

Small planes fly with 'car insurance'

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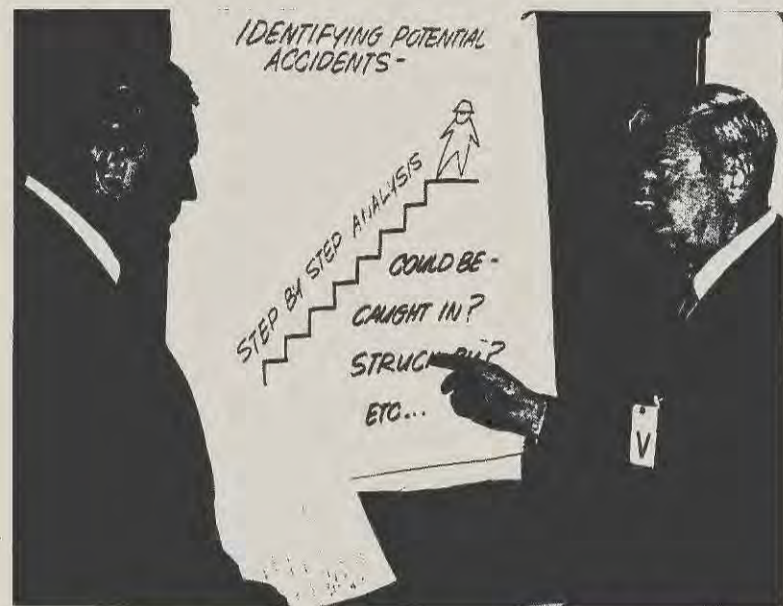
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business insurance

for buyers of employe, property and liability protection pension/investment/financial services



James Van Namee (left) accident prevention administrator for Westinghouse and E. G. Troutman, in charge of accident prevention at Westinghouse's Astrolab, review the job safety analysis program. See articles on page 32.

Boycott Bermuda, Bahamas insurers, regulator tells buyers

OLYMPIA—Washington State Insurance Commissioner Karl V. Herrmann has warned insurance buyers against dealing with all insurance companies based in Bermuda and the Bahamas.

His warning came after the Washington insurance department discovered that World Insurance Co. Ltd. of Hamilton, Bermuda, assumed liability coverage on an 80-boat Seattle fishing fleet.

World Insurance, Mr. Herrmann said, "by our standards enjoys a totally unregulated status," and the insurance department has "no information as to the ability of World Insurance Co. to meet its financial obligations should substantial claims arise."

THE OPERATOR of World Insurance, Allen J. Lefferdink, has been associated with a number of marginal insurance companies, some of which are now defunct, it is reported.

Among the dealings conducted in Hamilton, Bermuda, by World Insurance is a reinsurance agreement with Farmers and Merchants Mutual Fire Insurance Co., a Missouri "minimutual" that has written commercial coverage far beyond its authorized boundaries and charter limitations, as *Business Insurance* reported Jan. 6, 1969.

A spokesman for the Washington insurance department told *Business Insurance* after the com-

missioner's warning that World Insurance is operating in the state of Washington as a non-admitted surplus lines underwriter of marine insurance.

He said that the department of insurance cannot require World Insurance to file a financial statement under present laws, and the determination of the company's financial status has been left up to brokers.

THE SPOKESMAN added that the warning was made simply because it is not possible for the department to guarantee the soundness of the companies that operate out of Bermuda and the Bahamas. He said that the statement by the commissioner does not suggest that all companies based at those two locations are unsound; rather it should mean that the department has no way of telling.

This attitude toward companies domiciled in the Bahamas and Bermuda was echoed to *Business Insurance* by Federal postal authorities active in the investigation of insurance frauds.

"We have been blocked from learning anything about Bermuda companies because these companies operate under legislative charters that protect them from scrutiny by law enforcement officials," an investigator said.

One observer suggested that corporate insurance buyers

refuse to buy primary or reinsurance coverages offered by companies licensed on the island until the government agrees to make available the financial status of all companies, including World Insurance Co. Ltd.

"BY HITTING legitimate Bermuda companies in the pocketbook, we would get them on our side in efforts to clean up a situation that now pollutes the U.S. insurance and reinsurance markets," he said.

World Insurance Co. Ltd. entered the marine insurance field in Washington through a loophole that exists in regulatory statutes in a number of states. The loophole exempts marine and aviation coverages from regulation on the theory that such coverages cross state lines and should not be subject to the regulatory authority of one state.

Lloyd's of London, for legitimate purposes, has supported this exemption that has been turned into a loophole by World Insurance Co. Ltd. and other companies domiciled in the Bahamas and Bermuda. *Business Insurance* on Oct. 13 reported the indictment of seven persons, in Anchorage, Alaska, associated with British Frontier General Assurance Ltd., a Bahamian company that allegedly wrote worthless marine and aviation insurance coverages in 49 states.

Ralston buys Hartford cover

ST. LOUIS—Ralston-Purina Co. here has placed a \$1.5 million premium order with the Hartford Insurance Group for a comprehensive retrospective rating plan.

The contract provides policy limits slightly in excess of \$20 million, according to a source at Ralston-Purina, and has no deductible.

The coverage is for workmen's compensation, the company's 1,900-vehicle (truck and car) fleet and general liability, including products liability, for the worldwide operation of Ralston-Purina.

THE RALSTON-Purina source disclosed that the company does not buy coverage in excess of the \$20 million limit liability coverage.

Initially, the Hartford Insurance Group released some details of the new contract to the general press. The Hartford also insures Ralston-Purina's fishing vessels and provides accidental death and dismemberment coverage for the company's 24,000 employes. The total value of the Ralston-Purina account is now

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Accident insurance policy key issue in court's slap at GE over bargaining

NEW YORK—The U. S. court of appeals, in a decision which could force General Electric Co.'s hand in its current bargaining impasse with the International Union of Electrical Workers, has branded GE's 1960 "take-it-or-leave-it" bargaining tactics—several involving insurance and pension matters—as displaying "an absence of subjective good faith."

In a 2 to 1 decision the Federal court held that GE bargained in bad faith when, among other things, it offered employes a personal accident insurance program on a take-it-or-leave-it basis which tended to undermine the position of the union.

THE COURT NOTED that GE's attitude toward supplying information to the union regarding the accident insurance "was characterized by a pettifogging insistence on doing not one whit more than the law absolutely required, an insistence that eventu-

ally strayed over into doing considerably less."

The court also rejected GE's contention that it failed to supply data on future pension and insurance costs because they were "purely speculative" and "only educated guesses." The difficulty with this stand, the court said, "is that it would excuse the company from furnishing virtually all information of which it was not absolutely certain."

The court held that an employer may not combine "take-it-or-leave-it" bargaining methods "with a widely publicized stance of unbending firmness that he is himself unable to alter a position once taken." Such action, the court further noted, also constitutes "an absence of subjective good faith, for it implies that the company can deliberately bargain and communicate as though the union did not exist, in clear derogation of the union's status as exclusive representative of its

members."

A VIGOROUS dissent by Judge Friendly, however, takes issue with the majority's contention that GE's conduct enabled the company "coerce the union."

Such comments, Judge Friendly stated, "are singularly inappropriate as applied to the offer of a contributory personal accident insurance plan which employes with hazardous occupations were free to accept and those with routine duties to decline, which could hardly affect the union's position on the next negotiating round . . ."

Judge Friendly also took exception to the finding that GE's "massive" communications campaign was unlawful because it disparaged and discredited the union in the eyes of its employes, it exerted pressure on the union to submit to the will of the employer and it created the impression that the employer rather

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Late news

Nabisco, union set five new benefits

NEW YORK—The International Bakery & Confectionery Workers Union won five benefits increases in a strike settlement this month with the National Biscuit Co. Hospital room and board rates increased from \$30 a day for 31 days to 70 days at the semi-private rate. Miscellaneous medical charges went from \$300 maximum up to 70 days of unlimited coverage. The maternity hospital benefit maximum was raised from \$120 to \$200. Weekly disability benefits were raised from \$50 to \$60.

\$5 million fire hits Union Carbide

TEXAS CITY, Tex.—Damage to Union Carbide Corp. facilities from an Oct. 23 explosion and fire has been estimated at \$5 million, with no cause yet given for the explosion. The firm announced that Aetna Life & Casualty, its insurer, has settled 139 of the 300 claims filed by residents of the surrounding area on damage to private property. The explosion occurred in a unit of the Olefins complex, sending pieces of metal into a nearby subdivision.

Penn-Dixie weighs captive setup

NEW YORK—Penn-Dixie Leasing Corp., which has acquired Life of America Insurance Co., is "considering" using the life, accident and health insurer to handle employe benefits of parent Penn-Dixie Cement Corp., *Business Insurance* was told. "If it makes good sense, we'll do it," a Penn-Dixie source commented.

Burton buys a phony diamond for security

NEW YORK—Richard Burton is protecting his interest in the \$1.05 million, 69.42 carat diamond he bought his wife, Elizabeth Taylor, by having a duplicate imitation stone made by a New Jersey firm at a cost of \$3,500. See story on page 3.

Tight money causes buyers to slow premium payments, eye alternatives

CHICAGO—As corporate insurance buyers become wiser about the tight money market, producers and carriers feel more frequent headaches of slow premium payments, less interest in retrospective rating plans and a greater desire to self-insure and take higher deductibles, *Business Insurance* has learned.

Off the record, in fact, many insurance salesmen claim that the tight money market has caused a few corporate accounts to hang on to their cash until premiums are past due.

In general, the whole economic climate of high interest rates, inflation and uncertainty has

brought about a tremendous amount of slow payments for all corporate purchases, according to A. A. Dilworth, of American Credit Indemnity Co., Baltimore. Last year, 800 small- and medium-sized companies went on the rocks primarily because of bad accounts receivable and there will be about a 10% increase in that number for 1970, he added.

INSURERS, however, don't go broke because of credit problems. It has only been in the past two years that their collections have been at all affected by the desire of corporate accounts to slow down payments.

"Sharp insurance managers

have spearheaded the situation," Dick Winzer, president of James S. Kemper Insurance Agency, said. In recent years, "more pressure has been applied to the cash on our total book of commercial business," he observed.

Even American Credit Indemnity Co.—which protects the credit extended by companies other than retail concerns—has felt the money pinch. According to Mr. Dilworth, "There is a greater tendency on the part of insurance buyers to use note payments for premiums."

This type of payment allows a company to spread premiums over a given period of time. American Credit Indemnity charges a 5%

interest on promissory notes, and there was a 10% increase in the use of such notes over last year, Mr. Dilworth said.

There's no doubt, he added, that the trend toward the use of credit to pay premiums is a direct result of the tight money market.

THE SLOWING down of paying insurance premiums has been coupled with a renewed interest on the part of corporate insurance buyers to self insure and take higher deductibles, Mr. Winzer contended. He said there is a "distinct cash-flow advantage" in both these risk management techniques.

The James S. Kemper Insurance Agency president also said that insurance buyers are showing less interest in retrospective rating plans. Such insurance arrangements, whereby losses plus

the cost of operating the plan make up the premium, cover everything from workmen's compensation to all risk. Reserves are established for losses as they are incurred and adjusted periodically, with contracts often written on a three-year basis.

Because a large amount is set aside for reserves when losses are first incurred—and then adjusted downward toward settlement time—"lots of capital can be tied up" with retrospective rating, Mr. Winzer said.

After reserves are established for a loss, the insurance carrier has use of the capital until settlement time.

A SPOKESMAN for a large direct writer based at Chicago disagreed with the idea that buyers are turning away from retrospective rating plans. However, he did say that insurance managers are requesting "depressed standard premiums" for these plans.

In other words, he explained, insurance managers realize that actual losses will be below the standard premiums and are requesting reduced premiums so less capital will be tied up in their insurance programs.

The spokesman also said that he has seen a renewed interest on the part of corporate insurance buyers in carrying higher deductibles and self insurance. He likewise attributed this trend to the tight money market.

"Another thing you rarely hear of these days is lump sum payments," he said. Corporate insurance buyers are spreading out their insurance costs over the entire year with monthly premiums the most popular form of payment.

A REPRESENTATIVE of Illinois R. B. Jones admitted that a few corporate insurance accounts have been allowed to become past due. In such situations, "a little give and take and a little conversation" usually takes care of the matter, he said.

Although he contended that Illinois R. B. Jones has no particular collections problem, he did feel that "in the economic situation of today there is a tremendous amount of slow paying." ■

Vanguard expands

Vanguard International, New York, has acquired California Life Insurance Co., the First State Bank of San Leandro, Cal., and a number of improved and unimproved real estate holdings in the San Francisco Bay area. Purchase price for the package was about \$20 million in stock.

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THE CREATIVE APPROACH TO BUSINESS INSURANCE



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Security for Cartier Diamond termed 'super tight'

By SUSAN TRAUSSCH

NEW YORK—Trying to find out how the Cartier Diamond is insured is like trying to crack Fort Knox.

The 69.42 carat diamond, which Cartier bought for the world record price of \$1.05 million at a Park-Bernet auction, is under such tight security that not even the name of the insurance company can apparently be made public.

"If we told you anything about the insurance policy or the company we would indicate what types of security measures are being taken with the diamond," a Park-Benet exec stated two days before the auction. "I can only tell you that the owner has a blanket coverage policy."

THE PEAR-SHAPED diamond, which was sold to Elizabeth Taylor Burton for an unknown price, was on display in the Cartier showroom and is now being viewed in Chicago. About 8,000 people viewed the diamond daily in New York. They sometimes had a 45 minute wait in a line that wound through Cartier around the corner of Fifth and 52nd st. and half-way to Madison Ave.

With such intense public exposure, are there higher insurance rates? Is Cartier worried about security? The Cartier exec said she didn't know, but the senior vp did. The senior vp said the public relations director handled all insurance and security information. Then the senior vp suggested calling the president. The president said that Robert Kenmore, chairman of the Kenton Corp. which owns Cartier, had insurance particulars. Robert Kenmore said that William Etter, director of marketing, had them. William Etter looked around and there was no one left in the outfield.

"We can't give you that information," he said. "The diamond is insured. We are definitely covered. That's all I can say."

OTHER JEWELRY companies were not willing to give out information either.

"If Cartier won't tell you about their insurance and security, we certainly can't tell you about ours," said a woman in the public relations department at the Harry Winston Co., which is the company that cut and set the

Cartier Diamond. An executive at Tiffany's did not want to discuss security, insurance or Cartier.

"We have large diamonds too," she said and ended the conversation.

ACCORDING TO several insurance men interviewed, jewelers are usually covered by a jewelers block policy. Harold Pian, manager of personal lines for Continental National American Group, explained that a jewelers block policy covered the gem through all phases of business such as display, travel, salesmen showing it to customers and messengers delivering merchandise. He said an individual would have a personal articles floater which would also provide full coverage.

"That diamond is dynamite," he said. "Most American companies wouldn't touch it. We hesitate to insure a \$100,000 piece of jewelry. The crime rate is too high, especially in New York."

Gregory Gorman, chief underwriting officer for Merchants Mutual Insurance, felt that the diamond was a candidate for Lloyd's of London.

"JEWELRY INSURANCE is almost impossible to obtain on a stone of that value," Mr. Gorman said. "I think it would have to go into the foreign market."

Herbert Ray, underwriter for Great American Insurance Co., said Lloyd's charged three or four times the regular rate. He said the current New York area rate is \$2.80 per \$100.

Jerome Kapek, underwriter for Home Insurance, suggested that the diamond may be insured by several companies with each insuring five or ten percent of it.

"Still, that's a big risk to take," he said.

CARTIER IS AWARE of the risk.

"Naturally we and the insurance company worry about the diamond," Mr. Etter said. "But we have taken the necessary security precautions and the insurance company is satisfied with the protection."

Lynch Security is in charge of protecting Cartier on a full-time basis. They have taken extra precautions with the arrival of the diamond. Six uniformed men guard the showroom. Two men

stand on Fifth Avenue and one man stands inside a few feet from the door.

"The diamond is under a 24-hour watch," said Octavio Pena, manager of Lynch Security. "We use the latest electrical and intelligence devices. Two of the guards are armed and are Karate Black Belt men. Guards are basically a psychological deterrent, though. I don't think anyone would try to steal it."

Stealing the diamond would probably be the only way of learning exactly how the security operations and insurance policy works.

"Why don't you try it," a frantic *Business Insurance* editor suggested. "We'll bail you out if you don't pull it off." ■

We know our way around it.

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BMA clarifies record on Skakel claim

NEW YORK—An article published under the heading of "Kennedy in-law case settled for \$700,000" in the Sept. 29 issue of *Business Insurance* stated in part that Business Men's Assurance Co. of America and Citizens Life Insurance Co. "agreed to reject" and "decided to reject" the claim of Great Lakes Carbon Co. on the life of Patricia Skakel on the belief that Great Lakes Carbon Co. would be coerced to accept less than the amount owed for fear of injurious publicity.

Further investigation by *Business Insurance* reveals the statements printed are not substantiated by the court record. However, the court record indicates that a subject at a meeting between the two companies was whether the companies involved "would have a chance in litigation for a compromise in view of the personalities involved in the claim."

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washington watch

Sen. Yarborough offers legislation to compensate victims of crimes

WASHINGTON—After five years of pushing, Sen. Ralph Yarborough (D., Tex.) is confident that Congressional hearings will open soon to explore the Federal government's potential role in compensating innocent victims of crime.

The hearings should raise some interesting questions in the area of employe benefits, because, to the degree that anything is being done in this area, it is private industry that is doing it, through

its life, health, accident, disability, wage replacement programs, and, in some states, workmen's compensation.

Sen. Yarborough's original proposal in this area called for establishment of a Federal violent crimes commission to provide up to \$25,000 in compensation to innocent victims of crime in all areas of Federal jurisdiction.

THE SENATE judiciary committee, chaired by Conservative

Senator James Eastland (D., Miss.), apparently balked at opening hearings on the matter and Sen. Yarborough changed the bill to take in just crimes committed in the District of Columbia.

This switched the bill into the jurisdiction of the Senate District committee and Sen. Yarborough now thinks hearings will open on the proposal later this month or some time in December.

Establishment of such a pro-

gram in the District would, Sen. Yarborough feels, be the first step in getting the states to follow suit, by giving them a model to work from and some idea of the possible costs involved.

The Yarborough bill would establish a three-man, full-time commission to hear applications for compensation from victims of crimes and pay up to \$25,000 to each depending on his individual personal loss.

THE PRINCIPAL issue involved in the compensation scheme is, of course, the inequity in our current system, which ignores the needs of the victim of violent crimes, such as assault, murder, rape or malicious disfigurement, while providing the criminal with free legal counsel, food, clothing, housing, hospitalization, psychiatric treatment and even, in some cases, vocational training.

The bill's implications for em-

ploye benefits, however, run deep and hopefully will be fully explored at the upcoming hearings.

One employe benefit expert told *Business Insurance* that he would not be surprised that if such a program were instituted in a state, employers in that state would, where possible, revise their benefit programs so that awards would not be made in cases where the state government's violent crimes commission would make compensation.

If this weren't done, he said, the program would have little, if any, affect on easing the burden that has been placed on employe benefit costs by the rising crime rate.

ANOTHER BUSINESSMAN told *Business Insurance* that if there is a need for such a plan, he would rather see it met, wherever possible by private industry. This, he said, would mean expanding current employe benefit programs to include better compensation for crime victims, or maybe even instituting a new benefit, which would operate privately similar to the public program proposed by Sen. Yarborough.

The Federal and state plans could then be established to cover special groups, such as oldsters and indigents. This approach would be similar to the Moderates' compromise proposals for national health insurance, and even Social Security.

That is, if there must be a Federal program, build it as much as possible around the private sectors' efforts, even if it means Federal standards for the private sector plans.

That way, he said, at least the funds invested in the program by the private sector would remain in the private sector as viable working capital and not go to the government in the form of taxes. ■



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Catches error—21 years later

SAN FRANCISCO—Fireman's Fund American Insurance Cos. this week admitted that it still is learning about fire engines, even though the firm may be an old pro at fire insurance.

It seems that for 21 years the pumper arms on 'Old Broderick,' a venerable fire engine kept on display by the company, have been on backward.

The error was spotted by a visitor and was verified after much thumbing through old record books on early engines used by the San Francisco Fire Dept.

The colorful engine, first to be built in California, was acquired by the company in 1948 and has stood since then in the home office.

Fire losses up 17.6%

Estimated dollar losses caused by U.S. fires hit \$154.9 million in September, up 17.6% from the same period a year ago, according to the National Insurance Actuarial & Statistical Assn. The figure, however, represented a drop of 10% from the August, 1969, total. Fire losses in the first nine months of the year totaled \$1.5 billion, a 4.6% increase over the first nine months of 1968. NIASA reported that losses from extended coverage perils—windstorm, explosion and other hazards—reached \$1.3 billion in the 12-month period through September of 1969, up from \$1.2 billion in the preceding 12 months.

Touchy Question #38

**Rising health costs are a bitter pill.
Do you just have to take the medicine?**

In the past 20 years, health costs have been running away. Hospital costs have risen nearly 500%, physician's charges 90%.

In addition to inflation reasons, more and better services are being provided. But other factors have contributed to the spiraling cost.

For example, a university research study of 11,000 patients in 47 hospitals pinpointed waste of health insurance benefits at over 6 million dollars. The principal waste areas included unnecessary admissions and hospital overstays.

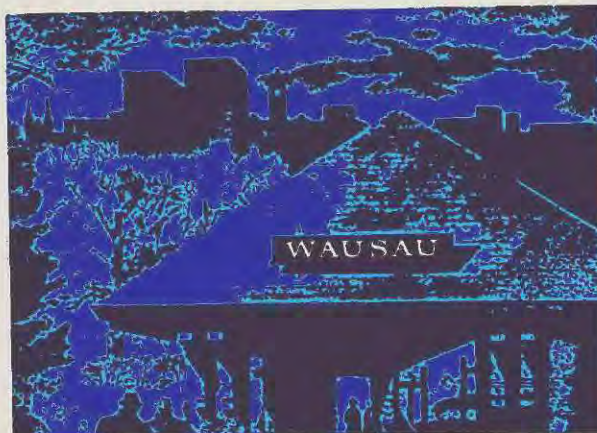
We don't mean that a time-study man should lurk over bed patients.

Never.

What we do have in mind, however, is a group health cost control program which challenges the present trend.

It begins with our computer program.

The computer keeps track of every dollar you spend and how you spend it. You get written reports on this data, pinpointing your problems, finding dangers before they snowball, flagging the areas where your costs are out of line.



Employers Insurance of Wausau

For example, this program helps to spot heavy bills; at which point we send them to people who know how to analyze them. (And how to negotiate them when they're too high.)

We've also discovered that it helps to make better use of out-of-hospital services, such as X-rays and lab tests. This eliminates unnecessary hospital confinements.

And it helps to make use of a deductible feature that concentrates dollar use toward the more serious health problems.

Admittedly, our group health loss control program is specifically geared to the upper premium brackets. This isn't intended to be snobbish. It is simply not possible to identify and control smaller groups effectively. The pattern is there, but it takes too long to emerge. And by the time it does appear, the control point has passed.

It takes a lot of sifting facts and figures for information that will mean something to you in this area, but if we do our job right, that leaves our client free to do his job right.

That's the Wausau Story.

**We think insurance
ought to work for
a living.**

Profit-sharing firms told: Flaunt what you have

By STEPHEN GILKENSON

WASHINGTON—The Mayflower Hotel here is a rather stodgy lodging place. Early in the evening, beneath large chandeliers that hang over its main promenade, you are likely to see elderly gentlemen in frayed tuxedos escorting grande dames to what appears to be the annual Daughters of the American Revolution ball.

Attached to the walls there are many small highly-polished brass plates engraved with the names of the famous who have walked its promenade over the years. One tells you Calvin Coolidge was honored there at some point or other. Another notes Winston Churchill was in attendance at a function held there. Still another

immortalizes the fact that Mr. and Mrs. Pat Boone attended John F. Kennedy's Inaugural Ball there in 1961, as did Marion Davies and Mr. and Mrs. Jack Paar.

In short, the Mayflower Hotel has something and it flaunts it.

ALTHOUGH AN EVENT held there recently will never live in brass, there is a correlation to be made here.

The event was the 22nd annual conference of the Council of Profit Sharing Industries.

COPSI members attending are concerned about a number of things this year, not the least of which are legislation and taxes. However, they are also concerned about another thing: communicating the value of profit sharing

plans to their employees.

COMMUNICATIONS IS a subject that comes up at every COPSI conference, according to profit sharing managers who chatted with *Business Insurance* between sessions. Furthermore, attitudes on the subject vary, from one manager who noted that his company had no effective communications plan but would like one, to another who said "we don't want our employees to know too much about our profits."

In essence, however, COPSI members attending the two-day confab here heard several sermons, each of which had one recurrent theme: profit sharing is something special and you should flaunt it with your employees.

According to a recent study re-

leased at the conference, an overwhelming majority of employees in companies that have profit sharing plans regard it as a "gift from management."

THE STUDY was made jointly by COPSI and the consulting firm of Towers, Perrin, Foster & Crosby. The results were obtained from interviews with 142 employees in companies that have such plans. The participating companies, according to Richard M. Coffin, a consultant with TPF&C, ranged in size from a metal fabricating plant with 32 employees to a large chain of retail stores employing 18,000.

Mr. Coffin told the group the study showed that almost 50% of the employees interviewed expressed a desire for more infor-

mation about their profit sharing plans. "Our research team found that year-end statements and letters outlining each employee's account were the most widely used communications tools," but that most employees felt this was simply not enough. Managements, the consultant noted, should take steps to sell the advantages of existing plan provisions or implement changes before plans become more a source of dissatisfaction than a source of motivation.

WHILE MOTIVATION should be an important by-product of profit sharing plans, according to most conference speakers, still another word was used by one speaker to illustrate the spirit at his company: trust.

Richard F. Fernstrum, president of M. P. Pumps Inc. in Detroit, noted that the profit sharing plan at his firm had inspired "trust between employer and the employee."

M. P. Pumps, a company of 85 employees, is one of the few unionized firms that has a profit sharing plan. The program has been in effect for five years. Nine years earlier its shop had been organized by the International Assn. of Machinists & Aerospace Workers.

"THERE WAS A lot of skepticism on the part of the employees when we first initiated the plan," Mr. Fernstrum later told *Business Insurance*, explaining that profit sharing was given gratis and without union pressure. "A lot of people just didn't believe they were going to get something for nothing. We've been working hard at overcoming this skepticism," he said.

"I think the plan has elevated profit consciousness," Mr. Fernstrum said, citing a recent example. It seems that a new machine important to the plant's production had been bought and placed in the shop. A year later, however, it still had not been completely installed and was lying idle.

"The employees got mad after a year and made a stink about it," Mr. Fernstrum explained, adding that the five-member employee profit sharing committee approached management and pointed out the fact that profits were being lost while the machine was idle. The situation was corrected in short order, the firm's president said, noting that the shop boss responsible for the delay is no longer with M. P. Pumps.

IF TRUST IS the watch-word at Mr. Fernstrum's Detroit plant, then the word is honesty at Bennett's, a paint manufacturer and paint and glass distributor in Salt Lake City.

Wallace G. Bennett, a vp of the firm, noted that his is a family held corporation with a sales volume of about \$8 million a year and 300 employees. A profit sharing plan has been in effect there for 10 years.

"Profits for us had been on a downward trend for several years and last year we decided to try to reverse it," Mr. Bennett told a panel discussion. "In August 1968 we devoted our house organ issue to a discussion of profits and what the employee could do to reverse the trend." This, the vp noted, was followed by meetings with employees where "we laid it on the line and described the extent of the downward trend."

MR. BENNETT EXPLAINED that suggestions were sought

Continued on page 46

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

• A Practical Safety and Security Program for Small and Medium-size Plants is a 38-page book published by Dartnell. It deals with the causes of accidents and where responsibility falls as well as covering elements of a successful safety program and avoiding false claims. Product liability and its relation to safety and preparations for dealing with civil disorders are also discussed. Copies are \$2 from Theron Miller, Executive Consultant, 228 N. LaSalle St., Suite 1964, Chicago, Ill. 60601.

• A 27-page, pocket-size booklet, **Logging Safety**, has been prepared by the safety engineering department of Hewitt, Coleman & Associates Inc. Free single copies of the color-illustrated item are available from the company at P. O. Box 3665, Greenville, South Carolina 29608. Quantities may be purchased for 54¢ each.

• The Factory Mutual Engineering Corp., 1151 Boston-Providence Turnpike, Norwood, Mass. 02062, has recently made available **The Automatic Sprinkler, Firesafety Fundamentals Vol. 4**. The need for sprinklers and how they control fires are among topics illustrated in the book. Types of sprinklers and systems and sprinkler temperature ratings are explained through diagrams. A sample copy is free of charge. Quantity orders are 10¢ each.

• Computal Corp. offers two example booklets explaining their **Business Insurance Analysis** and **Computer Report** services. The format of the literature is that of a questionnaire, which would be filled out by the customer, and the actual analysis he would receive. For further information contact the company at 165 W. Jackson Blvd., Suite A2101, Chicago, Ill. 60604.

• A Study of the Financial Significance of Profit Sharing is available for \$5 from the Council of Profit-sharing Industries, 29 N. Wacker Dr., Chicago, Ill. 60606. The book answers the question "What can profit sharing do for my company?" The study covers 175 companies in nine major industries during the years 1948 through 1966.

• The Variable Annuity is a four-page item dealing with the background of a variable annuity, how it was developed, how it works, and how it can be used. It covers the operations of an annuity investment—from the regular contribution made by the investor while he is working to the computation of the monthly income he will receive when he retires. The literature is free on request from the Product Dept., Continental Assurance Co., 310 S. Michigan Ave., Chicago, Ill. 60604.

• The Mill Mutual Fire Prevention Bureau has published an illustrated, 22-page guide on **Standards for the Installation of Non-automatic Sprinkler Systems for Grain and Milling Properties**. Since automatic sprinklers for grain and milling properties are often impractical because of inadequate water supply and high relative cost, the development of the nonautomatic system has proven invaluable. The information is broken down into supply, distribution and maintenance considerations and is available by writing Mill Mutual Fire Prevention Bureau, 2 N. Riverside Plaza, Chicago, Ill. 60606.

• Information on the **Sonitrol Security System** is available by writing Sonitrol Corp., Daleville, Ind. 47334. One of the features of the system is that every sound in a building is picked up, processed, and sent to a central monitoring point so that entry cannot be gained through walls or roof. In case of line breakage or deliberate jamming attempts a signal is given to notify the operator. No warning is given to scare burglars away, assuring convictions. Equipment is completely automatic and each unit is fully interchangeable and self-contained.

• **Firehold "10"** is a fire-retardant, intumescent paint, bearing an Underwriters Laboratories label certifying a flame spread of 10. It is manufactured by the Debevoise Co. **Firehold "40"** is also available, for Class B specifications, as is **Firehold Misty Clear**, which is intended to provide higher abrasion resistance when used over either of the pigmented products. Color card and technical information may be obtained by contacting David R. Minkoff at the company, 74 20th St., Brooklyn, N. Y. 11232.

• Those responsible for safety in plant operation will be interested in an item from Lansing B. Warner Inc. The brochure covers two safety topics: **Cutting and Welding Can Be Made Safe and Operate Power Lift Trucks Safely**. A total of 17 safety precautions are detailed and an explanation of the Warner specialist and loss prevention service is also given. A free copy is available by contacting Russell K. Hedborn, Marketing Mgr., Lansing B. Warner Inc., 4210 Peterson Ave., Chicago, Ill. 60646.

• The Administration on Aging has released a publication entitled **Handle Yourself with Care**. The 46-page book is an instructor's guide for an accident-prevention course for older Americans and would make a useful employee handout or could be explained in classes through the company personnel or benefits department. The item is 50¢ and is for sale through the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402.

• **Building Codes, Their Scope and Aims** is a booklet prepared by the engineering and safety department of the American Insurance Assn. It traces the development of building code concepts from the Babylonian era to the present and also discusses fire prevention, detection and extinguishing. Suggestions for stricter enforcement of existing codes are also made. The illustrated item is available for 20¢ from the association at 85 John St., New York, N. Y. 10038.

Good Housekeeping seal suit's basis

• EBS Management Consultants Inc. offers a pamphlet entitled **The Captive—an Important Technique for Management**. Nine general questions on the captive insurance company are answered and information on EBS services is provided. For a free copy write the risk management department of EBS at 100 Church St., New York, N.Y. 10007.

• An illustrated 16-page booklet has been released by the sprinkler division of "Automatic" Sprinkler Corp. of America. **The High Cost of Burning** describes, through statistics and specific examples, how sprinkler systems can pay for themselves through reduced insurance premiums. The item also examines the possible advantages to companies of leasing fire protection systems. Methods of analyzing and protecting against special hazards are also described. Address requests to John P. Donnelly, director of corporate communications, "Automatic" Sprinkler Corp. of America, 722 Illuminated Bldg., 55 Public Sq., Cleveland, O. 44113.

• The Mutual Benefit Life Insurance Co., 520 Broad St., Newark, N. J. 07101, has released a 12-page booklet free to corporate insurance buyers, employee benefit plan managers, insurance brokers and consultants. **Developing the Company's Retirement Plan** explains in non-technical terms the essential elements involved in establishing a corporate pension plan. It covers tax advantages from the standpoint of both the company and the employee, standard and optional provisions that can be included, factors responsible for short- and long-term costs, and the different contracts and services provided by a life insurance company for underwriting the plan. Several auxiliary pamphlets are included. Write the director of group pension sales at the company on your letterhead.

• **The Industrial Policy** is an illustrated brochure from the Home Insurance Co., 59 Maiden Ln., New York, N. Y. 10008. The literature dissects the policy in terms of property damage, business interruption, automobile liability, crime and fidelity, excess and catastrophe coverage, workmen's compensation and ocean marine insurance.

• **U. S. Trade Expansion through FCIA Export Credit Insurance** is a free brochure explaining the services offered by the Foreign Credit Insurance Assn. and what FCIA insurance covers. Also included is a brief discussion of recent program innovations. To obtain a copy, write the association at 250 Broadway, New York, N. Y. 10007.

• Johnson Service Co., P.O. Box 456, Carrollton, Tex. 75006, has released several pieces of information on its **G-1 Microwave Motion Detector** and associated components. The manufacturer states that the detector is not affected by noise; air motion or temperature variations and that the alarm relay connection can be made to a local alarm device or to a telephone line for remote monitoring.

• **Effects of Sonic Boom** is a 174-page book recently published by Dr. J. H. Wiggins Jr., who heads his own firm of consulting researchers and professional engineers. The book is a synthesis of information and data resulting from various sonic boom over-flight test programs and other research in that field of interest. The book sells for \$16 and is available from the author at 2516 Via Tejon, Palos Verdes Estates, Cal. 92074.

SAN DIEGO—The California court of appeal has ruled in a case here that Good Housekeeping magazine can be held liable if goods approved by its seal are found to be defective and injurious.

Hearst Corp. and the magazine were included in a suit brought by a consumer, Zayda Hanberry, who claimed that a pair of shoes advertised as meeting requirements for Good Housekeeping's consumer guaranty seal were defective and caused her to fall and sustain severe injuries. The shoes were made by Victor B. Handal & Bros., Los Angeles, whose major line is Etell women's casual footwear.

The suit was dismissed in Orange county superior court, but the three-judge appellate panel

ruled that the case could proceed, stating:

"**THE BASIC** question presented on this appeal is whether one who endorses a product for his own economic gain and for the purpose of encouraging and inducing the public to buy it, may be liable to a purchaser who, relying on the endorsement, buys the product and is injured because it is defective and not as represented in the endorsement. We conclude such liability may exist and a cause of action has been pleaded in the instant case."

The court rejected the magazine's argument that the Good Housekeeping seal limits liability to replacement or refund to the customer and its contention that the endorsement was a "state-

ment of opinion, not of material fact," and therefore not subject to legal attack.

Since the purpose of the seal was "to induce consumers to buy the shoes," said the court, "Good Housekeeping is in poor position to argue its endorsement cannot legally be considered as the inducing factor in bringing about their sale."

The plaintiff, who alleged that Good Housekeeping either did not test the shoes or did so "in a careless and negligent manner," now has the opportunity to return to superior court to determine if the magazine negligently misrepresented the shoes and is subject to payment of damages.

While acknowledging that a California ruling allowing Good

Housekeeping to be included in a suit against a GH seal-approved shoe brand may produce a number of similar actions, Hearst Corp. let it be known today that it feels the GH seal is still out of range for plaintiffs seeking damages.

"The court has said that if we negligently conducted tests, we can be held liable," said an official. "And it said if we didn't conduct tests we can be held liable. Well, I don't know how big the files are on this particular product, but I can assure you we not only tested, but tested thoroughly. We'll be ready to go through with the trial."

• In ruling, the California court of appeal permitted the complainant, Zayda Hanberry, to continue *Continued on page 10*

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Ease class action rules as part of Nixon consumer protection scheme

WASHINGTON—A draft of a bill is circulating in the executive branch of the Federal government that would allow consumers to file class action damage suits in Federal courts against firms that engage in unfair or deceptive practices in violation of Section 5 of the Federal Trade Commission Act.

President Nixon's special assistant for consumer affairs, Virginia Knauer, said several months ago that the Administration was working on such a proposal. She said that far too often the consumer finds the *Caveat Emptor* is still the law of the land, "not because the law affords him no protection, but because he cannot adequately or practically enforce that law. A

right without an effective remedy is a very unsatisfactory right indeed."

What is needed, she continued, "is a procedure allowing consumers a convenient, expeditious and effective remedy for fraud and deception. Such a procedure should be sufficiently attractive to the private bar to enlist its support.

"**WE BELIEVE** that the private bar is the sleeping giant of the consumer protection field; that no governmental agency could do the job of aiding consumers as well as an aroused bar properly motivated," she said.

A committee of the American Bar Association recently urged the Administration to pursue "with

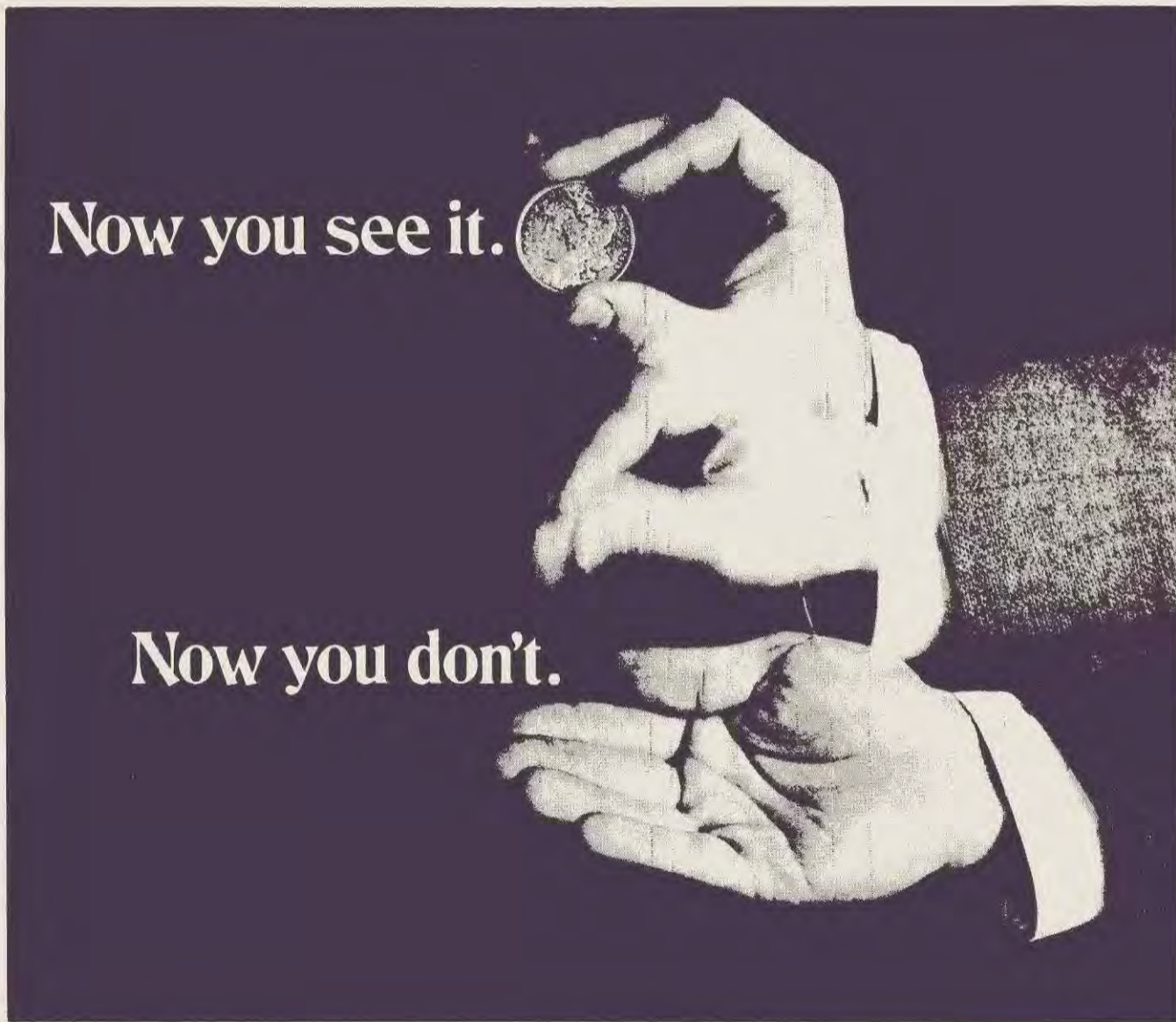
vigor" legislation that would allow private rights of action for damages relating to Section 5 violations.

Though the administration draft proposal has not yet even been sent to congress, consumer advocates are already criticizing it as being too weak. For one thing, they say, it deals only with deception, allowing no class action redress for physical injuries.

Another serious drawback, they say, is that FTC rulings are not binding on the courts. That is, a finding by the FTC that a firm has violated Section 5 of the FTC act does not guarantee to consumers private rights of recovery against that firm in the Federal courts.



Paul Jackson, consulting actuary of the Wyatt Co., Washington, and a speaker on survivor benefits, chats with Marvin Crystal, Metropolitan Life Insurance Co., and Gordon O. Rice, National Biscuit Co., at the 23d annual conference of the Council on Employee Benefits at the New York Hilton.



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GH seal . . .

Continued from page 9
her action against Hearst Corp. and Good Housekeeping as one of seven defendants on the basis that a pair of shoes that allegedly caused her injury were advertised as approved by the Good Housekeeping seal. The suit had been dismissed by the California superior court and now returns there for trial at an unspecified date.

As for the ruling opening the way for additional cases, Hearst said an increase may be expected initially because of the precedent that plaintiffs' lawyers can now refer to, but company officials said the ruling will have no effect on their use of the seal and stressed that no reevaluation is being considered.

• **IN A STATEMENT**, Raymond L. Petersen, Good Housekeeping's publisher, said that before the shoes in question were granted the Good Housekeeping seal, "the evaluation they underwent in the laboratories of Good Housekeeping Institute was conducted with more than ordinary care. Therefore, the mere fact that the plaintiff may produce evidence tending to establish that her shoes were defective and that she sustained injury will not in any way make Good Housekeeping liable under the ruling handed down."

He added that the court sustained the argument of GH that the plaintiff could not sue the magazine as a warrantor of the shoes. The magazine has "every confidence" that the facts to be considered in court will be consistent with its policy of "truthful advertising for products it feels are good."

Another official said the shoes, made by Victor B. Handel & Co. and retailed by Akron Shoe Co., two other defendants, represented "one of the few problems we've had regarding products we approve." He said that despite the number of products involved in the seal program, "there is an extremely small percentage" of complaints.

• **AN OFFICIAL** of Parents' Magazine said that while the ruling has resulted in no reevaluation of its seal of approval, "we're concerned about the California case, and we're talking about it." He said Parents' officials felt it was "too early to say if it will lead to others, but when a precedent is established, more usually follow."

There was a feeling at both magazines that the ruling was in line with court awareness of the consumer movement. One executive said that in the field of product liability "the courts are becoming more and more concerned with who will give the plaintiff relief" and are thus allowing lists of defendants to be extended.



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*He fell off. Collected.

'Air bridge' should cut insurance costs

NEW YORK—American Airlines and American President Lines have agreed to a unified international freight service that, some people in the business feel, could eventually have a rather stunning impact on insurance rates for goods shipped via the proposed container method.

Called an "air bridge," the new method would permit a shipper to move products from, say, Japan to San Francisco aboard one of American President Lines' 27 Pacific fleet ships, then to New York via American Airlines without ever having the goods removed from a single container. The insurance industry is not

talking about reduced rates as yet, of course. More than one source mentioned that the "experience factor will determine when and how insurance companies will move." Presumably, insurance would be included in the single freight bill.

HOWEVER, BOTH American Airlines and American President are feeling pretty good about what the experience factor should be.

A spokesman for the latter told *Business Insurance* that engineers are now working on a compatible container which would minimize handling of goods and all but eliminate pilferage.

Under the present system of shipment from the Far East goods are unloaded at the port of San Francisco, placed in vans and taken to the airport where they are unloaded again and loaded into airline freight boxes.

"THERE ARE TWO problems importers have under the present system," the American President source said. "There is the physical handling on the West Coast and the congestion back here at Kennedy Airport. The single container will minimize damage in rehandling and all but eliminate pilferage, that sort of thing.

"Importers are quite excited about the plan," the source noted, explaining that in addition to the minimization of the exposure the new system should put goods in an importer's hands as much as 48 hours sooner than they could normally expect.

In addition to the agreement with American Airlines, American President has also signed a pact with IML Freight Corp., a Salt Lake City-based transcontinental shipper, which should have the same effect on goods traveling inland from San Francisco. Twenty-foot sea vans will be transferred directly from ship to trailer, again minimizing handling, and moved inland to points west of the Mississippi River.

"WE FEEL THERE is tremendous potential here," the American President source said, noting that this particular method is certainly not new, however.

Although some air bridge containerization has existed in recent years, the American Airlines-American President agreement is believed to be the first such formal arrangement. It is presumed that Federal regulators will have to clear the system before it could be effected. ■

GE decision...

Continued from page 1

than the union is "the true protector of the employees' interests."

BUT JUDGE Friendly asserted that Congress "had enough faith in the American working man to believe he did not need—or want—to be shielded by a government agency from hearing whatever arguments employers or unions desired to make to him. Freedom of choice by employees after hearing all relevant arguments is the cornerstone of the National Labor Relations Act."

It is "doubtless true," the judge stated, in labor as in other negotiations "that the louder people shout, the harder it becomes for them to change their positions without acceptable loss of face. In that sense any positive public declaration, whether by an employer or a union, may run counter to the objective of securing industrial peace by promoting agreement.

"But the (National Labor Relations) Board has been expressly prohibited from promoting peace by restricting speech."

Judge Friendly concluded his dissent with the statement that "I believe the majority's decision to be deeply mistaken—the familiar instance of a hard case producing bad law. In any event, I think that, because of the confusion as to what the (NLRB's) order means and the lapse of time, the case is exceedingly inappropriate for taking such a portentous step."

A KEY ISSUE in the case is the "unilateral" accident insurance proposal on the part of GE. The majority opinion argued that "an insurance agreement that covers particular risks, in a specified way, impliedly rejects other risks, and other methods.

"Specifically, a union may always oppose insurance plans to which its employees contribute, believing that the tax benefits on noncontributory plans to its members—and often to the company—in the long run will outweigh any present gains.

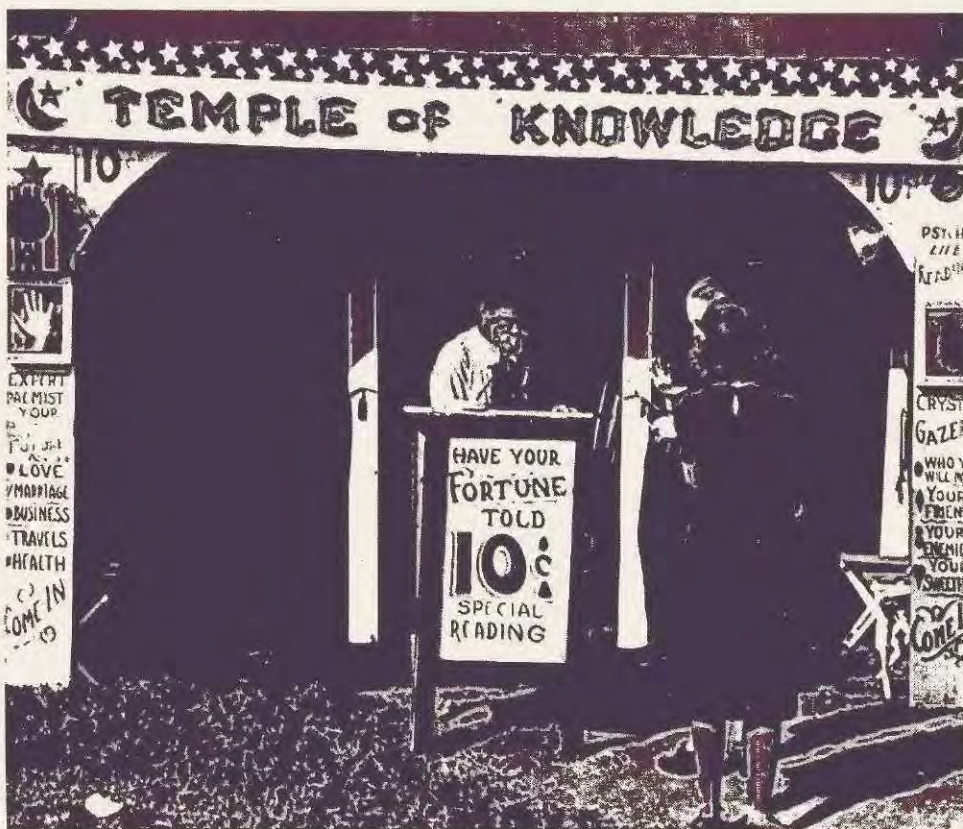
"Or, it may believe that it is important to keep insurance benefits within narrow bounds, so that at the next negotiating session it will be able to press more vigorously for other benefits. In this case, then, even 'additions' to the insurance agreement subtract from the basic compromise that the agreement represents."

THE COURT ALSO contended that a unilateral offer—over which the union may not bargain—"diminished the rewards and the importance of the bargaining at the end of the contract period. Thus the union's ability to function as a bargaining representative is seriously impaired. Indeed, such conduct amounts to a declaration on the part of the company that not only the union, but the process of collective bargaining itself may be dispensed with."

The court cites "a far more subtle argument" on behalf of GE, which concentrates on the effect of a 1961 decision by the NLRB involving Equitable Life Insurance Society. "This line of thought suggests that the employer can always grant unilateral benefits to nonunion employees, the court explained.

But, said the court the Equitable decision "hardly says that an employer like GE may not offer to increase benefits during the term of the contract; rather, its thrust is that if an employer wishes to do so, he must be prepared to bargain with the union. The act can hardly be read to require less." ■

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Social Security increases may cause private pension plans to die on vine

NEW YORK—"The growth in government interest in employee benefits will be viewed as competition by some and as chaos by others," is the view expressed by Russell H. Hubbard Jr., who heads personnel and industrial relations services at General Electric.

Mr. Hubbard, who probably views new government interest as a little of both, spoke to the 23rd annual conference Council on Employee Benefits held here recently.

Mentioning the growth of interest in overlapping competitive programs, he noted that "the likely candidate" to provide the most competition in the years ahead is the Social Security program.

"SOME PEOPLE," he declared, "want to replace private pension plans with Social Security increases. But Social Security increases may cause private pension plans to die on the vine. Something has got to give or private pension plans will leave the scene, to the detriment of employers, unions and employees."

Citing the growth of private pension and health programs in the last 20 years, Mr. Hubbard noted that employee benefit costs are up from an average 22¢ an hour in 1948 to an average of \$1.03 an hour at present. "But," he said, "despite the proven record of the employer and unions to keep their houses in order, there are now several proposals which would bring increased government controls and regulation in the area of employee benefits."

Another area cited by Mr. Hubbard was that of health care and the recent proposals that Federal government provide a nationwide compulsory health program.

"SNIPERS ARE attributing the increased costs of medical care to the system rather than to the increased demand for better health care and inflation," he said.

Mr. Hubbard argued for continued participation on the part of the employee when it comes to paying for health care. "A touch in the wallet," he said, "can often produce a yelp of pain" that contributes to a more speedy recuperation.

The General Electric employee benefits man also spoke of recent threats to unemployment insurance and workmen's compensation programs, saying that improvements have been made in many of them and that they should continue to be administered by the respective states and not the Federal government.

"But," he said, "if the employer community remains penny wise and pound foolish, it must prepare itself to accept government action" in these programs which could have some rather costly effects on private industry. He urged employers to accept improvements in states where unemployment insurance and workmen's comp laws need reforms and not fight them.

TO SOME EXTENT, Mr. Hubbard echoed the sentiments of an earlier conference speaker, Richard R. Shinn, president of Metropolitan Life Insurance Co.

Mr. Shinn made a plea to the audience, saying that the next decade is "a time for involvement by employee benefits people in legislation at every level. It's a job only you can do," Mr. Shinn said, adding that it's the employee benefit man's "responsibility to inform his top management about

what's going on in the area of legislation. The production manager is not going to worry about it," he said.

"If expansion by government in this area succeeds, I think we will end up with a quite different corporate life and private life than we now have," the Metropolitan Life president said.

Mr. Shinn also alluded to recent pension changes in municipal government, which he considers a threat to private industry.

Referring to New York City, where police, fire and sanitary employees recently won retirement at 50% pay after 20 years, he said: "I think it's a shame that we in the insurance business—and I hope some private employers will

plead guilty—allowed this to happen." He noted the obvious effect of this will be that employees in private industry will probably now consider this a goal and that the long-term effect of such widespread retirement programs could bring serious economic problems.

"People are looking more and more to their unions and government for employee benefits. It's sort of like the fellow who brings a girl to a dance, pays for her, dances with her and then lets somebody else take her home.

"If this happens—if people look to government for increased benefit programs—you'll get about as much credit as you get for unemployment insurance," Mr. Shinn said.

The typhoon struck Guam at 9:15 AM. Within minutes, buildings and lives crumbled. Guam was in a shambles. The local AIU representative's office in Guam was hit and hit hard. An employee later described the scene this way: "The first thing we did was make sure we were all alive. Then we started assessing the disaster. Requests went out for AIU adjusters to Tokyo, Manila, New York, Hong Kong and Paris. Within hours they arrived, and for countless

days and nights without sleep, we processed claims and issued checks. \$3,000,000 in checks were written in that little storm racked office in Guam."

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london line

'Lock up London' campaign follows \$190 million theft loss for 1968

LONDON—Security experts in Britain have worked out that criminals got away with more than \$100 million in robberies last year throughout the country.

Shop-lifting and pilfering are also on the increase, with losses from this source running at another \$90 million or more every year.

Food retailers regard this as their greatest problem of the day, while Scotland Yard tries new plans to tackle major crime. Supermarket chief James Gulliver,

of the Fine Fare group which has an annual turnover in its U. K. stores of \$370 million from housewives, states:

"MANY FOOD retailers are going out of business because of pilfering losses. They just cannot stand them in view of the narrow margins of profit, and the situation results in higher food prices."

His group reckons to lose \$2.5 million a year from theft, and spends \$250,000 on a security force of 60 men.

Harrods, famous society West End store patronized by many tourists, has just taken on former Scotland Yard's ace detective Peter Vibart, who helped to solve the biggest British crime on record.

That crime was the \$8 million mail train robbery about five years ago. Now he has taken on the task of stamping out thieving in the big store.

ON TOP OF ALL this, Scotland Yard has just run a three-

week campaign throughout the city under the slogan "Lock up London" in a bid to get large-scale thefts under control.

Top detectives are pointing out that such business losses cause insurance costs to rise. With the aid of 100 full-time crime prevention police aides, they are telling every householder to make their homes burglar proof as soon as possible.

Police chief Peter Marshall, who heads Scotland Yard's crime prevention bureau, warns: "There is an inexorable trend towards more crime. It has become a routine diet. But familiarity with crime breeds an acceptance of it which is unhealthy."

Figures released by his bureau show that in London it costs police \$40 at the start merely to probe a business-house burglary, and \$250 if inquiries get so intensive that the criminals are caught. These are average figures, with big crimes costing much more.

Householders and businessmen could save vast sums if they would regularly lock their homes, offices, and cars before leaving them unoccupied, he pointed out. It is hoped that this will cut down the current rate of London thefts which are running at \$50 million a year, with only \$10 million of the loot ever recovered.

* * *

FREE HEALTH services in Britain are pushing the bill for time lost through sickness to an all-time high. The pay-out in social security benefits alone to people treated for illness rose to \$650 million in 1966-67, and with another \$3 billion lost in factory production because they stayed off work, the total cost is put officially at nearly \$3.7 billion.

Biggest criticism comes from George Teeling-Smith, head of the Government's Office of Health Economics, who warns: "Many people are prepared to take time off for colds, strains, backache, and other minor conditions because they do not lose money and treatment is free. In the past they would have kept going because taking time off would have meant financial hardship." The trend for taking time off has risen significantly over the past ten years, and even young people are doing it now for minor troubles.

* * *

BRITISH FIRMS are blamed for having top managements who are too uninterested in security measures, according to a recent issue of the Security Gazette, of London, which says: "Dishonesty which is dismissed as trivial can be a cause of inflation."

The article stressed the need for a better exchange of information on savings effected by security-minded firms, and revealed that some British firms were reluctant to let their competitors know what their own security controls achieved.

* * *

LLOYD'S casualty returns from its Register of Shipping show that the total tonnage of ships lost last year was the lowest for four years. World fleet losses totaled 760,447 tons, representing 326 ships, compared with 832,803 tons and 337 ships in 1967. Twenty-four oil tankers, and nineteen vessels carrying timber, sank last year.

* * *

INDUSTRIAL firms in Britain will face government orders to extend their safety precautions by compulsion if they do not attend to them voluntarily. Prime Minister Harold Wilson has given this pledge to factory union leaders who complained that company managements are too slow in setting up joint safety committees. So far 3.8 million people out of 5.5 million employed in factories where more than 50 workers are engaged are covered by joint consultative arrangements on the factory floor. Laws to cover the "missing" category of nearly two million workers are being drafted.

Deric elected to board

Arthur J. Deric, associate professor of law and management at Bucks County Community College, has been elected to the board of Midland Insurance Co., New York. Mr. Deric was formerly head of the American Management Assn.'s insurance division.



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Continental Can benefits man sees thrust for negotiating retiree benefits

NEW YORK—The employee benefits director at Continental Can Co. told his peers meeting here the other day that he expects the "nitty gritty problems and headaches" of the group insurance business will continue in the 1970s but that a major thrust will be provided from labor in the next decade.

Furthermore, the major thrust Walter Klint was talking about will probably come in the area of negotiating retiree benefits.

Mr. Klint spoke before the 23rd annual conference of the Council on Employee Benefits. He mentioned some of the problems Continental Can had faced and listed among them, in addition to retiree benefits, continuation of life insurance coverage during a strike and the importance of a good coordination of benefits program.

"A KEY SUBJECT for today's more sophisticated unions," Mr. Klint said, "is the negotiation of retiree benefits.

"In July," he cited, "the National Labor Relations Board handed down a decision ordering the Pittsburgh Plate Glass Co. not to change any retiree benefits without first negotiating them. PPG has appealed the decision," he noted, "but I would not be shocked if a decision is handed down to parallel the Inland Steel Co.'s pension decision of the late 1940s."

(The Inland Steel case was the precedent-setting decision by the NLRB that employers must negotiate pension plans with unions representing their employees.)

Mr. Klint noted that the steel and auto industries have been negotiating retiree benefits for years, but that a very basic question is now facing many smaller industries: "Should we voluntarily negotiate for retiree benefits?" he asked.

THE BENEFITS director said that first of all a company should determine just how strongly the unions at its firm feel about it, and also determine how the unions feel about similarly helping their retirees with union-sponsored programs.

If there are strong and positive feelings on the part of the union, Mr. Klint explained, then "yes, I think a company should consider

negotiating for them." However, he noted, Continental Can has made it clear to its unions that the cost of retiree benefits is included in the overall package that would have gone to active employees.

Another question raised by Mr. Klint was what policy a company should have for continuing or not continuing insurance benefits during a strike. He suggested two

things should be kept in mind before a decision is reached: The potential impact of the decision on employee and community relations and the impact the decision will have on the ultimate settlement of the strike.

"At Continental we have continued all benefits, except disability insurance, but have not said for how long we would continue them." He noted that the

most recent labor dispute at Continental lasted only briefly and that the question of dropping group life never came up during the strike. "There does not appear to be any justification for continuing employee disability insurance during a strike, however," Mr. Klint added.

SPEAKING briefly on Continental's coordination of benefits program, Mr. Klint said: "In our judgment, COB is a must or there are going to be abuses. We have found that coordination of benefits has saved our costs by about 4% to 5%, not including the abuses it does away with."

However, Mr. Klint later told *Business Insurance*, he is deeply concerned with the future of COB.

Speaking from experience, for Continental Can does have a coordination of benefits program with its carriers, Mr. Klint said: "It takes so long, what with checking and cross checking, to get any kind of payment to a claimant that they're (the employees) raising hell, and I don't blame them."

Solution?

"There's got to be more cooperation between carriers. They've got to get with it or they will lose the whole thing by default."



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Army pays for Utah gas incident

WASHINGTON—The U.S. Army has paid shepherders for the accidental poisoning of about 6,400 sheep with nerve gas in the Utah desert last year.

The total amount paid to the shepherders was \$371,685 for the 6,400 dead sheep and \$198,300 for the temporary loss of contaminated land.

The Army spent \$464,850 for investigation and laboratory work to determine why the sheep died and whether or not it was the Army's fault.

The shepherders and the land owners, *Business Insurance* reported in May of 1968, did not have insurance coverage for the livestock.

The Army disclosed the cost of the nerve gas incident in congressional testimony.

opinions

Sharing the profits

The thought occurred to us the other day, as we sat listening to the virtues of profit sharing being extolled during the annual Council of Profit Sharing Industries conference (reported elsewhere in this issue), yes, the thought occurred to us that it is indeed worth shouting about.

Mind you, it is not a new thought. The council (COPSI) has been shouting about it for some time. And there is evidence to support the belief that the voice is being heard in new homes daily. Last year alone, for example, 10,000 new profit-sharing plans were established by U. S. companies. This brings the total to more than 80,000 covering over two million workers in this country.

Granted, most companies offering profit-sharing plans to their employees are in the small-to-medium size range. Half of COPSI's membership is made up of companies with 100 employees or less. However, there are a few giants in there—Sears, Roebuck & Co., Texas Instruments, R. J. Reynolds Tobacco Co., among them.

Although it has long been felt by many in business and labor that companies with profit-sharing plans as well as unions were about as rare as a blizzard in San Juan, this is no longer true. COPSI does not ask union information of its members, but several are known to have labor unions in their plants. Moreover, in these cases the two are getting along quite well, thank you.

The classic example in COPSI and other files is that of the American Velvet Co., a velvet manufacturing company in Stonington, Conn. The company, which employs 350, is organized by the Textile Workers of America-CIO. Late in the thirties the firm and employees went through a bitter 16-month strike. When it was settled management approached the union with a profit-sharing plan. It was rejected. "It was a radical idea in those days and the union people thought we had a trick up our sleeves," a company spokesman says now. A year later the union was approached again, showed the profit statement and told what its members would have received. The idea was then accepted.

"They view things a lot differently now," the spokesman says of the union. "We have meetings with the grievance committee and now we hear complaints about too much overtime and too much waste which cuts into their profits. If you didn't know these fellows you might ask what side of the table they're on—management or labor," he says, adding that the union has not in any way been intimidated to become less aggressive at the negotiating table.

Another small manufacturing plant in the Midwest has had similar results with its union. The management at M. P. Pumps Inc. in Detroit speaks of the "trust" profit sharing has given its employees, who now feel they have formed a "partnership" with the company's management. The lesson to be learned here, of course, is simple. Profit sharing does help cement employee-management relations. There is a tendency, we fear, to throw up our hands and say, "Oh well, maybe it works there but it would never work here." Perhaps. But there's also an old saying to contradict that: "Don't knock it 'til you've tried it."

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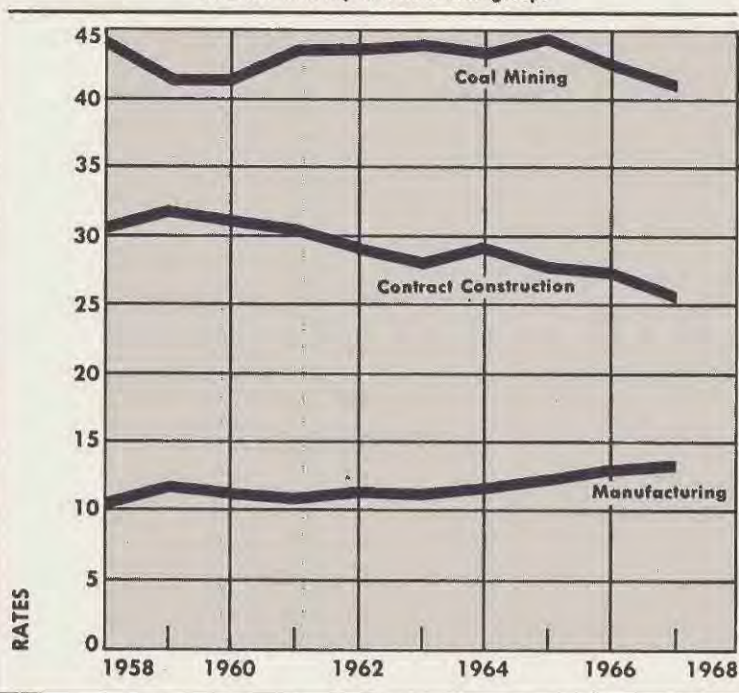
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WORK INJURY FREQUENCY RATES 1958-1967

Selected industry divisions and groups



The injury frequency rate, the number of disabling injuries per million employe-hours worked, showed a continuing increase in 460 durable goods manufacturing industries surveyed. With a low of 11.4 in 1958 and the 1967 high of 14.0, the industries showed an average of 2.5 employes of every 100 injured each year. A high rate of new hires and heavy overtime contributed to the rise. Incidence of injury has declined in contract construction over the past decade, although the frequency rate is nearly twice that of manufacturing. The drop, from 32.1 in 1959 to 26.7 in 1967, occurred in spite of a rise in employment partly because increased mechanization eliminated many injuries caused by manual handling. The performance of major mining groups was mixed, although coal mining has stayed at a level three times higher than manufacturing and nearly twice that for contract construction. Long-term trends are not evident, with coal and metal mining and stone quarrying evidencing a drop in frequency rate for the past two years and nonmetal mining showing an increase.

Source: Bureau of Labor Statistics
United States Department of Labor

New hazard symbols

We may be prejudiced, but we find ourselves intrigued with an idea put forth by our Washington editor, Stan Cohen.

Mr. Cohen, who is also the longtime Washington editor of our sister publication, Advertising Age, suggested to the national commission on products safety that manufacturers of potentially hazardous products be required to use a system of warning symbols, a modern version of the old skull and crossbones.

The warnings would be made readily identifiable to consumers via both public service and product advertising, Mr. Cohen said.

What makes the idea intriguing, at least to us, is the editor's comments to the publication after his remarks to the commission. He ventured that "inasmuch as the extensive promotion of a caution signal of this kind might reduce a manufacturer's liability in the event of damages, it might be possible that liability insurers would be interested in getting behind an idea like this, and perhaps offer incentive rates for products which are labeled in this manner."

Another way insurers could support a system of 'signal' symbols, which Mr. Cohen noted is already well along toward adoption in Canada, would be to help in the job of publicizing the symbols.

It has long been our feeling that insurers are missing a bet by not providing consumers with continuing barrage of tips on how to stay out of trouble. This approach is not altogether altruistic, of course.

Insurers' loss prevention efforts for big corporate insureds help head off breakdowns, fires and explosions. But it seems to us that they have been less successful in the fastest growing area of all—products liability.

If insurance companies would put real muscle into telling consumers how to more safely use their policyholders' products, we think such action could well result in insurers' paying out fewer products liability damage claims.

Perspective's purpose

When Business Insurance was founded two years ago, one of the key features introduced was the Perspective section where problems of property-liability insurance and employe benefit management could be explored in depth.

Contributing editors were enlisted from the ranks of those who actively administer insurance and employe benefit programs and from the ranks of those who counsel and advise corporations on their insurance and benefits programs.

Scores of letters from readers reacting—favorably and unfavorably—to Perspective articles demonstrate that we chose wisely when we gathered our original staff of contributing editors and when we added to the staff.

We remind Business Insurance readers that Perspective is open to all interested in risk management and employe benefit administration. We encourage readers to submit suggestions and material for the Perspective section to our managing editor, Richard Bjorklund, at 740 Rush St., Chicago, Illinois 60611.

letters

D & O marketing

To the Editor: Both of the excellent articles dealing with directors' and officers' liability in your Oct. 13 issue have considerable merit.

We have been involved in this particular area for many years. From our own experience, and I am sure that of other brokers, I would like to point out two fallacies in Mr. Olsen's observations of the "marketing" of this coverage.

For an insured who desires any insurance coverage, the amount of premium income of the companies has little significance as long as the premium is reasonable for the exposure involved. One of the problems in the entire area of directors' and officers' liability is that no one, including most legal experts, can predict exactly what the exposure is or could be.

Secondly, as a very practical matter, we find that there are no major "scare" techniques being used by responsible underwriters who actually do write this insurance. On the contrary, they are extremely selective, require detailed underwriting information, and, in all probability, refuse coverage more often than they provide it.

Mr. Olsen is correct, however, in stating that the real issue is covering corporate indemnity and that this has been, in the past, an assumed risk.

However, the size of court awards today, not to mention the tremendous costs of defense, give a great deal of validity that this should no longer be an area of self-assumption but one of insurance.

Incidentally, kindly add our firm as one who thinks Business Insurance is an excellent publication.

J. Paul Des Jardins
Assistant Vice President, H. D. Tutz and Co., Wilmington, Del.

Mail problem

To the Editor: On Oct. 15, 1969, we received the torn front cover of Business Insurance dated Oct. 13, 1969, and would appreciate your supplying a completed issue for this date.

Joe Fahys
General Reinsurance Corp., Pacific Dept., Los Angeles, Cal.

Editor's Note: The copy is on its way.

When mailing problems such as this occur, readers are asked to contact Roger DiGregorio, subscription manager for Business Insurance, at 740 Rush St., Chicago, Ill. 60611.

Specific coverage

To the Editor: We look forward to your publication. It is refreshing in the presentation of specific coverage of situations and what has been done about them, including the companies writing the coverage and the problems involved.

You are doing a wonderful job. Keep up the good work.

P. A. Randall
Assistant Treasurer, Basic Construction Co., Newport News, Va.

Every word

To the Editor: To me, as a part-time insurance buyer who has many other duties, Business Insurance has been a tremendous help. Its greatest value has been to increase my knowledge without my having to spend a lot of time on research and study. I read every word of every issue.

K. C. Skinner
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Hansen tells insurers: 'Partnership' with buyer can solve many problems

CHICAGO—A risk manager advised property and liability insurers to strengthen the partnership aspect of their relationship with buyers if they want to solve problems such as the current capacity squeeze, archaic policy language and the high cost of auto coverage.

Ed Hansen, risk manager and attorney for Trans Union Corp., told an Insurance Information Institute seminar that insurers must be innovators and show an interest in working with buyers on new concepts of insurance.

From a risk manager's view, he said, purchasing insurance is only one way of handling a risk but without the availability of commercial insurance, the risk

manager's job cannot be done. In building a partnership relationship, he continued, "I pay a premium and you accept the transfer of my risk. We must work together in engineering the risk with you suggesting ways of improving it and me following your suggestions."

MR. HANSEN, who teaches a CPCU course at the Insurance School of Chicago, said that buyers and sellers should make headway in the areas of communication, updating of business practices and recognition of the long-range aspects of the business to enhance the public industry's image.

An appeal for increased com-

munication may sound trite, Mr. Hansen said, but "for years I have been telling insurance manager groups such as ASIM and the Insurance Division of AMA, that . . . we should be talking to the insurance industry . . . I keep writing papers that are published in insurance buyer publications but . . . this is the first time that I have ever been asked to talk to an insurance industry group."

In the College of Insurance five-year, work-study program, the industry is underwriting "the greatest educational bargain in the U.S. today," he said, and noted that he didn't think any company had ever communicated this to the buying public.

It is absolutely necessary, he told the seminar, for the industry to get out of the past and into the 20th century by updating practices, forms and kinds of coverage "that were devised—literally—centuries ago." One industry executive has admitted to him, Mr. Hansen said, that he has given up trying to figure out his own homeowners policy. "I do give credit, however, to those few companies that are now issuing auto and homeowner's policies in a readable booklet form with illustrations."

WITH CAPACITY the problem that it is today, he said, some long-range research and planning ought to go into what the capacity needs will be ten years from now and how they are going to be fulfilled.

Another problem affecting the industry's image, and which they have done nothing about, is the high cost of auto insurance that

has resulted from having to surcharge the 16-year-old driver. Statistics show that the 16-year-old is not a good risk and the state legislatures know this too, but "they are afraid to take the unpopular political position of increasing the legal driving age," he said, "so the industry is bum-rapped."

"I understand that in some dozen states a person who is legally and medically blind can obtain a driver's license," the risk manager told the group. The industry is then faced with the problem of having to insure that driver—a problem that is not their own. It is a state policing function and should be given back to the state. ■

Ask for credit life limits in Colorado

DENVER—The Colorado insurance department proposes that sellers of credit life insurance be limited to a 75¢ per \$100 premium.

Insurance Commissioner J. Richard Barnes has set a public hearing on proposed regulations.

He proposes a set of regulations, with premium rate limits, to become effective Jan. 1, 1970. They would implement a new law passed by the last state legislature which became effective July 1, it was reported.

THE NEW LAW gives the commissioner authority to set rates regulating credit insurance in the state. Rates in Colorado have been "exorbitant," said Mr. Barnes, adding his department has been studying the situation since the new law was passed in 1969.

Proposed rates are 75¢ per \$100 or \$1.115 per \$1,000 of credit insurance. Accident and health insurance on credit accounts also must be kept under a proposed limit, which varies according to the length of the contract and amount of coverage.

Insurers won't be allowed to go over the limits and "we will encourage them to go lower," he stated.

Not included in the new law is a prohibition against automatic adding of insurance premiums to a customer's loan or credit account without the customer's consent.

THE UNIFORM Consumer Credit Code, which was buried in the Colorado senate last spring, contained a provision that credit insurance could not be added unless the customer said in writing that he wanted it.

Despite the absence of a law, Mr. Barnes said the practice apparently has stopped in Colorado.

He pointed out there is a provision in the state lending law which prohibits a lender from forcing a borrower to buy a certain kind of credit insurance. The lender can require the insurance but the customer can buy it wherever he wants.

The commissioner said the proposed regulations also will seek to correct some sales practices in which unqualified and unlicensed persons have been selling credit insurance. ■

Lone Star acquires

Lone Star Life Insurance Co.'s newly formed holding company, Great Republic Corp., Dallas, has agreed to acquire Profit Planning Inc., Dallas, which markets sales promotion and employee incentive programs in the grocery field.

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The FAA doesn't know, but...

Some 99,000 planes fly with 'car insurance'

By THOMAS LUTZ

CHICAGO—Most owners of small aircraft don't buy much more liability insurance protection than most owners of automobiles are required to have, *Business Insurance* has learned.

According to the Federal Aviation Administration, there is no insurance requirement for small aircraft, which is a far greater hazard than most might expect. Some 125,000 small planes now populate U.S. airports and airways.

In addition, many of the small planes are now woefully underinsured against the possibility of a mid-air collision with a major airline's passenger jet. Standard coverage for many small planes is a \$100,000/\$300,000 liability policy with \$50,000 to \$75,000 per seat passenger coverage. The cost of such insurance, which often includes \$100,000 property damage protection, is about \$350 a year.

BECAUSE THE FAA is unconcerned with the amount of insurance for aircraft, there are no figures—estimated or accurate—available on the number of small airplanes that are covered by what is little more than car insurance.

However, the 1969 Management Guide to Business Aviation says that close to 18,000 companies in the U.S. own about 26,000 airplanes that would fall into the FAA general classification of small airplanes. These planes range from small, single-engine propeller-driven models to multi-passenger jets.

The corporate community therefore owns about 21% of all the small aircraft in the U.S.

In other words, about 99,000 airplanes are not insured under one or another type of corporate insurance program.

VERY FEW operators of flying clubs, training schools or privately owned aircraft buy higher limit coverage. A single \$1 million limit liability cover over the standard insurance would boost the overall premium to something in excess of \$1,000 a year.

A spokesman for the FAA revealed that past predictions on the growth in the number of small aircraft "have been greater than what we and the experts ever suggested."

As it now stands, the FAA predicts that by 1974, five years from now, there will be 162,000 such planes in service in the U.S. By 1980, the FAA predicts the number of small aircraft will be about 214,000.

The FAA source also said that

in 1968 there were about 300 near-miss mid-air incidents involving commercial aircraft. Of these, nearly all of the second aircraft involved were small private planes or military aircraft. The commercial jets fly rigidly separated routes at normally high altitudes.

OF THE FORTUNE magazine "500" top corporations, 395 own aircraft. About 250 of these planes cost from \$1 million to \$5 million.

Several major companies own more than one plane, and some corporations have fleets numbering from 10 to 20 aircraft—varying in size and potential speed.

In addition, the same companies that own aircraft and many corp-

orations that don't are regularly leasing or renting aircraft for business use. It is estimated that 40,000 persons will use their own or rented aircraft for business purposes this year, about a 10% increase over last year.

The five major markets for aviation coverage are United States Aircraft Insurance Group, Associated Aviation Underwriters, Insurance Co. of North America, Royal-Globe Insurance and Lloyd's. Liberty Mutual and Employers of Wausau are among the active mutuals in the aviation insurance field. There are also other insurers that will cover aircraft, such as Southern Marine & Aviation Underwriters, as well as other pools.

Meanwhile, it was learned, most insurance managers of large corporations that own their own aircraft buy excess liability coverage of \$30 million to \$50 million. Medium-sized companies insure for about \$20 million in liability protection, and small companies generally buy about \$10 million of the same coverage.

AS ONE insurance manager for a large Chicago-based conglomerate put it, "Right now we have \$45 million in liability protection per occurrence on each of our planes. With the jumbo jets coming, I'm beginning to wonder if that's enough."

The first \$10 million or even \$20 million can be purchased on

the domestic market, it was learned. Beyond that, coverage must be bought on the London market.

The premium for the excess coverage varies, but the first \$10 million in coverage will run about \$1,000 for each \$1 million in coverage. Although premiums on the upper layers historically are less than the lower layer, recently insurers have been requiring rates that are closer to the initial layer premium. This situation is necessary, insurers contend, because of the increased exposure.

In other words, insurers argue, if an underwriter is in on any one layer and there is a claim, generally every underwriter must pay.

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Described in interview with Leslie P. Schultz, C.L.U., President, Bankers Security Life Insurance Society.

Q. Your new term policy is called Vanguard One. How does it work?

A. Its basics are simple. And that's one reason it's so outstanding. The face value of the policy increases as the Consumer-Price Index rises. But here's the big advantage to you as the policyholder: the premium remains level in spite of any increase in the benefit.

Q. Is there a limit to the face value increase?

A. Yes, but it's quite high. Your insurance coverage can increase by as much as 25% in a four-year period. *No limit on total increases.*

Q. Are the premiums ever readjusted?

A. This is a four-year renewable and convertible term policy, so we review the Consumer-Price Index every fourth year. But during the four years preceding, you do not pay an extra premium for the extra inflation-protecting coverage you get. After each four-year period, you may continue the policy at the increased level and start the premium for that level... or you may go back to the original face amount and pay only the appropriate renewal premium.

Q. What other features does Vanguard One have?

A. It's convertible to permanent insurance up to age 65... and without evidence of insurability. It has a guaranteed retirement "pour in" option. That means you may set up a lifetime annuity at rates guaranteed when you first purchased your Vanguard One policy.

Q. Vanguard One is not only new, but I gather that it's a very timely idea.

A. It certainly is! We now have a policy that helps solve a problem faced by every insurance owner... the erosion of insurance values by inflation. On top of that, Vanguard One is so flexible that it will help meet many of your future needs. It's maximum protection at minimum cost.

To get complete details, and all of the other unusual facts about this new concept in life insurance, contact your insurance broker. Tell him to call Bankers Security for the just-released Vanguard One information kit. Bankers

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Will open branch sites

SPOKANE, Wash.—A number of branch offices will be opened by the Washington state insurance department "just as soon as personnel can be located."

Insurance commissioner Karl Herrmann told a meeting of the Independent Insurance Agents and Brokers of Washington that the staff "will be increased to at least 100."

"Purpose of the new offices, Mr. Herrmann said, "will be to provide local service on insurance complaints and inquiries, fire and life safety inspections and examinations for licensing of agents and brokers."

Dent, Administration official differ over need for hard-nosed fund laws

WASHINGTON—Rep. John H. Dent (D, Pa.), speaking here recently on Congress' current interest in the private pension system, said that he expects that body will "definitely" move in the areas of vesting, investing, portability and funding, with the possibility of legislation that the latter be insured.

"We will definitely get some vesting requirement passed," Rep. Dent told members of the Council of Profit Sharing Industries at their 22nd annual conference.

In addition, the Congressman said, Congress will "definitely" pass (1) legislation putting "stringent rules on investments," (2) legislation requiring all pension "trusts be funded and possibly insured" and will (3) "move somewhere in the direction of working out some kind of plan for interchanging fund assets with an employe move (portability)."

WHILE REP. DENT'S approach appeared to be hard-nosed and rather assured, his views do not seem to be shared by all Washington politicians (much to the relief of profit-sharing managers).

The Nixon Administration's point of view was expressed later in the conference by Rocco C. Siciliano, Under Secretary of Commerce, who told the group that the Administration still considered pension and profit sharing plans to be "entirely a private matter."

Speaking to profit-sharing managers about pension plan legislation, Rep. Dent at first seemed to be out of his element. However, he dispelled such thoughts, quickly noting that the two—pension and profit-sharing plans—go hand in hand and that he had been "boning up" on the latter.

"**I SEE THE** biggest employe-employer argument in the years to come is in the areas of pension and profit-sharing plans and their investments. You may not think so," the Congressman declared "but I do. I've been getting into it."

Although Rep. Dent was directing his remarks primarily at the private pension system (he is chairman of the general subcommittee on labor which will begin hearings on the subject soon), what he said could not help but be taken seriously by members of the profit-sharing council simply because of the proximity of the two.

As one speaker at the conference said: "Profit-sharing plans are in for a rough road."

NOTING THAT PRIVATE pension and profit sharing plan assets alone represent an accumulation of capital nearly as large as that of the entire savings and loan industry and that in 1968 it was almost twice as large as the mutual fund industry, Rep. Dent remarked, "Obviously the impact of these funds on the economy is an extremely significant one and one which the Federal government cannot ignore."

"Considering the growth of retirement plans and the funds invested by them as well as the reliance which a large part of the American working public places upon them as a principal source of retirement security, the need for legislation protecting retirement plans is clear," Rep. Dent declared.

Saying that the most obvious need for legislation is in the area

of fiduciary standards, the Congressman noted that "uniformity of regulation is needed and that can only be provided on the federal level."

CITING AN EXAMPLE from labor department files to illustrate his point, Rep. Dent mentioned one fund whose trustees were also officers of the corporation which maintained the plan.

"The trustees bought shares of company stock for the fund while they were selling their own personal holdings. Naturally," he went on, "the impact that the fund's purchases had on the market drove up the price of the stock and the executives made a very large profit on their shares."

When the fund stopped buying, however, the price of the stock dropped to one-third of its previously quoted price. The labor department estimated that this little maneuver cost the fund \$4.5 million in the value of its assets."

He noted that this was an obscure case but that "one occurrence of an incident of this kind is once too often."

CONTINUING his remarks, Rep. Dent also said, "It is time Congress considered giving authority to some agency to deal with the problems of vesting and arbitrary terminations." In addition, he noted, "Other aspects of the vesting question which ought to be looked into are requirements

for plan eligibility and periods of service. Perhaps a provision which requires aggregate rather than continual service to meet a plan's vesting requirements should be put into new legislation. The question of vesting benefits in plans which distribute benefits yearly might also be considered," he said.

Rep. Dent was followed later in the conference by Rocco C. Siciliano, under Secretary of Commerce who, for all intents and purposes, was representing the Administration's view on pension and profit-sharing plans.

Noting that "profit sharing not only contributes to the nation's economic growth, but also promotes more effective teamwork between management and labor," Mr. Siciliano's position took a decidedly softer pitch toward business and industry. The Administration, he said, is "dedicated to the promotion of private retire-

ment systems, whether or not they are financed through profit sharing.

'THIS TAKES US to the basic question of the role of the Federal government in private retirement plans," Mr. Siciliano continued. "Social Security does provide a basic minimum retirement for most workers. It has its government supplements in Medicare and special tax breaks for the elderly and the disabled."

"But Federal provisions for retirement are only one element of the individual's retirement planning," the under secretary went on. "Others include personal savings, private pension plans, profit-sharing plans and even deferred compensation plans. How much of any one individual's compensation is to be allocated to each of these other retirement arrangements is entirely a private matter," he said.



Despite African civil disorders, it's insurance business as usual

By ANNETTE ROBINSON

NEW YORK—The U.S. government has paid a \$2.7 million claim to Aba Textiles, a subsidiary of Indian Head Inc., for damages incurred during the Nigerian civil war.

Continued unrest in many African countries has intensified the need for insurance protection of this type. Political risk insurance can be obtained on long-term investments at a cost of approximately .5% of the total investment per year for each type of coverage desired.

However, application for this insurance must be made prior to the beginning of the firm's oper-

ations in any given country.

Despite unusual risks in Africa due to political uncertainties and primitive operating conditions, an American firm in Africa, through a combination of commercial and government insurance programs, is able to obtain approximately the same sort of coverage for an African operation as would be available in any other part of the world.

DUE TO THE primitive state of insurance operations in many developing African countries, as well as to the proclivity of American companies to deal with insurance companies that provide contracts with which they are fa-

miliar, the bulk of business insurance for American businesses operating in Africa is handled through or in consultation with American underwriters. A large proportion of such coverage is provided by AFIA and American International Underwriters.

The availability and quality of local insurance in Africa vary greatly, usually depending on the stage of development of the country in question. For example, South Africa has an extremely sophisticated insurance operation with approximately 100 local and international insurance companies represented. The lesser developed countries are usually limited to a national insur-

ance company or to a small number of representatives of foreign companies. In such countries as Egypt, Algeria, Tanzania, and Congo (Kinshasa), the government has nationalized the insurance industry.

American firms operating in Africa may handle their insurance in one of two ways, or a combination of both, depending on local conditions. They may delegate to the local manager the responsibility for purchasing insurance locally, in cases for which local coverage is adjudged to be adequate. Or they may arrange for a so-called "master contract" provided by underwriters in the U.S. who are not admitted or registered to do business in the country involved. The latter is known as nonadmitted insurance.

Purchasing insurance locally is advantageous to the company in terms of promoting good will and

afavorable political climate, as well as local service, but is often not feasible due to the insufficiency of local coverage. Further disadvantages of local contracts include the fact that they are usually written in a foreign language and may use legal terminology with which the local manager is not familiar. Also local contracts are usually more limited than American counterparts, are subject to higher rates, and provide for loss recovery in the local currency, which is often unstable.

HANDLING insurance through a nonadmitted "master contract" provided by U.S. underwriters has a large number of advantages for American companies. Under such a plan, coverage and rates can be negotiated and obtained by insurance managers of the U.S. parent firm, who usually have a superior knowledge of insurance coverage.

If the company desires, it can pay premiums and recover losses in dollars, thus eliminating any convertibility problems. All contracts are written in English and the underwriters are suable in American courts. Also, a policy purchased in the U.S. usually provides broader coverage than comparable local insurance policies.

There are also drawbacks to purchasing nonadmitted insurance because in many African countries such insurance is prohibited and may not qualify as a deductible expense item for local income tax. In addition, claims service may be very difficult for nonadmitted insurance.

Since nonadmitted insurance is sometimes prohibited and local insurance often compulsory, the American firm in Africa generally finds it desirable to have a combination of local and nonadmitted insurance. This combination usually includes the purchase of such local insurance as is required by law and token policies to cover specific local risks, coupled with the purchase of broad general coverage from American underwriters on a non-admitted basis. A source at AFIA sees the American underwriter's job as "an attempt to bridge the gap between the type of coverage which is available in the U.S. and what is available locally."

THERE IS nothing particularly unique about business insurance coverage in Africa. The same risks and liabilities exist as would require insurance coverage in any other part of the world, with additional political risks existing in countries with particularly unstable governments. The "master contracts" offered by American underwriters generally provide ordinary coverages such as liability, fire and related perils insurance, automobile insurance, and certain employe benefits.

AIU reported that there is a growth among American companies operating in Africa in the purchase of "multi-peril" or "all-risk" types of contracts in which coverage can be obtained in one package on a practically all risk basis for stocks, merchandise and equipment in warehouses and manufacturing plants.

American companies in Africa provide employe benefit programs for local employes in keeping with the local economy. These programs must comply with local laws with regard to workmen's compensation. In some cases, workmen's compensation comes within the scope of the countries' social security systems and is underwritten by the government.

For example, in Ghana, the social security system is so exten-

Continued on page 46

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benefit tax slants

Changes in new tax package still dribbling out of Senate committee

By JOSEPH S. ROBINSON

NEW YORK—Almost daily, the Senate finance committee releases bits and pieces of its version of the big tax package which Congress is ultimately expected to vote.

For instance, the Senate committee agreed to extend the 5% surtax through June, 1970—already approved by the House. This would mean that instead of paying a 10% surtax as called for

in 1969, next year the rate, in effect, would be lowered to 2.5%.

The committee wants to throw out the provision in the House bill that would tax interest on state and municipal bonds. It would keep the present six-month holding period on capital gains—in lieu of the twelve month period recommended by the House.

The Senate unit would go along with the House in repealing the investment credit.

IN THE AREA of charitable contributions, the Senate committee's stand is generally similar to that of the House. For instance, contributors would be allowed to donate and deduct up to 50% of income, instead of the present 30% ceiling. The committee did remove other House restrictions on charitable giving. It wants to maintain the present rule that encourages people to give stock or other property to charity with the understanding

that the income from the property belongs to the donor for a certain length of time.

But the big news pertains to employee benefits. For instance, under current rules, lump sum pension payouts receive favorable capital gains treatment. The Senate committee would tax employees more heavily if they leave their jobs and collect pension or profit-sharing payments in a lump sum.

THE COMMITTEE also fell in line with the House in seeking to tax as ordinary income that proportion of benefits which company contributions represent commencing in 1970. The employee would still pay the lower capital gains tax on benefits obtained through his contributions.

Here's encouraging news on deferred compensation arrangements: The Senate unit wants to strike the House proposal to tax

deferred pay plans. It would also throw out the House recommendation setting a 50% maximum tax on earned income. The committee wants none of this.

* * *

HERE'S A DEFERRED compensation arrangement between a company and an employee that's a tax saver—whether under the House-passed tax bill or under present rules.

Some ten years ago, Tivoli Tool Co. almost lost its ace salesman to a competitor. It managed to hold on to him by offering a deferred compensation package assuring the salesman \$10,000 a year for ten years or to his wife if he should die at an earlier date.

The company financed the deal with an insurance policy on the salesman's life naming itself beneficiary. The policy was in force for some eight years when Tivoli's star salesman died unexpectedly. True, the premiums weren't deductible, but Tivoli received the proceeds income-tax free; it collected much more than it paid out in premiums. Then, when the company made the \$10,000 annual payments to the widow, Tivoli was, of course, entitled to a deduction for these payments.

So it sometimes pays an employee to pass up a current salary hike, and it may also pay a company to pass up a current deduction for one later on.

* * *

DEFINING "compensation" for Social Security integration purposes is the subject of a new Internal Revenue Ruling. The Treasury now says that an employee's "compensation" for meeting the integration test may include or exclude bonuses, commissions or overtime pay provided it does not discriminate in favor of highly paid employees.

For example, restricting the definition of compensation to basic salary will likely discriminate in favor of high salaried employees if the ratio of basic compensation to total remuneration is a higher proportion for highly compensated employees than for lower-paid employees.

In each case where a restrictive definition is used, it must be demonstrated that—after proper allowance for Social Security benefits—prohibited discrimination can't result (Rev. Rul. 69-503).

U.S. to pay 300 sonic boom claims

OTTAWA, Ont.—The Defense Department expects to pay out about \$150,000 in damages to residents of Kelowna, B. C., resulting from a sonic boom when a U. S. Navy jet went through the sound barrier Aug. 12.

A Defense Department spokesman said that 300 claims have been received.

Under a "status of forces agreement," claims against acts by visiting NATO forces are treated as though the damage was caused by the host government.

The U. S. government will be expected to reimburse Canada the major portion of the expenses, the Defense Department spokesman said. A firm of civilian adjusters now is assessing the damage in Kelowna.

Windows were shattered when an F-41 Phantom-2 jet, part of the Blue Angels air acrobatic team, accidentally broke the sound barrier when it accelerated to catch up with the others in the team. ■

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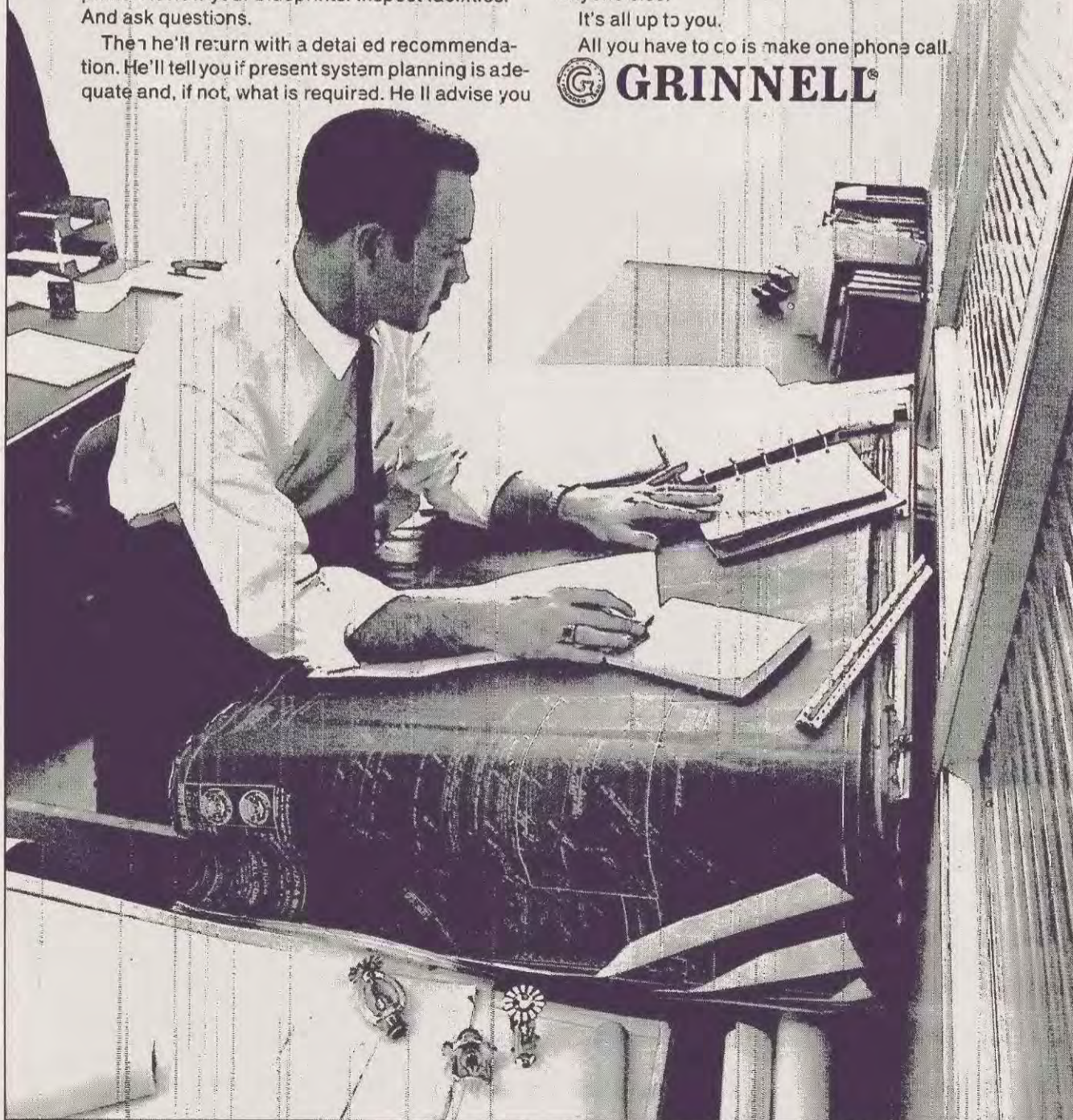
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Manufacturing injury rate continues its climb

(See graph on page 16.)

WASHINGTON—A Bureau of Labor Statistics report has cited the growth in manufacturing employment, the high rate of new hires and heavy overtime as the major causes for the continued rise in manufacturing injury rates for 1967—the latest year for which figures are available.

Industrial manufacturing injury rates continued to rise for the ninth straight year in 1967. The manufacturing injury frequency rate (the number of disabling injuries for each million employees-hours worked) climbed to 14.0 in 1967, up from 12.8 in 1966—the highest it has been since the Korean War. According to the bureau an average of 2.5 employees out of every 100 were injured in manufacturing industries in 1967.

Paper mills continued to be one of the safest manufacturing industries, with an increase in injury rate from 9.1 in 1966 to 9.2 in 1967. The highest proportionate increase was in the ordinance industries, whose frequency rates doubled, from 2.8 in 1966 to 5.6 in 1967. According to the bureau, the most pronounced injury frequency rate rises were in durable goods manufacturing industries.

MOST SAFETY directors interviewed by *Business Insurance* feel their biggest weapon in fighting injury rates is a continuous program of intensive training for both their supervisory staff and their labor force in safer, more efficient work procedures. In addition, the work environment is constantly scrutinized for hazards.

"We are essentially paying for a service," explained James Rigrish, insurance liaison at the Goodyear Rubber Co. plant in Akron, O. Under the retrospective rating plan Goodyear pays their own insurance losses (costs of workmen's compensation and liability awards) plus an administrative charge to their insurer for handling them for the company. "Part of that service is the constant vigilance of the insurance engineers to insure safety conditions in our operations. They visit the Goodyear plants monthly; in this way Goodyear maintains a constant pressure for improvement," he explained.

The Labor Department blamed the higher injury rate in part on the influx of new employees. The iron and steel foundry industry, which in 1967 had an injury frequency rate of 29.2 (up from 28.4 in 1966), had an extensive turnover of personnel.

"We have about a 10% employee retention rate," said Charles Schwalze of the Cambell Foundry Co. in New York. "The majority of our hourly employees are newly arrived foreigners. When they are hired we furnish them with hard hats, gloves, safety glasses—all protective equipment necessary except for the steel-toed shoes which they are required to buy. They're required to wear this equipment at all times while working. Most of our eye injuries happen when an employee takes off his glasses to wipe his eyes while working. Back and hand injuries are caused by the large amount of raw material we must handle manually with chains."

STANLEY ARTHURS of Metropolitan Iron Foundry in New York explained that "although we don't have a formal safety instruction program for new employees they are indoctrinated on hazards by the individual foremen of their job sites." Mr. Arthurs feels "further automation

wouldn't stop those injuries caused by manual handling."

The paper mill industry, with a 1967 injury frequency rate of 9.2 (up from 9.1 in 1966), also has an extensive turnover of personnel. "We didn't find the turnover in personnel to be as harmful to our injury rate as we expected," said Elgin Salee, manager of safety and industrial hygiene for American Can Co., which operates six paper mills.

"Our indoctrination program has proven very effective—our injury rate in 1968 showed a 30% improvement over the previous year. In fact we've found that it's the old-timers who have more severe injuries." Mr. Salee explained that American Can conducts a thorough safety analysis of every job in the mills on an

annual basis.

JOHN PAGLIARO, of Cosmopolitan Mutual Insurance, a large insurer of meat processing companies, stated that turnover in the meat industry is "practically nil." However, the injury frequency rate in the meat products industry rose from 36.2 in 1966 to 38.1 in 1967.

Mr. Pagliaro explained that "most injuries occur in the lifting of carcasses off trucks onto hooks in the plants and at the big machine cutters which slice up the carcasses into sections. One man used to be expected to heave a 400 pound carcass off the trucks—now the actual lifting is being done by a machine which is cutting our rate of strain injuries in half. Improved blade and chain

guards have reduced injuries sustained on the cutting machines by 25%."

LABOR UNIONS, of course, have a vested interest in protecting the welfare of their members. "Labor's role in the field of safety is one of education," said Meyer Steingart, program coordinator for Amalgamated Meat Cutters and Retail Food Store Employees Local No. 342 in New York.

"In 1967 we put a joint union-management safety program into our new contract. We agreed to hold safety instruction meetings on a regularly scheduled basis, using volunteer instructors. To date we've called in 6,000 members for safety indoctrination." Mr. Steingart said "a one-day

seminar between union and management on safety was held recently. It was the first of its kind and was an attempt to pool our ideas and efforts to improve safety and cut down on injuries."

Mr. Steingart declared that "management has not kept all of its promises made at that meeting. We do not have enough cooperation from management in alleviating several bad conditions in shops, even though it is in their own interest."

The bureau stated that "contract construction, in contrast to manufacturing, has had a generally declining trend in the injury frequency rate . . . since 1959, when the rate was 32.1." In 1967 the frequency of injury dropped to 26.7 injuries per million em-

Continued on page 34

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Pros say no change in liability for stockbroker after court ruling

NEW YORK—Stock brokers and insurance experts see no significant changes in customer evaluation procedures or liability risks resulting from the Supreme Court's upholding last week of an appeals court decision in a suit against Merrill Lynch Pierce Fenner & Smith. The broker's liability policy, written by Fireman's Fund, would presumably cover the award.

A suit brought by the bankruptcy trustee for Dobich Securities Corp. against Merrill Lynch alleged that \$465,500 in losses were incurred through stock transactions with Merrill Lynch resulting in bankruptcy proceedings.

The suit claims that the brokerage company was aware of Dobich's financial instability and that when opening cash and margin accounts with the company it did not obtain Dobich Securities' financial statements or bank references. The trustee charged that Merrill Lynch violated rule 405, the "know your customer" big board regulation.

MERRIL LYNCH had asked for a summary judgment in its favor in the case, claiming that legal basis for the suit was nonexistent. In denying the motion the appeals court held that rule 405 was legally binding because big board rules are made in accord-

ance with provisions of the securities exchange act. The Supreme Court declined to hear the case, sending it back to a Federal court for trial.

The secretary of a large brokerage house here stated that this case has no significant bearing on either the application of rule 405 of the big board or its effect on internal controls of customers' suitability. It's "obvious," he said, that everyone can disagree as to what constitutes the suitability of a customer.

He explained that the question of exercising "due diligence" in ascertaining a client's financial stability has been raised several times as a regulatory matter by

the SEC. However, there have been few civil cases involving it. The major criterion is that a security is suitable at the time a broker recommends it, he said. "Anything can happen to a client after that."

When a broker is handling over a million different accounts, the stock expert declared, it's possible that such a mistake could be made. "In general, we are very careful about such matters, however," he said, "and I don't think that any one case like this would have any effect on our evaluation procedures."

A source at Fireman's Fund explained that the failure of the insured to act in such a matter was covered under the broker's liability policy. This policy is usually issued in conjunction with the broker's blanket bond and together they cover the liability of a brokerage house. "We are very conscious of rule 405,

the know your customer rule in question," he said.

An insurance company has no way to enforce it and can only react after a violation has been committed, the source said. Such measures would include an admonition of the insured to be more careful in his evaluation of a customer; in a more serious case perhaps the resignation of the employee responsible might be asked for. If there were repeated violations, of course, the insurance company would drop the account. "I don't think that this one case is very significant by itself, however," he concluded.

Communists adopt capitalistic incentives

MOSCOW—Employee profit sharing and incentive pay plans, synonymous with capitalism, are currently being incorporated into Soviet Union industry in an attempt to spur production and help alleviate labor shortages.

The Communist leadership ordered managers of Soviet industry to revamp their personnel policies to include these capitalistic schemes.

The decree further granted plant managers more discretion in production methods and empowered them to fire employes or award incentive raises and shares of the profits.

THE DECISION came after a successful experiment started in 1966 in about 30 major Soviet Union enterprises. According to an announcement by the Central Committee of the Communist Party, the Shchokino Chemical Plant increased its productivity by 87% in the past year while reducing its labor force by 870 persons—the result of incentives for employes.

The decree from the committee cited the chemical plant as the basis for the nation-wide reform.

Prior to the committee's decision emphasis was on volume and sometimes the government's controls over factories resulted in production of unmarketable products. This also led to managers concealing reserves of machinery and materials to insure that they could fulfill quotas.

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Olin cancels insurance of strikers

NEW HAVEN—Insurance coverage for some 3,000 employes of the Olin Corp. has been cut off 3 months after start of a strike.

An Olin spokesman commented: "The condition of our business has reached a point where the company can no longer carry the expense of the insurance."

A union spokesman said that although no official word had been received from Connecticut Blue Cross that the coverage had been discontinued, it was probable that Victory Lodge 609 IAM (International Assn. of Machinists) would assume coverage, at least for those continuing picket duty.

Ended as of Oct. 1 were Olin-paid life, hospitalization and surgical insurance of striking IAM members.

Insurance discontinuance came as negotiations between labor and management broke off.

Chamber backs safety, jobless bills but suggests several changes in both

WASHINGTON—The Chamber of Commerce of the U. S. said it backs—with certain modifications—two of the Nixon Administration's key pieces of legislation.

The chamber endorsed the Administration's occupational health and safety bill, and it supported President Nixon's overall objective to strengthen state unemployment compensation programs.

However, the chamber wanted eight changes made in the safety bill and plugged for establishing a different setup to pay the cost of extended benefits during periods of high unemployment.

IN TESTIMONY prepared for a House labor subcommittee, J. Sharp Queener, safety director at Du Pont Co., boosted the "division of responsibility" contained in the Administration bill between a national occupational safety and health board, the Secretary of Labor and the courts.

But he said that national standards should be used only as guides, not as "inflexible rules." He added that state compliance with national standards shouldn't be the controlling factor in determining whether the state has a sound safety program—education and safety training programs should also be a consideration.

Mr. Queener also contended the

safety bill should provide that the courts, and not the Secretary of Labor, determine whether there is reasonable cause to issue an injunction against an alleged job safety violation.

HE ASKED THAT manufacturers be given 60 days instead of the 30 days mentioned in the bill for filing a petition asking for a review of a court order. Mr. Queener further suggested that

prosecution for violations be limited to current offenses.

Russell L. Hibbard, director of unemployment and workmen's compensation at General Motors Corp., carried the ball for the chamber on the unemployment bill.

As proposed in the measure, the Federal taxable wage base would be increased from the current \$3,000 to \$4,800 in 1972, and to \$6,000 in 1974. The Federal

unemployment tax rate of 0.4% would not be increased.

MR. HIBBARD said an increase in the Federal unemployment tax rate would be a more equitable way to finance extended unemployment benefits during times of high joblessness because such a method would produce "a more even and rational distribution of the increased tax burden on employers."

Raising the Federal taxable wage base would force the individual states to increase the amount of payroll that is taxed for unemployment compensation "whether they need or want to do so," Mr. Hibbard told the House

ways and means committee.

Average state unemployment tax rates already range from twice to five to six times the Federal unemployment tax rate, he added.

Mr. Hibbard urged Congress to establish a permanent Federal-state program that will pay extra weeks of unemployment whenever the level of unemployment dipped because of an economic recession.

He also suggested that individual states be allowed to extend unemployment tax coverage as rapidly as feasible to very small employers and to other occupations presently excluded from unemployment compensation programs.

USWA gets 30% hike in pensions

PITTSBURGH—Members of the United Steel Workers of America got a 30% increase in pension benefits as part of a wage and benefits package that went into effect for 400,000 workers.

The new round of benefits starts the second year of the three-year agreement negotiated in 1968 by the USWA with 11 major steel firms.

Other benefits went into effect a year ago and on Jan. 1, 1969. Additional improvements are scheduled for Aug. 1, 1970.

According to I. W. Abel, USWA president, the contract provisions are "part of the largest and best settlement ever negotiated by the union with the industry" and will "provide our basic members with some of the outstanding contract provisions" in the U.S.

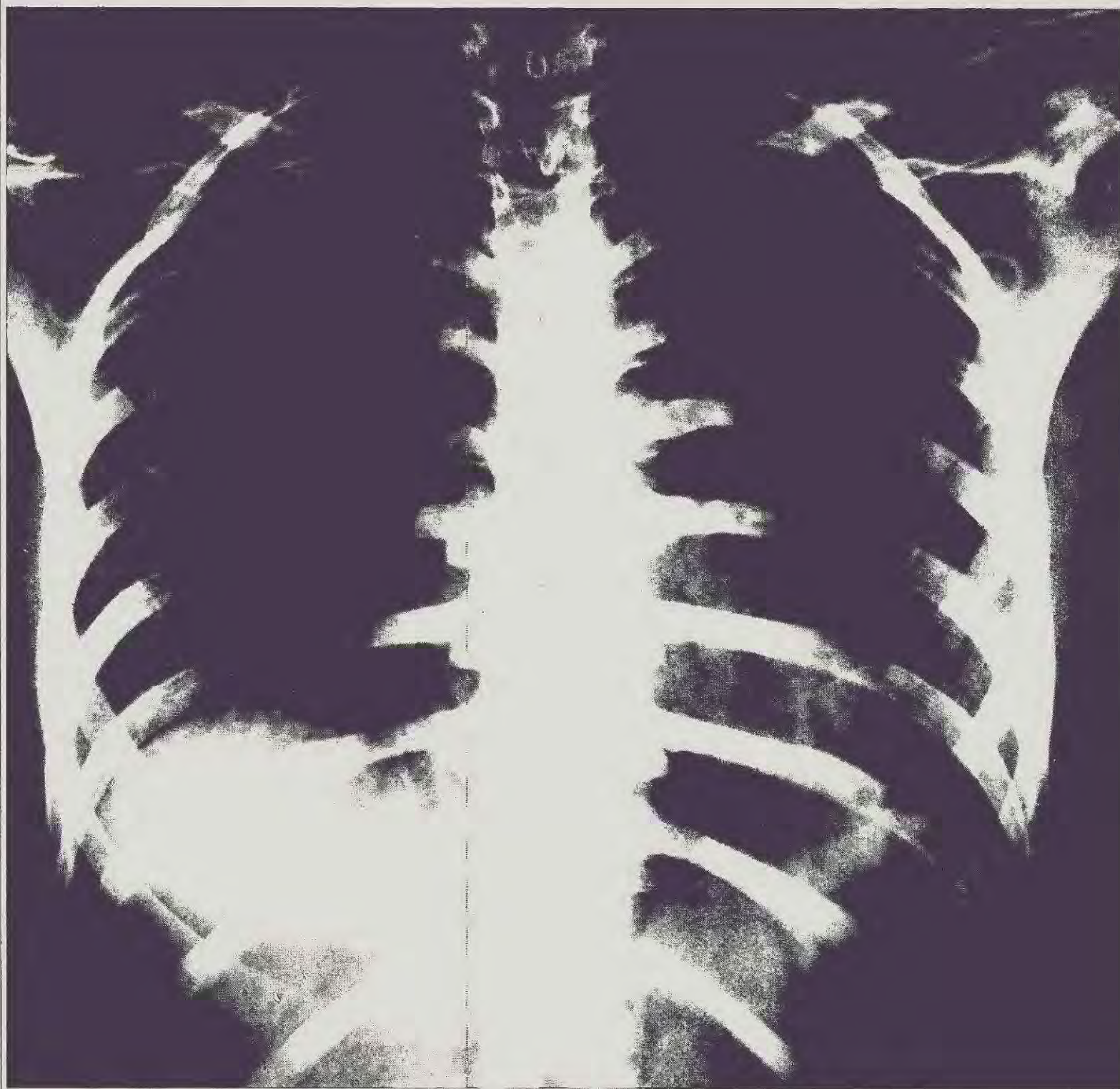
Mr. Abel said the contract provides a pension for a surviving spouse of all USWA members covered by the 1968 settlement.

The pension rise is from the previous \$5 a month per year of service to \$6.50. The new minimum pension for those retiring with 35 years of service is \$227.50 a month, plus Social Security benefits.

Blue Cross hikes rates in California

SAN FRANCISCO—A 25% rate increase for 35,000 Northern California subscribers has been announced here by Blue Cross.

The jump will not affect the majority of the 1,200,000 subscribers who buy their insurance through group plans, according to Blue Cross. Spokesmen said the increase was needed because of mounting hospital costs and increased use of benefits by subscribers.



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Employers awaiting draft on group auto insurance?

NEW YORK—Group auto insurance is the "pattern of the future," a brokerage vp told several hundred employe benefits people here recently.

Lawrence L. Kosnett, an assistant vp of Johnson and Higgins, spoke before the 23rd annual Conference Council on Employe Benefits.

Group auto is one of the most controversial subjects in the insurance industry today, he said, noting that agency associations are "up in arms" over the seeming threat to their industry.

But, he added, "union pressures have started the group auto insurance trend" and the trend is bound to continue.

THE REAL reason for the increased interest in group auto, the vp told the audience, is consumer demand. "Present auto insurance distribution leaves a lot to be desired." He mentioned current no-fault legislation as illustrative of the current problems in auto insurance and said that "it may or may not come, but if it does it will very easily lend itself to the group auto insurance concept."

Saying that one of the problems stalling the concept at the moment is the fact that auto insurance does not easily lend itself to group underwriting methods, he explained that this is not an insurmountable obstacle and one which should be overcome by the use of computers.

Mr. Kosnett, a rather flamboyant salesman for group auto, said that Johnson & Higgins offers such a plan to its employes and that he, personally, is much relieved to have his auto insurance bill deducted from his pay on a biweekly basis. Although there is no general rate advantage in most plans currently being written, he said "rate advantages are on the way. We don't talk about them yet," he noted.

Johnson & Higgins, the assistant vp told the group, has written group auto insurance plans for a number of companies.

However, he noted, some major objections to such plans are still being encountered from employers.

"VOLUNTARY plans, employ-

ers feel, have a habit of becoming involuntary and we can't quarrel with this argument," Mr. Kosnett said, adding that such plans will also involve a certain amount of time consumption on the part of employers. "You are going to get involved," he declared. "The first time someone has a problem or a claim he's not going to call the insurer or broker. He's going to call you, the benefits manager, and you're going to have to get involved."

Another objection from employers, he noted, is that some of them see group auto insurance as the forerunner of a full range of financial services—including group homeowners insurance—which they are unwilling to com-

Most quake damages under deductibles

SAN FRANCISCO—The two earthquakes which recently caused damage in excess of \$5 million at Santa Rosa have resulted, to date, in about 25 claims against insurance policies, according to the General Adjustment Bureau. In most instances in which owners of property damaged by the quakes held insurance the damages did not exceed the deductible.

mi: themselves to at the moment.

Why, he asked, are some companies moving slowly in their approach to group auto?

"Most of us are waiting to be drafted instead of enlisting, I guess. We're waiting to see what happens." ■

Odd-ball covers told

SAN FRANCISCO—Insurance companies, on occasion, have been asked to insure some most unusual risks. Fireman's Fund American Insurance Cos. here has just completed prowling through its files and has found a number of such "odd-ball policies"

Included have been risks covering the mortal remains of a Cheyenne Indian Chief, a desert camel race, the Duke of Paducah's high-button shoes, a flying saucer and the Loch Ness Monster.

The company became a monster-insurer by virtue of writing a policy on a motion picture in which the beast plays a bit part, "The Private Life of Sherlock Holmes" by Mirish Productions for release through United Artists for which the company writes blanket coverage.

IN THE MOVIE, one episode,

filmed on location at Loch Ness in Northern Scotland, has the famed detective match wits with the resident monster

Writer-producer-director Billy Wilder figured that if DeMille could part the waters of the Red Sea, he should have no trouble getting one monster to surface on cue. He built a mechanical stand-in that would be ornery on command.

The stand in apparently was infected by all the Loch Ness monster lore and sank to the bottom of the loch.

Now Fireman's Fund, which has prop coverage along with cast, extra expense, equipment and negative film insurance on the project, has people over in Scotland searching the bottom of the loch to find the mechanical monster. ■



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Suit filed over crib accident

STAMFORD, Conn.—A \$2 million suit has been filed in superior court here in connection with injuries allegedly suffered by a child in his crib.

Joseph Fink claims that Jiffy Products Inc., of New Jersey, manufacturer of the Jiffy Safe-T Crib Rail; the K & K Supply Co. of New York, distributor of the product; and Caldor, Inc., the retailer, are responsible for the brain damage suffered by the baby Joseph Craig.

The child got his head caught in the rail last Dec. 20 when he was 18 months old, according to the court action.

Brain damage, which resulted in blindness, was caused by the cut-off of oxygen to the brain, the suit contends.

Mr. Fink said that the rail—which is used to raise the height of the crib sides—was purchased by his wife, Margaret, at the Caldor Greenwich store on Dec. 12, 1968. ■

following the funds

Financial execs don't see funds becoming 'a new power structure'

NEW YORK—An employee benefits committee of the Financial Executives Institute has taken up the question of whether or not pension funds and other institutional investors constitute "a new power structure adverse to the best interests of the country."

The conclusion, which won't come as much of a surprise to anyone, is that they don't. "It appears highly unlikely," stated the group's report, "that the increased institutional share of the market has impaired the free market mechanism by leading to un-

due intervention by these investors in the management of corporations."

Several factors support this view, the report said. "Trustees compete between themselves so as to offer superior investment performance. A wide range of investment choices exists from which trustees may choose securities for fund investment. Fund holdings in any stock can usually be disposed of without difficulty.

"IN LIGHT OF these practices, it is reasonable to believe that the

investment of assets of retirement plans are being handled and reviewed today in a sophisticated and careful manner. Each fund trustee is responsible for producing the optimum long-range investment result since only a slight increase in the rate of return produces a marked effect on overall costs of a pension program. The increasingly careful measurement of investment results has heightened the trustee's awareness of this duty," the group stated.

Money men can put indirect pressure on corporate manage-

ment via a couple of routes, according to the report. "One, followed by some fund trustees, is to review policy decisions with corporate management. The other alternative, the more usual pattern of behavior, is to dispose of his fund's holdings in the company in question."

The group said that this investment decision "puts indirect pressure on corporate management by tending to depress the price of the company's stock."

THE GROUP—whose chairman was Oliver W. Tuthill, vp and comptroller of Illinois Bell Telephone Co.—also concluded that a pension manager's first responsibility should not necessarily be to encourage capital investment in "projects of high social utility," such as low-cost housing, pollution control or human resources control.

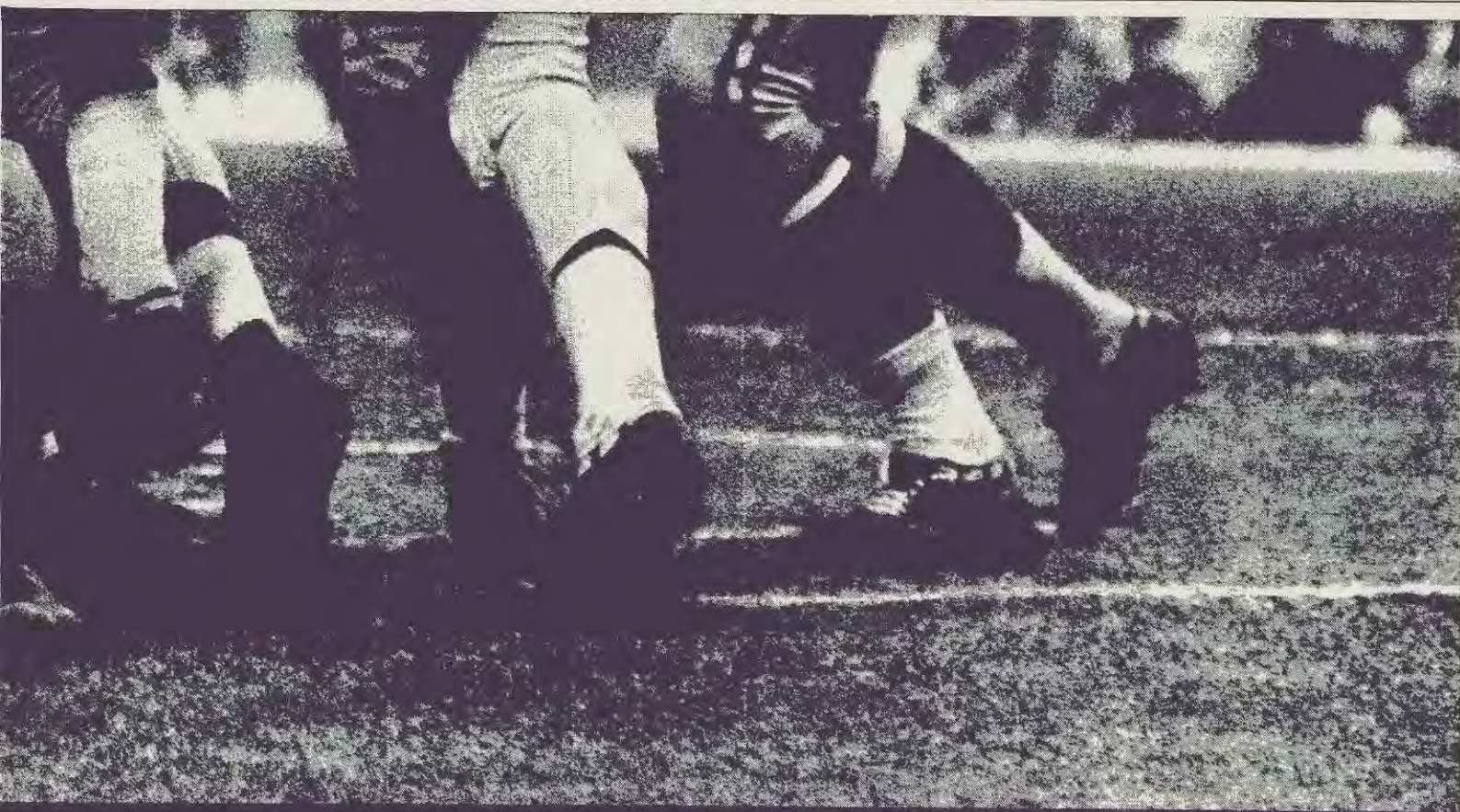
Trustees, the report said, "must

give first priority to their fiduciary duties to the beneficiaries of the retirement trust and must invest on the basis of probable risk undertaken and prospective returns to be received.

"If these social utility projects are made attractive from an investment standpoint, there will be a flow of capital from retirement funds into this area of the economy."

THE REPORT concluded that legislation covering vesting, portability, funding and reinsurance "appears unnecessary and would be detrimental to the operation and growth of private plans."

The report urged that the three sources of retirement income—individual savings, group retirement plans and Social Security—"be retained to meet those retirement income needs that each can best serve." The committee, however, was opposed to funding Social Security out of general tax revenues.



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Bank is sued for alleged act of fraud

TOLEDO—Progress National Bank here is being sued for \$150,000 in U. S. district court by a Philadelphia bank that claims Progress officials used "misleading and fraudulent representation" in a 1968 transaction between the two institutions.

Lincoln National Bank charges that alleged actions by Progress violated the Securities Act of 1933 and the Securities Exchange Act of 1934.

The Philadelphia bank said that on Jan. 26 of last year Progress "represented and confirmed" that two customers, Nat and Ronald Margolin, had lines of credit totaling \$75,000 each. On the basis of this, Lincoln contends it advanced the Margolins \$75,000 each to repay obligations to Progress under the credit lines.

Lincoln National claims it later asked Progress National to renew the lines of credit as allegedly agreed upon.

The court action says that Progress has refused to renew the credit of the two, and that this breaches the agreement between the banks. Lincoln seeks \$150,000 damages.

File damage suit in merger of 2 insurers

DALLAS—Three Dallas men have filed a \$3.74 million damage suit asserting that an officer of a Fort Worth Insurance Co. diverted its corporate assets to his own benefit in a merger with a Dallas insurance firm.

Named as defendants were United Fidelity Life Insurance Co. of Dallas, National Educators Life Insurance of Fort Worth, George V. Wimbish, former executive of the Fort Worth firm, and the 13 directors of the same company.

According to the plaintiffs, Mr. Wimbish sold his 91,930 shares (28% of National Educator Life's outstanding shares and the controlling interest) for "excessive amounts"—much more than the other shareholders received when their shares were converted into United Fidelity Life. The plaintiffs allege this was done with the full knowledge of the 13 directors of the firm.

The suit asks \$2.64 million in damages from all defendants, and \$1.5 million in punitive damages from George Wimbish and United Fidelity.

Court action threatens over disclosure of auto insurers' investment profits

By ALLEN M. WIDEM

BOSTON—A verbal battle—laced with reciprocal threats of court action—has broken out between the auto insurance industry and a group of ten Massachusetts legislators.

The Bay State lawmakers, led by Rep. Alan D. Sisitsky, Springfield Democrat, began the battle, said to be shaping up as the key issue of the upcoming 1970 state legislative session.

The ten men have demanded that state insurance commissioner C. Eugene Farnam require auto insurance companies to disclose investment profits from unearned premiums and loss ac-

counts at a rate-setting hearing some time in November.

MR. SISITSKY promises: "If Commissioner Farnam does not act, then we will act ourselves by introducing legislation in the house of representatives to require that these two items of investment income be included."

He added that the legislative group would also probably file court action to force the companies to disclose investment income at rate-setting hearings—and the suit would be fought at their own expense.

From Joseph P. Hegarty Jr., New England counsel and manager for the American Mutual

Insurance Alliance, representing more than 120 mutual insurance firms, came talk of a counter-threat of court action.

He asserted that if the companies are "forced" to report investment income in rate setting, "we are within our rights to seek a 5% profit on all auto insurance."

MR. HEGARTY added that at present, the companies are permitted only a 1% profit, in rate setting, on compulsory auto coverage.

And if the companies can't get 5% profit on all automobile-written coverage—including compulsory—"then we're going to

court," he insisted.

The lawmakers, according to Mr. Hegarty, "should talk straight—not out of both sides of their mouths. . . . We're perfectly willing to put this issue right on the table." He commented that the state insurance department is "fully aware" of the profits and lack of profits chalked up by the insurance companies.

ACCOUNTING procedures employed by the auto insurance firms doing business in Massachusetts, he said, are prescribed by the state legislature.

But Mr. Sisitsky remarked the companies are setting forth "deceptive" reports of annual income. He attributed the practice to skyrocketing costs of automobile liability insurance.

It is the contention of the aroused ten that the insurance company profits on "unearned premium reserve" and "loss re-

serve" are profits earned on money held in reserve for policyholders and should be reflected in lower rates.

("Unearned premium reserve" results when a company receives a full year's premium payment, then invests the money until it is legally earned by the company on a monthly basis. "Loss reserve" is money set aside by an insurer when a claim is made but before a settlement is actually paid.)

REP. JOHN W. Olver, Amherst Democrat, has come up with a "ballpark estate" that firms doing business in Massachusetts had not reported some \$20 to \$25 million a year in investment profits which could have affected rates.

William T. Gully, chairman of the Insurance Information Institute's New England advisory committee, contended that industry accounting procedures "have been prescribed by the legislature in Massachusetts and the companies have lived up to them to the letter."

He said that investment income from loss reserve and unearned premium reserve amounts to about \$1.50 for every \$100 of premium. Mr. Gully also cited an Arthur D. Little Inc. (Cambridge) study, indicating that profits of the entire property-liability insurance industry over a 13-year period averaged only 3.6%, lowest of 55 industries measured. The Little study was commissioned by the insurance industry.

The industry, Mr. Gully said, welcomes an "objective" investigation, but he accuses the lawmakers of acting in an "accusatory" fashion.

Mr. Sisitsky commented that New Jersey and Virginia have both required insurance companies to include the two categories of reserve investment income in calculating premium rates, over "considerable" resistance of the firms concerned.

Berkeley's cabs back on the road

BERKELEY, Cal.—This college city's unusual "taxi co-op" recently forced out of business by cancellation of its insurance policy, has found another carrier and the cabs are rolling again.

Robert Owen, 27-year-old president of Taxi Unlimited, said the "commune" had found an insurance carrier willing to issue it a policy after being turned down by nearly 400 agents and insurance firms.

The insurance company that had cancelled the policy after the now famed People's Park troubles, forced the taxi firm to stop operating on Aug. 22.

THE POLICY reportedly was cancelled because the company cabs were used to transport people injured in the street fighting to medical aid stations. Spokesmen for the carrier, however, denied this and claimed the cancellation was because the fleet of cabs "is old and not safe."

The new carrier insisted that the co-op agree to have no drivers under the age of 25 and not to re-hire several drivers who had "bad traffic records."

Business, Mr. Owen said, is 50 percent under what it was before the cancellation.

"This means," he said, "that our workers are now making only about 50¢ an hour, half what they made before."

The insurance cost jumped from \$4,500 a year to nearly \$6,000 a year with the new policy, according to Mr. Owen.

Back-to-back 8000 foot line drives will send southern Californians to the showers.

It's a brand new ball game as far as southern California's water shortage problems are concerned. By 1971 water from the northern mountains will flow to thirsty areas of the south via the 400 mile State Water Project.

Near Bakersfield the project will cross the Tehachapi mountains. Here, 1,500,000 gallons of water per minute will be pumped over the mountains through twin steel-lined tunnels 8000 feet long. The vertical rise is 1,926 feet making this the highest pump-lift in the United States.

Perini Corporation is field manager for the construction of the tunnels in a joint venture with two other firms. Perini, headquartered in Framingham, Mass., has been in the construction industry for over fifty years and is no rookie when it comes to tunneling. However, ground rules for the Tehachapi project, begun in 1967, result in men and drilling equipment tunneling on slopes of 55°. From the start it was a real test of engineering skill and strict safety control.

A change in the lineup occurred when Perini called on the prominent insurance brokerage firm of Miller & Ames - Corroon & Black of San Francisco. Engineering problems on the project required a change in their workmen's compensation program. They needed a comp carrier that specialized in heavy construction. Henry Trainor of Miller & Ames - Corroon & Black recommended the services of Argonaut Insurance Company.

Argonaut developed a policy especially suited to the project. They also arranged for a continuing, non-destructive testing program of all rigging, hoists, and other elements subject to metal fatigue.

The strategy paid off for Perini and the joint venture companies. As Al Perini, executive vice president for Perini Corporation's western operations, points out, "I've been very pleased with Argonaut's progressive approach in engineering a safe project. Their suggestions and cooperation with our own safety engineer have gone a long way in helping us establish an excellent safety record on a very tough job. Selecting Argonaut was definitely the right move."

Coming up with the winning combination of workmen's compensation coverage and safety engineering know-how isn't luck. It's skill. The kind of skill that comes from specializing in large-sized risks, and from working closely with producers and the industries they serve. If that's the kind of skill your comp clients are looking for, take the Argonaut approach. Call us today.



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Mine safety bill to have black lung comp feature

WASHINGTON—Congress is certain now to present the President with a coal mine safety bill containing a provision providing for minimum monthly compensation for miners disabled by black lung (pneumoconiosis), amid protests that such a provision has serious implications for the current system of state-Federal workmen's compensation.

The Senate recently passed a coal mine safety bill with a black lung compensation provision and the House education and labor committee just reported out a bill containing a similar provision.

The House committee report on the bill stressed that the proposed program is "clearly not intended to establish Federal prerogative of precedent in the area of payments for the death, injury, or illness of workers."

IT "IS NOT a workmen's compensation plan" and "is not intended to be so," it said. It is only a "limited response in the form of emergency assistance to the miners who suffer from, and the widows of those who have died with complicated pneumoconiosis."

But, nine of the 35 committee members see it a different way and raise serious questions about the impact of the bill in other industries.

"Why coal mining," the dis-

Embezzled insurance plan funds

DALLAS—A former executive of the Retail Furniture Assn. of Texas Inc. has been sentenced to 3 months in prison for embezzlement of \$7,800 in insurance plan funds.

Plasco G. Moore, former executive vp of the association, has appealed the decision handed down by U.S. Dist. Judge Sarah T. Hughes.

Mr. Moore was charged with embezzling money belonging to the trustees insurance fund of the association. The fund was an employe welfare benefit plan established and maintained by the association, which was then an employer.

The vp had been indicted by a Federal grand jury on charges of embezzling on 10 occasions between Jan., 1965, and Aug., 1966. His appeal will be heard by the 5th circuit court of U.S. appeals. ■

Rat watcher can't collect on sewer fall

ALBANY, N. Y.—A man who went to an open sewer trench to watch rats and fell in cannot collect damages from the construction company that dug the excavation, the appellate division of state supreme court ruled.

The accident to Donald W. Rutherford happened in the street in front of his home. Mr. Rutherford sued the N&R Equipment Corp. for damages.

"The evidence indicated that the accident happened at night when Mr. Rutherford stepped from the curb to observe rats in the sewer trench," said the court. It decided that since there was no evidence he was there on business or had been invited by the company, the company would not have to pay for his injuries. ■

senting members of the committee ask, "and not building construction and high-risk factory jobs? Beryllium, for example, is a highly toxic metal which was used in the manufacture of fluorescent light bulbs until chronic beryllium poisoning was recognized as a health hazard to workers, just as we have recently found complicated coal miners pneumoconiosis to be.

"Again there are three and one-half million American workers exposed to asbestos in their jobs. They face a dual threat—asbestosis, a serious respiratory ailment, and lung cancer. Half of the men who had worked in the trade had x-ray evidence of asbestosis. There are other industries whose workers run an extremely high risk of respiratory

disease. Uranium miners and workers, other than coal miners, are exposed to silica dust in their handling of rocks, soils, sands and clay.

"WE ARE discovering that our hundreds of thousands of textile workers are susceptible to byssinosis. Talc, Diatomite, carborundum, sugarcane fiber, even dust from moldy silage can, and often do cause lung damage to those who work with these materials. Yet the committee bill deals solely with coal-dust pneumoconiosis when it comes to providing Federal disability compensation."

In addition to discriminating between industries, the provision is discriminatory within the coal mine industry because of the difference in compensation between

a miner totally disabled from black lung and one disabled by an accident, the dissenters hold.

"Thus," they continue, "we fear that not only does this provision in the bill threaten the demise of the state system of workmen's compensation, but it promises to replace that system with one which perverts the essential concepts on which sound workmen's compensation programs are all based."

The dissenters also feel that "Federalizing a segment of workmen's compensation in the coal mine industry is . . . premature." There is a labor department commissioned study soon to be completed by Professor Herbert Denenberg of the University of Pennsylvania concerning the relation between long-delayed oc-

cupational diseases and workmen's compensation laws, they point out. Pneumoconiosis falls within the ambit of that study and therefore special legislation before that study would be unwise, they continue.

"IN ANY EVENT, we suggest the desirability of the creation of a national commission consisting of experts representing the major groups involved in workmen's compensation," six of the dissenters said. "This commission could develop alternatives which the Federal government could use to aid the states in improving their compensation programs. Until all possibly superior alternatives are explored, Congress should refrain from entering the field of workmen's compensation." ■

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British insurers told to follow underwriting ways of U.S. carriers

LONDON—Expense-ratio successes by American insurance firms have been acclaimed as an example to the rest of the insurance world by F. E. P. Sandilands, head of the Insurance Institute of London, in his presidential address for 1970.

Mr. Sandilands, who is vitally concerned with extensive U. S. interests as vice-chairman and chief general manager of the big Commercial Union group in London, said:

"In the coming decade we will be wise to base our underwriting practices on the assumption that inflation is going to remain a force very much to be reckoned with.

"THIS MEANS that rates of

premium have got to allow for it through the inclusion of a generous trend factor.

"Unless business is written with the welfare and future prosperity of reinsurers closely in mind, the place of London as the insurance center of the world must be seriously jeopardized.

"Claim ratios are rising, and in the U. S. companies have had to get used to ratios of around 70%. As a result they have made more progress than we in reducing their expense ratios to less than 30% in the case of larger offices, and not much over this for medium-sized ones.

"We in Britain have much to learn from them in the economic running of our business. I suggest

that a target of 30% of fire, accident and marine premiums written world-wide for our commission and expenses combined is not unreasonable. Ever at this level underwriting profit margins will be slender enough."

HE SUGGESTED that the three-year marine accounting system was out of date, and should be put on an annual basis. Indeed, it was worth considering whether the fire, accident and marine business should be combined in a single short-term revenue account.

Profit margins in the U. S. had been very slender or non-existent so that in the last few years American companies have de-

veloped an almost open attitude that underwriting losses did not really matter as long as the value of their investment portfolios, and the income derived from them continued to grow, Mr. Sandilands opined.

Nemesis appearing in the U. S. are the holding company, the conglomerate and more recently the "congeneric." Non-insurance interests are acquired by insurance companies at a cost well below their true value, and there are three outstanding examples where this had led to large transfers of assets from the insurance companies concerned into the parent holding companies.

It had been calculated that these three transfers alone had reduced the capacity of the American insurance market by no less than one billion dollars.

Mr. Sandilands told his London

audience: "Let us learn from what has happened in the U. S., as it could happen here too. But there is no reason why it should, because outside the U. S. we continue to enjoy almost everywhere, including the U. K., a very wide measure of freedom to underwrite and to charge economic rates of premium, which is largely denied to our friends in America."

The capacity problem, he said, had to be solved by setting rates of premiums which not only met year-to-year needs, but would erable the market to build up the substantial reserves that modern industrial processes and ever-increasing exposures demanded. This would call for fresh risk capital, which would not be attracted unless there was a reasonable and growing return from it.

Sprinkler maker buys cover for excessive rain

MOONACHIE, N. J.—When a lawn sprinkler manufacturer here tells jobbers and dealers that it won't rain excessively on their parade of profits when they stock the company's garden tools and accessories, the firm means it.

Melnor Industries, a sprinkler and other garden tool manufacturer, has purchased "a multi-million dollar insurance policy to guarantee the profits of all jobbers and dealers against excessive rainfall."

The weather policy, not at all ironically, was written by Good Weather Inc., weather insurance managers for the American Home Assurance Co.

ALTHOUGH HENRY L. Fox, president of Good Weather, would say only that the policy was "in excess of \$1 million," a spokesman for Melnor later revealed the cover was in the amount of \$2.9 million.

Good Weather specializes in such coverages and in fact recently wrote a policy for the infamous and rain-drenched Wood-

stock Music and Art Fair in Bethel, N. Y.

"No, we didn't have to pay off on that one," a spokesman for Good Weather told *Business Insurance*. "It did not start raining during the insured hours specified in the policy."

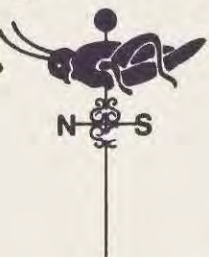
The coverage written for Melnor is a little different from most other forms Good Weather has written to date. (The company has drawn up covers for at least five major league baseball clubs that took out rain insurance on some selected home games this season, in addition to the more routine policies written for outdoor concerts, theaters and films that insure location shooting.)

Melnor spokesmen said dealers and jobbers will be protected by a common formula to determine when excessive rain might have cut into their profits.

"We will take the average rainfall in an area for a period of, say, 25 years and add one-third to that. Anything above that figure will be considered excessive," a Melnor source said.

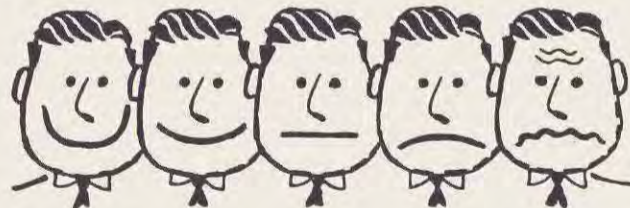


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Travelers asks court: Overrule Cotter order

HARTFORD—The Travelers Insurance Cos. has asked the state superior court to overrule state insurance commissioner William R. Cotter's order banning sales of group automobile and fire insurance plans.

Premium savings of 10% to 15% are estimated under insurance plans sold to groups of factory workers, labor unions and others, but Mr. Cotter said that he was obliged by a new Connecticut law to ban such plans.

In a document filed Oct. 23, Phoenix Insurance Co., a Travelers subsidiary, argued that the state law is faulty, and that the Cotter order has no legal foundation.

The insurance firm mounted a major sales campaign across the state when the Cotter ban was issued, citing new public act 823, which prohibits group automobile and fire insurance plans except

in groups of more than 700 when at least 70% of the members participate. (Two-thirds of the million people employed in Connecticut work for companies with less than 700 on their payrolls, which means they could not participate.)

PHOENIX argued: "The ostensible purpose of public act 823 was to make group fire and casualty insurance available to substantial numbers of Connecticut citizens at reduced rates.

"However, the eligibility criteria provided in section 2 (of the act) so limit and restrict such coverage as to vitiate the purpose of said act by rendering it unavailable to any significant num-

ber of Connecticut citizens, which prohibition is arbitrary, discriminatory and creates a special class of persons exclusively entitled to such benefits, and serves no goal of public policy which the state has a right to promote and therefore violates the 14th amendment of the U.S. constitution."

The company said, moreover, that the Cotter ban "has resulted in the loss of a large amount of insurance business with consequent financial losses, which . . . will continue in the future so long as said order is in force, resulting in irreparable injury to Phoenix."

Independent and mutual insurance agents, fearing losses in their own business caused by the increase of group auto and fire coverage, vigorously lobbied for passage of public act 823 during the past state legislative session. ■

Suit opens can of worms for N.Y. town

ALLEGANY, N.Y.—A town of Allegany man has cast his bait for the recovery of \$30,000 for more than 63 miles of worms that he claims were destroyed by an arsonist.

Notices of claims covering this down to earth issue were served by Edward F. Martiny on the village and town of Allegany, the town fire protection district and the village-sponsored Allegany Volunteer Fire Department and Allegany Engine Co.

Digging into the case, attorney James E. Kehoe Jr. was informed by his client that the loss was in connection with the operation of

a commercial farm for the growing of worms and night crawlers.

At 3¢ each, Mr. Martiny estimates the "tremendous heat" generated by a July 8 barn fire on the adjoining Stephen Lippert property destroyed 1 million worms.

FIRE OFFICIALS, Mr. Kehoe explained, set the damaged barn ablaze as a training exercise with apparatus and men standing by. The site is now part of a nearly-complete shopping plaza.

"However, it is contended the firemen negligently, illegally, carelessly and intentionally set fire to the old barn, failing to supervise and properly care for the said fire," the attorney said.

Stating his determination that no potential defendant will be permitted to "squirm out" of the litigation, Mr. Kehoe asserted an expected supreme court action is likely to include other defendants. ■

Six execs appointed by Labor Dept.

WASHINGTON—The Department of Labor has appointed six executives to the Advisory Council on Employee Welfare and Pension Benefit Plans.

The new appointees are Jacob Shienkman, vp and general counsel, Amalgamated Clothing Workers of America, New York; Theodore D. Bower, special assistant to the director of taxes, Sears, Roebuck & Co., Chicago; and John W. McConnell, president of the University of New Hampshire in Durham.

Reappointed for two years are Charles Siegfried, vice chairman of Metropolitan Life Insurance Co., New York; Richard E. Shoemaker, assistant director, department of social security, AFL-CIO, Washington; and for one year, Russell H. Hubbard Jr., management development and employe relations service division, General Electric Co., New York.

The advisory council, made up of 13 members, is required by the Welfare and Pension Plans Disclosure Act, and meets periodically to advise the Secretary of Labor with respect to carrying out his duties under the act. ■

Washington sets up unit on arson

OLYMPIA—Washington State Insurance Commissioner Karl V. Herrmann promised a state-wide campaign against arson, including special laboratories and a flying squad of investigators.

Mr. Herrmann, who is also state fire marshal, termed the lack of protection in the state against arson "a danger and a disgrace."

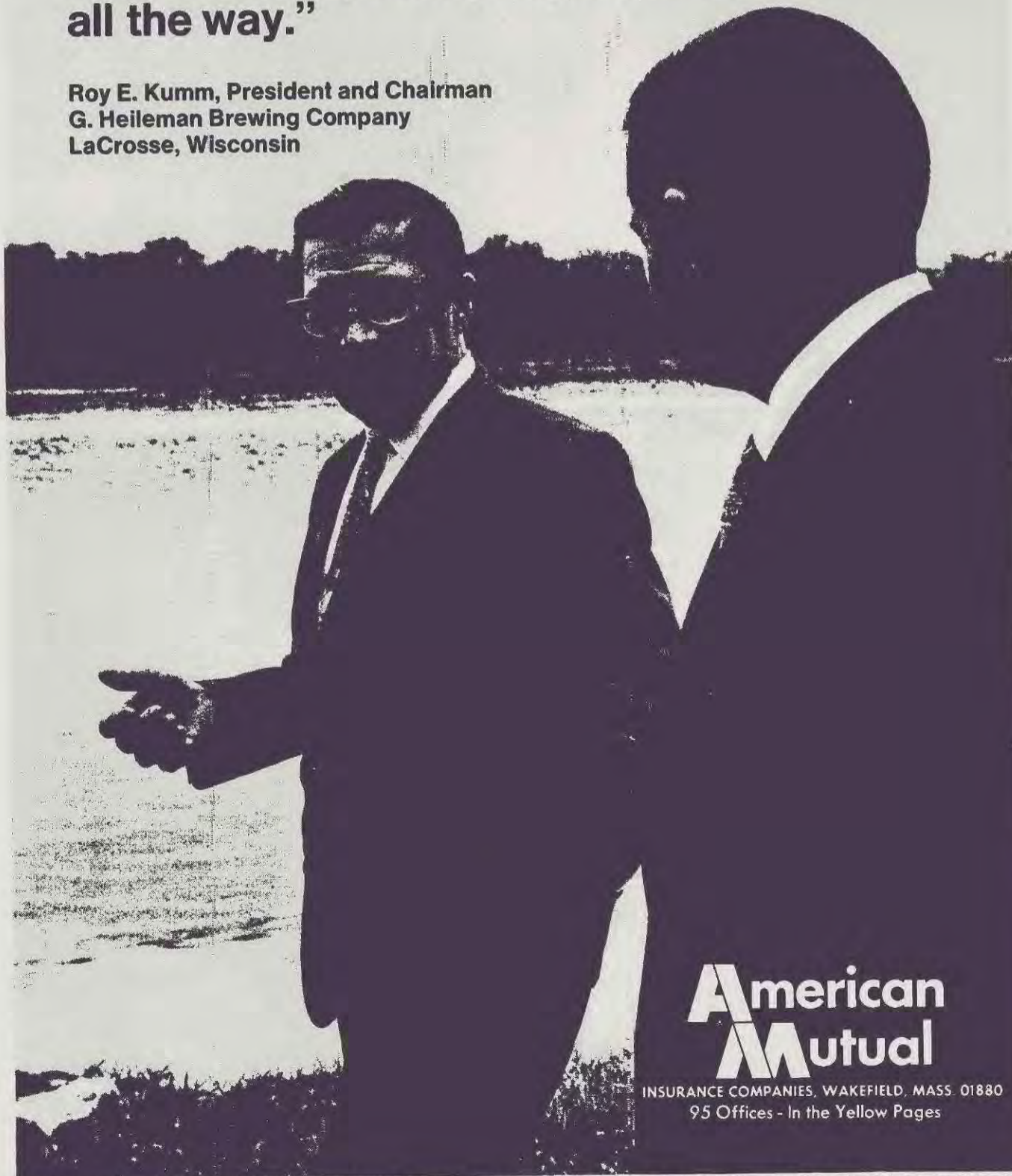
His office last year investigated 138 known cases of arson resulting in losses of \$4.1 million. Only 23 of the cases were solved.

In 1967 he said 107 arson cases were handled by his staff. They resulted in a loss of about \$500,000.

He said he is working with officials of both the University of Washington, Seattle, and Washington State University, Pullman, to establish arson-detection laboratories and facilities at the two institutions. ■

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Westinghouse safety plan dissects basic job steps

By GEORGE LANGWORTH

PITTSBURGH—Faced with alarming rises in fatality and disabling injuries, Westinghouse Electric Corp. has instituted a company-wide job safety analysis program designed to break each job down to its basic steps of operation and examine each stage for all actual and potential safety hazards.

In an interview with *Business Insurance* James Van Namee, administrator of accident prevention for Westinghouse, said that "one out of every three accidents involves an employee who has worked on his job one month or less. In addition there has been a rise in fatal accidents at Westinghouse—in three out of the last

nine years there have been seven or more accidents resulting in death. In 1969, to date, we have had nine fatal injuries."

These figures are part of a nationwide increase in manufacturing fatalities. The National Safety Council reported 14,300 deaths resulting from industrial accidents in 1968, an increase of 800 deaths from the level of 1961. In 1968, there were only 292 more Americans killed in the war in Vietnam than in U.S. industry.

IN ADDITION, the national average of disabling injuries per million employe-hours worked was 14 in 1967—the highest it has been since the Korean War, according to the Department of Labor.

Westinghouse's response to this mounting problem is a three-year training program, which, said Mr. Van Namee, "when fully implemented in a plant and properly utilized on a day-to-day basis by the line supervisor, will bring about a tremendous reduction in our accident rates."

The jobs selected for the job safety analysis program are based on priorities obtained from the injury rate and severity reports which Westinghouse receives from its plants. Mr. Van Namee explained that, "during the first year of the program those jobs which have resulted in the most disabling injuries, newly created jobs, and jobs which have been recently changed are the first which will undergo

safety analysis.

"During the second year of a plant's participation in the program the jobs selected are those which result in the most medical injuries—'doctor cases' we call them. The third year is spent covering all the residual jobs which don't fall into any of the more pressing categories."

THE REASON for the heavy emphasis on a safety training

program is "the high incidence of accidents among both new hires and among newly transferred employees. People don't realize it is a problem but there are a lot of these transfers being made in industrial manufacturing today," said Mr. Van Namee.

Westinghouse is a decentralized corporation, with the individual divisions maintaining administrative control of their plants. This

Continued on page 33

Westinghouse exec backs 5-man U.S. board

PITTSBURGH—James Van Namee, administrator of accident prevention for Westinghouse Electric Corp., thinks the Administrator's proposed five-man safety board would have "much less" actual power than the "safety czar" proposal made by former President Johnson.

In an interview with *Business Insurance*, Mr. Van Namee explained that "the proposed law stipulates that the priority in determining uniform safety standards for the nation's industry would be weighted in favor of their determination by a national consensus method.

"All interests concerned would take part in these standards developed by national consensus programs administered by such organizations as the American National Safety Institute. The board would contribute its own recommendations, but these would not in any way be the final word on the matter," he said.

Mr. Van Namee served as a member of the National Safety Advisory Committee, whose 15 members were comprised of safety representatives from labor, management and the public sector. Howard Pyle, president of the National Safety Council, served as its chairman. Secretary of Labor George Schultz utilized the advice and recommendations of this committee in drafting the safety board proposal.

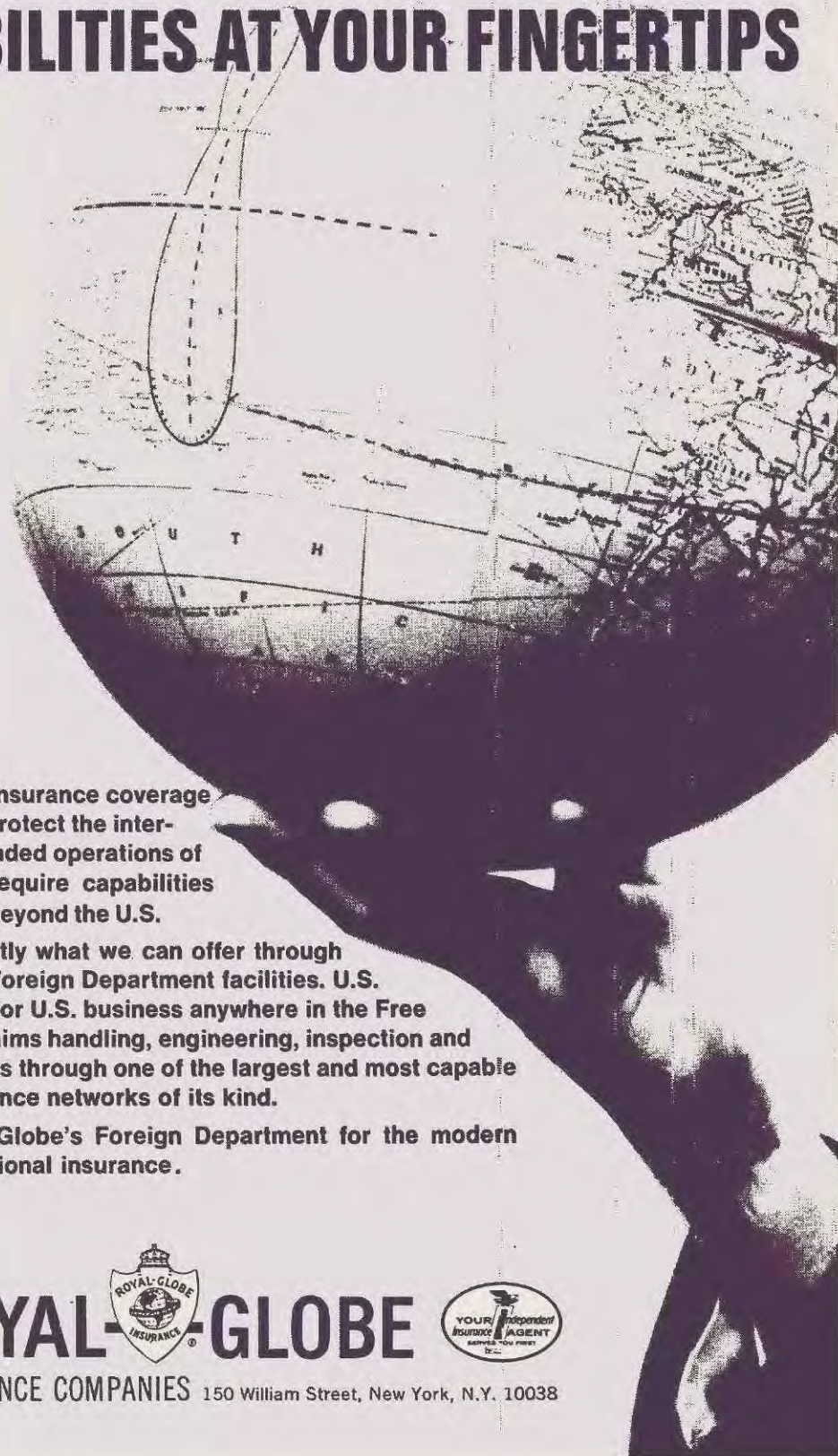
"Some Federal legislation is needed in bringing about uniform safety standards across the nation," Mr. Van Namee declared. "State minimum safety standards range from the very lax to the very stringent. In addition, the smaller companies have not responded as well in raising safety standards as have the larger corporations. Federal legislation in this area would help to correct both of these situations."

Mr. Van Namee replied to the charges of the exorbitant costs of such a board, saying, "As envisioned by the proposal, the five-man board would have a stature comparable to that of the National Labor Relations Board—why shouldn't its budget be justified?"

As *Business Insurance* reported earlier, the proposed total salary of the board would amount to \$194,000 annually. In addition, secretaries, hearing examiners and investigators would be employed. The National Labor Relations Board had an operating budget in fiscal year 1969 of \$34.8 million, according to the Department of Labor.

Mr. Van Namee admitted that uniform national safety standards would only account for a small percentage of injury causes, stating that "it remains a problem of effective safety training programs. Uniform safety standards are still a basic necessity, however," he concluded. ■

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State court defines hit-and-run vehicle

MADISON, Wis.—The Wisconsin supreme court has ruled that an automobile which runs another off the road, without hitting it, is not a hit and run vehicle under the terms of an insurance liability contract.

Justice Nathan S. Heffernan issued the ruling in connection with a \$12,500 damage suit filed in Milwaukee county circuit court

by Mr. and Mrs. Michael Amidzich, Milwaukee, against Charter Oak Fire Insurance Co., Hartford, Conn.

Charter Oak issued an automobile insurance policy to Mrs. Amidzich in 1966, insuring her against bodily injury through the negligence of an uninsured motorist, including the driver of a hit and run vehicle.

Mrs. Amidzich claimed that an unidentified driver ran her off the road June 18, 1966, causing her auto to overturn in a ditch. Both cars were traveling west on Interstate Route 94 between Milwaukee and Madison.

MRS. AMIDZICH sued Charter

Oak for \$10,000 for bodily injuries and her husband sued for \$2,500 for medical bills which he said he paid on his wife's behalf.

The complaint alleged that Charter Oak was liable on grounds that Mrs. Amidzich's car was run off the road by a vehicle which left the scene of an accident without stopping.

Charter Oak's defense that it was liable only in the event of a collision was upheld by Circuit Judge William I. O'Neill on Oct. 28, 1966.

Judge O'Neill ruled that there was a distinction between the Amidzich case and one in which a driver was placed in a position of imminent danger, causing her or her to lose control of the car. ■

Changes name

Western Salvage & Appraisal Co., Minneapolis, has changed its name to M.F. Bank & Co.

Container responsibility may shift, says McDowell

MADISON, Wis.—As the use of containers in international commerce increases, responsibility for the safety of cargoes may shift and include not only carriers but also manufacturers or others who are involved in filling the containers.

"The container," Mr. McDowell commented, "builds a wall around its contents, preventing carriers from knowing how goods have been loaded inside. When a ship's crew on a conventional freighter observes how boxes, crates and bags are stacked in a ship's hold, that crew can be held responsible for the care of the cargo and the seaworthiness of the ship.

"But closed containers," he noted, "frustrate the shipowner's exercise of these responsibilities."

CARRIERS' liability is presently divided into three segments: from inland terminal to seaboard or airport; through maritime or international air transport, and from point of arrival overseas to ultimate destination.

This triple layer of liability for international shipments in which the ocean voyage takes the most time and covers the greatest distance continues to be a problem, Mr. McDowell noted.

The practical solution, he said, is simply that when loss or damage can be assigned to one specific carrier, his particular limit of liability will apply. "But if it cannot be determined which carrier is responsible, the Hague Rules limits will apply," he added. ■

Job steps . . .

Continued from page 32

presents certain problems in implementing such a comprehensive program on a company-wide basis. "All we are empowered to do is recommend policies to the various divisions. Of course, we have other methods: For example, we hold annual two-day spring safety workshops for employees in five different geographical areas. The job safety analysis was first introduced at these workshops in 1968. Each year we enter another phase of the program.

"We have a manufacturing management supervisory training program for the line supervisors. Also one man at each plant is designated the safety program supervisor. He oversees the safety analysis at his plant."

MR. VAN NAMEE said that not all of Westinghouse's 140 plants had begun to participate in the job safety analysis program. He said that the major resistance is among the line supervisors who are in turn supported by their plant managers. The line supervisor has to do the job analysis himself. To him, this presents a tremendous additional workload on his job, and the supervisor is doubtful if the analysis is worth it.

"We are gradually convincing them that this additional workload is justified not only because of the improved safety records accrued but also because the job analysis will result in substantial cost reductions as well as improved efficiency and working conditions."

Once the analysis of a job is completed the record will be used as the text for training personnel for that job. Not only will the supervisor be better able to remove and guard against hazards; with the detailed safety analysis record he will be better equipped to institute correct work procedures. "Once the supervisors realize how valuable this added control is they'll be ready to go along with the job analysis."

Mr. Van Namee expressed optimism for company-wide acceptance of the program, saying that "our results so far are very impressive."

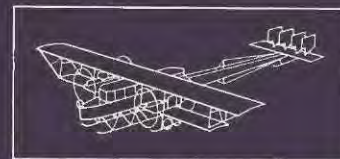
At Astronuclear's Environmental Systems Laboratory where Westinghouse is developing the nuclear reactor for the NERVA nuclear rocket engine, the job safety analysis program is 75% completed. "The astralab has 1,200 employees," said Mr. Van Namee, "they have logged 9.5 million hours on the job since their last accident. You can hardly improve on an injury rate of zero.

"The job safety analysis approach was really originated and developed by an insurance company," said Mr. Van Namee. "While I was with Liberty Mutual during World War II we conceived of and developed the first job safety analysis program for Burlington Industries," he explained. ■

RUSSIA MAY 13, 1913

Igor I. Sikorsky, one of the world's most celebrated aircraft designers, successfully flight-tested his "Le Grand," the world's first four-engined aircraft and the prototype of every four-engined airliner ever built. By June, 1914, an even larger version of this aircraft had carried 16 passengers, remained aloft for over 6 hours, and completed a record 1,600-mile flight with only three stops!

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Injury rate . . .

Continued from page 23
ploye-hours worked from 28.3 in 1965.

THE DIRECTOR of safety for Associated General Contractors of America in Washington, Arthur L. Small, explained that "the construction industry has considerably greater problems than manufacturing. Unlike other industries we have a labor force which is constantly mobile, constantly turning over. We have no control over the environment in which we work; we're at the mercy of the weather."

Mr. Small cited a problem in supervision, saying that "crew foremen sometimes become part of the work crews due to differences in the individual contractual agreements between the contractor and the union. This

causes conflict. The supervisor of each job is considered a permanent part of management, however; he is expected to work out these problems."

Mr. Small explained that AGC was working on a broad front to combat injuries. "The greatest source of injuries in construction is falls from different heights. Not long ago Associated General Contractors in cooperation with the National Safety Council ran a nation-wide campaign on fall control. We feel that training is our best weapon against the injury rate—the better men are at their jobs the safer their working conditions are."

"Our local chapters run a training course on a regular basis for supervisors and apprentices. A large share of the curriculum is instruction in safety practices. To date, 18,000 supervisors across the country have completed this training. We also have a corre-

spondence version of this training course which a thousand superintendents have taken already. We also have a man-on-the-job program in which, through regular tool-box meetings, pamphlets, posters, flags and the like, we attempt to reach the individual workman on the job, both to enhance his skills and decrease his chances of injury."

MR. SMALL believes that "although further automation lends contractors additional control of the safety factors, smaller companies find this economically impractical. By and large, we feel that training, constant and recurrent, is one of the keys to this problem of injury rates."

The oil drilling industry had both the highest industrial injury frequency rate and the highest rise in frequency rate in the nation. The Bureau of Labor Statistics reports that in 1966 there

were 60.7 injuries per million employe hours worked, a figure which rose to 69.1 in 1967.

I. J. Fisher Jr., director of safety for the American Assn. of Oil Well Drilling Contractors in Dallas, explained that "although it's true that our injury frequency rate is in the sixties it is on the decrease. We have a national safety committee which keeps a detailed record of all frequency rates for injury on all oil drilling companies in the U.S. and Canada."

"Our figures indicate there is a declining trend in oil drilling injury rates: for example, in 1965 we show a 3.13% decrease in the injury rate of 1964; in 1966 there was a .47% decrease below the rate for 1965; and in 1967 we had a 3.37% decrease in the injury rate of 1966. Furthermore, the oil drilling industry was one of 22 industries in the country which received the National Safety Council Trade Assn. Safety Award in 1969."

"**PEOPLE ARE** our greatest safety hazard," said Mr. Fisher. "We have a tremendous turnover of personnel due both to the oil rigs moving from one location to another and the general wanderlust of our laborers. They are a restless bunch. We have a supervisory training program, run by William Hartman of the University of Oklahoma, which travels around to the various job locations, holding seminars and instructing superintendents in job safety practices."

"We maintain a safety information library fully equipped with all kinds of training aids that the companies use in their own training programs." Mr. Fisher added that automation helps control the industry's safety problems to some degree but there are areas of the oil drilling process which will probably always be handled manually, such as the attaching of pipe for the oil to be carried in.

"New hires and employees who have been with a company for over two years have proven to be the most hazardous workmen," Mr. Fisher noted: "Those who have been working for six months or longer have developed a healthy respect for their machinery, but after a couple of years on the job a workman feels he has the situation under control. That's when the trouble begins again. We intend to continue our training program as our major fight with the injury rate."

Canned food exporters see rate hike

TOKYO—Japanese canned food exporters are under pressure to accept an increase in rates for damage and theft. The loss ratio for canned food exports has already reached 144% but the premium rate is still less than the minimum prevailing in other countries.

Efforts to reduce loss due to theft and damages during shipment have not been felt, and insurance companies now feel that an increase in rates is unavoidable. In 1966 and 1967 insurers paid out \$1.4 million to settle claims.

Much of the losses are considered to be a result of a switch made several years back from wooden crates to corrugated cartons, a move made to lower export costs.

Cost considerations preclude a return to crates, and because of losses and theft occurring at intermediate ports and terminals, exporters consider it difficult to reduce losses.

Canned foods are an important Japanese export item; among the products exported are salmon and tuna, mandarin oranges and exotic foods such as whale meat.

Social unrest arson motive

PHOENIX, Ariz—Social unrest is the newest addition to the list of recognized categories of fire-setter motives.

Donald W. Morris, special agent in the fraud and arson bureau of the American Insurance Assn., San Francisco, so declared in an address this week to the Arizona State Firemen's College. He listed other categories as: Juvenile carelessness or mischief; pathological disturbances; attempts to cover up other crimes; malicious setting of fires for revenge or spite; and, fraud for insurance purposes.

"Arson investigators must consider the motives," Mr. Morris said, "and they must also review statistics which show the relationships of motives in fires which are set by arsonists."



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Second suit is filed against Lockheed firm

DALLAS—A second suit has been filed against Lockheed Aircraft Co., builder of a Braniff airliner that crashed here in 1968 killing 85 persons.

Lockheed, in the meantime, has filed third-party complaints against the Aluminum Co. of America (Alcoa) in an attempt to pass on the cost if judgments are rendered against the aircraft company.

Mrs. Suzanne A. Foster, widow of the craft's co-pilot, John F.

\$2.1 million bank loss has full coverage

NEW YORK—Marine Midland Grace Trust Co., the New York bank hit with a mysterious loss of \$2.1 million in U.S. Treasury bills, is "fully covered" by its bankers blanket bond, *Business Insurance* was told. According to a bank source, there is "no possible loss to any of the bank's customers."

The bills, an easily negotiable form of government IOUs, are usually in the "bearer" form, unregistered to the owner. Marine Midland's missing bills, scheduled to mature August 1, 1970, include one for \$1 million, ten for \$100,000 each and ten for \$10,000 each.

A holder of Treasury bills rarely has difficulty in selling them to any bank, in the U.S. and abroad, if he doesn't want to retain them until maturity.

Both the FBI and the New York police are investigating the loss. Bank officers avoided any direct statement on whether the bills were stolen or lost.

However, all ten of the \$10,000 bills have been retrieved by Secret Service men in North Miami, Fla. In somewhat of a lucky break, a local bank, acting on instinct, made some quick inquiries after two men brought the bills in to negotiate for a loan. When the men returned, the security men arrested them.

Aetna offers money back insurance

HARTFORD—Aetna Life & Casualty Insurance Co. has announced that it is offering a policy that pays the individual if he becomes disabled but costs him nothing at age 65 if he doesn't.

The policy is believed to be one of first of its kind in the U.S. with a full money-back feature, according to Aetna.

It provides an income of up to \$1,500 monthly to persons unable to work for long periods because of illness or injury.

Aetna, the country's largest health insurer, said that policyholders who reach age 65 without collecting benefits are to receive a refund of all premiums paid.

Even if benefits are paid, a refund is to be made at 65 if their total is less than the premium's total.

And the policy may be turned in for a partial refund of premiums after being in force for three years.

An Aetna spokesman remarked that current statistics indicate that one man out of seven will be disabled for at least 6 months between ages 35 and 65, and that the average disability period is seven years.

Foster, has asked \$350,000 in damages from Lockheed, claiming the crash was the result of defective workmanship.

In a suit filed earlier and reported in *Business Insurance*, the Transport Insurance Co., compensation carrier for Braniff International, is asking \$46,597 as reimbursement for workmen's compensation claims it paid on four Braniff employees who died in the crash, not including Mr. Foster.

BOTH SUITS essentially allege that the crash was caused by design defects in the Lockheed Electra. They each note that as a result of crashes of Lockheed Elec-

tras in 1959 and 1960, the aircraft builder had announced design defects in the planes and all were recalled for major modifications.

However, the Electra in which her husband was killed, Mrs. Foster alleged, suffered an inflight failure of the wing because Lockheed did not "properly remedy the original design defects . . . and created additional design defects" by the modification.

The complaints filed in Federal court here by Lockheed ask that if it should be found that a wing plank on the upper wing surface of the planes that crashed—or any other metal supplied by Alcoa—was defective and a cause of the crash, Lockheed be entitled to an indemnity from Alcoa for any judgment rendered against the plane manufacturer.

In a separate development involving an aircraft, relatives of three members of a Fort Worth, Tex., family killed in a private

plane crash in 1965 have been awarded a \$250,000 judgment from the Federal government.

THE JUDGMENT was made by U.S. District Court Judge William M. Taylor Jr., who also ruled that the government will be able to recover \$250,000 against the estate of Allan Black, the pilot of the plane and a son of the couple killed with him in the crash.

In addition to their son, prominent Fort Worth pediatrician Dr. Thomas Black and his wife also died in the crash. The suit was brought by the Black's daughters and Mrs. Black's mother, Mrs. Jo Swift.

Judge Taylor ruled that the primary cause of the crash of the Cessna 182 aircraft was a thunderstorm. He also ruled that Allan Black and a flight service station specialist for the FAA at Alexandria, La., were negligent.

MR. BLACK has a commercial pilot's license, but he did not have an instrument rating, therefore he was not authorized to fly into clouds. Judge Taylor said failure of the FAA station specialist to inquire of Allan Black about his route and destination and to advise him of severe weather he would encounter flying from Baton Rouge to Fort Worth was "negligence."

He said "it does appear pilot Black was also guilty of negligence on the occasion in question," but the judge said he couldn't find that Allan Black's negligence was the "sole proximate cause" of the crash, as urged by the government.

The Federal government had filed a third-party complaint against the estate of pilot Black, which in turn filed a cross-claim against the government. Judge Taylor denied the estate recovery on its cross-claim.

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3. Survivor Hospital Benefits—pays premium payments for the surviving

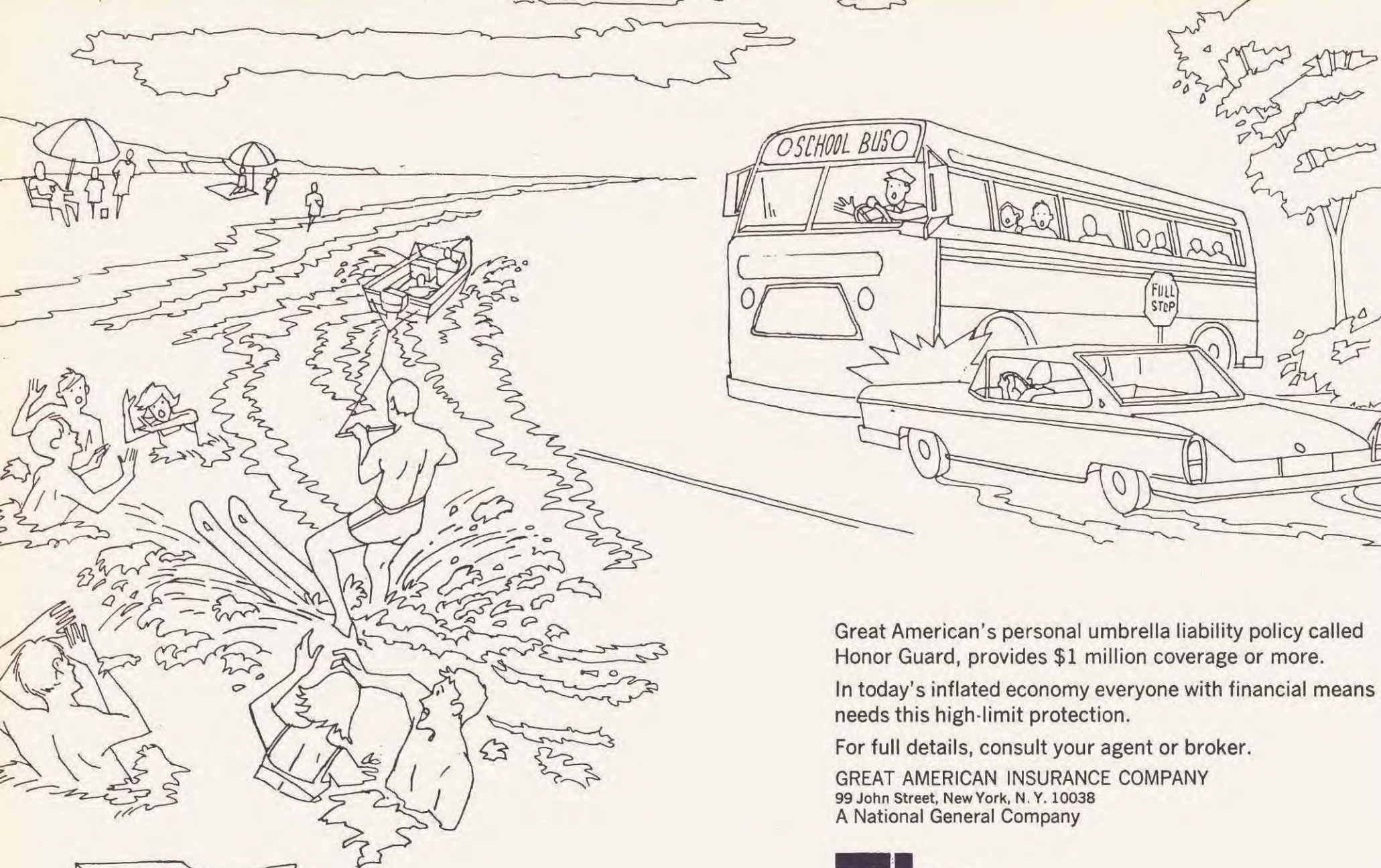
family covered by the employee's hospital-surgical-medical plan.

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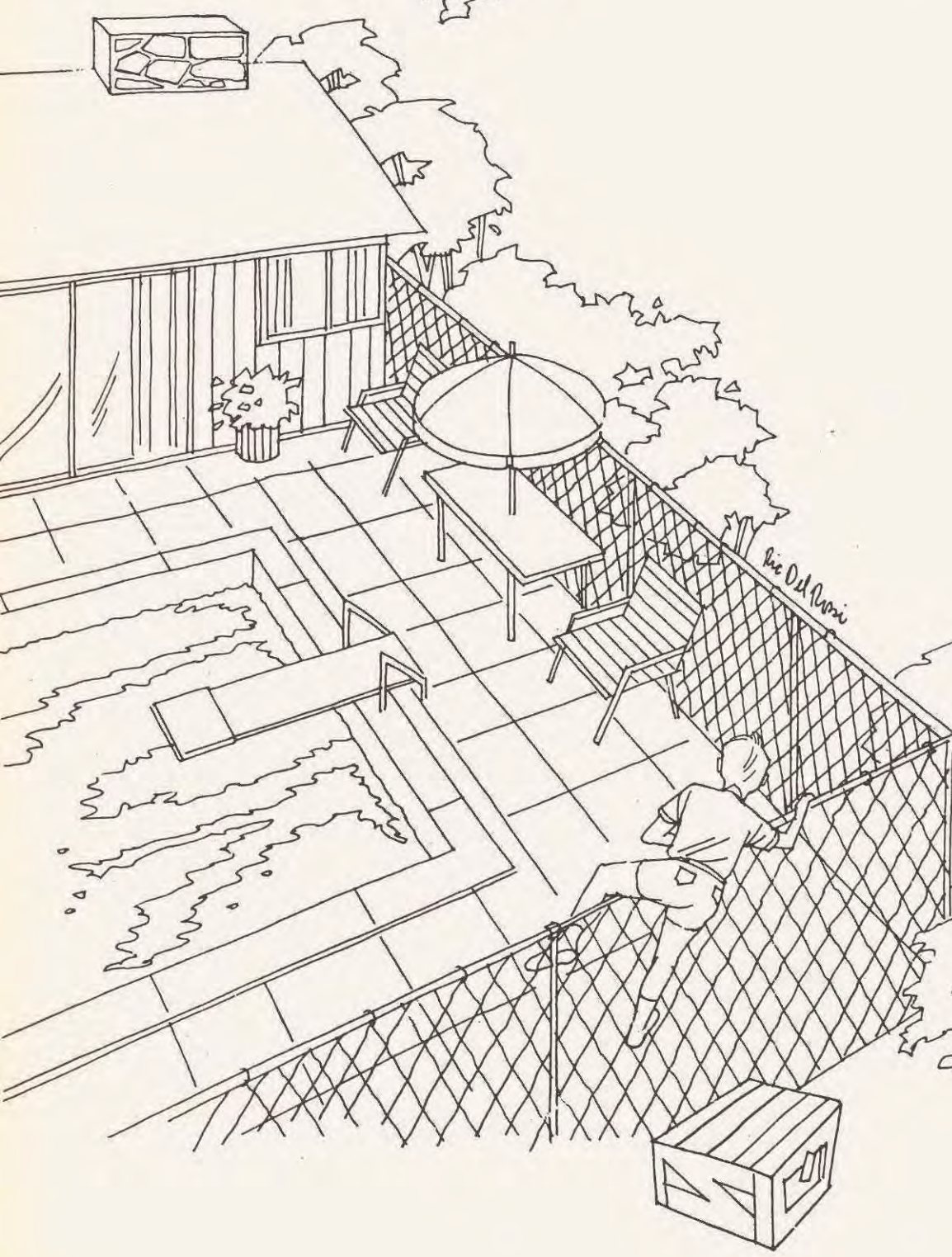


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business insurance/perspective

Can we still afford 'sleep' insurance?

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



Charles F. Levinson

For years insurance buyers have been trying to guess "how high is up" by purchasing special coverages and carrying liability and property damage to the limit of what was available even where an ordinary, prudent man could see no chance of ever using the high limits.

Most of us considered this "sleep insurance" because, theoretically, if you carried it you never had to lose sleep over whether you had adequate coverage. The price usually was so low that it could always be justified. The truth was that at the low premium cost for the extra cover, top management could always answer that they had as much as you could buy to questions by the board of directors or the stockholders.

This held true back in the old days before the entire insurance industry started running scared and created an artificial scarcity of capacity. Incidentally, the Prudential Life Insurance Co., for the past several years, has taken in approximately \$3 billion in premiums and paid out approximately \$4 billion in losses, expenses and necessary reserves. Yet, nowhere have I heard of wholesale cancellations, rejection of new business and curtailed agents' commission by the Pru.

OF COURSE, the obvious answer is that the above figures do not include invest-

ment income, but neither do the 1968 loss and expense ratios of property and liability carriers.

Aside from the issue of whether insurance carriers are making money, we all know that "sleep" insurance has now become "nightmare" insurance, because of the excessive increase in its pricing, plus the take-it-or-leave-it attitude of the carriers.

However, we buyers and our brokers are caught in the quicksand formed by the sales pitch we gave to convince our management of the need for the high limits or special coverages. Maybe we should admit that the negotiating and pricing of our "sleep" insurance is giving us "insomnia."

FIRST, HOWEVER, we should make a fresh analysis of whether we really need such high limits or all of the special coverages. Do we need replacement, business interruption, extra expense, rents, all risk and all the other coverages the buyer of some years past never even heard of? Can these coverages be eliminated or reduced in scope now in the light of your current sales, operating methods and tax conditions? Can your leases both with and to others be renegotiated to eliminate the need for special coverages or to pass on your liability?

'Where are the losses in excess liability that prove the old rates were inadequate?'

A typical area of "sleep" coverages is the excess liability area. While drug, chemical, aircraft and similar operations may obviously need higher limits than some others, even here we probably have been oversold on our exposure. Could the original underwriters that charged the attractive low prices have been so wrong in their evaluation that current rates have to be three to ten times higher for the same cover? Where are the losses in excess liability that prove the old rates were inadequate?

I know what insurance carriers are reporting as their loss ratios. Frankly I feel they are vastly overstated in the direction of making the experience look bad. As ev-

eryone knows, incurred losses as reported by carriers consist of paid claims plus reserves for unsettled or even unreported claims. When annual reports are made to the insurance departments of the various states this must be done early in the year following the year to be reported.

Naturally, the more serious claims are still not settled at that time, particularly on liability. The claims people must set a valuation on what they estimate as the maximum they expect to pay on each loss not yet settled. The cumulative totals of these guesses are then added to the losses already paid to be shown as total incurred losses for the past year. These inflated figures then become forever the loss ratio for that year. Yet, we all must know that reserves tend to be on the high side and that the actual runoff of claims should produce a lower figure than the reserve that was set up.

My point is that the current year's experience almost always would be an overstatement of actual loss ratio. What tends to further cloud the long term experience is that this estimated loss ratio never changes on source information registers such as the Best's Reports.

Check miscellaneous bodily injury liability experience for all stock companies in the front of the Best's Reports. The year

1965 was reported at 57.2% loss ratio in the 1966 issued report and this obviously inflated loss picture continues unadjusted in the 1967 and 1968 report. The same is true of individual carrier reports.

For the same coverage for 1965 Travelers Indemnity is shown in the 1966 Best's as 61.7%. These estimates again are repeated and unadjusted in the 1967 and 1968 reports. This applies to all classes of business experience reported by Best's for the carriers. Therefore, it behooves one to take with a grain of salt all the poor loss experience reports floating around as an excuse for the present capacity problem.

LET'S GET BACK to trimming down

our own insurance program. Our answer to upper management as to why certain coverages or high limits are no longer recommended is strictly economic. The cover is no longer available at a reasonable price. This does not mean that we begin canceling or not renewing absolutely necessary coverage, but it does mean we should re-evaluate each line as it renews or reprices. Those which are extremely difficult to place or tremendously more costly should be examined thoroughly.

The use of deductibles, risk management to lessen or eliminate the exposure, or horse trading to contract away your obligation to others, might be some of the alternatives considered to not purchasing the broader coverage. You will be amazed how much assistance you can obtain from a frank discussion of the problem with plant managers, legal staff, tax specialists and the man to whom you report.

Eventually, you will find quite a few items that would be nice to have but maybe you had better forget till prices become reasonable again. Otherwise you'll find that your "sleep" insurance costs more than your basic needs. If the air conditioning unit began to cost more than the new car itself, you would buy your new car without the air conditioner. Of course, a potential hidden cost exists in accepting an increase on excess cover because when your underlying liability underwriter realizes the excess carrier above him is now getting more premium for less risk than he does, his price will come up accordingly.

As a last caution before you cancel that renewal request to your broker, make sure your management is 100% behind every step you take in this direction. Allow them to follow your line of reasoning on the exposure to loss possibility and the ultimate effect financially to your firm if the coverage is dropped or reduced. ■

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

Students vs. computers: Universities' expensive battle

by Robert E. Abrahamson,
corporate insurance manager,
Control Data Corp.,
Minneapolis, Minn.

The impact of the student rioting which caused the destruction of the computer center at Sir George Williams University in Montreal, Quebec, Canada, in February of this year is beginning to be felt by other large educational institutions

throughout Canada, the U.S. and the free world. The impact is being felt in the form of tighter underwriting restrictions with subsequent closer attention to loss prevention engineering practices. The riot element though, as we know it, is not subject to direct loss control.

The recent announcement by the insurance industry of large rate increases for university and college risks was due in part to the Sir George Williams Universi-

ty catastrophe and anticipation of similar type losses due to student unrest which could manifest itself in the form of a lesser "Hurricane Camille" on college campuses. The behind-the-scenes activity of the reinsurance markets and their sudden aversion to the educational institutional risk reflects itself, of course, in the premiums charged to the direct insurance markets and the ultimate buyer of insurance.

In recent years, militant student and

nonstudent groups have started fires which destroyed campus armories (quite often housing ROTC training centers), have wreaked havoc in administration buildings (a recent 'sit-in' at the University of Minnesota). In Montreal alone, the Stock Exchange was bombed and the offices of the Department of National Revenue. The American Insurance Assn. reported that campus disorders in the U.S. were responsible for losses of \$8 million from January 1 to August 31 of this year.

IN MOST INCIDENTS, the rioters have seemingly confined their wrath to damage of physical properties. They apparently want to exert their influence to change the highly impersonal, automated administrative systems. The large colleges and universities, they feel, have become "mecha-

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perspective

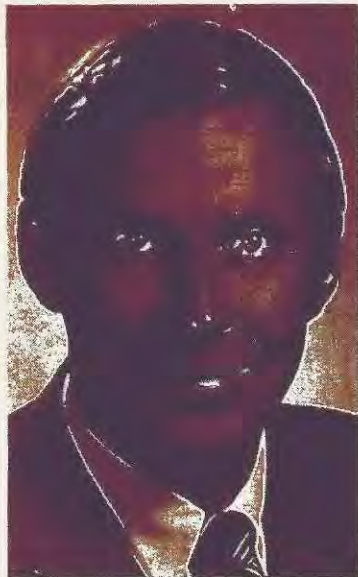
Continued from preceding page

nized factories" that turn out nonthinking robots and these students don't want to become a product of this assembly-line environment. Surprisingly, there is an ever increasing number of supporters in the alumni ranks and the general public, who reflect on their past complacency and inaction and empathize with the rebels. They probably don't approve of their methods, but do approve of their intent.

At Sir George Williams University, the computer center housed a sophisticated Control Data 3300 system. The computer itself is virtually fireproof and there are no components in it to support combustion. The computer center itself had been carefully planned by Control Data's site planning organization in conjunction with the University. If a fire was to damage the computer, it would have to originate from the surrounding environment or from an adjoining occupancy, not from the computer itself.

Prior to the destruction of the computer center, there had been a mild student demonstration as a result of alleged racial discrimination in grading practices of black students by one of the university's professors. This evolved into a formal protest, purportedly because of the university's inaction in handling the complaint. This student intervention was then upsetting the status quo in not following the established rules and regulations (communication through accepted channels) in voicing disagreement with either personnel or practices of the University.

The heart of a university should be in its student body. At Sir George Williams University the mild protest grew into one against computerization and "the system." The students felt that the university



Robert E. Abrahamson

'The students felt that the university looked upon the computer center, not the students, as its life's blood . . .'

looked upon the computer center, not the students, as its life blood and they planned to bleed it until it died. The data center became symbolic of their intense hatred of the system and conformity and this was manifested in its destruction.

EVEN THOUGH the 3300 system was owned by the university, Control Data did

have some equipment on site which was insured by its carriers. The damage that was described to me by our Montreal office was shocking. The computer equipment was wrecked with axes, smaller pieces of peripheral equipment were thrown out of the ninth story windows; the software or computer input (punch cards, programs, etc.) was set on fire, then water hoses were turned on the computers. The hardware (computer equipment) was initially reported as a total loss. Total damage was initially estimated in excess of \$2 million.

Storage of duplicate data media at a remote site, though, was instrumental in getting the center back in operation. Following the student exodus from the center, prompt action was taken. A group of Control Data's customer engineers, working in conjunction with the computer center's staff, put in long days attempting to salvage what they could, while also devising plans for the restoration to full service. It appeared to be an impossible task. Surprisingly, the center's staff salvaged a

fair amount of the damaged programs by doing repunching while transcribing from bits of burned, wet paper. In the interim, time was also bought from a local computer service. By the end of the month, they were at 50% capacity and another 3300 was being shipped in by Control Data to a temporary site. These efforts kept the loss from becoming a catastrophe.

Although Sir George Williams University's insurance carrier, the St. Paul Fire and Marine, was prepared to absorb a total loss, they were hopeful of some salvage from the hardware and possible refurbishment of the system itself. Our evaluation of the 3300 system's components however, indicated that there was substantial mechanical damage to almost all units together with water damage that indicated corrosion of electrical connection points within the system's components. From a reliability standpoint, the computer was declared a complete and total loss.

To prevent similar incidents universities and colleges should look to where their "heart" is. The insurance and computer industries should now better know the vulnerability of computers to loss due to fire and water damage. The insurance industry should also be able to better evaluate the riot element in coverages.

The computer industry knows that the economic, technological and educational advancement brought about through the utilization of electronic data processing is permanent. It may be momentarily damaged, but never destroyed. ■

Robert E. Abrahamson is corporate insurance manager of Control Data Corporation with headquarters in Minneapolis, Minn. He is a graduate of the University of Minnesota with a B.A. degree. Prior to becoming a risk manager, he was employed for a number of years by a major stock property-liability insurance carrier. He is a member of the board of directors of the Minnesota chapter, of the American Society of Insurance Management, a member of the American Management Assn. insurance division, and is associated with the Machinery and Allied Products Institute insurance council.

Dear Gerry

The risk manager's stake in reinsurance markets

by Gerald W. Wilson,
analyst of corporate insurance,
New York



Gerald W. Wilson

(The following questions are the sort risk managers ask each other. The answers are not meant to be a substitute for analysis or research but are designed as thought-provoking comments or suggestions. Readers are invited to submit their own sticklers.)

DEAR GERRY: Are you concerned with the reinsurance aspects of your policies?

ANSWER: On occasion—that is when I am concerned with what markets and available capacity have already been used. I want to be first into what is

supposed to be a new market and not find myself already shopped via the reinsurance route.

You would be surprised to learn what a small retention some carriers keep, which should sometimes alert you as to how your risk is assessed by underwriters.

Often a repackaging can open the markets available if you can pinpoint the significant underwriting consideration which is usually exposed when reinsurance questions are asked. Sometimes you find that in exploring markets you are competing with one of your quoters on a basis of a line given to them being different from one which would be given to someone else, i. e. coming from a different source at a different time. Then too reinsurance can be profitable to underwriters. Reinsurance would be a consideration should you want to change coverage terms and conditions—you could be locked into your present form by reinsurance commitments. A good broker should be knowledgeable of these situations and be willing to enlighten you when it would appear that your decisions would require this sort of information.

DEAR GERRY: Why should I be concerned with what commission my broker or agent receives?

ANSWER: If you negotiate on a "pot of money" basis or on a package basis (blanket casualty or property) with one insurance carrier or receive bids or proposals from more than one company you should be concerned with: (1) any inherent differences, and (2) how much money the insurance carrier is actually getting

against which he will measure his losses and hence calculate his profitability margin and pair off his service costs. You should be equipped with sufficient facts to have a fundamental idea of where he stands. The extra services you would ask from your broker or agent should be predicated on his making a living too!

Note that with regard to insured employee benefit plans the broker or agent return from the insurance carrier must be stated in the disclosure filings. Someone feels that it is of some significance, if for other reasons than I have given.

Then too what the agent or broker gets can vary by market and being only human he will go to the most profitable ones for himself as long as you are satisfied.

DEAR GERRY: The senior officers of my company want me to handle their personal insurance. I am not familiar enough with personal insurance to act confidently. What do you suggest?

ANSWER: Get your broker or agent vice president of personal lines to handle the insurance and you just act as an advisor. That is what some agency and broker vice presidents do best, anyway. If the officers get too sticky about it advise that you are not qualified as an agent or broker and wouldn't want to get in trouble with the state authorities for possibly selling insurance without a license. Most insurance managers avoid these extra curricular duties whenever possible although they try to be as helpful as possible whenever anything happens. It's the old game. Get a broker or agent who would

keep comments on the company insurance program to a minimum.

In the event the broker has other ideas you might be better off to accept the added chore gracefully and keep the broker or agent at arm's length from these officers. If you are committed to one or two brokers or agents courtesy would dictate they get a crack at the personal lines of the officers if within your control.

DEAR GERRY: I have heard you advise against an owner furnishing the bond for a contractor.

ANSWER: Yes. There are some circumstances in which furnishing a bond appears prudent, such as with excavation permits, demolition permits and certain tract improvement and completion bonds. But since bonds are written on the basis of the capacity, capability and credit of the person eventually indemnifying under the bond commitment, why court extra risk? If your contractor cannot get a bond out, especially if it is caused by something which would affect his performance. ■

Gerald Wayne Wilson is an analyst of corporate insurance in New York. He received his A.B. degree in economics from Williams College in 1950, a certificate in fire underwriting from the College of Insurance in 1958 and a diploma in risk management from the Insurance Institute of America in 1967. Mr. Wilson has operated his own consultant firm and served at several insurance companies, Cities Service and North American Rockwell.



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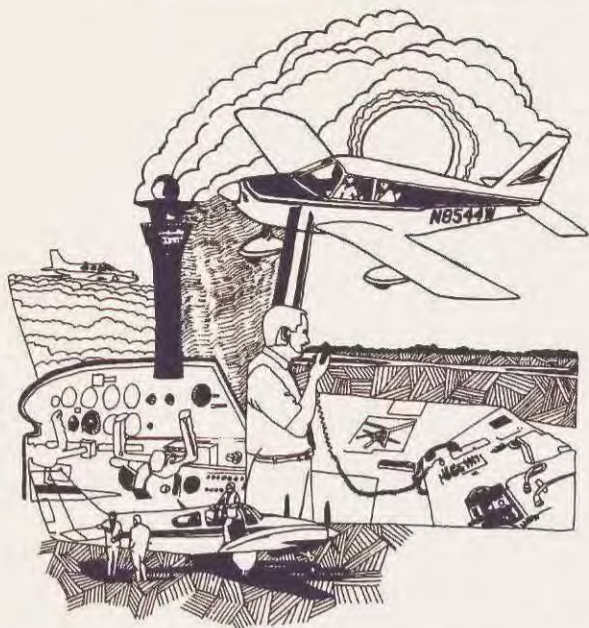
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Labor marks 30 years of jobless pay

WASHINGTON—The U.S. Department of Labor quietly celebrates an anniversary of sorts this year marking the 30th year in which every state paid benefits under the nationwide unemployment insurance system.

Although approved by Congress in 1935, it was not until 1939 that all states were participating in the Social Security Act. (Wisconsin actually paid the first check in 1936.)

Since the start of the program, said Secretary of Labor George P. Schultz, benefits totaling \$46.9 billion—exactly one-half the Gross National Product in 1939—have been paid out to about 148 million persons.

An ironic twist to the whole thing is the fact that in 1939 \$394 million was paid out to 4.2 million jobless. Last year unemployment benefits went to exactly the same number of jobless—4.2 million. The difference, however, is that in 1968 benefit payments for the same number of jobless totaled \$2.03 billion.

The primary reason for the huge increase is inflation of the dollar. The Department of Labor tells all in one statistical comparison between both years. In 1939 the average weekly wage of covered workers was \$25.28. In 1968 that average was \$126.61. ■

Managing your money

Surtax lesson: Advance deductions, defer basic income where possible

NEW YORK—Items appearing in this column are being discussed during coffee breaks:

A word to the tax-wise: Make the tax law work for you. For instance, with the 10% surtax still in force, deductions may be worth more this year. Next year the surtax could be dropped entirely . . . certainly there's every chance it may be cut in half.

For this reason you might, for example, consider increasing your charitable donations this year. And remember, you are not limited to deductions only for cash contributions—you may write off the current market value of donations of stocks, works of art, real estate and other property that has gone up in value.

You should also consider paying interest, medical bills and other deductibles by the end of the year. In other words, you'll save money by advancing deductions and deferring regular income wherever possible.

YOU SHOULD also consider the tax angles in handling your year-end stock transactions. This may be a good time to sell some of your securities—then buy them back for the long pull. Remember this important tax point: securities sold to establish capital losses cannot be bought back within 30 days, if you want to establish the tax loss. The tax effect would be as if the sale had never taken place. But no time limitation affects your registration of losses if the proceeds of the sale are reinvested in other securities. Also, stocks you sell to establish capital gains may be *rebought immediately*.

Under present rules, if you realize a gain from the sale of stock that you've held for more than six months, usually half this gain is deductible, and this makes a long-term capital gain especially desirable. On the other hand, if you hold your stock for six months or less before selling, you have realized a short-term capital gain, which is 100% taxable just like any other income.

Losses on your stock sales are, likewise, either long-term or short-term—depending on whether or not you hold the stock for more than six months.

Generally, you can apply these losses against any capital gain (before it's reduced by the 50% long-term capital gain deduction). In addition you can deduct up to \$1,000 of any capital loss not absorbed by capital gains against your other income. And if you still haven't used up all your capital loss, you "carry forward" the unused loss into later years.

EXAMPLE: Assume you have a long-term gain of \$1,000 from the sale of stock in Puretone Sound Systems Inc. You also have a "paper loss" of \$1,000 in shares of Mighty-Sound Industries Inc. For tax purposes you may decide to sell Mighty-Sound and realize your loss this year to offset your \$1,000 gain. However, you'll lose tax dollars if you do.

Why? Because of the 50% capital gain deduction, only one half of your \$1,000 long-term gain—or \$500—will be taxable anyway. But since you must apply loss against any gain before reduction of the gain by the 50% capital gain deduction, your \$1,000 gain would absorb all of your \$1,000 loss—and you'll waste \$500 of your \$1,000 loss.

If instead, you put off the sale of your loss stock until next year (assuming you expect to have no capital gain), you can deduct the full \$1,000 loss against other income next year.

* * *

HOW TO AVOID Lawyers is the title of a new book which—according to the advertisement—"is a breakthrough in frank self-help advice—so that you can stop running scared in legal matters—so that you protect your rights, avoid traps," etc.

Several attorneys, claiming the advertisement was disparaging and false—downright defamatory and libelous—brought suit. The lawyers lost.

Regardless of the outcome of this particular case, the "do it yourself" fad is fraught with danger. For instance, in the mere matter of your will, a lawyer knows better than you how to draft it so that—

- Your estate can save 50% in death taxes.
- Your wife will not have to share your estate with her in-laws—if you die childless.
- A lot of red tape and expense can be saved—if you and your wife die together.
- The court will not have to appoint a separate administrator to handle the death claim—if you are killed in an accident.

* * *

CRIME IN BUSINESS is detailed in a Chamber of Commerce publication that alerts legitimate businessmen on how to guard against the invasion of their firms by racketeers. The 72 page "Desk Book" lists the types of companies most likely to become targets of organized crime and suggests steps that can be taken to combat the illegal activities.

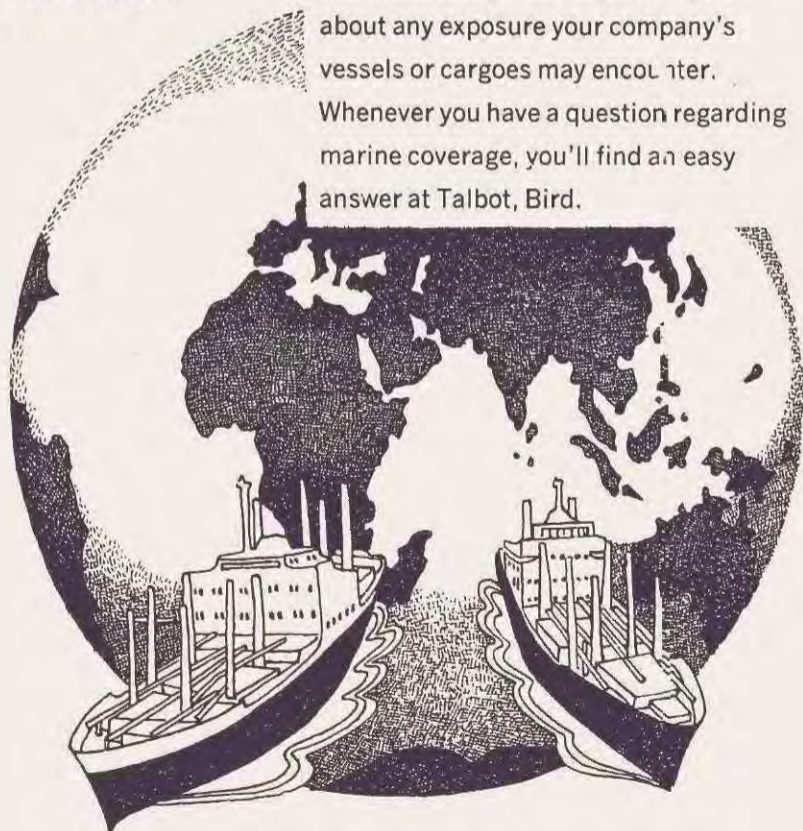
Copies of the "Desk Book on Organized Crime" at \$2 each can be ordered from the News Department, Chamber of Commerce of the U. S., Washington, D. C. 20006.

* * *

YOUR ATTIC may contain more than the usual assortment of discarded clothes and toys. It may have a potpourri of Grandmother's treasures that can yield a small fortune from antique dealers. Right now there's a burgeoning business all over the country in antiques . . . they'll buy almost anything old. So hurry upstairs and start dusting off those collector's items. ■

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Lloyd's underwriters 'battle' for jumbo jet writings

LONDON—Aviation underwriters at Lloyd's have now started their battle to capture insurance for the new Jumbo Jets. They assert that there may be no need for the proposed international airlines captive ever to get off the ground.

Anticipating 1970 deliveries of the Boeing 747's, Lloyd's experts have made repairability studies at its works, and may create a new-type world scheme for handling claims.

This will involve a qualified 747 surveyor nearest to the accident site attending to look after all insurers' interests, until the airline insurer's own surveyor from its home base, maybe as far as 8,000 miles away, could arrive on the spot.

OUTLINING Lloyd's plans, which will apply to the jumbo jets provided by the Lockheed 1011 and the Douglas DC 10 as well in due course, Douglas Greenall, its information division chief, told *Business Insurance*:

"We feel satisfied that initial doubts about the insurance market's capacity to cover hulls and liabilities of the jumbo jets will be overcome through patient work and investigation into the problems by Lloyd's and company underwriters.

"Many underwriters now doubt that the need will ever arise for an airline's own insurance pool to supplement the recognized market. The pool, which has been forced to postpone its inauguration until 1971, may be stillborn by the time that jumbo jets are flying the major air routes."

Then he outlined these points to emphasize Lloyd's willingness to examine capacity and other problems involved:

Ask doctor-owned firm

LOS ANGELES—Pacific Indemnity Co. has cancelled hospital and medical malpractice insurance for Los Angeles county, effective Nov. 29 amid growing demand for a "doctor-owned, doctor-controlled and completely doctor-oriented" malpractice insurance company to "break the malpractice insurance monopoly in Southern California."

Pacific Indemnity had requested a \$165,400 increase in annual premiums but county supervisors turned down the proposal and argued that competitive bidding should have been required.

One supervisor, Frank Bonelli, said the county should consider self-insured program for malpractice coverage with a reserve fund of about \$500,000.

SUPERVISOR Kenneth Hahn charged that the chief administrative officer of the county had been negligent in submitting information to the board and for not requiring competitive bidding.

Mr. Hahn said the problem accents the "almost insurance racket" in California and the few insurance companies that control most of the business in the state.

Meanwhile, a group of 50 Orange County physicians heard plans for a recently formed Los Angeles corporation, Professional Alliance Equity Inc. to raise \$2 million from Southern California physicians "so we'll have enough capital to start our own insurance company."

Impetus for the meeting was a 110% hike in malpractice insurance rates which went into effect last month.

THE BOEING 747 is not a completely new concept, such as supersonic planes will be, for it is a development of the 707. So underwriters can use their existing experience to make a fair initial judgment of the appropriate premium rating.

But its size will create new repairing problems, for there will be tremendous tasks in transporting major spares to the scene of an accident.

Lloyd's aviation department surveyors, who have studied this aspect, believe repair costs will be in a higher ratio bracket, for even minor damage to one of the huge wings will incur heavier costs than previously with the 707.

It is possible that more damaged 747's will have to be re-

turned to Seattle for permanent repair compared with the experience over 707's, which can often be repaired permanently on the spot.

BOEING'S WORKING parties for on the spot repairs for 707's and 727's have been a striking feature of their claims, and they are obviously striving to achieve repair procedures for 747's that will aid insurance rates.

But, Mr. Greenall advises, underwriters are "rather worried by Boeing's present reluctance to supply price details of repair jobs."

New equipment such as the 747 will need a higher premium rating because of the "learning curve." Experience has shown that any new plane is likely to

have more accidents in its early years than an existing type. It is likely that initial rates will have to be held for a total of at least one million flying hours so that claims experience can be assessed.

But Lloyd's hopes that the percentage increase for jumbo jets over existing jets will be less than the increase that was necessary when the first ordinary jets began to supplant piston-engined planes.

PROBLEMS BEING studied by underwriters include such questions as whether there are enough reverse-flow bowzers located conveniently around the world to enable up to 47,000 gallons of fuel to be drained from a "belly landed" jumbo jet in

quick time for it to be moved for repair purposes.

Or if there will be lifting-gear of sufficient strength close to the scene of an accident.

Lloyd's underwriter J. M. T. Hewitt, of the Ariel aviation syndicate, has confidence in the insurance industry's capacity to meet the demand for the expanded coverage.

He agrees that it will be necessary to use all available world markets, and that U. S. insurers must be ready to play their part.

He supports his faith by saying: "If American insurers do this, and I think they will, then the necessary cover spread over more than a hundred Lloyd's syndicates, and insurance companies round the world, will be achieved."

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U.S. insurers are ready for advent of jumbo jets

NEW YORK—It looks like the liability problem is just about buttoned up for all those concerned with getting the new Boeing 747s off the ground fully insured, *Business Insurance* has learned.

According to a source at Boeing in Seattle, the aircraft corporation has "reached agreement" with the two U.S. aviation insurance pools (U.S. Aviation Insurance Group and Associated Aviation Underwriters) and is about to fill out the limits of liability coverage with the London market. He said he expects

the final details of the coverage will be worked out within a week, but declined to speculate as to what they might be.

Boeing's first exposure on the new aircraft will be Nov. 22 when the first of two 747s is turned over to Pan American World Airways for use in pilot training. Sixteen Pan American pilots and flight engineers recently began flight training in the giant craft under the supervision of Boeing test pilots.

PAN AMERICAN is also believed to be on the verge of lin-

ing up its liability cover in anticipation of the Nov. 22 delivery date. Although the airline is now insured with USAIG through Parker & Co., sources indicate that discussions have been held with AALI about taking a slice of the business.

Pan Am has 33 747s on order. Upon delivery, the first and second will be ferried to Roswell, N. M., where a training base has been set up for pilots.

The airline had at first planned to put the craft into service by mid December. However, due to a delivery delay service has been pushed back to a still undetermined date after

the first of the year. Prior to that there are expected to be inaugural VIP and press flights during which Pan Am shows off its new ware. These could come as early as December, an airline source said.

Meanwhile, the Aircraft Builders Council has lined up \$47 million of the \$50 million products liability coverage the group has been after since the middle of this summer. What's more, the four U.S. underwriters supplying the coverage along with Lloyd's of London, are upping their portion of the risk to 20% from the 15% they had taken on the previous limits of \$20 million.

A SOURCE at the Aircraft Products Insurance Assn., the group of mutual companies writing the liability coverage, whose members are Liberty Mutual, Employers of Wausau, American Mutual and Michigan Mutual, said that quotes for the new coverage will be "quite competitive" to the schedule in force for the \$20 million coverage.

"Each of the parties we approached recognized the problem and recognized the industry's obligation to solve the problem. Some were sympathetic to the problem to the tune of giving us capacity and others said they would give us capacity when it became available.

"However," the source added, "we didn't have anyone come to us."

The new coverage, which becomes available Dec. 1, involves third-party bodily injury and physical damage limits of \$50 million per occurrence and aggregate each year, each insured. Included in the \$50 million figure is \$10 million group liability. ■

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Belli sues 13 firms on malpractice cover

SAN FRANCISCO—One of the nation's best known and most flamboyant attorneys, Melvin Belli, who has headquarters here, has filed a \$200 million lawsuit against 13 insurance companies that insure doctors against malpractice.

Mr. Belli has achieved international fame for the size of the court awards he has been able to gain, particularly in medical malpractice suits, an area in which he specializes.

His lawsuit charges the 13 insurance firms with having monopolized the business of providing professional liability insurance for California and U.S. doctors and hospitals.

"THESE COMPANIES," the suit alleges, "have eliminated competition and have gained grossly exaggerated profits. They also have intimidated doctors and hospitals, thus keeping them from bringing similar lawsuits and from testifying for the clients of the Belli law firm."

Mr. Belli charges that because of the alleged unlawful monopoly, doctors and hospitals "are required to pay insurance premiums that are ten and 15 times higher than premiums were as little as two years ago."

Attorney Thomas Mehesan, an associate in the Belli firm, said that "the Nettleship Co. is the only organization of insurance brokers in Southern California where a doctor can get insurance against malpractice charges.

"In Northern California," the lawsuit alleges, "it is impossible for doctors to obtain professional liability insurance from any

source other than American Mutual Liability Insurance Co."

Other companies involved in the alleged "conspiracy, which was started some time in 1963" are: Pacific Indemnity; Wilcox, Baringer and Co.; General of America; Travelers Insurance; Continental Casualty; Mutual Boiler Machinery; Employers Reinsurance; Olympic Insurance; Truck Exchange; Farmers Insurance; and Zurich Insurance.

Mr. Belli explained that "the money gained from a successful outcome of this lawsuit should be paid into a trust to be established by the court.

"This money," Mr. Belli added, "should then be used to pay the claims of residents who are injured and damaged as the result of professional negligence on the part of uninsured doctors or hospitals." ■

Tarantula bite costs \$9,500

DENVER—In a close decision the supreme court here upheld a \$9,500 award to a Denver housewife bitten by a tarantula.

A district court jury had made the award to Mrs. Henrietta Sniderman who was bitten while shopping in a Denver supermarket Feb. 27, 1962. She said she was bitten while waiting at a checkout counter holding a bunch of bananas.

When she dropped the bananas, a tarantula stepped out.

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Ralston . . .

Continued from page 1

about \$2 million annually, according to the spokesman for the Hartford.

The coverage was placed through the Lawton-Byrne-Bruner insurance agency, which is also St. Louis-based.

In addition to claims service, the insurer has agreed to provide Ralston-Purina with engineering backup to assist the insured in developing greater loss control and industrial hygiene programs.

Premium adjustments will be periodically made on the Ralston-Purina account for each operating facility.

Under the contract, the Hartford will prepare insurance profit and loss statements—which was formerly handled by Ralston-Purina—to help the company pin-point its claims costs. ■

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Bjorklund suggests joint examination of future insurance capacity needs

MEMPHIS—A joint study of future insurance capacity requirements was proposed to the Mid-South Chapter of the American Society of Insurance Management by Richard C. Bjorklund, managing editor of *Business Insurance*.

"Yours is the first generation of corporate insurance buyers to be affected by the capacity crunch," Mr. Bjorklund told the Memphis-based group. "But by the beginning of the 21st century insurance demands of our economy will have skyrocketed because of inflation, advancing technology, concentration of values as well as the certain increases in population, vehicles and jobs."

Mr. Bjorklund said that such a study has been suggested privately and publicly, most recently at the American Risk and Insurance Assn. meeting. He said Illinois Insurance Director James Baylor has discussed such a study with economists and members of ASIM in his state.

"IT'S TIME that interested groups stop talking and arrange to get together on a study that is vitally needed," the newsman asserted. He suggested that in addition to ASIM and ARIA, groups that should participate in the study are the American In-

Labor Dept. sets farm safety order

WASHINGTON—Secretary of Labor George P. Schultz has proposed a hazardous occupations order to protect hired farmworkers under 16 from especially hazardous jobs. It would replace an interim order of January, 1968, which expires this year.

The order is aimed at selective tractor and farm machine operations, handling hazardous chemicals and explosives, working at high elevations, working in pens with breeding stock, heavy timber operations, driving buses, trucks, tractors or autos with passengers, and work inside airtight produce and grain storages or silos.

Those for whom specific exemptions are available include 14- and 15-year-olds completing training under approved federal extension service or vocational agriculture programs and cooperative vocational agricultural student-learners. Youths employed by their parents or persons standing in for a parent or person are excluded from the proposed order, nor would it supersede more stringent state laws.

Copies of the proposed order are available from the Director, Bureau of Labor Standards, Washington, D. C. 20210. A public hearing on the proposal will be held on November 18. ■

Driver program set

Continental Insurance Cos., New York, has given the New York State Motor Vehicle Department the first installment of a \$160,000 grant to finance an experimental driver rehabilitation clinic in New York City. Starting in October, a random sampling of drivers with suspended or revoked licenses will be given a chance to retain their licenses by completing the rehabilitation program.

urance Assn., the American Mutual Insurance Alliance, the National Assn. of Independent Insurers and the National Assn. of Insurance Brokers as well as such government agencies as the Department of Commerce.

"Economists can predict with reasonable accuracy what the Gross National Product will be in years to 2000 and beyond, and we can project other key factors to get an idea of insurance capacity demands," he continued, adding that ASIM could provide rough projections of aggregator corporate expansion plans.

Mr. Bjorklund suggested that a study of future insurance capacity needs might indicate that changes are needed in income

tax laws to permit property-liability insurers to retain a certain portion of funds to provide additional capacity.

Two variables in the capacity picture mentioned by the *Business Insurance* managing editor were purchases of insurers by conglomerates, which might siphon off insurance funds for investment uses, and the impact of the risk management concept on insurance needs.

"Risk management, which emphasizes loss prevention and risk retention through self-insurance and deductibles, can greatly lessen the demands on the property-liability insurance industry in the decades to come," he predicted. ■



At the New York Hilton William Thomas and Irving Roth, both of Metropolitan Life Insurance Co., discuss the 23d annual conference of the Council on Employee Benefits.



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Payroll investment plan has 75% participation

NEW YORK—A new mass-marketed payroll savings and investment plan has enrolled over 100 firms with an average participation rate of 75% since its inception in July, 1969. The plan includes mutual funds, life insurance and disability coverage.

"Those employees between 25 and 45 who make over \$100 a week are our mainstay," explained Sigmund A. Scheingarten, president of Cashomatic Corp. of America, a subsidiary of Beneficial National Life Insurance Co. "They usually have about 90% participation. Of course, those employees over 45 are much less interested and anyone who makes less than \$100 a

week can't really afford it."

A voluntary weekly payroll deduction costing \$5 is placed in a "balanced investment program," Mr. Scheingarten said. "About \$2.30 goes into a mutual fund which the employee can withdraw from or add additional funds to at any time. We call this a variable dollar investment."

THE REMAINING \$2.70 is paid to Beneficial National for a type of endowment policy, Mr. Scheingarten explained. The policy provides a "fixed dollar investment in the form of building cast values."

"The policy provides that in case the employee dies before age

Life insurance cost is employee's pay

SALEM—Oregon's Attorney General Lee Johnson has held that payment of life insurance premiums may be considered part of an employee's compensation.

In a recent opinion for Jesse V. Fasold, deputy state school superintendent, Mr. Johnson said a district school board or area education district may pay premiums or life insurance policies for employees of community colleges.

He said his opinion supercedes earlier opinions of his office on the same subject.

65 or becomes totally and permanently disabled before age 60 the cash payments needed to complete the mutual fund program will be paid by the insurance company. In addition, each child born to or adopted by the employee is covered by \$1,000 of life insurance until age 22.

"A modest decreasing term life insurance policy is also provided for the employee's spouse," Mr. Scheingarten said. "We designed this policy to protect the employee's savings plan against the five basic hazards to which it is vulnerable: namely, inflation, deflation, disability, premature death and the outliving of one's money."

THE PRESENTATION of the program is the "all-important key," Mr. Scheingarten pointed out. "The employer is asked to provide office space for our team of four enrollers. On company time, they interview each employee individually, explaining the program to him in detail, using an eight-page brochure which he

keeps.

"A two week advance (of \$10) on the payroll deductions of each employee is required of the employer so that we can start the program immediately by enrolling him in the mutual fund at once," Mr. Scheingarten said.

The employee is kept abreast of his mutual fund's progress by monthly statements of stock purchases and dividend reinvestment. "In this way," Mr. Scheingarten contended, "the employee is reminded 12 times a year that his employer has provided a valuable fringe benefit for him."

WHEN A NEW idea like this appears how is it developed into a successful mass marketing concept? "Well, the idea of a \$5 protected mutual fund investment program originated with Herbert Greenberg of Dallas, Texas. About four years ago, he formed a company called Preferred Equity Life whose sole purpose was to develop this program.

"He sold the program exclusively through trade associations," Mr. Scheingarten said. "He marketed his program with a modest amount of success for two years. Mr. Greenberg then teamed up with John Berglass, a general agent in life insurance. Together they formed Planned Equity Corp. to market the program nationally.

"They were using a no-load mutual fund (one that does not provide a broker's commission). Their insurance carrier was Beneficial Standard Life of Los Angeles which is our parent company. So, naturally when they wanted to expand to the New York area they came to us," Mr. Scheingarten explained.

"WE DEvised a program

Canadian bill would set up government nuclear cover

OTTAWA, Ont.—Government-backed insurance would be provided for agencies subject to damage claims from an accidental release of radiation or nuclear contaminants, under provisions of proposed legislation.

The measure, entitled the Nuclear Hazards Act, was outlined to the National Liberal caucus by Otto Lang, minister without portfolio with responsibility for energy policy.

Sources in the social policies committee of the caucus view the measure as non-controversial, and anticipate its quick passage in the House.

IN HIS BRIEFING, Mr. Lang gave a few details of the measure, and it is not clear how extensive its provision will be. But the main intention is to provide insurance against mishaps to persons or property involving nuclear reactors, whether used for experimentation or power generation.

One of the men who was involved in an interdepartmental committee which studied the matter two years ago said there had been no thought at that time of extending the insurance scheme to mishaps involving military weaponry, such as the Canadian Forces' nuclear-tipped ground-to-air and air-to-air missiles.

Mr. Lang's bill is said to reflect substantially the recommendations made by the committee.

THE COMMITTEE suggested that the Government should provide some form of insurance to supplement that available to atomic agencies from the insurance companies.

Because of the difficulty of estimating the hazards and the size

based on their plan for one group of our agents to handle. It's called Duplex Dollars. The one change we made was in the selection of the mutual fund. We switched to Tower Mutual Fund which does provide a broker's commission because it has a higher return percentage and growth record than other non-loading mutual funds.

"Cashomatic Corp.'s program was established so that any agent licensed with Beneficial National Life could sell the \$5 program. We use Winfield Growth Mutual Fund. It was established in 1933 and its prospectus claims an average earning of 18% compound interest annually in the past. We feel that the higher level of earnings justifies the payment of the broker's commission," Mr. Scheingarten said.

"Subsequently, other mutual funds have become interested in marketing the \$5 program through their own sales channels. I am also negotiating with two other insurance companies that will be marketing the Cashomatic Plan through their sales force. We handle the administration of the program in exchange for a certain amount of reinsurance of the program."

Mr. Scheingarten feels that this is "only the beginning." "I expect to double Beneficial National Life's volume in life coverage for next year in marketing this program," he concluded.

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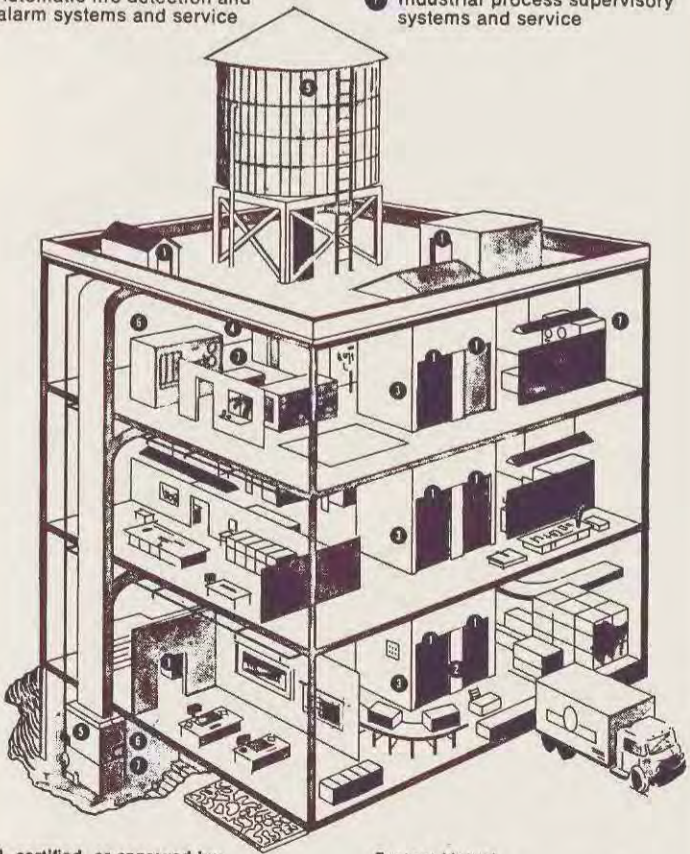
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costs • a close look at what Detroit is doing to increase vehicle safety, to meet Federal safety standards • plus articles on loss prevention, safety and cargo protection—and much more! This special issue of BI provides an in-depth, authoritative look at how companies are solving their commercial auto and fleet insurance problems.

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Lloyd's is Lloyd's and ever will be, says Mance

LONDON—Lloyd's has been Lloyd's of London for more than 200 years and will stay just that. This point was made by chairman H. S. Mance before he left on a business trip to Australia

that will end mid-November before he returns to Britain.

Lloyd's will not become Lloyd's of Sydney, or Lloyd's of New York, or anything of that nature in the foreseeable future, as far as he can judge.

He explained to *Business Insurance*: "The strength of Lloyd's in world insurance business lies in the fact that all its business is done through its own underwriting room where risks are expertly assessed. Commercial insurance firms might prefer to diversify their interests, and to have branch offices in various parts of the world. But I am satisfied that it would be out of keeping with the tradition and importance of Lloyd's in every way to try to have duplicate offices in other capitals."

IT WOULD, in any case, need the British Government to approve an Act of Parliament before any major change could be made in Lloyd's constitution.

But in line with its go-ahead image, which it intends to project more intensively, it will step up its links with other countries in every way it can.

This includes the creation of better broker-oriented relations with expanding new countries such as Australia, where the industrial growth is already at-

tracting big attention from insurance companies.

Mr. Mance knows that the U.S. is keenly interested in that market, but believes that in the next few years there will be such tremendous opportunities that it will be able to spread its coverage widely.

SO HE IS making the most important visit which Lloyd's has sponsored for a long time in order to step up Britain's share of the Australian market.

So far Lloyd's gets only the tiny proportion of 3% of Australian business, or about \$3 million out of total premium revenue in that country of nearly \$100 million for non-life business.

Though denying that he has gone on a "hard-sell" visit, Mr. Mance admitted: "The whole of Lloyd's is keenly aware of the whole field of Australian development, and is determined to play its role in its growing future. International insurance is now preparing to meet the challenge of the 1970's, and Lloyd's will not be left out. The reason we have selected Australia for this visit is that there is such an explosion of economic expansion there, and I want to visit its industrial centers."

One way he will try to woo business is to persuade wealthy Australians to take up the opportunity to become members of Lloyd's. Another is to try to forge closer links between brokers out there, and those in Britain.

BUSINESS trips across the Atlantic are now so quick by air that links between Lloyd's and its American interests are in most cases close enough by now to be very efficient. But it can still take two days to fly out from London to Sydney and other centers, so that improved means of contact must be sought,

such as closer business tie-ups with the U. K.

Mr. Mance has the quiet British approach to life, so that in announcing his trip he made it clear: "This is not a sales exercise. It is a fact-finding mission to explore the market. We don't do things aggressively at Lloyd's. Wherever we become interested overseas, we take the view that our job is to work in co-operation with the local insurance industry and get along with it."

On long-term investment possibilities, he takes the view that many Australians are now getting rich enough to venture into the field of investment, such as with Lloyd's, as a way of getting good returns for their money. For

although losses have built up on insurance risks in recent years, he says, "You can't take risks without losses. But on the other hand, you expect equally to get a bigger yield at times for your money than if you don't take risk." Such an influx of money from an expanding Australia could help to go some way to provide the capacity necessary to meet growing future insurance needs.

Duquette is manager

J. Ronald Duquette has been named manager of New England Mutual Life Insurance Co.'s group pension sales office in Cleveland. He has been with New England Life for five years.

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Profit-sharing

Continued from page 6

from employees following the meetings, with some rather profitable results. One, he noted, was that the company use smaller draw-down cards to replace larger ones then being used in the shop. "Putting a pencil to this suggestion, we found we would save \$300 a year," Mr. Bennett noted, adding that through suggestions like this and continued employee interest in saving money the profit trend appears to have been reversed. "Today things look much better," he said.

One of the most effective profit sharing communicators, judging from a presentation made at the conference, has to be Wallace Business Forms Inc., a firm of about 1,000 employees which has had a deferred plan in force since 1952.

According to Robert M. Falkoner, an industrial relations assistant, only one employee of all eligible (eligibility was recently reduced from two years to one) has not joined the contributory plan. "She's a married girl who's going to leave the company to start a family in about six months; therefore it would be impractical for her to join," Mr. Falkoner said.

THE COMMUNICATIONS program at Wallace, he noted, is divided into two phases—visual and face to face. The company utilizes the latter in the employee newspaper, with posters, individual mailings to employees (including a copy of the company's annual report, a personal letter from the president and the employee's annual profit sharing report and statement) and with individual projections of what an employee might expect to have in the plan by retirement.

The face to face contact, on the other hand, is utilized through trained recruiters, eligibility talks by management, and home visitations annually by an employee's supervisor to discuss the program, as well as other contacts.

In addition, Mr. Falkoner noted, the company has a five-member trustee board made up of employees at each of Wallace's plant locations. They are flown into Chicago quarterly to hear a company report on the profit sharing plan and in turn report to employees at their separate locations.

The expense-paid trips to Chicago made quarterly by the five trustees are all deducted from the company's profits, of course. But apparently Wallace workers don't mind dipping into the till to send a fellow employee on a plane ride.

African . . .

Continued from page 21

sive that the company need not provide any further employee benefits for local workers. In Egypt, insurance coverage for local employees must be purchased from the government. When needed, employee benefits for local workers are generally purchased from indigenous insurance companies, where they exist, or from foreign firms operating in the country.

MOST AMERICAN companies in Africa have an expatriate plan to provide employee benefits to Americans or persons of other nationalities working in a particular country. Such benefits are on a scale with employee benefits in the person's home country and are usually arranged through American underwriters.

In addition to commercial insurance, American businesses in Africa may carry political risk insurance, which is provided by the U.S. Government in an attempt to eliminate political uncertainties in underdeveloped countries from an investor's considerations. The government's political risk insurance program, which covered Indian Head in Nigeria, insures investments against losses arising from the following causes:

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Insurance guarantee unit will protect California's policyholders: Barger

LOS ANGELES — Insurance history was made here with the establishment of the California Insurance Guarantee Assn. as an operating legal entity.

The new organization was created, according to California Insurance Commissioner Richards D. Barger, "to help protect California policyholders of property and casualty insurers that might become insolvent and be taken into liquidation.

"The new association," Mr. Barger explained, "is authorized by law to accomplish this objective by collecting enough premium from its 300 member insurers on account of the sale and issuance to them of policies of insolvency insurance." These pol-

icies, he continued, will provide for prompt payment of covered claims arising under the policies of any insolvent member company.

THE ASSOCIATION will later be reimbursed in whole or in part by whatever the liquidator might salvage from the insolvent estate of the insurance company that failed.

"The association's first job," Mr. Barger said, "will be to investigate, adjust, defend, pay or deny claims arising under the automobile policies of the defunct Key Insurance Exchange of Novato, in Northern California's Marin County."

Membership initially will con-

sist of approximately 350 California licensed insurance companies that write property and casualty lines.

It will be managed by a board of governors consisting of authorized representatives of insurers designated by Mr. Barger.

Companies represented on the board are Farmers' Insurance Exchange, Industrial Indemnity Co., California State Automobile Assn. Inter-insurance Bureau, Mission Insurance Co., Pacific Employers Insurance Co., State Farm Mutual Automobile Insurance Co., Safeco Insurance Co. of America, Hartford Fire Insurance Co. and Liberty Mutual Insurance Co.

THE BOARD has already

adopted a plan of operations, a policy of insolvency of insurance to be issued by the association to each member company, and a subscription form for each member to sign.

The board also signed an agreement appointing Farmers' Insurance Exchange as the servicing facility to perform the actual labor involved in investigating, processing and paying claims under the Key Insurance Exchange automobile policies.

The association came into being as a result of a law adopted last summer by the California legislature, as "an answer, on the state level" to the Federal Insurance Guaranty Corp. proposed by Sen. Magnusson in Senate Bill 2236.

The California law was signed by Gov. Ronald Reagan Aug. 31 and became effective that day. Mr. Barger and his department are now in the process of making

preliminary mailings of informational material to all member companies.

The Marin County superior court is expected to appoint a liquidator for Key Insurance Exchange in November after which Mr. Barger will publish notice of claims rights.

\$14 million damage

Riots and civil disorders in the U.S. during the first eight months of the year caused almost \$14 million of insured property damage, including nearly \$8 million from disorders on college campuses and in high schools, according to the American Insurance Assn.'s property claims services department. Incidents of civil strife hit 253 cities in 38 states, the District of Columbia and Puerto Rico. Worst hit was Indiana where an estimated \$4.4 million damage had been incurred.

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State council charges poor fund investment

HARTFORD—The Connecticut Public Expenditure Council has charged that the state program for its retired employees is so poorly funded that the state must tap current contributions to meet benefit payment demands.

Connecticut, according to the CPEC, ranks last in the nation in what its retirement program receives in investment income. The figure here is 22%, as compared with a 69% national average.

Current contributions from working employees, the CPEC suggested, should be used in part for investment.

"State government," said CPEC (a privately financed organization specializing in government financing), "is salting away and investing virtually nothing toward future retirement benefits."

The result, it is charged, will be a growing liability for Connecticut taxpayers if the retirement program continues on the same pattern.

THE LIABILITY already appears to be heading toward a \$300 million level.

CPEC said that the prime difficulty stems from insufficient funding of the part of retirement benefit costs that are to be borne by state taxpayers—some 85%.

That, plus a continual liberalization of eligibility for the pension, according to CPEC, has pushed the retirement program further out of line each year. But despite the obvious errors in economics as applied to the Con-

necticut state retirement picture, the legislature ordered a \$35,000 study this year to learn what's essentially wrong, CPEC continued.

The result, according to CPEC, is a mounting debt.

The policy seems to be one of "ignoring our bills and passing them on to future taxpayers," CPEC said.

At the top of the state ranking of returns for a pension program is New York—with some 90% as a total from investment earnings and state contributions. ■

Canadian gets \$1,263 in benefits

OTTAWA—Employee benefits added an average of \$1,263 a year to the pay of Canadian manufacturing workers. Their average yearly straight-time earnings were \$5,610.

Benefits included \$744 paid directly to employees in insurance premiums, holidays, sick leave, etc., and \$519 paid for workmen's compensation, unemployment insurance, pension plans and life and health insurance.

The \$519 sum does not include employee contributions to group plans.

The figures were contained in a preliminary report of a Dominion Bureau of Statistics survey conducted earlier this year. ■

Appoint Miller, McArdle

NEW YORK—Robert C. Miller has joined Twentieth Century Fox Film Corp. here as corporate insurance manager. He succeeds Lawrence F. Smith, who has left to start his own insurance business, Colonial Insurance Agency.

Mr. Miller joined the film company from Lorillard division of Loew's Theatres Inc., where he was director of insurance and risk control. Succeeding Mr. Miller at Lorillard is James F. McArdle, formerly assistant insurance manager at Joseph E. Seagram & Sons.

Mr. McArdle holds B.S. and LL.B. degrees from Fordham University and has professional designations as Chartered Life Underwriter and Chartered Property Casualty Underwriter. He was formerly managing director of Gulfstream Insurance Ltd. and Gulfstream Insurance (Bahamas) Ltd. and resided in the colony for several years while directing the two captive insurance companies. ■

UAW obtains pension payment boost at AMC

RACINE, Wis.—United Auto Workers at American Motors Corp. has won an increase in pension payments by the company which will bring the company's share under the plan from \$4.25 to \$5 per year of service.

The increase was one of two in the employee benefit area which were issues in a labor dispute here which resulted in a strike against AMC by the UAW. Although the strike continued last week while other "local issues" were being worked out, it is believed the latest negotiated package will win approval from the union.

In addition to the pension increase (which, incidentally, is still below the \$5.50 to \$6 contributions paid UAW workers at the big three auto manufacturers, the proposed package also calls for an additional five days of paid casual time off across the board.

"THAT," a source at American Motors told *Business Insurance*,

"is the equivalent of one week's extra vacation pay which can be used for casual absence or as sick pay, in effect." He noted, "It gives hourly employes a benefit—sick pay—long held by salaried workers."

Although present supplemental unemployment benefits and insurance plans are not affected by the proposed package, AMC added an additional holiday to the package (Dec. 26) and also increased retired employes pensions. Effective July 1, 1970, retired AMC workers will receive an additional 75¢ for each year of service, which will put them in line with employes about to retire under the new AMC retirement plan.

The proposed AMC-UAW pact also provides for a catch-up increase of 5¢ an hour for unskilled and 15¢ an hour for skilled workers, a wage increase of 3% which comes to about 11¢ an hour, and a cost-of-living boost of 8¢ an hour effective Nov. 24. ■

ARA names Graves to risk post

PHILADELPHIA—ARA Services Inc., the nation's largest food service management company, has named Stephen G. Graves risk manager.

Previously Mr. Graves worked in the education department of Insurance Co. of North America as well as in the insurance department of the Sun Oil Co. in Philadelphia.

Mr. Graves told *Business Insurance* that his main concern will be to stress "prevention and reduction of losses of all kinds." He said that he will be responsible for the firm's corporate insurance program, but not employee benefits. His duties will include workmen's compensation and products liability, as well as all forms of security, both internal and external. ■

No pension, no dues, say union men

KENT, Wash.—About 40 machinists at Kent Engineering Inc., producer of aircraft parts here, will begin placing union dues in a trust fund.

Vance Lawrence, shop committeeman for Hope Lodge 79, International Assn. of Machinists, and an employe of Kent Engineering, charged that union representatives had refused to negotiate an adequate pension plan in a new contract.

THE FORMER contract expired August 31, 1968, he said.

Mr. Lawrence, speaking at a press conference, said the purpose of the fund was to prevent the union from using dues "to pay their attorneys who are fighting against us."

He said Kent Engineering, which employs about 50 union members, is a closed shop. He added, however, the firm was "agreeable to whatever contract is workable with management and the union." ■

Perkins, head of Aetna's group insurance, retires

HARTFORD—Frederick P. Perkins, who, as a young man in his 20's pioneered the development of Aetna Life & Casualty Insurance Co.'s group pension business, later becoming head of all group insurance and pension operations for the firm, retired recently after 44 years of service.

Mr. Perkins, senior vp and a director of the company, joined Aetna in July, 1925, with a bachelor of science degree from Bowdoin college.

A combination of managerial abilities advanced the Maine native from actuarial student to the first superintendent in the group pension department by 1931.

While still in his 20's, Mr. Perkins laid the foundation for Aetna group pension operations—a field in which the firm today ranks among the industry's pace-setters.

IN 1934, his appointment as assistant actuary made him an Aetna officer.

Promotions, in 1941 and 1947, advanced him to associate actuary and to actuary. He became a vp in 1954.

A year later, Mr. Perkins assumed responsibility for all group insurance and pension operations.

He was made senior vp the following year, and, in 1959, was elected a director.

Under the Perkins leadership, total group insurance premium income more than tripled.

Group life insurance in force increased 2½ times, and premium income from group pension sales doubled.

Aetna, in 1966, took the lead in net group health insurance premiums. ■



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The battle is over how much to hike unemployment benefits

WASHINGTON—The House Ways and Means committee has approved a plan to boost the wage base on which unemployment insurance is paid from the current \$3,000 to \$4,200 by 1972, and to increase the tax rate on these wages by 0.1% to 3.2%. This would increase employer payments by \$38.40 a year for each employe making \$42.00 or more.

The committee tentatively had earlier approved a plan to boost wage base to \$4,800 by 1974 and leave the tax rate the same. President Nixon recommended in July that the base be raised to \$6,000 over the five year period, with no change in tax rates.

The committee also approved bringing another four million

workers under the program. These would include 2.1 million workers in nonprofit organizations, about 750,000 workers in small firms, about 900,000 in state hospitals and higher educational institutions and about 200,000 in agricultural processing.

IT REJECTED a Nixon proposal to bring into the program 400,000 farm workers on farms that employ four or more workers in each of 20 weeks of the year.

In line with the Administration proposal, the committee bill would increase the duration of benefits by 13 weeks whenever the national jobless rate for insured workers

reaches 4.5% or higher for three months.

The extension would also become effective in any state where the insured jobless rate reaches 4% or more for three months in a row.

The committee rejected 15 to 9 a proposal of Rep. Vanik (D., Ohio) to set a national minimum level of unemployment benefits.

President Nixon had recommended against such a move at this time but called upon the states to set their maximum benefits voluntarily at least at two-thirds of the average weekly wage of their insured workers, thereby "averting the need for Federal action."

Day care center part of clothing workers' deal

BALTIMORE—Clothing workers in the area are paying 2% of their gross payroll to finance the operation of a day care center for the small children of working mothers.

The center is the product of a collective bargaining agreement between the Baltimore regional joint board of the Clothing Workers union and clothing firms here.

The Baltimore unit will accommodate 325 children from ages two to six. The youngsters will be under the supervision of a staff of 35, including a cook and a registered nurse.

A similar center was opened several months ago by the regional board at Verona, Va., and a center is currently under con-

struction at Chambersburg, Pa. Others are planned at Hanover and McConnellsburg, Pa.

Sam Nocella, vp of the clothing workers union and head of the joint board, said that the inspiration for the day care centers came when he was on a trip to Europe and observed similar centers in a number of countries.

Speaking at the dedication ceremony of the Baltimore center, Mr. Nocella said he envisions an eventual chain of centers that will accommodate 2,000 children. ■

Slayton appointed

Maurice W. Slayton has been named assistant treasurer of Hartford Steam Boiler Inspection & Insurance Co.

12 move to undo merger

COLUMBUS O.—Twelve policyholders of the American Life Insurance Co. have filed suit in the U. S. district court here in an attempt to undo what they consider an ill fated merger.

Defendants are Fred Smith, director of the Ohio Department of Insurance; American Computerlife Corp.; Ideal National Life Insurance Co.; and Joseph L. Osberger of Cincinnati, vp of Investment Life Insurance Co. of America, an Ohio firm with which American Life merged in 1963.

The twelve plaintiffs, who said they represent 8,600 policyholders in 30 states with \$11.6 million face value of policies in American Life, contend that the merger was illegal in that it did not meet all requirements of Ohio insurance laws. Before the merger, they said, the face value of American Life policies exceeded \$20 million.

They requested the court order assets of American Life be separated from Investment Life, that American Life be returned to the Connecticut insurance commissioner for final disposition, and urged an audit of American Life assets (estimated at more than \$4 million) be made to determine what losses have occurred and who is responsible for them.

In their complaint, the policyholders noted that Franklin County common pleas court (Columbus) had ordered liquidation of Investment Life in 1965, the court of appeals later ruled that American Life assets be kept in a separate fund, and that Ideal National was appointed trustee for both American Life and Investment Life.

Ideal National has offered to buy Investment Life, the suit said.

However, American Computerlife also wants Investment Life and the \$4 million assets of American Life to promote a computerized system of marketing insurance, the plaintiffs contended.

Computerlife obtained common pleas court permission on Sept. 26 "to rehabilitate" Investment Life, they noted. ■

AIU elects

E. A. G. Manton, formerly president, has been named chairman of American International Underwriters Corp., New York. John J. Roberts has been elected president of AIU and A. Weber has been appointed exec vp.



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Tells insurers nuclear reactors number nearly 500

LONDON—Surprising figures about the growth of nuclear energy for industrial use were given to underwriters at the International Union of Marine Insurance conference.

N. Kihlbom, of Sweder, chairman of its nuclear information committee, disclosed that a total of 479 reactors were now in operation in forty-eight countries

surveyed by him.

He added: "Only a few underwriters are fully aware of how rapid this progress has been, and will be, at least as far as land-based reactors are concerned."

THE REACTORS now in use included 105 power reactors, producing nearly 20,000,000 kilowatts of electricity in fifteen coun-

tries. By 1975 there will be 283 power reactors in 21 countries, producing nearly 130,000,000 kilowatts.

This means, he said, that marine underwriters can expect the number of international transports of replacement fuel, irradiated fuel, and nuclear waste to double every year for the next five years.

Nuclear ships, including a few civilian vessels as well as many naval craft, had completed 100,000 hours of operation without incident in the past year.

New commercial vessels include the Japanese ship Mutsu launched June 12, which is due for its nuclear trials to be completed end-1971 (repeat end 1971), and the German ore carrier Otto Hahn, already being used for experimental cargo voyages.

HERR KIHLOM added (as of the date of the conference): "The grand old lady in this field, the U. S. Savannah, is presently undergoing routine maintenance."

He said little progress had been made in the field of nuclear law, but after last year's international symposium at Monte Carlo on maritime carriage of nuclear substances a committee had been set up to try to reconcile the discordance between maritime laws and international nuclear law.

This committee had suggested

Mass auto plan signed by union

NEW HAVEN—The New Haven Typographical Union, No. 47, has voted to accept a mass merchandising auto insurance program—first of its kind in Connecticut—offering savings in premium rates up to 15% over comparable individual plans.

Negotiated by Insurance Programmers Inc., New Haven specialists in union programs, and written by Aetna Life & Casualty Insurance Co. of Hartford, the plan provides a package of liability insurance, medical expense and uninsured motorist coverage plus a death benefit.

All union members are eligible for plan participation. Premium rates are to be determined by such standard elements as use of car, driving record and age.

Aetna estimated that premiums will range from 5% to 15% less than those for currently available individual plans. The premiums will be paid on an installment basis.

Aetna has recommended that Typographical Union members purchase a \$100,000 single-limit package as adequate protection against personal liability for both bodily injury and property damage; and \$100 deductible coverage for those electing to insure against collision damage to their automobiles.

Spencer sets new service

Charles D. Spencer & Associates, Chicago, will publish International Benefits Information Services, a monthly briefing on important employee developments in all parts of the world. Co-Editors are Vincent J. Simone, of Lybrand, Ross Bros. & Montgomery, and John K. Dyer Jr., a consulting actuary. Cost of the full service (monthly briefings plus loose-leaf reference manuals) is \$600 a year; the monthly service alone is \$200.

that underwriters and shipowners should find how much cover was available for nuclear liability, but it seemed that the extent and terms varied according to

every individual case.

Governments should become parties to nuclear conventions and work towards their harmonious implementation.

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Which means we're one of the few property and casualty companies around with guts enough to take you on even if your premiums turn out to be peanuts.

We can afford to be a little generous.

But we'd rather you didn't spread it around. It just might ruin our hard-nosed reputation.



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(or two?)
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There's a danger in going along, each year, thinking of your business insurance in the same old way.

New problems require new solutions. The new needs are ripe for fresh thinking and tuned-to-today ideas.

That's where Allstate can help.

Allstate sells just about all of the kinds of insurance your company needs.

After a few short years of

staffing up, we're ready to tackle any problem you can throw at us—however big.

Our men are specialists. Handpicked. Experienced. Valuable.

Just maverick enough to bring you a fresh and helpful point of view. And probably able to save you money in the bargain.

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