J.C. Smith, vp and director, William M. Mercer Ltd., Toronto, said that he favors some sort of legislation of private pension plans but that it must be properly administered, with the safeguard that once the legislation started rolling, it can be stopped if necessary.

He described Ontario's experience with a bill providing complete portability of pensions which was stopped after passage of a Social Security act.

Mr. Smith pointed out that portability would require compulsory private plans.

NEW YORK—Proponents of the Labor department's new pension bill covering vesting, funding and termination insurance seek to require all pension plans to "serve social goals beyond those which many plans were designed to accomplish"—even in many instances beyond the plans' abilities.

This observation was made by Robert E. Royes, secretary, employe benefits committee, American Telephone & Telegraph Co., speaking at the 21st annual conference on labor, sponsored by New York University's institute of labor.

"It seems to me," Mr. Royes said, "that advocates of these increased requirements for private pension plans are really on the road to converting the plans into an added layer of social insurance."

**THE DIFFICULTY** with this concept, Mr. Royes pointed out, is "that social insurance by definition must be compulsory, whereas private pension plans are not."

The fact that there are social goals related to providing income during old age, which are left partly or wholly uncovered by private pension plans, "is not *per se* sufficient reason for changes in the private pension system," he stated.

Private pension plans are social assets, Mr. Royes stressed, and insufficient emphasis is given to what these plans already accomplish. In particular, he said.

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## London market fears race riots

NEW YORK—London underwriters, fearful of race riots in the U.S., are on the verge of withdrawing from major U.S. risks, the American Management Assn. was told last week.

"A government subsidy for insurance companies is not the answer to the riot problem," warned J. H. Blades, head of J. H. Blades & Co.

Mr. Blades, who recently returned from London, told insurance managers that the London market is in turmoil over heavy U.S. losses covered either directly or through reinsurance.

"Never in the history of the insurance industry have so many big losses been absorbed in such a short period," he said.

## Policy change costs to insureds should be consideration: Bland

NEW YORK—An appeal to the insurance industry to consider the inconvenience and cost to U.S. business before drastically changing a standardized contract was made by R. W. Bland, risk manager, Panhandle Eastern Pipe Line Co., Kansas City, before an American Management Assn. conference on government and insurance.

Mr. Bland singled out the comprehensive general liability policy of 1955, "under which American industry expended an estimated \$50,000,000 to obtain a body of law interpreting the now abandoned policy."

The securing of judicial interpretations of the new liability contracts, "which will run into millions of dollars," will have to be met by American business in general, Mr. Bland asserted, "which cannot afford the luxury of financing this analysis of a

new policy meaning, nor the hardship of operating an essential management function in a vacuum."

MR. BLAND said that state regulators who held limited meetings for insurance industry applicants of the revised form prior to stamping it with their official approval, "performed a serious disservice to all consumers of insurance."

Industrial insureds need not oppose necessary regulation in the consumer interest, Mr. Bland said, "but we are sometimes appalled at the effectiveness of special interest groups in imposing restrictions solely for competitive advantage in the market place."

James L. Bentley, Georgia insurance commissioner and president of the National Assn. of Insurance Commissioners, said that

the American insurance industry is already more tightly controlled than in "any other country on this planet."

Pointing out that the last ten years have seen an "unprecedented series of disasters," Mr. Bentley noted that this had caused a great strain on capacity.

THE FOREIGN market has also withdrawn, he continued; "and for the moment doesn't care to underwrite risks in this country." Mr. Bentley pointed out that capacity problems are as much in evidence in Europe as in the U.S.

Mr. Bentley advocated a balanced area of reasonable financial controls between the federal, state and local governments and insurance companies, "which will in some cases allow the companies to load their rates."

## Illinois ruling would allow multiple dram liability claims

CHICAGO—An associate circuit court judge here has ruled that recovery under the Illinois Dram Shop statute may be made for both property damage and bodily injury as well as loss of means of support due to death and dismemberment.

Judge Nicholas J. Bua, hearing pre-trial motions in a \$4,275,000 civil case arising from the murder of eight student nurses in 1966, ruled that the two taverns where the convicted killer allegedly drank the night before, may be held responsible for serving him too many drinks.

Richard Speck, an itinerant merchant seaman, has been convicted of the slayings but is appealing the conviction.

Under the state law, the first

such liquor liability law passed in 1873, recovery is limited to \$15,000 for property damage and bodily injury and \$20,000 for loss of means of support. Previously, recovery had been limited to a single claim, based on property damage, bodily injury or loss of means of support. The ruling would allow multiple claims.

Judge Bua said this was "the first time an Illinois Court had held that taverns may be responsible for suffering prior to death inflicted by a person served too much to drink."

The Illinois law is generally considered one of the most stringent on bar owners among those states that have liquor liability laws. One insurance expert

pointed out that most taverns in Illinois rely heavily on insurance to protect them against such claims.

He pointed out, however, that most taverns have policy limits above state statute requirements. He said that he did not think Judge Bua's ruling, if it stands, would have any immediate effect on liquor liability coverage premiums.

Defendants in this case are Kay's Pilot House and the Shipyard Inn. The suit has been filed by the families of the eight nurses. They are suing the taverns for \$175,000, Mr. Speck for \$2,500,000 and the South Chicago Community hospital, where the student nurses worked, for \$1,600,000.

## Pension bill may ease way for other federal pension bids

WASHINGTON—Introduction of the omnibus pension bill, despite slim chances for passage this session, may ease the way for the administration's Welfare and Pension Plans Disclosure bill and the Treasury department's soon-to-be-released regulations on pension plan integration.

The integration rules may run into heavy opposition from the business community as did the ones proposed by Treasury in September 1966, which were withdrawn under heavy fire. The new rules, however, can be counted on to benefit from a debate against the alleged inequities in private pensions.

A. U.S. Chamber of Commerce spokesman said it is rumored the percentage that employers may pay in retirement benefits on wages in excess of the Social Security wage base will be lowered to between 27% and 30% on wages over the newly-enacted \$7,800 base from the 37½% on wages over \$4,800 currently allowed. In 1966, Treasury proposed that the percentage be lowered to 24% on wages above the then \$6,600 base. At that time the Chamber of Commerce claimed that the rule would mean either an increase in pension costs by as much as 40% or

more, in some cases, or benefit decreases of 25% or more for some employees.

The omnibus pension bill will have the direct effect of opening the road for Senate hearings on the pension plans disclosure act on which House hearings have been concluded.

Sen. Ralph Yarborough (D., Tex.), chairman of the labor subcommittee, has not been able to hear the disclosure bill in the absence of the administration's omnibus pension proposal covering vesting, funding and reinsurance because Sen. Jacob Javits (R., N.Y.) would have then demanded that the subcommittee hear, along with the disclosure bill, his omnibus pension measure. Sen. Yarborough then would have been faced with the prospect of admitting the administration was not prepared to offer a pension package to labor.

### Phoenix promotes 3

Three promotions have been announced by the Phoenix Mutual Life Insurance Co., Hartford. George D. Chester has been named vp, pensions; Arthur E. Erickson Jr., vp and actuary; and William M. Roth, vp, group life and health department.

## INA sets up rehabilitation center in N.Y.

ALBERTSON, N.Y.—The Insurance Co. of North America said last week that it will set up a rehabilitation and loss prevention research center here.

The announcement was made by Bradford Smith Jr., INA chairman, and Henry Viscardi Jr., president of Human Resources Center. The Mend Institute, as it will be named, will be part of the Human Resources Center.

INA will sponsor research projects on physical change in paraplegics and cardiacs during stress, the development of an activity tolerance laboratory to study fatigue and stress in workers under various conditions and the relation of tool design and fatigue in workers.

THE INSTITUTE will have seminars, vocational evaluations and library services on rehabilitation subjects.

Mr. Viscardi, himself born legless, will be director of the institute. Also located at the center is Abilities Inc., employer of severely handicapped and mentally retarded persons, and Human Resources School for severely handicapped children from preschool to senior high school age.

The INA Mend program was begun in 1966.



"But what's the problem? Wasn't Piggie's house insured against a huff and a puff?"

Reprinted from Better Homes and Gardens. © Meredith Corporation, 1967.

## Insurer cancels Michigan's 'money and security' cover

LANSING, Mich.—Robberies of license plate receipts totaling \$13,000 in the last six months have caused the cancellation of the state's money and security insurance by Transamerica Co. and the possible loss of another policy.

To cover itself against further burglaries at any of the state's 231 outlets which sell license plates, Secretary of State James Hare is backing a joint resolution, which has passed the senate, to study the feasibility of setting up a self-insurance fund.

According to Joseph Corcoran, director of administration in the Secretary of State's office, the carrier for the fidelity and bond on persons selling the license plates, Ohio Casualty, has indicated it doesn't want to give coverage unless the state has "money and security" insurance.

"I DON'T have the cancellation in my pocket, but I'm sure they'll follow through," Mr. Corcoran told *Business Insurance*.

Transamerica offered to renew the robbery insurance for a premium of \$100,000 a year—an increase of \$87,000, Mr. Corcoran said. The only other bid the state received on the coverage was from Royal Globe, which wanted the state to assume a \$2,000 deductible on a three-year policy which would have cost \$49,000 or a one-year coverage at \$18,000.

The Royal Globe policy would have given up to \$10,000 coverage per robbery, except during December through March (the peak license plate buying period), when coverage would have been \$25,000.

BUT, MR. Corcoran said that state's budget office objected to the high price for the insurance,

although it approved a limited form of coverage.

Since the state felt it would have a hard time getting fidelity insurance, it decided to back the self-insurance study, Mr. Corcoran explained. Under such a fund, losses would come out of general revenue and would not be charged to the Secretary of State, who is now legally liable for losses exceeding the limit of his bond.

Mr. Corcoran said the Transamerica cancellation came despite the fact that losses in previous years have been slight. Also, he said, the state has recently initiated such safety measures as making deposits more than once a day and authorizing branch managers to accept checks.

## Kemper sets 2 payroll plans in California

VALLEJO, Cal.—American Motorists Insurance Co., one of the Kemper Insurance Group, has begun writing group-type auto coverage for a California group of certified public accountants.

It is the first payroll deduction plan offered by Kemper. Conger-Anderson is the broker.

A second Kemper plan covering a school administrator's group is about to be written through Albert Bender & Co., a San Francisco brokerage firm.

This plan will offer automobile, homeowner and personal liability coverages. It is also offered by American Motorists.

### LTV adds savings, investment plan

DALLAS—A savings and investment plan for salaried employees and an incentive compensation plan for officers and other key executives were approved here at the annual shareholders meeting of LTV Electrosystems Inc.

E. F. Buehring, president, told shareholders that the savings and investment plan is designed to encourage and assist eligible employees in a program of investment in various securities and in sharing of the ownership of the company through the purchase of its securities.

## Lindquist, Ross get new posts

HOUSTON—John A. Lindquist, formerly corporate insurance manager of General Acceptance Corp., Allentown, Pa., has been named corporate risk manager of Anderson-Clayton Co. here.

Succeeding Mr. Lindquist at General Acceptance is E. Wallace Ross, formerly insurance manager at Irving Trust Co., New York. Frank P. Cayz, previously supervisor of casualty insurance at Sinclair Oil, is now insurance buyer at Irving Trust.

# A star is born: nonappearance indemnity cover

by ROBIN MENZ

NEW YORK—A star was discovered in 1964 and almost overnight became a success; billed in the theatrical and insurance spheres as nonappearance indemnity.

A producer with a play whose popularity rests upon one or two stars often finds a need to protect himself and the play against the nonappearance of stars. This coverage has been around for 25 or 30 years, but most of the time it was underwritten in the London market.

Arthur Birkenstock, underwriter now with the Hanover Insurance Cos., created an American market in 1964 when a number of domestic companies agreed to underwrite the coverage.

**THERE'S NO HARD** and fast rule of thumb that can help determine whether a play needs nonappearance indemnity. The question can usually be answered by looking at the cast and the reputation of the stars.

R. A. Boyar, head of his own brokerage firm, explained that where the popularity of a play does rest with one or two stars, nonappearance insurance could pay off.

For instance, when Sammy Davis Jr., star of *Golden Boy*, missed two shows and was re-



Scene from *Cabaret* shows Lotte Lenya starring as Fraulein Schneider in musical number. Costumes for Broadway hits are quite elaborate and expensive and require the producer to have adequate protection against theft and fire.

placed by his understudy, the refunds were so heavy that the full indemnity paid off.

Limits are set according to the revenue taken in of a sellout crowd. If a play is a sellout, and this can be determined by receipts, just prior to a nonappearance, the insurer pays the limit. However, if it isn't a sellout, the indemnity is scaled down to meet box office revenue.

Mr. Boyar said that not always does the nonappearance of a star cause box office receipts to drop or refunds to be made. A producer must show that a star's absence has had an adverse effect on revenue.

Even when a show has to be cancelled for a number of performances, box office receipts must be available as proof of revenue.

As coverage is written today, the insurer pays for eight-and-a-third weeks or 65 performances. Usually, Mr. Birkenstock and Mr. Boyar agreed, there is a one or two performance deductible. Coverage without a deductible isn't available, they said.

With rare exceptions there is always an understudy for each star. If the producer is confident of the understudy's ability, he

may rely on them to replace the stars and not cancel performances. "This is self-insurance of a sort," Mr. Boyar said.

**FOR EXAMPLE**, Harold Prince productions never has carried nonappearance insurance—not even on Zero Mostel in *"Fiddler on the Roof."*

In writing such coverage, a report from the star's physician may be required before protection is granted, but "we may also insist on an independent examination," Mr. Birkenstock reminded.

Prior to opening night on Broadway, the show and its cast complete several tryout runs in Boston, Philadelphia, Detroit or other cities. Here the stars come under a prior risk policy for nonappearance due to accident, sickness or death.

This no-deductible policy is based on prior capital costs and commitments and covers retainers, advanced sales and advertising. Limits usually depend on loss estimates by the producer.

"But it doesn't cover finding another performer," Mr. Birkenstock said.

It does pay if a show has to be abandoned due to accident, sickness or death of a star. This coverage pays for consequential

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## AT&T will no longer integrate pensions with Social Security

NEW YORK—The nation's largest employer, American Telephone & Telegraph Co., will in effect be giving its employees a substantial pension boost effective June 1, 1969, when pensions will no longer be integrated with Social Security.

Prior to that date, deductions equivalent to 25 per cent of Social Security will continue to be made. Other changes to go into effect at the same time are that minimum pensions will rise from \$115 a month to \$125. Pensions will also be vested after 15 years for a worker who has attained age 40.

AT&T's switch to a nonintegrated pension plan is an unusual departure from the standard method of providing retirement benefits. One expert estimated that 85 per cent of pension plans are integrated with Social Security "one way or another."

**OTHER MAJOR** employers with nonintegrated plans include DuPont, Detroit Edison and Public Service and Gas Co. in New Jersey.

Although settlement terms have not yet been ratified by all district unions of the Bell Telephone System in the recent strike, other major employee benefit changes have been agreed to by the majority of the Communications Workers of America.

According to terms of the set-

## Landkamer, Sealright insurance manager, dies

SYRACUSE, N.Y.—Othmar F. Landkamer, insurance manager for the Sealright Corp., Fulton, N.Y., for 15 years, died May 3. Prior to joining Sealright Corp., he served as insurance manager for Sylvania Corp., New York, and Pillsbury Co., Minneapolis. He was graduated from the University of Wisconsin in 1924. His wife, a son and two daughters survive.

tlement, the Bell Companies will pick up the entire cost of the basic group life and accidental death and dismemberment coverages, effective 24 months from the date of signing the agreements. Previously, this coverage had been on a contributory basis. Supplemental group life benefits will remain unchanged.

Also, within 24 months from signing, the entire cost of the basic medical and hospital coverages will be paid for by AT&T. These plans are provided by Blue Cross-Blue Shield.

## See tripling earthquake rates in Colo.

DENVER—Earthquake insurance rates in Colorado for commercial property are expected to triple effective May 1, according to the state insurance department.

A proposal for rate change filed with the department by Mountain States Inspection Bureau, representing a majority of the companies writing earthquake policies, called for an increase in rates and in the amount of deduction.

Commercial rates would be hiked from 30¢ to \$1 on each \$1,000 of insurance, depending on construction, and also would be subject to a 5% deductible clause, according to James Glascock, chief insurance rate analyst for the department.

Among the reasons listed for the rate change were the frequency and severity of recent quakes in Denver and throughout the state.

The analyst added that reinsurers have been unwilling to accept the risk of the unknown concerning Colorado earthquakes.



Richard L. Kreiling

## Kreiling, Dixon named to new insurance posts

NEW YORK—Robert L. Kreiling, formerly corporate insurance manager of Universal American Corp. diversified manufacturer of metal products, has joined Eastern Airlines as director of insurance, responsible for property and liability and group coverages.

Mr. Kreiling succeeds James F. Dixon, who has joined Columbia Gas System Service Inc. as manager of insurance. He succeeds Bernard S. Cohen, who has gone into the stock brokerage business.

Taking over the top insurance post at Universal American is Paul S. Pfeffer, previously insurance administrator at the firm and before that insurance assistant at General Cigar Corp.

Mr. Kreiling, prior to joining Universal American, served in the insurance department of Republic Aviation from 1955 to 1962.

Before joining Eastern, Mr. Dixon was manager of insurance for ACF Industries and the Pittston Co.

## Watkins heads GAB

F. D. Watkins, president of Aetna Insurance Co., today was elected chairman of the board of the General Adjustment Bureau. He replaces T. B. Kelley.

## N.J. moves to place coverage for ghetto businesses via pool

TRENTON—The state of New Jersey is taking steps to place fire and extended coverage insurance on risks in ghetto locations through a voluntary pool.

"These measures are not confined to Newark," emphasized a spokesman for the department of banking and insurance. He added that the program was also started before the last rash of fires that hit Newark after the death of Dr. Martin Luther King Jr., some of which were attributed by the city's fire director to arson.

The pool, which is voluntary, is sponsored by 60 different companies which write fire insurance in the state.

**THE FIRST STEP** taken by a businessman who has been turned down for coverage, the department explained, is to advise W. Morgan Schumake, executive assistant in charge of the insurance bureau. Mr. Schumake then alerts the Fire Insurance Rating Organization which sends out an inspector to look at the risk and prepare a report.

The report is submitted to a committee representing the participating companies. The committee meets once a week and processes "about 45 applications." Once a case is accepted, the risk is distributed among the 60 participants of the pool and the rate is individually written. The maximum which can be written on any one location is \$600,000, "although in one case involving a department store more coverage was arranged."

The process normally takes about two weeks, the spokesman continued, "but lately we have been flooded with applications." However, he explained, there is a note of urgency about the proceedings, "because fire companies are only required to give five days notice of cancellation." In cases where a company doesn't intend to renew the insurer usually gives 30 days notice,

which allows a little more time."

**THE VOLUNTARY PLAN** has been in force about eight weeks. By now, out of 515 applications received, 150 have been processed, and 60 have been given insurance amounting to \$2,741,000 on both buildings and contents—mostly in Newark.

"The problem is making the inspections," Mr. Schumake told *Business Insurance*. "By now the word has spread throughout the state, and we don't have enough people to take care of them all."

Some applications have been held up, it was explained, because the fire inspection showed that they are uninsurable due to violations of the fire code. However, "we always make a point of listing what these violations are, giving the applicant the opportunity to make corrections. Once this has been done, the property again becomes eligible for coverage."

"Of course, there are some situations where a direct violation of the building code is involved," the spokesman said. In such cases, the individual city is informed, and the applicant is advised to comply with his local building ordinances.

Meanwhile, the fire director of Newark, John P. Caulfield, said he is of the opinion that some of the fires that ravaged his city following the assassination of Dr. Martin Luther King Jr. "were probably caused by arson to collect on insurance policies."

"The normal rate of fires in Newark is between 20 to 30 a day. Yet in a 17 hour period we had 195. I feel that some of these were bound to be phonies," Mr. Caulfield said. The main difficulty is getting evidence, he added, "because all that's left is a pile of ashes."

However, the fire chief continued, the business community must be able to obtain fire insurance, "and I don't want to do anything to prevent it."

## J&H names Chambers, expands captive operation

NEW YORK—Johnson & Higgins is moving quietly to expand its facilities for handling captive insurance operations. The nation's oldest insurance brokerage firm is taking cautious steps into this area because it doesn't want to upset the some 500 or so property insurance carriers with which it deals.

To implement the program, J&H has hired H. Clayton Chambers as vp in the New York home office. Mr. Chambers, who has set up eight captive carriers in his time, comes to J&H from Celanese Corp., where he ran a captive—Elwood Insurance Ltd.—for the firm in Hamilton, Bermuda.

Prior to his joining Celanese Mr. Chambers served as a consultant for McKinsey & Co. on

captives, and the fibers company was one of his clients.

**THE CELANESE** captive, which was started at the end of 1966, handles the firm's property coverage in seven foreign countries, and it also has taken on a few domestic risks. The majority of Celanese's domestic coverage, however, is through Factory Insurance Assn. Rollins, Burdick, Hunter & Co., New York, is the longtime Celanese broker.

Mr. Chambers in 1958 joined Mobil Oil Corp., where he developed and became managing director of the General Overseas Insurance Co., Nassau, one of Mobil's five captive insurers. He later switched to Mobil's New York office, where he was named general manager of the oil com-



H. Clayton Chambers

pany's insurance division, responsible for Mobil's domestic and foreign coverages and its captives.

Dorrance Sexton, chairman of J&H, acknowledged that the firm was stepping up its activity in the captive area. He said that J&H considers captives a "special-purpose tool" rather than a surefire method of dealing with an entire corporate program.

Mr. Sexton said clients are increasingly asking the brokerage firm about the pros and cons of captives but that J&H is "neutral" on the subject. "Where a captive is clearly the best means of accomplishing the client's goals, we recommend it freely," Mr. Sexton told *Business Insurance*.

**"OF COURSE, CAPTIVE** companies and the established insurance markets are not mutually exclusive," he added. "On the contrary, captives usually require substantial participation and support by established underwriters. Often the captive fits into and rounds out a conventional program."

It was understood that J&H, in addition to receiving a fee for setting up a captive operation for a client, will also arrange to place reinsurance coverage as well. The firm operates Willcox, Baringer & Co., reinsurance broker. ■

## Teacher group asks coverage be cancelled

NIAGARA FALLS, N.Y.—The Niagara Falls Federation of Teachers has suggested to the Board of Education that a contract be canceled with Hartford Insurance Co. which covers teachers against legal action by parents.

The federation charged that the company attempted to renege on full coverage of a claim against Trott High School English teacher Bernard Check, asking the teacher himself to pay \$2,000 of a \$2,500 claim.

Mr. Check was suspended four days without pay in December 1966 on a charge that he struck a student in his class with such force that the boy required extensive medical treatment. John H. Clements Sr., father of the student, later filed a claim against the board for \$12,000.

**THIS CLAIM**, against the board of education and teachers, was turned over to Hartford Insurance for settlement.

Karl T. Stets, president of the NFFT, said that Mr. Clements agreed to settle out of court for \$2,500. Then, he said, representatives of Hartford Insurance here told Mr. Check they would pay \$500 of the settlement and told Mr. Check he would "have to arrange for payment of the balance of \$2,000 from his own resources."

Mr. Stets said the English teacher, a member of the NFFT, went to the organization and the NFFT notified School District Attorney Richard C. Doherty. Through the board attorney's investigation and discussions with Hartford representatives, the insurance company "desisted in its attempt to shirk its responsibility," Mr. Stets said. He said it was not the first time this has happened. ■

## Cargo rates hiked on war and riot risks

NEW YORK—Rate increases by insurance rating bureaus here and in London reflect the current risk of war and civil disorder.

Both the American Institute of Marine Underwriters and the Institute of London Underwriters, for the first time since 1956, raised their basic world-wide rates for war, strife, riot and civil disorder insurance on marine cargo.

The American bureau raised its rate April 29 by 2.5¢ per \$100 of cargo value. The London bureau hiked its rate May 1 by 1.25¢ per \$100 of cargo value.

The Inland Marine Insurance bureau has filed rate increases in 16 states which will have the effect of imposing surcharges on rates covering civil disorder hazards. The surcharge will amount to 4% on commercial lines of inland marine and 2% on personal lines.

The surcharge has been approved in eight states—Alaska, Arizona, California, Idaho, Indiana, Nevada, Ohio and Utah.

The bureau also is filing for a 4% surcharge on accounts receivable and valuable papers and records insurance applicable in counties and cities with populations of 250,000 or more. The surcharge would be 2% in all other counties and cities. ■

# We know a hotel owner who paid his chef to stay home. Funny.

Or not so funny, depending on how you value good cooking. Some people will give a small fortune for a talented chef. Including our friend's competitors, who would gladly have hired away his chef when his hotel was closed down by a fire.

But his Great American business interruption policy covered the chef's salary for the entire shut-down period, and the competitors never had a chance.

Could you hold your key personnel if you had to close down for a while? Aren't you better off if they're paid when idle instead of working for somebody else? Make sure you're covered. Talk to a Great American man. He's listed in the Yellow Pages under authorized Great American agents and brokers. He'll tell you what Great American can do for you.

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# Large-loss industrial fires hit \$105,000,000

BOSTON—U.S. industrial fires accounted for losses of \$105,074,000 in 114 major fires last year, an increase of nearly \$27,000,000 over the 1966 figure.

In compiling the data, the National Fire Protection Assn. reported that total U.S. loss from major fires last year was \$404,462,000, an increase of \$119,222,000 over the previous year.

The NEPA report included only fires which individually caused damage amounting to \$250,000 or more. These are the fires, the association said, which in nearly all instances started on

a small scale but grew to destructive proportions because of failure to use adequate protection measures.

**THE TOP TWO** industrial fires were Cities Services Refinery in Lake Charles, La., \$20,500,000, and Rossville Development Corp., textile operations in Rossville, Ga., \$12,335,000.

The Lake Charles fire left a significant mark on the oil insurance industry; it caused the folding of John G. Simmonds Inc., one of the nation's two oil insurance pools.

Twenty-one of the major industry fires in 1967 cost \$1,000,000 or more and in ten others at least \$750,000 worth of property was destroyed.

**FIRES COSTING AT** least \$1,500,000 included the Andy Garç Corp., Oakmont, Pa.; International Latex chemical plant at Hawthorne, N.J.; Marathon Oil Co. petroleum refinery at Robinson, Ill.; Trail-A-Sled snowed factory at Crosby, Minn.; Douglas Stud Inc. sawmill at South Fork, Colo.; Standard Oil Co. refinery at Oregon, Ohio; Tatamy

Products, Tatamy, Pa.; and San Joaquin Turkey Growers, Modesto, Calif.

The sharp rise in the total dollar loss from major fires was accounted for by two fire disasters which alone totaled \$127,500,000. The Apollo spacecraft fire cost \$75,000,000 and the fire which destroyed Chicago's McCormick Place cost \$52,500,000.

Major fires in Canada during 1967 numbered 76 and destroyed \$38,989,000 worth of property down \$10,024,000 from the previous year.

Total cost of 73 major fires in

warehouses and other storage facilities in 1967 amounted to \$46,883,000. There were 78 large-loss store fires amounting to \$39,397,000 in buildings and contents.

Supermarkets and grocery stores had losses of \$7,777,000 in 17 fires; retail lumber stores lost \$5,140,000 in 11 fires; department stores lost \$5,298,000 in nine fires and variety stores lost \$7,690,000 in nine fires.

Three major hotel fires and three motel fires destroyed property with a total value of \$3,741,000. One of the hotel fires—Laurel in the Pines in Lakewood, N.J.—alone accounted for \$2,000,000 of the loss.

A roundup of other major fires shows 11 restaurant fires, eight bowling establishment fires, 33 educational facility fires, five major church blazes and only two major brush fires.

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## Court upholds public official libel ruling

WASHINGTON—The Supreme Court last week reaffirmed a decision it made in a case involving the New York Times that a public official can't collect defamation damages unless the speaker showed "reckless disregard" of the truth.

The suit, in an 8-1 decision, was brought by a Louisiana deputy sheriff against Phil A. St. Amant, who was a candidate for the U.S. senate. Mr. Amant referred to the deputy sheriff in a 1962 televised speech.

Justice Byron R. White, writing the majority opinion, stated that "by no proper test of reckless disregard was St. Amant's broadcast a reckless publication about a public official."

Justice White explained that "reckless conduct is not measured by whether a reasonably prudent man would have published, or would have investigated before publishing.

"**THERE MUST** be sufficient evidence to permit the conclusion that the defendant in fact entertained serious doubts as to the truth of his publication.

"Publishing with such doubts shows reckless disregard for truth or falsity and demonstrates actual malice."

In other action, the Supreme Court declined to rule on whether an airplane operating on an international flight can limit its liability under terms of the Warsaw convention. The treaty, which was promulgated in 1929, holds liability claims to \$8,300 per passenger on international flights, although international lines have agreed to pay \$75,000 per passenger for flights within the U.S.

## INA sets combination construction policy

The Insurance Co. of North America, Philadelphia, has created a new contractors property construction policy aimed at large building projects with concentrations of values over \$1,000,000.

Tailored to fit a specific need and location, the combination all risk, builders risk and installation form will cover a contractor for his buildings and machinery during the course of construction.

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## Justice mulls aviation pool draft consent

WASHINGTON—A draft consent judgment is being considered by the U.S. Aviation Underwriters pool and the Justice department in a two-year-old antitrust suit which was originally intended to break up that pool and another operated by Associated Aviation Underwriters.

The two pools account for about 80% of the domestic aviation insurance market.

Associated Aviation signed a consent decree last November in which it agreed to ease its requirement for membership and to refrain from suppressing formation of new aviation insurance pools.

IT ALSO agreed not to restrain competing aviation insurance underwriters or deprive them of reinsurance service "through intimidation and threats against reinsurers abroad."

Because of the severe capacity problems facing the airline industry, the government is no longer anxious to break up the pools. This was indicated by the Associated Aviation consent decree and a recent request by the Justice department for another three-month continuance of the deadline for filing its notice of readiness for trial in the U.S. Aviation case.

According to the affidavit filed with the request, a draft proposed consent judgment was considered at the last meeting between the pool and the government and tentative agreement has been reached on some of the issues. Further meetings are planned to discuss a revised draft of a consent judgment on which the pool is working, the Justice department said.

## Noise award not covered

NEW YORK—A Queens factory has no insurance to cover a \$5,000 award to a homeowner who said that a machine in the factory next to his home caused his house to vibrate excessively.

Last year the comprehensive general liability form was revised to cover property damage on an occurrence basis, which would include damages from vibrations. Under the old form property damage had to result from an accident such as a machine exploding and causing damage to a home.

Until revisions were made in the CGL form, property damage on an occurrence basis was covered under the umbrella policy, which provided broader coverage than the former general liability coverage.

Now that the CGL policies are written on an occurrence rather than accident basis, an insured can also be covered for air and water pollution liability.

ACCORDING TO a source at the Arco Plastic Factory Inc., the \$5,000 will come "out of our own funds." None of the factory's insurance policies covers such suits.

In addition to awarding the money, the Queens state supreme court ordered the factory to shut down the machine between 7 p.m. and 8 a.m.

## info for buyers

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

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

• The problems of sound financial management and proper planning are discussed in "18 Ways the Successful Businessman Can Protect His Life's Work." The booklet illustrates business planning problems that could dissipate hard-won success. For a free copy write Miss Barbara Feeney, Sales Promotion Coordinator, Guardian Life Insurance Co. of America, 201 Park Avenue South, New York, N.Y. 10003.

• "Recent Improvements in Your Social Security" and "Recent Improvements in Medicare" explain the increase in cash benefits as a result of the 1967 Social Security Amendments. Single copies are available for 5 cents and 10 cents respectively from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402. If ordered in quantity for use as employee handouts the prices are \$3.50 and \$7 per hundred.

• "1967 Annual Report," by Michigan Blue Cross, presents unique material on control of health-care costs in the face of the fact that this area of spending is rising at about twice the rate of the cost-of-living. Suggested areas for cost control are listed and the role of the public in a health care system is examined. For a free copy write Mr. Robert M. Hanson, Dir., Public Relations & Adv., Michigan Blue Cross/Blue Shield, 411 E. Jefferson Ave., Detroit, Mich. 48226.

• "NFPA Standards-Making System" is a concise description of the processes involved in developing standards for fire prevention and protection. The 16-page booklet covers the ten basic steps in the system, reasons for some technical committee procedures, amendment of standards and their correlation with those of other organizations. For a free copy write Mr. Deuel Richardson, Public Relations Mgr., National Fire Protection Association, 60 Batterymarch Street, Boston, Mass. 02110.

• Bankers Security Life Insurance Society describes a plan to halt the spiraling costs of employee fringe benefits in a 12-page booklet which includes a sample plan specification and proposal. For a free copy of "Group Ordinary" write Group Sales Department, Bankers Security Life Insurance Society, 1701 Pennsylvania Ave., N.W., Washington, D.C. 20006.

• "Analysis of Workmen's Compensation Laws, 1968 Edition" is a completely updated version of the U. S. Chamber of Commerce's biennial bestseller. It is a 47-page compilation presenting in an easy-to-understand form the details of the workmen's compensation laws of all 50

states, the District of Columbia and the Canadian provinces. Single copies may be purchased for \$1 by writing: Chamber of Commerce of the United States, 1615 H St., N.W., Washington, D.C. 20006. Ten or more copies are 80¢ each.

• "Have You Ever Thought of Your Own Insurance Company?" is an eight-page leaflet on captive insurance companies and other self-funding techniques. Advantages and problems involved in these methods of self-insurance in a time of rising insurance costs and difficult risk placement are reviewed. For a complimentary copy, write to the Risk Management Department, EBS Management Consultants, Inc., 100 Church St., New York, N.Y. 10007.

• "Company Planning with Respect to Riots and Other Civil Disorders" is a 14-page memorandum on insurance involvements in riot in urban slum areas. The study, made by a council of insurance managers of leading companies, is a guideline manual and suggests a checklist for company planning and offers a section on emergency procedures. The report is available to MAPI members for \$1 and to others for \$2. Write Insurance Council, Machinery & Allied Products Institute, 1200 Eighteenth St., N.W., Washington, D.C.

• Three booklets relating to employee honesty are offered by The Surety Association of America. "How Much Honesty Insurance?" presents a method of measuring the need for fidelity coverage and a list of suggested minimum amounts of honesty insurance. "Fidelity Bonds" is a 16-page booklet designed to furnish the essential background the accountant should possess with respect to fidelity bonds. "Safe-guards against Employee Dishonesty in Business" provides management with a basic guide to sound internal control against embezzlement and an outline of the protection afforded by fidelity insurance. Free copies of each booklet may be obtained by writing The Surety Association of America, 110 William St., New York, N.Y. 10038.

• The Inter-American Safety Council "1968 Catalog" of safety films and posters has been released by the New York-based group. Posters and films are designed to reach Spanish- and Portuguese-speaking employees to facilitate plant safety. The illustrated, 48-page catalog is printed in Spanish with English translation sheets and order forms. It is offered free by the Inter-American Safety Council, 140 Cedar St., New York 10006.

• "Current Pension Developments of Interest to Financial Officers" highlights accounting opinions on investment results and assumptions, general benefit levels, rate of past service amortization, the place of employee contributions in a plan's financing and Social Security changes. A free copy is available by writing Production & Coordination Dept., Johnson & Higgins, 63 Wall St., New York, N.Y. 10005.

• Basic precautions recommended to avoid product liability claims are offered in "The Gathering Storm: Product Liability." For a free copy write Miss Mary Biber, Adv. Dept., Employers Insurance of Wausau, 2000 Westwood Dr., Wausau, Wis. 54401.

# Surety producers asked for ghetto-job bonds

• "25 Questions to Ask in Selecting the Bank to Manage Your Employee Benefit Fund" is a 15-page booklet offered by The Northern Trust Company. It answers the frequently-asked questions of those considering the establishment or up-dating of a benefit fund about their prospective corporate trustees or investment advisors. It is free by writing Mr. James D. Schriener, Public Relations Department, The Northern Trust Co., 50 S. La Salle St., Chicago 60690.

• According to the National Safety Council, injuries to the trunk comprise 28% of all work injuries and 33% of all compensation. A unique wooden training aid, called "Lifty," has been devised to demonstrate to employees why lifting should be done with the legs and not the back and to show how to prevent hernias and back injuries. The 24" high "Lifty" is painted green, white and red and is available for \$24.50 by writing Training Aids, 235 Iroquois Rd., Hillside, Ill.

• "Facts" is a 15-page guide to better understanding of your accident and health insurance policy. The booklet, which uses the question-and-answer technique, is free by writing the Donald Block Agency of Massachusetts Indemnity and Life Insurance Co., 4001 W. Devon Ave., Chicago 60646.

• Recently, factors other than the cost of reproduction less physical depreciation have been added to valuation consideration. The case-study method is used in "Values for Insurance Purposes" to point out these changes in determining property values. The 12-page booklet is free by writing Mr. Andrew J. Stika Jr., Public Relations Dir., American Appraisal, 525 E. Michigan St., Milwaukee, Wis. 53201.

• The National Fire Protection Assn. offers its booklets "Installation of Portable Fire Extinguishers" and "Maintenance and Use of Portable Fire Extinguishers" for 60 cents each. The guide-books are available by writing Mr. Deuel Richardson, Public Relations Mng., National Fire Protection Assn., 60 Battery-march St., Boston, Mass. 02110.

• The "1967 Life Insurance Fact Book" is designed for use as a reference book and is based on figures that are, in most cases, complete through the end of 1966. Life insurance ownership, annuities, insured pension plans and life insurance benefit payments are only a few of the topics discussed. Individual copies are free by writing Mr. Fred DeLuca, Mng. Dir., Institute of Life Insurance, 277 Park Avenue, New York 10017.

• "Industrial Noise and Hearing Loss" discusses the problem of hearing loss in industry and suggests a program to minimize the problem and effectively reduce compensation costs to the employer. The ten-page brochure, released by Maico Electronics, Inc., is free by writing Mr. John C. Kenwood, 413 Willoughby Tower, 8 S. Michigan Ave., Chicago 60603.

• "Riot and Your Business" is a six-page booklet which discusses the riot problem and business, a long-range protection plan and emergency protective measures. A free copy may be obtained by writing, Miss Joanne Twomey, Public Relations Ass't., Kemper Insurance, Mutual Insurance Bldg., 4750 Sheridan Rd., Chicago, Ill. 60640.

CLEARWATER, Fla.—In the wake of civil disorders across the country, surety bond producers have been challenged to provide surety bonds to contractors who bid on construction projects in ghetto areas.

Referring to the report from the President's National Advisory Panel on Insurance in Riot-affected Areas, A. Addison Roberts, president, Reliance Insurance Cos., called attention to a proposal involving the surety business.

The report calls for contractors' bonds to be more available to core area businessmen and this proposal "has an immediate impact upon the surety business," he said.

Speaking to members of the National Assn. of Surety Bond Producers, Mr. Roberts said, "We are faced with the challenge to find ways and means to imple-

ment this proposal within a satisfactory underwriting context."

HE PREFACED HIS remarks with a brief sketch of the overall insurance industry business today and called upon the surety bonds producers to work within the framework of the entire industry.

Nello L. Teer Jr., president of Nello L. Teer Co., Durham, N.C., charged that the government has made a serious mistake in its failure to provide the proper guarantees and encouragement to enable U.S. contractors to get their fair share of the foreign construction market.

He referred to recent measures taken by the government which, he said, will actually discourage American contractors. Mr. Teer said that in the study of foreign construction prospects, "surety bonds, as related to con-

struction, are unique and are peculiar only to the northern part of our hemisphere."

He suggested that every effort be made to continue "equitable surety requirements on overseas projects, particularly those financed with U.S. funds."

GERALD DEGARMO, of the law firm of Allen, DeGarmo & Leedy, Seattle, identified the reciprocal obligations which the contractor and the surety have toward each other.

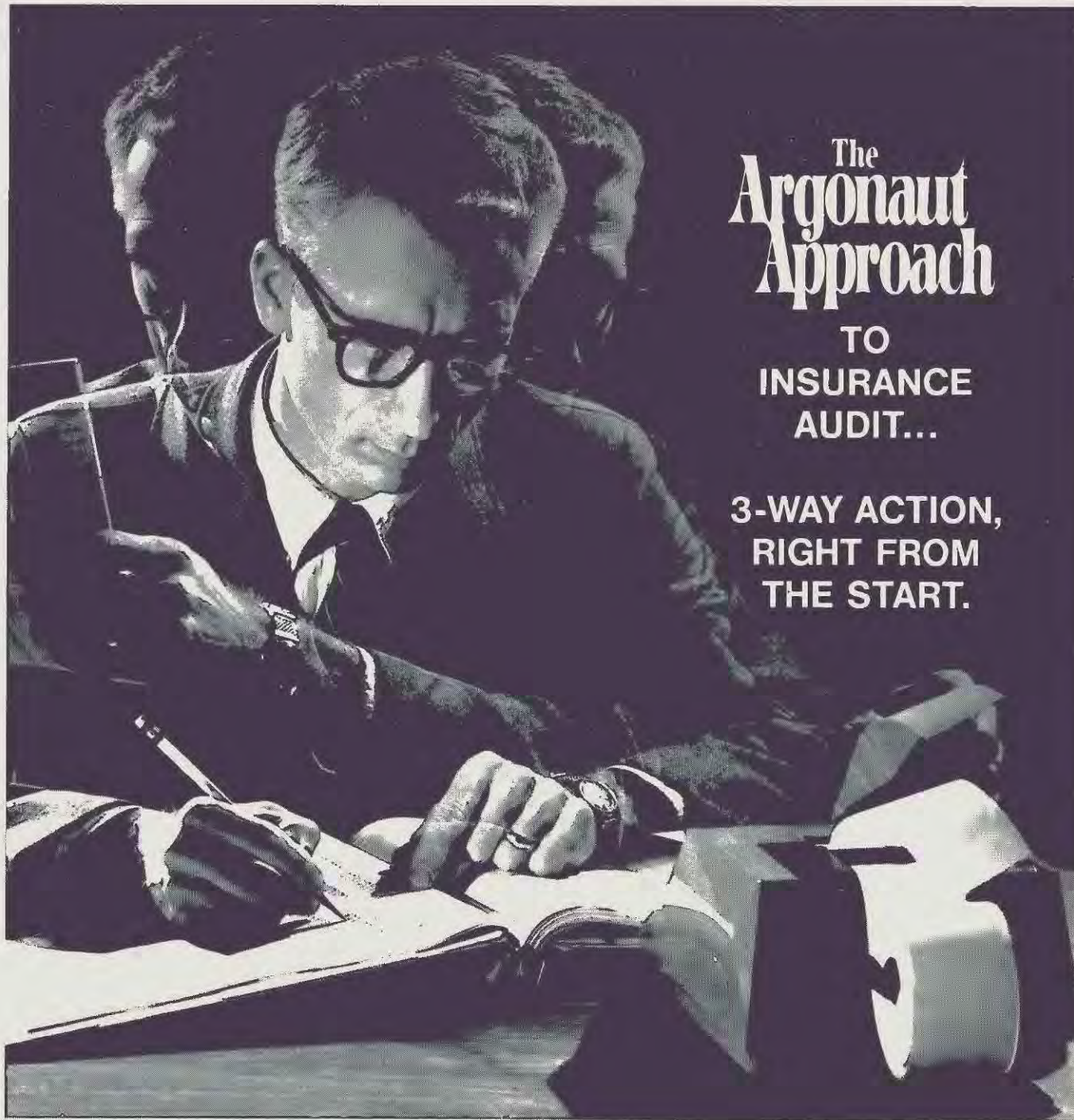
He further mentioned that substantial judgments obtained by owners and contractors against the architects or design engineers for negligent or improper design have caused surety companies to refuse to write errors and omissions policies for architects and engineers. In turn the contractor now has to include coverage against such lia-

bility as a part of his insurance under the construction contract.

A great deal can be accomplished in support of contractors through ever-increasing cooperation and joint effort between surety men and bankers, Merlyn E. Doleman, vp, Bank of America, San Francisco, told the bond producers.

In outlining an approach to combining the skills of the banking and surety industries in a mechanism of coordinated action, Mr. Doleman said this procedure could lead to improved contractor financing and health.

Bruce T. Wallace, secretary of the national association, reviewed legislative action taken by the states. He reported that chief among the developments were the successful efforts in California and Washington to enact anti-wrap-up laws affecting public construction. ■



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# Utah owners had no cover for 'gassed' sheep

SALT LAKE CITY—While U.S. Army officials, congressional leaders, scientists, agricultural specialists, public health officers and medical doctors are searching for answers in the deaths of 6,700 sheep in Skull Valley, Utah, the owners are left holding a fleeceless bag.

The sheep were not insured. Undoubtedly, however, the owners—Anschutz Land and Livestock of Denver—will be compensated for their losses by the federal government, but it may be a long, complicated process.

"COST TO insure range sheep would be prohibitive as raising sheep is so speculative," said Marcellus Palmer, executive secretary of Utah Woolgrowers Assn.

"There are so many things that can go wrong, which would sky-

rocket insurance premiums.

"Theft is always a major problem. But there are also elements of nature which cause destruction, predatory animals which prey on the sheep, poisonous plants which the sheep may eat and unexpected things, such as what caused the deaths in Skull Valley," Mr. Palmer said.

The Army has admitted that "nerve gas," released from Dugway Proving Ground, was involved in the deaths, which occurred in mid-March on Utah's desert, about 90 miles southwest of here.

**HOWEVER, THE ARMY** stopped short of a confession.

In an "interim" report, Army officials conceded that they have "essentially" reproduced the fatal symptoms in other sheep by feeding them nerve gas.

However, the Army maintains

its findings "to date have not been conclusive as to the specific cause of death of the sheep."

**THE REPORT INDICATED** the sheep may have been made sensitive to the nerve gas by something else.

Dr. G. D. Carlyle Thompson, Utah state health director, said he received a telegram from the U.S. Public Health Service that said a chemical agent taken from dead sheep, snow and forage in Skull Valley was "identical" to the nerve gas.

Laboratory tests at Ames, Ia., and Atlanta, Ga. also confirm this, according to Sen. Frank E. Moss (D., Utah).

"Comparative tests by two government agencies have shown that the unknown agent which killed the sheep was definitely nerve gas sprayed from an aircraft at Dugway on March 13,"



Dead sheep are checked by Army and civilian personnel before they are dumped in 15-foot trench and buried. This trench held 1,200 of 6,700 sheep killed on Utah's western desert.

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any more than workmen's compensation and the other group insurances are adequate. They need to be supplemented with personal policies — and so too will automobile protection. So, when it becomes a reality Boit, Dalton & Church will again be ready with supplementary insurance as it has through the years in these other areas of basic protection.

\*"Basic automobile insurance protection" contemplates, within modest limits, prompt compensation for accident victims without proof of fault.

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the senator said.

Sen. Moss called on the sheep owners to file claim for their losses, estimated in excess of \$300,000.

Sen. Wallace F. Bennett (R., Utah), has introduced a resolution in the Senate seeking compensation for damages for the sheep owners. He has urged that Senate agriculture committee to conduct an early hearing on the resolution.

Rep. Sherman P. Lloyd (R., Utah) in whose congressional district the deaths occurred, has introduced similar legislation in the House.

**SEN. BENNETT'S** resolution also asks the agriculture committee to determine if there is danger to consumers from Skull Valley agricultural products, and if additional range and animal problems are likely to develop because of the gas tests.

The sheep, some of the best quality sheep in Utah, started dying by the hundreds on March 14, leaving "a sea of dead animals" on the ranches and winter ranges of Skull Valley. Cause of the deaths defied diagnosis by experts in animal medicine and toxicology.

Inquiries were made at Dugway if any tests had been made which might have affected the sheep. The Army said it had not. However, a week later, the office of Sen. Moss revealed the Army had tested a deadly nerve gas some 27 miles west of the grazing

lands on March 13, one day before the animals began to die.

**THE TEST WAS A** gas drop from a "high performance aircraft." Nerve agents have been tested in aircraft spray systems extensively since 1953, according to Army officials.

The matter goes deeper than trying to pinpoint the cause of the deaths and who is liable. Some officials are concerned on the effect the gas may have on human lives.

Dr. Keely Gubler, chief of staff at Tooele, Utah, Valley Hospital, said the test could cause "a massive human disaster."

However, Dr. Robert H. Hufaker, assistant chief of the veterinary division of the National Communicable Disease Center, claimed there was no health hazard to humans. He said 55 persons have been given blood tests and all had shown no effect attributable to nerve gas or any other poison or disease agent.

**TO DISPOSE OF THE** mass of dead carcasses, 15-foot deep trenches were dug in the western Utah desert and the sheep were dumped in and buried.

It will be a long time before many questions are answered. On the list of unknowns are such things as: Will those sheep mildly affected recover? Will their off-spring be affected? Will the ewes' reproductive cycle be broken next year? Will additional, and perhaps more dangerous, symptoms develop. ■



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## speaking of safety

# Risk managers' involvement with safety programs great, survey finds

by GEORGE YOUNG

NEW YORK—Insurance managers of major U.S. corporations are involved in safety programs as advisers, decision makers or observers, a survey by *Business Insurance* has shown.

While in some cases the safety function is combined with insurance, in others safety is handled by a separate department or by local plant managers. Most executives interviewed, however, stressed that it takes the active involvement of top management to get an effective safety program rolling.

In a new safety booklet put out by Uniroyal Inc., for example, the chairman and president of the firm, George R. Vila, stated the Uniroyal philosophy of accident prevention. "We now enter an era of more intense activity and recognize that it is necessary to modernize our approach to accident prevention if we are to keep abreast of the progress we are making in other areas," Mr. Vila said.

**PART OF THE** Uniroyal philosophy is that "all personal accidents can be prevented. The protection of human lives demands a complete and continuing effort to eliminate or reduce exposure of employees to accidental injury or to conditions adversely affecting their health," Mr. Vila explained.

To make sure employees are convinced Uniroyal means business in its safety program, Mr. Vila hands out the company's "president awards" to plants with low accident rates.

Uniroyal's safety program is handled by D. E. Dudrow, corporate manager of the health and loss prevention section in the industrial relations department. The firm's pension, insurance and employe benefits departments whose director is N. H. Fletcher and manager is R. E. Klingman, participate in safety matters in an advisory capacity, providing the health and loss prevention department with cost data and statistics garnered from Uniroyal's insurance carriers.

**THE LARGER UNIROYAL** plants are self-insured for workmen's compensation on a direct cost basis reflecting their individual experience, and Mr. Dudrow's department is responsible for safety programs, inspection services and administering workmen's comp.

At plants where Uniroyal insures workmen's compensation, the health and loss prevention department oversees the safety and inspection programs in conjunction with the firm's carriers.

At Anaconda Corp. the insurance and safety departments report separately to top management, although safety reports and recommendations are carefully studied by K. F. Beyer, insurance manager.

**ACCORDING TO MR.** Beyer the safety reports help avoid duplication of efforts and keep the insurance department aware of exposures and where coverage is needed.

Dictaphone Corp., Rye, N.Y., designates safety responsibility to the various plant managers. About the only time the insurance department, headed by Wil-

liam M. Saba, gets involved is when the firm's workmen's compensation carrier recommends a new safety procedure. In that case, the insurance department has the authority to see that the recommendation is carried out.

**AT OLIN** Mathieson the safety function is handled by regional managers. The responsibility was formerly directed from the New York office, which was changed when the corporation found that safety could be handled more effectively "on the spot" because of variations in local conditions.

R. J. Reynolds Tobacco Co.'s

insurance department acts in an advisory capacity to the safety director. Zachary Smith, assistant treasurer, said he urges top management to send the safety director to new plants acquired through acquisition.

Mr. Smith said he becomes involved in workmen's compensation cases exceeding \$5,000. However, he added, the safety director submits monthly reports of all cases.

Reynolds' safety director reports to the personnel manager who in turn reports to a vp in charge of personnel.

E. I. DuPont, a self-insured

Continued on page 21

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# N.J. merchants worry over ghetto riot cover

NEWARK, N.J.—With recurrence of ghetto riots making businessmen more insurance conscious than ever, merchants groups in New Jersey cities are besieging state and federal legislative authorities to "do something" about getting adequate protection.

While the state's major insurance carriers have agreed on a program to provide adequate fire and risk coverage for ghetto properties, continued operation of the plan depends on creation of a federal-state back-up pool in the event of riots.

Property damage in this city alone last summer exceeded \$10,000,000 in a few days. It led to a wave of insurance policy cancellations, the carriers contacting the State Department of Banking and Insurance for permission to cancel several properties in the Central Ward here because of anticipated losses. The companies claim they are "overlined."

NEWARK'S SPRINGFIELD Ave. Assn. has had its members send out a form letter to federal and state legislators pointing out that "the matter of slum insurance aid on which a Presidential panel urged a five-point attack is of much concern to us. Without this type of insurance the homeowners and businessmen of the blighted areas will not be able to keep the properties they own nor the businesses they operate."

Morris Spielberg, association president, said members were "able to get vandalism protection but at a higher premium. Fire and extended coverage, however, was cancelled after a moratorium Jan. 1. Then we learned that there were assigned risks after a state investigation and certification. Out of the first 27

examined, 19 applications were accepted, 8 rejected. We can get extended insurance only after we fill out a state form."

As a service to its membership, the merchants group had additional copies of the state's application form copied and distributed. The details were left to a committee headed by Joseph Goldblatt.

**THE 25-YEAR-OLD** association has advocated this five-point program:

(1) That the insurance industry adopt plans in every state that would give fair access to all property owners no matter what neighborhood they are in.

(2) That the industry develop insurance pools when necessary to insure properties that individual companies are reluctant to accept.

(3) That the federal government create a National Insurance Development Corp. to provide emergency financial back-up in cases of very large riot losses.

(4) That tax deferrals be given to insurance companies participating in fair access pools.

(5) That steps be taken to ease the problem, such as government-sponsored programs to train residents of these areas to act as brokers or agents.

**IN THE SECOND** largest city of the state, the Jersey City Merchants Council reports that its greatest problem is plate window glass vandalism. Harry F. Salomon, president of the Council, has urged passage of a U.S. Senate bill which would provide federal insurance for small busi-

nessmen in riot or plagued neighborhoods. He contended that many cases of insurance coverage are totally inadequate and says that insurance companies are increasingly reluctant to renew policies in tinder-box areas.

To cope with the situation, Gov. Richard Hughes is advocating a program which in essence is the establishment of a state code of "fair access to insurance requirements" (FAIR) which embodies cooperation by state and federal governments.

The retail business interests in the large cities, however, which are the victims of sudden pent-up fury, generally favor the speedy enactment of a law similar to Gov. Rockefeller's riot damage bill in neighboring New York State as imperative if they are to survive.

Horace J. Bryant, Jr., deputy insurance commissioner, said that "participation in the program will be voluntary with the thought that if the companies don't go along, it will be made mandatory."

A limited program has resulted in the writing of insurance coverage for property in below average or "hard core" areas that carriers turned down previously. Mr. Bryant said the word is spreading throughout the ghettos, and as a result his office receives about 35 complaints a day from ghetto property owners who have been unable to buy insurance.

He pointed out that property losses in the Newark riot last summer fell into two main categories: Properties that were uninsured and those that were not insured up to their full value. ■

## Utah bridges not covered

SALT LAKE CITY—On Utah's 6,070-mile state road system, there are approximately 1,000 bridges with spans in excess of 20 feet—none of which is covered by liability insurance.

State Finance Director Herbert F. Smart said the state is either immune from liability suits or is self-insured. Three years ago, Utah legislature permitted the state to be sued for liability "in some cases," Mr. Smart said.

To avoid a tragedy like that at Point Pleasant, W. Va., where a 1,756-foot bridge collapsed into the Ohio river Dec. 15, state maintenance employes have stepped up bridge checks.

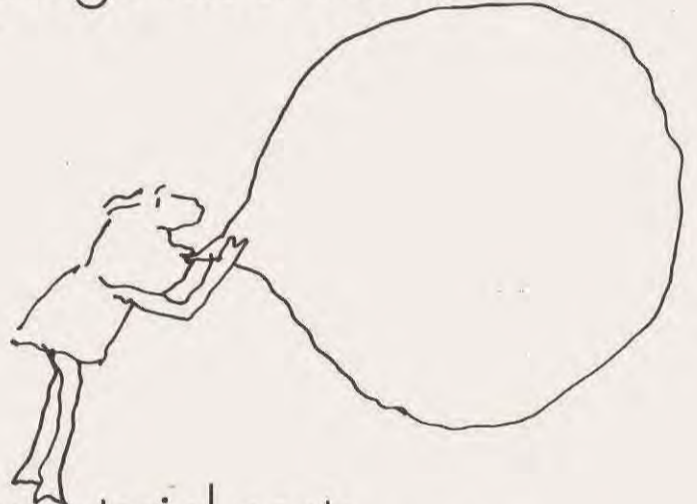
In addition, as many of the older structures as possible are being replaced as soon as money is available.

One constant problem for concrete structures in Utah is deterioration caused by frequent freezing and thawing which occurs each winter. Salt used to help melt ice also speeds deterioration, it was pointed out.

One deteriorating concrete structure, the Fourth South St. viaduct here, poses a serious threat, according to Alex E. Mansour Jr., engineer of structures for the state highway department.

Built for horse and buggy traffic back in 1914, the viaduct is posted for a 10-ton load limit. However, if operators of heavy vehicles fail to heed the limit, Salt Lake City could have a destructive collapse of one of its structures, experts feel. ■

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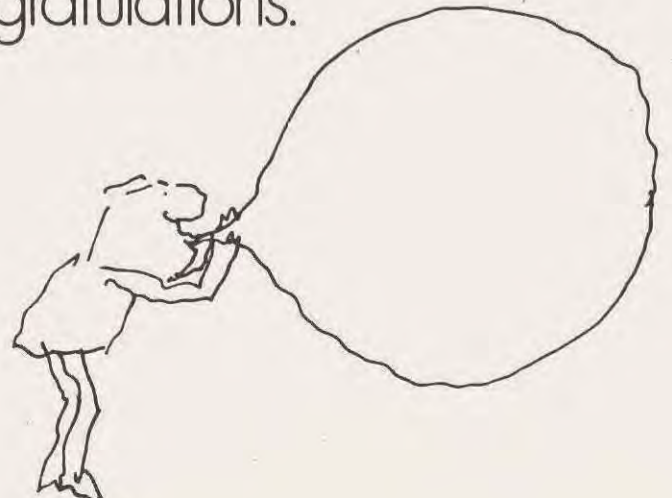
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# Key man life policies can mean difference between profit, loss

by WILLIAM GUEST

NEW YORK—Although group life insurance outstripped individual production during 1967, there has been no letup in the purchase of key man life insurance at the corporate level—especially by the smaller family business.

This is shown at Equitable Life Assurance Society, for example, where 45 applications for face amounts of \$1,000,000 of business life insurance were received during 1967—up from 35 in 1966.

Only last month, the Paul Revere Life Co. announced the largest individual sale of life insurance in its history—a \$2,500,000 policy on the life of a New York business executive.

Of "even more significance," according to Neil M. DeVries, assistant vp of agencies at Equitable, "is the fact that 336 applications were received in the range of \$250,000 up to \$999,000.

"The really big ones make the splash," Mr. DeVries commented, "but sometimes the greatest need is in the smaller corporation where the loss of a key man can be a matter of life or death to corporate survival."

Mr. DeVries also disclosed that Equitable had received 3,613 applications during 1967 for face amounts ranging from \$100,000 to \$249,000.

PAUL V. GARTLAND, vp of life insurance sales at Johnson & Higgins, has also noticed that

"the larger corporations are buying more coverage than ever before on their top executives." However, he concurs that the smaller organizations are harder hit by the death of a key executive.

"In a larger corporation," he explained, "you generally have greater depth of management, so the death of one man won't affect profits." Mr. Gartland pointed out that in a small corporation one man can control several contracts "on a highly personal basis" and therefore his death would result in a real economic loss.

Although statistics are not available for privately owned companies, a surprising number of publicly held corporations

own substantial amounts of permanent cash value life insurance on their key employees.

**THE RANGE OF** industries and products is very extensive. For example, a survey made in 1964 showed that Bell & Howell carried enough permanent life insurance to show cash values of \$253,846 on its balance sheet. FMC Corp., a manufacturer, showed cash values as high as \$3,585,486.

Other well known companies included the Falk Corp., Milwaukee, with values of \$2,264,034; W. T. Grant Co., the retail variety store chain, showed \$2,509,656; Jantzen Inc., Portland, had \$676,229, and Helena Rubenstein Inc. had cash values of \$200,351.

"We insure our buildings, machinery and automobiles from every hazard we can think of," a source at W. T. Grant told *Business Insurance*, "so it would be foolish not to protect our most vital asset—skilled and trained

management."

Another insurance manager pointed out that in a closely held company, a key executive's savings were generally tied up in the business. "If the business collapses through lack of money after one of them dies, his widow would be left in a real mess."

There are many good reasons why a corporation should invest in life insurance on a key executive, Mr. Gartland explained. The principal one is that although the premiums aren't tax deductible and must come out of surplus dollars, the proceeds are received tax free.

**WHAT THIS MEANS** was graphically illustrated by another source, who pointed out that \$100,000 of net life insurance proceeds would equal a net after tax sales profit on \$5,000,000 of 2%.

Another important consideration, Mr. Gartland continued, is that the cash values of a permanent life insurance policy can be used to provide a deferred compensation for an executive in a higher tax bracket.

"In these days of high progressive tax rates," Mr. Gartland said, "it's sometimes better for a company to work out a method of deferring an executive's income until he reaches a lower tax bracket—such as at retirement."

**THERE ARE SEVERAL** ways of accomplishing this and a big corporation is better able to meet these obligations. An unusual example is Milton Berle's contract with the National Broadcasting Co.

In 1951, NBC gave the television star a new contract at \$50,000 a year for 30 years. Under the terms of the contract, he works for 20 years but remains on the payroll for 30.

Prior to the new contract, Mr. Berle received \$13,000 a performance, so the new agreement meant a drop in his current income. Under his old contract he could make \$1,500,000 in three years, but at present tax rates he could retain only 25%. However, the present arrangement should allow him to keep 50%.

**OF COURSE,** A small company can't come up with such an exotic formula, Mr. Gartland commented, and one of J&H's biggest problems is how to make an employe feel secure and confident of collecting deferred benefits at retirement. The use of the accumulated cash values in a permanent key man life insurance contract is a certain way of guaranteeing this, he said.

The Johnson & Higgins executive feels, however, that "useful though a deferred compensation policy might be," employes are always better off where an Internal Revenue Service-approved plan is in place.  
*Continued on page 18*

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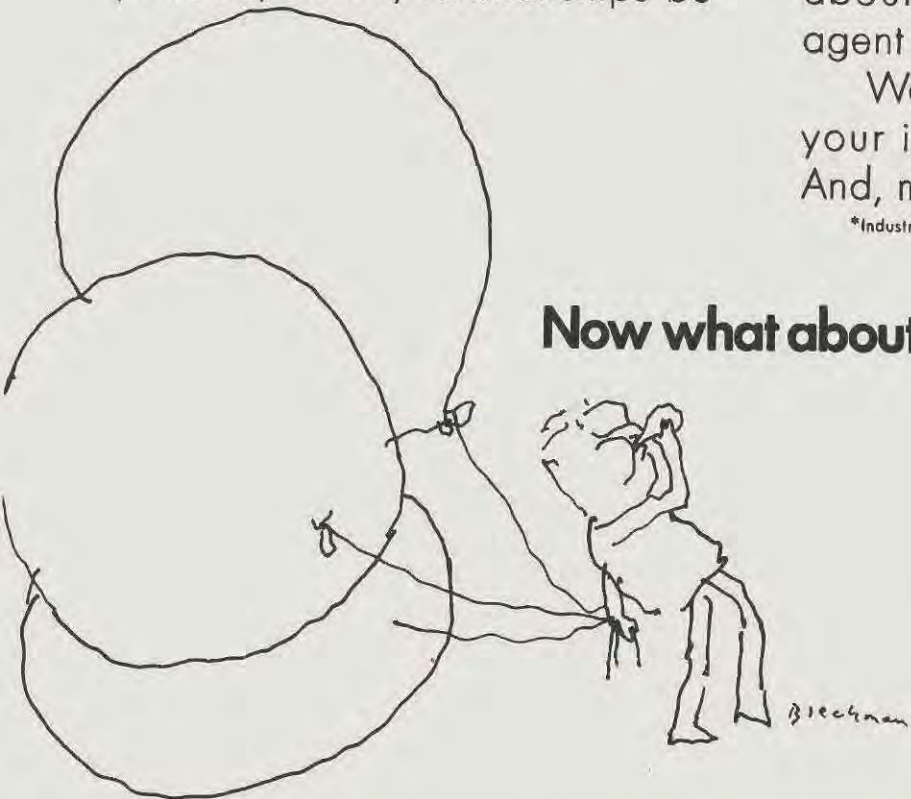
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# opinions

## Safety and risk management

We have the notion that too often industrial safety is thought of as an isolated function carried out by plant managers and safety experts. Perhaps part of the trouble is that safety is sometimes presented in technical terms, without regard to how it fits into the rest of business activity.

It's our contention, however, that an effective safety program can't be put together in a vacuum, but needs the cooperation and backing of top management. What's more, a good safety program needs to be integrated with a firm's overall loss prevention and risk management procedures.

It was with this idea that we approached our special section on safety, which appeared in the May 6 issue of *Business Insurance*. We tried to steer away from the technical aspects of safety devices, and instead concentrated on telling how various firms relate safety and insurance to the overall job of minimizing risks.

To make a safety program really pay off, corporations have learned to adopt safety methods at the earliest stages of building a plant. At United Container Co., for example, a new corrugated container factory was built "to meet the toughest recommendations of insurers"—and the result was a lower net premium. The company even took its insurers' advice about where to locate the new plant.

Other safety procedures were used to keep areas draft-free, in order to cut down on illness. A waste removal system was installed to keep working areas clear of debris by removing waste through air ducts. And a flashing red light is used to signal the approach of a forklift truck.

DuPont Co., for its part, begins its loss prevention program at the conception of a plant. Because the company designs and builds most of its plants the whole concept of safety and loss prevention can be followed from planning to actual operation, DuPont's manager of safety and fire protection told this publication.

Throughout the job of gathering material for the safety section we were struck by the fact that the safety manager and the insurance manager kept bumping into one another. Both men are charged with the responsibility of reducing accidents—and both men have the job of showing management that their efforts pay off on the bottom line.

Because of this close connection between safety and insurance, *Business Insurance*, starting with this issue, is initiating a safety column whose goal will be to demonstrate how the safety function is integrated into a firm's loss prevention and risk management programs, or to put it another way, what the risk manager should know about safety. It will be written, for the most part, by Associate Editor George Young, who planned and coordinated our safety section in the last issue.

## The group auto challenge

A new complexity has entered the lives of hundreds and probably thousands of those who direct corporate risk management and employe benefits programs. Group-type auto insurance, now marketed by about 20 insurance companies, is under serious consideration by dozens of other carriers, including the largest companies writing auto coverages.

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10,000	1,000,000	500,000	333,000	250,000	200,000
25,000	2,500,000	1,250,000	833,000	625,000	500,000
100,000	10,000,000	5,000,000	3,333,000	2,500,000	2,000,000

This table tells why it is important to prevent on-the-job accidents. An accident that costs \$1,000, not a very large figure in today's economy, is not "paid for" until a company with a 1% profit margin sells \$100,000 worth of goods. Risk managers can point up the importance of safety by applying this table to their own companies.

As this mass marketing technique emerges—partly through union-management bargaining—it will, in many cases, embrace not only auto coverage but offer groups of employes the option of insuring their homes or personal possessions under group-type arrangements that purportedly will save money and trouble for policyholders. Risk managers, fortunately, have expertise that places them in a unique position to judge the merits of mass marketing proposals offered to employes of their companies. Some corporate risk managers have expressed skepticism about group-type plans that appear to offer only a new market for the carrier without offering substantial benefits for policyholders.

Most group-type plans now offered are not truly "group" insurance since premiums are set for individual policyholders. Group-type plans usually impose the familiar individual underwriting rating factors such as driver's age, miles driven to work, place of residence. Michigan, however, has approved a "pure" group plan for mass marketing and other states, regardless of their present rating laws, can be expected to follow suit if group-type mass marketing fulfills its promise.

Group-type plans offering personal security insurance on a payroll deduction basis, hold out the prospect of efficiencies and economies in insurance sales and administration that may be passed on to policyholders in the form of lower premiums and improved claims service. Moreover, the group-type auto insurance plans can mean that a higher percentage of employes will carry adequate auto insurance. Further, management has an interest in the financial security of its employes, a condition that is fostered by the mass marketing of personal lines coverages.

Risk managers face a new challenge and a fresh opportunity in guiding the progress of group-type insurance programs sold within their companies. Not only should they play key roles in the review of plans offered, but they should help in evaluating the reputations and services of carriers that propose to sell insurance to company employes. One of the hazards of group-type auto insurance is that the companies that accept it for their employes will naturally be praised or blamed for the carrier's performance.

## Accidents do happen

Even the experts can make mistakes, we were secretly glad to learn the other day. An insured, an experienced insurance man and well informed concerning builders risk policies, recently obtained coverage for a building under construction.

The policy provided that in consideration of a reduction in premium payments, the building was to remain unoccupied during the course of construction, unless consent was obtained from the insurer. The building owner, without the insurer's consent, rented the building to prospective buyers who regularly occupied the building as living quarters for about two-and-a-half months.

The building, however, was vacant 14 days before a fire occurred, destroying the building. The insurance company refused to pay, claiming that the policy had been breached. The United States court of appeals sustained the insurance company's argument.

Such a case shows how careful you must be today to comply strictly with the terms of your policy, whatever they are. The insurance company is the one that should be doing the gambling, not the insured.

## Shade trees and the insured

If you are fortunate enough to own a large apartment house or industrial plant with spacious lawns and large shade trees in front of the property, we would call your attention to the fact that those shade trees between the sidewalk and the curbing may well be your charge and not that of the city.

Recently, one of those trees, in a heavy wind, fell on a parked car severely injuring one of the occupants. The suit was not against the city but against the owners of the adjacent apartment house and a judgment of \$9,000 resulted.

# letters

## Concrete answers

To the Editor: I think the editorial on aiding ghetto-area businesses is a good one and sets forth some ideas for steps that can be taken now to heal the divisiveness that threatens our country. It provides some concrete answers to the question most asked by the white community—"What can I do?"

I believe risk managers would be very interested in a program of helping small shopkeepers in ghetto areas to arrange workable insurance programs and loss prevention and risk management techniques.

Edward D. Hansen

President, Chicago Chapter, American Society of Insurance Management, Inc.

## Buyers' responsibility

To the Editor: I have not had an opportunity to discuss your editorial with members of the ASIM board, so the comments which follow will be only my own.

I agree that buyers of insurance or risk managers of whatever kind, have a responsibility along with the insurance industry for protection of their properties. The events of the past few years have made very clear that industry must increase its effort in the whole area of civil rights and particularly for the disadvantaged people in our society.

It is most important from the human standpoint, but it certainly makes good business sense as well.

R. W. apHUGH

Insurance Manager, Foremost-McKesson Inc., San Francisco

## We can do something to help

To the Editor: Insurance managers are already a busy lot, but I would hope that we can do something to help the small businessman alleviate his problems in workable insurance programs.

I'm passing a copy of this editorial to the president of the American Society of Safety Engineers for his consideration.

Robert E. Rich

Insurance Manager, Cotton Producers Assn., Atlanta, Ga.

## Good grief!

To the Editor: I was highly amused by Messrs. Price and Waterhouse's comments in connection with the unfortunate alleged fraud by a former employe of Crane Co.

I suppose that now we insurance managers will look forward to a new group of consultants who will come in to instruct top management on how to keep their fiduciaries from betraying their trust.

What I want to know is who is checking up on the controller while the controller is checking on the insurance manager? Good grief!

P. C. Johnson

Manager-Insurance, Sea-Land Service Inc., Elizabeth, N.J.

## 'My thanks'

To the Editor: I should like to take this opportunity to express my thanks to you for the subscription to your very excellent paper. It is, without a doubt, one of the most interesting and informative journals available.

Donald R. Johnson

Professor of Insurance, University of Miami, Coral Gables, Florida

# Workmen's comp group president proposes safety, health standards

By LOUIS HAUGH

DES MOINES, Ia.—The president of an international group of workmen's compensation administrators will recommend addition of safety promotion and health-accident insurance criteria to the organization's platform of standards.

Ralph E. Gintz, director of the Wisconsin workmen's compensation division and head of the International Assn. of Industrial Accident Boards and Commissions, said he would ask adoption of the additional standards at the group's annual meeting in September.

The association has 23 standards that are policy recommendations for effective workmen's compensation administration in states and other jurisdictions.

Mr. Gintz made the proposals at a workmen's compensation symposium here. The IAIABC executive board met concurrently with the symposium.

**HE SAID** the promotion of safety and effective safety standards would avoid loss and injuries before they happen. State safety programs, he indicated, would also postpone cries from some groups for federal regulation.

In appearing before a House labor subcommittee, Mr. Gintz testified that the federal Occupational Safety and Health bill would permit the U.S. government to set and enforce safety standards in virtually all U.S. businesses. He said he told the House group that the association felt the "drastic penalties imposed by the bill could put many firms out of business."

He also said that the association opposed a federal bill proposing federal workmen's compensation for uranium mine-workers. He said he recommended that any benefits be a "one-shot deal with benefits paid by state administrators" according to state standards.

Mr. Gintz said the administration of workmen's compensation and safety programs must operate hand-in-hand, and although not necessarily in the same department, at least in close liaison. He said that a single injury report should be sufficient for the handling of claims and for safety review purposes.

**IN WISCONSIN**, he said, if the safety division finds an unsafe condition, the department can increase compensation benefits 15%, and if the injured employe is found to have disregarded safety standards, a 15% reduction in benefits can be ordered.

Mr. Gintz said that he hoped to set up a panel discussion of the "four or so states that have adopted state health and accident insurance standards" at the association's annual convention in Milwaukee, Sept. 15 to 19.

He told the symposium that some of the key recommendations for adoption in all states include compulsory workmen's compensation, no numerical exemptions, no specific exemptions for any hazardous employment, full coverage of occupation injuries and diseases, and full medical care for occupational diseases and injuries.

**MR. GINTZ**, together with John V. Keaney, chairman of the Maine Industrial Commission; J. Franklin Garner, director of the Florida workmen's compensation division; and Harry W. Dahl, Iowa industrial commissioner,

warned the symposium that unless individual state workmen's compensation laws are revised to meet the IAIABC recommendations, federal regulations would then be sought by various pressure groups, including several federal agencies.

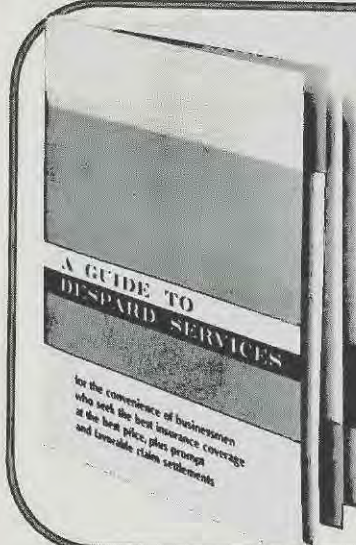
Oregon State Rep. Keith D. Skelton (D.), also a professor of law at the University of Oregon, told the group that workmen's compensation is the only nationwide institution of social insurance that was originated in and is controlled by the states.

"I'd like to think that individual state needs cause variations among state workmen's compensation coverages," he said, "but it is more pragmatic to think that pressure groups within the states determine coverages."

He said that states are faced with pressures from labor unions which compare coverages among states. "Labor will push for federal legislation," he said, "if individual states do not meet labor's needs."

**HE SAID** that the Atomic Energy Commission is moving for federalized workmen's compensation benefits to protect radiation victims.

He said that Oregon now has a three-way law which allows employers to buy coverage from private carriers, self-insure or use a state fund. The state fund does about 50% of the business, he said. Oregon has increased benefit schedules 48% since 1965, he said, with all occupational diseases now covered.




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## washington watch

# Pension bill would grant Labor, not Treasury, enforcement powers

WASHINGTON—A long-awaited bill to establish minimum vesting, funding and reinsurance requirements for pension plans contains two major deviations from the proposal the administration has been indicating it would introduce for the past few years. Both are carefully calculated to side-step two major obstacles standing in the bill's way.

One major difference is in enforcement. Rather than using Treasury department tax laws, the bill provides for Labor department enforcement by the use of criminal penalties and court injunctions. The Labor department, which presented the bill to Congress, said this approach was used because it would be "more flexible," however there is little doubt that the change was made so the proposal would start in the friendly labor committees rather than in the House ways and means committee headed by Rep. Wilbur Mills (D., Ark.) where all tax measures must begin.

A second area where the bill deviates from the administration's previously indicated position is in the treatment of multiemployer plans. Organized labor has said it would support a pension bill if multiemployer plans were excluded from its vesting and funding provisions. The current proposal does not exclude these plans entirely but does provide that they may be granted a permanent extension of the minimum vesting period to 15 years from the 10 required by other plans. The administration had never mentioned preferential treatment and it is speculated that deciding how much to give on this point was one of the causes for the delay in the bill's introduction.

**DESPITE THESE** changes the proposal is given no real chance of passing this session. It is being sent to Capitol Hill relatively late in the session and the Senate labor subcommittee's counsel said it can't begin hearings for at least a month.

In addition, there is some question whether it has the full support of the administration. At a press briefing held by the Labor department, officials went to great lengths to stress that the proposal is a Labor department bill and not a "full administration" one. But, they added, it is fully backed by the administration.

Veteran Washington reporters were hard pressed to distinguish the difference and said so at the conference, but no further explanation was offered. The significance apparently lies in the silence on the part of the White House which did not even send a message to Congress on the legislation.

**PRESIDENT JOHNSON** has never expressed any real support for such a measure, apparently feeling that higher Social Security payouts and the Medicare-Medicaid bill were politically better areas of concentration. This is especially true in light of the AFL-CIO's statement that "private pension plans can signifi-

ficantly supplement, but they are not a substitute for, an adequate Social Security system," and the federation's cohesiveness to any proposal not specifically exempting multiemployer plans.

But, the interagency task force, which drafted the bill, had been working on it for almost six years and was understandably eager to get it to Congress, especially with uncertainties about the next administration.

The bill sets a standard of full vesting after ten years of employment after age 25. This can

be done in one of three ways for existing plans. An employer is permitted to vest only benefits based on service after the effective date of the standard for any employee with ten years' service; vest an increasing proportion of benefits for past and future service for any employee with ten years' service (first year, 10%; tenth year, 100%), or vest benefits for past and future service, beginning in the first year for employees with 20 or more years of service reducing gradually to employees with ten or more years

of service after the tenth year.

**NEW PLANS** may either vest benefits for past and future service beginning in the sixth year of the plan's operation for employees with 15 or more years of service, reducing gradually to employees with ten or more years of service after the tenth year of operation, or vest an increasing proportion of benefits for past and future service, with 50% of the benefits for 10 years of service (in the sixth year of the plan's operation) and reaching 100% of benefits after the tenth year of operation.

The funding standard is, according to Sen. Ralph Yarborough (D., Tex.), designed to continue the present Internal Revenue Service funding standard as a basis for prescribing a plan's minimum annual contribution but to introduce an additional funding standard as a "more meaningful basis for plan termination protection."

The standard is built around a

plan's funding ratio of assets to vested liabilities. A schedule is established under which a plan's funding ratio is expected to increase at a rate of four percentage points annually, reaching 100% (full funding of vested liabilities) after 25 years.

Existing plans are accepted into the funding schedule at their current ratio, if this is lower than the funding target specified in the schedule. Then, for the first five years after the standard is effective, the scheduled increase in the funding target is boosted three percentage points above the four already prescribed.

**NEW PLANS** have no funding requirements during the first five years but must be funded to 20% by the end of the fifth year.

The reinsurance section of the bill provides for the establishment of a wholly-owned government corporation under the supervision of the Secretary of

*Continued on page 17*



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# Predict Rocky will campaign for compulsory health insurance plan

NEW YORK—A senior vp of Metropolitan Life Insurance Co., predicted here that Gov. Nelson A. Rockefeller will make compulsory health insurance one of his presidential campaign planks.

William S. Thomas made this forecast at the second annual conference on employe benefits sponsored by Pension & Welfare News and Trusts and Estates. His subject was the development of "reasonable and customary" surgical medical plans as a method of effective claims control.

Mr. Thomas disclosed that Metropolitan covers 1,250,000 individuals on this basis, and also administers Medicare for another 700,000.

New York's proposed legisla-

tion making it compulsory for employers to provide hospitalization benefits for their employes aroused great interest among benefit managers, and an afternoon's seminar was devoted to the subject.

Speakers included State Sen. Norman F. Lent, chairman of the Senate health committee, who outlined the history of health insurance in New York, and told delegates that the question is not whether health insurance "is a fundamental human right, but only how to set it up."

A former Secretary of Health Education and Welfare under President Eisenhower, Marion B. Folsom, now an executive with Eastman Kodak, said that there are two classes of employes in

the U.S. There are those who work for well-run and union-organized companies, and receive good benefits "as a matter of course," and the employes of smaller companies "scattered all over the country" whose benefits are "well below standard." These are the people who soon drop into the poverty level in the event of a serious illness.

**THEREFORE**, Mr. Folsom maintained, contributory insurance would provide benefits "as a matter of right" and persons seriously ill would no longer have to deplete their savings or apply to welfare officials for assistance. Such coverage "would protect the dignity of recipients," he stated.

Mr. Folsom said there is no evidence that the extra cost of providing compulsory health insurance would make business in New York less competitive than outside the state. However, John J. Roberts, exec vp of the Empire State Chamber of Commerce, did not support this viewpoint.

"We don't mind health insurance at the federal level," he pointed out. "Our main objection to the bill last year was that it wasn't being introduced for the motive of protecting low-income people, but rather to shift the burden from Medicaid." What this really means, Mr. Roberts said, "is that we were told to pass a bookkeeping bill."

**AT ANOTHER SEMINAR** devoted to examining problems of current interest to employe benefit managers, Raymond E. Bouchard of Towers, Perrin, Forster & Crosby, advocated the use of television—either open or closed circuit—as a method of commu-

nicating company benefits.

"The big costs you hear about are for full network exposure," he pointed out. "However, time can be purchased cheaply at a local television station."

For example, prime television time for 30 minutes costs \$1,200 in Atlanta, \$3,600 in Chicago, \$2,380 in Detroit, \$1,080 in Houston, \$8,500 in New York, \$3,660 in Philadelphia, and in Seattle as low as \$875.

**AN ADVANTAGE OF** local television is that "you can reach not only the employe, but also his family and any other interested parties," Mr. Bouchard said.

A union-management approach to resolving employe benefit plan problems was given by James M. Gillen, director of personnel research at General Motors. The handling of benefit problems is done outside of grievance committees, he disclosed.

The basis for negotiations is a two-man bargaining committee at more than 100 local plants—and there is "no higher authority" in Detroit or elsewhere, he said.

**THESE REPRESENTATIVES** are appointed by the international union, and therefore no politics is involved, it was explained. They must have one year's seniority, Mr. Guillen said, and because they often retain their jobs through changing situations, "they develop a sense of responsibility."

Because of the informality of these proceedings, General Motors has found that "dealing with different claims is easier." Mr. Gillen also revealed that if a

*Continued on page 23*

## pension bill . . .

*Continued from page 16*

Labor to administer the insurance. It would be unlawful to operate a plan without insurance, the amount of which would be pegged at vested liabilities minus the greater of 90% of the actual assets or assets needed to meet the bill's funding requirements. Insurance would be obtained on a three-year basis predicated on the report of the plan's funding status and the premium would be based on a uniform percentage of unfunded vested liabilities with a maximum rate for the first three year period of 0.6%.

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# Early retirement poses problems for unions

by WILLIAM GUEST

NEW YORK—Is early retirement the blessing which its proponents claim, or a step toward premature aging and debilitation?

Major unions are aggressively seeking the right for their members to retire early in labor negotiations across the country. In February, for example, the United Steelworkers of America obtained the right to retire on full pension after 30 years' service, regardless of age, beginning in 1970.

The next breakthrough this year came in New York City, when more than 120,000 municipal employees were given the right to retire after 20 years' service—subject to having attained age 55.

When the nine-month-old cop-

per strike was settled in March, one of the major benefits was the right for workers to retire after 30 years' service, provided they are age 60.

In April, the Glass Blowers Union, representing 86 glass factories, ended a strike which began in February, and one of the benefits was early retirement at age 55, subject to 20 years' service. The pension amount will depend on acquired credits at that time, but if an employee waits until age 62 he can retire on full pension "with no actuarial reduction."

Among the major demands announced by the aerospace industry unions which will be hammered out at negotiation tables this year will be the right to retire at age 62—again with "no actuarial reduction."

The National Maritime Union

allows its members to retire after 20 years' service, regardless of age, at a pension of \$250 a month. In 1967, some 2,000 members took advantage of this benefit.

Some observers, however, feel that unions might be moving in the wrong direction. Experts in the field of geriatrics feel strongly that the early retirement benefit is an "illusion" and that the unions should concentrate their efforts in other directions.

Dr. Michael M. Dasco, professor of rehabilitative medicine at New York University School of Medicine, feels that "the healthy human reaction is to fight retirement." At age 55, he points out, a man has all his intellectual capacities, wisdom and strength. "He's in the prime of life, at his most productive, and then he has to withdraw. Where's the logic in this?"

A director at the National Council on the Aging, Norman Sprague, feels that the unions would be better off getting rid of mandatory retirement, "rather than pushing for the earlier age."

Both men strongly support union activities to increase their members' welfare. "However, there's still so much to fight for," commented Dr. Dasco, "such as better safety, education and shorter work days, that the unions would be better off concentrating their efforts in these areas, rather than forcing a man to rest for 20 years."

Mr. Sprague feels that just from the strict aspect of economics, not enough thought has been given to early retirement. "Fixed incomes are always eroded by the rising cost of living, and every basic retirement problem

Continued on page 30



Edward M. Morgan Jr.

## Rohm & Haas sets up new benefits unit

PHILADELPHIA—Rohm & Haas Co. has set up a new department to handle its employee benefits program, headed by Edward M. Morgan Jr.

Formerly, the manufacturer of plastics, chemicals and fibers, handled both property and liability and employee benefits in the insurance department, which was directed by Mr. Morgan, a two-year veteran at Rohm & Haas.

Henry Taylor, previously assistant manager of the insurance department, becomes manager. Mr. Taylor joined Rohm & Haas in 1937.

## Key man life...

Continued from page 13

proved pension or profit sharing plan is in force. In this way assets can go into a trustee or vesting schedule.

This provides a real feeling of retirement security, "yet it's surprising how many modest-sized companies don't have such a plan."

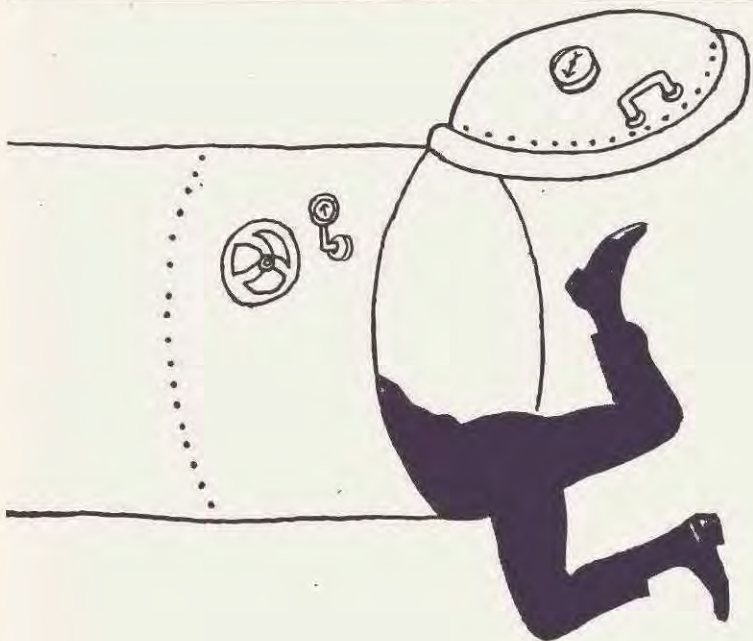
**MR. GARTLAND FEELS** that this is partly because many smaller companies don't realize that their size doesn't preclude them putting in such a pension plan, with full IRS approval.

Sometimes placing a key man life insurance policy on a major executive will emphasize the need for establishing a qualified pension plan for other employees. Such was the experience of Charles Schneider of Gotham Brokerage Agency, New York, who recently placed a "substantial" policy on a key executive of H. Menken & Son Inc., shoe distributor to department stores.

After the negotiations for the big policy were completed, Mr. Schneider recalled, "Mr. Menken felt that he'd like to do something more for his long term employees in order to bind them together and guarantee continuity of employment."

**CURRENTLY** therefore, negotiations are taking place with the Connecticut General Life Insurance Co. in order to establish a pension plan for the other Menken employees. Mr. Schneider feels strongly that in cases of this sort, the insurance broker must know enough to be "able to meet with his client's attorney and tax man, in order to guard his legal interests."

In the type of key man insurance situation which involves planning and analysis, Equitable has found the average sized policy to be \$114,000, Mr. DeVries noted. "If this takes a premium of \$6,000 you must have a capable salesman in order to justify such an expense, and he must understand the legal and tax ramifications involved."



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# business insurance/perspective

## Let's back federal regulation

by Charles F. Levinson  
insurance manager  
The Port of New York Authority



Charles F. Levinson

Control of the insurance business of our country has long rested in the hands of a relatively few insurance agents and brokers acting through local associations. They have doomed our system of state regulation, temporarily legalized many years ago by Congress, by creating a maze of unjustified regulations and restrictions on insurance carriers, buyers and imaginative sellers of insurance. Agents and brokers have attempted to

maintain the status quo in their own ranks and make the matter of necessary rate increases or better coverage for insureds a matter of politics.

More and more executives of large insurers are beginning to speak out in favor of federal regulation, cautiously at first but more recently with a voice louder and louder in spite of their desire not to antagonize or alienate their agency force.

Leader in the past few years in the area of bringing out into the open the pros and cons of the problem is the American Management Assn.

**LAST NOVEMBER, AT** the AMA's Chicago meeting, I was amazed to hear speaker after speaker from insurance companies mention the "inevitability of federal regulation." The lone voice raised in opposition was that of a former member of Insurance Brokers Assn. of New York. The major theme of the entire AMA program this month in New York was "Federal Government versus State Regulation."

Many insurance buyers are hesitant to speak out on the subject principally because expanding federal control scares us. There is always the unexpressed fear our own business area may be next. However, now we must take a stand on the site of federal control and lead the attempt as AMA is showing us to federal control, not the way the bureaucrats

from Washington would have it, but a practical, efficient and responsive control planned and carried out by capable and experienced insurance men.

This already has been done in certain specific areas such as war risk insurance and nuclear insurance. The reverse is true in the social insurance areas such as Medicaid where the federal government "experts" filled in the vacuum the health insurers would not fill. More recently the "depressed area" inspection plans to obtain much needed coverage for insureds failed because it was only a half-hearted effort on behalf of the industry.

**SOME INSURERS HAVE** threatened to cease writing auto coverage in New Jersey because they couldn't get a requested rate increase. The state insurance department turndown was based on the lack of inclusion of investment income in their statistics. On the surface this seems unreasonable until you research the whole area of rate filing.

Some years ago the National Assn. of Insurance Commissioners recommended that their research showed that the various states reduce the allowable profit margin in rates from 5% to about 3.5% to take into consideration the large investment income factor of the insurance carriers. Some of the states, including New York, did so. New Jersey did not, and a recent ruling by the New Jersey insurance department is an attempt to equate

with adjoining New York in taking investment income into consideration. Standardized national rate filings would have avoided all this furor.

The tremendous expense of filing separately in 50 states certainly is reflected in the insurer's expense factor passed on to the policyholder. Other industries that operate countrywide under federal regulation, such as the railroads under Interstate Commerce Commission, the airlines under Federal Aviation Administration and the banks and brokerage houses under Federal Reserve and the Securities and Exchange Commission would never want to return to control by each state exclusively. The general public certainly is better off under the federal controls.

What I am advocating is that the insurance buyers lead the way for a divided and self-interested industry in coming up with a definite plan for Congress. An all-industry committee should be set up to initiate in the plan all of the possible beneficial features of federal regulation and to eliminate or minimize all the disadvantages we all fear at the mention of federal regulation.

If what the leaders in our industry claim is inevitable comes to pass, let's not have the program of some Congressman's brother-in-law, who is a part-time insurance agent, but a well planned control for the good of the industry. ■

*Charles F. Levinson, insurance manager, the Port of New York Authority, holds a B.A. degree from Columbia University and a CPCU designation. He was formerly associated with a number of Midwest stock insurance companies as insurance underwriter and field man. Mr. Levinson served as insurance manager of Magnavox Co. from 1954-57, subsequently becoming insurance consultant to Insurance Audit & Inspection Co.*

## How to fashion a computerized benefits questionnaire

by Ned Miller, partner,  
Romm, Miller & Lazarus,  
New York



Ned Miller

A few months ago, I was one of several speakers at a luncheon sponsored by *Business Insurance*. The luncheon's purpose was to provide a forum for the regular columnists to comment on trends in the corporate fringe benefit field.

I cited an example of how a computer-

ized questionnaire could be designed to assist the corporation's insurance buyer to devise the best possible group medical program for his employes at the lowest possible cost.

We have since received a number of inquiries asking for further details. I will try to spell them out in this and in next month's columns.

**SAVE THE CHILDREN** Federation is an internationally-known, nonprofit organization headquartered in Norwalk, Conn. It was deeply concerned with its fringe benefits program because it had to compete in benefits as well as salaries in today's tight labor market for its technicians, editors and clerical help.

It also had to design its fringe benefit program within the strict budgetary limitations of a nonprofit organization. Here then was the situation in which a moderate-sized organization, not on an insurance retention schedule, had to maximize its fringe benefit effectiveness, yet operate with only a limited number of dollars. The decision was made to "go to the people."

A questionnaire to be submitted to

each employe was developed which indicated the major and minor areas of importance of the many separate items, comprising a total medical program.

**THE THEORY WAS THAT** those items which were of least importance to a majority of the employes could be actually "ridered-out" of the policy contract with appropriate premium savings and minimum consequent loss of morale.

These procedures were refined by Dr. Liston Tatum, director of SCF's information systems department.

It developed, for example, that the organization recently had a maternity claim—the first one in almost a year—yet it was realized that maternity coverage was one of the single most expensive items in the group medical package. If the organization could "rider-out" this provision, and give the same benefit by self-insuring, approximately 8% to 10% of the medical premium could be saved.

**THE QUESTIONNAIRE WAS** designed by SCF's employee benefit consultants in association with Dr. Tatum and his staff.

The questioning technique was to break the medical program's coverage into 12 separate items. Each employe would be asked to designate the *four-items only* which he felt were "most important," and the *four items only* which he felt were "least important." The remaining four items would obviously be of "minor importance." The consulting firm would send the questionnaire to the employes, collect the answers, tabulate and interpret the results.

A covering letter by Glen Leet, director of Save the Children, introduced the questionnaire and its concept. Mr. Leet indicated that he was concerned with the organization providing the most liberal fringe benefit program within the budgetary confines of SCF. The answers, Mr. Leet indicated, would help to "tailor-make" a medical plan according to the desires of the very people who would use these benefits.

**AS EACH ITEM WAS** listed in the questionnaire, it was followed by a simple descriptive statement. Great care was taken to indicate that these items were

*Continued on the following page*

# perspective

Continued from preceding page for illustrative use only and had no actual reference to the organization's present or pending program. A copy of the questionnaire is reproduced.

The next step, of course, was to develop a "profile" of the employees of SCF to aid in the interpretation of the results. It was important to place greater value on the opinions of the more valuable employees—valuable from seniority and income standpoints.

The questionnaire was simple, containing only five questions on sex, marital status, age bracket, income bracket and length of service.

**THE REPORT ON THE** results will follow in a subsequent article. First reactions, however, were very revealing. Most female employees were either single girls or married women beyond the age of childbearing. There were comparatively few married men in the firm. If this study bore out these figures, it would seem advisable to "rider-out" maternity

TYPE OF BENEFIT	SIMPLE DESCRIPTION OF BENEFIT*
1. More benefit days in hospital	30 days instead of 20 days
2. Lower cash deductible before Major Medical benefits begin	\$50 instead of \$100
3. Higher surgery limits	\$2,000 instead of \$1,000
4. Higher daily doctor's visits coverage	\$10 per visit instead of \$5
5. Higher out-of-hospital psychiatric visits coverage	\$20 per visit instead of \$10
6. Higher maternity coverage	\$300 instead of \$200
7. Higher dental coverage	\$1,000 instead of \$500
8. Longer convalescent home coverage	60 days instead of 30 days
9. First dollar accident coverage	100% coverage for simple accidents
10. Coverage for routine physical examinations	\$10 instead of \$5
11. Higher Major Medical maximums	\$15,000 instead of \$10,000
12. Higher drug coverage	\$1,000 instead of \$500

\* These descriptions do not reflect the actual coverage of your present plans. They are simple descriptive examples only, and no reference to present or future coverage is intended.

Employees of Save the Children Federation were asked to indicate which four of these benefits were of major importance; which four fairly important, and which four least important.

coverage from the program. This coverage, currently providing \$225 for each maternity claim, represented about 9% of the premium for family coverage. The maternity benefit could still be paid—but directly (as a self-insured expense) by the organization.

In summary, it is intended that the employees receive a medical program more in line with their particular needs; that employees be more cognizant of the complexities and costs involved in designing the most appropriate fringe benefit program, and that every dollar being spent is used with maximum effectiveness.

Ned A. Miller, partner in Romm, Miller and Lazarus, New York, has been in the field of instituting and communicating fringe benefit plans since 1955. He graduated from Bucknell University and attended George Washington University School of Business Administration and New York University Law School. He is participating in a personnel management seminar at New York University.

## Pension plan termination insurance: an alternative

by Robert L. Silverman  
Consulting Actuary  
New York

In a move that could have a widespread effect on the pension community, the federal government has proposed a program to guarantee pension plan benefits paid from the private sector. Plan termination insurance is one of the contemplated routes for assuring employees of their receipt of benefits accrued to the plan termination date. It provides generally that if a plan were terminated for certain specified reasons, a central fund would pay the difference between some government funding target for vested pension credits and the government's measure of plan assets. To develop this central fund, certain types of pension plans would be required to make contributions based on the amounts the fund would pay upon plan termination.

In my opinion, the assurance of benefits in this manner would raise problems far more severe than the problem it seeks to solve. Plan termination insurance is an inappropriate means for solving certain unique situations in the pension field; less costly and restrictive means are possible. Above all, however, this particular government intervention portends dangerous ramifications which can affect the pension industry more than any other idea yet advanced.

Plan termination insurance is one side of a governmental triangle of intervention being built around the private pension movement; its three legs are vesting, funding and plan termination insurance. Formal interest in plan termination insurance developed in 1964 when Sen. Vance Hartke (D., Ind.) introduced a "reinsurance" bill (S-1575) that would have set up a federal regulatory and insurance agency for private pension plans. This bill was in response to the Studebaker closing in South Bend, and during the four years following, this kind of program has gained rapid momentum. The result of this activity is part of the bill, S-3421, presented to the Senate just two weeks ago. While the pension movement can sustain some measure of government vesting and funding requirements, plan termination insurance is an especially dangerous threat to its healthy continuance and growth.

**THERE IS A SUBSTANTIAL** question as to whether plan termination insurance is warranted. Even advocates of termina-

tion protection have conceded that only a small number of plans have terminated for reasons which might be covered by this insurance-type proposal. And if some of the government's proposed funding and vesting standards are adopted, this should further minimize the need for such an insurance program.

Proponents of this program have suggested that the premium cost for any "reinsurance" would be very small. However, the nonmonetary costs and sacrifices by the pension movement, if a reinsurance program is adopted, could ultimately be extremely great. The prime concern, therefore, should be not with the actuarial soundness of any proposed program, but rather with what we should logically expect from this new power to be wielded by the government.

The imposition of benefit guarantee standards could seriously inhibit the growth of the private pension system. Not only could it discourage the establishment of new plans, but it might also influence decisions to terminate existing plans which were operating on an uncertain basis. For example, if the government eventually required claims of certain pension plan liabilities against a company's assets, any company would certainly be reluctant to introduce a retirement plan.

**ADVOCATES OF A BENEFIT** guarantee system have argued that it should be introduced now and refined later. I am frankly more concerned with the eventual "refinements" than the initial operations. Those favoring government control are often willing to start with a small portion of their desired legislation and periodically build it up until they ultimately achieve their original goals. One danger is that we might eventually find that by 1984 reinsurance rules will have been radically expanded to encompass all pension liabilities and not only the vested retirement benefit liabilities now at issue.

At stake is substantial governmental control of the private pension sector and ultimately its associated investment activities. The pension movement of the future should not be directed by those who would have different objectives from employers who established the pension plans.

We should recognize realistically that eventually there will be governmental legislation of vesting and funding. However, I believe that arguments and needs

for termination insurance are much weaker than for the two other programs, and there is a better chance for influencing federal government activities in this area. There are those who would battle the government at every step, but this "rather fight than switch" attitude will not avert regulatory action. One way to avert such action is to offer a practical alternative for reducing the number of disappointed plan participants.

**ONE PURPOSE OF THE** government program is to reduce the disappointments faced by plan participants. I submit that energies could instead be devoted to limiting the unrealistic expectations that lead to such disappointments. From an actuarial point of view, I'm suggesting that the risk of disappointments should be *reduced* rather than *insured*.

There are many ways to avoid some of the disappointments employees experience. One way is to give them what they expect, even if they expect too much; another way is to explain clearly to employees what they realistically can expect as a guarantee. The government program favors the former approach; I favor the latter means.

One government official has referred to the "reality behind the promise" in pension plans, a phrase most pertinent in viewing pension expectations. It isn't fruitful to debate whether an employee has had improper expectations or whether an employer has misled employees into a false security. Such kinds of discussions can be obviated if the "promise" is defined in simple terms, and the "reality behind the promise" is made known to all concerned.

**SUCH A SOLUTION, HOWEVER,** cannot be achieved on a voluntary basis; there are companies and organizations that are quite willing to have their plan participants believe that their pension benefits are unconditionally guaranteed. There are others who would not voluntarily take the time or incur some extra expenses to develop and send out the necessary explanatory information.

I propose, therefore, that the government legislate a requirement that annual information forms be provided to each pension plan participant. Such a form would have to state clearly the employee's rights and the company's obligations. It could indicate information such as the plan's relative funded position and some measure of the present guarantee of an

individual's own benefits. It might even be required that certain phrases be shown in large print, or perhaps in red, as in preliminary prospectuses filed under SEC regulations.

The communication of plan benefits is not a new concept in government legislation and regulations. The Welfare and Pension Plans Disclosure Act requires voluminous information about a plan's operations, and the IRS now requires that all qualified plans initially inform participants about benefits. Mandatory individual information forms would merely be an extension of the concept of adequate communication rather than the start of a new form of intervention.

**THE FORMS THAT WOULD** be involved in such communication would be neither expensive nor complex. They would offer a simple reporting of each employee's actual benefit status. Most benefit statements could be readily developed as a by-product to a plan's actuarial valuation, especially if it were computerized.

Those who wish to maintain a healthy and growing pension system should pay special heed to the plan termination insurance section of the bill developed by the Labor Department. Management should now take positive efforts to properly educate pension plan participants about the realities of their plans. This would serve to reduce disappointments and the resultant clamor for greater "security of pension expectations." A drive for mandatory communication to plan participants about their rights would offer an alternate, healthier route for government interests to follow, and possibly avoid a new inroad of intervention.

Robert L. Silverman heads the consulting actuarial firm, Robert L. Silverman F.S.A., with offices in New York and Connecticut.

His experience includes 15 years in the actuarial profession since his graduation from Union College and the University of Michigan. During this period he has served as an officer of a large insurance company and subsequently with some large consulting actuarial firms.

In addition to being a fellow of the Society of Actuaries, Mr. Silverman is a member of the Conference of Actuaries in Public Practice, the American Academy of Actuaries, and the Institute of Actuaries (Great Britain).

# Hunt-McCall-Canada Dry link to require coverage re-evaluation

NEW YORK—The merger of Canada Dry Corp., McCall Corp. and Hunt Foods & Industries poses no problems from an insurance point of view, those close to the three companies told *Business Insurance*.

William S. Mortimer, insurance manager of the Hunt-Wesson division of Hunt Foods, will be primarily responsible for any combining of insurance programs of the conglomerate, which is controlled by financier Norton Simon.

As one insurance man explained, one of the first orders of business will be to change the property and casualty policies to reflect the name of the new corporation. "You can't have two or three liability policies," the source said. "You can't sue a division or a subsidiary—unless they exist as a separate entity."

At McCall about the only unusual insurance coverage the firm has is a tailor-made extra expense policy, to the full limits of its business interruption coverage, to pay for contract printers if its equipment fails. The company prints U.S. News & World Report, Newsweek, Readers Digest and its own McCalls and Redbook.

**INSURANCE** will only present a problem in the area of insuring Canada Dry's liquor products—Johnnie Walker Scotches and others—but it's expected that the liquor products will be spun off as a separate company.

Canada Dry, bothered by a problem of partly broken liquor consignments which tended to make the rest unsalable because of splashing, is now having its shipments containerized and sent directly from Glasgow, Scotland.

The firm, known for its Canada Dry soft drinks, has wrapped

## Safety . . .

*Continued from page 11*

chemical company, administers both safety and insurance through the safety department. J. Sharp Queener, safety director, reports directly to top management about policies on safety and insurance.

**OTHER CORPORATIONS**, whose safety function varies according to individual needs, include:

- Union Carbide, where the safety and insurance departments are decentralized and report separately to top management. The insurance manager does not get involved with the safety department.
- Sinclair Oil Co.'s safety director reports directly to the insurance manager, who works closely with the company's top management.
- At National Dairy, which makes the insurance manager directly responsible for safety, Robert Thode, the safety director, reports to the insurance manager.
- Grant Pulley & Hardware Co. designates the controller to handle insurance and safety, with assistance from the personnel manager. The controller reports directly to the president.
- Kardon Industries coordinates safety through the insurance department. The insurance manager reports directly to top management.

its property, casualty and marine insurance into one policy with Travelers Insurance Co.

Hunt, for its part, has had to tailor make its insurance coverages to fit the needs of its eight decentralized subsidiaries. The firm is willing to consider the assumption of losses up to \$1,000,000 per occurrence for certain exposures, depending on cost and loss control estimates.

**ABOUT THREE-QUARTERS** of Hunt's workmen's compensation is self-insured. The firm is also self-insured for its fleet of more than 1,500 cars and trucks. Hunt's insurance budget, including self-insurance losses, administrative costs and employe benefits and administration, totals

more than \$3,000,000. Of this, \$1,600,000 is property and liability premiums.

Contacted in Fullerton, Cal., the Hunt corporate headquarters, Mr. Mortimer told *Business Insurance* that the company "has no immediate plans to consolidate Canada Dry insurance operations. We are already working in cooperation with McCall officials on some combined insurance plans."

Mr. Mortimer said that the three companies would weigh advantages and disadvantages of merging insurance operations.

Hunt has an excess policy that automatically provides coverage to merged companies, it is understood, until final arrangements are made.

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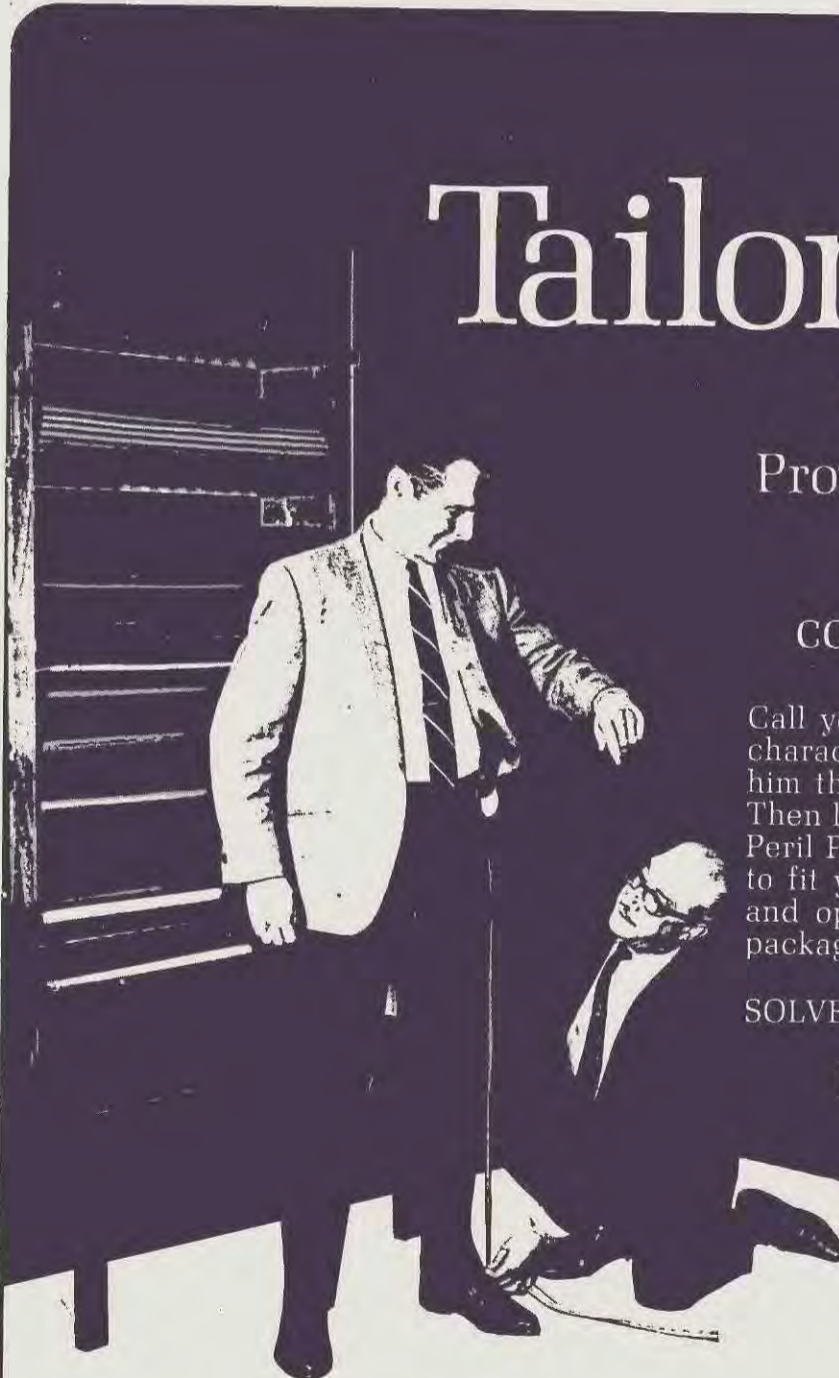
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## Capacity problem isn't a factor in rate decisions, Maxwell says

HARRISBURG, Pa.—The "capacity problem"—or the ability of insurers to attract capital to support expanded insurance requirements—should not be a factor in approving rate revisions, according to Pennsylvania Insurance Commissioner David O. Maxwell.

Mr. Maxwell made this point in a 21-page statement last month in which he turned down a requested \$11,172,000 increase in automobile insurance premiums.

He also said that the earnings on assets equivalent to the unearned premium reserves for both bodily and property damage automobile insurance are "relevant factors" and must be considered in the calculation of

rate levels sought in future filings.

**BUYERS OF INSURANCE** were paying close attention to this decision, which at the moment only applies to automobile insurance, because many of them have opposed the practice of insurers keeping retentions which are "higher than necessary" to cover claims and administration.

Buyers contend that the carrier "enjoys the use of surplus premiums all year." They have singled out workmen's compensation and liability insurance as prime examples, and one manager said that this was the reason that so much interest is being shown in self-insurance in these areas.

In his report, Mr. Maxwell said that he did not think it necessary to argue the question of "ownership" of the unearned premium reserve, or to espouse the "undeniably useful legal fiction" that assets equivalent to this reserve are held in "trust" for the policyholders.

**THE KEY POINT**, the insurance commissioner said, is that the company has the use of the money entirely contributed by the policyholders before that money has been "earned" by the company.

The income realized on that money, he continued, to the extent it is invested in income-producing assets, can obviously not be distributed *in specie* to the

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policyholders. "The only place where this investment can be reflected for the benefit of policyholders is in the rates."

Mr. Maxwell pointed out that even if it is conceded that property and liability insurers are experiencing difficulty in attracting investors, a regulator is still faced with the issue of whether this situation ought to bear on his decisions with respect to rate filings.

**"EVEN IF WE WERE** to grant the present rate request as submitted," he said, "the capacity problem would endure to be solved by other appropriate means."

The truth is, Mr. Maxwell said, that the insurance business is not comparable to most other enter-

prises. Not only is it regulated by the state, but the product it sells—in this case automobile insurance—"is regarded as a necessity of modern life by all but the most irresponsible citizens in our society."

Therefore, he pointed out, "the rate of return realized by any particular insurance company on its business investment is a peripheral issue at most."

Mr. Maxwell conceded, however, that investment income arising from assets equal to loss reserves should be treated differently. "Loss reserves originate from, and are backed by, surplus; that is, the funds used are the stockholders'. It is they, not the policyholders, who are incurring the risk inherent in the investment of these funds."

## Government liable for death caused by airman, court rules

SALT LAKE CITY—A U.S. district court judge here has awarded \$529,557 in damages to five people in a precedent-setting case against the federal government involving a serviceman on travel orders.

Judge Willis W. Ritter ruled the government was liable for damages caused by the negligence of an Air Force airman under orders, but traveling by private auto from one duty station to another.

The court action stemmed from the death of a Price, Utah man, Norman Day, driver of an auto near Green River, Utah who was killed in a two-car collision on June 25, 1965.

Driver of the second car was Airman 1st Class Lonnie Graham Williams Jr., who had been given four days to travel from Ent Air Force Base at Colorado Springs, Colo. to the Portland, Ore. international airport.

**THE CASE WAS** filed under the federal tort claims act, which allows the government immunity to be lifted so citizens can bring suit against the government in connection with actions of its employees.

National attention was focused on the nonjury trial, conducted in May and June of 1967. The verdict was not announced, how-

ever, until March 29 of this year.

Judge Ritter ruled that the negligence of Airman Williams was "the direct and proximate cause of the collision."

In the precedent-setting issue of the case, Judge Ritter said the travel status of Airman Williams, although he was traveling by private car, meant that he "was acting within the scope of his employment and on the business of the U.S. government and subject to control of the U.S. Air Force under its right to control its members."

The airman, therefore, was not on leave status, the judge ruled.

Airman Williams was paid a six-cents-a-mile travel allowance. The mileage payment, according to Judge Ritter, was a "ratification and reaffirmation" of his travel status at the time of the collision.

### Rules cooperative had no quake cover

The Washington State supreme court has upheld a King County superior court decision that the Halibut Producers Cooperative did not have insurance coverage for damages suffered during the 1964 Alaska earthquake. The dispute was between the cooperative and the Fidelity and Casualty Co., New York.

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## Says new building design has 'sharply' increased risk of fire

HARTFORD—Modern design of industrial buildings is sharply increasing the risk of loss by fire, according to R. M. L. Russell, chief research engineer for Hartford-headquartered Factory Insurance Assn.

He commented that with larger buildings and more complicated machines, the risk of fire loss sometimes runs "well in excess of \$300,000,000."

The potential losses of \$250,000,000 are frequent in the aircraft industry.

### THE TREND TOWARD

"enormous manufacturing areas under a single roof without subdividing fire walls and with limitless spaciousness," he added, is creating a fire risk "that is almost unmanageable because of enormous concentration of insurable values subject to possible loss in a single fire accident."

He cited as a prime example the aircraft industry.

Some plants contain upwards of \$240,000,000 value in structure and contents—all under one roof with nary a cutoff—and an additional \$66,000,000 business inter-

ruption, totaling over \$300,000,000 in one fire area.

Another example is a metal-working plant where there is a combined property damage and business interruption well in excess of \$300,000,000.

Other hazards pointed out in building design:

- The lack of floors, which serve to retard fires.
- The stacking of palletized inventories to heights of 80 feet.
- The progressive deterioration in the fire resistance of construction methods and materials.

Generally speaking, Mr. Russell told *Business Insurance*, light, unprotected steel framing lacks the necessary mass to maintain structural stability under modern-day fire-exposure conditions. ■

## Alexander dies in crash

DALLAS—William Fontaine Alexander Jr., 60, a son of the founder of Alexander & Alexander, insurance broker, was killed May 4 in a Braniff International Electra crash over Dawson, Texas.

Mr. Alexander was a senior partner of Alexander & Associates, an insurance agency with offices in Dallas and Houston. Mr. Alexander had moved to Dallas in 1929 after graduating from Princeton.

He is survived by his wife, Elizabeth, a son and two daughters, and a granddaughter.

## Carpenters' fund up

Pension benefits of the Northern California Carpenters' Fund have now topped \$20,000,000. ■

## British accountants concerned over lack of liability coverage

LONDON—Accountants are becoming increasingly concerned over their inability to obtain increased insurance cover to meet certain potential risks, such as claims for professional negligence.

The bulk of the profession's insurance arrangements are handled by Lloyds' syndicates, which have recently refused requests for additional cover up to \$2,400,000 from some leading accountancy firms. It is understood that for management consultancy work, which carries large potential risks, insurers are refusing to provide cover exceeding \$240,000.

The situation is being considered by the Institute of Chartered Accountants as part of its continuing task of keeping in touch with all aspects of the pro-

fession.

One way to minimize the risks would be for accountancy firms to convert themselves into corporate bodies with limited liability or to form companies to carry out particular tasks.

Such changes, however, cannot be made under present legislation, which lays down that some jobs have to be undertaken by accountants as individuals and must not be done by limited companies.

Thus, if the institute decides that it would be wise to take action along these lines it will have to approach the government to obtain changes in the law. ■

## New firm opens

Pacific Marine Investment Corp. has been established in Seattle.

## Predict Rocky...

Continued from page 17

claim is denied, the insurance carrier (Metropolitan) issues a letter "specifically listing the reasons for the denial." Because of sophisticated union representation, "sometimes it's possible to develop additional information which results in the claim being reconsidered."

Robert F. Lane, counsel for Mobil Oil Corp., gave details of his company's thrift plan for all regular employees who contribute to the pension plan and who have been employed for one year. Participation is 94%, he said.

An employee may contribute from 1% to 5% of his base pay a year. Mobil then matches this amount on the basis of 60% for an employee with less than ten years service, 80% for an employee with the company between 10 and 20 years, and 100% for employees with better than 20 years.

The thrift plan has assets of \$250,000,000, Mr. Lane said, and employees may direct that their contributions be invested in either U.S. "E" Bonds, Mobil stock, an eligible share of 64 investment companies and two private mutual funds set up with Bankers Trust Co. or cash.

Employees may designate any beneficiary for the proceeds, but in marital deduction states, the company requires a statement from the spouse "as an added protection." ■

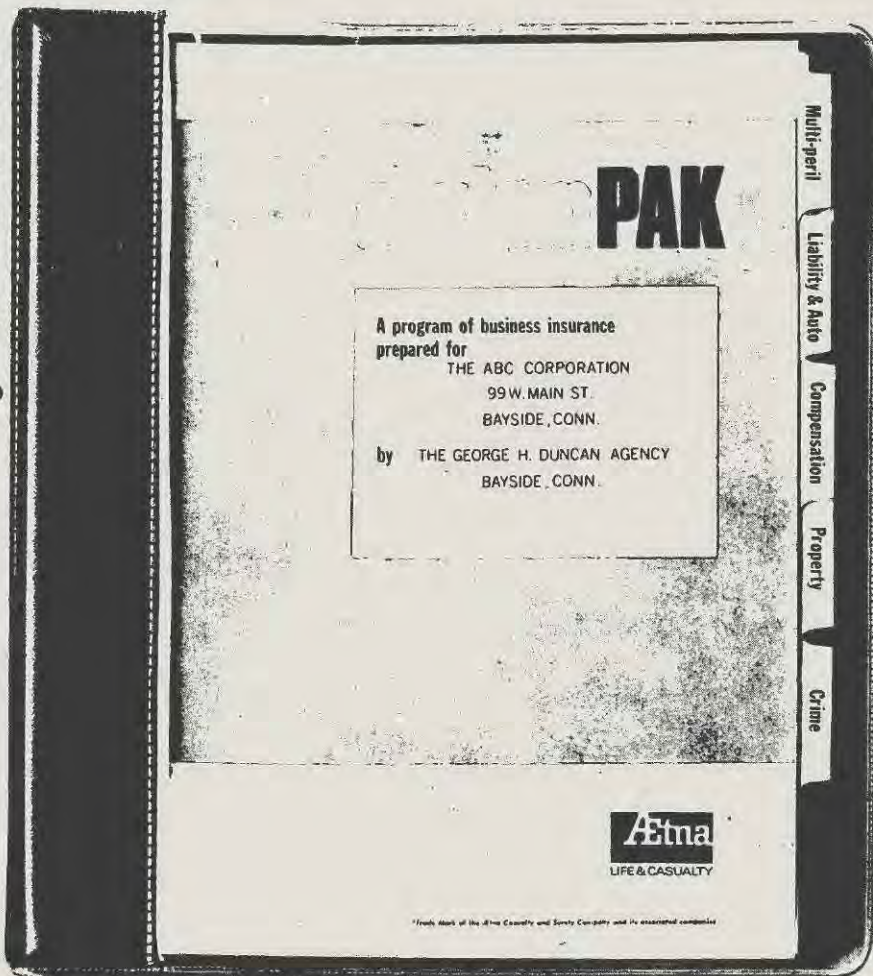
## Association formed to keep eye on legislation

Formation of the Assn. of Private Pension and Welfare Plans Inc., Seattle, was announced by one of the founders, James A. Curtis, an actuarial consultant with Milliman & Robertson Inc.

The new association was formed to assist and advise employee benefit funds, employers, unions and others regarding congressional action affecting private pension and welfare funds.

The association will maintain an office in Washington, D.C., with an executive secretary who will devote a substantial part of his efforts to a communications and educational program for its members.

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# Offshore drilling rig pool fails due to lack of U.S. insurer support

NEW YORK—Hope of developing a substantial domestic market to write offshore drilling rigs has faded after a majority of U.S. insurance companies declined to participate in the proposed American Marine Drilling & Exploration Insurance Assn.

Announcement of the syndicate's failure was made through a general release sent to the insurance companies. It was more subdued in tone compared to last year's optimistic predictions that the U.S. was about to capture its share of the London-dominated offshore market.

Since six of the largest marine underwriters—Chubb & Son, Insurance Co. of North America, Fireman's Fund, Great Ameri-

can, Marine Office of America and Atlantic Mutual—informally committed themselves to the venture last December, the establishment of the new syndicate seemed virtually assured.

**THE STRAW THAT** broke the camel's back, according to a syndicate spokesman, was a dismal response to letters sent to every major U.S. insurance company asking participation.

Another problem was that marine insurers already writing offshore rigs were not willing to participate in additional rig coverage, it was explained.

INA, which underwrites its own coverage, said it was eager to participate but only if the syndicate would write a minimum

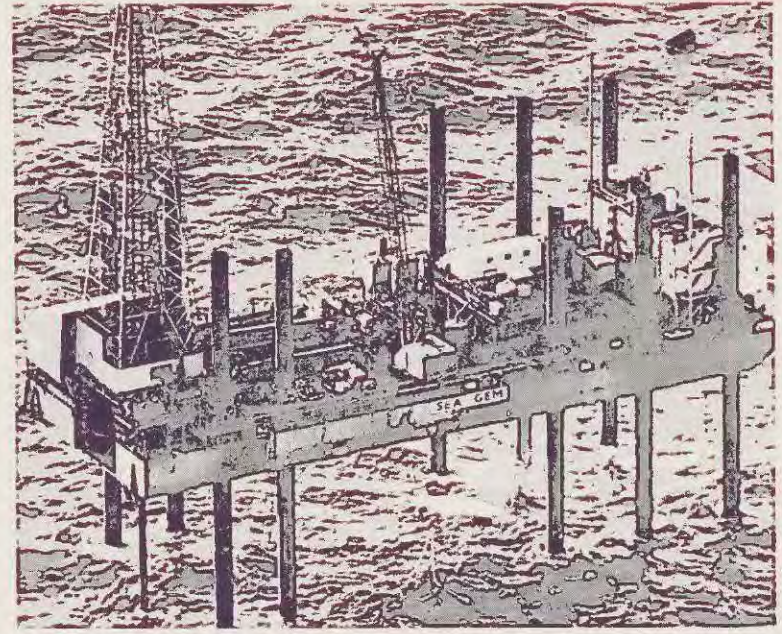
of \$5,000,000 on any one risk.

John Armstrong, vp of INA, explained that a syndicate underwriting less than \$5,000,000 could ultimately shrink the domestic market by having the larger group competing with independent U.S. insurers.

News of the syndicate's failure to get off the ground came amidst a move by Lloyd's of London to deviate from its 9.75% standard rate.

According to U.S. insurance sources, Lloyd's is now willing to grant rate reductions or make surcharges based on a rig operator's experience, area of operation and type of rigs.

**WHILE U.S. INSURERS** were debating the offshore syndicate,



U.S. insurers turned down an industry-wide request to participate in a proposed offshore drilling rig syndicate. Large losses, such as the sinking of the Sea Gem (above) in the North Sea, was one of several factors causing domestic insurers to look unfavorably at the offshore market.

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Business Insurance learned that Lloyd's had also expressed its willingness to act as a major reinsurer for the proposed syndicate.

At least two major marine insurers—INA and Marine Office of America—still contend that a major domestic market is in the offing, but the two companies varied in their approach.

John Ricker, president of the MOA, said a “gradual approach” will be taken independently by U.S. companies toward insuring offshore rigs.

**BEFORE A SERIOUS** effort to write business on a broad scale can be initiated, Mr. Ricker pointed out, rig operators and insurers will have to consider a “total loss factor” that exists in the rig business.

He said that 75% of rig losses are total losses. “All rig operators will have to contribute to the 75% total loss factor,” he said, “if they expect to find a domestic market willing and able to sustain offshore business.”

Sooner or later, said the marine executive, every rig operator will suffer at least one total loss based on the law of averages—one reason why he is proposing a rating plan whereby all rig companies will contribute to total losses.

Mr. Armstrong said INA is

looking for other insurers to join with his company to write offshore rigs.

He explained that smaller U.S. insurers—not necessarily marine insurers—are welcome to act as reinsurers on a “treaty” basis with INA.

Mr. Armstrong said INA is also willing to accept subscriptions on a facultative basis from outside insurers which would give them the flexibility to decide how much, if any, insurance they would accept on any one risk.

“We hope to add as much as \$2,000,000 to the amount of business we write on each rig through new companies willing to participate with INA on a cooperative setup,” he said.

He added that any insurance written through INA would be rated according to the Philadelphia-based company's premium standards for each rig.

The insurance executive contended that U.S. and London market are coming closer together in offshore underwriting principles but each market will follow its own course for now. ■

### Newsome resigns

R. M. Newsome has resigned as special agent in charge in Los Angeles for the National Automobile Theft Bureau to join the Southern California Gas Co.

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## Pension bill's...

Continued from page 1  
gled out the role of private pensions in promoting business efficiency.

**PRIVATE PENSION** plans principally contribute to business efficiency, Mr. Royes continued, by making possible, in combination with Social Security, the orderly retirement of employees whose effectiveness has declined with advancing age.

Mr. Royes suggested that a "reasonable middle ground" might be found for vesting by using an age requirement such as 40 to 45 years, and a substantial service requirement such as 15 to 20 years. This would deal with the "really hard" cases, and not divert available funds to younger and shorter service people who leave a business or industry, "or choose to stop work altogether."

A moderate proposal like this could possibly be met by multi-employer plans without the need for exemption, Mr. Royes said. He added that the Labor department "lacks consistency" in proposing exemptions of multi-employer plans.

"I do not believe that uniform legal requirements for rapid funding and termination insurance can be imposed without doing serious harm to the ability of private plans to shape themselves to meet the varying needs and circumstances of businesses and their employees," Mr. Royes commented.

**FOR INSTANCE**, he said, requiring the United Mine Workers coal industry plans to do more funding at this time would very likely entail cutting benefits to those already retired.

Mr. Royes also scored the argument that more legislation is justified in the pension field because of a "tax subsidy." He said that the present tax treatment of qualified pension plans is "only what one would expect it to be, and is consistent with our whole body of tax law."

The AT&T executive further observed that the contributions of private pension plans to business efficiency and the investment of private funds in productive enterprises "contribute so much to our economic growth" that neither the Treasury nor future generations of consumers and taxpayers would profit by curtailing such plans.

## Vermont judge rules out investments

**MONTPELIER, Vt.**—A county judge, in upholding statewide auto liability rate increases, has stated that it was proper for the insurance rating board to exclude investment income from the ratemaking procedure, according to the Insurance Information Institute.

In New Jersey and Pennsylvania insurance commissioners recently ruled that insurers must include investment income results in their filings.

Judge Robert W. Larrow of the chancery division of the Washington county court here said that investment income, "as is usual in bureau rate filings," was not a factor in the computations presented. "I find this is proper under Vermont regulatory law, which refers to 'underwriting profit contingencies' as the factor to be considered." ■



R. E. Royes

Mr. Royes said that he could not agree that present tax treatment is a reason for requiring private pension plans to expand their social goals. "It seems like another neat conclusion," he said, "not meeting a real life test." ■

## Federal work comp for Chile

**SANTIAGO, Chile**—This country has nationalized its compulsory workmen's compensation insurance, meaning that the coverage must now be placed with the government.

According to AFIA Worldwide Insurance, it's anticipated that the basic rate, as established in the new law, will be 1% of a worker's salary, increasing to 3% to 4% in cases of special risk.

Elsewhere, Japan has issued an amendment to its workmen's compensation law requiring any firm with five or more employees to participate in the government's workmen's accident compensation insurance.

Prior to the amendment, employers with five or more employees engaged in white collar jobs could purchase workmen's comp from private carriers or from the government. ■

## Two transit awards

**NEW YORK**—Two liability injury awards—both involving injuries received on New York city transportation system—have been made here.

In one case, a 19-year-old boy was awarded \$350,000 for leg injuries received ten years ago when he was hit by a bus operated by Surface Transit Inc., a now defunct private bus company.

The other case involved a 63-year-old man who lost his right foot while walking from one car to another on the municipal-owned subway system while the train was stalled. He was awarded \$95,000.

A spokesman for Surface Transit, who was "folding up the legal end" of the business, confirmed that the company had insurance to cover itself against the award. He did not identify the carrier.

An insurance manager ex-

plained that in a case of this nature, the insurance company sets up a tax free reserve which can be drawn upon when a settlement is made. "If this amount isn't enough, then the courts can seize the remaining physical assets of the defunct operation," he explained.

A source at the New York Transit Authority said that it carries no insurance for passenger injuries on subways and buses. "We set aside what we consider to be a prudent amount to cover these contingencies," he said. ■

## Car thefts increase

Thieves last year stole 651,700 autos, worth an estimated \$650,000,000, according to William J. Davis, western division manager of the National Automobile Theft Bureau, Chicago. He said the figure exceeds the value of all other larcenies combined.

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## Broadway...

Continued from page 3

salaries. But the policy isn't applicable to suspension of a show, only shutdown.

After the Broadway opening, coverage is rewritten for six months as abandonment coverage either alone or in conjunction with nonappearance insurance.

These coverages can be adopted to protect the theater owner, whose interest is similar to the producer's because he shares in the gross receipts.

**LONG BEFORE SHOW** time, a producer must obtain adequate public liability protection, property damage coverage for scenery, props and costumes as well as the actor's personal belongings, business interruption, workmen's compensation and perhaps errors and omissions coverage. A theater owner needs compensation, general liability, fire and extended coverage, money and security protection and business interruption.

A relatively new concept for legitimate theater producers is the errors and omissions policy which protects against libel, slander and plagiarism suits. According to one of the underwriters, Fireman's Fund American Insurance Cos., there have been only a few cases in this area.

A play begins with auditions. A liability policy with a low limit covers everyone during this period. Once rehearsals get underway the policy converts to the general liability coverage with high limits which "covers us if anything happens—such as a reporter hit by a prop while interviewing an actor," Mr. Fisher said.

The usual limits under CGL coverage are \$250,000 for bodily injury; \$1,000,000 per occurrence; and \$100,000, for property damage. Many production officers secure excess coverage, said Mr. Boyar.

**IN ONE INCIDENT**, he recalled, a speaker's box fell off a wall and injured a lady in the audience. Such things as pickles flying off stage or liquids spraying the audience can bring in claims.

Premiums for the producers comprehensive liability policy are calculated according to payroll; for the theater owner, premiums are based on admissions—making the policy much more expensive. Also, a theater owner often carries nearly \$6,000,000 coverage, of which \$5,000,000 is excess.

Producers normally hold the theaters harmless for any damage or loss to production property; at least this is true of most booking agreements, Mr. Boyar explained.

With every play comes the problem of what to do about pilferage. As Mr. Boyar pointed out, there is a fair amount of such theft in the rehearsal halls and dressing rooms. Popular items seem to be wigs, which are worth \$300 to \$350 or more. He mentioned that "Cabaret" has had a number of wigs stolen; but on the other hand "Fiddler on the Roof" hasn't had the same experience.

**"YOU CAN'T PREDICT** what shows will be hit by theft," he said. Producers have taken all sorts of measures to protect property, such as locking wigs in wardrobe storage closets, but still items disappear.

Next in popularity to wigs are sound equipment and props. A theatrical property floater with a

100% coinsurance clause protects against theft, fire, explosion, breakage and a number of other named perils. Although the perils are named, Mr. Boyar said the coverage is virtually all risk in nature.

According to Mr. Fisher, a \$50,000 limit suffices for the beginning stages of a production, but by opening night limits are increased to \$200,000 or more.

A separate policy protects projection equipment and is referred to as a professional camera floater. The all risk floater itemizes all articles.

**AN INLAND MARINE** type policy covers the producer's obligation to protect personal property that belongs to actors such as rehearsal or stage costumes. The policy also extends to property while in transit.

Although fires are very rare in the theatrical world, when they come they're often of electrical origin and can spread rapidly through scenery. Business interruption protects the producer during the rebuilding of scenery or even complete relocation of

his play. According to Mr. Boyar, the policy is based on the amount of continuing expense to the production or the theater and usually has a two performance deductible franchise clause.

"But if three performances are missed, coverage picks up from the beginning," Mr. Boyar said.

Business interruption pays for four weeks out of town and eight weeks on Broadway; in that time, "insurers believe a pro-

ducer can have a new production or locate a new theater."

**A TENDENCY AMONG** older managers is to self-insure business interruption since experience has been good and managers can save premium costs.

"The younger manager tends to think more about the potential loss rather than the experience of the industry," Mr. Boyar said.

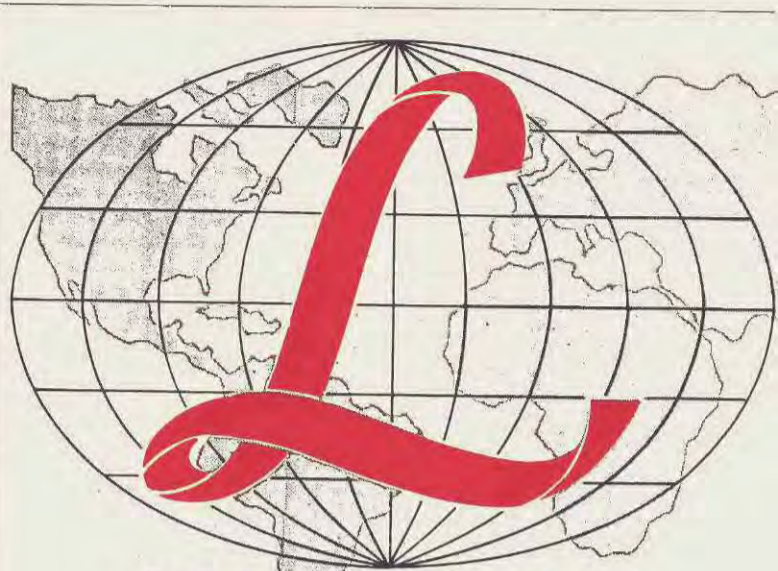
## City workers get early retirement

**NEW YORK**—New York City employes have been quick to jump on the bandwagon of improved pension benefits obtained by the city transport workers early in January.

At that time, the union, which represents 36,000 employes, won the right for workers with 20 years' service to retire on half pensions, providing they had reached age 50. Vesting rights were granted after 20 years.

Another 120,000 municipal workers were given similar benefits. The new pension agreement for these employes provides the same vested interest after 20 years. It also guarantees that city employes will receive a payment of at least 55% of their final year's salary, or the three best years, whichever is higher.

All workers may now retire after 25 years of service on attaining age 55. Heavy duty workers may do this at age 50.



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# Mountain climbing, jungle exploring club buys \$10,000,000 coverage

By KEN MACDONALD

SAN FRANCISCO—Each year when summer sun has burned winter's accumulated snow off mountain peaks, 3,000 or more sturdy souls (including babes in back-packs and hikers in their 70's) take off on Sierra Club wilderness outings.

The outings started in 1905 to expose city residents to the rugged beauties of California's High Sierra.

Today, outings may involve 100 Sierra Clubbers hiking through volcanoes of the big island of Hawaii, or as few as four families on canoe trips through Minnesota's Quetico-Superior region.

**THIS YEAR'S** schedule began with an April jaunt to Hawaii's Maui and Kauai. It will end with trips to the Andes and the jungles of Peru as well as to Venezuela, Japan and Norway.

In between, at least 170 families will enjoy 17 Sierra Club wilderness threshold camps while 430 somewhat braver members participate in nine "highlight" trips, carrying 20 pounds of "dunnage" on their backs.

And here in the skyscrapers of downtown San Francisco, executives of the Insurance Co. of North America and the Johnson & Higgins brokerage firm will be filled with hope, as they look for another year of "no claims" under the insurance program they provide for the club.

The Sierra Club, headed by Executive Director David Brower and President Edgar Wayburn, is essentially a conservation organization and its 60,000 members throughout the world dedicate themselves to this objective.

**IN ADDITION**, however, the Sierra Club owns and operates 10 or 12 mountain huts or lodges and yearly organizes and runs club outings, which last year, excluding foreign trips, cost \$327,570.

The biggest portion, or \$169,700 was spent on food and packing expenses. A nine-day knapsack trip with 20 people, for example, may require 500 pounds of food and equipment.

A much smaller percentage of the costs goes to pay the premium for the Sierra Club's INA insurance coverage.

Until about six months ago, the club was protected against general liability risks with \$1,000,000 of insurance. This has now been increased to \$10,000,000.

**"THE GREATER** dollar amount of our insurance coverage," *Business Insurance* was told by Phillip S. Berry, "was considered necessary because of the club's ever increasing use of charter airplanes for its foreign trips."

Mr. Berry, a member of the Oakland legal firm of Berry, Davis & McNerney, is chairman of the Sierra Club legal committee and is a member of the insurance committee, headed by Robert

Howell of Standard Oil here.

The club's insurance program also includes blanket employee fidelity for all key employees; auto coverage and basic perils insurance.

In spite of the Sierra Club's wide ranging activities, some of which take place in mountain areas that could present dangers,

there have been no bodily injury claims and only one workmen's compensation claim.

Many of the accidents that occur on mountain trails or in wilderness camps are minor and involve no more than perhaps a sprained ankle. Injuries or accidents for which the club might be liable are "difficult to imag-

ine," according to Mr. Howell of the insurance committee, as well as the legal adviser, Mr. Berry.

Each trip leader is thoroughly trained and has full authority over every aspect of his trip. He decides who is qualified to participate; how, when and where the group goes, and even whether trip participants are qualified to "climb a mountain or go off on a side trip of their own."

"The trip leader," Mr. Berry points out, "serves in large measure as the Sierra Club's 'safety engineer' responsible for making sure there are no claims against our insurance by virtue of his

safety measures.

"The leader may even, in rare instances," Berry points out, "actually dismiss someone from a trip. Most Sierra Club members are independent souls and dislike regimentation. The club and the trip leaders, however, make every effort to prevent accidents."

Trip leaders, incidentally, are not professional guides and the club's outing program is not a commercial enterprise.

The club tries only to "break even" and the trip leaders are volunteers who snatch hours to scout and organize their trips. ■

## "The only thing you have to worry about is little characters shooting poison arrows."

A true story about Mike Twomey, Vice President  
American International Underwriters.

The place was a jungle somewhere in South America and the assignment Mike Twomey of AIU received was a simple one. Estimate the insurance on a pipeline being laid by a team of engineers.

The only hitch was the land the pipeline was to go through. Jungle. Miles and miles of steaming, wild jungle. As his plane flew over some of the wildest jungle on this earth, Mike turned to the gentleman who was to be his guide and commented, "It's really quite beautiful, I can't wait to land."

"Don't be in such a hurry," his companion answered with a wary smile.

"Why?" asked Mike, "Is there anything to worry about down there?"

The man shrugged and replied, "The only thing you have to worry about is the little characters shooting poison arrows."

The plane landed. Mike Twomey did his job.

It is not part of a job at AIU to be shot at by poison arrows. But then, estimating land mine insurance in North Africa in the early days following World War II isn't exactly a boring job either.

And Mike did that too.

Mike Twomey is an AIU man, and we think that says a lot about AIU. We do our job, whatever it may be, in over 90 countries throughout the world.

A typical example of how Mike and AIU operate might be in the property and casualty coverage on a chemical and petrochemical plant located outside the U.S. and Canada; Mike will go and arrange for the insurance on the entire plant including piers and wharfs.

Mike spends a lot of time in our safe comfortable New York office. But if he has to go estimate a job where the little people shoot poison arrows he never says no.



### Continental votes

The Continental Insurance Co., New York, has voted to establish a holding corporation. Chairman J. Victor Herd said the move would allow the company wider use of resources.

## Retirement

Continued from page 18

will be magnified by the earlier age."

MR. SPRAGUE pointed out that the cost of living is estimated to erode fixed incomes by 2.5% a year. In ten years this amounts to 25%, and in 20 years a "staggering" 50%.

"When you're employed you can fight this increase in the cost of living," Mr. Sprague said. "However, after retirement, a worker has no defense other than political, such as the raising of Social Security benefits."

Some private pension plans may contain an escalation clause, he continued, "but as an industry pattern this is far off into the future."

MR. SPRAGUE ALSO commented that "the unions proba-

bly couldn't get any other benefits, and the leaders had to deliver something. Management would also concur since this is a relatively cheap benefit. After all, what you really mean is deferring wages—a worker collects a reduced salary for not working after 55."

There are many myths about aging, Mr. Sprague pointed out. One is that it's always assumed that a worker's family has grown up by the time he retires. However, when Studebaker was closed, the National Council on the Aging made a survey of 3,000 workers age 50 or over, and found that there were 2,000 dependents under age 18. "Also, a lot of men at 55 have younger wives and minor children, and how will they feel psychologically about the breadwinner becoming a retiree, with all the implications of aging?"

Dr. Dasco sounded a somber warning that "immobilization is physiologically unsound." He

pointed out that aerospace medical studies have proven that even a few days in a sitting position causes "significant disturbances" in the circulatory system."

EMOTIONALLY, EARLY retirement can start debilitation, Dr. Dasco further asserted, "when you wake up in the morning and wonder what you have to look forward to."

"Of course, everyone wants to go fishing," he quipped, "but the plain fact is, that few people enjoy idleness. The retired worker won't realize all this at first, but in the end, his main problem will be to fill his days with activity."

A British expert, Dennis Gabor of the University of London, supports this view. "Men have always envied the leisured classes, but it now appears that the dream of leisure for all may turn into a nightmare." Prof. Gabor predicted that the day will come when "work which is

not necessary to sustain life may have to come back as occupational therapy."

PLANNING FOR retirement is receiving much attention from union leaders. Charles H. Purnell, executive director of the retiree benefits trust fund of the Glass Bottle Blowers Assn., said that his trustees "have come to the conclusion that it's never too early to think about this problem."

Mr. Purnell feels that the major areas which concern retired people are housing, money, health and time, and they should all be discussed "before retirement takes place."

The United Auto Workers is also very active in the area of counselling for retirement, and in 1965 set up a program with Chrysler to educate employees over 55 and their wives about retirement. Further details of this program will be given in the second part of this article in the

next issue of *Business Insurance*.

Early retirement is one area in which both employers and employees are in full accord, commented Mr. Sprague, "because they both have the same ends in mind." However, he wonders whether this training—"while commendable" for a man anticipating retirement at 65—will have any value for a much younger man.

The problems of aging are receiving greater national attention, and Sens. Edward Kennedy and Harrison A. Williams have proposed a White House conference on the subject for 1970. Both legislators feel that this setting will provide a podium which will catch the attention of all Americans in dealing with problems that "go far beyond that of medical care."

Mr. Sprague concluded that there is a Puritan ethic in the U.S. "which, no matter how much we deplore it, does get us involved." This is another reason why early retirement is unsound and artificial, he asserts, "because we are a work-orientated society, and receive our rewards and social pleasures from our employment."

## Lyon suggests tying pensions to living costs

LONDON—The reluctance of British employers to face up to the problem of portability of pension rights for employees changing jobs was criticized by C.S.S. Lyon, actuary, in a speech presented to the Faculty of Actuaries.

Speaking on the subject of social security and occupational pension schemes, Mr. Lyon went on to score British private pension plans for not providing adequate permanent total disability and survivors benefits.

Mr. Lyon also discussed the retirement provisions of Britain's state pension plan to which contributions are made on a flat basis. He debated whether this would be more satisfactory if replaced by a graduated method tied to a cost of living and wage increase index.

Linking private pensions to such an index might provide higher retirement benefits than most employers would accept, Mr. Lyon felt, especially if these overlapped with the state provisions.

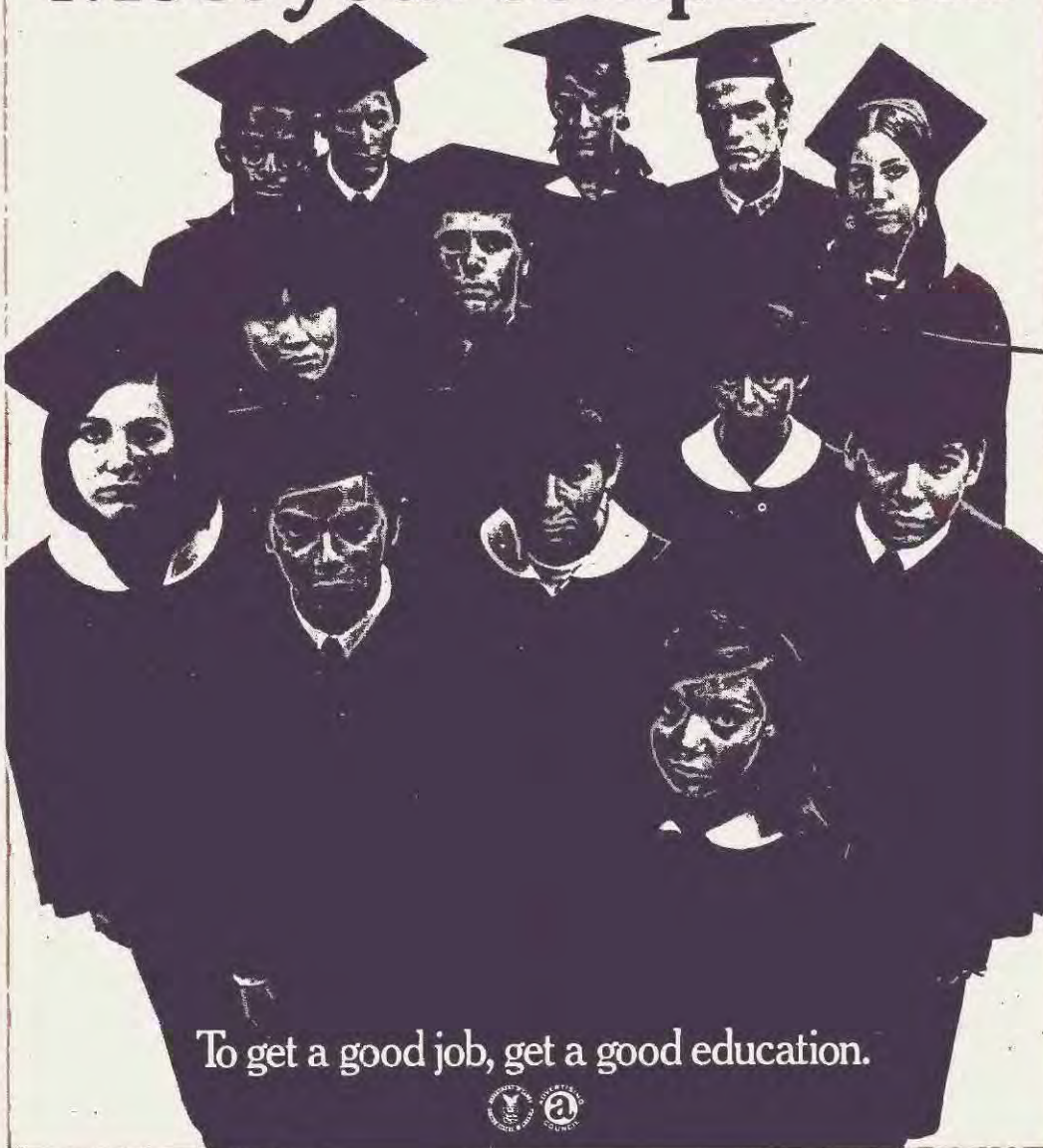
A more satisfactory method, therefore, would be to reduce the state benefits, so that if the entire pension scheme was escalated, responsibility would be with the government.

In the absence of any state reduction, many private pension funds would be reduced. This could result in more state funding, which Mr. Lyon did not feel to be desirable.

## Atlantic realigns midwest division

The Atlantic Cos., New York, has realigned its nonmarine department at its midwest division, Chicago, into personal and commercial lines. Arthur H. Liebelt has been appointed manager and John R. Stafford has been named assistant manager of the commercial lines underwriting department. Frank B. Long has been named manager of the commercial inland marine underwriting and will be responsible for all commercial inland marine lines except those written under multi-peril policies.

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Union Tank's business insurance management team in action (l to r) Edward D. Hansen, insurance manager; John F. Dolan, director of industrial relations; Arthur G. Cubley, director of employe benefits; Thomas P. O'Boyle, vice president—administration.



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## Labor aide, priest criticize Chamber's safety bill stand

MIAMI BEACH—Assistant Secretary of Labor Esther Peterson has blasted the U.S. Chamber of Commerce for its "gigantic, hysterical, demagogic campaign" to block passage of an industrial safety bill now in Congress.

The bill would establish minimum safety standards in all plants operating in interstate commerce, and the Department of Labor would have the authority to close down plants not complying with the provisions of the act.

Speaking before a convention of the United Textile Workers of America here, Mrs. Peterson accused chamber officials of employing "scare" and "big lie" techniques.

She said an article in Nation's Business, published by the Chamber, accused the Labor Department of planning to use "hard-core unemployed" persons as inspectors with power to enter a plant and close it down.

## Union gets dental plan

CLEVELAND—Some 4,000 employes in the food industry here are covered under a new insurance contract that pays 75% of the cost of most dental services.

The pact, signed by Local 880, Retail Store Employees Union, is believed to be the first in this city involving a union, according to David McDonald, president.

The plan, written by Occidental Life Insurance Co. and financed by employers, covers all fulltime food industry members in the union. Mr. McDonald said he hopes to expand coverage to all 12,000 members, most of whom work in retail stores.

Covered are dental examinations, extractions, fillings, cleaning, x-rays, root canal work, oral surgery, bridges, dentures and emergency treatment for pain.

Not included in the coverage are orthodontics, work done solely for cosmetic purposes.

## Loudenslager gets post at Marsh & Mac

CHICAGO—Harry E. Loudenslager, former insurance administrator of Cummins Engine Co., Inc., Columbus, Ind., has joined Marsh & McLennan's Chicago office as international coordinator for Chicago and the Midwest. His successor at Cummins is H. K. White who has served in various departments of the company including the insurance section.

Mr. Loudenslager joined Cummins four years ago after completing the MBA program at Ohio State University. As insurance administrator at Cummins, Loudenslager handled risk management involving licensees of the heavy-duty diesel engine manufacturer in England, Scotland and India as well as insurance involved in working agreements between Cummins and Mitsubishi in Japan and Krupp in Germany.

As a member of the Columbus Jaycees, Loudenslager was active in the organization of a boiler operators training seminar to be held in Columbus on June 25 and 26.

"Of course, this is absolutely false," said Mrs. Peterson.

She said that the article also accused the federal government of having an injury rate of 23.5 as opposed to 6.9 for industry. She said the government rate is the same as that of major corporations belonging to the National Safety Council and half that of the 12.8 accident rate of industry as a whole.

**THE CATHOLIC** conference social action director echoed Mrs. Peterson's criticism of the chamber. Msgr. George G. Higgins, also chairman of a national committee on occupational health and safety, said that improved work safety precautions are needed in plants with fewer than 500 workers.

## Dresser oil rig called total loss

NEW ORLEANS—The Insurance Co. of North America insured a \$1,200,000 loss to the offshore drilling rig Dresser II, which toppled over and sank in the Mississippi River late last month.

A spokesman for INA said it was a "total loss" because the rig, owned by Dresser Offshore Services, did not lend itself to salvage.

The accident was blamed on the soil underneath the rig, which gave way causing it to topple.

Dresser II used primarily by Shell Oil Co., was christened in May, 1967.

## Defender named

Arthur W. Defenderfer Jr. has been named vp and director of Barbanell-Liever Inc., insurance brokers, San Francisco.

## California brush fire pool to fold; no back-up available

SAN FRANCISCO—One of the insurance underwriting pools providing fire insurance for property in Southern California brush fire areas will terminate operations June 30.

It is estimated that \$87,000,000 in coverages will lapse at that time. The pool was unable to obtain adequate reinsurance in London, sources said.

California insurance commissioner Richard S. L. Roddis has asked the insurance industry for "wholehearted cooperation" in providing coverage for almost 2,300 property owners affected by the demise of the pool.

The Insurance Information Institute estimated that 78,000 other properties with coverage of more than \$2 billion are located in the brush fire area.

The pool, completely voluntary, has been set up by Cravens, Dargan & Co., a brokerage firm, and several primary carriers. Initially reinsurance was with other U.S. carriers and Lloyds, but eventually the Lloyd's participation grew to 80% of the total risk, sources said.

The pool had been set up in 1961 after a major brush fire in the Bel Air area of Los Angeles. Every risk covered in the pool had been inspected by a retired captain of the Santa Monica mountain forest patrol.

## Brokerage firms merge

R. F. Dreitzler Jr., R. A. Hedwall and the Harold Schug Insurance Agency, Seattle, have announced their merger to form Dreitzler & Hedwall, Inc.



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# Set own safety standards before government does, health official

NEW YORK—A government official challenged private industry to set voluntary product safety standards before Washington takes legislative action setting mandatory standards.

"You can ward off government intervention by taking voluntary action," said Sidney F. Ascher, regional program chief, injury

control program for the U.S. Public Health Service.

Participating in a panel discussion on products safety, Mr. Ascher urged government and industry to work together in a "spirit of cooperation."

In a separate address to the members of the metropolitan chapter of the American Society

of Safety Engineers and Veterans of Safety, he described the workings of the National Commission on Product Safety. The commission will conduct long-range investigations of potentially hazardous household products that have escaped the scrutiny of Congress and recommend any federal remedial legislation necessary.

**HE ALSO SUGGESTED** a "national clearing house for injury control," where the various federal agencies, safety standard groups, professional organizations and other voluntary groups can contribute skills and resources and coordinate efforts along the lines of their capabilities. He further recommended that the public be informed regarding product safety and that "the consuming public be subjected to a public information program."

George Peters, research director, Products Safety Research Corp., California, listed ten ways safety engineers can improve product safety. For one thing, the safety engineers must gain an understanding of products liability and what it means.

He warned that a reluctance to disclose facts or an absence of records "displays guilt." A company needs historical proof of safety of its products, he said.

**MR. PETERS** alerted his listeners to the fact that "the \$1,000,000 suit is upon us."

The 12 most frequent causes for unsafe products were listed by Harry Philo, partner in law, Marcus, McCrosky, Libner, Reamon, Williams & Diley, Muskegon, Mich. He identified such areas as errors in drawing board designs, failure to install adequate safety devices, construction from unsafe materials, failure to plan for foreseeable uses, addition of unnecessary parts, and failure to measure up to industry standards.

However, the most rapidly expanding area of negligence law is the failure to warn the consumer about possible perils of the product.

**WILLIAM R. LaROCQUE**, director, industrial hygiene field service, Liberty Mutual Insurance Co., Boston, Mass., warned that in laboratories chemicals must be checked for their effect on employees. Chemical injuries most frequently occur in the form of skin rashes, chemical burns, splashes on the eyes, respiratory injuries or systemic toxicity.

He advised that reference material be handy to check out materials and to obtain factual information.

Clifford Burriss, manager of safety, International Business Machines Corp., Erldicott, N.Y., described the involvement of personnel in the total safety environment in a manufacturing facility. He said that the employees must realize that the company can't guarantee 100% safety without some effort on the part of all employees.

**MR. BURRIS** recommended that the line manager, who selects employees for particular jobs and trains them, should be responsible for the overall housekeeping of equipment and protection of the plant.

"Safety is not a sometime thing, it's 100% of the time," said Joseph Rivin, chief inspector, division of industrial safety service, Department of Labor, New

York. He maintained that the teaching of safety should begin in grade school.

To afford adequate inspection of factories, Mr. Rivin looks to the day when one government unit will service a plant from the

pouring of the foundation to the final occupancy.

Mr. Rivin said that state inspectors today inspect every factory and mercantile establishment where one or more persons are employed.

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