

ASIM Conference Report

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U.S. moves to shut bankruptcy 'loophole'

By JOHN REVETT and RICHARD BJORKLUND
WASHINGTON—Legislation that includes a prison term penalty for people convicted of draining insurance companies and concealing their holdings while declaring bankruptcy has been prepared and may surface in Congress within the next few weeks.

The provision is in the draft of a bill revising the entire federal criminal code. The draft has been submitted to the chief counsel of the Senate criminal law subcommittee for a final check before its expected introduction by Sen. John L. McClellan (D.-Ark.), subcommittee chairman.

Senate staff sources said there is a good chance Sen. McClellan will introduce the revised measure before the end of this month or early in June.

The anti-plundering provision, called for by *Business Insurance*

in editorials on April 10 and earlier in April of 1970, is a one-paragraph addition to the code that reads:

"A person is guilty of a class C felony, punishable by a maximum of seven years in prison, if, with intent to deceive a court or its officers, or to harm creditors, he knowingly . . . transfers or conceals, in contempt of a bankruptcy or state insolvency proceeding, his own property or the property of another."

A SUBCOMMITTEE staff member said this would "take care of the bleeding of insurance companies. It brings them back into the bankruptcy framework as far as fraud is concerned."

Reportedly, Sens. Roman Hruska (R.-Neb.) and Sam Ervin (D.-N.C.) are considering co-sponsoring the code revision.

At present, looting insurance

companies by systematic draining of assets is virtually uncovered by law. Under the McCarran Act of 1945, insurance companies are liquidated in state courts. State laws generally don't make impairing the solvency of insurance companies punishable, and financial crooks moving into insurance companies and investing company assets in other holdings have escaped prosecution.

Senate criminal law subcommittee staff members see no immediate threat to the provision's chances as part of the criminal code revision, which generally simplifies the code by removing such obstacles to prosecution as requirements that defrauding through the mails be proved.

But there is some concern among Senate staffers that the provision will be viewed as undesirable in some insurance in-

dustry circles, and they don't rule out the possibility of delay or pressure for rewording.

A SPOKESMAN for the American Insurance Assn., the largest group of stock property-liability insurers, said that AIA has not had an opportunity to review the pending legislation and could not give an immediate opinion on where its members would stand.

James Faulstich, vp of the National Assn. of Independent Insurers, said NAI is "of course in favor of any proposition" that would be effective in stopping insolvencies in their early stages.

He questioned whether the proposed change in the federal criminal code would have the desired effect because the planned provision "operates only in anticipation of bankruptcy," according to Mr. Faulstich, and also raises the question of what enforcing

agency would act.

The NAII vp also said that the National Committee on Insurance Guarantee Funds has a subcommittee at work studying prevention aspects of insolvencies that would involve change in state insurance codes.

An American Mutual Insurance Alliance spokesman said he had no knowledge of the committee proposal and refused to comment on it.

SEN. WARREN G. Magnuson (D.-Wash.), chairman of the Senate commerce committee, which has held hearings on insurance company insolvencies, said he is in "total support" of the *Business Insurance* proposal.

Sen. Magnuson, whose committee determined that 142 insurance companies went bankrupt in the 1960s, said, "Let me express
Continued on page 2

Nader cheers risk men in their struggle for professionalism

By STEPHEN GILKENSON

MONTREAL—In a speech that began at 1:32 on a Wednesday afternoon and ended 66 minutes later when several hundred risk managers pushed themselves away from their luncheon tables and rose to give him a standing ovation, Ralph Nader, the consumer advocate, told risk men to pursue professional stature in order to effectively perform what should be their true corporate role—that of an ombudsman between the seller and the buyer, the employer and the employe.

That Mr. Nader should be invited to address the annual conference of the American Society of Insurance Management here is in itself a sign that the man has

had a piercing effect on corporate life in the past five years. That he should get a standing ovation for what he said and what he stands for, however, is even more telling.

To be sure, the response to Mr. Nader was not 100% voluntary. It was, nevertheless, spontaneous and moved through the audience like a wave, and when it was over very few of the 1,500 persons in the ballroom of the Queen Elizabeth Hotel were seated—including many of those risk managers in corporations the young Washington-based attorney has zealously attacked.

A RISK MANAGER for one such company told *Business Insurance* after the session was over that he thought Mr. Nader had successfully manipulated his audience by spewing forth a few canned ideas and stringing them together with some things risk men can relate to.

Continued on page 2



Ralph Nader addresses ASIM Montreal risk management conference.

Meet McGowan, ASIM chief

By RICHARD BJORKLUND

MONTREAL—Ask a complicated question of Bob McGowan and he is likely to take a short puff from his pipe and scratch out an outline of his answer just to get his thoughts in order.

This methodical approach to answering a question tells much about the attitude and background of the 48-year-old corporate risk manager who has been elected 1972-1973 president of the American Society of Insurance Management.

Mr. McGowan, in attitude and background, represents the "new breed" of professional risk managers who are fiercely proud of their professional independence and what it enables them to accomplish for their corporations. Mr. McGowan's "new breed" background includes a graduate degree and a substantial corporate title (assistant treasurer).

IN MR. MCGOWAN'S case the corporation is the 115-year-old Rand-McNally & Co., printers, publishers and mapmakers based in Skokie, Ill., near Chicago where the company was founded in 1856. Today Rand-McNally has 3,500 employees at eight U.S. locations including Hammond, Ind.; Versailles, Ky.; Nashville, Tenn.; Ossining, N.Y.; Taunton, Mass.; Decatur, Ill.; Sparks Nev.

Foreign Rand-McNally locations include Toronto, Mexico City, Stuttgart and Ascot, England, a place Mr. McGowan planned to visit during an ASIM tour of Great Britain.



Robert D. McGowan

At the sites, Rand-McNally produces a widely divergent range of products (mostly printed) that go far beyond the modest "printers, publishers and mapmakers" that the closely held company calls itself.

Among the operations whose risks Mr. McGowan must manage are book manufacturing for other publishers, roadmaps for companies and state governments, educational textbooks, chiefly in history and geography, world globes, banking directories and check routing keys, tickets and time payment books.

ONE OF THE MOST sensitive operations is a Rand-McNally credit card manufacturing divi-

sion that requires high security. In addition, Rand-McNally operates three retail stores, outlets for its own printed products.

Managing the risks of these diverse operations has been an expanding responsibility for Mr. McGowan since he joined Rand-McNally as chief accountant nearly 20 years ago in June of 1953. At the time he joined the company, Mr. McGowan had an accounting degree from Chicago's Loyola University and about six years of accounting experience with Ernst & Ernst and the Dean Co., both Chicago-based firms.

Bob McGowan enjoys telling the unusual story of how he came to join the company.

"I was getting tired of riding old broken-down American Coach buses into Chicago to work," he tells, "and in November, 1952, when Rand-McNally moved into a spanking new plant in Skokie, I said to my wife, Dolores, 'Let's go take a look at that new Rand-McNally building.'" It turned out that the company was moving in that very day but, despite moving-day chaos, he had a brief meeting with the industrial relations director, which led to his being hired in June of 1953.

FOR BOB MCGOWAN the new job meant more than increased business responsibility; it meant a chance to work near his home in a suburban community where he was active in civic affairs. Working for Rand-McNally afforded him an opportunity to
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Van Pelt urges formation of NAIC group to eye legal plan regulation

WASHINGTON—Like many people, state insurance commissioners haven't formed any strong opinions about prepaid legal services.

However, questions of competitive monopoly for designated law firms have risen out of some plans already in existence, and many prepaid legal advocates feel that insurance companies will eventually play a major role in the field.

As a result, insurance commissioners should take a close look at the subject, according to Sam-

uel Van Pelt, insurance commissioner of Nebraska.

Speaking at an American Bar Assn. prepaid legal services conference here, Mr. Van Pelt urged the National Assn. of Insurance Commissioners to set up a joint commission with the bar association to determine where regulations might be needed and how far they should go.

MR. VAN PELT said he surveyed about 75% of all state insurance commissioners and found that "most don't have a specific point of view on whether or how to regulate" prepaid legal services, although plans are now in existence in all but seven states.

Members of the bar association, which strongly backs expansion of prepaid plans to make legal services available to middle-income Americans at low costs, indicated that they had no objections to the Van Pelt proposal and said contact between the bar group and NAIC is likely in the near future.

While Commissioner Van Pelt's comments—and those of most speakers during the conference—were aligned with rapid growth predictions for prepaid legal plans, some insurance company spokesmen didn't see pre-

paid legal as the wave of the future in their business.

C. Richard Carpenter of the Continental National American Group, Chicago, said a main reason insurance companies "haven't jumped in" is that the industry "doesn't perceive a great enough need or demand for an insurance approach to the subject of prepaid legal services."

HE SAID that while prepaid legal services are "obviously" not an "ideal insurance application," this wouldn't rule them out entirely. Maternity coverage "has turned out to be a mixture of social insurance and household budgeting rather than true insurance," said Mr. Carpenter, "but it works because there is a market that is willing to support it."

Questioning whether the same will be true of legal service coverage, Mr. Carpenter looked at the subject "from the middle-income guy's point of view. He would see it this way: 'I am a decent, law-abiding, hard working and reasonably intelligent citizen and you just cannot make me see the possible need for these services to the extent that I want protection against this contingency and will pay my money for it.'"

Proponents of expanded prepaid legal services included William N. Walker, deputy director of the White House Office of Consumer Affairs. He stated that "too many Americans regard effective legal services as a right only for the wealthy or for corporations." He said that in addition to prepaid legal service plans there is a need for "speedier, simpler procedures for resolving complaints."

'Loophole' ...

Continued from page 1
my total support for your proposal of including as an offense in Federal Criminal Code the running of insurance companies into insolvency.

"Although some action has been taken to improve the insolvency problem by creation of state post solvency assessment funds, nothing has been done to prevent insolvencies which occur at the expense of the insurance consumer and legitimate insurance companies."

The Senate commerce committee, following its hearings on insurance company insolvencies, drafted a federal post solvency assessment fund bill to pay claimants of insolvent insurers from contributions from active insurance companies. This bill has been temporarily put aside while Sen. Magnuson and his committee review the operations of 46 state insolvency funds now in existence and the legislative actions in those states that have no funds.

Nader ...

Continued from page 1

"Sure," he said, "all you have to do is tell a risk man that he's the most misunderstood person in his corporation, tell him that he's far more important than the styling engineer; and what do you have? In an audience like this you have a lot of guys nodding their heads." The risk man, incidentally, was not from General Motors.

Despite the suspicions of Mr. Nader's methods and motives by some, the vast majority of his audience appeared to be truly swayed by what he had to say.

"I think there is a genuine respect among risk managers," another said of his reaction to the speech. "We are, after all, corporate consumers of a product that has over the years been somewhat intimidating of its market."

OF HIS REACTION to Mr. Nader's remarks, Douglas A. Barlow, just-retired corporate risk man for Massey-Ferguson Ltd., Toronto, and immediate past president of ASIM, said:

"I think industry and business are going to have to appoint their own ombudsmen, and I wonder if ASIM itself hasn't a role there. The deep, fundamental principle here is that unless industry is self-disciplining we will inevitably move toward greater and greater governmental controls, and that will lead to state capitalism."

Mr. Nader blasted conglomerate takeovers of insurance companies as well as insurers themselves and pointed to "cream skimming" selectivity by insurance companies that is leading to more and more government-sponsored insurance schemes. He knocked unions that have become so deeply enmeshed in hierarchy that the leadership "has long forgotten what it's like to work on the line." He called for "candid and full disclosure" by insurance companies, especially in product liability matters.

He said that the insurance industry has an "excellent collection of information. But," he added, "It's got to learn to share it." Pointing to the most important area of prevention, whether it be industrial accidents, product defects or a host of other things that have a negative effect on human existence, Mr. Nader asserted that "the most potent countervailing influence" in the matter of prevention can be the insurance industry and the risk man who works with it.

DEFINING A true professional as "one who works against his own material interest," Mr. Nader urged risk men to seek the status within their companies that they should have.

"The styling engineer has had the status in the automobile industry for years. The stylist, mind you, not the safety engineer who has had to subvert his engineering integrity for stylistic pornography."

On this note the young attorney suggested that the same holds true for risk managers and asked that they strive to rise above it.

At the same time, however, he indicated that he is aware of the personal dangers involved for risk men.

"I would suggest," he said, "that you hold a symposium at this conference next year. It could be entitled 'The Risk of Being a Risk Manager.' You could make it a play act where a risk manager could say everything he's always wanted to say that would get him fired."

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ASIM keeps its name — for now

MONTREAL—Directors of the American Society of Insurance Management Inc., voted by a narrow margin to retain ASIM's present name.

Thirty-four directors voted to change the name to Risk and Insurance Management Society Inc. A two-thirds vote of 36 directors was required to accomplish the name change.

Proponents of the change said that the RIMS name would reflect the society's interest in risk management and that it would eliminate the word American from the name to satisfy objections of Canadian members.

Opponents of the name change said that ASIM has established itself as the organization representing risk managers and that there would be substantial costs involved in making the change.

Both sides agreed that the name change is not a "dead issue" and may well be revived at upcoming conferences.

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Risk men tired of handling bosses' own coverage

By PATRICK THOMAS

MONTREAL—Though the gathering was on the small side, the anger and dismay of the few risk men present at the ASIM miniseminar called "Top Management—Their Personal Insurance" was readily apparent as they discussed means of extricating themselves from the position of having to buy their bosses' various personal coverages.

James Heinisch of Liberty Mutual Insurance Co., the session's moderator, summed up the experience of those present when he said, "The degree of the risk manager's involvement in this type of thing varies, though the chances are that he will eventually be asked to use corporate leverage to place an executive's personal insurance."

Those in the seminar, all of whom preferred to remain anonymous in this report, concurred with his statement and agreed that about 75% of all risk managers had to put up with that sort of thing. But they disagreed about exactly how to get out of doing it.

"We have a new chief executive at our company," came a voice from the rear of the room, "and he has always had his company risk manager place his personal insurance for him. I tried to send him to a local agent, and a good agent at that, but he would have none of it."

"THE EXECUTIVES don't want to worry about their insurance, they just want it done for them," groaned another voice. "There's no way out of it. The execs want to make a one-minute phone call to the insurance department and forget it. They don't want to deal with someone they don't know."

It was brought out that mass marketing of such items as auto insurance and homeowners' coverage was, perhaps, one way of taking care of the matter, but the man who mentioned it went on to caution, "Don't start a mass marketing program just for your executives."

Another of the risk men pointed out that his company had a captive agency which took care of those matters and his disclosure elicited envy from the others. Yes, it was agreed, a captive agency was a good way to alleviate the problem but, like all the other solutions discussed, it just wasn't always feasible.

The generally most discussed

solution was the use of a buffer, probably a broker or agent, if you could get top management to agree to such a situation.

"THE PROBLEM has been that the insurance industry has become very complex," noted the only broker in the room. "The executives don't understand it. And the chances are that in the past they have had to deal with a direct writer, who forgot them, or with an incompetent agent. But you will have to convince them that the buffer is needed in any way you can."

"Quite frankly," he continued, "these fringes on fringes for executives will just keep growing. For example, CPA firms are now pretty actively setting up tax shelters for their executives. These requests to take care of

their personal insurance needs are merely the tip of the iceberg. You are definitely going to need a buffer and that buffer will probably charge a fee."

The broker also pointed out that the practice was not limited to using risk managers to place personal insurance. "From a bro-

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ker's point of view, it's the same thing. I mean if you say to the president of a company that you are not going to cover his wife's diamonds, I'll guarantee you the account will go elsewhere."

It was felt by most of the attendants that the buffer chosen

should run in the same social circles as the executives for whom he is placing insurance so much of the direct contact would be outside the office.

ONE RISK MAN, however, objected to this aspect of the problem. "I object to being put in the position where I have to recommend things," he emphasized. "And I resent it when my job is in the balance because an agent can say what he wants to my boss on the golf course. There's nothing to prevent him from saying something like, 'Gee, Bob, what do you want that coverage for?'"

So while it was generally agreed that it was an ugly situation which would be difficult to get out of, it was also admitted that not all executives resorted to

using his corporate risk man in a personal capacity.

"There are many execs who don't do this," said one man, "and there are a variety of reasons why they don't. I think discretion is probably the biggest reason. There are a lot of guys who don't want their employees to find out that Momma got a drunk driving citation after an accident."

But with all the problems and all the discussion of right and wrong, a risk manager who said he spent "at least half a day a week" working on the personal insurance of his firm's 10 top executives summed it all up:

"I just don't understand," he mused, "how a guy can run a billion dollar corporation successfully when he's such a baby about his personal affairs." ■

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Montreal conference is worldwide event

MONTREAL—The growing importance of the risk management concept was evidenced by international representatives at the 10th annual ASIM conference.

Eight insurance managers, from England, France, Mexico and Zambia, registered at the meeting. They are J. E. Bannister, Keith Shipton & Co. Ltd.; James Scatter, United Glass Ltd. and Roy G. White, Shellmex & B. P. Ltd., all of England; M. T. A. Kiernan, Roan Consolidated Mines Ltd., Zambia; J. E. Ravier, Schlumberger Ltd., France; James E. Boudouin, Kennedy & Hijo, A. P.; Carlos Casanueva, Kennedy & Hijo, A. P. and Ernesto Meza, Cellanese, all of Mexico.

Foreign insurance company and brokerage representatives were also registered.



washington watch

HEW malpractice group to explore causes of error, legal possibilities

By JOHN REVETT
Washington editor

WASHINGTON—The Health, Education & Welfare department's commission on medical malpractice is training its sights on two possible areas of solution to malpractice and its costs, which are getting a large share of blame for rising health care and health care insurance costs.

A primary target—which on

the face of it seems simple and logical—is malpractice itself. The commission is about to order a series of "causation" studies to find out what makes doctors slip up and in what areas mistakes that harm people occur most often.

In this effort, the commission is hoping to get the help of medical organizations. It thinks it will. How much assistance it will get is a question mark, however,

since the studies will proceed from an assumption that medical groups may find difficult to swallow whole—that the sharply increased number of malpractice law suits (from about zero a year at the turn of the century to between 7,000 and 10,000 a year now with the rate increasing 10% annually) may not be out of proportion with instances of actual malpractice.

Eli P. Bernzweig, the com-

mission's executive director, goes a step further, noting that there may be substantially more acts of malpractice than the number of legal actions reflects." He said it appears there is "a sizeable number of people who might well sue but for one reason or another don't."

In line with this, Mr. Bernzweig thinks the commission's primary focus should be on methods of preventing malpractice rather than on speeding up and simplifying the handling of complaints. "Emphasizing the adjudicative part," he said, "is like painting the front of the courthouse and putting in new seats instead of getting at the real problem."

According to other commission sources, insurance companies may come in for some criticism in the commission's report on malpractice, due to be released before the end of the year. The

reason: lack of strong malpractice prevention programs by insurers who, according to one staff official, "wouldn't think of letting this happen in other insurance areas. Look at their fire prevention and safe driving programs."

WHILE Mr. Bernzweig has allies on the staff and on the commission itself in pressing for major emphasis on reducing errors by doctors, it would be assuming too much to say a majority is with him—not, at least, to the exclusion of other cost reduction approaches.

There are 12 commission members who are either medical doctors or associated with medicine or hospitals (compared to nine from the insurance industry, consumer groups, and law firms that represent malpractice claimants), and most in this group are understood to be particularly concerned about testimony in hearings to the effect that many malpractice cases don't belong in court and often get there as a sort of gamble on the part of complaint lawyers, who stand to lose only their time. A number of witnesses have also attributed the growth of cases to an increasingly "impersonal" relationship between doctors and patients—generally the same problem that's reflected in jokes about the difficulty of getting doctors to make house calls.

But the lawsuits are viewed as anything but a joke by those on the commission who see the main danger as a trend toward reluctance on the part of doctors to take on cases that might require delicate handling or the use of procedures in which even a slight degree of risk is involved.

THEY FEEL that strong emphasis should be put on cutting down the cases at the "adjudicative" level, and they have already started the commission in that direction. It has ordered an \$80,000 study by Bird Engineering Research Associates, Vienna, Va., of two malpractice lawsuit reduction methods being used in a few states and localities. One is arbitration—a contract agreement between doctor and patient, and in some cases hospital officials, before an operation or treatment takes place. It rules out a lawsuit in case of a claim and calls for any disputes to be settled by the two sides and an arbitrator.

The company is getting help on this phase of the study from law professors and students at the University of Virginia law school, who are looking into whether the various state arbitration laws could be applied to malpractice claims and what changes would be required where they don't apply.

The other method being checked out is the use of screening panels consisting of local doctors and lawyers. Already in existence in some 30 jurisdictions, the panels are self-starting groups that screen malpractice complaints with local court approval. Their aim, according to a Bird official, is to "keep innocent doctors out of trouble and get medical associations to approve of members appearing as witnesses in cases where a real wrong has been committed." He added that screening panels require "a lot of cooperation" between the opposing sides.

BOTH approaches raise practical and legal questions, and the company and commission staff are aware that either method might be construed as depriving people of their right to sue. About the only way one, the other, or a combination of the

Continued on page 42

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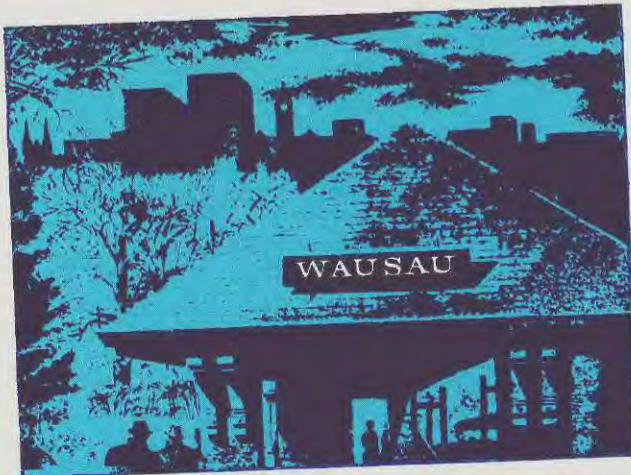
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deliver a sales pitch. If you have little or nothing to sell your prospects, you have to buy them.

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Hall president defends commission system

MONTREAL—In a speech that for some members of the American Society of Insurance Management took 20 minutes to get to the real point of the matter—the commission versus the fee system relationship between corporate insureds and their insurance brokers—a prominent New York insurance broker steadfastly defended the present system before 1,500 persons attending the annual ASIM conference here.

Melvin A. Holmes, president of Frank B. Hall and Co., rose to the defense of his industry's compensation system very late in his speech at the Queen Elizabeth Hotel and, when it was over, at least one thing was certain: He did not bore his audience, for several risk managers later took strong exception to the logic of his remarks.

Said one particularly disturbed risk man, who admittedly has pushed for the fee system in recent years:

"I am deeply disturbed that a man of Mr. Holmes' position would stand up there in front of us and proceed to run through such an obvious series of contradictions.

"WHY," he said with unrestrained provocation, "he stood there and told us that he no longer thinks of the broker as a middleman between the buyer and the insurer. He told us how skilled a professional the new broker is and then proceeded to compare the profession with the accounting profession—which has never been compensated according to the value of the assets and liabilities it certifies—and then went on to declare that in a monetary sense the difference between commissions and fees is academic because a broker's remuneration has taken a professional posture in that it is related to service performed."

Despite a disclaimer that "I did not wish my remarks to be interpreted as meaning that I am opposed to fees, for they do have their place and the trend today is toward a higher percentage of the broker's remuneration coming from fees," Mr. Holmes did comment that fees are being used in only "a very small percentage" of general insurance contracts. He stuck to his belief that a combination of fees and commissions should continue to provide insurance brokerage compensation.

"The commission method of compensation, which has been used successfully over the years for the average buyer, including personal insurances, I believe will and should continue in the foreseeable future," the Frank B. Hall president asserted.

"Certainly," he added, "The fee system would not be very practical and I see no other substitute on the horizon."

MR. HOLMES, who began his presentation by tracing the relationship between the insurance broker and the corporate client over the years and noted that "probably still one of the most important functions of the broker (is) assistance in marketing," responded to the fee versus commission system controversy which has been brewing in recent years by commenting in the past tense.

The implication has been that commissions were excessive and that the commission system was closely allied to the sales interest on the part of the broker which did not permit him to act objectively in the manner generally associated with the time-honored professions.

"Let me say at the outset," the Frank B. Hall man continued, "that I would be the first to agree that the commission system some years ago could rightfully have been attacked on both counts. However, the business . . . has gone through many changes during the past two decades and agents' and brokers' compensation has been no exception.

"In a practical monetary sense the difference today between commissions and fees is academic in my mind since a broker's remuneration has taken a professional posture in that it is related to service performed. The buyer rightfully has demanded this and competition keeps it in balance.

"AS A RESULT," he continued, "commissions are not excessive in terms of the total function of

the broker and the product he purchases and the service which he performs for the client. The broker is required to maintain a broad range of services with professional personnel on a wide geographical basis not all of which are required by every cli-

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ent all of the time but which must be available to many clients at any time.

"While the broker basically receives his commission in connection with the marketing aspect of his function, in reality this must be allocated over the many special services he performs, such as

risk analysis, safety programs supervision, loss prevention, loss adjustment and other services," Mr. Holmes asserted.

Pointing to the time-consuming, behind-the-scenes work a broker must do for his clients and noting that this has "been taken for granted and goes mostly unnoticed," the Frank B. Hall president observed: "The commission concept has allowed for a spreading of these costs among all clients where under a strict fee system it would be difficult.

"The contention that a broker cannot function in a professional and objective fashion under the commission system simply is not a reflection on the facts as they exist today. The major brokerage firms have long since recognized that their future was directly related to their ability to take on

the total professional mantle and in my judgment they are fulfilling these responsibilities in keeping with the highest professional standards.

"Who is better qualified to perform the role of advisor to the risk manager than the major brokerage firm today with its broad background, in-depth experience, its professional specialists and its daily communication with all segments of the insurance industry?" Mr. Holmes asked.

To this point, another risk manager commented: "I would say that Mr. Holmes is vitally interested in raising the brokerage profession to the level of medicine. But," he added, "I think he would still like the doctor to be compensated according to the cost of the medicine he prescribes for the pain."

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has not changed.

Safety director stresses humanitarian factors

By TERESA NORTON

MONTREAL—The personnel safety workshop held at the annual American Society of Insurance Management conference here included an unusual, and sometimes sadly forgotten, viewpoint—that of the humanitarian.

If \$10,000 spent on safety measures will not reap more than \$10,000 in actual accident cost savings, according to Walter Fraser, the money will probably never reach the safety director's budget. Mr. Fraser is corporate safety director for Safeway Stores Inc., Oakland, Cal., and he lays much of the blame for industry's monetary attitude toward human safety at the doorstep of the industrial revolution.

During that period, when incredible conditions prevailed as

far as work safety is concerned, he said, when lives were lost in the mines and factories "it was the price to be paid for 'progress.'" This attitude was reinforced in the 19th Century, he continued, when industry looked at an employe as "just another piece of machinery that had to pay for itself and could be amortized over a number of years. . . . even though we have corrected the worst abuses since then, our attitude has been to put things strictly on a monetary basis."

MR. FRASER named psychologists, today's youth and the Occupational Safety and Health Act as three discernible forces that have changed the safety climate.

Industrial psychologists employed by business "have shown

us that many things motivate employes more than money," he told the workshop; safety and security rank second only to man's physiological requirements in the hierarchy of needs. The second factor, the idealism of youth, has

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been, he believes, even more important in changing "our concern with the very quality of life itself." And now that OSHA has been in effect for a year, he noted wryly to the audience, "all of a sudden we find there is plenty of money available for safety—millions of dollars, in fact. This law has real teeth in it, as we all

know by now, and no employer can afford to disregard it."

Of course, said Mr. Fraser, there is no reason why a progressive attitude toward safety would not or should not result in increased financial profits; in fact it usually will. "However," he nudged the ASIM members, "the primary reason must be because of our concern for our fellow human beings and out of respect for human dignity."

New awareness of safety naturally leads to new concepts in providing safety services and Gordon Lemke, vp of safety and health services at Employer's Insurance of Wausau, explained what his company is doing.

SAFETY consulting is not new to the company, he said, but one of the most important things from

its inception has been that the service organization needs "to know your company's business." Employer's uses a safety check list when it "audits" a client's business, the objective of which is to help the policyholder help himself in establishing permanent goals for work safety and loss control priorities. The check list includes these points:

- Management responsibility—"Do they know what they want?"
- Control of safe working conditions.
- Personnel protection.
- Record keeping and analysis of data. (This is one area in which Mr. Lemke believes OSHA is weak.)
- Loss potentials.

From these checks a loss control guide is compiled for the customer. Employer's service is computerized and the information is constantly updated, he explained, so that their own and the client's performance can be reviewed and improved.

The service is available to those who do not have their coverage with the insurer, he added, on a fee basis.

ONCE SAFETY and health standards are determined they must be successfully applied to the occupational environment and James Schumaker, plant operations manager-safety for American Telephone and Telegraph Co., told the workshop that his company has found that education of employes is the key link in safety improvement.

When it comes to retention of safety training, he said, the classroom method does not work. AT&T has moved toward a new approach, which he described as "show-and-tell, hands-on, kindergarten-type stuff." A Red Cross multi-media first aid course that relies on employe demonstrations, films, workbooks and practice is now being used to train 18,000 Canadian employes, he said; and an advanced driver training course that requires no written or oral test but, instead, changes driver's reactions to stimuli, is also being effected.

This kind of training, he emphasized.
Continued on page 44



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• The 1972 edition of **Analysis of Workmen's Compensation Laws** has been released by the United States. The 48-page book details workmen's compensation laws in the 50 states, District of Columbia, Guam, Puerto Rico and Canada, and outlines legislative changes and judicial and administrative interpretations of the laws through 1971. Copies are \$1.50 and can be obtained from the Chamber of Commerce of the United States, 1615 H St., N.W., Washington, D.C. 20006. Quantity rates are available.

• Insurance Co. of North America has published its ninth edition of **Ports of the World**, which describes port conditions, facilities and cargo loss control methods at 174 world ports. Copies of the 70-page book are available by writing Communications Services, Insurance Co. of North America, 8th floor, 1600 Arch St., Philadelphia, Pa. 19101.

• The publication and education division of American Appraisal Co. Inc. has made available its **Commercial Building Cost Guide**, including instructions, cost estimating forms and simplified cost tables. For price information, including bulk rates, write the company at 525 E. Michigan St., Milwaukee, Wis. 53201.

• **Family Financial Planning with Mutual Funds**, a booklet explaining in everyday language what mutual funds are and how they fit into a family's financial program, has been made available by Fund/Aids Inc. The brochure includes information on dollar-cost averaging, the mutual fund prospectus, investment plans and a checklist for buyers. Sample copies are available for 25¢. For further information and quantity prices write the company at 1007 Fifth Ave., San Diego, Cal. 92101.

• **The Legal Liability of Owners and Operators of General Aviation Aircraft** is a summary of the law from United States Aircraft Insurance Group. The booklet covers increasing activity and hazards, extent of liability, degree of care, collisions, proximate cause, statutory provisions and vicarious liability. To order, write USAIG at 110 William St., New York, N.Y. 10038.

• **Security for Business and Industry** is a comprehensive 300-page book detailing how to prevent losses due to burglary, employe theft, embezzlement, vandalism and fire. Written by Charles F. Hemphill Jr., the book is applicable to firms of all sizes. For price information write the publisher, Dow Jones-Irwin Inc., 1818 Ridge Rd., Homewood, Ill. 60430.

• A revised third edition of **Insurance for Contractors** is available from Fred. S. James & Co., 1 N. LaSalle St., Chicago, Ill. 60602 at \$3 per copy. The 109-page booklet is of wide interest to general, prime and sub-contractors, owners, architects, engineers and those charged with properly insuring contract specification. A wide variety of topics

is discussed, including hold-harmless clauses, directors' and officers' liability, protective liability and employe benefit liability. Quantity prices are available from the company upon request.

• A 35-page monograph on the problem of professional liability for insurance agents and brokers has been published by the Defense Research Institute of Milwaukee. Written by attorney Joseph R. O'Connor, associate counsel for the State Farm Insurance Co., the publication analyzes the nature of liability and the responsibilities of practitioners in the field and examines the defenses and the insurance protection available to an agent or broker. Copies of **Liability of Insurance Agents and Brokers** may be obtained by non-members of DRI for a handling fee of \$2.00 each, prepaid, from the institute, 1212 W. Wisconsin Ave., Milwaukee, Wis.

• **Guide to Property Conservation**, a booklet produced by the engineering staff of the combined property department of Kemper Insurance is available free to *Business Insurance* readers. The pamphlet is applicable to almost any plant situation and covers such topics as plant security, cutting and welding regulations, problems of expansion, what happens when a loss occurs and what to do in case of disaster. Copies are available by writing the advertising and public relations department, Kemper Insurance, Long Grove, Ill. 60049.

• Alexander & Alexander has released a revised edition of its brochure, **Notes on Old Age Benefits Under Social Security**, based on 1971 amendments. The pamphlet contains notes and tables for calculating maximum primary old age Social Security benefits at retirement for ages 55 to 70. Single copies are available to *Business Insurance* readers by writing the Consulting Actuarial Division, Alexander & Alexander, 2 N. Riverside Plaza, Chicago, Ill. 60606.

• **The Investment of the 70's**, a booklet composed of various reports on the projected growth of the insurance industry as well as the potential of insurance stocks and the stocks of insurance-oriented holding companies, has been published by Span Publications. The life and fire and liability industries are reviewed in reports by: Merrill Lynch, Pierce, Fenner and Smith Inc.; Standard & Poor's Corp.; Moody's Investment Service; First Boston Corp.; A. M. Best Company and insurance stock specialist Arthur Milton. Copies are \$1, less in quantity. For information write Span Publications, P.O. Box 3857 G. S., Springfield, Mo. 65804.

• The Mission Equities Insurance Group has made available **Mission for the Seventies**, a brochure describing the company's corporate set-up, coverages, offices and officers with an introduction by Mission's president.

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• **The Balance Sheet Approach to Catastrophe Protection for Banks** is the topic of an address delivered by Bernard J. Daenzer, CPCU, before the annual meeting of the National Assn. of Insurance Agents. The speech suggests a synopsis of all bank exposures and methods of safeguarding against catastrophic loss. Reprints are available without charge by writing Wohlreich & Anderson Ltd., 55 John St., New York, N.Y. 10038.

• The provisions of the 1966 comprehensive general liability program and proposed changes have been compared and analyzed in a booklet recently published by the Society of Chartered Property & Casualty Underwriters. The booklet includes a short historical note and a summary of the changes and their possible implications. Copies are available from the Society of CPCU at \$1.75 for members and \$2.75 for non-members. Bulk discounts are available. For copies or more information write CGL Changes, Society of CPCU, P.O. Box 566, Media, Pa. 19063.

• The American Society of Insurance Management has published a cumulative index of its publication, Risk Management, formerly The National Insurance Buyer. Authored by Tom C. Allen and Richard M. Dupall of the University of Tennessee, the book indexes by subject and author all articles appearing in either publication from March, 1954, to October, 1971. The 103-page, loose-leaf index is available from ASIM, 500 Fifth Ave., New York, N.Y. 10036 for \$10. Reprints of individual articles may be obtained from ASIM for \$2.

• **A Survey of Communications Practices in 19 Major U.S. Banks** has been made available by Towers, Perrin, Forster & Crosby free to *Business Insurance* readers by writing Joseph A. Banik, Towers, Perrin, Forster & Crosby, 3 Penn Center, Philadelphia, Pa. 19102. The survey covers, in depth, the goals, attitudes and practices of banks throughout the country in terms of internal employee communications.

• The significance to management of group auto insurance as an employee benefit is explained in a new report entitled **Automobile Insurance on the Payroll Deduction Plan**. The report was prepared for insurance executives, risk managers and benefit plan administrators. Price information is available by writing Haig G. Neville, Haig G. Neville Associates, One Northland Plaza, Southfield, Mich. 48075.

• **501(c) (9) Trusts: A Way to Reduce Employee Benefit Costs** discusses the use of an Internal Revenue Code section 501(c) (9) trust to finance employee benefits as a possible new approach to reducing the cost of employee benefit programs. Prepared by George B. Buck Consulting Actuaries Inc., the item is available from George B. Buck Consulting Actuaries Inc., 2 Pennsylvania Plaza, New York, N.Y. 10001.

• **Problems of a Foreign Reinsurer in the United States and Canada**, a speech made by Dr. Gottfried Berger, president of the Cologne Life Reinsurance Co., at an American Life Convention medical section meeting and reprinted from the International Insurance Monitor, is available from the Cologne Life Reinsurance Co., P.O. Box 300, Stamford, Conn. 06904.

Seminar members debate liability methods for international trade

TORONTO, Ont.—A decision this summer probably will determine whether simplified documents developed for international trade will embody the Canadian idea of one-party liability in intermodal transport, or the split liability promoted by European land carriers and insurers, members attending the Canports Seminars here were told.

Bernard Wheble, a director of British freight forwarders Brown, Shipley and Co. Ltd. of London, explained the European view included in the "Rome draft" of the rules that have been prepared for international adoption. He said the real question is not whether the split-liability method is best,

but "do we go ahead to meet the commercial need for a liability system, or do we wait and take the chance that absolute chaos will result?"

Mr. Wheble said that while most international trade documents are still handwritten, this is the electronic age, and if adoption of an international convention is delayed, there is a danger that individual countries and companies will go ahead with computer-based methods of their own that will be hard to change.

DAVID AGNUS, a Montreal lawyer, opposed the immediate adoption of the Rome rules as an interim base, noting that the Hague rules that govern the lia-

bilities of ocean carriers were the result of 15 years of discussion, but still have areas of conflict.

As for improving the Rome draft after adoption, he cited as an example amendments proposed for the Hague rules in 1968 that are still not adopted by any significant number of the world's trading countries.

The problem arose with the advent of shipping large volumes of international trade in containers. On the journey from the manufacturer's plant to the consignee's warehouse, the containers pass through a number of hands—from the trucker, the railroad and the terminal company to the ocean carrier on both sides of the water.

In handling the containers, the tendency is for one party to quote door-to-door rates and for that party, often the ocean carrier, to assume responsibility.

HOWEVER, Mr. Agnus noted that legislation, based on the older methods of transport, has not caught up with this concept and the result, both nationally and internationally, is a tangle of conflicting, outdated rules based on split responsibility.

In Canada, these should be reviewed immediately, he suggested. Interprovincial trucking, with 10 sets of regulations, is one example.

Mr. Wheble acknowledged that the Canadian idea of uniform or blanket liability "makes a lot of sense" and may be the ideal, but the draft convention, based on making each carrier liable for damage occurring in his section of the journey, recognizes "the commercial facts of life." ■

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following the funds

Socially desirable investments held by some to be 'the only game in town'

By TERESA NORTON

MONTREAL—Two speakers at the annual meeting of the American Society of Insurance Management here fearlessly laid their cards on the employe benefits table and tried to establish some rules for what they believe will soon be the only game in town.

The name of the game is socially desirable investments and Dempsey Travis, president of Sivert Mortgage Corp. in Chicago, and Daniel Martin, senior

partner, McKenzie, Cabell, Martin and Greene, were talking to corporate benefits administrators because such executives have some control over pension fund investment. And they were at the podium because, in the words of the program co-chairman, Don Currie, "A relative question asked in time can lead to a profitable response."

"There is a social input that has to be made by corporations," said Mr. Travis, whose company has invested in \$250 million of

commercial office buildings and housing in Chicago. "Pension funds have a social responsibility," he told ASIM members, but he made it eminently clear that he is a firm believer in the "capitalist game" and that his idea of social responsibility is to invest pension funds in projects that will make a profit for those they were instituted to benefit and, simultaneously, improve the health of society in general.

Mr. Travis spoke particularly of the needs of the black com-



A panel discussion of socially desirable investments at the American Society of Insurance Management annual conference raised important questions about the evolution of social investment standards.

munity in America and the ripeness of the area for good returns on pension fund investments. He repeatedly stressed the fact that he considers himself a businessman, not a socialist, and that his six-figure annual income attests

to that.

"Investing in a social issue that loses money is just welfare," he said; "I want you to have 'riskless' investments." Financially sound social investments can be made, he insisted, and criteria for determining financial stability can be established.

This, of course, puts the burden on fund investment counselors and Mr. Martin faced the problem of social responsibility standards (or lack of them) head on.

"Standards are evolving—there is no sufficient detail yet," he said, and mutual funds, institutional investors of all kinds and individual investors will all play a part in the evolution.

MR. MARTIN helped to organize and represented the First Spectrum Fund, one of the first new "corporate responsibility" mutual funds cleared by the Securities and Exchange Commission. Investment theory is coming more and more, he said, to the belief "that companies which comply fully with their legislative and administrative responsibilities in areas of corporate social concern can at the same time be financially profitable and a sound investment: selection—capital growth can be achieved through investment in companies which contribute to the enhancement of the quality of life."

Law is one of the tools that can be used to promote standards of social responsibility, he said, "but law usually develops only after society recognizes and approves a practice that should be codified or a need that should be satisfied. The protection, preservation and encouragement of business corporations that demonstrate a broad sense of 'corporate responsibility' can become one of the aims of law."

Benefits men in the audience expressed concern that share prices could respond not only favorably but also unfavorably to the pressures of socially responsible investment—that is, lack of investment in a company could put a stigma on it that would not only force its stock price down but could close down a company and cause economic loss to a community.

John Marlin, assistant professor of economics and finance at Baruch College of the City University of New York, and moderator of the meeting, responded to this fear by saying, "The responsibility of today is the law of tomorrow." He encouraged ASIM members to invest in responsible companies rather than those that may be forced into tragedies by having to pay for their social mistakes of the past.

ANOTHER ramification of the investment problem was added to the picture by Gordon Rice, manager of benefit planning and personnel research in Nabisco Inc.'s corporate personnel rela-

Continued on page 48

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Raymond Cox, (left) a man who has been active in the American Society of Insurance Management since 1950, receives the society's highest honor—the President's Award—from retiring ASIM President Doug A. Barlow. Mr. Cox, corporate insurance manager of City Stores Co., New York, oversees ASIM daily financial transactions.

McGowan . . .

Continued from page 1

devote additional time to his extra-curricular interests including Boy Scout work and the Skokie American Legion post.

Mr. McGowan, who served 23 months as an infantryman in the Pacific during World War II, is a past commander of the Skokie post, sponsors of the former national champion drum and bugle corps, the Skokie Indians.

It's understandable that Bob McGowan placed a premium on the opportunity to work for Rand-McNally in his home town. Mr. McGowan was—and remains—a neighborhood type, born in Chicago, educated there and dedicated to his family and local friends.

Mr. McGowan began his business experience as a helper in a Mom & Daughter & Son grocery store on Chicago's working-class

northwest side. His father died when he was six and his sister was nine, leaving Mrs. McGowan with responsibility for keeping the family together by selling "a bread and a milk" to the neighborhood youngsters who came into the little store.

THE MOTHER of the new ASIM president is still active and living with Bob's sister in Nevada City, Cal.

Dolores and Bob McGowan continue to live in Skokie, though their twin 22-year-old sons, Patrick and Michael, are on their own in radio and television work in Houston and St. Louis. Their 20-year-old daughter, Mary Martha, a junior at Loyola University, will soon enter nursing school.

"When Patrick and Michael were born," Bob McGowan relates, "they put a message on the teletype at my company that said: We've got a new Pat and Mike story in the home office." ■

McGowan's ASIM plan

MONTREAL—Bob McGowan is not hesitant to tell how he plans to run the American Society of Insurance Management during 1972-1973. "I plan to run it well," he says with characteristic confidence.

Expanding on that flat statement, Mr. McGowan, who succeeded Douglas Barlow as ASIM president during the ASIM risk management conference here, says that his two chief objectives are broad education for risk managers and long-range planning for the society.

"We intend during this year to get an educational program organized by encouraging chapters to develop programs and select speakers to help risk managers know their jobs better," he said in an interview with *Business Insurance*.

"**WE HAVE** budgeted for a director of educational services to serve on our headquarters staff in New York, and this staff assistance should do much to forward the 10-year educational plan developed so well by E. W. Altstaetter II, our vp-education."

Mr. McGowan added that part of the ASIM educational program will be directed at informing risk managers of legislative issues that affect the profession and the meaning of these legislative issues to the corporate membership of ASIM.

"Another key part of our broad educational program," he continued, "will be to develop communication channels with top management to help them to better understand the risk management function and its impact on the financial security of our companies."

Mr. McGowan emphasized that the educational program requires funds to be successful, and he also said that it must be evaluated regularly to determine whether it is meeting the "marking posts" set up by Mr. Altstaetter last year.

CONCERNING long-range planning for ASIM, Mr. McGowan said that he believes that a business or voluntary association must know where it's going and how it plans to get there.

"We plan to hold working conferences of ASIM officers and directors to discuss openly and in-depth our plans for future risk management conferences, staffing of the society office, membership growth and a wide range of plans for keeping ASIM on the move," Mr. McGowan asserted.

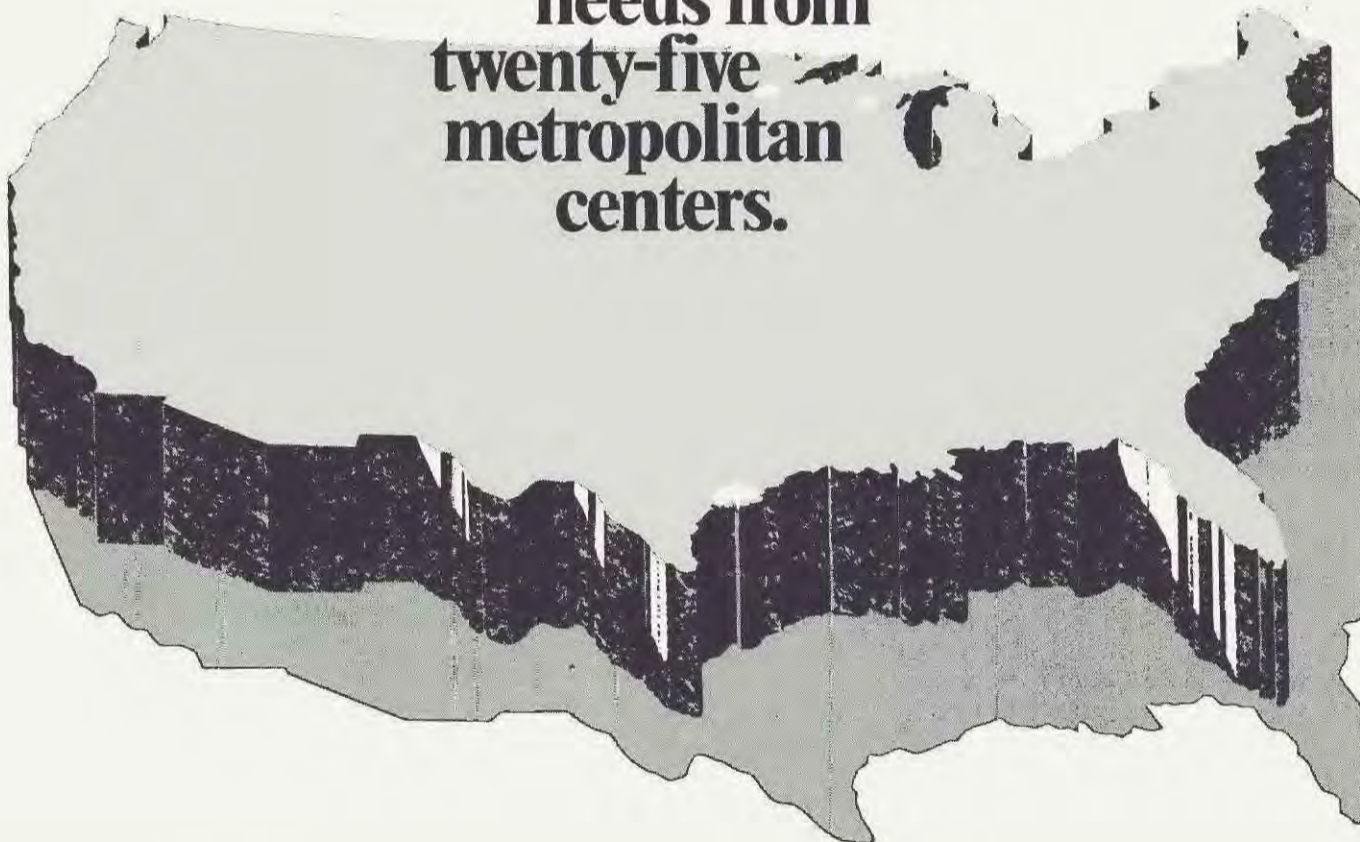
He said that an example of long-range planning subjects is the matter of how to arrange risk management conferences to accommodate burgeoning ASIM membership and the interest the members have evinced in employe benefits and nitty-gritty discussion sessions on industry-by-industry risk management problems.

"Maybe," he mused, "we'll want to sponsor industry sessions at different times of the year in various cities."

The new society president emphasized that the industry session proposal is just one idea that has been suggested by ASIM directors.

"I believe that long-range planning requires a willingness to take a fresh look at a lot of things," he added, "and it requires also that we look carefully at all responsible suggestions that would stimulate the growth of ASIM." ■

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Risk men not satisfied with outside services

By PATRICK THOMAS

MONTREAL—Though he may have looked too small to recognize to some people in the back of the huge ballroom, Frank X. McCahill nonetheless sounded like someone filled with the righteous indignation of those who have been wronged most foully.

Mr. McCahill was the lead speaker at the ASIM general sessions got underway in the Queen Elizabeth Hotel here. His subject was "Purchased Services—Is the Risk Manager Satisfied?" His answer was a rather well-put "No."

He set the tone for his speech as he referred to some of those with whom he, and the other risk men present, must deal. "There are brokers and there are brokers," he said. "There are risk managers and there are risk managers. There are consultants and there are consultants. And there are underwriters and there are bankers." The audience laughed knowingly.

MR. McCAHILL, director of insurance and safety for the Bristol-Myers Co., pointed out that underwriter and broker services fell under four major areas of risk management concern: the prevention of injury to company personnel; the prevention of damage to corporate property; the prevention of any situation that causes the company to become legally liable; and the establishment of the best programs to take care of the trouble if one of the first three breaks down.

"The broker must meet all the needs of the assured," Mr. McCahill stated. He then noted that the risk manager had room for doubt in his mind if the only way he could tell his broker from his underwriter was if they wore name tags.

He felt that many of the practices used by brokers should actually be called disservices. As examples, he used the fact that many times a deal is closed by the broker's "first team," which then disappears. After the deal is closed, the risk manager often has to deal with people who are unfamiliar to him.

ANOTHER COMPLAINT he registered was irritation suffered when the risk manager supplies the necessary underwriting information to the broker three months in advance of policy renewal time and gets a quote from the broker a grand total of two days before the renewal date.

"The risk manager values services of a broker today to the extent that they are aimed at betterment of the risk manager's entire function—not services aimed at merely a segment of that function," Mr. McCahill said.

"The model broker has an engineering department that initiates recommendations for loss-free operations," he continued, "it is not confined to translating the underwriters' recommendations. It has a claims department that has the objective of collecting the loss, not negotiating a compromise. It has a legal department interested as much in drafting insurance coverages as in interpreting them. It has an underwriting department that accrues and formulates the information that is to be presented to the prospective insurer; it does not see its function as confined to the role of a conduit."

He then turned his attentions to underwriters.

Noting that some of the practices employed by underwriters did much to weaken the position of

the risk manager within his own company, Mr. McCahill stated, "The muscle of the risk manager is weakened when a new recommendation or two appears for the first time on a report covering a plant where conditions have not changed for a dozen years. A risk manager can appreciate the eagerness of a new insurance inspector with his fresh approach but the personnel in the corporation who receive the list of recommendations most often do have an altogether different outlook.

"It is not a comfortable feeling for a risk manager to exert his all to guarantee that his insurers will be in on the new construction from the moment the first line is drawn on the plans up to the moment when the key turns in the lock and manufacturing begins. And," he added, "to find on

the first set of recommendations covering the completed plant an item that should have been included in the planning stage, especially if that item just happens to add a couple of hundred thousand dollars to the budget."

ASIM Conference Report

While he acknowledged that insurance companies should not become the victims of adverse selection, he felt that reciprocity should not be limited to the risk manager doing everything for the insurer.

"That reciprocity has diminished of late," he charged, "to the point that a schedule of 30 or 40 highly protected risks does not

deter some underwriters from demanding prohibitive premiums for, or relief altogether from, the three or four plants in the schedule that are substandard."

HE THINKS that risk managers were not really asking too much of their insurers when they express a desire to be in on revolutionary policy changes. Referring to the changes in comprehensive general liability policies a few years ago, he asked, "Is it reaching too far to suppose that if the same completed CGL package had been reached after consultation with risk managers that the acceptance would have been more graceful?"

Mr. McCahill admitted that risk managers should do their part to make sure their needs are met. "It can't be any secret that

the completeness and quality of service largely are dependent on the completeness and quality of the information describing the need," he said. "The engineer does not call up the equipment company and say, 'Give me some stuff for a bridge.' The risk manager does not call up the broker and say, 'Give me three quotes on a crime policy.'"

He asked that his audience cooperate with the brokers and insurers by letting them know such things as financial information and corporate contracts because a good job could not be done unless the need is fully understood.

"Today," he concluded, "the risk manager is rare who wants to depend upon one direction finder. Most of us are too much aware of our limitations." ■

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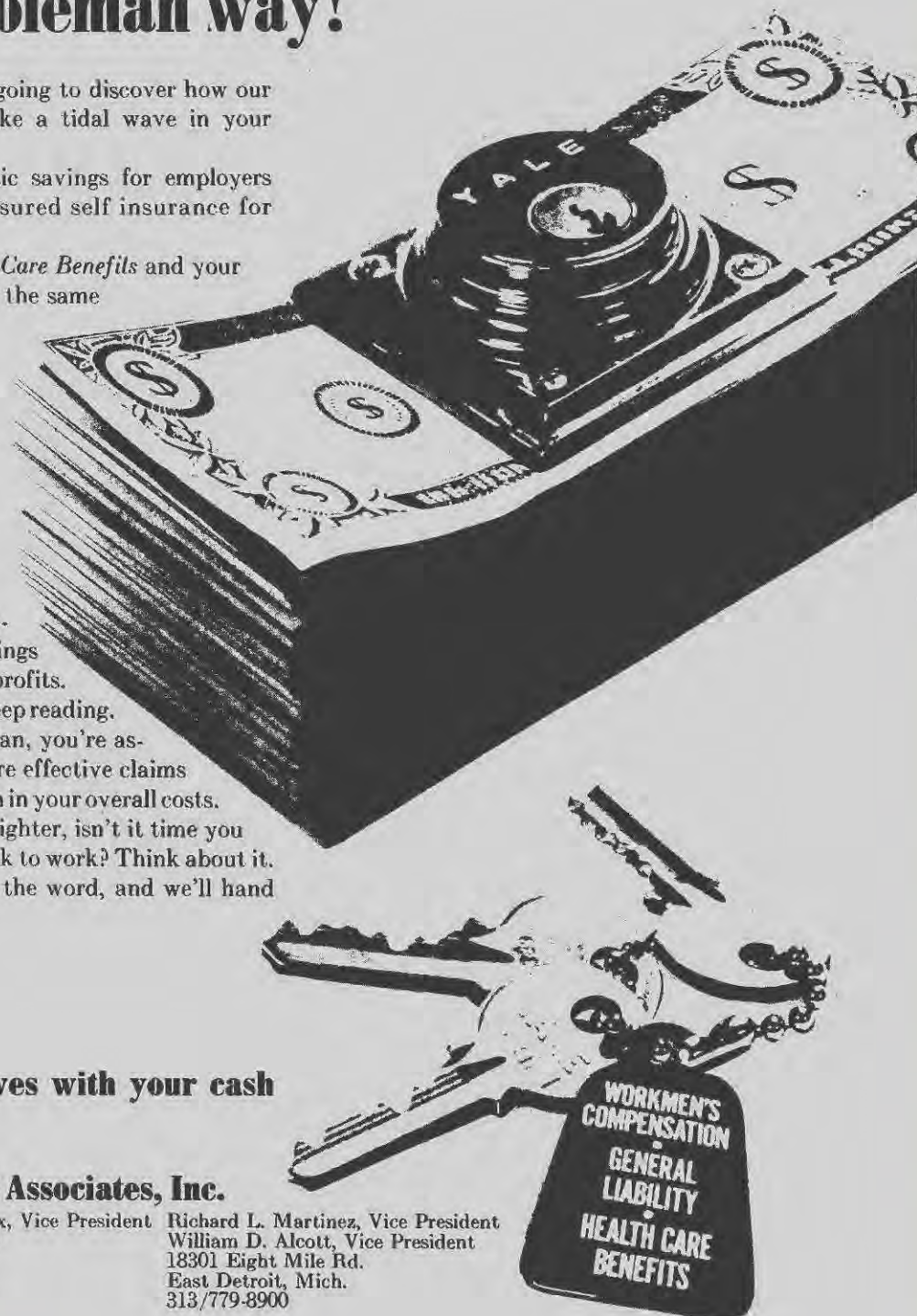
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Bank's risk woman wins communications prize

MONTREAL—A bank insurance administrator from Seattle, Mrs. Mabel Weiss, won the American Society of Insurance Management's third annual communications competition.

Mrs. Weiss, who heads the insurance department at Seattle First National Bank, the city's largest and the 24th largest commercial bank in the country, won the award from among more than a dozen ASIM members.

Entrants in the competition were invited to submit a communications device used to effectively transmit to their top management the risk management function in the company. Mrs. Weiss' entry was a report on the bank's entire insurance program

(exclusive of employe benefits) she submitted last fall to Seattle First National's top management. "Essentially," Mrs. Weiss said, "I inventoried all risks to which the bank was subject, reviewed the way these were being handled at the time and made rec-

ASIM Conference Report

ommendations for future changes." The report took her about two months to complete and was one of her first tasks after joining the bank last year. Formerly she had been an accountant, although she has been an insurance agent and has worked in insurance offices throughout most of her career.

Second prize in the contest went to Frank Eaton, insurance manager of Rinker Materials Corp., West Palm Beach, Fla. Third prize was taken by Thomas Jones of Wyle Laboratories, El Segundo, Cal. The three prizes brought cash awards of \$150, \$100, and \$50. ■

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UNDERWRITERS
ADJUSTING
COMPANY

Investment policy move at Yale

NEW HAVEN, Conn.—Yale University has announced plans to become actively involved in policy decisions regarding non-financial matters in companies in which it owns stock and has voting power. It is a move that some pension funds are considering or will soon have to consider.

The university, which has an endowment fund containing assets of about \$500 million, has taken the position that large institutional investors must assume corporate responsibility for actions that may be harmful to society taken by companies in which they invest.

Formerly voting only on issues pertaining to financial matters, the university decided to initiate its investment policy change following a year-long seminar on stockholders' corporate responsibility and the subsequent publication of a book detailing investment guidelines.

THE BOOK. "The Ethical Investor," is intended to serve as a guide for a proposed committee to be appointed by Yale president Kingman Brewster with responsibility for making recommendations concerning stock investments and voting decisions.


The committee will report to the Yale Corp., composed of the governing board of trustees, which has the power to direct and control the fund's portfolios.

Although the policy change represents a radical departure from Yale's neutralist position in the past, the new activism will probably not entail the university initiating stockholder proposals.

According to Yale law professor John G. Simon, one of the authors of "The Ethical Investor," the university will most likely limit its involvement to voting on issues raised by other stockholders.

Yale trustees agreed to initiate the program on an "experimental basis" in order to allow the university to revise its stance if the transition should prove too difficult. ■





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editorial opinions

An interesting 'sleeper bill'

EMPLOYEE BENEFITS managers in New York expressed surprise when the state assembly passed a measure that would require private pension plans to fully vest workers in their plans at age 45 or after 15 years of employment. The bill, which would make these vesting requirements effective in January of next year, would reduce the employment period for full vesting to 10 years in 1976.

Nobody in, the pension industry, whether they are employee benefits administrators or consultants to private pension plans, should be dismayed that the New York legislature is acting to protect the pension rights of workers in the state. Similar proposals now pend in Congress, and the sponsor of the New York measure acknowledged that his bill is designed to do on the state level the same thing that Sen. Jacob K. Javits (R.-N.Y.) is trying to accomplish on the federal level.

Perhaps there is reason to be surprised about the New York action in the sense that it is a wonder that states have not taken action earlier to regulate private pension plans. The plans, which have assets in excess of \$130 billion nationwide, constitute the largest amount of unregulated money in the U.S.

Advocates of state regulation of insurance have zealously guarded the "right" of states to hold sway over property-liability insurance and life insurance. There has been no such movement in the private pension area, a vacuum that led to the introduction of reform legislation by Sen. Javits and others in Congress.

When a question arose about the actuarial soundness of the barber's union pension fund, officials of the State of Wisconsin intervened to check the fund on behalf of the barbers of that state. No other state then had a law that permitted its insurance authorities to investigate private pension plans despite the enormous amounts of money involved in the funds and the importance these funds hold for the future financial security of plan participants.

Business Insurance commended the action of the Wisconsin officials in checking the barbers' pension fund, a fund so loosely operated that some of its trustees were later indicted and jailed.

We continue to believe that there is strong need for state action in the area of pension fund regulation. Vesting provisions are key elements in the New York proposal, but states might also properly require some combination of funding, reinsurance, fiduciary responsibility and possibly even portability, though portability is generally regarded as unpalatable to operators of private pension plans because it undercuts their reason for being.

Despite massive efforts on the part of Sen. Javits and Sen. Harrison Williams

(D.-N.J.) to publicize the need for private pension regulation, the issue has not quite caught on with voters and pension plans participants. One obvious reason for this is that while unions ordinarily wield a heavy sword on behalf of working people, organized labor in this instance has been lukewarm to pension reform plans because nearly every plan carries within it fiduciary responsibility requirements that union leaders do not want. Hence, the power of the unions has been stayed while Congress has debated pension reform.

We think the New York pension proposal, whether or not it passes, is an interesting attempt to exercise state control over a vital but unregulated industry.

New strength for ASIM

THE ANNUAL RISK management conference of the American Society of Insurance Management, just concluded in Montreal, gave fresh evidence of the growing strength of the society and of the risk management concept. Instead of listening at luncheon sessions to insurance industry spokesmen lay down their party line, risk managers now hear the likes of Ralph Nader, world's champion consumer advocate.

Risk managers are clearly coming into their own within their companies and as factors to be reckoned with in the insurance community. Their growing importance is demonstrated by the numbers of insurance carriers and brokers who now come, more or less with hats in hand, to attend the risk management conference to meet the kind of men and women who spend about half of the nation's insurance premiums.

It is a demonstration of ASIM strength that the organization sees far beyond the bounds of property-liability insurance and now interests itself in employe benefits and a widening range of subjects of financial concern to the nation's corporations. And there is a

gratifying amount of talk among ASIMers about their responsibility to help police personal lines insurance as well as corporate coverages.

One intriguing demonstration of sophistication and perhaps affluence among risk managers is that more than 100 ASIM members took a post-conference trip to London to learn about risk management and insurance in Great Britain.

Robert D. McGowan, assistant treasurer of Rand-McNally and Co. and new president of ASIM, is a symbol of the growing strength of risk managers and risk management. Mr. McGowan joined Rand-McNally as chief accountant and moved to his present corporate title by taking on a broad range of corporate financial responsibilities as the company manager of administrative services.

Mr. McGowan and his associates in the management of ASIM start a new year from a base of greater strength, a position risk managers have gained by being intelligently independent of an insurance industry that can no longer ignore the concept of serving their companies through risk management rather than by mere insurance buying.

letters

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

Survey 'commendable'

To the Editor: Your survey of the attitude of insurance buyers toward workmen's compensation "reform" and subsequent presentation to the national commission was commendable.

Resistance to improving benefits, coverage and administration (many people rebel at the word "reform") does not stem from our large employers, but from the multitude of small employers. Significantly, they have more influence at the grass roots than the large corporations.

Have you calculated, on the basis of your survey, what percentage of the total number of employers in the country your respondents represented?

Has anyone ever made a survey that was a true cross-section of employers—the Mom-and-Pop businesses, the hammer-and-saw contractors, the farmers who hire a few seasonal hands, and so on? There are many more small employers than large employers, and the former are always ignored whenever a plan is mapped and a program launched to improve our social and economic structure.

This is basically the problem facing us who are working to improve the state systems of workmen's compensation. I would hate to think this can only be accomplished by federal edict.

Russell H. Miles

Agency Chairman for Tennessee to Improve State Workmen's Compensation, Kingsport, Tenn.

Phase II blues

To the Editor: In reading the article concerning the plight of major insurance companies under Phase II appearing in your March 27th issue, I sit amazed at the near-sightedness of the Price Commission.

In essence, by allowing such premium increases based on the reasons given, the Price Commission has accomplished two blunders at one time:

By accepting the insurance companies' prediction of future increased costs as indicated by their actuaries, the Commission is admitting it cannot control the elements it is supposed to control—those elements that constitute "cost".

The insurance company is today the major source of revenue for hospitals and doctors. Through their actuarial statistics the carriers are admitting doctors and hospitals will charge more for services rendered. The increase will be passed on to the insurance consumer, and the Price Commission bestows its blessings.

If allowed to continue, how can the administrators of a national health plan expect to come to terms with the medical delivery system in this country? And they will have to.

Edward Sanzo

Backs blood drive

To the Editor: Just one small note that I wish to add regarding your very excellent article of Apr. 10. On December 1st, 1971, as you mentioned, the Village of Skokie put in their blood assurance plan and of course it is running very successfully. But

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Continued on page 29

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Appraisals 'essential to good risk management'

Editor's note: This article prepared by Marshall and Stevens Inc., Los Angeles, is an answer to the one published March 27 in Perspective, written by Risk Management Consultants Warren, McVeigh & Associates entitled "No need" for the accuracy of professional property appraisal."

A WELL DESIGNED appraisal is worth every cent it costs.

This statement is true regardless of whether the purpose for the appraisal is fire insurance, income taxation, purchase or sale of a business, purchase or sale of assets, Medicare reimbursement, condemnation, estate or gift taxation or many other compelling reasons for third-party valuation work.

The primary purpose of this

article is to clear up any misunderstanding that the readers of *Business Insurance* might have as to the value of an appraisal. A secondary purpose is to clear up confusion caused by the title of a recent article appearing in this column.

THE ARTICLE "No need" for the accuracy of professional property appraisal" was, if read completely, one of the finest endorsements for the use of properly prepared appraisals that has appeared in an influential publication in some time. However, because the title appears to say otherwise, we felt duty bound to amplify and clarify some of the concepts expressed by accentuating the positive. The article indicates the use of professional appraisals is the most accurate

method of determining an inherently ambiguous figure. The insured is directly advised by the article to "obtain the best possible source data, whether it be the original cost, a contractor's estimate or the determination from published costs per square foot for the type of building concerned. Each important building should be represented by a file showing the source data and each addition or deletion, as well as annual factors applied for construction cost changes."

The essence of this quote is similar to the functions performed in an appraisal kept up to date through Annual Valuation Service. We could not agree more, such a procedure is essential to good risk management.

The article properly raises the question of the apparent conflict

of interest of the insurance agent in wanting higher values for higher premiums. To prevent this the insured should retain the responsibility for maintaining insurable values. By so stating, the article assumes the insured has the capability to inventory and value his property correctly. This capability usually does not exist within the insured's staff. Such value determination frequently is biased on the low side. The risk of under insurance makes it more difficult for the insurance manager to properly protect what is usually the largest asset on his balance sheet. This is particularly true when coinsurance is involved.

The coinsurance clause is a bargain which the insurance companies offer the prudent buyer. While it enables the policy-

holder to purchase insurance at a reduced rate, it places a tremendous burden on the policyholder to determine the value of the insured property and carry the required percentage of insurance. Though the article touches lightly upon this important area of coinsurance, it does describe accurately the role of the appraisal: "To eliminate coinsurance penalties, a 'stipulated amount' agreement can be reached with underwriters, if *reasonably supportable figures are used and revised annually, as they should be.*" Our Annual Valuation Service provides exactly this function at a minimum cost.

NO ONE CAN argue with the article's statement "Even the precise legal mind boggles a bit when it comes to insurance requirements." Further, the increasing use of the "broad evidence rule" in the settlement of losses makes it mandatory that the insured have a supportable basis for his insurance placement to assist in the preparation of proof of loss. The insured must also have a program for maintaining this supportable basis as changes occur within the property and as labor rates and material prices fluctuate. It seems reasonable that in the one area where a precise answer can be obtained, valuation, we should turn to the professional appraiser.

Warren G. Brockmeier, director, Western region risk management department, Ebasco Services Inc., has written an informative and authoritative article entitled "How to Settle Losses Before They Occur," available from Marshall and Stevens Inc., 1645 Beverly Blvd., Los Angeles, Cal. 90026. This article indicates: "In resolving most questions of the extent of loss, good records will be beneficial. This means good stock inventory records and a detailed inventory of machinery, equipment, furniture and fixtures, preferably in the form of an appraisal." In this advice to management on the gentle art of staying in business despite a major fire, Mr. Brockmeier says: "The replacement cost of damaged property can best be settled before the loss by appraisal of permanent items, such as structures, machinery, equipment and furniture, and by agreement as to valuation of inventories or merchandise."

This recommendation becomes even more meaningful when coupled with this thought-provoking statistic: As a matter of record, two-thirds of the companies experiencing a major fire never reopen their doors. As we review the "No need" article, we find our only area of major disagreement to be the statement: "Appraisals cost too much." They cost too much in comparison to what?

In-house appraisals can be accurate—generally, however, they cost more and are less timely. The key to reasonably priced valuation service is a correctly designed appraisal. An expensive, detailed "nut and bolt" inventory of all assets is rarely made today. Rather the professional appraiser analyzes the degree of accuracy required in order to provide supportability in the given situation. While we are discussing the cost of appraisals for fire insurance purposes only, it is important to remember that such an appraisal can provide information to serve many other business needs. In so doing the actual cost of the appraisal for

Continued on page 33

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Students tell risk men: Benefits to play major role in job selection

MONTREAL—A panel of 11 college students at the annual conference of the American Society of Insurance Management told an employe benefits session that benefits will definitely play a determining role in job selection when they enter the business world.

Some of the stipulations made by the students, however, involved areas not previously thought within the realm of employe benefits and many, they said, will involve re-education of both management and those who will make up the labor force.

Martin Rosen, a New York University student who hopes to teach at the college level, believes that division and specialization of labor has resulted in "a psychologically debilitating situation" for workers, leading to strikes, absences and low productivity. He views a more democratic structuring of the work environment as a benefit that will give the worker "a sense of satisfaction and participation" not yet achieved.

"WORKERS have served long enough as advisers," he told the benefits session, "and now they must have an actual vote and voice within their companies." The change of attitudes of workers and management necessary to build a participatory framework, he readily admitted, means re-education. "Workers must learn more about business," he said, "and management must respect workers. The fulfillment of social objectives does not have to be anti-profit."

The fact that applications to law and medical schools have been soaring in recent years, while applications to business schools have suffered a decline,

Surplus lines export up \$5.5 million

SAN FRANCISCO—Total volume of insurance business exported through the California Surplus Line Assn. increased last year by \$5,585,316 as compared with 1970.

The total exported increased from \$35,895,716 in 1970 to \$41,481,033 last year, with five general classes of business showing decreases in exportations and 14 recording increases.

Lines no longer sent abroad during either year because the domestic market absorbed the demand included credit insurance, public livery, taxicabs, truck rental, guarantee of lease rental payment, logging equipment, druggist malpractice, plastic surgeon malpractice and life insurance.

Exportations for excess workmen's compensation dropped from \$94,163 to \$69,513 and umbrella coverage exported dropped from \$3,650,512 to \$2,915,087.

Malpractice coverage on dentists rose from \$190,476 to \$195,337 and on X-ray specialists from \$3,997 to \$4,775 and on all other specialists from \$318,989 to \$409,541.

Exportation of earthquake business also decreased during the year, from \$182,628 to \$171,221, primarily as a result of a drop in exportations of excess of admitted market coverage. This fell from \$72,179 to \$25,157.

was given by Rex Mason as a sign that young people today "feel they can't make a significant social contribution in business." Mr. Mason, a student at Harvard University who plans to study for a masters degree in business administration, spoke of corporate community involvement as a benefit that would carry weight with future job applicants.

"Business and community interests are often totally contradictory," he said, and a company that tries to solve these differences and encourage its employes to become involved in community projects will appeal to the younger labor force.

Unions, as defenders of the working man, were given some-

what of a knock by Mark Hausmann, McGill University, who said, "Unions associate worker's control (within a company) with a loss of power. They feel that management and worker interests can never be the same."

ASIM Conference Report

PRESENT managerial decision-making techniques are not working, he said; they alienate workers and reduce efficiency and loyalty.

Satisfaction increases with the worker's personal decision-making power, said Mr. Hausmann,

and unions "aren't very helpful" in this area so it is left to the employer and employe to establish and define this new benefit.

The traditional maternity benefit, according to Betsy Sommers, Smith college, needs a drastic overhaul, both in its administration and approach. "If business hires married women," she pointed out, "it must realize that maternal time (time-off for maternity leave) is very small compared to time spent seeking success."

Marriage is a possibility for all women, said Miss Sommers, and they must choose their employers by the benefits they offer. Equal health and retirement benefits should be provided women after marriage and, she believes, reassessment of the position of the post-maternity-leave woman is necessary.

SHE PRESENTED several approaches toward re-integration of the working mother returning

from maternity leave:

- She can be returned at the same level at which she left.

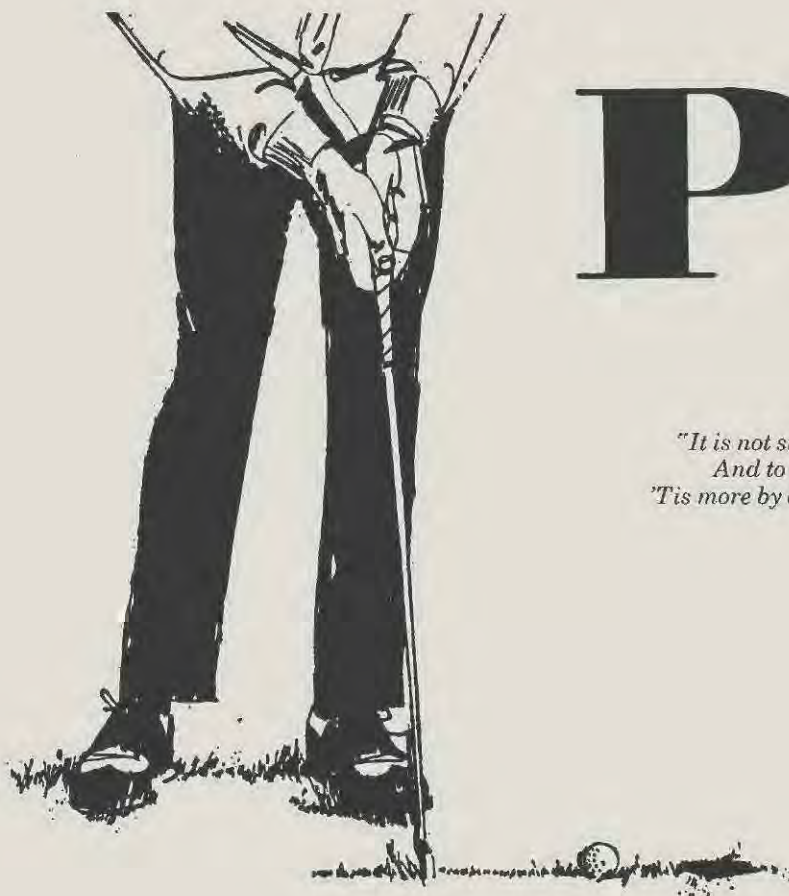
- A program can be devised to educate her to changes made in her absence.

- She can be returned at the higher level to which she would have advanced had she not had a leave.

- She can be returned slightly below her original status, with avenues of advancement left open to her.

The last alternative, in Miss Sommers' opinion, is the most equitable and feasible.

"Business must make accommodation for the working mother," she told ASIM members, and this means a basic attitudinal change toward the requirements of motherhood. "If women leave the work force for maternal reasons," she reminded the management representatives, "companies must rehire and retrain—and that costs money." ■



Pro

*"It is not strength, but art, obtains the prize.
And to be swift is less than to be wise.
'Tis more by art, than force of numerous strokes."*

Alexander Pope

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Washington's King County adopts risk management department plan

SEATTLE—King County is preparing to exert more control over its insurance and safety-engineering programs by establishing a risk management section in the office of property and purchasing.

Legislation to establish the section was recommended by the county council operations and judiciary committee.

County executive John Spellman submitted the legislation to council.

Joseph McGavick, county administrator, said financial savings might result through com-

bining the insurance, safety and damage-claim functions, now dispersed in various county offices.

PERSONNEL in the section would include Donald Lehman, now a safety engineer in the public works department, and Joseph Gaidys, county insurance officer, who has been coordinating the county's extensive insurance policies and assisting with the processing of claims involving the county.

Creating the section would be an attempt to minimize county

risks of loss and risk costs, through use of deductibles and self-insurance, where this could be done without jeopardizing financial stability.

The county has delegated most of its insurance program to the Independent Insurance Agents & Brokers of King County and to Fred. S. James & Co., selected by the association to place insurance with carriers.

The ordinance states that the risk management section will be responsible for:

- Arrangement and administration of corporate insurance, loss retention and deductible retention programs.

- Supervision, control and coordination of claims processing, safety engineering and the provision of management-support services of the county insurance program.

A five-member committee of private insurance executives, formed almost two years ago to advise the county, suggested that a risk management section be established. ■

Job injuries in Pa. still 'deplorable'

HARRISBURG, Pa.—The state labor and industry department has reported that on-the-job accidents in Pennsylvania industries claimed 578 lives during 1971 while 93,474 workers sustained injuries that kept them off the job for at least eight hours.

Paul Smith, department secretary, said the fatality total was the lowest in 10 years, and that the injuries figure was 5,000 below the total for 1970.

"Although it might seem that there's been some improvement in the situation, the fact remains it is still deplorable," Mr. Smith said. "Far too many people continue to be killed and injured while working. In too many cases, working conditions are simply not safe enough.

"THESE STATISTICS underlie why the department's top priority now is the strengthening of the safety laws and regulations that we are responsible for implementing."

Mr. Smith said the department was revising its safety standards and would propose legislation to make the necessary changes in laws.

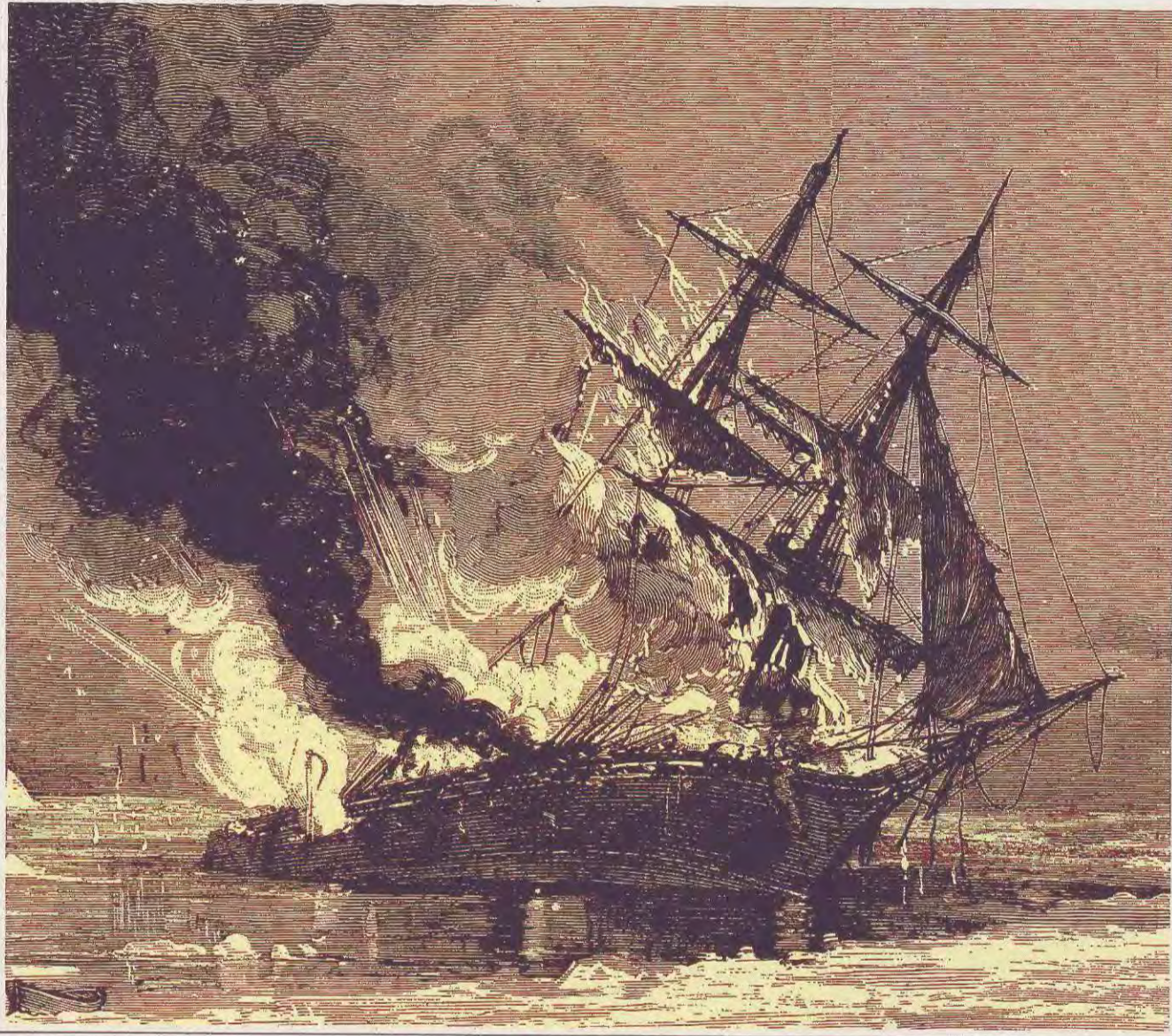
He said that in January, 1972, there were 55 fatalities and 7,312 injuries reported in Pennsylvania. This meant, he said, that two of every 1,000 workers in the state suffered work-loss injuries in January.

The highest rates in January were in the beverage industry (8.5 injuries per 100 workers), iron and steel foundries (7.6), meat products (6.8) and lumber and wood products (6.7). ■

\$150,000 in damages

Fire damage has been estimated at \$150,000 at the Sun Oil Co. Ltd. refinery in Sarnia, Ontario, a company official said. Paul Turner, administrative services manager, said operations were back to normal at the refinery. A fracture in a \$500,000 furnace was blamed for the fire.

GREAT AMERICAN FIRES NO. 2



Fire consumes the Woonsocket Clipper!

Disaster on the Pywacket Reef.

In the early morning hours of May 16, 1869, fire of mysterious origin broke out aboard the Woonsocket Clipper, as it beat its way down the treacherous Pywacket coast. Laden with a cargo of whale blubber, antimaccassers and Hungarian Slivovitz, the vessel was quickly engulfed in flames and burned to the waterline.

An enigma . . . does Light Water Affect the Palatability of Slivovitz?

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The Slivovitz, a delicious but reputedly highly flammable liquid was stored in large tanks on the Aft Deck . . . and here we might have recommended a Light Water Sub-Surface system.

Deleterious Effects of Salt Spray.

Moreover, we'd have made sure that all equipment was epoxy coated and equipped with special fittings so

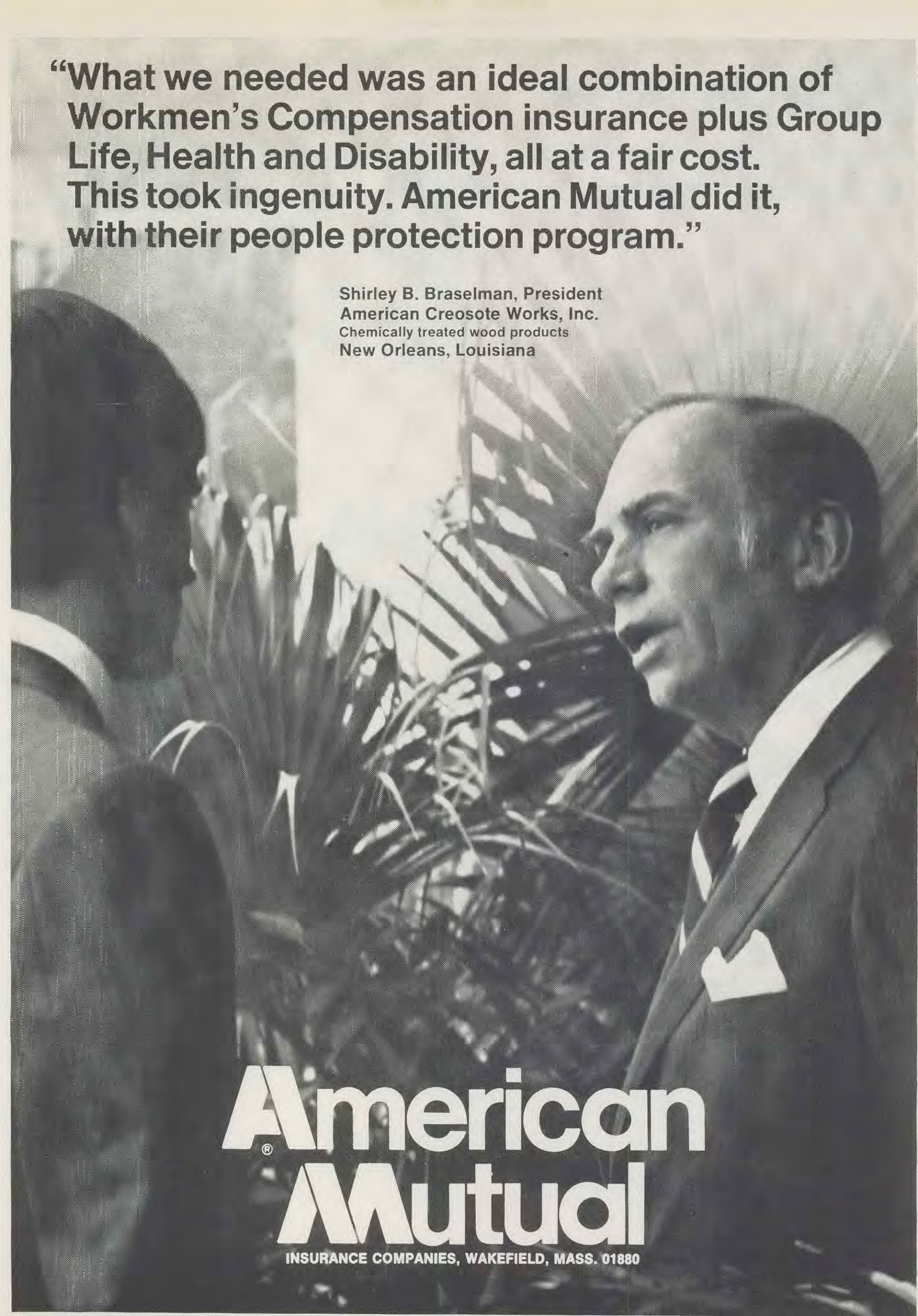
that it remained operable in the corrosive salt water atmosphere.

We would have proposed that the captain and some of his mates attend our Advanced Fire Training School, to make sure that they were able to react quickly in the event of a fire emergency. And, of course, the fire equipment would have been checked out regularly at ports-of-call by representatives of our worldwide service network.

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THE ANSUL SYSTEM.



A black and white photograph of two men in suits talking in front of a large indoor plant. The man on the right is speaking, and the man on the left is listening. The background is filled with the large, spiky leaves of a plant.

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london line

American insurers making inroads into Britain's aviation stronghold

LONDON—The British insurance market is facing intense competition for airline business from U.S. companies which are now extending their activities into the field.

Ray Jeffs, a director of Aviation and General, a leading aviation insurance firm, told *Business Insurance*, "The battle has been going on for some time, and it comes mainly from American life companies. It is clearly competition which the London mar-

ket now realizes it must face. It is too early yet to say what the outcome will be, or how we will finally tackle it."

He named Prudential of America and Metropolitan Life as among the U.S. insurance companies making inroads into this class of business. Equitable Life is also providing capacity, as disclosed in *Business Insurance*, Feb. 28.

However, in his opinion London will remain the world center

for aviation business and is capable of staying that way. World airline premiums top \$650 million a year, of which nearly \$400 million, or 60%, goes through Britain, shared between Lloyd's and U.K. insurance companies.

QUALITY CONTROL operations approved by Lloyd's Register of Shipping have cut production costs at the Peoria and Moline, Ill., plant of the Caterpillar Tractor Company. Congratulatory

messages on the scheme have been sent to London by the plant, which was listed in 1970 for the certification of "batch and line" produced machinery for oil engines and allied marine gearing. The savings have been passed on to customers, according to a report to Lloyd's Register, which has agreed to keep quality control procedures under constant review.

MORE THAN 150 different firms make theft-alarm systems in Britain for use in business and industrial plants. All are being invited to join a national association which would check that proper standards of efficiency and security are achieved in the interests of insurance companies. Desmond Callaghan, director-general of the new group, the National Supervisory Council for Intruder Alarms explained, "We intend to evaluate the suitability of plant and manufacturing

methods, and promote the ethical standards of the alarm industry."

LAWYERS took so long to pursue a damage suit brought by Michael Vaughn, 32-year-old scaffolder, against his employers that he lost his chance for a \$100,000 award in the British courts. Now he may sue them for negligence because they failed to act quickly enough over his claim for compensation after an accident which paralyzed him seven years ago. However, in the same court a seventeen-year-old girl won a \$150,000 award for brain damage after a road accident. Her lawyers had lodged the claim in time for it to be entered in the court lists five years ago.

MODEL Carol Ryan slipped from an auto hood at Britain's International Motor Show and lost her vital statistics.

She had just had a surgical operation, with the aid of silicone implants, to give her a better figure. Her left breast deflated as she fell, so that the other had to be deflated to balance it.

She ended with a smaller bust than she began with, but lost a lawsuit to receive damage compensation for loss of work. Judge Stevenson held that the fall was her own fault, even though she finished with a 33-24-36 instead of a 36-24-36 figure.

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MARSH & McLENNAN

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Insurers form systems association

TORONTO—A group of 10 auto and casualty insurance companies has formed the Insurance Systems Assn., to develop and promote the use of uniform computer-based information systems in the general insurance industry.

Its purpose is "to provide technical assistance to members and member-companies and to investigate and report on systems developments and costs," according to chairman Walter Sutherland, manager of policy services, Canadian Surety Group of Toronto.

Other corporate members include: Canadian General Group, Travellers Group, Zurich Insurance Co., Pearl Assurance Co. Ltd., Shaw and Begg Group, Sun Alliance and London Insurance Co. and General Accident Group. The companies are all based in Toronto.

OTHER COMPANIES involved in the association are SDI Associates Ltd., a Toronto-based insurance systems consultant firm, and IBM Canada Ltd. of Toronto, which marketed the insurance systems program, called PACIS, used by most of the member companies.

Mr. Sutherland said the association plans to expand through invitations to non-member companies.

"Through the group we hope to get more sophisticated investigations and recommendations of ideas and procedures. We hope to see improvements in such areas as costs, training, agency contact, forms design, systems design, problem research, organization and others," he commented.

R. M. Jamieson, Canadian manager of Zurich Insurance, whose company was one of the first to implement PACIS, says the system is not intended to develop statistical data but to automate a number of clerical procedures, such as policy renewals, rating information and policy changes and endorsements.

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Some other special things about Consolidated: we're nit-pickers when it comes to loss prevention. And we can be down-right ornery when it comes to prettied-up claims ... the ones that result in

higher premiums. On the other hand, the way we settle legitimate claims is a thing of beauty.

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Insurer aims group life at needs of middle-income bracket families

CHICAGO—Most life insurance companies "have not been particularly interested" in developing the middle-income bracket, says Robert E. Vanderbeek, president of League Life and League General Insurance Cos., and have urged their agents to concentrate on sales to higher income people.

Mr. Vanderbeek told an American Management Assn. session on mass merchandising and equity product sales in the insurance industry that his company believes there is a need for additional life coverage for people of modest income, "not only on the bread winner but also on his family." And, he added, because League Life is a wholly owned subsidiary of the Michigan Credit Union League, it has access to 1.5 million people in Michigan alone, most of whom are in the middle-income range.

The company has no agents working on a commission and, therefore, no skilled agency force to sell life insurance, said Mr. Vanderbeek, but they do have



Robert E. Vanderbeek

"the advantage" of being owned by a strong trade association, which, in turn, works closely with credit unions; and most of these credit unions have a pay-

roll deduction privilege. This privilege allows a member to authorize his employer to make a deduction from his pay and have it put in his credit union share account, and it was "only natural," Mr. Vanderbeek said, "to develop programs where the insurance premium was collected from the member's share account in his credit union."

LEAGUE launched its first mass-merchandised program, family group life, with an offer of \$2,000 of life coverage for the member, \$1,000 for the spouse and \$1,000 for each child in 1963. The premium was \$6.50 per quarter regardless of whether the member was age 16 or 64, explained the company's president, and because younger members were attracted to the family benefits, the program was actuarially sound.

Today nearly 1.5 million people are insured under the program,

he added, almost 50% of those eligible to enroll.

In 1968 League offered an accidental death and disability income program to enrollees in the family group life plan. "About 85,000 members have enrolled in this program, which we call ADD/Income," Mr. Vanderbeek told AMA members.

The insurer uses an annual re-enrollment campaign in each of the 1,100 credit unions to attract the "new and young members" that help keep the program sound, he said.

During the 1960s League Life had the fastest growth rate of any insurance company in the U.S. according to Best's, Mr. Vanderbeek pointed out. The company moved from 386th place to 68th, with a volume of \$3.214 billion. Of that volume 99% is in group insurance, he said, with 50% being family group life and 40% loan protection and life savings insurance.

Pension is issue in bus strike

IRVINGTON, N.J.—One of the main reasons for a nearly two-month-old strike by 4,500 members of the Amalgamated Transit Union against Transport of New Jersey is a demand for increased pension benefits, according to Frank Armenante, president of Local 819 of the transit union.

The strike, which has shut down major bus routes throughout the state, has prompted Gov. William T. Cahill to ask the bus company to show cause why its routes should not be reassigned to competitors.

Besides increased wages and a job security provision, the strikers are seeking a guarantee for retirement benefits in a new contract. The present pay-as-you-go non-contributory pension plan allows a worker to retire after 20 years of service for reduced benefits at age 60 or full benefits at age 65.

"His pension is calculated by taking 1% of his salary for the best five years of his last 10 years of service and multiplying that by the number of years he has worked," explained Mr. Armenante. "However, he has no vested rights and no guarantee since the plan is unfunded."

TRANSPORT of New Jersey made a proposal to establish a funded contributory plan with employer-employee contributions of 9.5% and 4.5%. The parent company, Public Service Electric & Gas Co., N. J., also agreed to guarantee present pensions up to \$76 million.

Under the new pension plan, an employee would have vested rights after 15 years of service and would be eligible for early retirement at age 50 or normal retirement at age 55.

"We feel this proposal is basically unacceptable," said a spokesman for the union. "We would prefer an employee contribution of 3%—but the major reason for turning the offer down was that the company wanted to remove other benefits in the exchange."

According to the spokesman, Transit of New Jersey wanted to establish a three-day waiting period for sick leave benefits for salaried workers and to pay them a flat benefit of \$85 a week. Currently, salaried employees receive full pay when sick.

The company also proposed to eliminate vacations for those employees who had accumulated 60 days of sick leave in one year. ■

New account official

Herb Friedlander has been appointed as an account executive at Seitlin & Co. in Miami. Mr. Friedlander served as risk manager for Lum's Inc. for three years and for the city of Miami Beach for 13 years.

Big Macs or Big Packs.

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Claims health benefits are retirees' worst problem

MONTREAL—A retiree can make adjustments and compromises in learning to live on a reduced income but there are no acceptable adjustments or compromises when he is faced with reduced medical benefits.

These opinions were expressed by George Mearns, a retiree who is the former director of corporate insurance and employee benefits for Sunshine Biscuits Inc., a division of American Brands. Mr. Mearns told the opening employee benefits session of the annual American Society of Insurance Management conference here, "We can adjust to reduced income—we've done it all our lives through the Depression and then World War II.

"Naturally, everyone of us living on fixed income benefits would be happy to receive an

increase periodically but, surprisingly enough, the consensus of opinion is that the spiraling cost of medical and hospital care is truly the retiree's greatest concern and not the fact that they are living on a fixed income." That assertion, he said, is based on research he did among 100 residents, age 55 to 85, of his Florida retirement community. "I have found no bitterness, but only concern in most instances that retirement income and medical expense benefits are fixed and consequently becoming more and more inadequate in the face of our inflationary economy. Most of those with whom I have talked realize that the benefits afforded by their corporate program were geared to the economy at the time of their retirement or, indeed, earlier, as well as to their company's

financial ability to underwrite the cost."

MR. MEARNS, who has been retired for two and a half years, referred to the retirement syndrome as the "monetary menopause" and counseled that increased voluntary and involun-

not yet payable. Unless his company's benefit program affords continuity of adequate medical expense protection, at least until he is eligible for Medicare, his problem is compounded," he said.

The early retiree is, therefore, many times left in the position of having to privately purchase medical benefits, said Mr. Mearns, and "more frequently than not, these plans are highly restrictive as to coverage and amounts of protection and for a relatively high premium."

His survey of retirees showed, he said, that given hindsight, most people would have been "more than willing" to pay the necessary premium to continue receiving the protection afforded under their company plans; there would have been some assurance that the benefits would have been

commensurate with the premium cost and such action would have afforded them continuity of protection, especially with respect to pre-existing conditions. "The fact that they have deemed it necessary to purchase primary or supplemental protection at a relatively high premium cost," he pointed out, "would seem to bear out the sincerity of their willingness to pay."

A HIGH percentage of company plans of those Mr. Mearns surveyed provided for continuation of substantial amounts of group life insurance. "The attitude reflected," he told ASIM members, "is that adequate amounts of group life insurance serve a good purpose during the employes' active years of employment when they are raising families and there is a concern should the breadwinner die. However, after retirement, when family responsibilities diminish or cease, there is much less value or need for this type of protection than there is for catastrophic medical expense care."

ASIM Conference Report

tary early retirement of the past 10 or 15 years has added a new dimension to the problem. "The early retiree obviously has a more protracted and critical period of economic concern since his Social Security income is less, or

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George Mearns

Group life insurance, he emphasized, was never intended to create an estate to be left to children or friends of the employe, for whom a company has no moral obligation. "Every dollar of group life insurance continued after retirement is a contracted liability and a cost which must be borne by the company plan since death is inevitable," Mr. Mearns stated. "I dare say that many companies would be shocked to know what their total contracted cost is, especially those whose plans permit a high percentage to be continued for retirees."

When premium cost control is a factor in developing a company plan, as it always is, he noted, some of the money spent to create estates might be spent more effectively to provide adequate protection for retirees against potential major medical expenses "which obviously are of paramount concern."

GORDON RICE, Nabisco Inc.'s manager of benefit planning and personnel research, emphasized the need for an all-encompassing program that fulfills a company's obligation to the employe. Mr. Mearns wholeheartedly agreed with him, adding that this protects the employe's life savings and helps his family.

If retirees are faced with the choice of having half of their life insurance taken away, and replaced with the opportunity to purchase group medical coverage, asked Don Currie, manager of employee benefits for the Singer Co., will they buy? "Yes," answered Mr. Mearns, to which another benefits manager added, "Our people are very happy to pay the premiums in order to get coverage continuity."



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Bus crash victims file claims for \$2.5 million against school district

NEW YORK—Attorneys for three Nyack, N.Y., high school students injured when a school bus collided with a Penn Central freight train (*Business Insurance*, April 10) have filed notices of claims against the school district for \$2.5 million for punitive and compensatory damages.

School officials were unavailable for comment concerning liability coverage for the accident. "We expect the school district to turn down the claims, though, and then the matter will go to court," explained an attorney at the firm of Speiser, Shumate, Geoghan & Krause, which is representing the students. "We needed to clarify this situation before we could name the other

parties who will be enjoined in the suit."

Five students were killed and 44 injured when the collision occurred at a private railroad crossing, which, according to officials, was not marked with an X-shaped warning sign on the day of the accident.

Investigative hearings underway by the National Transportation Safety Board have revealed that the driver, Joseph Larkin, was sometimes lax in observing driving regulations requiring bus drivers to stop and look for trains at all grade crossings. Several students have testified that Mr. Larkin failed to stop before the collision, and that he accelerated in an effort to clear the tracks

when he realized the train was approaching.

"WE ARE definitely going to sue both the bus line and the driver who was apparently hired by them," noted the attorney. Nyack school district leases buses from Rockland Coaches Inc., which carries liability coverage with the Continental Insurance Cos., New York.

"We are also in the process of determining what other parties are involved," he said. "One major question regarding the accident is who should be held responsible for the inadequate warnings at the crossing."

According to the superintendent of highways, stop signs were

posted after local residents had complained about the dangerous crossing in the past. The town board, however, failed to act on requests to install a crossing gate.

The superintendent also reported that the state public service commission turned down requests for the gate, claiming that the volume of traffic did not warrant it. A spokesman for the state department of transportation, which assumed the responsibilities concerning grade crossings from the public service commission a year ago, told *Business Insurance* that they had no record of any such demand.

"WHEN IT IS determined that warning equipment is necessary, then the cost is usually split between the railroad and the state. Since it is on railroad property, it is their responsibility to design, erect and maintain whatever equipment the state deems necessary. But we have no record of

complaints concerning this crossing," he commented.

The law firm is considering pressing charges against both the state and the city of Clarkstown in which the collision occurred. "It is under advisement, but there will probably be claims against the State of New York because the public service commission did not rectify the hazardous situation and against the municipality responsible for the roadway," said the attorney.

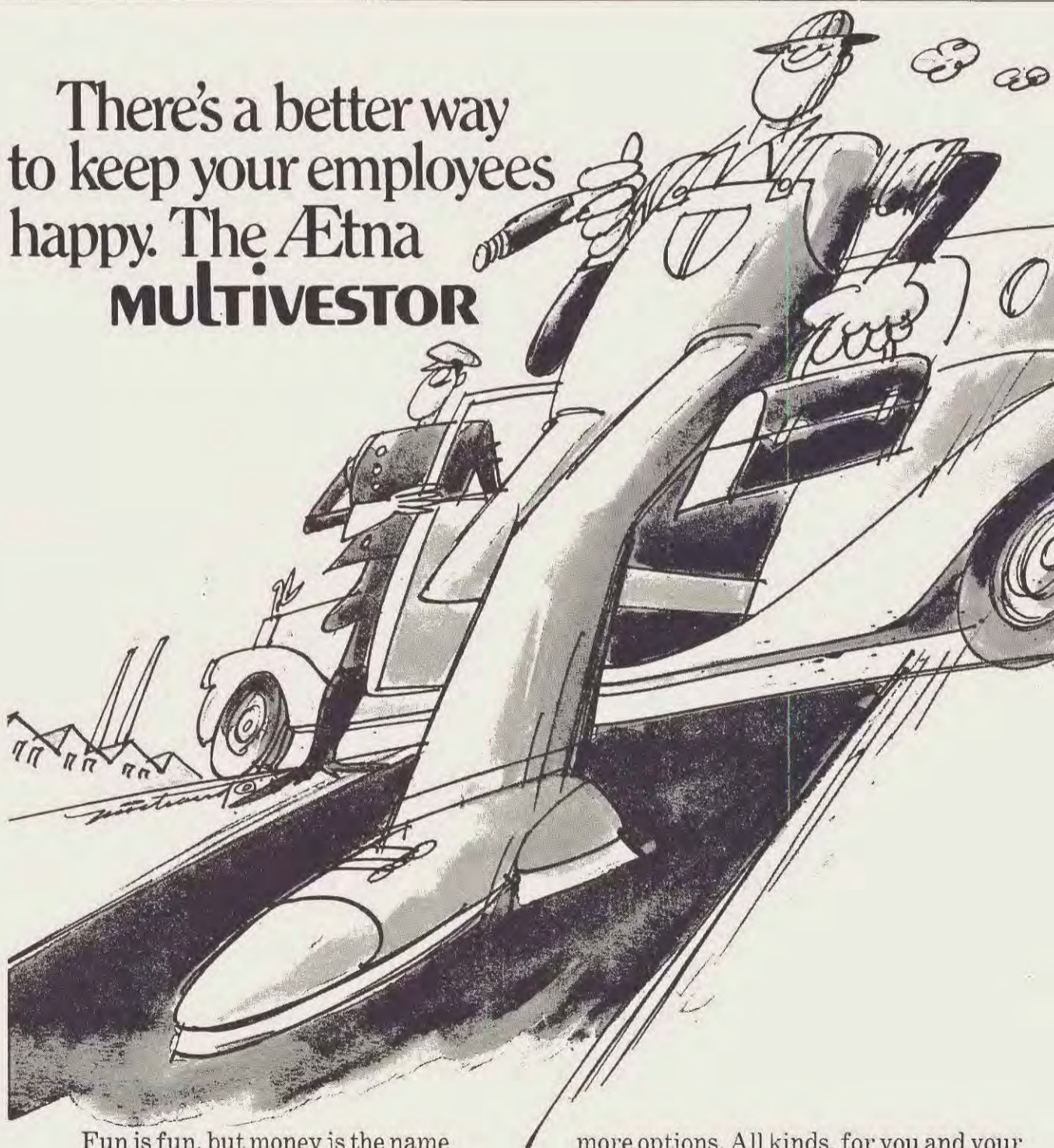
Clarkstown also carries liability coverage with Continental. The state, however, self-insures.

Penn Central, which will be named as a defendant, according to the attorney, has insurance spread among 40 different companies.

The three separate claims filed with the school district are for \$1.1 million, \$750,000 and \$600,000 and include \$500,000 each in punitive damages. "We certainly hope the students recover fully without any problems, but in the suit we must cover any eventuality which may occur. The initial claims may be lowered, but we can't raise them once they are filed if difficulties arise," he said.

The law firm has been retained by two other injured students' families to represent them in court.

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GE must pay expense of faulty pacemakers

MILWAUKEE—The cost of transplant replacements of nearly 487 electrical heart pacemakers recalled by General Electric Co. is not insured, according to a company spokesman. "We don't have recall coverage," he noted.

A defect which causes the pacemakers to speed up dangerously was reportedly found in about 4% of the 487 devices manufactured in a three-month period in 1971.

Not all of the pacemakers had been implanted when the operational fault was noticed; however, most were in use, the spokesman said. Arrangements have been made for corrective transplants for 92% of the patients.

"We had a direct data bank on each patient using the device and his physician, so we were able to send notification immediately," explained the official. "We were worried about alarming the patients, so the notification was strictly through the doctors involved. First they received a registered letter and then they were contacted by our men in the field."

General Electric estimates the replacement cost for each patient to be about \$1,500. "The device itself costs \$750, and we expect surgical and medical fees to be around \$750," he commented.

Announce rate hike

At least 10%, or 33,640 Northern California Blue Cross medical insurance subscribers, are about to have their rates increased an average of 20%. Blue Cross president George C. Lucas said the rate increase will be for people in groups of fewer than 100 and are required "because of inflation and a significant increase in use of hospital services for diagnostic purposes." Amount of increase will vary from group to group, depending on type of coverage. The increase covers the area from the Oregon border of California to Monterey and Fresno counties.

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LIFE & CASUALTY

Drug-injured painter gets \$465,000

SAN JOSE, Cal.—Phillip D. Malone, 46, former spray painter, has been awarded \$465,000 by a Santa Clara County superior court jury after a 17-day trial of charges involving cortisone.

Mr. Malone, an industrial spray painter working for a Cupertino painting contractor, had sought treatment from Dr. Howard G. Diesner and the Sunnyvale Medical Clinic for a skin allergy developed from his work.

HE CHARGED that he suffered severe physical and psychological ailments after having been treated by cortisone which, he claimed, caused the loss of his teeth, severe stiffness in his hands and arms and loss of bone building ability.

Several psychiatrists testified that Mr. Malone also suffered frequent lapses of memory induced by the cortisone treatment.

A California workman's compensation board earlier has given Malone a 100% disability rating, following the allegedly faulty treatment. ■

Jury awards \$130,000 in work death

BUFFALO—A supreme court jury has awarded \$130,000 to a Buffalo woman as a result of an industrial accident that claimed the life of her husband.

Mrs. Earlene Brown sued as administrator of the estate of her husband, Arthur Brown, who was fatally injured on July 27, 1968, at the Lackawanna plant of Bethlehem Steel Corp.

Defendant in the lawsuit was Kaiser-Nelson Steel & Salvage Corp. of Philadelphia that was doing work at the plant under a demolition contract.

Mr. Brown drowned when he fell into a drainage ditch containing more than four feet of water as a result of negligence by the contractor, counsel for the plaintiff alleged.

They claimed Mr. Brown either fell into the ditch as a result of debris not picked up by Kaiser-Nelson or as a result of a weakened cover placed over the ditch that broke. ■

letters

Continued from page 18

just as important, they are spreading the "gospel".

Niles Public Library is organizing a similar drive for the residents of Niles. And as I understand it, most of the other surrounding communities are at various degrees of similar plans. This is basically due to the "evangelism" of Bob Moore, the editor and publisher of the Skokie News, who is also chairman of the Skokie Blood Drive. It is men like Mr. Moore who make something like this work. I would hope in the near future that instead of a Skokie Blood Drive or a Niles Blood Drive, it would be an areawide blood drive.

Sidney H. Brandt

District Manager, Equitable Life Assurance Society of the United States, Chicago, Ill.



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California cracks down on disability cover ads

SAN FRANCISCO—New and specific standards to govern the advertising and promotion of disability insurance may be adopted by California's department of insurance.

Public hearings on the proposed new rules and regulations were held here recently. The new regulations will be applied to all disability insurance companies, fraternal benefit societies and to nonprofit hospital service corporations as well.

"Present insurance commission regulations as well as other California law," it was explained by Insurance Commissioner Richards D. Barger, "prohibit advertising in such a manner as to deceive or to mislead the public.

"Provisions of California's insurance code," Mr. Barger added,

"establish only general standards. Now we plan to adopt very specific standards for advertising related to individual, group, blanket and selected or franchise disability insurance."

The new regulations, when adopted, will define "an advertisement" as printed and published material and descriptive literature of an insurer used in newspapers, magazines, radio and tv scripts, outdoor and similar displays.

THE DEFINITION also includes descriptive literature and sales aids of all kinds issued by an insurer for presentation to the public, including circulars, leaflets, booklets, depictions, form letters and illustrations.

Included also are prepared

sales talks, presentations and material for use by agents, brokers and representations made by agents and brokers.

The regulations will provide that advertisements in general "shall be truthful and not misleading in fact or in implication." Words or phrases which are clear only by implication or by familiarity with insurance terminology, may not be used.

To be banned under the proposed rules will be such words and phrases as: all, full, complete, comprehensive, unlimited, up to, as high as, this policy will pay your hospital and surgical bills or this policy will replace your income.

"**SUCH WORDS** or phrases," Mr. Barger asserted, "may not

be used so as to exaggerate any benefit beyond the terms of the policy. They may be used only in such manner as to fairly describe benefits."

Policies covering only one disease or a list of specified diseases may not be advertised so as to imply coverage beyond the terms of the policy.

Any limiting conditions relating to benefit payments also must be "clearly disclosed" and phrases such as "this policy pays \$1,800 for hospital room and board expenses" will be considered incomplete without indicating the maximum daily benefit and the maximum time limit for hospital room and board expenses.

The proposed regulations also will slash at the heart of the

testimonial, a long favored ad technique.

TESTIMONIALS used in ads "must be genuine, represent the current opinion of the author, be applicable to the policy advertised and be accurately reproduced."

Any insurance company, in using a testimonial, would "make as its own all of the statements contained" within the testimonial.

An offer in an ad of inspection of a policy or offer of a premium refund will not be considered "a cure for misleading or deceptive statements contained in such advertisement."

One proposed rule, reminiscent of advertising in other areas of business, particularly automotive, will prohibit an ad from "directly or indirectly making unfair or incomplete comparisons of policies or benefits or otherwise falsely disparage competitors, their policies, services or business methods."

The proposed regulations also would establish a 90-day period between enrollments before new offerings could be made and this rule would apply to all advertising media.

Advertising in magazines and newspapers printed and published in other states and circulated in California would be required to comply with the 90-day rule.

Two Oregon firms fined

SALEM—Oregon Insurance Commissioner Cornelius Bateson has announced fining the Home Life Insurance Co. of New York and Elmer K. Edvalson of Milton-Freewater for violation of the state insurance code.

Home Life was fined \$250 for compensating an unlicensed agent in connection with the sale of life insurance.

Mr. Edvalson was fined \$200 for accepting a premium for fire insurance without providing coverage.

Mr. Bateson also suspended the licenses of Glenn D. Wulf of Hillsboro and Ronald Eugene Davis, Oregon City, for misappropriation of premiums in connection with bail bonds.

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Food processors felt few ill effects in '71

MONTREAL—Food processors attending an industry session at the American Society of Insurance Management's annual conference here have not felt any ill effects from food recalls of the past year. They are, nevertheless, more vitally interested than ever before in product recall and destruction policies although few are willing to pay the price for them.

This is one broad conclusion that can be drawn from the two-day, shirt-sleeve session held in a meeting room at the Queen Elizabeth Hotel. Twenty-five risk men from the food processing industry attended the session led by D. D. Alexander, insurance manager, Consolidated Foods.

Mr. Alexander told *Business Insurance* after the session, which was closed to the press, that discussions of product recall and destruction forms of insurance "highlighted" the meeting. Another

subject turned over at length, he said, was captive insurance companies and their possible application to the product recall situation.

"IT WAS suggested," the Consolidated Foods risk man said, "that the industry consider forming a captive along these lines. But no conclusions were reached.

ASIM Conference Report

The thing is that most companies don't want to divulge their quality control methods." He noted that divulgence was one roadblock to a captive scheme.

According to Mr. Alexander, two of the 25 food processors attending the session have product recall coverage. "Several

other people said that they had investigated the coverage, but had declined it—mainly because of the limited market," he said. The only markets now actively quoting on product recall coverage are Lloyd's and Fireman's Fund American. Others do write the business, Mr. Alexander pointed out, but prefer to include it in with a total insurance package. Insureds who had their general liability covers in other markets, therefore, are discouraged or refused coverage altogether.

"The general concensus," Mr. Alexander said of the meeting, "was that product recall and destruction forms of coverage will become more predominant." He intimated, however, that Lloyd's and Fireman's Fund are asking premium prices for the coverage.

TURNING TO the product liability situation among food processors, the Consolidated Foods man noted that the subject was discussed at length "in relation to quality control" methods. "There was also the question of 'how much (coverage) should one have?'" he said.

Last year's case of botulism

poisoning and subsequent recall of Bon Vivant vichyssoise, as well as other extensive food recalls last year, had "almost no" effect on the product liability market, he asserted.

"It was brought out that for the millions of products this in-

dustry puts out annually the frequency of claims is extremely low, as is the cost of these claims," Mr. Alexander said. There were no complaints, he added, that underwriters may be "overreacting" to one or two serious product liability claims.

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Baseball impasse ends, players get \$500,000 more for pension fund

NEW YORK—After a 13-day strike by baseball players for increased pension benefits, a shorter season is underway—somewhat to the satisfaction of the American League, which has been seeking a reduced playing schedule, and considerably to the satisfaction of the players who will receive about an 8.5% pension hike.

The players had requested that an existing surplus in the pension fund of over \$1 million be used to increase retirement benefits to offset a 17% cost-of-living increase since the plan was negotiated three years ago. Both sides settled on a \$500,000 allotment.

Negotiations for a pension settlement, which had reached an impasse, gained momentum when President Nixon urged a meeting between players association representative Marvin Miller, owners' representative John Gaherin and Curtis Counts, director of the Federal Mediation and Conciliation Service.

Until this time, the owners had refused to allow any surplus monies in the present retirement fund to be used for increased benefits. They claimed that an actuarial report by the Philadelphia firm of Towers, Perrin, Forster & Crosby Inc. showed that such a move would be "imprudent."

THE PLAYERS Assn., however, said that calculations by John Gabel of Retirement Plans Inc., Cleveland, who has been the actuary for the plan for both the owners and the players for 17 years, verified the financial soundness of the proposition.

After a Washington meeting with Mr. Counts, the owners offered a \$400,000 increase and the players reduced their demand to \$600,000. When both sides agreed to a \$500,000 allotment and a settlement was in the offing, a disagreement over the missed games extended the strike for three more days.

The clubs felt the players should play certain rescheduled games without pay. They offered to pay the players for separate admission make-ups but not for games rescheduled as part of a single-admission double-header.

The National League was adamant about playing all 162 games of the series, although the American League wanted to forget the games and resume the schedule at its present point. Finally, both sides agreed to eliminate missed games from the season, with the championships being decided on a straight percentage basis.

AS A RESULT of the new one-year contract, the clubs will contribute an extra \$490,000 annually to pay increased premium costs for players' health benefits for a total annual contribution of \$5.94 million for all benefits.

The owners also announced that the health care package was being transferred from the Equitable Life Assurance Society of the U.S. to Blue Cross, although the benefits would remain essentially the same.

The group annuity contract for the players' retirement benefits is still being handled by the Equitable. The bulk of the assets for both the health plan and the pension program are consolidated in one central trust at First City National Bank, New York.

New carrier chosen

The Washington State Employees Insurance Board has announced selection of a new carrier for the two statewide health insurance plans available to state employees, according to Leonard Nord, chairman. Apparent low bidder was Blue Cross-Washington Physicians Service. The current carrier is New York Life. Mr. Nord said benefits of the plans will remain the same when Blue Cross takes over July 1.



Newsletter



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CORRESPONDENTS IN ALL OTHER STATES

Insurers seek more lead time on construction risks

MONTREAL—The afternoon meeting of the construction industry session at the ASIM conference provided construction industry risk managers a chance to get down to basics with two representatives of the insurance industry.

David S. Forsyth, director of Euings Ltd. of Toronto, a Lloyd's broker, and Robert Sanborn, of the Commercial Union Cos., first delivered short speeches before the actual questioning began.

In his talk to the risk men, Mr. Forsyth briefly told the history of Lloyd's involvement in and subsequent abandonment of the construction industry as a risk. "However," he noted, "Lloyd's is returning. The market is now there."

He pointed out that Lloyd's all risk coverage specifically ex-

cludes faulty design but will cover any damages resulting from faulty design. He said that the testing coverage was available but would be rather limited.

Regarding other coverages, he said, "Some of the Lloyd's underwriters will write contractor's equipment coverage but, quite frankly, the terms might well be unacceptable."

"In summing up," he continued, "I would like to say that Lloyd's has been ignored the past few years as a market for construction risks. The time has come to test it every now and again. At least keep your fingers on the pulse; you might see some changes."

Mr. Sanborn came directly to the point. "This is an age of consumerism and the emphasis is on performance," he said. The prob-

lem is that you, as construction industry risk men, expect us, as insurers, to perform on the basis of your own sometimes exotic and sophisticated new designs and equipment."

ASIM Conference Report

AS AN EXAMPLE, he pointed to certain new construction practices such as drop tubes and using explosives to demolish buildings sitting between other buildings.

"You want us to perform in a short period of time," Mr. Sanborn commented. "Granted, sometimes you are under the gun yourself but there are other

times when you just have waited to the last minute to inform your insurer of anything new. I can only warn that the shorter the lead time, the greater the problems."

He told those assembled that insurers were really not construction experts. "We need all the help we can get," he said and then listed some of the things risk men could do to make their insurers' lives a bit easier.

He thinks that the insurer should have more lead time and that risk men and insurers should spend more time and effort talking to each other. Insurers, according to Mr. Sanborn, should always be informed of any alternative methods being considered by the construction company. He also thinks the insurer should know if the job

would have a safety superintendent and, if so, just what his authority would be.

EMPHASIZING the importance of what he was about to say, he asked the risk men that they tell the insurer just how serious they are about the bid made on any job.

"There are times when your company will bid on a job it doesn't want and when that happens, wheels spin," he noted. "We do the work that has to be done regarding any bid and nothing happens because you were not serious about the bid in the first place."

One of the risk men present said that he, himself, would like to know about the seriousness of any bid. He pointed out that risk managers did not make those decisions and that it is not their fault if a bid is half hearted. "We do not like to spin wheels any more than you do," he said. "There is no intent on our part to spin wheels. Our time is as valuable as yours."

MR. SANBORN urged the risk managers to purchase higher primary limits "because the umbrella market is turning around and it won't be long until your insurer asks you to. There are three or four markets now which want higher primary limits and the others will probably follow suit. It would be to your advantage because the price might be better now than later."

As the risk men aired their grievances it was agreed that the construction industry has the peculiar problem of running into extremely wide variations when underwriters make quotations on the same job, the same way many construction firms will vary widely as to how much they want for the same job.

Among other points which were discussed was cancellation of policies.

MR. FORSYTH said that a notice of cancellation from Lloyd's was not actually a notice of cancellation but rather an invitation to renegotiate the policy. The risk men wondered what the difference was. Mr. Sanborn said that his company never cancelled mid-term and that there were other ways of handling a problem risk, like imposing a deductible or implementing more strict loss control measures.

It was then brought out that the reinsurer had a great deal of control over cancellations in that if the XYZ Insurance Co. appeared on the policy but only wrote 20% of the risk, the reinsurers could control him. He would have to cancel if they pulled out.

During this discussion, Earl Novell, risk manager for the Perini Construction Co., spelled out what was perhaps the theme of the meeting. "When the risk goes bad," he said, "and it is the fault of your company, this is where you earn your money. Your risk man's sense can save you every time."

Sign North Sea pact

Representatives of 12 European countries meeting at The Hague have signed a convention to prevent further pollution of the North Sea. Statutory moves are planned to stop ships dumping waste products in the northern part of the Atlantic Ocean. A "black list" of banned materials is being drawn up, but there will also be a "grey list" of other products that may be dumped under safety conditions.

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The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut.

By the way, the photo shows Boston Fire Department Engine No. 35, a self-propelled steamer built by the Amoskeag Company in the early 1890s. Though its primitive chain drive was a perennial problem, it functioned well enough to get No. 35 to the famous Brighton Stockyards Fire on June 22, 1912.



Regulator says insurers have 'low credibility'

SAN FRANCISCO—The insurance industry currently has a "very low threshold of credibility" with the public, in the opinion of Lawrence C. Baker, chief deputy California insurance commissioner.

"Public unhappiness with the industry," Mr. Baker told the Insurance Company Managers Assn. of Northern California, "is behind present legislative activity which will eventually result in a complete re-structuring of insurance concepts."

Mr. Baker, who has headquarters in Los Angeles, said, "Truly vast changes lie ahead for the insurance industry; some the normal result of progress but mostly due to demands the public is making for legislative correction of what the consumers consider to be practices not in their best interests."

Mr. Baker cited the increasing pressures for automobile insurance reform and predicted "California will get a modified no-fault auto insurance program this year, although it will not be the Oregon-type program."

"NO-FAULT AUTO insurance," Mr. Baker said, "has become a significant political issue, not only in California but literally throughout the nation, because the public has become so vociferous in its complaints over the cost of car insurance in relation to returns."

He added that "whatever type of no-fault program is adopted this year by the California legislature, the industry should be aware that this will not be the end of reform attempts."

Mr. Baker predicted that national health insurance "will probably be a reality in the U.S. no later than 1974."

"When national health insurance finally is adopted," he said, "it may very well result in doing away with private health insurance programs."

Perhaps the "biggest concept change," according to the insurance regulator will come in mass merchandising of insurance.

Appraisals

Continued from page 20

insurance purposes is reduced by these additional business benefits.

SUMMARIZING our thoughts on appraisals for fire insurance purposes:

- Contemporary techniques of the professional valuation consultants deliver supportable, low-cost, current values to today's management.

- Through the use of Annual Valuation Service, an appraisal can be kept up-to-date as to property covered and its value.

- Professional appraisals are expressions of unbiased opinion (supportable estimates of cost and value) which can and do stand up in court if need be.

- Professional appraisals serve as a basis for many management decisions.

In spite of the title of the "No need" article and some offhand references to the "non-essential" qualities of the professional appraisal, we appreciate the concise expression of the essence of the need for a correctly designed appraisal. We know of no other practical way for a responsible risk manager or company to arrive at "reasonably supportable figures, revised annually."

"The legislature at Sacramento, as well as in other states," he explained, "is becoming very interested in advancing the cause of true group insurance programs."

"The first phase," he added, "may well come in auto insurance, with organized workers being able to purchase their car insurance as a group, with their employers paying part of the premiums and with the plan geared to the lowest rated risk of the group."

"This," Mr. Baker said, "will produce a vast expansion of mass merchandising efforts in all personal line insurance and it will have a significant impact on both the agency system and direct writers."

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business insurance

PERSPECTIVE

Cooperation with underwriters can settle profits controversy



BY PAUL C. JOHNSON
special assistant to the chief,
division of insurance,
U.S. Department of Commerce,
Washington, D.C.

IT IS NOT ONLY good to see the matter of insurer's right to a profit contested in *Business Insurance* but it is good to see a bit of the bare knuckle finally showing through the kid gloves used for so long in treating this subject publicly.

I should like to set forth a point of view developed from experience:

The essence of the insurance transaction is the transfer of risk, not losses.

This transfer occurs because the insured recognizes a risk that he cannot bear. He therefore seeks out a professional risk taker and having paid his premium is relieved from the alternatives of not being

"I seriously doubt that the underwriter's profit or loss will concern you or affect you any more than that of your paint supplier or your manufacturer of machinery or your vendor of rubber bands or paper clips."

able to do business at all or of maintaining reserves suitable to meet losses as they may arise. Any other application of insurer's facilities or of insured's use or abuse thereof is something other than insurance and should be recognized as such.

Of course it is possible to churn over losses through an insurance company, and the insurance company management can't really be expected to do this without net compensation. In most liability insurances this is what happens. It always amuses me, however, to hear how badly insurance companies handle these claims.

The question comes to mind: "Why in the name of loyalty to one's own firm doesn't the insurance manager do the job himself?"

I AM fascinated at the many \$20,000 cases that should have been settled for \$10,000, the implication being that insured's personnel would have properly settled the claims. Indeed, I am altogether amazed that insurance companies get any "loss" business at all judging from the incredibly generous manner in which the "insured's money" is doled out by insurance adjusters. (Please don't mention private automobile physical damage repair adjustments. It hurts my head.) Obviously all insurance managers should settle their own claims. The savings would maintain the most magnificent loss adjusting staff possible!

Now to get to my point.

Sterling J. Tooker, formerly president of

one of our largest underwriters once wrote an article called "Insurance, product or partnership?"—I think it is a fitting thought.

IF YOUR PREOCCUPATION as an insurance manager is to obtain your insurance as cheaply as is possible, without regard to the consequences upon the underwriter's profit or upon the well-being and future career of his employees, you are making several assumptions, all of which are wrong: You are smarter at the risk business than the underwriters. You are a better claim adjuster than the underwriter. The underwriter needs you more than you need him. The underwriter is willing to do business on the same terms with an insurance manager who has the business ethics of a street-corner huckster as with a professional insurance man who is not only willing but able to do his share in the prosecution of the insurance partnership.

The partnership is effected to the common good of both insurer and insured when the insured:

- Does all possible to eliminate or minimize risk.
- Does all possible to avoid loss.
- Does all possible to minimize loss.
- Accurately describes the risk to the underwriter.
- Rides herd on all liability losses, especially those over \$5,000, not to teach the underwriter how to do it but to make sure that the ordinary weakness of human beings

does not affect his losses.

- Does all possible to motivate insurer's local adjusters and head office executive claim personnel when, in his opinion, a claim is going badly or the local performance is poor.

- Does all possible to motivate insured's own branch managers to cooperate with local insurance adjusters and report back in detail on all losses immediately.

- Follows through for detailed loss information internally and matches information with the insurer so that loopholes may be plugged and misunderstandings avoided.

- Takes the fullest advantage of insurer's loss prevention facilities and helps improve them.

ONE CAN go on and on, but I think the point is made.

At renewal time competitive quotations are brought in and, having been active in the partnership with your underwriter, you will now judge him not on his premium dollar figure or rate but on the total net cost of risk, loss and insurance to the firm to whom you owe your greatest loyalty—your employer. I seriously doubt that the underwriter's profit or loss will concern you or affect you any more than that of your paint supplier or your manufacturer of machinery or your vendor of rubber bands or paper clips.

Certainly the insurance company's profit is the problem of its management, not yours. It should also be their preoccupation, not yours. Yours is, of course, to supply the expertise necessary to keep the risk, loss and insurance costs of your employer at the lowest level possible over your working life and a reasonable time thereafter. ■

Paul C. Johnson is presently a special assistant to the chief of the U.S. Maritime Administration insurance division. Raised in Prince Edward Island, Canada, he studied at the Petit Seminaire de Ste-Therese, Quebec, the U.S. Merchant Marine Academy, Georgetown School of Foreign Service and Temple University. After serving as a naval officer, he became a marine underwriter for Insurance Co. of North America and later director of insurance for Sea-Land Service Inc. of Elizabeth, N.J. Mr. Johnson is a member of the American Maritime Law Assn.

Two buying alternatives:
Competitive bids or bargaining?

"The work you put into competitive bidding can be a serious factor in encouraging the best efforts of the insurance company you ultimately select."

BY BION H. FRANCIS
insurance consultant,
Milford, Conn.

This is the sixth of a series of articles by Bion Francis on buying corporate insurance. Mr. Francis discusses the problems to be expected, how to recognize them and how to surmount them.

NOW YOU HAVE worked out the hazards you intend to cover. To do this,

you have decided to buy insurance. How do you go about the purchase of this insurance? In general, you have two major alternatives. You can ask for competitive bids or you can place the insurance by direct negotiation with an insurance company or broker. If you decide to have competitive bidding, there are two ways in which you might do this.

You can select a broker and have him conduct the competitive bidding among the insurance companies that he selects. This method may work out satisfactorily, but there can be disadvantages. You may

not have access to the portion of the market represented by the direct-writing mutual companies. Also, if the broker's business develops unsatisfactory experience, you may be grouped with this unsatisfactory business in the eyes of the insurance companies.

The alternative is competitive bidding run by yourself, the insurance buyer. If this bidding is done properly, it involves considerable work. However, if you do it at all, you should do it properly. Anything else will hurt your standing as an insurance buyer and insurance manager, to-

gether with your corporation's standing as a buyer of insurance.

IF YOU ARE going to have competitive bidding, you should prepare an underwriting exhibit to give the broker or insurance company the information needed to prepare a bid. This exhibit should contain the following:

- A description of the property or operation for which the insurance is wanted.

- A description of the insurance you want, including such pertinent details as policy limits, deductibles and any other special policy features.

- The loss experience for the last five years should be given including, if available, annual premiums, losses and rates.

- Either a statement of the claim, inspection and other services that you want, or an invitation to the broker and/or insurance company to describe the services they will provide if you buy insurance from them.

- Anything else you feel is necessary. Keep in mind that the underwriting exhibit should contain the information needed by the underwriter to approve the insurance.

The underwriting exhibit should be sent
Continued on following page

business insurance

PERSPECTIVE

Buying . . .

Continued from preceding page

to brokers and insurance companies with a covering invitation to bid. What do you put into the invitation to bid? This can depend on your personal philosophy as to how bidding should be handled. Let me suggest the following items to be included in the invitation to bid:

- The invitation should state that it is your intention to award the insurance to the bidder with the most favorable bid,

but that you do not bind yourself to do so.

- In particular, you should include a statement that you will not transfer the insurance from the broker and/or insurance company that now has the insurance unless there is a substantial advantage in cost or service by doing so.

- The invitation to bid should also contain a commitment to the effect that, if insurance is awarded as a result of the bidding, it is your intention to keep this insurance in force for a minimum period, such as three years or five years, if cost and service remain satisfactory. The period can be changed of course to whatever period you consider satisfactory. If the

brokers or insurance companies have a degree of assurance that they will retain the business for some minimum period of years, this will encourage them to submit the most favorable bid they can.

- If the amount of insurance is large, some brokers and/or insurance companies may have difficulty in placing the entire amount. You can, if you wish, include a statement that if the broker and/or insurance company wishes to submit a bid only on a portion of the total, such a bid will be considered. Obviously, the value of the bid will be reduced if it is only a portion of the total requested. You could reserve a similar right to place only a portion of the total.

- The closing date should be indicated. In setting this date, you should allow adequate time for the insurance companies to make any inspections that might be necessary if they are going to offer a serious bid. If you don't allow enough time, you are giving an advantage to the broker and insurance company who now have the insurance, and who are presum-

ably familiar with the properties and operations involved.

NOW THAT YOU have worked out the nature of the underwriting exhibit and invitation to bid, to whom do you send them? The specific selection of brokers and insurance companies for this purpose will be taken up in the next article of this series.

You may protest that all of this is a lot of work. Of course it is. But consider that you are asking an insurance company to make a serious bid. If you represent a large corporation with many plants, a serious bid by a major insurance company with proper inspection of all major plants could run to several thousand dollars of expense. Why should an insurance company do this for you if the work you put into it indicates that you do not regard the whole thing seriously?

The work you put into the competitive bidding can be a serious factor in encouraging the best efforts of the insurance company. ■

Risk management notes

Require contractors to carry liability cover with you included

BY WARREN, MCVEIGH & ASSOCIATES
risk management consultants,
San Francisco—Los Angeles

WHEN CONTRACTORS or others do work for you, it is good practice to require them to carry liability insurance, whether or not you have a hold-harmless clause in the contract. Also, to be sure you will be protected by your contractor's policy, it is desirable to have his policy name you as an additional insured with an endorsement issued to evidence this fact.

With regard to following up on contractors to be certain of compliance, many companies spend a considerable amount of clerical time reviewing policies or certificates of insurance and following up to see that the endorsement showing additional-named-insured is issued.

One large California utility company made a study of the situation and found that the most desirable results were achieved by requiring the additional-named-insured endorsement and following up closely whenever it was not received to be certain that it was issued before work began. Though it requires clerical time, they feel that savings in defense costs alone of cases which would not have to be defended by them or their insurer made the procedures worthwhile. In this regard, it should be noted that public utility companies have special problems since hold-harmless agreements are generally less effective for them than for others because of their size and strong bargaining position. In addition, they are not faced with strong financial incentives to reduce "justifiable" costs since their rates are based on a cost-plus investment return formula.

ON THE OTHER HAND, many large corporations feel that the administrative expense of such police work is not proportionate to the results. In order for something to go wrong in the absence of such policing, it would be necessary for five independent events to occur:

- A claim must be incurred naming both contractor and owner.
- The contractor failed to comply with contract terms.
- Your hold-harmless clause is inadequate.
- The contractor's insurance is insufficient in amount of coverage.

- The contractor must go bankrupt.

These are the conditions relating to the contractor's sole negligence, though where joint negligence is imputed, or where you are concerned about possible defense costs, only the first three events must occur.

contractor's sole negligence, though where have somewhat different situations. In order to make a decision to police or not police, it may be desirable to make two calculations. The first would be the total cost to the company of clerical work involved in following all such certificates. The second would be the potential defense and indemnity costs estimated to follow from failure of administration. This involves judgment and the use of a probability factor which must be estimated. Nevertheless, even though the estimate is not highly accurate, it is better to use this calculation than no analysis at all.

Captive Insurance Companies

The use of off-shore captive insurance companies by large American corporations and associations has become so widespread that some U.S. states are attempting to liberalize their insurance laws to allow the formation of captives in the states.

As of February 8, 1972, a bill was approved in committee in one house of the State of Colorado to establish a climate favorable to the formation of captive companies. This is House Bill No. 1041 titled the "Colorado Captive Insurance Company Act."

Specifically, it would allow a company or association to create a captive insurance company in Colorado free of all taxes except a single tax of 1% of gross premiums. Minimum required capital is \$400,000 and required surplus is \$350,000, which may be cash, securities or irrevocable letter of credit. Minimum gross premiums must be \$500,000 for a company captive and \$1 million for an association captive. The company is further liable for costs of state examination and it must comply with the investment requirements for other insurance companies.

This is an interesting development but since the requirements are still much stiffer than those of Bermuda (no premium or income tax and \$120,000 minimum capital plus freedom of investment and regulation) we wonder whether any companies will want to choose Colorado as a domicile. ■

RISK MANAGEMENT
SCORE SHEET

How well does your company rate with the ideal risk or insurance management program? While risk management as a discipline is still evolving there are at least a few generally accepted principles that are indicators of a good risk management program. Or are they?

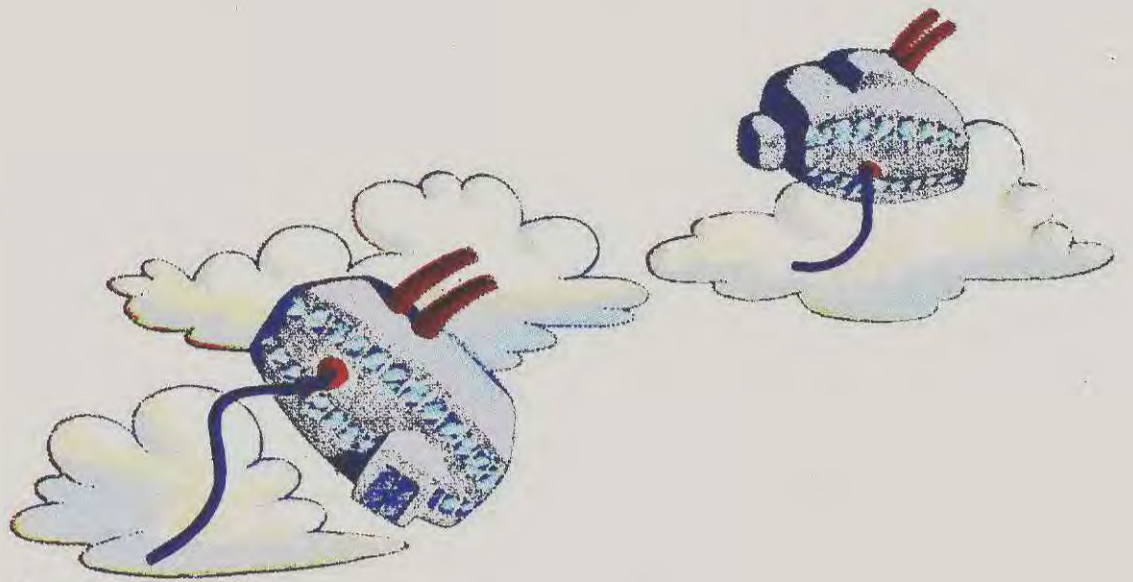
It probably will be some time before we have the set of common standards by which to measure risk management but, as a starter, we have prepared the following list of questions. They are hardly all-inclusive; some certainly are subject to question.

- | | Yes | No | ? |
|---|-----|----|---|
| 1. Has the organization adopted a formal written policy on risk, insurance and benefit management? | | | |
| 2. Is there a written guide to the maximum amount of loss which can be self-assumed, in either a single year or in a single event? | | | |
| 3. Is there a risk or insurance manual? | | | |
| 4. Has a risk manager been named? | | | |
| 5. Does he have authority to implement changes in self-insurance and insurance? | | | |
| 6. Is an annual report prepared on risk and insurance? | | | |
| 7. Has a true fee system replaced the commission system for agents and brokers serving the organization? | | | |
| 8. Has the organization considered self-insurance or self-administration for such areas as workmen's compensation or employee benefits? | | | |
| 9. Does the risk manager meet at least annually face-to-face with major insurance company underwriters? | | | |
| 10. Is a fresh evaluation of exposures to loss made annually? | | | |
| 11. Are premiums paid to insurers directly rather than through agents and brokers? | | | |
| 12. Does the agent or broker submit an annual report, covering insurance, cost, losses and projections for the future? | | | |
- Yes = 10 points No = minus 5 points ? = 0 points

TOTAL SCORE: _____

120 We'll take lessons from you.
100 — 119 Top 1% in risk management organization.
70 — 99 Not bad.
50 — 69 Some real problems.
0 — 49 Time for an overhaul.

The Risk Management Score Sheet has appeared as part of the third supplement of the Risk Management Manual co-edited by H. Felix Kroman, president, and James O. Matschulat, vp, Risk Planning Group Inc.



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British ruling hurts robbers in their pocketbooks

LONDON—Crime-conscious Britons have welcomed moves to make robbers pay out of their own pockets for any harm they do to their victims. Government law enforcement officers plan to accomplish this by rules which will enable trial courts to order forfeiture of a thief's property.

It is hoped this will cut down crime losses and ensure that no one gains by theft, especially if it involves violent attacks on in-

nocent people. Limited powers already exist to force thieves to compensate people for the value of stolen property. But with crimes of violence on the increase, there will soon be laws to make offenders pay damages for personal injuries sustained by the public.

Big-time fraud operators and petty swindlers may also be forced to repay victims out of their private bank accounts, but

the main aim is to curb violent criminals. In extreme cases it will be possible to make a robber bankrupt and seize all his property, even if only part of it comes from the proceeds of crime.

SO FAR the only benefit to people hurt during bank hold-ups and other crimes comes from public funds. These, in the past seven years, have paid out more than \$20 million cash to 22,000 people, usually after the expiration of normal social security payments to the victims if laid off work or hospitalized.

The highest payment to date is just over \$100,000 to a forty-two-year-old bachelor hurt so badly in a mugging that he will be hospitalized for the rest of his life. Social health funds will pay for his medical treatment, so that when he dies his relatives will benefit from the award.

The award was made to mark the severity of his injuries, as the fund, controlled by the criminal Injuries Compensation Board, has to assess its payments as if there were a private lawsuit in the courts against the assailant.

The fund has been in existence for seven years. Since, obviously, no insurance company could insure robbers against the conse-

quences of crime, the state stepped in to create the fund with public money, staffing the scheme with lawyers and investigators to determine the amount of injury payments it is entitled to make.

OFFICIAL government rules say that the board can make payments in cases of personal injury directly attributable to a crime of violence, including arson and poisoning, or to civilians hurt while going to the aid of police trying to make an arrest.

Payments can also be made to victims of rape, and sexual assault, both for shock and for expenses of childbirth, but there is no provision for maintaining any child born in this way except under normal welfare rules.

Traffic offences are excluded from the scheme, unless there has been a deliberate attempt to run the victim down. But policemen injured on duty are covered by it. In the event of any victim dying from his injuries, his dependents can claim.

Last year more than \$5 million was paid out in awards to 5,000 citizens, and the cost has been rising ever since the scheme began in 1964. Costs of running the plan equal about 10% of its annual expenditure.

Just over \$65,000 was paid last year to a 38-year-old woman disabled in the brain after assault and battery, but most payments are in much smaller sums to meet lesser injuries. Compensation is confined to crimes of violence.

Other successful claimants include a woman of 62 who must wear a wig after being struck on the head and robbed of jewelry in the street, a street-car operator who went to the aid of a bank messenger during a hold-up and was shot in the foot, and a 16-year-old shop worker who was raped in a wood near her home.

The value of the plan was surveyed by Walker Carter, compensation board chairman, who told government officers in his latest report, "The prompt payment of compensation does much to prevent emotional disturbance among victims of criminal assaults. It removes financial burdens that may have accrued while they are under hospital care, and makes them realize that their misfortunes have not gone unnoticed."

"Receipt of this compensation helps victims to put their troubles behind them," he added, "and to make a new start and forget their harmful experiences."

Maybe . . .

One or more of these new concepts could improve your insurance position and control costs, conserve cash.

NON-INSURANCE CAPTIVE COMPANIES
SELF-INSURANCE PRE, OR POST, LOSS FUNDING
REINSURANCE RISK RETENTION

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WHY DON'T YOU INVESTIGATE?

If you are interested, we'll be glad to discuss these concepts further and submit proposals — without obligation. Our fees, defined in advance, begin only when feasibility studies are authorized or we are retained.

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Albert R. Dow, Vice-President

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Alberta drivers now compelled to obtain public liability coverage

EDMONTON, Alberta—Alberta is Canada's fifth province with compulsory, no-fault auto insurance laws.

All motor vehicles—in theory, at least—may not be operated unless their owners have public liability endorsements providing a minimum coverage of \$35,000.

Again in theory, the Unsatisfied Judgment Act went out of existence. Under this act, people injured in accidents involving uninsured cars could claim for compensation from a fund set up by the provincial government. The maximum amount of claim was \$20,000.

Under new laws, enacted in spring, 1971, and effective April 1, 1972, there is an automatic fine of \$250 for anyone caught operating an uninsured motor vehicle. The driver of such a vehicle is also on his own where ultimate

public liability claims are concerned.

AS OF APRIL 1 this is the picture:

Driver A, properly insured, is cruising along when he's struck by Driver B, who is also properly insured. Result:

Both drivers, if they are so seriously injured they cannot work, are entitled to benefits of \$40 to \$50 per week up to a maximum of 104 weeks. Loss of limb or eyesight ranges from \$2,500 to \$5,000. Loss of life pays \$5,000. If the injured or dead driver is a housewife, she is entitled to \$50 per week for up to 26 weeks to cover household expenses. Thus, both parties are protected for the period between accident and litigation.

Now, let's assume that Driver A is properly insured, but Driver B is not. Result:

Neither driver has to worry about the economic position of his family. Driver A's insurer will take care of both families for the period designated in the policies. After that, Driver B will probably spend a good part—if not all—of his lifetime, paying the penalty of not having insurance.

Almost all major casualty companies, in the past few months, have added riders to existing policies to ensure that their clients are properly covered.

In general, cost increase has been slight. Some companies approximate their rates increase at 5%; others say their rates for "safe drivers" have been reduced. Overall, the premium cost is about 7% above what it was a year ago, when something like 13,000 of Alberta's 921,000 motor vehicles were not insured at all.

Many underwriters have used riders to adjust to the new legislation but many others have not. Several major companies operating in Alberta say they have no intention of adjusting rates until individual policies run out. According to one spokesman, "The

new legislation is basically good. It will cut down the number of uninsured drivers on the highway, and many people in our business think that a small number of drivers have caused insurance costs to swell."

No-fault insurance has in various forms been introduced into Ontario, British Columbia, Manitoba and Saskatchewan. Alberta's plan—a late comer—may be a promising hybrid.

Provinces weigh health costs motion

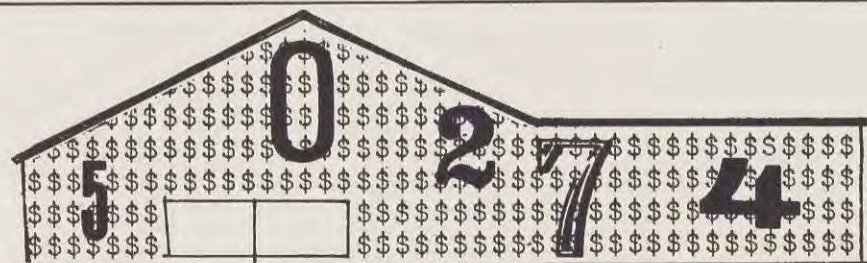
OTTAWA, Ont.—The provinces are still considering a federal proposal for a new financial agreement on health costs, and Health Minister John Munro doesn't anticipate legislation on a new formula in the near future.

Mr. Munro said none of the provinces has accepted or rejected the federal proposal.

The proposed five-year agreement would limit increases in the federal per capita contributions for provincial medical and hospital care programs to the annual increase in the gross national product. A federal "thrust fund" over and above the per capita payments would be used to finance provincial efforts aimed at saving costs and improving accessibility.

Provincial health representatives coerced changes in the proposal from the federal government last December, but no agreement was reached.

Mr. Munro disputed an argument that the proposal would mean provinces would carry more of the burden of health costs. The plan was based on the provinces reducing the escalation of their costs in proportion to the reduction in the escalation of federal costs.



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ASIM again endorses federal no-fault rules; Nader asks for safety

MONTREAL—Directors of the American Society of Insurance Management reaffirmed the organization's support of uniform federal no-fault auto insurance standards at the ASIM risk management conference here.

The directors voted to call upon Congress to enact standards for state auto victim compensation laws that would provide for first-party payments to auto victims to eliminate some of the heavy cost of attorneys' fees and insurance overhead in the present system.

ASIM said that no-fault laws should meet these standards:

- They should provide for "intelligent integration of benefits" from all sources to meet victims' economic losses.

- They should not "discriminate" against commercial vehicles by providing for any percentage liability, absolute liability or discrimination based on size, weight or commercial character of vehicles.

- They should include property damage under no-fault provisions in the same way as bodily injuries are covered.

ASIM Conference Report

After the ASIM no-fault position was adopted, a somewhat different view of no-fault proposals was put forward by Ralph Nader, the consumer advocate who was a luncheon speaker on the ASIM program.

IN RESPONSE to a press conference question from *Business Insurance*, Mr. Nader said that he believes that no-fault proposals now under consideration in Congress and state legislatures are "unilateral" in that they attack the problem of the judicial handling of auto victim compensation without getting at the root problem of reducing casualties.

"These no-fault plans treat casualties after they occur," Mr. Nader said.

"Once in a generation we take a look at our auto victim reparations system, and we ought to seize this opportunity to make a dual advance by getting at the root problem of eliminating casualties.

"I don't approve of no-fault proposals that ignore safety and

N.Y. pension bill passed

ALBANY, N.Y.—The New York state assembly has passed and sent to the senate a measure that would protect employes in private industry against losing all their pension rights if they are laid off or if the company transfers operations after long years of service.

The bill would give an employe rights to a retirement benefit after 15 or more years of continuous employment or as a member of an employer plan maintained by the employer or union.

In a drive to defeat the bill, the state AFL-CIO bulletin to its members and law makers warned that the plan could jeopardize benefits to current pensioners because it provides no source of funds for the expected new demands on the systems.

loss prevention," Mr. Nader asserted.

Meanwhile in Washington, backers of national no-fault insurance gained a victory in the Senate commerce committee when Sen. Norris Cotton (R.-N.H.) withdrew a motion to postpone committee consideration of a federal law until state-by-state no-fault has been given more time. This paved the way for the committee to begin hammering out a final version of federal no-fault standards set forth in the no-fault bill of Sens. Warren Magnuson (D-Wash.) and Philip Hart (D-Mich.).

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(No. 2 of a Series)

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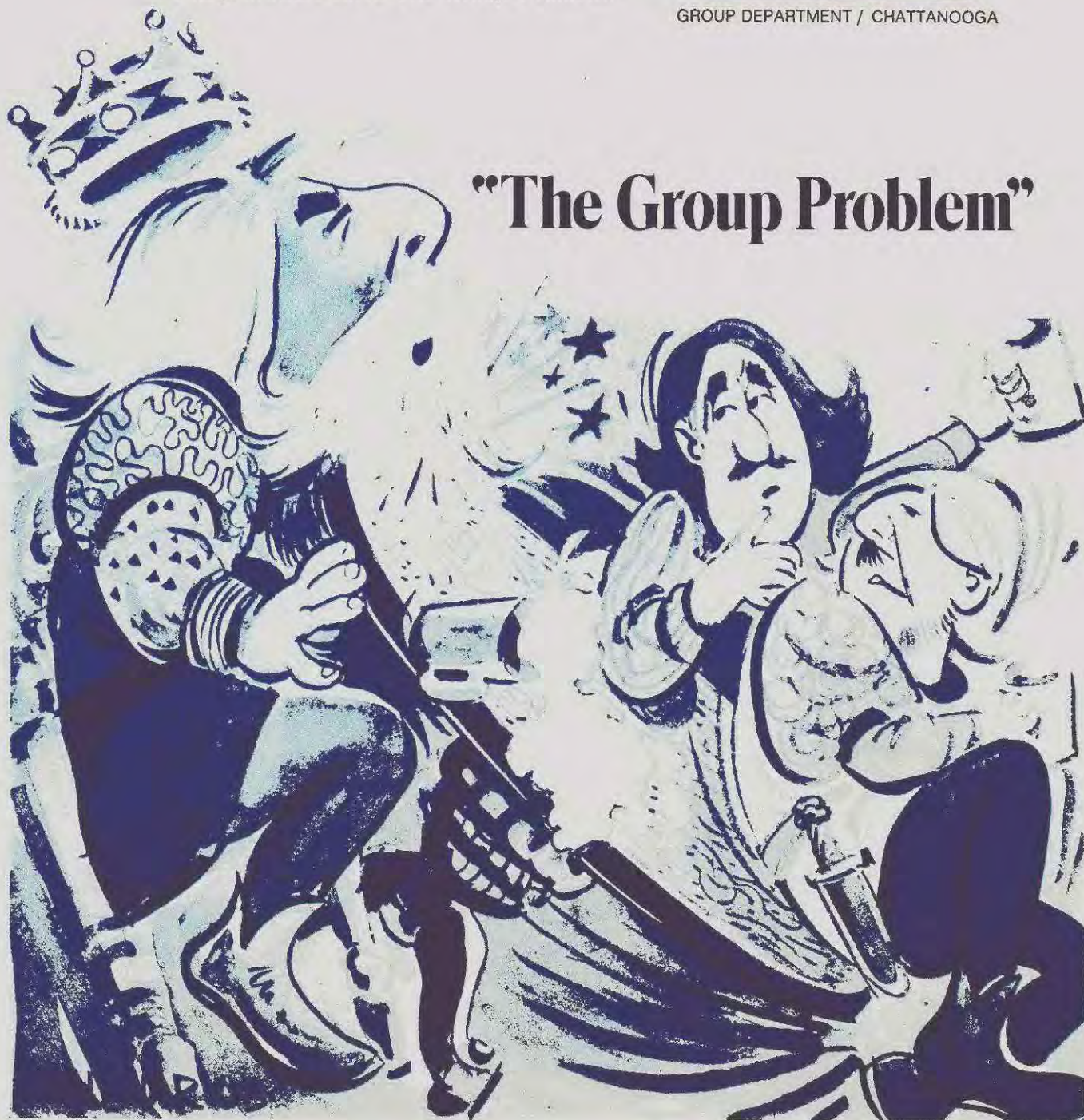
King Richard had it with his crusaders.
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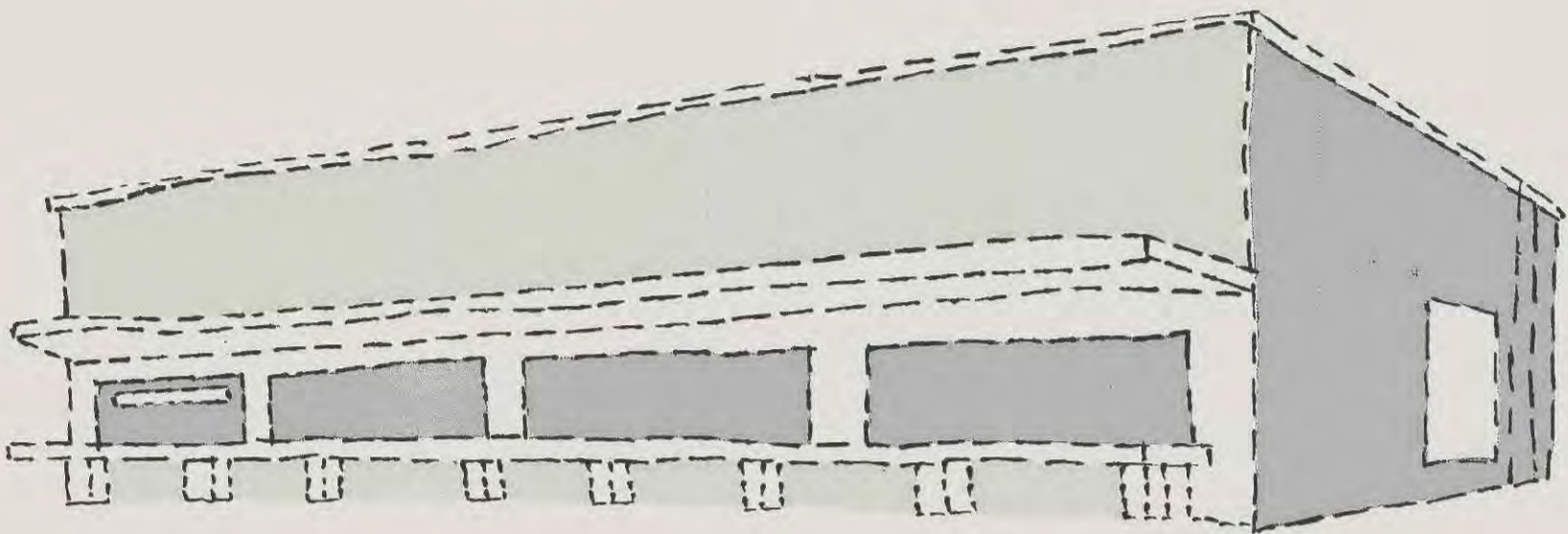
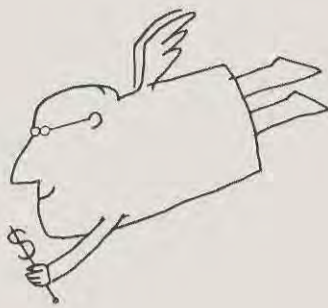
D. R. Schmidt, Employer's Insurance of Wausau; Mrs. Boettcher; R. F. Boettcher, Geo. A. Hormel & Co.



Bill Hair, Rollins, Burdick, Hunter; Gregory Meeks, VSI Corp; Mrs. Meeks; Ray Archer, Rollins, Burdick, Hunter; Mrs. Kohar; Lucie Kohan, Zoper Corp.



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Study says average U.S. worker is well protected by group insurance

NEW YORK—A report, prepared for the federal government by the Health Insurance Assn. of America, which details the levels of benefits received by American workers from private health insurers has stated that the average worker in this country is well protected against injury and illness.

Lauded by HIAA president Leslie P. Hemry as showing "how the health insurance business has

responded to the health needs of the nation's breadwinners," the report cites some rather interesting statistics.

For example, the study revealed that more than 75% of the workers with group coverage provided by insurance companies paid for very little of that coverage themselves. Employers picked up the total premium bill for 50% of those workers and another 25% of the workers paid for less than

one-quarter of their insurance premium costs.

At the same time, less than 10% of those covered by group insurance had to pay the full cost of their insurance bill on their own.

THE STUDY also showed that more than 75% of the workers had maximum medical expense benefits of at least \$15,000 and that 90% had maximum benefits

in excess of \$10,000. On the high end of the scale, it was brought out that nearly one worker in every four had benefits of \$50,000 or more.

Major medical insurance coverage providing payments for both in- and out-patient hospital treatment bills, also covering drugs and special nursing charges, was held by more than 80% of the group insureds.

Of those workers with no supplemental major medical plan, more than 40% did have a daily room and board benefit allowing full coverage for ward or semi-private accommodations within their hospital expense policies. More than 50% of those with

major medical had this benefit.

OTHER aspects discussed by the report were:

- Approximately 33% of the covered workers had hospital expense insurance lasting 365 days or more.

- When the medical bills arrive, most employees are responsible for about 20% of the payment with the insurer picking up the remaining 80%.

- One of every two employees with maternity benefits had a maximum benefit in excess of \$300; one in five had benefits in the \$300 to \$499 range and one in three had maternity coverage of \$500 or more.

Another aspect of the study highlighted the fact that, at the start of 1971, more than 107 million people in the U.S., under the age of 65, had some form of health insurance provided by insurance companies. The overwhelming majority of that coverage was provided by group contracts.

The report also said that more than 28 million persons were covered either by more than one type of insurer or more than one insurance company as last year began. ■

Arizona school rates to increase

PHOENIX—Insurance rates for school districts in Arizona will continue to increase in 1972-1973 even though private insurance companies reportedly have had one of their best profit-making years.

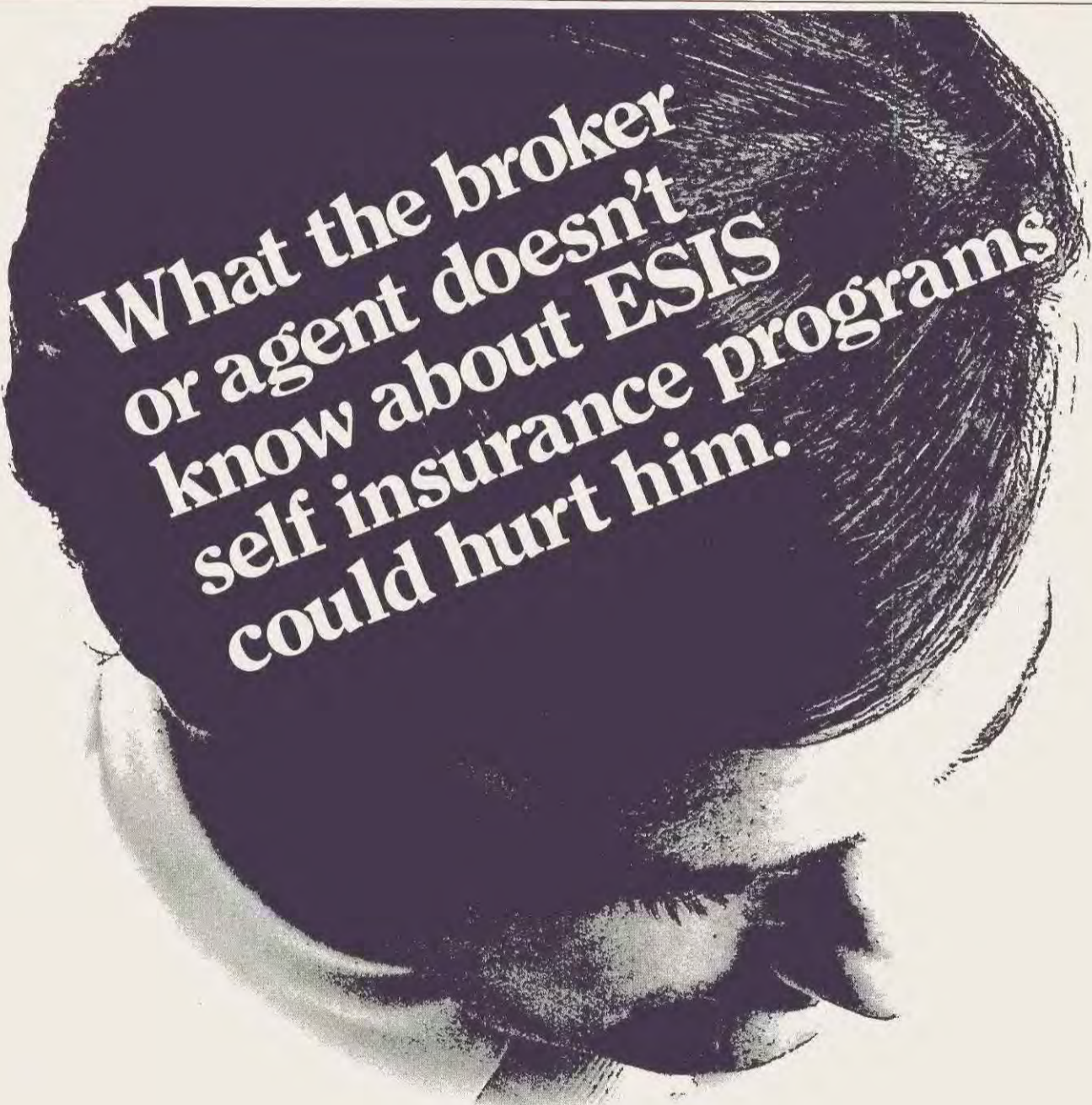
Mel Dunton, chief deputy director for the state insurance department, said rates will rise again for schools because they have been "notoriously below what they should have been for years." Dramatic increases in school insurance costs first hit the state three years ago, on the heels of disturbances nationwide which left many school buildings badly damaged, it was reported.

For example, in the Phoenix Union High School District, the total fire and extended coverage premium for 1969-1970 was \$49,000. This year it is \$151,000 and district officials expect a boost of \$25,000 next year, although most of that hike will be caused by coverage of new buildings and equipment. ■

Wash Watch

Continued from page 4
approaches could be put into full effect with legal backing would be if an extensive national health insurance law were passed by Congress, thus providing a basis for federal law on handling malpractice claims.

The Bird study, to be submitted to the commission in July, may not go as far as suggesting passage of the Kennedy-Griffiths national health package to meet this end, but the company expects to provide some interesting figures on the performance of "settlement mechanisms" as compared to "traditional use of the law" to decide malpractice complaints. It may also help the commission find out if some form of no-fault insurance for doctors could bring down malpractice liability costs and thus health insurance premiums. Whatever is determined from this research and from the "causation" studies, commission officials say legislative recommendations are sure to be in the commission's final report. ■



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for the record

Bethlehem reports large jobless benefits jump

BETHLEHEM, Pa.—According to Bethlehem Steel's 1971 annual report to employees, unemployment benefits paid rose from \$2,279,000 in 1970 to \$18,100,000 in 1971. Those receiving benefits numbered 13,758 in 1970 as opposed to 42,788 last year.

Bethlehem, in its report, cited plant shutdowns due to customer stockpiling in anticipation of a threatened July strike as one cause for the jump in unemployment. "Steel shipments in August," the report stated, "were at the lowest level they have been since the Depression months in the 1930s." The company also stressed that foreign steel imports (a record 18.3 million tons by the end of 1971) had further weakened steel demands.

The company reported \$1,318,584,000 in employment costs, with \$363,416,000 of that spent on employee benefits.

LIFE INSURANCE, sickness and accident payments amounted to \$24,338,000 with 25,070 employees or beneficiaries receiving benefits. Hospital, surgical and medical benefits totaled \$48,946,000. In 1970, 29,399 Bethlehem employees and beneficiaries received payments, with \$25,016,000 spent on life insurance, sickness and accident payments and \$43,622,000 paid for hospital, surgical and medical benefits.

The report noted a slight decline in overall employment costs between 1970 and 1971 and attributed this to the general decline in employment throughout the company's operations.

Payments to pensioners in 1971 came to \$67,503,000 compared to \$57,430,000 the previous year. Bethlehem reported 28,804 pensions in effect in 1971, with 3,737 new pensions as opposed to 26,578 pension recipients in 1970.

Also mentioned in the employee report was a 4% drop in the company's overall accident frequency rate between last year and the previous year. Disabling injuries (per million man hours worked) declined from 1.94 in 1970 to 1.87 in 1971. Bethlehem's injury severity rate also dropped 4%. The company reported 17 fatal injuries in 1970 and 15 in 1971.

Blue Cross denied rate increase in Mass.

BOSTON—Massachusetts insurance commissioner John G. Ryan has turned down a Blue Cross request for an average 29.5% hike in rates charged to some 360,000 nongroup health insurance subscribers in the Bay state.

Mr. Ryan remarked that the proposed increases would have been "excessive by two separate tests—one measuring them against a continuation of all present practices and procedures by Blue Cross and providers of care (hospitals), and another measuring them against new cost containment programs and a new Blue Cross hospital contract."

At the same time, commissioner Ryan emphasized that projects for increases in the use of hospital services "contemplate no new programs (to control costs) and no new contractual relationship (with hospitals). The evidence,"

he continued, "shows that Blue Cross has identified a series of programs that can cut the use of hospital services without jeopardy to the health of subscribers."

The decision can still be appealed to the state supreme judicial court, and Blue Cross can also refile another request with Mr. Ryan's office.

The commissioner conceded that evidence does warrant some increase to offset inflation in hospital costs. He said that he

Continued on page 47

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Tax ruling on oil industry captive looks 'favorable,' says Cockshott

MONTREAL—Oil Insurance Ltd. (OIL), the industry-supported captive in Bermuda, has been scrutinized by the Internal Revenue Service in recent months, and the hope has been expressed here that a favorable ruling might be forthcoming from U.S. tax authorities.

"There have been some major changes made in OIL in the past six months with an eye toward getting a favorable ruling from the IRS," John V. Cockshott, section head, risk management division, Standard Oil (N.J.) Co., told *Business Insurance*. Mr. Cockshott led a two-day skull session for oil industry risk men at the American Society of Insurance Management conference here.

Mr. Cockshott further predicted that Internal Revenue will rule favorably and allow tax deductions on premiums pumped into OIL by U.S. oil companies.

"OIL IS now operating more as a commercial insurance company.

Its structure has been changed in the past six months so that there now is a maximum premium payable on a risk. It is no longer a funding arrangement that merely provides for the payment of losses by one's own company over a period of years. There is now a

ASIM Conference Report

transfer of the risk to OIL and it is on this basis that we hope to get a favorable ruling from IRS," Mr. Cockshott said.

According to the Standard Oil man, another major concern of the dozen oil industry risk men who gathered in closed session is Britain's entry into the Common Market and the possible effect it might have on the availability of underwriters at Lloyd's of London.

"Britain's entry into the Com-

mon Market, particularly from the standpoint of the availability of insurance to U.S. buyers and more particularly to the oil industry in the states which must utilize the world insurance market, is of great concern to oil risk men," Mr. Cockshott asserted.

"THE QUESTION arises as to what might happen to Lloyd's capacity when entry into the Common Market is finalized," he said. "Well, that question hasn't been answered yet. Discussions are still going on among the 10 European Economic Community countries. But," he added, somewhat disappointedly, "the mood seems to be that perhaps underwriters like Lloyd's might have to create reserves in each of the Common Market countries. This could have the effect of decreasing Lloyd's capacity, for it's obvious that insureds' interests are best served when the insurer is allowed to keep all its money in one pot. We hope some method will be found so that Lloyd's capacity to underwrite risks will not be inhibited by restrictions. We also hope," Mr. Cockshott said of the thoughts expressed by the dozen oil risk men attending, "that the Common Market negotiations will not result in any other restrictions. We feel Lloyd's should have the freedom of underwriting policy and be able to continue to write coverages to suit the risk and be free from restrictive regulation."

According to the Standard Oil man, another topic of considerable interest to his conferees is legislation passed in Colorado last month that allows the formation of captive insurance companies there.

"THE COLORADO law finally recognizes that the captive insurance business is different from the usual insurance arrangements of commercial companies. Insurance regulation in this country has heretofore been designed to protect the policyholder

Safety ...

Continued from page 7
phasized, must be followed up by employe interviews to ascertain and evaluate safety knowledge and observation of work operations to determine the level of employe competence. Also important, said Mr. Schumaker, is on-the-spot corrective action to reinforce employe safety awareness.

"All these things are good and true," Frank Green warned the workshop, "but if you don't understand it, you can't use it." Mr. Green is manager-loss prevention, Marsh & McLennan Ltd., and reminded participants that a company safety program like any other program, must be measured for effectiveness.

Programs must be periodically verified by specified individuals, he said, because a safety director must have not only the statistics of what is happening, he must know why it's happening.

Supervisors are the people who must put a safety plan effectively into practice, said Mr. Green, and their participation must be verified. "Supervisors often fail to realize that the causes of accidents are also the causes of production interruption," he said, and their involvement in safety and use of the information they receive from top management is vital.



Oil industry risk men participated in a two-day seminar at the 10th annual American Society of Insurance Management conference in Montreal.

and has therefore been very restrictive. But," Mr. Cockshott added, "Colorado has recognized that there is a vast difference between the ordinary insurer and the insurer set up to write only those risks of its own."

The Colorado law also allows associaticn captives, and Mr. Cockshott did not rule out the possibility that the oil industry might find one of these attractive for domestic oil risks in the future. However, he pointed out, Oil Insurance Ltd. is "working very smoothly" and will be even more attractive if a favorable tax ruling is forthcoming. He also observed that the conventional insurance markets have loosened in recent months.

"I think things have eased somewhat in the past 12 months. The past year seems to be free of major (CIL) losses and there is nothing like a little profitability to improve the state of the insurance industry," he told this mag-

azine.

ANOTHER SUBJECT pushed round the table in a meeting room at the Queen Elizabeth Hotel here, the risk man noted, was the Water Quality Insurance Syndicate (WQIS).

The syndicate, formed a year ago by a group of stock property and casualty companies, insures pollution clean-up costs shippers can be liable for under the U.S. Government Water Quality Improvement Act.

Noting that the syndicate has not become a particularly viable and needed market for companies such as his own and other large movers of petrochemical products, Mr. Cockshott remarked, "I think it was too little too late. But," he continued, noting that he did not intend to demean the syndicate's existence, "the facility is there if it is needed. And it is needed by smaller shippers."

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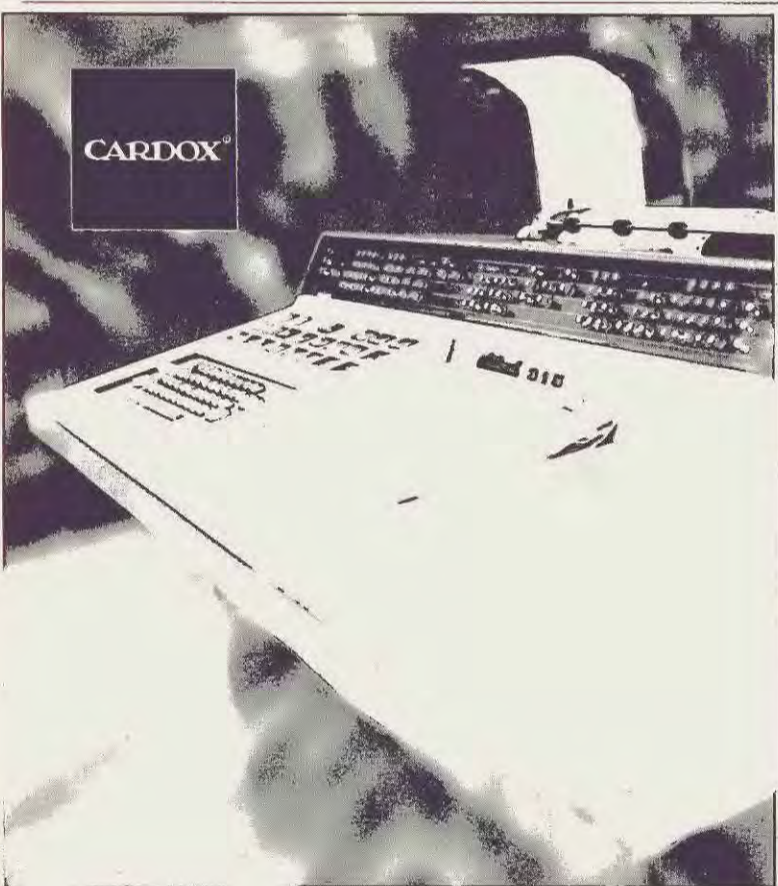
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Personnel and communication best rein on employe benefits claims cost

MONTREAL—Quality personnel and proper communication of benefits availability and coverage were cited as the most effective means of claims cost control by employe benefits administrators during a workshop at the annual conference of the American Society of Insurance Management here.

About 20 corporate benefits men participated in the session and the executive who most highly espoused the hiring of knowledgeable, well-trained personnel nearly lost his right-hand assistant. Upon announcing that he had hired a licensed claims adjuster to aid in administering his self-insured group medical program, and that the cost to his company was \$15 to \$17 per month, per employe lower than an insurance company bid he had received, half the room wanted the assistant's name and phone number.

Correct benefits communications, not only to employes but also to doctors, is an under-utilized cost control technique, according to many administrators. "Actively promote your personnel department as a check point for employes to clear their problems with," counseled one participant, and train the staff to know the material they are disseminating.

INFORMATION gained by a company through handling workmen's compensation claims can be drawn on to obtain current hospital and physician rates, noted a benefits administrator. Price guideline books are also available from several insurers, among them the Blues, Aetna, Travelers and Connecticut General.

When medical treatment charges seem higher than usual in a particular area, ASIM members were advised that another type of communication is in or-

Pension fund mishandled, says union

NEW YORK—Trustees of Teamsters Local 701, North Brunswick, N. J., which represents 3,500 members, have filed suit for \$5 million against the Bankers Trust Co. here for mismanagement of the union's \$13 million pension fund.

Under the bank's control from 1959 to 1969, the fund averaged less than a .7% rate of return for a total gain of only \$400,000, according to Stewart Schlesinger of the law firm of Julien, Glaser, Blitz & Schlesinger, representing the local. "This is incredibly low. Especially when you realize that this was a time when the average return was quite high, ranging from 6% to 10%," he noted.

The suit charges Bankers Trust, a subsidiary of Bankers Trust New York Corp., with negligence and acting in bad faith regarding investments. "One of the factors that resulted in the poor return was major investments in low yield stocks," Mr. Schlesinger explained. "The bank also bought stocks in companies in which they had voting rights to enhance their own position without regard to the effect on the fund."

Attorneys for the local claim the fund should have returned \$5 million over the 10 year period.

der—directly with the hospital or doctor involved.

A Florida benefits expert told the group that his company maintains area medical rate information and when an exceptionally high bill comes in, the company informs the doctor that

psychiatric treatment was viewed by many at the workshop as a difficult and sensitive task. The approach used by one benefits administrator, which he said has proven successful, is to have his insurance plan worded so that psychiatric coverage is not specifically mentioned as included. "That way, the only claims we have gotten have been from those people who really needed it."

TWO SUGGESTIONS for cutting down on unnecessary hospitalization, a common claims dollar drain, evolved from the workshop:

Pre-admission testing can cut hospital stays by two to four

it will pay a percentage of the bill or discuss the reasons for the charge with him personally. "It's surprising how reasonable they become in many cases," he added.

Controlling claims costs for

ASIM Conference Report



John J. Ryan, assistant treasurer of Celanese Corp. (right at table), as chairman of the benefits cost control methods workshop, brought benefits men with mutual problems together to seek solutions.

days, it was noted, and can be covered under a group plan without defining it as an in-hospital benefit.

Emergency room treatment need not necessarily be carried out in an emergency room. Peo-

ple don't like to go to the hospital but it is often the only way to collect on a benefit plan. Employes can be permitted to collect for emergency treatment by their family physicians, thereby cutting down on hospital cost.



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speaking of safety

Overmyer insurance vp impressed by fire and smoke detection device

NEW YORK—Joseph Gullo, vp and director of insurance at the D.H. Overmyer Co., sounded like he was doing an impression of astronaut-turned-advertising personality Buzz Aldrin the other day when he said, after a pause, "I'm impressed."

What impressed Mr. Gullo was a fire detection mechanism he has had installed at a number of Overmyer's warehouse facilities. The device, Pyr-A-Larm, manufactured by Pyrotronics, Inc., is billed as an early warning fire and smoke detection system that

doesn't need an appreciable build-up of smoke or heat in order to trip it.

"We ran some tests in one of our warehouses," Mr. Gullo noted, explaining that Overmyer has standardized buildings so that if the test worked in this warehouse, it would work in any other one. "We installed the devices in the ceiling, which is 30 feet high.

"THERE ARE 40,000 square feet of space in the building and, during one of the tests, we burned less than 10 ounces of

paper," he continued. "The device picked up that tiny fire and went off in 37 seconds. There has been absolutely no change in ceiling temperature when it triggered."

He said that the devices would be hooked into a central fire station at the Overmyer facilities in order to warn the local fire departments but "the thing can do just about whatever you want it to. You can set it to close doors, set off sprinklers or, in the case of computer rooms, it can dump Halon or foam."

Pyr-A-Larm, according to a

spokesman at Pyrotronics, "measures the products of combustion in the air. It is basically a radioactive device, mounted in the ceiling, which measures the conductivity of the air.

"When a fire starts," he explained, "these products of combustion are given off into the air. They are invisible to the human eye but they upset the pattern of particles in the air and the resulting imbalance triggers the device. Unlike most smoke detectors, it doesn't work on the obscuration principle. It can sometimes take quite a bit of smoke to break that light beam.

"THE THING doesn't involve heat," Mr. Gullo noted. "You could light a cigarette or a match in the room and nothing would happen. It's not that sensitive. If a lot of people lit cigarettes at the same time, I don't know."

He pointed out that Overmyer, the nation's largest warehousing

concern, would install the devices only in warehouses with high burnability factors or where there was a questionable supply of water.

"These things are so fast that the fire department could get the alarm, rush to the warehouse and stamp out the fire before your conventional sprinkler system would be activated," Mr. Gullo said. All Overmyer warehouses have sprinkling systems.

He felt that the Pyr-A-Larm system would be especially helpful where "you're storing cotton bales or tires, things that are apt to smolder for a long time rather than burst into flame."

OVERMYER'S fire insurance is placed directly in the excess market with Chubb & Son Inc.

Mr. Gullo did not think that the fire detection system would have any effect on his insurance rates because "underwriters do not give credit for the Pyr-A-Larm system."

Why then did he have the system installed?

"Right now, they will be only in the warehouses where I need them, though they could be installed in all our facilities if the need arises," he said.

"I installed them because I only have a 1% fire loss ratio and I don't necessarily want to learn from experience."



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Urling named as workmen's comp head

HARRISBURG, Pa.—C. John Urling, the new director of Pennsylvania's workmen's compensation program, says his "prime objective" is to get more of the workmen's compensation dollar back to the injury victim.

Mr. Urling also pledged that a backlog of 13,000 unresolved cases before referees would be sharply reduced. "This has been an extremely costly insurance system in terms of what's paid in and what actually goes to claimants," the former insurance executive said. "But we're reorganizing the system now and our aim is to cut costs and to make sure claimants get a better deal. Of course, we also intend to meet the goal set by the governor of cutting the case backlog in half by the end of this year."

ACCORDING TO Mr. Urling, only about 45% of the millions paid in annual premiums by Pennsylvania employers reaches injury victims, while the nationwide average is estimated at 50%.

Mr. Urling, who was a workmen's compensation specialist with Liberty Mutual Insurance Co. for the past 10 years, is directing reorganization of the bureau and its procedures under a new law which represents the first major change in the system in Pennsylvania since the program was created in 1915 (*Business Insurance*, March 13).

The basic aim of the new law is to accelerate claims settlement, and one new provision is that insurers are required to begin paying compensation within 15 days of the injury. "This and other provisions will give us a more efficient and more economical system," Urling said. "In particular, costs will be cut by reducing the amount of litigation before the referees and by getting more control of medical expenses. We also intend to press for increasing the rehabilitation of injured workers," he added.

Record . . .

Continued from page 43
had not yet made a decision on a request for increases of lesser amounts, submitted by Blue Shield, since further information on that organization's expenses use of medical services was still required.

Public agencies form council of self-insurers

LOS ANGELES—A new Council of Self-Insured Public Agencies has been established here, with offices at 2235 W. Beverly Blvd., 90057.

The council consists of public agencies legally uninsured. Members include the cities of Glendale, Long Beach, Los Angeles, Palo Alto, Pasadena, Sacramento, San Diego and Torrance.

Counties holding membership are Los Angeles, Orange, Riverside, Sacramento, San Diego, Santa Barbara and Santa Clara.

Other members are Los Angeles department of water and power; San Diego Transit District; Southern California Rapid Transit District.

Stewart H. Marsh is the first chairman of the council.

Vehicle thefts draining Californians' pockets

SACRAMENTO—Theft of motor vehicles, costing Californians \$100 million a year, now is increasing more rapidly in California than in the U.S. as a whole. At the same time, recovery of stolen vehicles has declined and theft cases cleared up by arrests have dropped from 33% to 13% in the past decade.

The statistics have been compiled by the California business and transportation agency in a vehicle study authorized by the 1970 state legislature. The study was conducted for the California highway patrol by Arthur Young & Co.

Frank J. Walton, secretary of the business and transportation agency, said the \$72 million loss from motor vehicle theft is in insurance costs, with government agencies sharing the remaining \$28 million. "Actually," Walton said, "it is a drain on the pocket-books of almost every person in California since they provide the insurance premiums and the taxes that pay these costs."

The study report recommends that statutory responsibility for statewide coordination and assistance in prevention and control of vehicle theft be assigned to the California highway patrol, and that a statewide vehicle theft advisory committee be created.

Colorado rules on mass merchandising

DENVER—Regulations issued by the state governing mass merchandising property and liability coverage contain a provision requiring insurers to maintain separate records for all classifications in mass marketing plans which result in premium differences.

Designed to prevent mass merchandising costs from being borne by insureds covered under separate plans, the regulation applies to insurance issued to both groups and individuals.

Under the new rules, which

went into effect April 1, mass merchandising coverage must apply to all participants in a group plan and may vary only in the amount of the insurance and the liability limits. Certain optional coverage such as collision insurance is allowed in auto insurance programs.

Colorado also requires each participant in a group plan to be issued a separate policy or a separate certificate under a master policy. To qualify for such a group plan, an organization must have at least 50 eligible members of which 25 agree to participate. No eligible member of the group can be refused coverage.

Colorado's regulations regarding individual coverage on a mass marketing basis, however, do not specify a minimum membership limit. According to the rules, all eligible members must receive individual policies with a premium rate based on their specific classification.

Farwest finds default with Bankers security

PORTLAND, Ore.—A \$2.7 million civil suit filed in U.S. district court here by Farwest Assurance Group Inc. charges Bankers Security Life Insurance Society, New York, and United Services Life Insurance Co., District of Columbia, with default on an agreement to purchase three subsidiaries of the Oregon insurance combine.

Farwest formerly was known as Far West Insurance Investment Group Inc. It charges breaches of agreement twice, following negotiations to purchase the International Health and Life Insurance Co. for \$1.3 million and National Hospital Association and National Health Assurance Inc., both for \$770,000.

All are wholly owned subsidiaries of Farwest, which was to continue servicing policies of the

transferred companies for three years for a fee equal to 12% of the gross annual premiums collected by the defendants.

The suit seeks damages of \$2.7 million for the first breach of agreement and \$1.7 million for the second.

Car dealers examined

Several Northern California new car dealers have recently been "informally audited" by inspectors under the Occupational Safety & Health Act. No citations were issued, but the dealers report they were asked to correct violations which included: improperly marked exits, an employe found using a grinding wheel without goggles, the tops of hoists not painted yellow, questionable ventilation in the service area, improperly located fire extinguishers and slippery floors.

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