Loss prevention's role in alert risk management

see safety section pages 14 to 26

business insurance

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Roddis rules in Mini-Met tax controversy

SAN FRANCISCO—Minimum premium plans, a subject which has caused sharp differences of opinion between the Metropolitan Life Insurance Co. and other insurance giants, principally the Aetna Life Insurance Co., were brought into focus again in a ruling made by California insurance commissioner Richard S. L. Roddis.

California is the first state to specifically rule on the tax status of minimum premium plans, although 34 other states have approved the plans.

As one expert explained, it's "always assumed" that the approval of a form by a state insurance department implies "tacit agreement" of its tax status, but "this needn't be the case."

The controversy involved Metropolitan's so-called "Mini-Met" group policy, an outgrowth from a coverage the company developed in 1962 for Caterpillar Tractor Co.—usually known as the "Met-Cat" plan.

Under the plan, a corporation agrees to pay a predetermined level of annual claims directly from its own funds. This reduces premium paid to the carrier and lowers the state premium taxes.

THE ISSUE in California has been whether funds deposited by a corporation for paying claims is self-insurance—and therefore not subject to state premium taxes—or whether these deposits should be considered insurance premium.

Commissioner Roddis has ruled that "the funds deposited

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Senior decries U.S. comp bills

NEW YORK—Two workmen's compensation bills now before Congress—one on supplemental payment to uranium miners, the other establishing federal safety standards for manufacturing plants—are "a foot in the door" to federalization of the state workmen's compensation system.

This was the warning from S. E. Senior, chairman of the workmen's compensation board of New York, to members of the New York Claim Assn.

The uranium miner's compensation act would provide federal supplements to state workmen's comp benefits for uranium miners or their survivors in case of total disability or death resulting from lung cancer due to radiation exposure. ▪

Tornadoes did an estimated $2,000,000 damage in Greenwood, Ark. Residents remove debris after a late April tornado struck the town of 2,000, leveling most of the business buildings on the city square. Insured losses from tornadoes and hail in five other states are estimated at $6,500,000. The states include Indiana, Kentucky, Michigan, Ohio and Tennessee.

Wide World photo

Sea pollution bill puts liability on shipowners

WASHINGTON—If a sea pollution bill now before Congress is passed, most shipowners trading to and from U. S. ports would find themselves with greatly reduced insurance coverage, according to a British protection and indemnity expert.

The bill provides that in cases of oil spillage, the operator or owner of the ship must remove the lost oil from the water immediately, or else the U.S. government will arrange to do so with the owner fully liable—regardless of whether he was at fault. The only exception is when the spill was "an act of God."

"It is because one section of the bill violates two fundamental principles of shipowners liability insurance—negligence as the basis of liability and the right to limit any such liability in the absence of the owner's privity—that we earnestly ask you to reconsider certain aspects of this legislation," the House committee on public works was told by John C. J. Shearer.

Mr. Shearer is a partner of Thos. R. Miller & Son, London, manager of the United Kingdom Mutual Steamship Assurance Assn. He testified in behalf of a group of mutual shipowners' protection and indemnity associations which insure two-thirds of the world's tonnage, including 4,000,000 tons of U.S. flagships.

"If unlimited liability were imposed on the shipowner by such legislation, it would be uninsurable as such," Mr. Shearer stated. "I do not believe that the directors of the protection and indemnity associations forming the London group would accept such unlimited liability. They would surely consider that the risk would be too great and that furthermore it offended against the principle of mutuality in that all members would be asked to share in an absolute and unlimited risk assumed in practice only by shipowners trading to and from the U.S."

Mr. Shearer said the group would have to restrict its coverage to between $10,000,000 and $15,000,000 with respect to each vessel involved in any single accident.

"It is possible that the shipowning subsidiary companies of the major oil companies might be able to assume liability for claims exceeding such a sum; frankly, I doubt it," he said. ▪

Bunge's salad oil case appeal involves claims of $300,000,000

NEW YORK—A cross current of liability claims amounting to some $300,000,000 against parties involved in the salad oil scandal could be diverted to insurance companies, pending the outcome of an appeal filed in a federal district court here.

A lower court ruling held that Bunge Corp. couldn't collect from its insurance company, London & Overseas, for $12,000,000 of some $20,000,000 in losses because Bunge had already settled with American Express for $8,000,000.

The ruling also blocked London & Overseas from taking over the claim from Bunge and proceeding against American Express.

THE SALAD OIL scandal evolved in the early 1960's with the discovery of huge oil shortages in a warehouse operated by an American Express subsidiary warehouse in Bayonne, N.J.

American Express, which was operating under a lease from Allied Crude Vegetable Oil Refining Corp., was charged in suits as being negligent in overseeing the warehousing unit.

At least 16 other insurance companies, including Insurance Co. of North America and Continental Insurance Co., have claims amounting to $240,000,000 pending in several courts.

THE VERDICT OF the Bunge appeal, which was filed in the second circuit court of appeals in March, could affect the suits involving the insurance companies. In addition to Bunge, American Express and London & Overseas also filed briefs in the appellate court.

Bunge stated in its brief that it had the right to enter into a "good faith" settlement with American Express for $8,000,000 without the consent of its insurer, London & Overseas, and that the "exercise of that right in no way releases the insurer from any obligations,"—in this case the additional $12,000,000.

"In making the settlement with American Express, the interests of London & Overseas were fully respected," said Bunge. "The entire net proceeds of this settlement will inure to the benefit of London & Overseas in the event of its liability to Bunge."

Another appellate brief filed by Bunge stated that the firm never disputed that its insurer would be entitled to a credit for any net amount Bunge recovered from American Express.

Bunge, an export-import agent, also stated that when the oil shortage was discovered the company filed a proof of loss against London & Overseas which was rejected by the insurer for the following reasons:

- Nonexistence of the oil at the time the insurance was placed;
- Nondisclosure, concealment and misrepresentation in obtaining the insurance; and
- The contract was null and void from its inception.

"London & Overseas, having denied liability, gave us (Bunge) the right to settle with American Express without affecting its right against its insurer," said Bunge.

BUNGE ALSO CITED several court cases (*Merchants Indemnity Corp. vs. Eggleston*, 1962; *Gordon vs. Massachusetts Bonding & Insurance Co.*, 1920; and *Matthews vs. Glens Falls Insurance Co.*, 1959) supporting its claim that London & Overseas is liable for Bunge's loss.

Bunge, admitting its settlement with American Express was intended to be final and complete, said "there is nothing to justify an implication by London & Overseas that the settlement was intended to shift a larger burden of the liability to

Continued on page 33

Crane Co. buyer pleads not guilty

NEW YORK—A Crane Co. former assistant treasurer charged with four counts of grand larceny and one count of conspiracy pleaded not guilty April 22 in New York county supreme court.

According to the indictment, George F. McDermott allegedly set-up a "paper" insurance company, Global Risk Underwriters Ltd., in Antigua, British West Indies and funneled $870,000 worth of Crane Co.'s excess coverage into the company.

Views on corporate insurance management are voiced by 18 insurance executives representing industrial companies across the country. The workshop was sponsored by the American Management Assn.

Cohen, Rockefeller differ on starting national health plan

WASHINGTON—The new boss of the Department of Health, Education and Welfare has testified against a national compulsory health insurance program, after three earlier Senate witness endorsed such a plan.

Wilbur J. Cohen, testifying before a Senate government operations subcommittee on health care costs, said he no longer thinks a compulsory health plan, which he supported 20 years ago, is "workable" or "acceptable."

Earlier in the hearings, New York Gov. Nelson A. Rockefeller, and Olcott D. Smith, chairman of Aetna Life and Casualty Co., both approved a national health plan. Gov. Rockefeller has proposed a state-wide health insurance program to be financed by employers and employes.

IN ADDITION, Dr. Martin Cherkasky, director of the Montefiore Hospital and Medical center, called for "a combined system of public and voluntary financing" to cover all of a person's medical expenses. Both Dr. Cherkasky and Mr. Smith said a unified approach is needed to supplant the current uncoordinated, fragmented medical system.

Mr. Smith, in his prepared testimony, suggested that a high level advisory council be set up to find coordinated solutions to the medical care problem.

Council members would include the surgeon general; the chairmen of existing advisory councils on Medicare, Medicaid and regional medical programs; representatives of medical and nursing schools, hospital administrators, the medical profession and health insurers.

Mr. Cohen, in explaining his change of heart, pointed out that more than 80% of the population is now covered by private health insurance for at least a portion of their medical costs—mostly for hospital care.

HE ADVOCATED an upgrading of private insurance coverage to include preventive, ambulatory, therapeutic, diagnostic and rehabilitation services and also mental illness.

Mr. Cohen also called on doctors to exercise "greater voluntary restraint in fee increases." He noted that doctors' fees rose 7% in 1967—two-and-a-half times greater than the increase in all consumer items and two-and-a-half times greater than the rise of fees in 1960-65.

Sen. Abraham A. Ribicoff, (D., Conn.), subcommittee chairman, noted that the cost rise coincided with the start of Medicare in July, 1966. Robert M. Ball, Social Security commissioner, said if this trend continues it would be "disastrous" for old people served by Medicare "and for all patients generally."

"We cannot let rising health costs become a barrier between our people and the medical care they need," he told members of a Senate subcommittee examining hospital costs. Gov. Rockefeller pointed to payrolls, medical progress, management practices and new programs as factors forcing hospital costs to rise.

He said Medicare and Medicaid were also responsible for driving hospital costs up.

"I DID NOT regard Medicaid originally, nor do I regard it today, as the ultimate answer to guaranteeing the people's right to good medical care," he said.

"The best first line of health protection is still, in my view, a system of contributory health insurance," the governor continued. "The greatest failing of publicly paid medicine, like Medicaid, is that it contains no self-restraining force to curb abuse and excessive expansion."

Health insurance, on the other hand, he contended, would give beneficiaries a direct stake in the management of the system, underscore a sense of self-reliance, avoid the welfare stigma and enable "us to build on the existing and well-developed base of our present private and nonprofit health insurance companies."

Gov. Rockefeller described proposals for compulsory health insurance in New York made in 1967 and again in 1968. This year's legislation, termed the Health Security Act, called for contributory health insurance financed by the employer and employe.

THE ACT ALSO makes the hospital's reimbursement rate conditional on its management efficiency, so that good management practices would be financially rewarded while poor practices would be discouraged.

Basically, the bill provides for 120 days of semi-private in-hospital care including maternity, psychiatric care and ancillary hospital services; 100 days of home care; hospital out-patient diagnostic services; and hospital outpatient care for accidental injury or emergency illness.

Further, he said, the act contains built-in management incentives by offering, for example, better reimbursement rates to hospital pool services. ▪

O. N. Wampler Jr. elected president of St. Louis ASIM

ST. LOUIS—New officers elected for the St. Louis Chapter of the American Society of Insurance Management for 1968-1969 include O. Nelson Wampler Jr., American Zinc Co., president; I. A. Johnson, May Department Stores, vice president; M. G. Zimmer, Emerson Electric Co., treasurer; and R. E. Koopman, Interco Inc., secretary.

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'BI' selected as recommended reading by Insurance Institute

BRYN MAWR, Pa.—The Insurance Institute of America is recommending *Business Insurance* as collateral reading for the some 300 candidates who will be studying for its risk management exams during 1968-69.

"The institute has been looking for some time for a publication which will keep candidates up-to-date on insurance developments as they affect the insurance buyer. *Business Insurance* does this most admirably," according to George L. Head, director of educational publications.

Mr. Head said *Business Insurance* will be recommended reading for those who "wish to increase the depth of their knowledge beyond the minimum required for national examinations."

The other publications which will be designated as recommended reading for risk management candidates are The National Insurance Buyer, published by the American Society of Insurance Management, and CPCU Annuals.

Candidates wishing to subscribe to *Business Insurance* may send subscriptions ($8 a year) to Circulation Director, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611. ▪

Nationwide jumps into payroll auto insurance; others continue studies

COLUMBUS, O.—As Nationwide Mutual announced its entry into the marketing of group-type auto insurance, other major writers not presently selling such plans said that they are studying them to determine their effect on underwriting results, actuarial projections and established sales organizations.

Nationwide Mutual, the fifth largest auto insurer in the country, is expected to begin group marketing of automobile insurance on a payroll deduction basis, early this month. The company has canvassed a dozen major industrial prospects in Indiana and one is expected to be closed shortly.

On the average, the company anticipates that group rates will be about 8% below base rates currently being offered. Policies will also include a five-year renewal guarantee, the same as provided by Nationwide's regular contracts.

The company will be expanding into those states where it has an agency system such as Florida, Maine, West Virginia and Ohio. It is understood that Nationwide's first group client is a teacher's group in Mishawaka, Ind.

Studies of group auto underwriting are being conducted by task forces at State Farm Mutual Automobile Insurance Co., Bloomington, Ill., the nation's largest auto insurer with coverages on 10,500,000 cars.

"We are making statistical studies of the effect of group auto from actuarial, agency and underwriting aspects," a spokesman said. "But the potential effect on our agency setup is the most important factor. With an exclusive agent organization it is obvious that somebody is going to get cut if group-type auto insurance is sold at low commissions or by staff representatives at no commission at all."

State Farm officials said they are "looking at group auto because it looks like a thing that will be a marketing factor for several years to come, if not for a longer period." They pointed out, however, that most so-called "group auto plans" are not true group programs because they require the application of individual rating factors for participants. State Farm, in its intra-company discussions, refers to these plans as "group-type" coverages.

A SPOKESMAN for Allstate Insurance Co., said its research department had payroll deduction auto coverages under study with no indication that it would market such plans in the near future.

Like State Farm, Allstate has an exclusive agent organization. Allstate is considered the second largest auto insurer in the U.S.

Continental Casualty, with what it calls its personal security plan, is one of the leaders in payroll deduction, group-type insurance. A Continental spokesman said the company has more than 50 major accounts with a total potential "audience" of 157,000. Once a company signs up for a payroll deduction plan, the insurance company is allowed to market the plan to individual employes.

Some of the Continental clients include Montgomery Ward & Co., Rand Corp., and Certified Grocers of California. Continental is also marketing a homeowners policy, in addition to the automobile plan.

Last month, Continental was given the go-ahead to market payroll deduction plans in Colorado, considered a kind of breakthrough for companies selling mass merchandising plans. Colorado Commissioner of Insurance J. Richard Barnes had originally denied a request to market these programs because of what he termed lack of data.

AT A RECENT Mutual Insurance Technical conference, J. J. Chastain, dean of the American Institute for Property and Liability Underwriters, reported a poll of 500 underwriters revealed that 70% were opposed to mass merchandising but that 90% believed it was inevitable.

Mr. Chastain also pointed out that there is opposition among some state insurance regulatory officials and that there was considerable support among insurance buyers.

However, buyer support was not borne out in an informal showing of hands at the annual American Society of Insurance Management meeting in Chicago last February.

Buyers on a panel, discussing payroll deduction insurance, as well as some members of the audience, exhibited some resistance to mass merchandising. There was resignation on the part of some that it would become a union bargaining factor in the near future, however.

THOSE BUYERS who voiced an opinion at the ASIM conference believed that payroll deduction plans would lead only to additional administrative burdens.

There is, however, a growing group of buyers who have extolled the advantages of payroll deduction plans. Salvatore Mirenda, insurance analyst for the Port of New York Authority, is one.

In a talk to the New York chapter of the Society of Chartered and Property and Casualty Underwriters, he cited these advantages:

- Initially, the plan can be installed with no premium outlay by the employer.
- The employer provides an additional fringe benefit and improved employe morale.
- The employer can institute his own accident prevention program and could conceivably lower costs in salary continuation and life insurance areas.

Continued on page 7

Yardley insures impossible dream

NEW YORK—Yardley of London is offering free $10,000 insurance policies to users of Jaguar aftershave lotion or cologne who are maimed, mauled, trampled or dismembered by "50 or more frenzied females caused by the use of Jaguar." The Lloyds of London policy covers hospitalization expenses of up to $100 per day. The insurance offer is being promoted via point of sale posters and displays. Young & Rubicam is the agency.

Edgar H. Delamater (left) was guest of honor at a retirement reception and luncheon held by Boit, Dalton & Church, Boston. Colby Hewitt Jr., president of the broker, discusses the firm's tribute to his 30 years' of service at Boit, Dalton, the Edgar H. Delamater Book Fund, established at Wesleyan University's Olin Library.

Marsh Mac stockholders approve purchase of officers' coverage

CHICAGO—Marsh & McLennan stockholders have approved an amendment to the bylaws to permit the insurance brokerage firm to buy officers' and directors' liability insurance.

The amendment was approved at the company's April 25 annual meeting. Other amendments included approving an additional 100,000 shares of common stock to be reserved for use under the company's qualified stock option plan.

In a brisk 45-minute meeting, the stockholders also reduced the number on the board of directors to 19. Irvin E. Houck and George Watkins had requested retirement.

THE MOVE TO authorize officers' and directors' liability cover came after a change in Delaware corporation law in 1967 which allows broader directors' and officers' indemnifications.

A suit involving a former Marsh & McLennan director and officer is pending in the Cook county circuit court.

Mr. Watkins is a third-party defendant in a counterclaim against the company which alleges damages resulting from a purported disclosure of confidential information by the company to competitors.

The amendment adopted at the annual meeting affords protection to any director, officer, employe or agent, as well as others designated by the company.

THE AMENDMENT also allows the company to advance expenses in any suit provided that that person agrees to repay such an advance if it is determined that he is not entitled to indemnification.

The company would buy at its expense officers' and directors' coverage and would not afford protection if negligence or misconduct is proved.

In the notice of the annual meeting, the company lists the salary, company contributions to savings plans, and estimated annual benefits on retirement of 18 officers and directors.

WILLIAM F. Souder Jr., president and chief executive officer, was paid $142,023.08 in salary, bonuses and incentive compensation. He also collected $2,124.96 in company contributions to the savings plan and his estimated annual compensation on retirement will be $27,090.

Salaries of other top officers included $87,196.16 to John L. Farley Jr., exec vp; Henry W. Otis, exec vp, $86,363.66; Albert A. Morey, chairman of the board of directors, $82,546.95; Newell P. Weed Jr., exec vp, $72,752.06; and Donald B. Clark, president of Canadian subsidiary, $70,719.00. This does not include the company's contribution to the savings plan.

IN A NOTE of levity, it was pointed out that the firm's ticker symbol MMC had given rise to the nickname "Mickey Mouse Corp." among investors. The company was listed on the New York and the Midwest stock exchanges Feb. 19. It is the only insurance broker on the Big Board.

The board of directors planned a two-day meeting after the stockholder meeting. One item certain to be discussed was possible acquisitions and diversification moves by the company. It had hired a management consultant firm to report on the possibility of such moves, and it was expected that the board would discuss this report. ▪

Reynolds uses sliding scale to communicate profit sharing

Articles in the Jan. 1 and Jan. 29 issues of Business Insurance detailed the property and liability and group life and health insurance programs of R. J. Reynolds Tobacco Co. The following story deals with the firm's profit-sharing plan.

WINSTON-SALEM, N.C.—An effective communication procedure using a sliding scale lets R. J. Reynolds Tobacco Co. employes know at a glance how much they have invested in the firm's profit-sharing incentive plan.

In the employe's manual on profit sharing, an employe can refer to one of three scales to determine just how much he has in his investment account. Two of the scales show an employe how much he has in the account assuming $100 added each year, a 6.5% annual investment increase and that he elected to invest the full amount of his profit sharing. A third scale illustrates full versus partial investment of profit sharing.

An employe qualifies for plan membership on the first day of the year following date of employment, Bynum Tudor, administrator of benefit plans, explained.

Reynolds' contribution to the plan is based on a detailed formula but the "company average for the past ten years has amounted to approximately 13% of an employe's annual earnings," said Mr. Tudor.

THE CURRENT PLAN, introduced in 1956, is "tailored to meet present and/or future needs depending upon the employe's choice," the Reynolds executive said.

"By choice we mean an employe can elect each year to have all or one-half of his share of that year's profits invested for his benefit by the plan trustee (the Wachovia Bank and Trust Co.)," he said.

Should the employe elect to have one-half his share invested, he then receives the other half in cash during the early part of the coming year. That amount which is invested, whether full or partial, goes into two accounts, a stock account and a general account.

According to Mr. Tudor, the trustee purchases shares of Reynolds' stock with the stock account and invests in bonds, notes, common and preferred stock and other securities with the general account.

The employe's investment account is reserved for him until retirement or termination of employment. He may take his profit-sharing either in a single cash payment, in a combination of cash and company stock, in monthly installments over any period up to 15 years or in the form of an annuity from an insurance company.

"BUT FOR CERTAIN hardship cases an employe may draw upon his investment account within certain practical and legal limits, determined by the profit sharing administration board," Mr. Tudor said.

He defined four categories under which hardship cases fall, including a college education for unmarried children, preventing foreclosure of a mortgage on a house, meeting necessary medical expenses and providing funds for support of dependents while an employe is away on military leave.

"However, our administration board determines the merits of each case and the amount of money granted," Mr. Tudor emphasized.

The company holds the profit sharing administration board responsible for carrying out the provisions of the plan and presenting an annual report to the board of directors.

The value of an attractive profit-sharing program benefits the company as well as the employes, he believes. "Our program has helped reduce employe turnover, created more profits, reduced employe absenteeism and helped in recruiting," he added. ▪

Labor drops out of compensation unit

Organized labor in Oregon has withdrawn its three members from an advisory committee formed to develop harmony under the new state compensation system. The committee consisted of three representatives from labor, employers and the public.

A. C. Hart

Name director of insurance at Del Monte

SAN FRANCISCO—A. C. Hart has been named insurance director of Del Monte Corp. He succeeds William J. Prucha who retired.

Mr. Hart has a degree in insurance underwriting from Golden Gate college and was an insurance broker for 14 years before joining Del Monte in 1960. He was named manager of the food company's liability section in 1962 and became acting insurance director in 1967.

Mr. Hart is a member of the San Francisco Insurance Forum and the American Institute for Property and Liability Underwriters as well as the Northern California Chapter of ASIM. ▪

INA reinsures more riot risks

PHILADELPHIA — Insurance Co. of North America has increased the amount of its reinsurance on catastrophic losses caused by riots.

At its annual meeting, INA said it will now pay the first $3,000,000 of losses on riots, down from $5,000,000 a year ago. Reinsurance has been arranged for an additional $15,000,000—up from $7,000,000 a year ago.

The carrier placed its share of the recent riot losses at $3,000,000.

Safety engineer angrily scores federal health and safety bill

SAN FRANCISCO—Members of the Northern California Chapter of the American Society of Insurance Management heard a bitter attack on the Occupational Health and Safety bill now pending in Congress.

A. H. Christian, safety engineer for American Viscose and chemical divisions of FMC Corp., asked the ASIM chapter for help in opposing the legislation.

"Should this measure become law," Mr. Christian predicted, "the end result could be the complete wiping out of state workmen's compensation systems as we know them now.

"This is hastily and badly prepared legislation," Mr. Christian added, "It would literally make the Secretary of Labor the absolute czar over safety in the U.S.

"NO ONE can legitimately be opposed to any honest effort to improve industrial safety conditions. However, this bill is an evil thing."

The bill would permit the Department of Labor to establish mandatory safety standards and regulations and would provide civil and criminal penalties for violations.

"The Secretary of Labor," Mr. Christian continued, "would be handed a blank check to set up a company's safety program and then turn around and charge the company for this service."

Mr. Christian warned that a strict interpretation of the existing language of the legislation "would help stimulate featherbedding by labor" and would also "preclude a struck plant being operated by management people."

Two desirable features of the bill, Mr. Christian said, are that the legislation "focuses attention on the problems of industrial safety" and also would provide funds for loss prevention research.

The cost of administering the program, Mr. Christian concluded, "would become astronomical" and would require the "full-time services of 4,000 to 6,000 safety engineers throughout the nation." ▪

Honda named Hawaiian insurance commissioner

Edwin H. Honda, a Honolulu attorney, was named insurance commissioner to succeed Sidney I. Hashimoto.

Mr. Honda, who served on the state board of education will assume his duties as commissioner after the start of the year.

Electronic assn. gives month's premium credit

EVANSTON, Ill.—A $59,834 credit on life and medical insurance plans has been announced by the Electronic Representatives Assn. Insurance Trust.

The refund will be one month's premium credit to all members.

Extended benefits covering an increase of liability on each medical claim from $15,000 to $50,000 and an extension of tenure from two to five years were also announced. Maternity benefits were also increased from $150 to $350 a claim.

THE TRUST developed from a group life insurance program and now includes medical, salary continuance and accident coverages. The life and medical plans have 1,700 participants each; the salary continuance plan, 1,200 and the accident plan, 1,800. Total life insurance volume exceeds $25,000,000 and accident insurance exceeds $65,000,000. Total gross premiums billed last year were $862,000.

The trust also will offer dental insurance, and a profit-sharing program.

Association members are salesmen of electronic manufacturers. ▪

EDP growth forces buyers to look at new risk

By LOUIS HAUGH

ST. PAUL—As more and more companies become "married" to electronic data processing equipment, whether by lease or by purchase, insurance managers face new risks and must explore various coverages for EDP equipment.

No fewer than six insurance companies offer special EDP coverages. The St. Paul Insurance Cos. were the first to offer the policies in 1961.

That more and more insurance managers will be faced with EDP insurance decisions is evident in projections of the growth of such installations. It is estimated that there were 35,000 EDP installations in the U.S. last year and that this will mushroom to 60,000 in 1970 and 85,000 by 1975.

The St. Paul began investigating the market for EDP coverages after a fire ravaged a Pentagon computer area on May 2, 1959, with an estimated $6,700,000 in damages.

OTHER EXAMPLES of losses in EDP equipment include a $400,000 loss in equipment and supporting software in an overseas operation. The equipment was located in the same area with a storage area of various plastic parts.

A fire began in the plastic storage section, and when the fumes mixed with the water from fire extinguishers, a chlorine-type gas was created that corroded the EDP equipment.

Another EDP loss occurred in a New York bank. The smoke from a fire in an adjoining building was sucked into air conditioning intakes, damaging the memory drum of the computer. Not only was the drum lost, but so was the information on the drum, to the tune of a $30,000 claim.

An eastern university decided to move some plumbing lines and in the process flooded the basement area where the EDP materials were stored. Punch cards and tapes spent the week end "at sea" and the "voyage" cost $50,000.

A trio of experts at the St. Paul Cos. agrees that meaningful actuarial tables are still to be developed in the EDP area and that rating is difficult because coverages are relatively new and the spread of risks relatively small.

However, they contend, insurance managers are generally unaware of the high dollar losses EDP risks can represent. The relatively high value of EDP machines, the high cost of replacing data after a loss, and the vulnerability of EDP to such things as smoke, water and changes in temperature can often be surprising and "may leave the insurance manager with egg on his face," according to one EDP insurance expert.

EDP coverages can be purchased for the equipment, the data processing media, extra expense, valuable papers and records, accounts receivable and business interruption. There is also a third party errors and omissions policy to cover data processing done for outside clients. Policies can be written with first dollar coverage to deductibles of more than $100,000.

VALUES INSURED can be staggering. For example, one company has $50,000,000 coverage for business interruption and extra expense alone. The company estimates that this amount represents an anticipated 10% drop in income if its computer were to fail.

"Media and extra expense often represent larger dollar exposure than equipment," Gordon Paine, executive assistant in the St. Paul property and commercial lines department, told *Business Insurance* "An EDP policy can account for the unique operation of specialized equipment and fills a gap that exists in general building and contents coverages. In addition, an insured may pick and choose coverages that may be ruled out by exclusions in other contracts."

G. HENRY ANGELL, secretary in charge of St. Paul's property and commercial lines department, added that rating structures for regular office equipment may not take note of unique features of EDP.

Mr. Paine urged that insurance managers review lease agreements to see what exposures, if any, are passed on to lessees. "EDP premiums can be altered, depending on lease agreements," he noted. "Some agreements are silent on responsibility in the event of loss, others provide named peril responsibility."

Mr. Paine pointed out that media (data that can be used by EDP machines, such as punch cards, tapes, discs and drums) can represent a large dollar loss.

"Companies can have a great deal of money and time tied up in programming that, if lost, may have to be replaced in a hurry under less-than-ideal conditions," he said.

Insurance managers should establish replacement values after discussing it with EDP experts in the company. "They aren't easy to determine," Mr. Paine admitted, "but some sort of guesstimate is essential."

Location of EDP equipment and special precautions in caring for it also pose special challenges that insurance managers must face, Ronald Nelson, regional superintendent of the St. Paul engineering division, pointed out.

Insurance companies follow National Fire Protection Assn. recommendations in setting rates. "NFPA bulletin 75 is our bible," Mr. Nelson told *Business Insurance*, "and insurance managers would do well to use it to offer advice to management to keep premiums and exposure to risk down."

Mr. Nelson recommended that insurance managers use the engineering expertise of carriers in making certain that EDP exposures are minimized.

In third party coverage, the basic rate is $1 for each $1,000 of gross receipts, and there a $1,000 deductible is common. ▪

Connecticut supreme court decides malpractice and work comp cases

HARTFORD, Conn.—A Connecticut doctor again faces a malpractice accusation and a Connecticut worker is assured workmen's compensation as results of decisions filed by the state supreme court.

The malpractice suit brought against Dr. Nicholas Nickou of Branford, Conn. reached a stalemate when a superior court jury was unable to agree upon a verdict.

The physician had requested the state's high court to make a declaratory judgment in his favor, thus erasing a negligence charge. The suit had been previously denied by Superior Court Judge John C. Fitzgerald.

THE ACTION WAS instituted by Mrs. Aeline Console of East Haven, Conn. who charged that a needle was left in her body after delivery of her third child on March 1, 1959.

She complained of pain and discomfort, but Dr. Nickou was unable to determine the cause. Finally, he refused to see her any more, according to testimony.

Mrs. Console saw two other physicians, who were unsuccessful in treating her. The needle finally worked itself loose through her thigh about 15 months after the birth.

Dr. Nickou has appealed to the high court on the grounds that there were no expert testimonies to prove negligence. The high court, however, contended that his testimony was sufficient to withstand the test of expert testimony and he "provided evidence which was clearly sufficient to support a verdict."

At the same time, the court ruled a lone employe may receive workman's compensation if his employer usually employs more than one person.

The high court's ruling clarified the 1961 revision of the Workman's Compensation Act.

THE ACTION BEFORE the court was brought by Sherman F. Klapproth, who sustained a back injury while the only employe of James Turner, Orange, Conn. builder

Mr. Turner argued that the law applied only to employers with two or more workmen. Mr. Kapproth was hurt during a one-week period when he was Mr. Turner's only helper.

The high court noted that the 1961 revision referred to anyone "using the services for pay of two or more employes" and it still clearly includes both Messrs. Turner and Klapproth.

Commenting that for several months prior to the accident Mr. Turner had employed two or more people, the court said, "No firm protection would be afforded the employe if . . . his right to compensation was made to depend upon the fluctuating number of his fellow employes as determined by the whim either of his employer or of his fellow workers" ▪

Utah's fire insurance rates climb

SALT LAKE CITY—Utah, with the exception of its population centers, has little or no fire protection—a condition which has caused fire insurance premiums in these areas to skyrocket, according to a survey by the state fire marshal.

Of the 235 cities and towns in that state, 104 of them have no organized fire departments, either on a paid or volunteer basis. Of the 131 communities with fire departments, 121 are in areas which have a 7 or higher fire protection classification (on a 10 maximum rating system), reported fire marshal Robert A. Tanner.

Salt Lake City, with a classification of 3, has the lowest rating in the state. Ogden, second largest City in Utah, has a rating of 4. Eight cities have ratings of 5 or 6.

FIFTY COMMUNITIES, however, have ratings of 7 or 8 and 71 have ratings of 9 or 10.

"This means that most of the state is paying at least three times as much for fire insurance as is being paid in Salt Lake City," said Mr. Tanner. Currently, about $62,000,000 is paid annually in Utah for fire and casualty premiums, reported the fire marshal.

"The vast majority of our towns have virtually no fire equipment," Mr. Tanner told *Business Insurance*. "These little towns can't put up the $40,000 it takes for a fire engine."

Some relief, however, may be in sight as legislation now before Congress would provide federal help to unincorporated communities to buy fire equipment.

Only four cities in the state have fully paid fire departments. They are Salt Lake City, Ogden, Provo and Logan. A number of other cities have part-paid, part-volunteer departments, but the vast majority of departments are manned solely by volunteers.

Mr. Tanner, who estimated there are 3,500 volunteer firemen in Utah, said it is getting increasingly harder to get volunteers. ▪

Voluntary pool in Los Angeles insures 553

LOS ANGELES—A total of 553 businesses in south-central Los Angeles obtain fire and extended coverage insurance through a voluntary "pool" set up by insurance companies.

W. J. Kinder, chairman of the committee which operates the pool, noted the volume of the facility has been "quite stable for some time, indicating that the normal market in the former 'curfew area' is very healthy."

Mr. Kinder said that fire and liability coverage for the pool risks amounted to $15,521,421, with about 2% of the owners in the area obtaining fire and extended coverage insurance through the pool.

The firms not written in the pool obtain their insurance through normal channels, have not reported any difficulty in obtaining insurance, or do not insure.

The pool consists of 106 insurance companies and Lloyd's of London. ▪

Report 149,000,000 have health coverage

CHICAGO—Nearly 149,000,000 Americans under age 65 have some form of health insurance, or about 85% of the civilian population not covered by Medicare, J. F. Follmann, director of information and research of the Health Insurance Assn. of America told a conference on insurance sponsored by the American Dental Assn.

In a talk about trends in health insurance, Mr. Follmann said coverage has grown from 8% in 1938 and from 42% of the population in 1948. He reported that of those having private insurance protection, 57% are protected by insurance companies, 38% by Blue Cross, Blue Shield and other medical societies and 5% by other miscellaneous plans.

In 1960 these proportions were 55%, and 41% and 4%, Mr. Follman said.

"Of the more than 93,000,000 persons covered by insurance companies, almost 75% are covered under group insurance plans," Mr. Follmann pointed out. "This proportion, which has been increasing steadily, is a significant trend from several standpoints:

"IN THE VAST majority of cases, the employer shares in the insurance costs. In many, and an increasing number of cases, the employer pays the entire cost of the insurance.

"The coverage can be tailored to the needs or wishes of the group. This means that a high degree of consumer sophistication is brought to bear on all decisions concerning the nature and scope of coverage.

A spokesman for Blue Cross Assn. told *Business Insurance* that as of Dec. 31, 1967, 65,700,000 persons were enrolled in its program, 51,700,000 (79%) in group coverages, 8,800,000 (13%) in non group and the remainder (8%) in other programs such as Medicare.

Other trends Mr. Follman pointed to included an increase in the number covered by comprehensive major medical insurance. More than 55,000,000 persons or 60% of those with health coverage from insurance companies have major medical, up from 9% in 1955 and 37% in 1960. In 1948, insurance benefits covered 27% of the expenditures for hospital services and now the proportion is 72%, or more than $8.5 billion, he said.

In addition, more than 55,000,000 persons have some type of coverage for prescribed drugs, most of which comes under existing health coverages, such as major medical policies that include payment for prescribed drugs.

HE SAID THAT some 4,000,000 persons in the U.S. have some form of insurance or prepayment protection against the cost of general or comprehensive dental care. Insurance companies insure 1,700,000 persons, and dental service corporations the remainder.

At the end of 1963, insurance companies covered 335,000 persons under dental programs, Mr. Follman stated, and by 1967 the number covered jumped to 1.7 million. The number of groups companies for dental care, Mr. Follman explained.

THERE ARE three types of plans provided by insurance companies for dental care, Mr. Follman explained.

- Type A is a scheduled plan that provides dollar limits on dental expense claims on a 100% or percentage amount.
- Type B is a comprehensive plan providing percentage reimbursement of 50% to 80% after an initial deductible. There is an over-all maximum, and benefits are based on customary and reasonable charges.
- Type C is a combination plan with scheduled dollar limits as well as a deductible on some or all covered expenses.

Mr. Follman said 72% of those covered have type A plans, 20% type B, and 8% type C. The largest number of employed groups (22%) have type B plans. In 1966, benefits paid under all plans were more than $25,000,000, he stated.

MR. FOLLMANN said the insurance industry has shown in recent months a "willingness to examine" dual choice health insurance programs whereby members of insured groups could elect between receiving services on a prepaid basis through a comprehensive group practice arrangement or receiving indemnity benefits against the costs of free choice, free-for-service care.■

Group auto . . .

Continued from page 2

- The initially cost-free benefit, could, during labor negotiations, be a substitute for a more costly demand.

Mr. Mirenda said that at least 20 companies sell payroll auto plans in New York state, often at rates that are about 15% lower than comparable individual coverage.

MEMBERS OF the United Auto Workers are expected to discuss mass merchandising plans at its annual convention in Atlantic City this week. Several locals have passed resolutions to make payroll deduction plans a bargaining point.

In a recent meeting with Walter Reuther, UAW president, other union officials and insurance industry officials at Solidarity House, the lone clear impression that resulted, according to one source, was that unions would be looking at these plans as an additional fringe benefit.

The UAW and at least one auto manufacturer have an informal agreement to study payroll insurance plans.

Another insurance company offering group-type plans is Insurance Co. of North America.

Irving Field, an insurance specialist at Washington State University, estimated that group policies account for 5% to 10% of the $13 billion in auto and property insurance premiums today and that this will hit 15% by 1970.

Helen Morrissey, insurance manager at Consolidated Edison Co., New York, said that Fireman's Fund American Cos., San Francisco, has provided group auto cover for its employes for 30 years. ■

Vermont, Wisconsin deny riot surcharge

MONTPELIER, Vt.—The Vermont insurance department has rejected a request for a 2% civil disorder surcharge on fire and extended coverage premiums.

Vermont joins Missouri, Wisconsin and Maryland in denying surcharge increases.

In addition to a 2% increase, the New England Insurance Rating Assn. also asked for a hike of $1 per policy each year for homeowners insurance.

Banking and insurance commissioner James H. Hunt said the requests presented a special problem in Vermont since the possibility of riots here is so remote. He said the rating association has urged him to grant the requests on the theory that the losses attributable to civil disorders constitute a national problem and should be shared by all citizens of all states rather than just those who reside in the affected areas.

"I do not feel it is within my power or responsibility to commit Vermont policyholders to pay a specific extra surcharge for the benefit of policyholders in urban areas," Mr. Hunt contended.

He said he felt that the spreading of such risks across total society was a matter for legislative determination at the national level.

In Wisconsin, state insurance commissioner Robert D. Haase has denied the riot surcharge. He said the proposed rates would be excessive and unfairly discriminatory.

He said that a state law which permits the victims of mob action to recover damages from governmental units lessens or eliminates carriers' exposure to loss.

THE FIRE Insurance Research and Actuarial Assn., Insurance Rating Board and the Multi-line Insurance rating board have announced that 15 states have approved extended coverage rate hikes.

In addition, 18 states plus the District of Columbia have approved increases for glass and theft coverages, and 22 states and the District of Columbia have approved a civil disorder exclusion endorsement to general liability policies written for governmental units. ▪

info for buyers

In the first twelve issues of *Business Insurance*, Reader Service Cards were provided to determine that *Business Insurance* readers wanted Info for Buyers material. Thousands of cards were received by us and processed for fulfillment of various requests for information.

Now that it has been proved dramatically that readers want Info for Buyers, we are putting readers in direct contact with publishers. We have eliminated the Reader Service Card and substituted the complete name and address of each supplier of information, so that *Business Insurance* readers can now write directly to the supplier for the information, simply saying they saw the item in *Business Insurance.*

As before, readers of *Business Insurance* 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 St., Chicago 60611.

• **"A Proposal for New Rules to Govern Pension Benefit Integration with Social Security"** is a new look at the entire problem put forth by the actuarial department of Johnson & Higgins. The book is aimed at pension planning experts and includes detailed and technical proposals. For a free copy, write Production & Coordination Dept., Johnson & Higgins, 63 Wall St., New York, N.Y. 10005.

• Bankers Security Life Insurance Society describes a plan to halt the spiraling costs of employe 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.

• First aid for injured eyes and the do's and don't's for eye safety are described in **"Guide to Eye Safety."** For this review of industrial eye hazards, write General Scientific Equipment Co., Limekiln Pike & Williams Ave., Philadelphia, Pa. 19150.

• A 15-page summary on the findings of Social Research Inc., Chicago research specialists engaged to conduct a study among industrial employes to determine their attitudes toward safety activities and safety media, is presented in **"When You're Speaking of Safety Is Anybody Listening?"** For a free copy, write Miss Mary Biwer, Adv. Dept., Employers Insurance of Wausau, 2000 Westwood Dr., Wausau, Wis. 54401.

• **"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 Mngr., National Fire Protection Association, 60 Batterymarch Street, Boston, Mass. 02110.

• **"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.

• **"Operation EDITH, Exit Drills in the Home,"** a 16-page booklet on home fire safety, can be used for employe distribution. It is available at 2¢ per copy from American Mutual Insurance Alliance, Room 2140, 20 N. Wacker Dr., Chicago 60606. Single copies are available free by sending a stamped, self-addressed envelope.

• **"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 or 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 employe 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. **"Safeguards against Employe 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.

• Designed for mailings, handouts and distribution to employes is a folder covering a ten-point program of safety practices which will keep workshops safe from fire. A sample copy is available without charge by writing Mr. Deuel Richardson, Public Relations Mngr., National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110.

• **"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 employe handouts the price is $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.

• **"Three Giant Steps to Management Control of Injury Costs"** details successful procedures for highly accurate estimation of total injury costs and apportionment. The booklet is free by writing Miss Mary Biwer, Adv. Dept., Employers Insurance of Wausau, 2000 Westwood Dr., Wausau, Wis. 54401.

• **"Do You Really Understand Coinsurance?"** Defines clearly the frequently misunderstood coinsurance clause applied to fire insurance policies. The seven-page booklet is free by writing Mr. Andrew J. Stika, Jr., Public Relations Dir., American Appraisal, 525 E. Michigan St., Milwaukee, Wis. 53201.

• **"1967 Study of Employe Savings Plans"** is a 132-page comprehensive survey of employe savings plans which qualify for tax advantages. The book includes savings plans adopted by large corporations in the U.S., and also plans of several medium sized and small companies. It is free by writing Mr. Charles E. Selinske, Ass't. Vice President, Bankers Trust Co., P.O. Box 1250, Church St. Station, New York, N.Y. 10008.

• **"The Dangerous Years"** is a 27-minute documentary film exploring juvenile crime in our country. Interviews and real-life situations are employed in seeking a solution to this present-day problem. For information on ordering the film and two supplementary brochures write Miss Joanne Twomey, Public Relations Ass't., Kemper Insurance, Mutual Insurance Bldg., 4750 Sheridan Rd., Chicago, Ill. 60640.

• 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.

• A four-page booklet, **"Here Is Your Answer,"** discusses the rising trend of employe theft and lists a formula for determining the necessary amounts of honesty insurance for any size or type of commercial firm. A copy may be obtained free by writing The Surety Assn. of America, 110 William St. New York, N.Y. 10038.

Big Top protected against 'any eventuality'

SARASOTA, Fla.—A shelter of unique insurance coverages protects "The Greatest Show on Earth" on its 98th season.

The combined Ringling Bros. and Barnum & Bailey Circus, the only major circus still on tour in the U.S., protects its people and customers "against any eventuality," said Rudy Bundy, general manager.

As the Circus toured north from Miami, its many unusual features meant that insurance coverages will change constantly.

"While most of the arenas in which we appear, or outdoor stadiums in some cases, have their own basic insurance, we always have special coverage of our own," the white-haired former band leader said. "Where we feel there might be additional hazards because of the type or age of the building, we have short term additional insurance. Sometimes it's just on the building, sometimes it covers more."

WHEN THE DAYS of the Big Top tents ended, one of the traditional coverage problems the circus faced was eliminated. For years, the circus had special coverage—and paid unusual premiums—for the Big Top tents.

With the 1968 season under way, Mr. Bundy expressed satisfaction that the insurance needs of the circus have been taken care of by R. B. Jones & Sons, a Kansas City, Mo. broker. The firm's Lou Lange Jr. oversees the program for the famed circus.

Circus insurance coverage, Mr. Bundy indicated, is perhaps among the most unusual of business insurance written. "The fact that it can be written at all," he suggested, "certainly is a tribute to the insurance industry's ability to meet any eventuality.

"Of course, our insurance isn't all handled by one underwriter," he explained. "It's spread around among a number of companies, but large portions of it are handled by Lloyds of London and Continental Casualty."

Additionally, individual performers often carry their own insurance, and these special hazards are ones Lloyds has been known to accept. Because the individual performers make their own separate contracts, in addition to those of the circus, there was no indication of how many of them maintain this type of insurance.

IN MOST INSTANCES performers' policies cover them in case of injury which limits their ability to perform. Most performers are members of the American Guild of Variety Artists, which provides medical and life insurance coverage for circus performers.

This year, with the addition of a number of new European acts, the circus' insurance program has an even more international flavor. *Business Insurance* was told that many of the European performers still maintain personal insurance with underwriters in their home countries, as well as with insurers in the U.S.

Considering some of the elements of the circus gives an idea of how varied the insurance program must be to cover all facets of the big top.

The circus' comprehensive general liability coverage is written on a retrospective basis through the Continental Casualty. Lloyds and other British insurers have accepted the excess coverage.

STANDARD ACTS with animals, though considered safe by the trainers and performers, involve unusual hazards should an animal suddenly do the unexpected. In such cases the circus must be prepared to meet liability to the audience and to the public in general. Likewise the high rope and wire acts, with cycles atop the wire, are additional hazards which also must be considered.

According to Mr. Bundy, through the years circus people have learned the necessity of safety and caution, which includes checking equipment thoroughly and frequently to avoid possible malfunctions.

Whatever circus event might be considered—from the trampoline act of the Gaonas from Venice to the spectacular Stephenson dog act to the jugglers, acrobats and clowns—personal coverage protects the performers while liability coverage protects the public.

IN SATISFYING the insurance needs of the circus, the Jones firm had to consider automobile liability and workmen's compensation laws in the various states. For instance automobile coverage comes under comprehensive liability, the limits of which are sufficient to meet the requirements of the various state laws.

Since the performers of the Barnum & Bailey circus are considered Florida risks, they are covered by Florida's workmen's compensation laws. However, the requirements of California, Arizona and Pennsylvania are such that additional coverage through a short term policy is taken out while the circus is traveling through these states.

An all-risk property damage policy with a $1,000 deductible covers floats, props, costumes, etc. Circus management also maintains coverage on its permanent property, offices and equipment in Venice.

Because of so many variables connected with the circus, its insurance program is checked each year before it heads out on tour. The underwriters study equipment, stock, wardrobe and other property to reconfirm their values so that coverage is adequate. During the season, spot checks are made of physical properties to determine whether they are being maintained properly.

THE JOB OF setting up circus dates in each city is related to the overall insurance program. At each location amounts and types of coverages carried by the site owners are checked as part of the contract negotiations.

If for some reason, circus officials feel there is inadequate coverage to protect the public and circus personnel, the circus has its insurance broker obtain additional coverage. ▪

European visitors representing five of Europe's larger insurance companies stop over in Chicago to observe the workings of Bankers Life & Casualty Co.'s data processing equipment. From left: Erich and Gustav Kiefhaber, Vienna; Hans Gloe, Hanover; Dr. Gunther Bruch, Dusseldorf; Jacques van Nyen, Brussels; Herbert Marx, Hanover; Paul J. Trob, escort and interpreter from Trade & Industry Tours, New York, and Mrs. Bruch. Barth Murphy, Bankers Life, is at the console.

Insurance men eye problems of small buyer at AMA session

By ROBIN MENZ

NEW YORK—A comprehensive picture of today's competition, markets and coverages for the small company and the part-time insurance buyer was drawn by both insurers and insureds during a three-day American Management Assn. meeting here.

Panel members discussed workmen's compensation, liability insurance, umbrella and excess coverages, the package concept, selecting brokers and underwriters, group health and other areas of risk management.

Ronald Randall, assistant secretary, Home Insurance Co., said by combining boiler, machinery and fire coverages, "you get the advantages of the higher fire limits and the elimination of gray areas of coverage," but he pointed out that buyers will have to give up some of the flexibility available under separate policies. However, buyers should seek to secure these areas of flexibility in a combined policy. But, he suggested if a buyer is dealing with a form that doesn't have flexibility then he should weigh this lack against its other advantages.

Mr. Randall emphasized the need for flexibility for the type of objects covered and the need for appropriate deductibles determined by the value of equipment and inventories.

William Jacob, account executive, Marsh & McLennan, pointed out that umbrella coverage gives broader protection than a basic program and recommended that the insured should have at least the first layer of excess plus the primary coverage with the same carrier.

Referring to products liability, he advised his listeners to take a look at what contemporaries "in your locality are doing in this area."

Mr. Jacobs also said water liability coverage protects the insured under such circumstances as a pipe on his property bursting and causing damage to adjacent property.

RICHARD R. MOORE, secretary, Richman Brothers Co., Cleveland, listed criteria buyers should use in selecting brokers and carriers and made suggestions as to what the broker should do for his client.

"You as the client must see that your broker is adequately compensated for the services he renders," Mr. Moore advised.

As to selecting a broker or agent, a company should look at the size of the staff, including the clerical personnel, the depth of the organization and the types of insurers with whom they do business. He suggested that weight be given to a CPCU designation.

IN SELECTING a carrier, consideration should be given to the size of the company, its capacity to handle risks, its profitability, the growth of the company, its willingness to write broad, flexible manuscript policies, claims services offered and auxiliary services.

A broker, he said, should voluntarily keep his client informed about the industry, help with risk management in general, handle claims including keeping a complete set of records, handle all contact with the carrier, review all policies, keep informed about his client's business and make periodic reports about claims, premiums and coverage.

Mr. Moore suggsted that in evaluating exposure buyers take

Continued on page 28

opinions

On protecting against fraud

The hectic pace of modern-day business made almost inevitable the $870,000 insurance fraud scheme allegedly pulled off by the former assistant treasurer of Crane Co. Indeed, one insurance manager told this publication that he wasn't at all surprised by the incident; what surprises him is that it hasn't happened before.

The trouble is that the workload of most senior executives is so heavy that they are almost forced to delegate considerable authority to others in their departments and leave them pretty much alone. If an employe is trusted and considered competent, he often can have carte blanche over his own activities. This, we surmise from talking to people close to the case, is what happened at Crane.

But there are several things companies can do to head off trouble, according to experts in these matters. One of the best is for corporations to have their own auditors, or outside auditors, write to insurance companies to verify the existence of policies and coverages. Even so this procedure won't prevent the sending of a letter to a post office box and getting a reply from a dummy company.

Another method of spotting irregularities is for companies to have their insurance program checked over by outside sources, such as brokers or consultants. Although Crane Co. employs the services of several brokers none was involved in the placement of most of its excess coverages, which was the area of the alleged fraud. This safeguard isn't altogether foolproof, however, because one of Crane's excess policies was allegedly written through a Stamford brokerage firm; the perpetrator of the alleged fraud was an undisclosed principal of the broker, according to the indictment.

One broker made the comment that the Crane case should give management pause to consider whether it's such a good idea to place coverage through captive insurers and other "bargain" carriers just to save a few dollars. This sort of setup, he contended, offers wide opportunities for hanky panky.

We wish we could offer our readers some 100 per cent guaranteed methods of detecting insurance—or other business—frauds. But there don't seem to be any. About the best advice we can give is for corporations to establish some sort of continuing check, consisting of both internal and external audits, and a system whereby more than one employe is involved in any operation involving major sums of money.

A more hard-headed approach

We were impressed with the remarks of Ben Goodenough of Pacific Maritime Assn., who said that unions and employers should declare a moratorium on new benefits and instead bargain jointly to insure a workable cost control system.

"No other powerful group is moving to curtail costs," Mr. Goodenough told a group in San Francisco, "and if labor and management do not move soon the government will have to step in because mountains of discontent are building up."

We think Mr. Goodenough has hit the nail on the head. Cost control procedures seem about the best way to head off soaring health care costs, and we're encouraged to note that more and more attention is being paid to this area.

business insurance

for buyers of employe, property and liability protection

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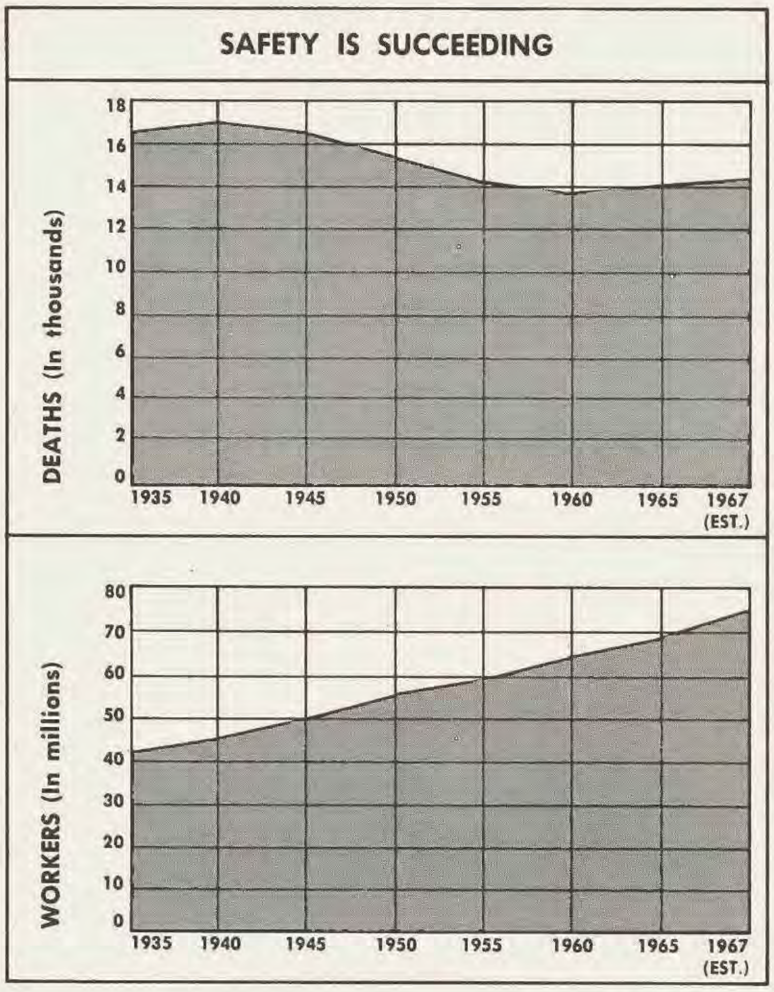


Work safety programs fostered by industry and insurance companies have succeeded markedly in recent years. Since 1935, work fatalities have declined from 16,500 to 14,300 recorded last year by the National Safety Council. This reduction was achieved during a period when the work force increased from 42,500,000 to nearly 75,000,000. Disabling work accidents last year numbered 2,200,000 while the cost of work accidents and fires in business places was set at $6.8 billion. Safety officials credit the reduction in work accident rates to continuing inspections of workplaces and to safety education programs. Source: National Safety Council

At an American Management Assn. seminar, for instance, employers and insurance brokers talked about various techniques to hold the line on costs. One of these methods is to avoid the duplication of benefits which arises when both husband and wife are working and which allows employes to actually make a profit on medical bills.

We were rather surprised in reading over the AMA story, to learn that in 31% of the cases examined by a large insurer employes had supplied false information about other family employment and contributing insurance. About $100,000 in overpayment was recovered, it was noted.

Nobody wants to alienate employes by questioning their claim reports. But unless employers and unions take a more hard-headed approach and initiate workable methods to control medical costs, they'll end up offering workers a higher-priced health package with reduced benefits.

And that's not the way to an employe's heart.

Advertising Age

Do admen need special job insurance?

As researchers Banks, Kovas and Yang reported in the Advertising Age estimate of total advertising volume for 1967, ad volume hit a record high of $17.3 billion, up 3.1% from the previous year, "but it wasn't easy." It won't be easy to maintain any increase this year, what with first quarter figures indicating a decline of three or four percentage points. But anything even remotely resembling disaster seems ruled out, and there are encouraging indications that advertising volume will continue to improve as the year goes on.

It is never pleasant nor easy to retrench, especially in a business like advertising, in which enthusiasm and optimism are among the most essential ingredients. But modest declines in business and profits may prove beneficial, in the long run, in forcing better business methods on organizations which normally tend to be scornful of accountants and cost structures.

Unfortunately, none of this is very comforting to the hundreds of advertising agency people—some say as many as a thousand—who have been thrown out of work by the business downturn and by associated events. Despite the fact that jobs are still hard to fill in many instances, there is reason to believe that the agency personnel "temporarily at liberty" may presently be greater in actual numbers than at any time in the past 25 years.

Timidly, but firmly, we advance the suggestion that there may be more similarity than anyone may have thought between creative advertising personnel and professional sports personnel. They both tend to get paid well, but their jobs are highly uncertain, and their professional careers are subject to somewhat shorter amounts of duration than those of other people.

If special pension plans can be effectively set up to take care of major league baseball players and professional football and basketball players, might it not be possible for this business to work out some vaguely similar system on behalf of the copywriter or art director who is unable to get a job at 42?

letters

'Certified' correction

To the Editor: Congratulations on a splendid job, and for filling a real need! As you have always maintained high standards of accuracy, I was quite surprised to find a gross misstatement in a recent issue. Your "Opinions" column in the March 11 issue, entitled "Certified Risk Managers" referred to both CPCU's and CLU's as "Certified," whereas the correct title is "Chartered Property Casualty Underwriter" and "Chartered Life Underwriter."

Also, you said there is no such thing as a certified risk manager. While technically this is true, I was amazed that you did not mention the Diploma in Risk Management, which is granted by the Insurance Institute of America, Inc. This requires passing a six-part national examination (of three hours each), and I am enclosing the current announcement bulletin explaining this. The first such diplomas were awarded in the fall of 1967, and the program was developed through the cooperation and assistance of ASIM.

Arthur C. Brunke, CPCU
Manager, General Insurance, North American Rockwell Corp., Aerospace and Systems Group, El Segundo, Cal.

Editor's note: Mr. Brunke is correct. Our editorial mistakenly referred to "certified" instead of the correct Chartered Life Underwriters and Chartered Property Casualty Underwriters. However, we feel that the IIA's Diploma in Risk Management is not equivalent to the CLU and CPCU designations. We stand by our suggestion that "certified" or "chartered" risk management designations be developed by ASIM and the Insurance Institute of America, Inc. in cooperation with colleges and universities.

Timely

To the Editor: I have nothing but praise for your publication, *Business Insurance*, as it is composed of meaningful and timely information to those concerned with buying of insurance. It is well illustrated and easy to read.

The coverage you have given to recent activity in the excess liability and umbrella area has been extremely helpful to those who are currently considering revising and upgrading this coverage.

The amazing thing to me is how you are able to accumulate your data for reporting, as it is extremely comprehensive in scope of subject matter and almost every issue has had both national and international overtones.

Needless to say, there would be a "void" if *Business Insurance* was no longer available.

Robert A. Busch
Corporate Controller, Samuel Bingham Co., Chicago.

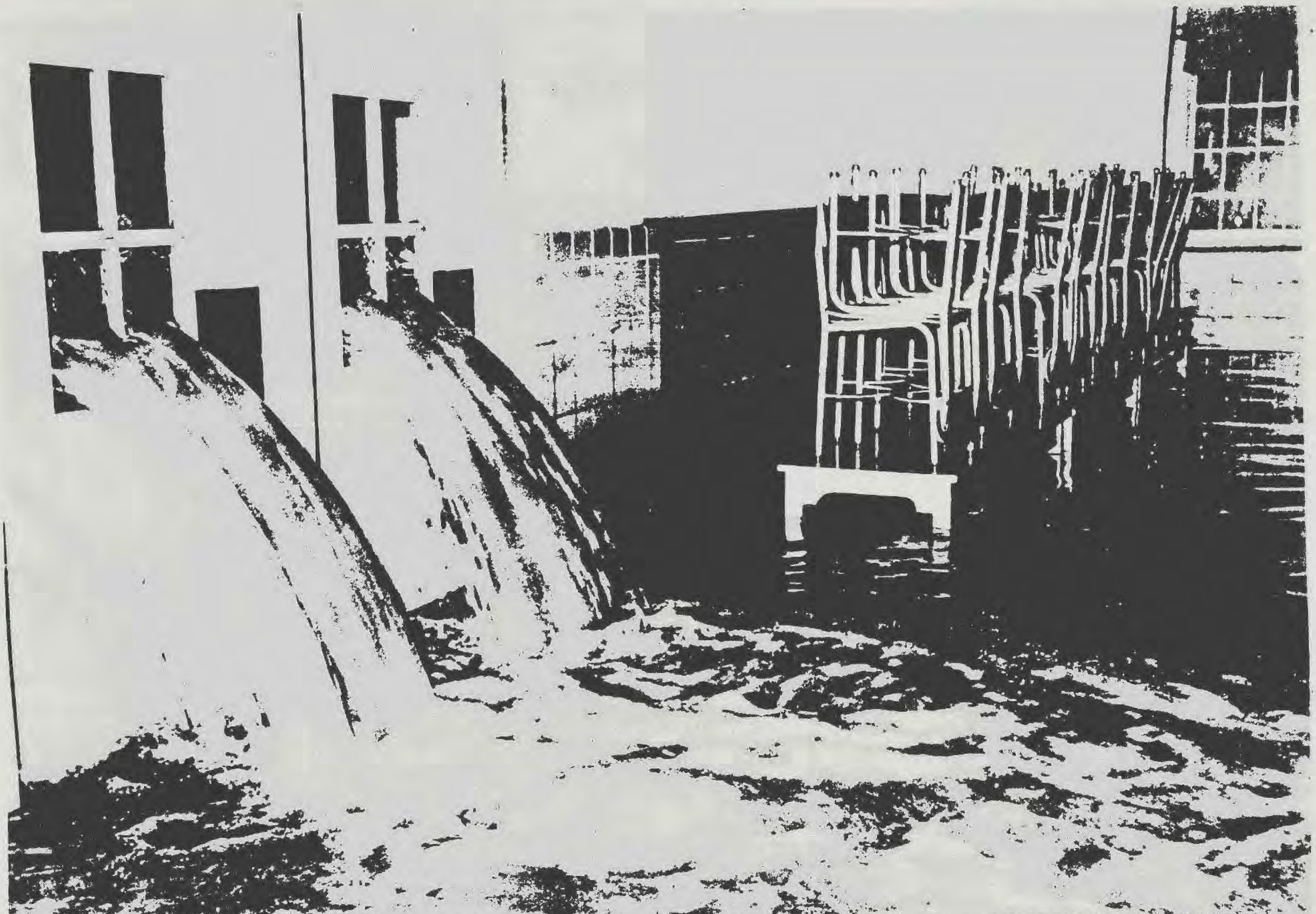
Questions report

To the Editor: In your April 8th issue of *Business Insurance* you referred to the Atlantic's total commitment on the "Torrey Canyon" as $600,000, half of which was reinsured.

As far as I know no one here supplied you with this information and, of course, it is incorrect. Our loss was $316,000, none of which was reinsured.

Continued on page 29

THIS NEWS PHOTOGRAPH DOES NOT NECESSARILY DEPICT AN ACTUAL CLAIM BUT ONLY THE TYPE OF MISHAP COVERED BY UTICA MUTUAL.



([redacted]) [redacted],CONN.---LUNCH WILL BE LATE---A primary water main burst early yesterday morning in an employee cafeteria basement sending cooks and some early morning coffee drinkers scurrying for safety. Business went on as usual but the cafeteria was closed until further notice. ([redacted]lkp0) 1968.

We hope you never have to see how good we can be.

We hope that disaster never strikes your business. That you never have to see how quickly we pay claims; how far we go to get things back to normal.

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ALSO GRAPHIC ARTS MUTUAL

UTICA MUTUAL INSURANCE COMPANY. PRINCIPAL OFFICE: UTICA, NEW YORK.

safety section

VW of America concentrates loss prevention in 13 ports of entry

ENGLEWOOD CLIFFS, N.J.—The insurance program for Volkswagen of America Inc. is "pretty well autonomous" from the parent company in Germany, according to Joseph Ruiz, insurance manager for the U.S. firm.

"We purchase our own insurance and settle our own losses," he told *Business Insurance*. "However, we do review each other's insurance policies and losses during a given year."

VWs are manufactured in plants throughout Germany, and Volkswagen of America concentrates its loss prevention program at its 13 U.S ports of entry. The main ones are Baltimore, New York and Los Angeles.

While the parent company in Germany handles the ocean marine coverage for exporting VWs, "we have a vested interest in the insurance because losses are reflected in our costs," Mr. Ruiz cited as a prime reason for employing a loss prevention program.

SINCE 1965, when the company initiated its loss prevention program, the frequency of vehicles damaged in transit has dropped by 30% and concurrently the severity has been reduced by 25%. By damage, Mr. Ruiz means any damage that did not exist when the vehicle cleared the final assembly inspection. This includes infinitesimal scratches which can be spotted only by trained personnel.

A relatively minor amount of damage, when compared with the cost of the vehicle, can qualify a vehicle as a constructive total loss because it cannot be repaired to "factory new condition." Since the company will not allow these vehicles to enter the stream of commerce, the scrapped vehicles are only sold to VW dealers for "cannibalization" of usable parts under supervision of VW field personnel, Mr. Ruiz stressed.

HOW DID VW MANAGE to improve its loss record? First of all, it opened an office in Baltimore, the main port of entry, and staffed it with three marine superintendents. These men were put through intensive "on-the-job" training by the VW insurance department and then given the responsibility of traveling from port to port checking all aspects in the transportation and handling of the pint-sized cars.

With two loads of VWs arriving every day, it's virtually impossible for the men to meet each arrival, so spot checks are made in addition to maintaining routine watch over a port or vessel for a certain length of time. The inspectors board the vessels to examine in detail its condition, the condition of the vehicles, stevedore performance, port conditions and marine surveyor performance.

"When a vessel, stevedore or port needs improvement we step in and offer recommendations," Mr. Ruiz said.

"THIS IS AN oversimplification of a rather complex program which, in part, includes many IBM statistical programs to correlate and isolate data for loss prevention uses in various areas, seminars for marine surveyors, development of manuals, stevedore incentive programs and settlement by VW itself of subrogation claims with the stevedores. There are also special instructions and reports designed by our insurance department to elicit data for utilization in the constant development of our loss incentive program," stated Mr. Ruiz.

While loss prevention is extremely important from the insurance cost viewpoint, Mr. Ruiz further indicated that "we must first be cognizant of our responsibility as part of the total management team and its collateral obligation to the consumer by gearing our program to assist in improving quality control, design, merchandising, transportation and distribution of our product."

The automobile producer also maintains a chartered fleet of 60 ships, several of which he described as "floating garages." Cars can be driven on and off the vessels rather than hoisted ashore.

THE OCEAN MARINE coverage supplied by the parent company ends the moment vehicles leave a ship. At this point the VWs are in the hands of distributors, and it's up to them to provide coverage that picks up where the ocean marine insurance left off.

All along the way, from the time the car leaves a factory until it reaches the distributors, it is constantly inspected.

"It's a relatively new concept for consignees to become involved in loss prevention at the port of entry, but it should be recognized by importers as a vital area of concern," Mr. Ruiz contended.

Volkswagen of America, which employs nearly 1,000 workers, has the bulk of its insurance package with direct writers in the U.S.

UNDER ITS CGL policy, the company assumes a reasonable deductible per accident. Additional liability protection is afforded under a number of umbrella policies written over all other company insurance.

"Adequate protection is needed because we never know the direction jury verdicts and/or tort law is leading," he noted.

Although Mr. Ruiz isn't familiar with the particulars of the parent company liability coverage, he pointed out that in Europe the party suing must pay all his costs, including attorney fees and court costs.

Further, Mr. Ruiz continued, "the European public is generally not as claims-conscious nor is its legal system geared in favor of claimant attorneys."

MOST CLAIMS started here, he said, can be classified as the nuisance type, which are encouraged by the claimant attor-

Continued on page 20

Up and over the little beetle goes after its journey across the Atlantic on one of Volkswagen's chartered vessels. After arriving at port of entry, the cars are thoroughly checked to be sure they weren't damaged during the trip. This is part of Volkswagen of America's loss prevention program at port of entry.

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BUSINESS INSURANCE

safety section

New United Container plant meets carriers' specs; premiums reduced

By ROBIN MENZ

PHILADELPHIA — A corrugated container manufacturer built its new plant "to meet the toughest recommendations of insurers, and the end result was a lower net premium."

United Container Co., a division of Kardon Industries, can't determine exactly how much it saved on insurance because rates are promulgated on exposure, but by erasing risks during construction "we reduced rates from the start," said a company spokesman.

Factory Mutual System and Factory Insurance Assn. reviewed each phase of the building, planning and construction program with United Container and made recommendations all along the way. When the companies differed, United Container picked the more stringent of the two so the firm wouldn't have to make corrections or additions later.

ON THE ADVICE of the two insurers, United Container selected a site in Northeast Philadelphia with more than adequate water supply and one protected by the Philadelphia fire department—an important economic factor since an area served by a volunteer Fire department demands higher premium rates.

Combining the recommendations of the insurers with the best features of corrugated plants throughout the country, the new plant has been described as the most unusual corrugated plant to date.

United Container is the first of its size (200,000 sq. ft.) to install an infra-red heating system, which hopefully will eliminate drafts and keep absenteeism down due to colds. The heating system, composed of 80 "little suns" mounted under the roof deck, keeps the plant at a constant temperature by heating the concrete floors.

ALTHOUGH THE GAS fuel for the system may cost slightly more than for a conventional heating system, reduced absenteeism, lower installation costs and reduced maintenance are expected to offset the increased fuel costs.

Another unique feature is a waste removal system which keeps working areas relatively free of debris by removing waste through air ducts. By keeping areas clean of paper and cardboard, employes aren't as apt to trip or fall in their working areas, the company believes.

A constant change of air in the plant prevents working areas from becoming contaminated by steam, dust and oil. The relative humidity is also maintained at about 50% for benefit of both employes and products.

A SPRINKLER system protects the entire plant. However, in storage areas where rolls of paper would burn like Roman candles, a deluge system was installed. Such a system provides—instantly—a complete curtain of water.

But protection doesn't stop here. Self-closing fire doors, which are regulated by the heat of fire, separate production areas from the roll storage areas. Within seconds a fusible link melts to shut the doors tightly, confining any fire to the storage area.

In the baling room, which is a dusty area, the insurers recommended special lighting fixtures to guard against a possible explosion or fire resulting from the presence of paper dust. Flammable materials are stored in a specially constructed room equipped with explosion-proof fixtures, adequate forced ventilation and a floor scupper through an exterior hall so that any spillage will drain outside the building.

A flashing red light in the plant does not mean trouble; it warns employes to be alert because a forklift truck or transfer car is in operation. Just in case some workers might not notice the bright light, a warning bell sounds as further notice that a transfer car is on the scene, and it continues to clang until the car has come to a complete stop.

A CLAMP TRUCK in the stock room was designed to take the human error into account. Paper rolls, weighing up to 7,400 pounds, are stored vertically to a maximum height of 28 ft. The clamps which hold the rolls have been engineered so as not to release until a roll is set on something solid.

Further, a roll can't be lifted over 2 ft. from the floor if the mast is tilted more than two degrees backward or forward. So even if the driver accidentally pushes the release lever while the paper is in mid-air, the clamps will not release. And he can't accidentally tip the truck over.

The plant superintendent's office is located in the center of the main wall of the factory. Bay windows in his office provide a complete view of the factory and workers, enabling him to maintain a watchful eye on all operations.

ALONG WITH UNITED Container, Kardon Industries' divisions include two paper mills, a folding box plant and a composite can company.

Each of the Kardon companies share in the cost of the insurance premiums, the apportionment being determined by the type of construction, occupany, protection and exposure of the particular location.

Because of its workmen's compensation record, the company has developed its own retrospective rating plan which enables each location to know just what its experience has been. If a plant has a good record and has earned a 24% credit, the credit is applied to that location. If a plant has a poor loss record, then it pays for its losses. The theory behind this, said the company, is that "if you hit the plant managers in their pocketbooks, they will be more safety conscious."

THE FIRST AND possibly most important step in improv-

Continued on page 16

safety section

Travelers says accidents must be viewed as 'dollars lost'

HARTFORD—Unless industrial companies view accidents in terms of "dollars lost," rather than the "number of accidents," they are likely to have little more than a "paper" safety program, according to the Travelers Insurance Co.

"It is good business to know precisely how much accidents cost," said the property and casualty insurer in answer to a safety questionnaire submitted by *Business Insurance.*

According to Travelers, apologies are no longer needed for expenditures of time and money to prevent accidents. Investment in accident prevention is justified on it's own merits—a dollar invested means more than a dollar in return.

THE COMPANY urged U.S. industry to consider what profits would be if losses due to accidents were cut significantly, maintaining that industrial companies should plan safety into each job from inception through production and completion.

Just as top management supervises sales promotions and production, a spokesman said it should extend the same priorities to safety.

High deductibles are an incentive for many companies to concentrate on loss prevention, according to Travelers.

"The large dollar loss exposure from using high deductibles can force a company seeking higher limits of insurance to utilize an insurance company's loss prevention services," said a Travelers executive.

Citing the huge losses suffered by American industry he said there is an increased accent on safety today because companies realize that accidents mean lower profits. Their elimination or control is a vital part of overall expense management.

Education and training of employes were cited by Travelers as among the most effective ways to reduce the number of accidents.

"Training at all levels—management, supervisory and labor—about the principles and techniques of accident prevention is mandatory for an effective loss prevention program," said a Travelers safety official.

The insurer maintained that small companies do not utilize all safety resources that are available from insurance companies and industry associations. ▪

Rising railroad accident rate stirs concern

WASHINGTON—The increasingly poor safety record of the railroad industry and inaction on the part of the Federal Railroad Administrator has prompted Sen. Warren Magnuson (D., Wash.) to threaten hearings on railroad safety to hear testimony from the administrator and from the National Transportation Safety board.

The commerce committee chairman charged that the administrator has done nothing in the more than one year since railroad safety became his responsibility except develop a reorganization plan of the administration's Bureau of Railroad Safety.

Sparking Sen. Magnuson's ire was the first annual report of the National Transportation Safety board. The board warned that U.S. train accidents are becoming more frequent and more lethal at an alarming rate. It urged railroad management to "arrest the worsening accident picture" or face tougher federal safety legislation. According to the report there has been a 71% increase in the number of train accidents between 1961 and 1967. Accidents, primarily derailments, jumped from 4,149 to 7,089, it said.

Deaths during the 1961-66 period went from 158 to 214. ▪

safety section

Coke gets accident control service

ATLANTA—Because its motor vehicle and workmen's compensation costs were thought to be rising too rapidly, the Coca-Cola Co. initiated a planned accident control service that has resulted in a substantial premium savings for its company-owned bottling plants throughout the U.S.

The company, which owns about 30 of the 950 Coca-Cola bottling plants in this country, maintained that the only way to reduce high insurance rates was to improve its claims experience.

Statistics stand heavily in favor of the "all encompassing" safety program, according to Joseph Snelus, assistant treasurer of the company and treasurer of the bottling corporations. He pointed out that savings in motor vehicle insurance are now worth several times the cost of the program and have resulted in lowered workmen's compensation costs and public liability claims.

IN FIVE YEARS the motor vehicle accident rate fell 41%, the employe injury rate—a main concern of plant forces—was reduced by 33%, general liability accidents decreased 12% and the overall accident picture showed a 32% reduction

"Many operators of businesses which are sales-oriented do not see the accident picture clearly in dollars," Mr. Snelus told *Business Insurance*. "As a result, they are likely to regard the detail of formal accident control efforts more as a necessary evil than as a money saver."

Basic in Coca-Cola's program is the theory that reducing the overall number of accidents will eliminate a share of the big ones as well as the small accidents, Mr. Snelus explained. Therefore, the effort is against all accidents of every nature.

IN ADDITION TO the bottling companies, the program also includes the foods division, engaged in citrus and coffee operations. Each unit pays an annual share of the cost, making it eligible for the benefits provided in the accident control program.

The program, which began in 1962, is divided basically into in-plant employe education and driver instruction. A fleet of almost 2,200 cars and trucks travel throughout the U.S. for Coca Cola's various subsidiary bottling companies and over 5,000 employes participate in the accident control program.

Some of the problems that beset Coke's accident prevention activities before the control program, according to William H. Quay Jr., general insurance manager, were a sour public image caused by dented fenders and liability accidents, battered equipment on the road, high repair costs, lost time due to personnel injuries and costly supervisors' time spent investigating accidents.

THE POLICY FOR each of the two programs is outlined in an accident control service manual, which is distributed to all participating companies' supervisors and safety men at all plants participating in the program. Recently, the plan and its materials have been made available on a fee basis to independent bottlers of Coca-Cola.

The program is subdivided into four categories, which serve as a guide for each company as follows:

- Analyze: Obtain all facts about accidents and arrange them in a specific pattern.
- Plan: How to control or eliminate the specific causes revealed by the analysis.
- Perform: How to direct and perform planned activities.
- Sustain: How to maintain a high level of interest among employes with procedures for developing each basic step.

According to Mr. Quay, the manual is geared to answer day-to-day problems in addition to setting up a program. As monthly mailing material is received from headquarters it is expected to be placed in the manual to keep it up-to-date.

GETTING THE PROGRAM under way is only the beginning, pointed out Mr. Snelus, who has worked with many subsidiary companies on the control program.

The most difficult part of the program is sustaining it, according to Mr. Snelus. "Maintaining interest over a long period of time depends on the presentation of applicable and stimulating material at regular intervals," he said.

Once the basic program has

Continued on page 37

Accidents are caused, they don't just happen. At a Coca-Cola bottling plant an employe twists and over-reaches to lift, a good way to strain the back.

safety section

Distillers' fire tests check case hazards

WEST GLOCESTER, R.I.—The fifth test in a series on fire sprinkler protection of alcohol in bottles and cases has been delayed until next month because of a shortage of bottles, according to a spokesman for the Distilled Spirits Institute, sponsor of the tests.

The shortage was caused by a strike of the Glass Bottle Blowers Union. The strike was settled last month.

Bruno Wichmann, insurance manager of Hiram Walker & Sons, Detroit, and chairman of the insurance committee of the Distilled Spirits Institute, said the test series is investigating fire characteristics of bottled alcohol and case goods, stacked in varying configurations and varying heights, up to 22 feet high.

THIS SERIES is an extension of tests on alcohol in barrels carried out in 1964 and 1965 by the liquor industry. Those tests cost the distillers between $50,000 and $100,000, Mr. Wichmann said. The initial appropriation for the current series was $65,000, but the committee has asked for additional funds.

The National Board of Fire Underwriters and the distillers carried out a series of 55 tests in 1955 involving six-high racks of whisky barrels, comparing wood and metal racks. One of the first tests of sprinkler protection for whisky warehouses was carried out in 1935 by Hiram Walker and Automatic Sprinkler Corp. in Peoria, Ill.

The current series is being carried out for the institute by the Factory Mutual Research Corp. in its warehouse fire testing facility in this town on the Rhode Island-Connecticut border.

THE RESEARCH unit will prepare a report on the tests for the committee. An institute spokesman said that based on the report, the board of directors may then decide to authorize additional testing to check additional variables and broaden test fields.

Based on results in the report, which is expected to be completed in July, the committee is expected to ask for an annual grant to continue the testing program.

The Factory Mutual facility has instruments that record the opening of sprinkler heads at various temperatures and additional testing equipment.

Historically, whisky warehouses have been difficult and expensive to insure, because of lack of capacity and several spectacular losses.

Values on a single warehouse can run to more than $10,000,000. In addition, if the federal government determines that a fire loss was due to the owner's negligence, the owner may be held liable for taxes on the liquor in storage. The tax values can be more than $50,000,000 on a single, large warehouse.

ONE INSURANCE man said the liquor warehouses have been "the bad boy, so to speak" for carriers.

James Snyder, safety director at the Hiram Walker plant in Peoria, is chairman of the technical safety committee preparing the tests for the institute.

To those who may be concerned, the institute spokesman said that denatured alcohol and not real whisky is being used in the tests. ▪

New locking system

General Motors, Detroit, will install a new locking system on all 1969 model GM cars, which will lock the ignition, steering column and transmission.

The National Automobile Theft Bureau, Chicago, while praising the GM move, said it has asked auto makers to consider adding a hood lock to their present package of anti-theft devices.

safety section

washington watch

Are federal clearances for safety and products just around corner?

WASHINGTON—How far off is the day when all products on the market will have had prior safety clearance from a federal agency similar to the new drug approval given by the Food & Drug Administration?

How soon before all product liability suits will be brought under a federal cause of action by reason of a federal safety law?

How far off is the establishment of a federal safety inspection force to police all places of work in the United States with power to levy severe penalties for violations of federally established safety codes?

How much longer will our present state-controlled workmen's compensation system go on without a major revamp which could bring it in one form or another under complete federal supervision?

One year, two years, a decade, maybe never, the answer is really not important. What is important is that risk managers be aware that events are moving in these directions and that each step down the path, no matter how small, changes the insurance picture in that particular area.

Questions that demand answers right now are: How should I as a risk manager feel about these trends? Will they make my job easier and benefit my company by making my company virtually immune from liability suits? Or are such trends subjecting my company to a vast array of previously unheard of causes of action?

Of utmost importance is the question: What should I, and what can I, be doing to either block, promote or alter these trends in line with my company's best interests?

A survey of the almost endless government programs to promote public safety would be beyond the scope of anything less than a book-length treatise. A brief glance at a government organization manual reveals that the Departments of Health, Education, and Welfare; Agriculture; Labor; State; Defense; Interior; Housing and Urban Development; Transportation; and the Federal Trade Commission are all directly involved in safety activities on a nationwide basis. And the list of subsidiary agencies and separate commissions, task forces, research programs, and the like is unending.

A BRIEF LOOK at recent safety developments in the federal government however gives a good indication of the trends. President Johnson has signed within the past year the Flammable Fabrics act, the Wholesome Meat act, the Clinical Labs act and the Fire Research and Safety act, to name just a few of the safety-oriented proposals that have recently become law. Among bills introduced within the past year and currently awaiting Congressional action are the pipeline safety bill, the clean fish and poultry bill, a bill to insure the safety of community water supplies, and one to

Continued on page 26

Volkswagen...

Continued from page 14

ney contingent fee system. Because of a strict quality control program in Germany, "we have kept our claims under control."

Because the company's insurable exposure to fire and other perils is limited by the fact that there are no U.S. factories, the problem of capacity is reduced. According to Mr. Ruiz, "all offices are written under a blanket 'all risk' policy and each location is covered to 100% of value." The company assumes no deductible under this policy because it would have little effect on the rate structure.

However, if a factory were built in the U.S., no doubt VW would have its fire coverage underwritten by a syndicate of insurers in order to meet any capacity problems.

So far, Mr. Ruiz mentioned, "we haven't had a loss under our 'all risk' policy."

FOR ITS FLEET of nearly 300 cars, the needed protection is provided by the Volkswagen Insurance Co., St. Louis.

The insurance company, which is independent of the auto manufacturer, was set up to provide VW customers with a complete package of insurance, if desired, when they purchase cars from the dealers.

Mr. Ruiz and his assistants constantly review the insurance policies in force to be sure that "our property, personnel and assets are adequately covered."

He said that his company has been "extremely fortunate" in being able to find all its necessary coverage in the domestic market. At one time, "we did have to go to London for some of our coverage; now Lloyds is probably utilized only for reinsurance by our underwriters."

IN SOLVING PROBLEMS, increasing limits or drafting new coverage, VW calls in its brokers and insurers so that all parties can discuss the situation. "If you rely on one to relate what the other has to say, on occasion something can be lost in translation," Mr. Ruiz said.

"Occasionally while VW may work on a direct wiring basis with an insurance company, we find that neither broker nor insurance company can take our account for granted." First and foremost they must demonstrate the imagination, desire and ability to satisfy the "needs of my company," Mr. Ruiz said. ▪

safety section

Safety experts discuss methods of spreading word to all workers

NEW YORK—More than 5,000 industrial executives and safety engineers attending the 38th annual Eastern regional safety conference unloosened their ties at some 70 seminars and workshop sessions aimed at bringing the safety message to every worker and manager in industry.

Addressing a meeting on multiplant safety administration, S. F. Spence, director of safety and loss prevention of American Cyanamid Co., said an effective program required three elements—accident prevention, injury reduction, and recovery and rehabilitation.

He said that accident prevention began with design of the physical plant and included employe selection and training, mechanical safeguards and other procedures to make the occurrence of accidents unlikely.

MR. SPENCE SAID industrial management "must be involved in the safe design of a new unit as soon as it becomes a gleam in the eye of the process engineer."

A factory safety expert of the New York Department of Labor said that greater safety could be assured for industrial and mercantile plants by ending some of the specialization of inspection services.

Joseph Rivin, chief inspector of the division of industrial safety service, urged a combination of specialized mercantile and factory inspection services which would service a plant from start to finish.

According to Alexander Lois, manager of safety for the West Penn Power Co., Greensburg, Pa., industry has "more than enough safety rules but they have not been accepted by a large enough number of workers.

"Our job is to use what we have more effectively and to see that safety rules are accepted, understood and enforced by management," said Mr. Lois.

Declaring that statistics show that more than 90% of all accidents are caused by unsafe acts, he said if such acts are excused they will eventually lead to disaster.

R. C. TIETZE, assistant works manager of Revere Copper and Brass, warned that the use of safety aids like posters or protective clothing does not mean their responsibility has been discharged.

"The ultimate test of safety is what happens in the plant," he said, "and ultimately the only way to attain an accident-free record is to make certain that all employes are involved personally and individually in safety."

An example of employe laxity in using safety devices was pointed out by Rolf Dallmer, staff supervisor of New York Telephone Co., who said that in most cases employes were unwilling to use safety glasses in eye hazard areas.

"WE FOUND IT A matter of education and constant reminders to get employes to use protective devices and to participate actively in safety programs," said Mr. Dallmer.

The main reason that management invests in safety is not for humanitarian reasons or public relations—"although both these motives are good"—said Robert J. Brown, manager of insurance and personnel benefits at the Grand Union Company.

Mr. Brown, who was addressing the retail stores division of the safety convention, stated that the main motive is to "increase the black ink on the bottom line of a company profit and loss statement."

AT THE SAME session, delegates were told by G. A. Lepree of Great Atlantic and Pacific Tea Co. that it is "wrong to assume that a new employe knows the safety rules. He must develop safety habits." Mr. Lepree is re-

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safety section

INA urges safety plan

PHILADELPHIA—Most middle-size and small companies don't take advantage of loss prevention techniques and services, according to the Insurance Co. of North America.

For the small company with limited resources INA urged a "cooperative" safety program to reduce insurance costs through loss prevention.

Under a special safety plan initiated by INA, a firm engaged in a common trade, profession, or industry, which is willing to cooperate to promote safety within its industry, is eligible for reduced insurance costs through a combined safety program.

Under the cooperative setup, which includes group buying, an insured must be committed to participate in the safety program.

Highlights of the program are:

- The safety group must appoint a **safety committee** to organize, supervise and assist the membership in the loss control activities.
- A specific program of **loss investigation** must be initiated to isolate and control repetitive types of loss for the industry group.
- A program must be instituted to inform each employe and member of the **loss prevention**

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perspective

Does diminishing returns law apply to corporate safety?

By Donald Berry
insurance manager
Borden Co., New York

Common law, it has been suggested by A.P. Herbert, "has been laboriously built upon a mythical figure—the figure of the 'reasonable man.'" A number of attempts have been made to describe him, all of them implying that he is prudent, careful, considerate, incapable by act of commission or omission of inflicting injury upon himself or others.

Contrasted by Mr. Herbert with the "economic man," who is supposed to be everyman, but who appears in the texts to be selfish to the point of rapaciousness, the reasonable man, (whom the courts consider to be everyman, also), "is always thinking of others; prudence is his guide, and 'safety first' is his rule of life."

We must be like him to win our lawsuits in the injury cases, though it is permitted, and there is encouragement to be an economic man in most other types of litigation. (An average man, let it be explained, may be either an economic man or a reasonable man depending on the circumstances.)

Mr. Herbert seems not to like the reasonable man. "Devoid," he says, "of any human weakness, with not one single saving vice, sans prejudice, procrastination, ill nature, avarice and absence of mind, as careful for his own safety as he is for that of others, this excellent but odious character stands like a monument in our courts of justice, vainly appealing to his fellow citizens to order their lives after his own example."

It was the peculiar genius of America, of course, that effected the wedding of the reasonable man and the daughter of economic man, and the legislatures which passed the first workmen's compensation laws were, in effect, riding shotgun. For once it had become clear to employers that their own economic interest was entwined with the prudent conduct of their employes, the safety movement was born and a segment of the insurance business was midwife and godmother.

The priesthood of the movement came to stand near the throne, as priesthoods always do, to disseminate propaganda and perform various offices, including analysis of statistical data, reminiscent in some aspects of the ancients' search for augurs through the examination of entrails, *viz* the regular holiday auto death toll predictions.

An interesting distinction appears in the role of insurance in a safety movement that began some 75 years before workmen's compensation when mill-owners, subjected to what they considered exorbitant fire insurance rates, improved their properties so that they were fire safe. This, however, was not sustained by popular fervor. The worker of that time appeared to believe that if the mill in which he was employed continued to operate it was mainly for the benefit of the owner. His modern counterpart, by contrast, is solicited to help prevent fires on grounds of his own self-interest in the continuance of his job.

A worker and his employer may easily agree upon a safety program, and commonly do, but when it comes to automobile safety, diversity of opinion among automobile manufacturers, road designers, government officials and almost everyone else concerned seems to be the rule. Lip service to a principle seems to have broken down on the score of action.

Is the law of diminishing returns operative in the realm of corporate safety activity? If so, no one dwells on it, and the maintenance of optimal performance in the spheres of employe injury, safe fleet operation and property conservation is a worthy goal in itself. In truth, however, corporation managements face new risks which they and the insurance companies that serve them have found do not become tractable under the old techniques.

What will reasonable men do about the risks of casual loss that beset the airplane industry, off-shore oil drillers, the petroleum and chemical industries, paper manufacturers, ocean-going tankers and others? What will economic men think to be to their advantage in dealing with them (or, perhaps, in the case of insurance companies, not dealing with them)?

These are challenges that have come upon us after our hard-won victories in the fields of popular safety. But where a crusader's zeal, which enlisted support at all levels of public and corporate life, led to those victories, it will be necessary for those concerned with safety and property conservation to exercise their imaginations, devise new methods, develop new knowledge and skills and venture boldly to assume new responsibility in order to succeed. ▪

Spread word...

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sponsible for A&P's eastern division and has 1,100 stores under his jurisdiction, ranging from Maine to New Jersey.

Management is particularly tough in retailing, Mr. Brown pointed out, "because 2¢ to a dollar is the typical profit." Therefore, he continued, "you are an investment and must provide a return."

Mr. Brown also outlined six points which he said management looks for in a safety manager: (1) He must be a top salesman and sell an intangible product to his own management; (2) he must be an educator and trainer—by communication and not just by writing; (3) he must be an innovator ("sometimes a startling new idea may be just the thing"); (4) a safety manager must understand merchandising procedures, since "you can't sit in an ivory tower and dictate safety regulations without knowing where they'll end up;" (5) a knowledge of engineering, materials handling and cost principles "is vital;" (6) a Sherlock Holmes ability to get to the basic cause of a loss.

Above all, Mr. Brown admonished, "don't sit around and shuffle papers—you above all must be self starters."

Mr. Lepree advised delegates to "know your job, keep your mind on it and use common sense."

Retailing is very vulnerable to safety, the A&P executive said, because there is "dual exposure from employes and customers."

MAKING ONLY THE shopping area safe isn't enough, he said. "You must watch the back rooms because 95% of store employe injuries are caused by unsafe work practices."

At A&P, Mr. Lepree said, a safety manual is given to all employes to study. This acts as a training aid to new workers and serves as a guide for the more experienced.

Each store manager must train new employes in safety, he continued, and the assistant manager is dubbed a "safety captain" with the obligation of conducting safety meetings.

A RECORD IS KEPT at each store of employe and customer accidents, and the "manager's ability is partially judged by the safety record," Mr. Lepree said.

"Check and recheck," he cautioned, and once a safe method is discovered, "insist that it's carried out." ▪

safety section

G+W includes accident control in cover costs

By WILLIAM GUEST

NEW YORK—The true insurance cost at Gulf + Western Industries, embodies both loss prevention and accident control, according to William D. Smith, director of insurance and pensions.

"Rates are not the immediate concern," Mr. Smith continued, "because with such a big organization rates are negotiated on our experience record."

The expansion growth at Gulf + Western has been astronomical since the organization was founded in 1958. Much of this expansion has been by acquisitions, and there are now over 75 companies which have come into the fold. With so many mergers, "the utmost importance has been placed on safety."

W. D. Smith

Mr. Smith has been director of insurance since June, 1962, and has watched the sales volume grow from $8,395,000 to $644,921,000 in 1967. From 520 employes in 1958 the organization now numbers over 35,000.

THE SAFETY TEAM at New York headquarters consists of Mr. Smith and his two assistants, C. L. "Stoney" Henry, and Richard I. Gallagher. Both these men have solid backgrounds in safety methods and estimate that their work "keeps them on the road 65% of the time."

Mr. Henry came to Gulf + Western from Brown & Root Construction Co., Houston. Dick Gallagher joined the company from American Red Cross, where he was director of industrial safety for 19 years.

Mr. Henry—who believes in plain talking—said that he gets his safety programs over by stressing one main point—"losses lose profits—and this point can be easily proved."

WHEN GULF + WESTERN make an aquisition, the two safety advisors analyze the past accident history of the new company and pinpoint any problem which seems to reoccur. This takes place at corporate headquarters and is generally completed within 90 days.

In addition, they both go directly to the new plant site and personally look for mechanical and physical hazards—which accounts for their time on the road. "We must get to know the local hazards," Mr. Henry commented.

All the new personnel are contacted to determine their morale. "We talk to all levels," Mr. Henry said, "from managers and supervisors on down."

IN NEW YORK, a safety program is drawn up to be submitted to the new management, showing that a working and demonstrable safety program has been worked out for their plant.

At this juncture, Mr. Henry and Mr. Gallagher take to the road again, to run a training program for supervisors which lasts for ten hours. At the new site, a two-hour session a day is given for five days. "At this point we make it very plain that any individual who supervises, directs, or controls the work of others, takes direct responsibility for the safety of each individual under him," Mr. Henry stressed.

"We also use positive language in getting over our ideas," Mr. Henry said. "We use the words 'will' and 'must'—not 'may' or 'should', which we consider very weak."

AS ANOTHER PLOY to get the interest of employes, Mr. Gallagher draws on his past experience to run a first aid seminar, involving a complete American Red Cross course. "This is voluntary," Mr. Gallagher said, "but we often give it at night so that wives can attend, and the turn out is very heavy."

At the training sessions, Mr. Henry points out that nearly $150,000,000 of sales are required to pay industry's costs of work accidents, assuming an average profit on sales of 3%. If a company's profit margin is 5% it will need sales of $20,000 to pay for every $1,000 worth of accident costs. With a low profit margin, $10,000,000 of sales would be required to pay for $100,000 of accident costs.

"THESE FIGURES REALLY spell it out," Mr. Smith said, "and help us to remember that during times of high competition and low profit margins, safety may contribute to more profits than an industry's best salesman."

In spite of this intensive "on site" program Gulf + Western carries out its safety training even further. In October, 25 safety supervisors were taken at company expense to the National Safety Congress in Chicago. Following the meeting, another day's training was given in company procedures.

In July, another 25 safety personnel will be sent to a firemen's training school run by Texas A&M engineering service at College Station in Texas. Over 2,300 persons engaged in fire prevention, cost control and safety are expected to attend this course, from industry, the armed forces, manufacturers and federal agencies. "The exchange of ideas will be invaluable," Mr. Smith believes.

MR. HENRY IS a firm advocate of using color as a method of reducing accidents. "You have to paint your factories as a matter of course," he said, "so why not make it meaningful for safety?"

For example, red can be used to indicate fire prevention equipment, orange for electrical appliances, and yellow for danger lines. "Vista green also reduces eye fatigue," Mr. Henry stated. •

safety section

E. I. Du Pont's high self-insurance makes safety key to risk function

WILMINGTON, Del. — Because it is self-insured up to $2,500,000, E. I. DuPont & Co. views safety as a vital part of its risk management program, according to J. Sharp Queener, manager of the company's safety and fire protection division.

DuPont, which has been self insured since the early 1800's when it was primarily a manufacturer of black powder, is considered by insurance sources to be the major self insurer in the chemical industry and a leader in the safety field.

The company employs some 120,000 people in 90 plants throughout the U.S. and Europe, and is one of the world's largest and most diverse manufacturing enterprises.

INSURANCE COMPANIES have been critical of the oil and chemical industry's penchant for building plants with multi-million dollar loss potential. The $36,000,000 Cities Service loss in Lake Charles, La. is considered a prime example, critics pointed out.

According to Mr. Queener, DuPont's loss prevention engineers —employed in the safety division—conduct safety inspections to a point where there will not be a "preventable" loss of more than $1,000,000.

Though DuPont suffered a $10,000,000 loss at its Louisville plant in 1965, it was not a total loss and could have been much greater, according to the safety department. The disaster was caused by an explosion—a main peril for chemical companies—and is one reason why DuPont will only self insure up to $2,500,000.

MR. QUEENER POINTED out that there is no existing loss protection program that can prevent every catastrophe. For example, he said a jet plane could fall on one of its plants causing a catastrophe which no engineering design or safety inspection could prevent.

DuPont's philosophy of loss prevention begins at the conception of a plant, at which time the company calls in safety engineering consultants, said Mr. Queener.

"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," he said.

With help from a central research organization, DuPont uses the following guidelines when planning new construction:

- **Pilot plant**—a scale model of the proposed plant which is used to study safety and loss prevention.
- **Design**—consulting with safety and fire prevention engineers.
- **Construction** — continued advice and inspections on safety.
- **Completion**—the plant is surveyed on an annual basis to see if employes practice safety and if equipment meets company standards.

DuPont management considers the safety division a major function that protects the company's assets, personnel and profits.

CHARLES B. McCOY, president, said in a company safety bulletin: "Success in safety results from individual responsibility of everyone—management, foremen, supervisors and the entire working force."

The safety division, which includes engineers, surveyors, an insurance section and a statistical unit, is administered by local management through committees and safety directors at each location. The home office division also directs programs of safety education and offers awards for safety records of all company units.

Statistics show DuPont's employe safety record in 1966, as measured by the frequency rates for disabling injuries, to be .26 per million man-hours worked, which compares with a rate of 3.36 for the chemical industry and 6.53 for all industry.

ITS PLANT IN Chattanooga, Tenn., achieved the best record in U.S. industry—45,808,779 manhours worked without a disabling injury—according to the National Safety Council.

Mr. Queener, a soft spoken native of Tennessee, contended that the success of DuPont's safety program is the result of "voluntary participation" by employes.

As such, the safety division does not have any specific authority, which is one reason why the company relies strongly on employe cooperation.

HE STRESSED THAT programs are not as important as having employes willing to participate in safety. "Voluntary participation is the heart of any success in a large company," said Mr. Queener.

"An employe must feel he is part of safety. The concept cannot be mandated. It should be discussed with the employes, after which they will follow up on their own suggestions," said Mr. Queener.

Voluntary employe participation was exemplified when DuPont's management considered installing seat belts in company cars. After the employes were consulted a large percentage of drivers requested belts—and used them. When the belts proved successful DuPont then made it mandatory for all employes to use them in company cars.

"Working with people rather than dictating to them is the only way to make them feel part of safety. Once there is a consensus on a suggestion, the company is in a better position to make it mandatory," said Mr. Queener. ▪

Name Cabaud President

H. E. Cabaud Jr. has been elected president of Johnson & Higgins of California, San Francisco.

safety section

To combat slips and falls, which killed 19,000 persons and injured thousands more last year, according to the National Safety Council, Liberty Mutual has developed a slipmeter to measure the amount of pull needed to make feet secure on floors and stairways. The gadget, seen demonstrated by a Liberty employe, is part of an industry-wide effort to reduce accidents both on and off the job.

FM eyes conservation challenge

NORWOOD, Mass.—Convincing the employe of his own personal stake in the conservation of a company's property is becoming one of the risk manager's most important challenges, according to the Factory Mutual System.

Currently insuring over $130 billion worth of property, Factory Mutual pointed out that human error is being recognized as the major cause of catastrophic losses.

"Most major losses are the result of people doing the wrong thing at the wrong time," said a spokesman for the insurer.

To develop a climate of employe motivation toward property protection, Factory Mutual established a property conservation program last year designed to narrow the employe-management communications gap.

FOR THE LARGE industrial companies Factory Mutual utilizes consultants who work with people rather than concentrating exclusively on its long established engineering services.

"The new emphasis is on public relations, employe publications, and modern educational and personnel techniques to reach employes," a spokesman said.

Some effective motivational techniques used by Factory Mutual include pay envelope inserts, folders and campaign buttons.

"A company must be convinced that property conservation is a productive effort and that insurance indemnity alone does not offer a company adequate protection," said a Factory Mutual executive.

LOSS OF PRODUCTION, lives, jobs, time and good will can never be fully repaired, he said.

Maintaining or lowering insurance costs will demand more than just keeping pace with physical loss prevention tools, added a Factory Mutual engineer.

"There is a realization that human motivation and involvement have become an increasingly vital resource in the war on industrial disaster," he said. ▪

Report on comp rate formula

SACRAMENTO, Cal. — The California Inspection Rating Bureau has given the state insurance department a report by a special committee on expense loading in the California compensation rate formula.

The committee consisted of B. F. King, executive vp, Pacific Employers, chairman; R. F. Ballus, resident vp, Lumbermen's Mutual Casualty; Richard Carniglia, vp, Fireman's Fund American; F. J. Hope, actuary, Hartford Insurance Group; J. W. Pedersen, vp, Industrial Indemnity, and L. B. Dropkin, assistant general manager and actuary, California Inspection Rating Bureau.

Prior to 1958, the report points out, the expense factor used in the California compensation rate formula was 40.6%. Since then, it has been 36% plus 2.35% for the California premium tax.

The study group concluded that the present loading method "is justified."

Total production costs, according to the study, now approximate 17.5%. This includes not only commissions to agents and brokers but also field supervision and collection expenses.

Claim adjustment costs, the committee reports, average 7.8%; general expenses, 11.5%; the California premium tax, 2.35%; and miscellaneous taxes, licenses and fees, 0.7%. ▪

safety section

Safety Council offers safety series

CHICAGO—A series of courses offered by the National Safety Council illustrates increased efforts to teach various aspects of safety to small- and medium-sized companies.

To aid management, the council runs a training institute for safety directors or those with safety responsibilities. The object of the 26-section program is to equip participants with the skills to teach the functions of safety.

Each course is one week and seminar instructors are chosen from the field under discussion or, in the case of a fundamentals course, are from the National Safety Council or colleges.

Companies may also enroll supervisors in a home study course offered by the council or combine this with a training session in Chicago. There are 2,000 people in this program and since 1963 there have been 7,000 graduates.

Increased interest in safety is reflected in the number of safety professionals trained by the council, a council spokesman indicated. In 1967 there were 500 trainees as compared with 300 in 1965.

The council also offers a defensive driving course with eight hours of reading, films and practical application. The course is a distillation of training given professional truck drivers. Safe driving at all times is emphasized because an employe is lost to production whether his auto accident occurs at home or at work. More than 600,000 have graduated from this course.

To combat high insurance losses among Latin American people, who are the least-assimilated immigrants in the United States and show the lowest tendency to learn English, the Inter-American Safety Council has established a link with the National Safety Council. ■

COSTS OF ACCIDENTS IN 1967

1. Wages lost; lower wages due to impairment; present value of future earnings lost due to total incapacitation or death.	$6.0 billion
2. Medical fees, hospital expenses	$2.2 billion
3. Insurance administrative and claim settlement costs.	$4.9 billion
4. Property damage in motor-vehicle accidents	$3.5 billion
5. Property destroyed by fire	$1.7 billion
6. Property destroyed and production lost due to work injury accidents.	$3.0 billion
Total:	$21.3 billion

Source: National Safety Council

Federal . . .

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insure protection against hazardous radiation from television and other electronic equipment.

Highlighting the action at the agency level has been the flood of unprecedented safety regulations for motor vehicles which have emanated from the department of transportation and the multiagency campaign against smoking.

Probably the most significant safety developments in Washington in recent months have been the creation of the product safety commission in late 1967 and the push this year for the occupational health and safety bill. Because of the broad areas which these bills affect, each deserves careful consideration by all risk managers.

The occupational health and safety bill would empower the Labor Department to enter all plants in industries affecting interstate commerce and pass judgment on their safety. It would give the labor secretary the power to close down a plant if in his opinion conditions there could cause "imminent harm" to employes. Of primary importance is the fact that by creating a federal obligation to maintain safe working conditions the proposal could have the effect of drastically altering the present state-regulated workmen's compensation system.

THE SAFETY BILL is by no means certain to be enacted despite the heavy push it is receiving from organized labor and other administration supporters. And it is reasonable to assume that if a bill does get through it will be watered down considerably from the original administration proposal.

Regardless of the outcome, the proposal represents a significant development in the field of corporate plant safety and will certainly lay the groundwork for further government activity in this area.

The product safety commission was established to review federal, state and local consumer safety laws, study the extent to which voluntary self-regulation by industry provides protection, assess the adequacy of the current system of common law product liability, and make recommendations for legislation or other action to protect the public against unreasonable risks of injury from household products.

The commission will not study motor vehicles, food, drugs, cosmetics, pesticides or firearms because laws have already been passed or studies made in each of these areas.

During Senate hearings on the establishment of the commission, J. Herbert Hollomon, acting undersecretary of the Commerce Department, charged that an extremely complicated legal situation results from the nonuniform state laws on products liability and urged that the commission study the desirability of a federal statute on products liability.

"Not to be forgotten," he said, "is the effect of existing nonuniform laws on industry. The prospect of having to operate under a single uniform-statute on liability rather than under 50 or more should receive serious consideration." ■

safety section

'Don't keep safety secret,' seminar told

By TERESA NORTON

CHICAGO—"Don't keep safety a secret. It pays off in reduced costs, improved employe morale and better community relations."

Such was the comment of Theron F. Miller, head of his own consulting firm, at an industrial safety seminar sponsored by the Chicago Assn. of Commerce and Industry.

Many of the safety problems now being faced by small- and medium-sized companies have already been experienced by larger concerns in the post-World War II era of rapid industrial growth, Mr. Miller pointed out.

Small companies do not have the money to hire a special training director or buy instruction manuals. Yet ten employes absent on a given day, could mean as much as a 10% labor loss for the company, he said. Small- and medium-sized plants employ 57% of the work force but sustain 80% of the on-the-job injuries, he added.

MR. MILLER cited a case. In small companies, a personnel manager may have to train people to operate machines and perform duties with which he himself is unfamiliar. Often, he tells a new or transfer employe to report to a foreman for training. The foreman assumes that the personnel manager has trained the employe, so he doesn't. Besides, the foreman is busy—he has his own job to do, leaving little time for training. Often, too, the foreman may send a new worker to one of the seasoned hands, who may be proficient at his job but have no ability to teach it.

In a small plant, Mr. Miller pointed out, safety is often like a football which is kicked from the president to the plant manager to the superintendent to the personnel manager. Everyone pays lip service to safety but, because no one individual is responsible, accidents and injuries win the game, he continued.

A SAFETY director is a team manager and must have the full support of management. Safety is a four-part responsibility, stated Mr. Miller.

Management must provide proper equipment and environment; pre-employment and follow-up physicals must be given, he said. This not only prevents accidents but also can decrease fraudulent workmen's compensation claims, Mr. Miller said.

The money for an industrial nurse and services of a physician is well spent, added Mr. Miller, because through records the nurse can pinpoint unsafe areas in the plant and workers who are "accident prone."

Management must see that performance and operating tests are administered upon hiring. This not only decreases injuries but also lessens the possibility of damaged machinery.

RESPONSIBILITY for safety also rests on the employe, Mr. Miller contended. Each worker should realize his duty to himself, his family and his co-workers to abide by the rules and be alert to, and report, dangerous conditions that may arise.

The successful safety program, suggested Mr. Miller, involves everyone. At Three Rivers, Mich.

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INA . . .

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rules to be observed.

- A regular program of **self-inspection** must be started by each participant and a central file of the reports maintained by the loss prevention committee.
- A detailed **loss analysis record** must be maintained to serve as a guide in directing loss control activities.

Through the techniques of the safety group, small companies can receive all of the technical skill and experience of larger companies with a minimum of expense and manpower, said INA.

The company maintained that safety must be "sold" to employer and employe before losses can be reduced.

It cited the automobile as the biggest problem in industrial and public accidents—causing perhaps as much as 50% of all accidents. ▪

Cargill work comp direct charges keep managers safety conscious

By LOUIS HAUGH

MINNEAPOLIS—A direct-charge accounting of workmen's compensation costs and a "personalized" safety campaign have helped Cargill Inc. cut its workmen's compensation premiums by about a third by reducing its standard rate modifier from plus 50% to minus 5%.

Under Cargill's system of direct charges, plant managers are charged monthly for accidents that occur in their operations, computed on the basis of average cost of claims.

The "personalized" safety campaign includes several slide presentations made at individual locations using pictures of actual working conditions and employes of that plant.

"OUR PLANT managers and management understand profit-and-loss statements, and a monthly cost accounting on workmen's comp claims hits them right in the pocketbook," Samuel R. Parks, assistant treasurer and insurance department manager, told *Business Insurance.*

Mr. Parks describes workmen's compensation as a "cost-plus coverage" provided by insurance companies who compute the premium by using bureau rates for job classifications, modified by a percentage based on actual claim payments.

In an effort to reduce Cargill's premiums and modifier, Mr. Parks and an associate, Gene Morneau, prepare a series of regular reports to all company levels detailing workmen's compensation costs, lost-time accidents and accident analysis. The analysis is in six categories: operation; cause; form of accident; type of injury; part of body injured, and unsafe act or condition.

Cargill has an average of 6,000 employes at more than 200 locations in 33 states. Cargill operations include grain, vegetable oil, feeds, food products, chemical products, seed, commodities, water transportation and stevedoring.

"SOME OF OUR plants have not had a lost-time accident for more than 20 years, an enviable record in any league," Mr. Parks said. Cargill began its direct-charge billing three years ago when the modifier was "too high," he said, and now confidently eyes improving its minus modifier to make it comparable to some other companies in the same industry.

Workmen's compensation rates are set by state and national rating bureaus for individual employe classifications by comparing total premiums generated with actual claim costs. From these rates, insurance companies, in Cargill's case Travelers, determine an overall company rate.

For example, if bureau rates applied to a company's payroll generate $300,000 in premiums and claim costs were $360,000, the modifier would be plus 20%; if claims were $240,000, the modifier would be minus 20%.

FOR A LARGE company, the compilation of a modifier can be a giant arithmetic problem, even when computers are used, and final accounting between carrier and insured may be delayed after the end of the policy period, waiting for claims to be settled.

In its direct-charge accounting, Cargill has allotted cash amounts for 39 different accident injuries. The charges vary from a $6,500 maximum for any one claim to $400 for a twisted back, $2,000 for the loss of an eye, $71 for a burn or scald, and $60 for a cut or abrasion.

These amounts are based on a three-year average of the cost of accidents and are updated annually. "We've found that these amounts have been within 15% of actual costs," Mr. Parks said. "The charges are set to make the shoe pinch, not so tight that plant managers can't walk but enough to have an effect on an individual plant's profit-and-loss statement."

IN ADDITION, the charge for lost time is $25 per day. Cargill charges a plant with a lost day if an employe fails to make his next regular shift.

If an employe is injured on Friday and does not report for work on Monday, the plant is charged for three days lost time.

The insurance department assesses the charges from accident reports filed by the immediate superior of the injured employe. The charges and premium allo-

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Small buyers...

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a thoroughly objective view of their companies, review practices of others in the industry and contact their trade associations for insurance information about the industry.

HE URGED HIS audience to dispel employes' misconceptions that the insurance companies will always take care of any loss.

"Don't let them have this nonchalant attitude; impress on them the conservation of property and personnel," he urged.

Arthur Unger, assistant vp, Franchard Corp., New York, briefly described why his company decided against the total account approach to risk management. He described this method as "putting all your eggs in one basket."

According to him, Franchard believed that while the larger insurers are "eminently qualified in many areas, they aren't qualified in all areas."

HIS COMPANY HAS spread its risks on a horizontal basis, giving all insurance of one group to one company. He illustrated that Fireman's Mutual Insurance Co., which has the fire and extended coverage and boiler and machinery protection, sends Franchard reports on all its locations. From these reports, the company can determine what corrections need to be made and get right on them.

He acknowledged that one advantage of the total account approach is the fact that an underwriter may be more willing to write the hard-to-place risks. ▪

Rules poison maker liable for child's death

HOUSTON—Although the manufacturer of a roach poison complied with the federal and Texas laws for labeling of insecticides, it was held liable by the Texas court of civil appeals for the first district for the death of a child who drank the poison.

The court ruled that Freeway Manor Minimax should have specified on the label that there was no "specific antidote" for the poison even though not required to by law.

On the poison's label it said, "Give a tablespoon of salt in a glass of warm water and repeat until vomit fluid is clear. Have victim lie down and keep warm. Call a physician immediately! Warning: Cumulative Poison. Absorbed through the skin. Do not get in eyes, on skin or on clothing. Wash thoroughly after handling. Keep children and domestic animals away from baited areas and burn all pests killed."

In addition there was a skull and crossbones painted in red on the label and the word "poison" on the label in three different places.

The court said, "there is a common-law duty on one who markets an inherently dangerous product to fully disclose the extent of the danger in its use and to disclose the measures that may be taken to avoid fatal consequences of its use."

The court reasoned that the ordinary prudent person "knows that for most poisons there is not only a first aid remedy that will prevent the absorption of the poison by the system, but also for most poisons there is something that may be introduced into the system that will counteract the effect of the poison absorbed. If there is no such agency, it is the duty of the manufacturer to fully inform the public to whom it intends to market its product that there is no such agency." ▪

Langdon joins broker

George L. Langdon, formerly with Industrial Indemnity, has joined the staff of Putnam, Knudsen & Weaver, Oakland broker and employe benefit consultant.

letters

Continued from page 12

I am curious to know why this report, which appears to be an afterthought, was solicited from someone else.

Dale E. Taylor,
Executive Vice President, Atlantic Mutual Insurance Co., New York.

Editor's note: The Business Insurance source for this story is regarded as highly reliable.

Greater value

To the Editor: Just wanted to take this opportunity of telling you how much I appreciate the insurance publication of *Business Insurance.* I think you have done an outstanding job in putting together a publication which in my opinion is of greater value to the insurance buyers, such as myself, than any other publication I have read. While I'll be retiring on July 31 of this year, I want to be certain that my associate, Gary Hesser, will have the benefit of your publication.

M. P. Anderson,
Secretary and assistant treasurer, Link-Belt Co., Chicago.

All lines

To the Editor: Thank you for the copies of your publication, *Business Insurance.*

After reviewing various articles, I find your publication title, "Business Insurance for Buyers of Employe, Property and Liability Protection" most appropriate. Your publication is definitely oriented to the insurance buyer and provides concise, yet detailed information on many items of general and specific interest to the buyer. Unlike many trade publications, your publication provides information in connection with all lines of insurance and allied problems.

Paul M. Isbell,
Assistant Secretary, insurance section, Bendix Corp., South Bend, Ind.

Likes story

To the Editor: I just finished reading Bill Guest's story. His accuracy and judgment in the selection of material he acquired during our delightful hours of discussion is to be applauded.

We would very much like to have your permission to reproduce this article and circulate it to our friends. Congratulations on a wonderful publication.

Arnold M. Cohn,
President, National Preferred Risks, Great Neck, N.Y.

Editor's note: Permission granted.

Not yet!

If handling the increasingly complicated risk areas of your business makes you feel sometimes like throwing in the sponge — don't, until you see us. The tougher the insurance problems, the better we like them. And now we have a new concept that helps no end. It's All Risk Management. It puts you back in control. You *manage* risk the way you manage the rest of your business. Assets can be freed up for profitable use elsewhere in the business . . . production flow speeded. It helps ease the profit squeeze. It helps us work with you the way we like best — solving insurance problems, not just selling policies. Why not call us? We're in the Yellow Pages. (And hang onto that sponge 'til we get there!)

American Mutual
INSURANCE COMPANIES, WAKEFIELD, MASS. 01880

Workmen's Compensation • Fire • Liability • Crime • Group Insurance • Auto • Home • Life* • Accident and Health

*AM Life Insurance Company

business insurance/perspective

Can private pensions compete with Social Security — for votes?

by Bion H. Francis
corporate director of employe benefits
Crucible Steel Co.

Bion H. Francis

You, as employe benefit manager, and, more especially, your company as an employer, are competing right now in an important area for the votes of your employes. Let's take a look at the competition.

Our system of Social Security was originally conceived as something which would provide a "floor" of minimum income in old age. It was considered that private pension plans could build on this floor to provide satisfactory protection.

This viewpoint is changing. Social Security is increasingly regarded as something which should provide a satisfactory level of retirement income in itself. This, if achieved, would reduce the need for private pension plans.

SO, IN A VERY REAL sense, you are competing with your Congressman for the allegiance of your employes. Will they vote for your system of private pension plans—or for the system of public pensions embodied in the Social Security system? With this in mind, ask yourself: Who would get more votes? Then consider the following groups of employes.

1. **All employes** who have previously worked for other employers, and who were laid off with no benefits from the pension system which "covered" them in their previous employment. What value will they place on your present pension plan?

2. **All other employes** who have no vested rights under your present pension plan. Most of these feel confident that, no matter how they move from job to job, they will receive Social Security benefits. Are they equally sure of receiving anything under your pension plan? Before criticizing their viewpoint, consider the statement by Thomas R. Donahue, Assistant Secretary of Labor, that "perhaps as many as half the present participants in retirement plans will never collect benefits" (*Business Insurance*, Oct. 30, 1967, page 21).

3. **Any employe who** has estimated he will receive some minor amount—say $50 a month from his pension plan and that the Social Security benefits of himself and his wife will be three or four times as much. Which system will he think is more important? There are many pension plans which pay a median benefit which is less than $50 or $60 a month. Take a look at the pensions paid under your plan.

4. **All those who work** for employers with no pension plan. (There are still many of them!)

5. **All self-insured** workers. For many of these, Social Security benefits is all they will receive.

6. **All retired employes** who have seen their Social Security benefits increased from time to time to meet rising living expenses, while there has been no increase in the company pensions which they receive. Will they vote for the Congressman who is increasing their Social Security benefits, or for the private pension system which is not increasing their protection?

7. **The brothers, sisters,** sons, daughters, other relatives and friends who may be influenced by the treatment—and thinking—of those who have retired.

AFTER WE CONSIDER these groups, it should not come as a surprise that we—those of us who are responsible for private pension plans—are losing this struggle. Take a look at the figures. In recent years, the numbers who have been receiving benefits under private pension plans, and under the Social Security system have increased as follows:

Persons receiving benefits

Year	Private plans	Social Security
1950	450,000	3,480,000
1955	990,000	7,960,000
1960	1,780,000	14,850,000
1965	2,690,000	20,870,000

Note: The figures for Social Security include dependents and survivors of retired workers.

DURING THIS PERIOD, the average benefit paid under the Social Security system increased much more rapidly than under the nation's private pension plans:

Average benefit

Year	Private plans	Social Security
1950	$ 820	$280
1955	860	500
1960	980	740
1965	1,130	880

As a result, total benefits paid have grown sharply:

Total benefits paid

Year	Previous plans	Social Security
1950	$ 370,000,000	$ 960,000,000
1955	850,000,000	4,970,000,000
1960	1,750,000,000	11,240,000,000
1965	3,040,000,000	18,310,000,000

DURING THIS PERIOD, then, the benefits paid under private pension plans increased about eight times; benefits paid under the Social Security system increased about 19 times. Perhaps the struggle isn't over, but at this point, you can't say we're winning.

Suppose we don't win. Suppose we lose the allegiance of employes in maintaining the system of private pension plans. What then? Let us consider the consequences.

First, suppose that Social Security benefits are increased to the point where they provide a satisfactory income for most retirees. Will there then be a need for large scale private pension plans?

NEXT, SUPPOSE THAT Social Security taxes are raised to the levels required to pay adequate Social Security pensions. After paying these taxes, will corporations have funds to pay for supplementary pension plans?

This would probably result in a large scale diversion of pension funds from the securities markets to government securities. What would be the effect on our economy?

Presumably, there would still remain a percentage of highly paid officers and employes for whom Social Security benefits would be inadequate. If the operation of pension plans were restricted to the relatively small number of higher paid employes who would still be covered, would they continue to receive satisfactory tax and other treatment? ▪

Establishing status as a self-insurer of workmen's compensation

by Carl J. Vogt
supervisor of workmen's compensation
General Tire and Rubber Co.

Second of two parts

The most difficult single step for a business in achieving the status of a self-insurer is accomplished when its management decides to embark on such a program.

The implementation should move forward in an orderly manner with the first step being the acquisition of an individual who is qualified by reason of his education and experience to head this new department. This selected individual should then communicate with one or more organizations that advocate self-insurance of workmen's compensation.

In most industrial states, a "self-insurance association" has been established. It is comprised primarily of the large corporations which transact business in that state. Each of the members self-insure their workmen's compensation risk. These members share in the common problems of administrating the benefits of workmen's compensation to their employees and in complying with the provisions of their state workmen's compensation act. This organization will have regularly scheduled programs designed to keep its members informed on current developments in this specialized field. It may also, through its membership, keep close tab on proposed legislative changes in the act and assist in producing constructive new legislation.

AS CURRENT trends develop as a result of decisions in contested cases, these are brought to the attention of all members. Such matters of common interest and importance are usually printed and mailed to all members. These self-insurance associations are represented nationally by the National Council of State Self-Insurance Associations, 105 Broadway, Room 2025, New York, N.Y. 10006. One of the functions of this organization is to assist business entities with information regarding the details of self-insuring workmen's compensation in a particular state.

Another organization which is highly skilled and vitally interested in the area of self-insurance of workmen's compensation is the National Industrial Council, 918 Sixteenth Street, N.W., Washington, D.C. 20006. Here again, most of the industrial states have their own manufacturers' association. These associations have a single purpose which is to represent the interest of the manufacturers of this country on both the state and national level. The offices of these associations are generally located in the city which contains that state's capitol, or in the state's largest city.

They also keep their members informed of current developments by sending out bulletins. The bulletins contain case decisions which effect changes in the established pattern of benefits and on legislative developments. The costs of the services rendered by this organization are maintained by the manufacturers which it represents. Each state manufactures' association will have on its staff a man eminently well-qualified to assist and guide a member company who desires to self-insure its workmen's compensation risk.

ANOTHER SOURCE OF information and help in the intricacies of setting up such a program, is a fellow business enterprise which has established a successful program. As this is not an area in which any trade secrets or competitive van

Continued on following page

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tages may be gleaned, most workmen's compensation directors not only feel free to help but are usually pleased to be consulted.

The formal application to gain the privilege to self-insure workmen's compensation must be obtained from the state. Each state has a department (usually referred to as the Bureau of Workmen's Compensation or Industrial Board) in which is vested the duty to administrate that state's workmen's compensation act. Within that bureau, a section will have the specific responsibility of handling the self-insurers.

In order to ascertain whether your business is qualified for the privilege of obtaining a license to self-insure, it has to meet many requirements. These requirements are developed in the form of answers to questions found in the formal application which is furnished upon request by the self-insurance section. These forms vary considerably from state to state, but essentially all states desire a guarantee that each of its employe citizens will receive all of the benefits to which he is entitled under its workmen's compensation act if he suffers an industrial injury. These benefits include the long-range ability to pay a permanently disabled worker benefits for the balance of his life span—possibly 50 or 60 years. This obligation can be projected into a cost of several hundred thousand dollars.

Carl J. Vogt

Quite obviously, this money exposure requires substantial financial resources, a stable business, and a guarantee of ability to pay.

The application requirements will include the following:

- An audited financial statement for the fiscal year immediately prior to the date of application.
- List of officers of the corporation.
- Past workmen's compensation experience, payroll information, numbers of employes to be covered, etc., as required on the application form.
- Security in the form of a bond, if required.

UNTIL THE STATE has issued, and you have received, the certificate which enables you to self-insure your workmen's compensation, DO NOT cancel your previous coverage. If there should be a lapse of coverage, and if one of your employes suffers an industrial injury during that lapse, you might be established as a non-complying employer. This classification would subject you to severe penalties imposed by law. It could also subject you to a law suit based on common-law negligence and expose you to an unlimited money action.

At the time and date that your business enterprise assumes the duty to administer the state workmen's compensation act, it must be prepared to do the following:

- Report accidents and occupational diseases to the Bureau within a set time.
- Follow all rules and regulations of the Bureau.
- Report wages paid to employes.
- Keep adequate records to enable the continuation of your self-insured status, which must be renewed annually.
- Pay compensation and other benefits as set forth in the act.
- Furnish medical, surgical, nursing, and hospital services.

Cost comparisons made at the end of the first year of a self-insured workmen's compensation program, comparing it with the previous years of experience, must be interpreted. If the risk from which the comparison is developed is a stable one, the annual cost under self-insurance should amount to a small fraction of the former year. The "carry over" cost factor is absent in such a comparison. A more meaningful cost comparison is reflected in a two-year comparison and a fairly accurate comparison is reflected when three-year periods are available. ▪

Carl J. Vogt, supervisor of workmen's compensation for the General Tire & Rubber Company, Akron, Ohio, attended Ohio Wesleyan University and received an LL.B from Ohio Northern University of Law in 1948. Mr. Vogt joined the Continental Insurance Companies in 1948, as claims adjuster and became claims manager in Akron in 1949. He has been with General Tire & Rubber since 1964. Mr. Vogt is a member of the Akron Bar Association and past president of the Akron & Cleveland Claim Managers Council. He is also a member of workmen's compensation committees of the Ohio Chamber of Commerce and Ohio Manufacturers Association.

Deductibles, self-insurance, excess and umbrellas

by Claiborne R. Carter
manager, insurance and risk management
Humble Oil & Refining Co., Houston

(Mr. Carter's column is based on a talk he gave to a Governmental Risk Management Conference in Tucson, Ariz., March 7.)

The underlying thought in this article is "risk assumption" by the insured. In considering risk assumption we are immediately confronted with a host of terms—deductibles, retention, noninsurance, self-insurance, loss divisor plans, and others—all of which have aspects of "risk assumption by the insured." In our organization the term "self-insurance" has come to mean most of these.

I know of no universal definition of self-insurance. Some writers have defined self-insurance as meaning no insurance, with loss reserves being established, and noninsurance as meaning no insurance, with no loss reserves. Retention, deductibles, loss divisor plans, all mean insurance with some measure of risk assumption by the insured. In our organization, self-insurance means simply self-assumption of risk with or without reserves. Retention, deductible amount, loss divisor, mean self-assumption of losses under a policy of insurance; that is, premiums are directly related to our own loss experience.

In considering a risk assumption philosophy, we believe that two principles can be applied, namely:

- Losses which are predictable should be considered for self-insurance, and
- Losses above the predictable level should be considered for self-insurance within the insured's financial ability to absorb such losses, and where a large number of exposures exist.

Within the framework of these "principles," the insured should consider:

1. What level is predictable? Is past loss experience sufficiently credible to predict future losses?
2. Is there a catastrophic potential in the "predictable" area, such as hurricane, earthquake, etc., which in fact has not been realized in the losses being studied?
3. Is there a sufficient "spread of risk"? Most text books tell us there must be a spread of risk of homogeneous units. In our own operations, however, we are inclined to look at all risks as a "package." We believe that "homogeneous" units are not necessarily essential where there may be sufficient diversity.
4. What services—such as inspection, engineering, safety—are needed to properly control the risk? Can these services be provided more economically under an insured arrangement or alternate arrangements?
5. Are subrogation problems involved? For instance, if it appeared that automobile collision and comprehensive property losses are predictable and therefore should be considered for self-insurance, what arrangements would be made to handle collection where your vehicle was negligently damaged?
6. In considering self-insurance of liability type exposures, are there claim handling problems? What are the pros and cons of claim handling by an insurance company versus claim handling by adjusting firms or your own staffs, or a combination of these?

IF SELF-INSURANCE of losses in the predictable area is desired, attention can be given to the best vehicle to accomplish it. It can be accomplished through a direct self-assumption. The self-insurance principle can also be accomplished through deductibles, loss divisor plans, etc. Under this arrangement, so-called excess insurance can be purchased above the "cost-plus" level.

In weighing self-insurance above the predictable level and within the insured's financial ability to absorb losses, one of the more difficult tasks of the risk manager is getting a handle on his organization's "financial ability to absorb such losses." Insurance companies themselves have this problem and, to some measure, this is why they have reinsurance. Most insurance companies will commit only a small per cent of their capital or surplus in any one risk and even then frequently do not retain this limit on all risks. Many state laws have a legal ceiling of 10% of capital and surplus.

The tools which assist in coming to grips with determining financial ability to absorb losses are the usual financial statements, statements of value, etc., and risk evaluation studies. In this connection the importance of systematic and periodic risk evaluation of all exposures and loss potentials to which operations are subject should be emphasized.

IN MAKING SUCH STUDIES loss potentials generally can be grouped into three classes—predictable, probable and possible. Predictable and possible, under our usage, are more easily defined than probable. Predictable we have discussed earlier. Possible, to us, means little or no experience to support, but it could happen. We consider "possible" almost synonymous with "catastrophic." The size of the over-all risk, of course, helps set the catastrophic. Probable, then, rests between predictable and catastrophic.

In considering probable loss potential within the confines of the financial statements and within the limits of the evaluation of potentials, consideration can be directed to establishing internal loss reserves and to purchasing aggregate stop-loss insurance (singularly or combined in an excess or umbrella arrangement) in order to limit the "probable" loss to that which the insured is financially able to absorb.

Presumably under such an arrangement, predictable losses would be excluded in arriving at the losses which would be considered for aggregate stop-loss. The specific self-insured level is for the management to determine, using such factors as earnings, cash flow, available surplus, availability of credit and interest rates, working capital requirements, etc. One word of caution—these matters rarely remain static. A systematic and continuing program of reviewing these matters is necessary.

THE SELF-INSURANCE philosophy can also be directed to insurance requirements of contractors. Obviously, contractors' insurance costs must be recognized in their bids. To the extent these coverages can be eliminated within one's over-all policy of risk assumption or to the extent the coverages can be purchased more economically under the principal's own arrangements, i.e., builder's risk, then such a step should be considered. Coordinated arrangements also have their place, we believe, in considering insurance cost of contract jobs.

In considering the over-all question of excess or umbrella coverages, every risk manager is confronted at one time or another with the problem of selecting upper limits. I know of no better way to study this problem than a physical review with operating units of the actual operations. Regular visits to major installations and reviews with responsible operating management of their over-all operations, plans, concentrations of risks, appraisals of exposure potentials and other factors will greatly assist the risk manager.

With this information, which should be compiled in an orderly and systematic manner, and a statement of values, including replacement values, of all facilities, exposure potentials can be computed. Of course, this is not an exact science. It does, however, give more meaningful background than a mere "educated guess."

Under a self-insured arrangement—either direct assumption or an insured arrangement whereby premium is based on actual losses of the particular insured—reductions in losses are savings to the "insured." In our organization, self-insured losses are borne by the operating unit which experienced the loss. We have found that this serves to impress upon them the importance of controlling losses. Regardless of the arrangement—insurance, self-insurance, or a combination—the reduction of losses is the overlying goal and is the key to maximum economies. ▪

Claiborne R. Carter graduated from Tulane University and during 1947-48 served as placement director of the university. After working for the San Antonio Express for four years, he joined Humble Oil & Refining Co. in 1952. The next two years were spent in the U. S. Navy, where he was an administrative and planning officer. Back at Humble in 1954, Mr. Carter has risen to his present post of insurance and risk management manager and also vp of Petroleum Casualty Co., Humble's captive insurer. He is married with two daughters.

Bunge . . .

Continued from page 1

the insurer.

"The question of good faith cannot be the basis for justifying the lower court's disposition," said Bunge. "We have never questioned that London & Overseas, if it so elects, may put in issue the question of Bunge's good faith in settling with American Express."

IN A BRIEF, London & Overseas lawyers said Bunge and American Express disregarded all concepts of equity in insisting on an absolute right not merely to settle between themselves but unilaterally to cancel and destroy the insurer's right of indemnity against the wrongdoing party.

London & Overseas maintained that American Express, the alleged wrongdoer, should be liable to the insurance companies if Bunge's settlement is acceptable to the court.

"If Bunge is allowed to sue London & Overseas, then London & Overseas should have the right of indemnity against American Express," said London & Overseas.

The insurer also cited several court cases (*Ocean Accident & Guaranty Corp. vs. Hooker Electro Chemical Co.*, 1925; *Connecticut Fire Insurance Co. vs. Erie Railroad*, 1878) in which the insurer's liability to its insured was removed because the insured sued the wrongdoer, thus destroying the insurer's right of subrogation.

The American Express lawyers cited three arguments which they claimed removed the firm from further liability:

- Bunge had full power to deal with and release its claims against American Express and Bunge's insurers cannot assert rights which Bunge released.
- There is no merit to the insurers' arguments that Bunge lacked power to give American Express an unqualified release extinguishing all of Bunge's rights, including rights which a potential subrogee might derive from Bunge.
- Bunge's release of American Express, as contained in the opinion of U.S. District Judge Sylvester J. Ryan, is as "unambiguous as human language can make it" and "is complete and unfettered." There are no triable issues of fact, said American Express.

IF THE APPELLATE court overrules the lower court decision, legal experts predict a fresh crop of claims—involving at least $240,000,000—could be reactivated. ▪

Oil rig pool suspended

NEW YORK—Efforts to develop a domestic oil rig pool have been suspended due to lack of support.

It was learned that letters sent to almost every U.S. insurance company requesting their participation in the American Marine Drilling & Exploration Insurance Assn. could not produce any positive results.

GAB promotes Begas

Warren E. Begas has been named national property manager of the General Adjustment Bureau, New York.

Mini-Met . . .

Continued from page 1

by an employer to pay benefits are premiums for premium tax purposes." He will permit Metropolitan to sell Mini-Met plans in California, but the state will collect premiums on all premiums paid, whether deposited by an employer or paid directly to the insurance carrier.

A spokesman for Metropolitan said that company attorneys would begin an "immediate" study of the decision. "We don't expect any far reaching battles," he said. "We shall take the matter to the courts and the whole issue will be decided on the basis of legality and not emotion."

The controversy was put in perspective by George C. Foust Jr., vp of Towers, Perrin, Foster & Crosby. There has been a "tremendous difference of opinion on Mini-Met plans," he said. Metropolitan and Aetna find themselves protagonists on this issue, he said.

THE CATERPILLAR plan was based on the assumption that the employer would handle claims, Mr. Foust pointed out, with the insurance company standing by to do the "bailing out." In essence, the legal status of such plans was that the employer was self-insured and doing all the detail work, he said.

However, Mr. Foust observed, Metropolitan began to find that relatively few employers were meeting the objectives required, "because few had sophisticated claims departments." Therefore, the insurance company had to work out a new approach.

Metropolitan decided it would handle claims by drawing on a special bank account established by the employer for this purpose. Technically, the carrier would be "divorced" from the action by "rendering a service" rather than directly handling claims.

SEVERAL Metropolitan policyholders went along with this new Mini-Met approach, among them General Electric, which established the plan in June, 1967.

Aetna, on the other hand, came out strongly against the Mini-Met concept, because it felt that an insurance company would still continue to handle claims as under an orthodox plan. The company also felt that the financial arrangements were too close to insurance to be called self-insurance.

Lawrence M. Cathles Jr., vp of the Aetna group division, said, "The Roddis ruling is right down the line as far as we see it. The commissioner has approved the Mini-Met form, but has ruled that the deposits are eligible for premium taxes."

Aetna has always felt that people were "running too fast" in setting up minimum premium plans, Mr. Cathles continued, "and we told our policyholders that it was premature to set them up." Aetna also felt that it would be difficult for a company to shift its entire base of operations "always with the possibility that a court could rule against them."

Aetna's law department decided that the plans "wouldn't stand up." Although about 35 states have approved Mini-Met forms, "in no place was the tax-exempt status specifically approved," Mr. Cathles pointed out. ▪

Court keeps rail workmen's comp in states

WASHINGTON—The Supreme Court has ruled against taking railroad-related industries out from under state workmen's compensation laws and bringing them within the provisions of the federal Employers' Liability Act which refers employes to the tort system for compensation.

The court held that Pacific Fruit, a lessor of refrigerator cars to railroads, is not liable under the federal Employers' Act for an employe's injuries. Had the decision been against Pacific, it would have had the effect of taking thousands of employes in railroad-related industries out from under the protection of the workmen's compensation laws and subjected their employers to tort suits for injuries.

The federal law provides that every "common carrier by railroad" engaged in interstate commerce shall be liable in damages for injury or death of its employes resulting from defects in its equipment or negligence.

Relying on earlier decisions by it and lower courts, the high court indicated that any broadening of the coverage of the federal Employers' Liability Act would have to be done by Congress. It pointed out, however, that in 1939 an attempt to include such companies as Pacific Fruit under the act failed in Congress.

Livingstone on board

Frank B. Hall & Co., Inc., international insurance broker and adjusters, New York, has elected Thomas Livingstone to the board of directors. Mr. Livingstone is a former vp.

classified advertising

RATES AND CLOSING TIME: *$2.00 per line, minimum charge $8.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of $16.00 per column inch, and card discounts on size and frequency.*

Macke Co. revamps group life, health plan

CHEVERLY, Md.—The Macke Co., a national vending and food service organization, has undertaken a massive revision of its group insurance program.

Because of acquisitions over the past six years, as well as business growth, the company has more than 4,000 employes and operates from Maine to Texas.

"At one stage we had 38 corporations within the Macke family," John Fitzsimmons, corporate director of industrial relations, told *Business Insurance*. "Thirty-six of these corporations had group insurance plans, and more than 23 different companies were involved," he said.

MR. FITZSIMMONS, together with his broker, Stanley S. Telchin of Washington, D.C., "spent a lot of midnight sessions" to create a life and health program based upon the needs of so many locations.

At first, Macke envisioned a national program with uniform benefits for all employes. However, "it soon became apparent that this wouldn't fit the bill."

Instead, Mr. Fitzsimmons continued, the company came up with one national plan for management level employes, and five regional plans for nonmanagement personnel. The regional plans are geared to the costs of semiprivate room-and-board charges in the various geographical locations.

These vary between areas; in Washington, for example, coverage is $38 a day for 31 days, but in Philadelphia the coverage is $30. The surgical schedule also varies according to regional charges.

However, a major medical plan will be superimposed on top of all regional hospital plans providing a standard coverage of $10,000 on a lifetime basis, subject to a $100 corridor deductible.

After designing the specifications for the desired coverages, invitations were sent to 15 major insurance companies, Mr. Fitzsimmons disclosed. After a "very careful comparison" of all bids, John Hancock Mutual Life Insurance Co. was selected as the carrier for all coverages other than long-term disability benefits, which was awarded to Union Mutual Life.

"We selected these carriers because we felt that their reputations, sizes, claims cost control facilities and past service would best fit Macke's needs," Mr. Fitzsimmons said.

The new program provides life insurance, accidental death and dismemberment, short-term accident and sickness, basic hospital benefits, major medical and long-term disability income.

In addition, the Macke company has had a profit-sharing plan for many years. ▪

Auto cover study funds voted

SACRAMENTO, Cal.—The governor's council has voted $25,000 to $50,000 per year from motor vehicle department funds for a special commission study of automobile insurance.

The state legislature had appropriated $5,000 for the commission study. The council action requires legislative approval.

The commission held its first meeting, hearing from Gov. Ronald Reagan and David Olifer, lobbyist for the Assn. of California Insurance Companies.

Mr. Oliver said that "a number of foundations" might be willing to match state funds for the study.

JOHN GURASH, president of Pacific Employers and a member of the commission, said "the type of study I'd like to see done would cost as much as $500,000."

Gov. Reagan named retired Los Angeles superior court judge David Coleman as chairman of the commission. Mrs. Catherine Vollmer, CPCU, was named vice chairman.

JOHN H. ALLEN, financial responsibility manager for California, will serve as secretary. Mr. Allen headed a similar study made by the state department of motor vehicles authorized by the 1965 legislature.

The 1965 study reviewed the auto insurance systems used in nine states and two Canadian provinces. A total of 11 volumes of reports resulted from that study, along with nine formal recommendations, none of which have been adopted by the legislature. ▪

Don't keep . . .

Continued from page 27

a large paper converter plant divided its employes into groups, each one sending a monthly report on safety conditions in its area on to the next higher group until it reached the central accident prevention committee.

Using all ranks of personnel gave each worker a feeling of participation and reward for his effort. Safety was not being "crammed" down the employe's throat, Mr. Miller said, and total participation provided a more thorough inspection of plant safety hazards. The program at Three Rivers netted 1,000,000 man-hours without a lost-time accident.

LABOR SHOULD back management in upholding safety rules, he continued. "Unions frequently raise the ogre of safety when it is not pertinent and sometimes defend employes who violate safety rules," Mr. Miller said.

The fourth area of safety responsibility falls to the government, Mr. Miller suggested. Too many companies fear government penalization. Government at all levels should publicize its aid programs and willingness to help companies comply with the law.

"It is prudent to call on government safety inspectors on an informal basis," said Mr. Miller, "and before installing new equipment." This not only displays the intention to comply with the law but also eliminates possible costly corrections at a later date.

Mr. Miller stressed the importance of off-the-job safety. An accident means lost work time whether it occurs at home or on the job. "There is little point, in this day of manpower shortage," concluded Mr. Miller, "in protecting men for eight hours a day only to have them fall down a poorly-lighted home stairway." ▪

Hull insurance on fishing boats covers any hazard, skippers say

SARASOTA, Fla.—By February the flood of winter vacationers from the north to warmer cimates in the south had reached peak proportions, and with the tide came increased interest in the deep sea and sports fishing opportunities around the Florida coast and in Southern California.

While winter vacationers provide a solid source of income for the party boat and charter boat operators, smart fishermen know that some of the best ocean fishing comes during the off season.

But whether the fisherman from the north goes in the winter or in the summer, he's almost a cinch to be covered by a variety of "hull insurance" when he goes to sea, be it on the less expensive "party boat" or the more expensive charter.

AT PORTS AROUND Florida alone, more than 1,000 of these boats are available, and except in unusual cases, the hull insurance covers every eventuality, from damage to the boat itself, to liability for other individuals' property, to personal liability and bodily injury for passengers and crew.

Capt. Robert Schoener, young and tanned skipper of the "Shark" out of Sarasota, feels his insurance is fairly typical of that carried by other operators.

His single policy is a package written originally by Robert Voorhees, now of Naples, Fla., through Agency Associates of Sarasota, which still handles insurance for the youthful skipper.

"WE'RE COVERED for just about anything you can think of in the way of disaster to the boat itself," Capt. Schoener says. "That includes fire, explosion, damage from running aground, hitting another boat and even sinking."

Fortunately in his case, Mr. Schoener says, none of these has ever occurred in his 15 years in the business, and chances are slim they ever will. Actual number of mishaps among these expert boat captains is extremely small, so that premiums aren't too high. Most of the captains are men who started in the fishing business working for another captain during their teen years, then often taking on a boat owned by someone else and eventually buying their own.

"Of course, the problems with the fishermen and chances of mishap with them as individuals vary from one time of the year to another," Capt. Schoener explained. "For example, in March and April we go after kingfish; in June, July and August the big catches are in small tuna, and in May and June the target is tarpon."

Differences among the captains and the way they handle their insurance costs are reflected in the rates. The sports fishing boat may have no charters for days on end, then may work full days for several weeks. The insurance rates are reflected in the customer charges.

Several of the captains reported that clauses in their insurance, blanket hull insurance that is, make the insurance invalid if boats go out in weather which is dangerous. Cancellations when small craft warnings are up are general so that insurance requirements are met. It is believed this is one of the few businesses in the world required to shut down in bad weather. ▪

United...

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ing the company's workmen's comp record is to increase top management's awareness and interest in industrial safety. Safety must start with and have the backing of top management, United Container believes. Safety is not a five-minute period out of every production hour, but goes hand in hand with production to make up a 60-minute working hour. The foreman is the man who works with the employes all day, and he should be the first to spot unsafe acts or conditions, the company stated.

The Factory Mutual System underwrites the property coverage for most of Kardon locations. A blanket property policy with a reasonable limit was decided upon after totaling insured values for each location. For instance, should United Container have a loss in excess of its own insured value, then it could use the excess up to the total of the blanket.

PROPERTY COVERAGE is basically fire insurance with named perils. Combined with a difference-in-conditions policy, underwritten by Factory Mutual, Kardon has all risk coverage on its properties.

Business interruption coverage, also placed with Factory Mutual, is written with an overall limit, each location having a specific limit.

Kardon Industries comprehensive general liability provides premises-operations, elevators, independent contractors and products coverages. It is written on a personal injury basis with adequate limits for bodily injury and per property damage liability.

AN UMBRELLA POLICY underwritten by Employers Reinsurance of Kansas City, Mo., provides additional coverage subject to a deductible. It includes first dollar defense coverage for these insured areas. That is, legal fees are picked up by the insurers as supplementary payments, and aren't included in applicable limits.

Other policies in force include automobile coverage, a fine arts floater with no deductible and all risk office contents policy which includes theft.

The overall company awareness of insurance policies and coverages most definitely helps to negate the rising costs of insurance. ▪

Firemen's promotes 2

John M. Kuni has been named commercial casualty supervisor of Firemen's Fund American Insurance Co., Portland, Ore. branch, and Warren B. Sillcocks has been appointed workmen's compensation supervisor.

Coca-Cola . . .

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been set up at the plant, the planned program takes over the task of implementing and keeping interest at a high peak.

Monthly themes are selected for each of the program's two major subdivisions—driver instruction and in-plant employe accident control. For example, in June the driver development theme will be "backing" and the employe education topic will be "handling material."

EACH YEAR THE plants receive an advance outline of the monthly themes, and the program is then implemented monthly with safety posters, newsletters, comparative scoreboards, accident reviews, supervisors' guides and technical bulletins.

A recent bulletin sent to management personnel was entitled "You as a Manager" and called attention to the responsibilities of the top managerial positions toward accident control.

A supervisors' guide entitled "You as a Supervisor" evaluated responsibilities at that level of management and the opportunities that might be missed to cut the accident toll.

TRAFFIC TOPICS for employes included "Attitude," "So, I Should Be Concerned" and "Signals and Road Markings." One topic is discussed each week, based on a centrally prepared one-page summary of the subject.

"Timely Tips" used by management at brief weekly stand-up meetings at each plant included "Responsibility," "Your Health Is Our Business," "Those with Whom You Work" and "Neglect."

Topics in the accident control newsletter sent to all employes covered fires in the home, the motorcycle boom and a recommendation to take the National Safety Council driver-improvement course.

Before the "sustaining" part of the program can be implemented, Mr. Snelus pointed out, the analyzing and planning phases are a prerequisite to the success of the program.

IN THE ANALYZING phase, for example, the company determines accident frequency trends and employe injuries by occupation, cause, nature of injury and parts of the body.

One study revealed that handling coolers and other heavy material represented only 5% of the causes but almost 20% of the cost to the company.

Direct and related accident costs are also included in the analysis, which, according to Mr. Quay, have been substantially reduced in relation to volume of product packaged, handled and delivered since the program's inception.

RELATED OR indirect costs are watched closely by the insurance department because they cannot be seen so readily. "Related accident costs can ruin a company just as surely as the submerged part of an iceberg can sink a ship," said Mr. Quay.

The employe injury analysis includes all accidents—not just those causing loss of time.

The planning phase, which is the second stage of Coca-Cola's accident control program, involves the planning and organizing of efforts to control the causes of accidents revealed in the analysis stage.

According to Mr. Snelus, it is here that policy is defined, an organization is developed, responsibilities are outlined and procedures are designated.

FOR EXAMPLE, the organization is broken down into line, staff and committees and each has specific responsibilities outlined in the program manual.

Performance, or phase three, states specifically that management policy at each plant must be positive and cautions against bypassing of any step by supervisors.

The phase is broken down into responsibilities of management and supervisors, hiring practices, job description, training, motivation, job methods and hazardous conditions.

A typical result of the coordinated safety program in one of the participating independent bottling plants was a reduction in premiums and a refund of $3,700 at San Antonio, Texas. According to C. W. Harper, vp of the San Antonio bottler, work injury losses totaled 12% of premiums in 1966, compared to 1964—the year before the program started—when losses reached 87% of premium.

According to Mr. Harper, the accident control program pays off handsomely in improved plant operation efficiency, employe morale, customer relations and in the economic return on the investment made in safety.

Mr. Snelus pointed out that the program was worked out with Dale Medsker & Associates, a consulting company, and has the backing of Coca-Cola's top management.

Mr. Snelus made it clear that "no one need doubt that there is a substantial potential savings. ■

Ark. court extends jurisdiction to out-of-state in product's case

LITTLE ROCK, Ark.—The state supreme court has extended interpretation of the state's "long arm" statute, to include state court's jurisdiction over persons in jury lawsuits against companies operating outside the state.

The decision was the first interpretation of a key section of the 1963 Uniform Interstate and International Procedure act.

Arkansas was the first state to adopt the act.

The case is important because of the growth of lawsuits over injuries arising from faulty products and the recent trend toward lengthening the jurisdiction of state courts over out-of-state firms and individuals.

The court ruled on a case involving W. C. Hull, a mechanic for a West Memphis automobile company, and four companies that had participated in the production of a can of refrigerant that exploded in his face in 1962.

A circuit court had ruled that it did not have jurisdiction.

MR. HULL was joined in the appeal by Pennsalt Chemical Corp., manufacturer of the refrigerant. The case was against Crown Cork and Seal Co., which makes the can and top for the refrigerant; Chase Products Corp., which packaged the solution; and Superior Valve and Fittings Co., which made the valve that Hull used in putting the refrigerant into an automobile air conditioner; and Budlock Refrigeration Supply Co., which sold the can to the auto company.

Arkansas's "long-arm" statute extends court jurisdiction in cases where a person or firm causes "tortuous injury" to a person in the state by an act or omission outside the state. The person or firm must regularly do business or solicit in Arkansas "or engage in any other persistent course of conduct in this state or derive substantial revenue from goods consumed or services used in this state."

NONE OF THE four companies is authorized to do business in Arkansas, has offices or places of business in the state, has agents in the state or at the time of the accident had warehouses or merchandise in the state for delivery.

Attorneys for Mr. Hull and Pennsalt said, however, that Crown Cork sent a salesman into the state at least eight times a year to solicit business, with annual sales of $334,000.

Superior and Chase each did business with five Arkansas companies totalling about $8,000 over a three-year period, the lawyers said. The suit against Budlock was for breach of warranty.

Chase's attorneys argued that it did not know or have reason to believe that the cans would be sold in Arkansas. Superior Valve said it had shipped only 12 of the valves into Arkansas for a total revenue of $11.60.

IN WRITING the unanimous decision, Associate Justice Conley Byrd, said: "In determining this issue, much consideration must be given to the forum which is more convenient and to the facilities of modern transportation and communication. Under today's mode of travel, the city of Little Rock is closer and more easily accessible to Dallas than it was to Pine Bluff, a mere distance of 45 miles, a generation ago. Consequently, we hold that the exercise of personal jurisdiction does not violate the due process of law provisions of the United States Constitution." ▪

Cargill . . .

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cations are computed by the Cargill EDP department.

"The over-all Cargill modifier does not give recognition to the differences in individual plant safety programs. But our billing method provides a dollar and cents pressure on plant supervisors who don't have good records, and rewards those that do," Mr. Parks explained.

THE AMOUNT individual plants are billed is a total of the direct charges for accidents in the reporting period plus a percentage of the over-all company premium. The latter is a ratio of the month's total premium and total direct charges.

For example, if Cargill's monthly premium were $50,000 and total direct charges were $30,000, each plant would be assessed 40% of its standard premium.

If a plant's standard premium were $1,000, it would pay $400 plus whatever direct charges billed to it for that month. If it had an accident-free month, the plant would save $600.

To supplement its direct-charge billing, the Cargill insurance department performs various statistical analyses on the accident reports in an effort to identify problem divisions, plants and even individual employes who are accident-prone. The department, for example, keeps a name file of employe accidents, and if any employe has three accidents, an investigation is made.

MR. MORNEAU, along with a safety engineer and a training specialist, have prepared a series of plant presentations on safety, using pictures taken in the plant in which the presentation is being given.

The presentations are for all employes. In one, an artificial arm is held up and employes are asked if any would care to trade his arm for the artificial one and $7,000.

"So far, we haven't had any takers," Mr. Morneau said. "When the workers see themselves in the slides, it drives home the point that safety is a personal thing."

Cargill carries the direct-charge method into its fire and business interruption coverages, also. The company has a $50,000 deductible on each per occurrence. "When a plant manager realizes it can cost him $100,000 for a fire before there is insurance, he is more likely to keep his house in order," Mr. Parks concluded. ▪

Mutuals write $6 billion in property and liability

Mutual property and liability insurance companies in the U.S. wrote more than $6 billion in premiums last year for the first time in history, according to the American Mutual Insurance Alliance. The Alliance said that this is an 8.5% increase over 1966.

The real reasons for changing American Foreign Insurance Association's name to AFIA.

First, it was too long. Runs right off the page. Thirty-five letters making four non-euphonious words.

Is it any wonder that our telephone operators took the easy way out and called us "American Foreign"?

We couldn't blame them.

Matter of fact, some of our other employees went even further and called us "AFIA." And old timers often refer to us as the "Association."

You'd be surprised at how many people think we're an American trade association of foreign insurance companies or an association of all the insurance companies doing business in foreign lands. We're neither!

The words "American" and "Foreign" side by side add to the problem, making people wonder what we really are. American? Or Foreign?

We're an American organization operating worldwide, writing insurance on risks abroad. We have nearly 200 branch offices and 3,C00 people overseas. And seven offices and 300 people in the United States.

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That's why we changed our name to AFIA.

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