An investigative report from St. Louis page 3

Aftermath of latest, largest bank failure page 16

Plant noise rule tough enough? OSHA asks page 25

Portable life, health plans coming of age page 29



Entire contents copyright 1973 by Crain Communications Inc.

45¢ a copy; $10 a year Week of November 19, 1973

business insurance®

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

Grand jury to probe city's policy award to Heil & Heil

By SUSAN ALT

CHICAGO—A Cook County grand jury is beginning an investigation of how Heil & Heil, an Evanston insurance agency, obtained business from the city of Chicago earlier this year.

The grand jury also may look into the recent awarding of part of the insurance for the Chicago Skyway, a huge bridge linking the Indiana tollway with the city's freeway system, to Heil & Heil.

A second politically well-connected agency, Arthur J. Gallagher & Co., was awarded the other portion of the Skyway insurance.

And there is a new name in the Chicago insurance game. The Wyatt Co. was retained only last June to advise the city about its insurance programs. Consultant, Warren Brockmeier and his recommendations are part of the controversy.

Last February Mayor Richard J. Daley announced that city insurance business would, in the future, be let out to competitive bids. His concession followed weeks of disclosures that Heil & Heil, last year, took over all city insurance business, in the months after the mayor's son, John Patrick, joined the firm (*Business Insurance*, Feb. 26, 1973).

LATE LAST MONTH, the city awarded its first contracts under competitive bidding. Heil retained a very healthy chunk of the business ($30,677 a year premium) but was only third low bidder on much of that coverage, the Chicago Sun-Times disclosed.

To Mr. Brockmeier, the important point of the whole thing is that Heil lost its monopoly, and that coverage was improved while premiums are lower than before. The Skyway premiums, for instance, will now total about $72,000 a year, compared with nearly-$79,000 a year when Heil

Continued on page 12

Notice to readers

Because of the Christmas holidays, the deadline for some editorial features, as well as the advertising closing date, for the Jan. 7 issue of *Business Insurance* has been advanced one week, to Dec. 19.



Downtown Indianapolis fire raged at noon hour. —Wide World photo

Fire loss soars; cause still unknown

INDIANAPOLIS—A local demolition company with only a small amount of insurance may be held liable for millions of dollars in fire damage to downtown buildings here.

Property losses sustained in the noonday Nov. 5 fire are variously estimated at $4.5 million by the American Insurance Assn. up to $15 million initial estimates attributed to fire department officials. The General Adjustment Bureau officials feel the $15 million estimate is high.

The rush hour five-alarm fire broke out in an old W. T. Grant Co. store being demolished by Zebrowski & Assoc. There were no reported deaths or injuries. Flames whipped by 20-m.p.h. gusts of wind raged through several office buildings and a 15-story hotel, and caused extensive damage to some 17 places of business.

FIREMEN BROUGHT the blaze under control after four hours, long enough to establish the fire as biggest ever in this city.

In the end, the 11-story Thomas Building, occupied mainly by professional tenants, was totally destroyed. McCrory's retail store, first floor tenant, was gutted. Within several days, a tenant of the Thomas building filed a $500,000 suit against Zebrowski & Assoc., for alleged negligence, against the owners of the Thomas building, and against W. T. Grant Co.

Sources close to the situation said the Thomas building was covered by General Accident Insurance Co. for property damage up to an estimated $3 million.

Another building that suffered extensive damage was the 15-story Washington Hotel and Washington Tower Apartments. There was extensive fire damage to the upper seven floors of the building, along with smoke, water and fire damage to other floors. Commercial Union is the insurance carrier for the Washington Hotel, *Business Insurance* learned. There is thought to be only a $1 million limit on the hotel's property cover.

DAMAGE TO THE hotel and the Thomas Building are estimated to be close to total insured limits.

The fire's origin was the W. T. Grant store, and was first said to have possibly been started by a workman's cutting torch or by propane gas stored on the third floor of the building.

But David Wylie, insurance administrator for Zebrowski, said there were no workers on the premises, and only one tank of propane gas was in the building. "We're not really sure yet of the cause," he said.

THE QUESTION of liability in this case is very complex, and may become more entangled as more suits are filed, against Zebrowski, for one.

W. T. Grant does not own its buildings. "If liability does exist, we would be covered under our comprehensive general liability policy with Liberty Mutual," said Joel White, corporate insurance manager for W. T. Grant in New

Continued on page 3

Survey shows that insurance buyers are fast-changing

NEW YORK—The corporate insurance buyer is making substantial changes in his company's property and liability insurance programs.

Furthermore, he is anticipating even more and faster change in his property/casualty risk management methods in the next few years.

These are some of the findings of a just-released Fortune Market Research survey designed to show how the 1,000 largest U.S. industrial corporations view, and deal with, property and liability insurance, and some of the major carriers underwriting the risks.

The research firm, a subsidiary of Time Inc., came up with perhaps the most definitive profile to date of the risk manager's position and function within large corporations.

MAJOR FINDINGS of the wide-ranging study include:

- In the very largest industrial firms, the corporate risk manager is generally a full-time middle-management level person, while in slightly smaller firms the responsibility generally rests with a top management executive who spends only part-time on insurance;
- Risk managers for industrial firms most often report to top management financial officers;
- Nearly half of all the largest industrial concerns use more than ten carriers for property and liability coverage, but suggestions for change indicated many would like to work with fewer carriers on flexible all-risk policies;
- The great majority of industrial firms have changed policies and carriers in the last five years, usually to get lower premiums;

Continued on page 2

Union to ask wage loss protection

PITTSBURGH—When the United Steelworkers of America begin negotiations with the aluminum industry at the end of this month, the union will be seeking, among numerous other things, protection against employes' earnings losses caused by energy shortages.

"We didn't really deviate from the international union's wage policy statement with this," M.C. Weston Jr., District 35 (Atlanta) director, told *Business Insurance*. "We are just going to put more emphasis on this particular bargaining point."

While declining to comment on the union's specific goals, Mr. Weston, who is also chairman of the union's Aluminum Industry Conference, noted that a number of the union's members had been laid off by aluminum companies because of energy shortages.

"All three of the big companies—Aluminum Co. of America, Kaiser Aluminum & Chemical Corp. and Reynolds Metals Co.—have had problems, particularly in the Northwest," he said. "Smelting divisions have been particularly hard hit."

The union is also looking for a wage boost, pension and safety improvements, insurance improvements, a shorter work week and an increase in the cost of living escalator.

The union considers pension improvements a paramount objective. Among the improvements sought are an increase in basic benefits (protected by the cost of living escalator), supplemental pension allowances extended to all members who retire before Social Security eligibility and a full, early pension regardless of age.

Pensions for surviving spouses and funding provisions where they are lacking were also highlighted in the statement.

"The indefensible, punitive and archaic practice of deducting workmen's compensation, Social Security, severance and similar payments from pension benefits must be eliminated," according to the wage policy committee.

Continued on page 12

Life carriers ready to market auto, homeowners as new group plans if...

CHICAGO—One big "if" holds back a number of eager insurance companies from marketing group auto and homeowner coverage as part of an employe benefits package.

That's if only Congress would make the premiums tax-deductible.

But the idea still does more than tickle imaginations. *Business Insurance* found mounting interest in what is termed true group marketing. And some preparations are now in the works for future employer-paid auto and homeowner insurance.

"WITHOUT A tax change there won't be a considerable amount of interest in true group coverage," said George Katz, Aetna Insurance Co.'s asst. vp in mass merchandising. "But that isn't to say we aren't studying the situation."

Christian Paul, Travelers Insurance Co.'s vp of mass marketing, agreed with Mr. Katz. "We've gone considerably beyond exploring. We're looking for a customer, but there's very little precedence for employers buying benefits for their employes when it shows up in their W2 forms."

Right now there are federal as well as state laws that classify auto and homeowner benefits as taxable income for employes. Unsuccessful attempts were made last year to pass three auto insurance bills, collectively called the Hart-Magnuson bill, through the U.S. Senate.

"Nothing happened," explained Dean Sharp, asst. counsel for the Senate anti-trust and monopoly subcommittee. "We had no support for it."

The bills package would have attacked existing tax legislation on three fronts. Bill S.946, called the Motor Vehicle Group Insurance Act, was meant to establish legal grounds for true group coverage. Bill S.947 was an amendment to the internal revenue code on tax deductions, allowing auto coverage to be considered deductible. And bill S.948 was an amendment to the Labor Relations Act of 1947, permitting unions to bargain for auto insurance as part of employe benefits.

Mr. Sharp said the bills may be reintroduced in the future, but the subcommittee is now devoting all its attention to no-fault insurance legislation.

DESPITE CONGRESS' lack of enthusiasm, insurance carriers are looking into the possibilities of revising some of their mass-marketing techniques to fit true group coverage programs.

"We are thinking about it, obviously," said Richard Grubaugh, Prudential Insurance Co. of America's manager of special products development. "We are asking ourselves, 'is that the market of tomorrow?' "

Prudential is taking a slow approach to true group coverage, Mr. Grubaugh added. The company has been exploring possibilities without any timetable in order not to come up with any "half-baked program."

The Metropolitan Life Insurance Co. is planning to move into the casualty and auto coverage area in 1974-75. But J. Albert Burgoyne, president of the company's new subsidiary, the Metropolitan Property and Liability Insurance Co., said he had no set designs for the true group auto and homeowners market.

"We just wanted to strengthen our sales organization and allow salesmen to provide full service. We hope all our salesmen will be multi-line people."

Aetna's Mr. Katz said that outside impetus may come from the unions. "We've had general inquiries from the unions. They come to us saying 'how can we do it?' "

Mike Glasser, director of social securities for the United Auto Workers union (UAW), said true group auto insurance is inevitable.

"I think true group has to come. It will come and we will work for it. It's on the horizon and it makes sense."

But the time of its arrival is hard to predict, he added.

Mr. Glasser noted that the UAW worked with the anti-trust and monopoly subcommittee on last year's Hart-Magnuson bill package, as well as on the current no-fault legislation.

"On the legislative front we've worked more assiduously on the no-fault because it seems more likely to be productive in the immediate future."

"It would be unusual for the unions to bargain several cents an hour for benefits that would be taxable for the employe," he said.

"The climate out there isn't all that favorable to true group auto insurance," he added. "But you can bet that if it improves, the insurers will be out there." ■

Info for Buyer's Issue

Business Insurance's annual Info for Buyers Issue, to be published Jan. 7, 1974, will carry hundreds of items of interest to buyers of corporate insurance, employe benefits and related items, including safety and security systems.

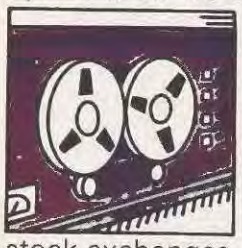
An annual feature, last year's info issue, drew over 36,000 requests for individual items.

If you wish to submit material for the 1974 Info for Buyers Issue fill out the coupon on page 47 and mail to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Il. 60611.

For your special fire hazard:

Cardox systems. Two kinds of protection. All kinds of engineering help.

The Halon 1301 advocates tell you their special hazard protection systems are best. The carbon dioxide people say their systems are best. Chemetron offers *both* Cardox-brand Halon 1301 and CO_2 systems. So we can tell you which is *better*, which is exactly right for you.



We have more than 30 years of experience in evaluating and designing Cardox fire-protection systems for all kinds of special hazard locations. Such as record storage rooms, computer areas, printing plants, power stations, stock exchanges, banks—the full range of business and industry.

You'll find our experience can help prevent over- or under-engineering your protection system. Help prevent oversights that later lead to sub-par protection. And our technical manpower is backstopped by extensive manufacturing facilities for customizing a protection storage and delivery system for you alone.



Now's the time to call on Cardox protection of special fire hazards. While things are still in the thinking stages. Write: Chemetron Corporation Cardox Products, 111 East Wacker Drive, Chicago, Illinois 60601.

CHEMETRON™

Cardox Products

Chemetron Corporation

© Copyright 1973

First close look at P&L buyers . . .

Continued from page 1

- Carriers most frequently mentioned as having best multi-line capabilities were INA, Travelers, Aetna, Kemper, and Hartford;
- A whopping 83% of the 500 largest industrials said they self-insure some risks, and two out of three plan to self-insure more in the near future;
- Of non-self-insurers, a small but significant number see a trend toward self-insurance within the next three years;
- The industrial firms urged carriers to provide them with more policy and premium flexibility, better loss control counseling, single all-risk policies and pay-as-you-go insurance with higher deductibles.

THE TOP 500 companies ranged in sales from $204 million up to $30 billion annually, and had a median of 15,000 employes. The second tier of 500 industrial firms had annual sales of $67 million up to $203 million, with median employment of 3,400.

The insurance responsibility in the top 500 firms usually rests with a full-time middle manager (84%) who has the title insurance/corporate risk manager. But fully 15% of these companies have top executives handling insurance, most often with the title of treasurer, secretary/treasurer, or assistant secretary/treasurer. Two out of three of these top executives, though, spend only part of their time on insurance.

Slightly better than half of the smaller group of 500 firms have a vp or top financial executive handling insurance, usually part-time.

INSURANCE managers for nearly all industrial firms report to top management. In the biggest companies, the risk men most often report to a financial officer, either the vp of finance or just below. One out of twenty reports directly to the president or chairman.

In the smaller industrial firms, one out of every five risk managers reports directly to the chairman or president, with another 48% reporting to a financial officer.

Nearly half of the 500 largest firms use more than ten carriers for property/casualty coverage. Only one out of 20 uses as few as one or two carriers. A good two-thirds of the firms use more than seven carriers.

But among smaller firms, fewers insurers are used. One out of every five uses only one or two, and fully 56% use fewer than six carriers.

Almost every one of the largest firms (92%) has changed policies and carriers in the last five years, compared with 70% of the second tier firms which shifted carriers in that period. The changes were nearly always in the property/liability area, precipitated by lower premiums. Other policies which underwent change were workmen's compensation, autotruck fleet, fire, and marine coverage. Other reasons for change, cited far less frequently than lower premiums were broader line availability, better loss-prevention assistance, and better claim service.

BETTER THAN four out of five "Top 500" industrials self-insure some risks, usually about 10% of their total risk. One-quarter of all the largest industrials self-insure 15% or more of their total risks. And two out of three figure they'll self-insure more of their risks in the near future.

Among the largest firms, the most frequently self-insured risks are auto/truck fleet (65%), fire (58%), workmen's compensation (33%), and boiler and machinery (18%).

Despite the publicity about captive carriers in the last five years, only 7% of the largest industrials who self-insure have formed captives, the study showed.

AMONG SECOND tier industrials, 61% self-insure to some extent, usually about 8% of all risks. But, again a large number (39%) feel they'll self-insure more risks soon. These firms most frequently mentioned fire damage and auto/truck fleets, in that order, as risks they self-insure. Only 1% of these firms have captives.

Most industrial firms buy insurance in a variety of ways. Better than two-thirds deal with brokers. Better than one-third also use agents and/or deal direct.

Nearly all of the 500 largest industrials are multinationals. Most said they buy foreign property coverage through brokers, both local and U.S.-based. Only 15% are self-insured on foreign properties.

This compares with 58% of the smaller 500 firms having foreign exposures. They, too, deal mainly through brokers for coverage on foreign property, but only 4% are self-insured for foreign risks.

BROKER FAMILIARITY ratings put Marsh & McLennan first. The score showed nearly all of the largest industrial firms consider themselves very familiar with that firm's capabilities. Others with best ratings out of a list of ten brokers were Johnson & Higgins, Alexander & Alexander, Fred. S. James, and Frank B. Hall, in that order.

Over half of all the industrial companies surveyed use INA and Lloyd's for insurance. Another 45% use the Factory Mutual System. And over 30% use Aetna Factory Insurance Assn., and Home Insurance. Other carriers most frequently used are Travelers, Kemper, Hartford, CNA, Fireman's Fund, St. Paul and Continental.

Among the carriers most frequently mentioned as prime candidates for future business were Aetna, Travelers, Kemper, Hartford, Employers of Wausau, CNA and Liberty Mutual. ■

GUIDE TO FEATURES

Info for Buyers 8-9
Opinions 18
Dates for Buyers 29
Perspective 35-36
London Line 42
Washington Watch 44
Labor Beat 48
For the Record 50

Vol. 7 No. 24—Business Insurance is published every other Monday at 740 Rush St., Chicago, Il. 60611. Controlled circulation postage paid at Chicago, Il. Copyright 1973 by Crain Communications Inc.

Mail fraud veteran starts new business: off to a curious start

By STEPHEN GOOD

ST. LOUIS—After serving prison time for participation in a fraudulent insurance affair, Charles E. (Carl) Brown may be determined to begin a new, legitimate career.

But he's already off to a perplexing start.

In a detailed investigation of Mr. Brown's activities, *Business Insurance* uncovered a confusing trail of unregistered company titles, unpaid bills, an empty office, a non-existent telephone number and an infamous post office box. St. Louis postal inspectors, alerted by this magazine, are now making their own close study of Mr. Brown's activities.

Business Insurance first learned of Mr. Brown's new ventures from an anonymous phone caller who recognized an advertisement's mailing address. Probing into the background, mysteries mushroomed as a bizarre history of business dealings began to unfold.

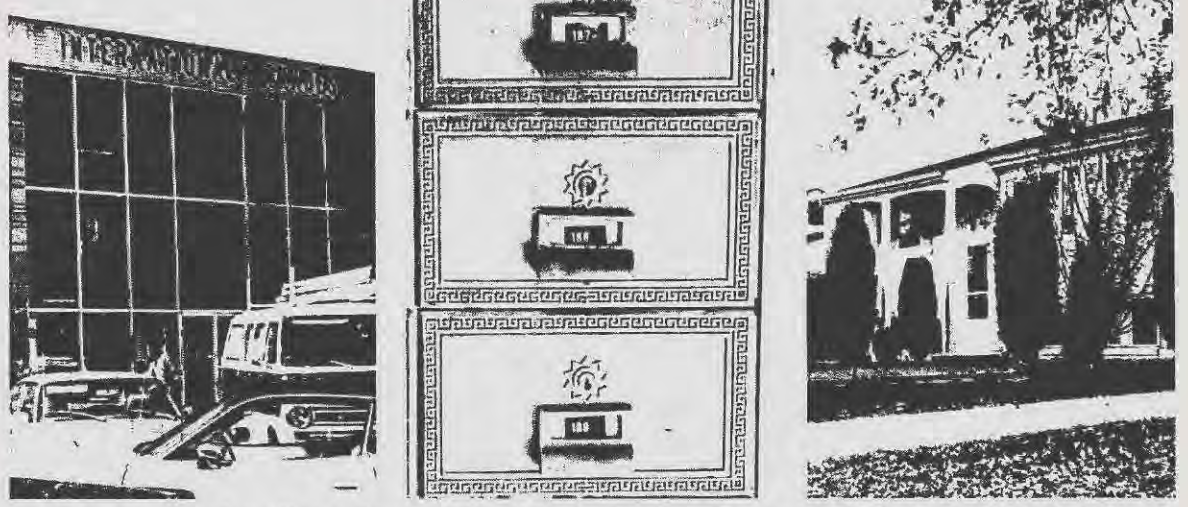
LATE IN 1972, Mr. Brown was sentenced to one year's confinement and two years probation after pleading guilty to conspiracy and three counts of mail fraud. He was originally charged along with Philip Wilson and 20 others for involvement in the Bank of Sark scandal (*Business Insurance,* April 10, 1972). The Bank of Sark, a rented one-room office on the British isle of Guernsey, had been used to lend credence to fake insurance companies. Mr. Wilson is still serving a prison term for related offenses.

AT THAT TIME, hundreds of businessmen paid advance fees totaling about $75 million for loan committments from the TransContinental Casualty Insurance Co. backed by the Bank of Sark. The loans were never made. Those who bought reinsurance from the TransContinental company lost another $75 million.

Mr. Brown was released May 7, with probation to continue until 1975. In September he began advertising a surplus and excess insurance placement consulting agency, Intercontinental Market Masters (IMM). This magazine first carried the ad Oct. 8.

"Try us," the ad advised. "You find the problem—we'll put it to bed." Placement consultation was offered for the areas of wet marine, inland marine, reinsurance, fire, aviation, products, liability and automobile insurance.

The agency's address, Box 188, St. Ann, Mo., is now leased by Mr. Brown and William E. Fox. St. Louis postal inspectors said the same box was previously used by the Farmers and Merchants Mutual Fire Insurance Co. and other bogus "minimutual" companies, leading to indictments on mail fraud for the two men back in 1970.



IBC "skipped out" of its office in the International Trades Building after one month, then moved into Carl Brown's home. Post office box 183 brings a remembrance of scandals past.

But business correspondence for IMM was written by Mr. Brown on paper with a letterhead for a St. Louis-based "International Business Consultants," (IBC). Investigations disclosed that IBC actually left the letterhead's address at least a month before the letter was dated (Sept. 13, 1973). And a printed telephone number for the company never existed.

Business Insurance learned that IBC originally rented the letterhead office address July 15. But according to one of the landlord's employes, IBC "skipped out" after one month. The company forfeited its security deposit, kept the keys and left no forwarding address.

IBC IS NOW registered with the phone company at the home address of Mr. Brown. Although IMM only has an answering service to receive incoming phone calls, the switchboard operator said the company headquarters were temporarily located in Mr. Brown's home.

Mrs. Rose Saputo, head of an answering service used by the short-lived IBC, said that Mr. Brown's company still owed her $50 for services. She added that a TWX number used on IBC's letterhead belonged to her. The company had requested that any copies of messages received on the TWX be destroyed.

"They didn't want any copies around of anything," Mrs. Saputo said.

Missouri has a law that every business must be registered with the state's fictitious names department. Each company must also list a legal representative. But Mr. Brown's IMM was not in the state's files. Further digging uncovered a state registration for an IBC in Kansas City, Mo. The company head, James E. Ghio, said he was surprised to learn that someone was using his corporate name in the St. Louis area. And he claimed that his own company is an export consultant.

WHEN CONFRONTED with these discrepancies in his St. Louis probation officer's office Nov. 9, Mr. Brown told *Business Insurance* he never knew that his company had a namesake in the same state.

Apparently, no state registration laws were broken because Mr. Brown claimed neither of his companies ever transacted any business. They only advertised. All prospective clients would have been told to wait until the companies were legally registered, he contended.

Asked about the outdated letterhead for his unregistered company, Mr. Brown said that correspondence on the old stationery was continued after the office closed simply because it looked more "professional" than plain paper.

Three unlabeled addresses on the letterhead belonged to an attorney in New York and two friends in New Orleans and Pompano Beach, Fl., he noted. Mr. Brown was unwilling to name the friends or specify their relationship to IBC.

THE LETTERHEAD'S non-existent telephone number was caused by a printing error, he claimed. Two digits from IBC's office number were accidently transposed. As a result the printers have not been paid.

Mr. Brown explained that he now intends to purchase a combination insurance and tax service business in Springdale, Ar. named Paul D. Peevy and Assoc. He currently acts as general manager of the firm, and plans are underway to make IMM one of its divisions.

IBC is dead. "It exists in name only," Mr. Brown said.

And advertising orders for IMM will no longer be made on the old IBC letterhead, he promised. Until new stationery is printed, he plans to send his letters on plain paper. ■

Risk men ask carrier change

NEW YORK—Corporate buyers of insurance want insurers to write new policies, start thinking in terms of combination programs (self-insurance-excess insurance-service contracts), and re-open their minds to unusual risks.

Insurance managers for the 1,000 largest industrial firms expressed disenchantment with the unwillingness of the insurance industry to be flexible in dealing with specific needs of their large diversified companies.

Time and again, corporate managers said that pre-printed property and liability policies just aren't adequate or flexible enough for special situations. What they seemed to say in comments gathered as part of a Fortune Market Research survey was that policies designed and rated for a big cross section of industry just won't do. They complained that rates set for "industry as a whole" don't fairly take into account very low loss rates of one industry group or company.

ONE INSURANCE administrator for an appliance manufacturer called on insurers to "develop a broad basic policy for each category of risk, then offer a shopping list with prices of additional coverages within the risk, which would permit the customer to build a policy to fit his needs and wants."

Among the many comments were these suggestions:

1. "Standardize working of policies where possible."

2. "Provide monthly premium billings."

3. "Offer higher premium credit for larger deductibles."

4. Develop "a way to cover individual bonds under a blanket bond."

5. "Broaden all-risk contracts with greater credits for deductibles, franchises and coordination of ancillary coverages combining better-than-average risks with the less-than-average."

6. Get "policies delivered within one month (instead of three-six months)."

7. "State in writing what OSHA violations (are found) at plant locations (at the present time all insurance companies refuse to indicate in writing your OSHA violations."

8. "Loss rate risks more often rather than manual rating. Provide a retro plan similar to group insurance for property and casualty."

9. Put together "more domestic consortiums able to underwrite larger risks, such as offshore drilling and service rigs."

10. "Increase . . . the sale of services as opposed to straight insurance."

11. "Generate a mutual benefit concept and try to sell a self-insured program with excess limits provided by the carrier."

12. "Outlaw contingency commission contracts. Allow . . . insured to deal directly with insurer, with commission override to agency."

13. "Provide claim service for self-insurance."

14. Provide "broad pollution and contamination coverage; increased limits for flood and earthquake exposures; creation of a U.S. Lloyd's for reinsurance and excess policies."

15. Develop "wrap-up and/or total-account concept policies; more accurate and prompt loss runs in casualty area."

16. "Combine all property and liability coverages into one system whereby an annual aggregate deductible would apply."

17. Send "computerized periodic reports of premiums, claims, paid reserves."

In addition to these suggestions for change, at least one insurance manager, an assistant to the vp of a hardware producer, noted "insurance carriers do not provide broad, comprehensive coverage for products liability at any premium. This is an area where improvement . . . is needed."

IT IS A SIGN of the times that insurance buyers everywhere are generally disgruntled with the fact insurance carriers tie up funds. An assistant treasurer for an electronics producer believes "when claims require a long time to settle, insurers should pay interest from the time of loss to date of payments because insured should not have to pay . . . (for) foot dragging."

There appears to be a feeling among corporate clients that it is wrong for insurers to want to make a profit on "every account and every policy." The insurance manager for a soft drink bottler believes 'insurers should be satisfied with an adequate overall profit from combined lines and not insistent upon the profitability of all lines."

A vp for a firm in the aviation industry noted that "adequate capacity to insure (windstorm, flood and earthquake) perils at reasonable cost may be made available from new markets if the Internal Revenue Code was amended to encourage and permit development of adequate reserves against catastrophic loss."

IN THE SAME vein, the insurance manager for a camera and accessories maker cited the industry's need "to provide true all-risk property and business interruption policies with high limits (excess of $50 million) and, if necessary, with high deductibles." He went on to suggest more underwriting flexibility on intangibles of property damage risks: "loss of goodwill, errors and omissions, patent rights, etc." ■

Liability for fire losses spurring court fights

Continued from page 1

York. He noted that Grant's lease expired Jan. 31, 1971.

Present owner of the building and property is Indun Realty, a subsidiary of Indiana National Corp., a holding company which also controls the Indiana National Bank. A spokesman for the firm said that under the terms of Indiana National Corp.'s contract with Zebrowski, when demolition began all responsibility transferred to the demolition contractor. "The contract gave Zebrowski complete possession of the property," the spokesman asserted.

Sources close to Zebrowski, however, indicate there may be a standard "hold harmless" clause in the demolition firm's contract, and the contractor is known to be checking for that now. These sources also indicated that the extent of Zebrowski's liability insurance is substantially under $5 million.

MR. WYLIE would only acknowledge, however, that the firm's insurance is "no where nearly sufficient to cover the loss" if Zebrowski is held liable for the fire. The firm's comprehensive liability policy is with Travelers.

Indiana National Corp. declined to say whether it is insured and with whom. The offices of the industrial division of Indiana National Bank were damaged in the fire. ■

Complexity of nuclear exposures posing carrier, market challenge

CHICAGO—By 1985, the world nuclear insurance pool could total $250 million, as a result of "more foreign insurance companies willing to pool their resources for the common good," an INA official predicted here.

Donald Ruff, vp of Insurance Co. of North America, spoke at the mutual insurance technical conference here, and noted: "The field of electric generation by nuclear power is presently a challenge we have not entirely met. I predict that as the (insurance) industry's confidence, both collectively and individually, in nuclear technology increases, our ability to provide additional capacity will closely follow."

There are four common arguments which contribute to misunderstanding of nuclear energy as a power source, he said, attributing the delays in nuclear development to these "myths." They are:

- the radioactive waste problem;
- the possibility of an explosion;
- atomic plant-site emissions;
- waste heat problems.

MR. RUFF DECLARED that "nuclear power plants are explosion-proof; no accident or deliberate attempt on the part of a saboteur could cause a nuclear explosion. The arrangement of the fuel pellets absolutely precludes this."

He discarded the radioactive waste problem with the statement: "radioactive waste material can be safely stored underground. The AEC estimates that 500 to 1,000 years renders this material slightly above background activity."

He termed nuclear power plants "less offensive than fossil-fueled plants, because they emit no sulphur dioxide, no particulates, no nitric oxides, no carbon monoxide and even less radioactivity than conventional fossil-fuel plants on a megawatt basis."

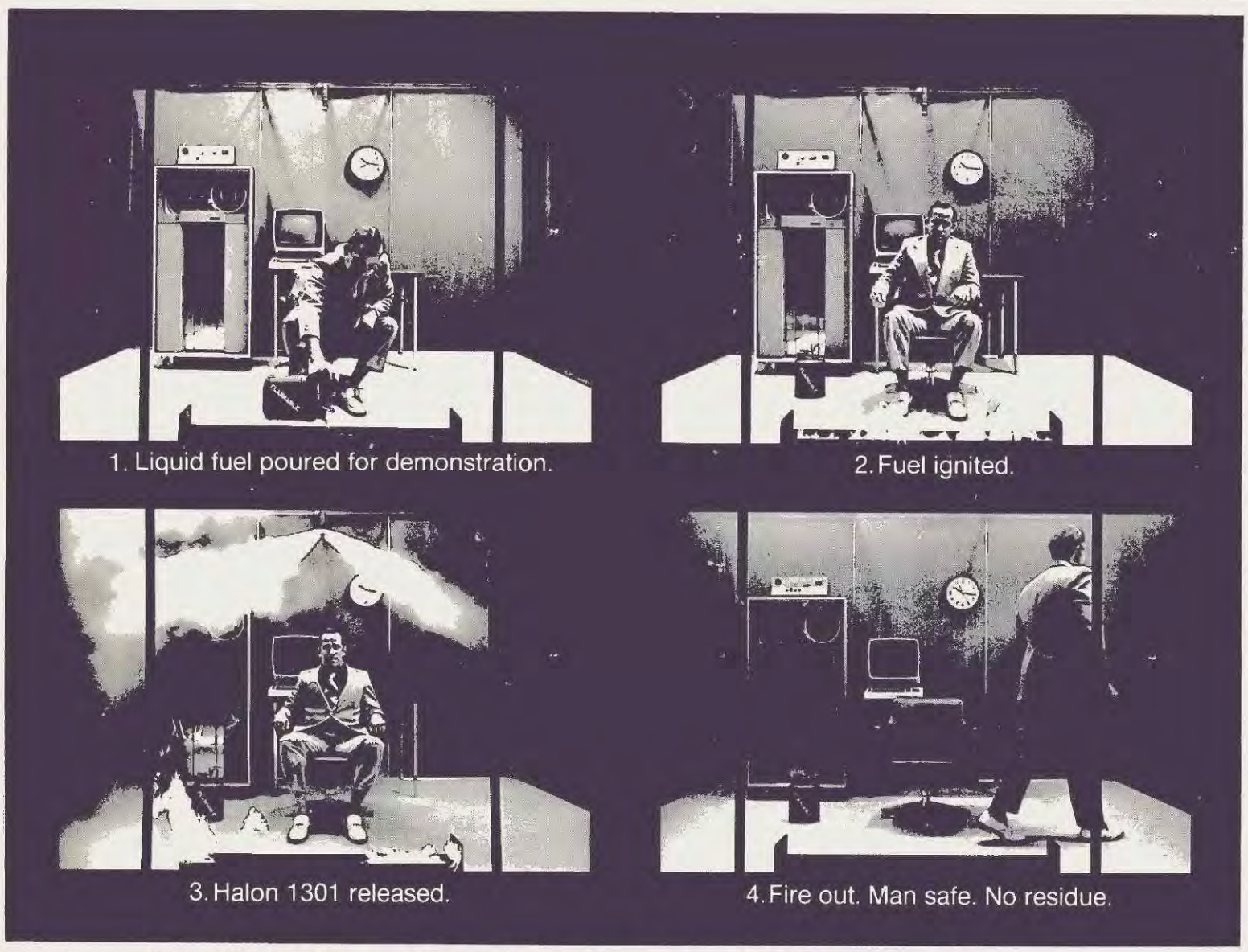
The energy crisis, as a whole, will "have a tremendous impact on future underwriting," Mr. Ruff predicted. "We will be asked to provide coverage on exotic systems and procedures yet to be developed or discovered."

HE SAID COVERAGE will be necessary for such things as underwater habitats, nuclear powered tankers to operate under water, special mining procedures with laser beams, offshore drilling operations where each unit will cost at least $25 million, space stations and space travel, nuclear powered generators on floating platforms, and storage of oil under water.

"Consider," he stated, "the liability exposures involving such operations as supertankers, deepwater ports, ocean drilling, nuclear research, product liability for exotic chemical processes and large mining facilities."

In the not-too-distant future, Mr. Ruff continued, the U.S. will be importing Russian liquified natural gas at the rate of $1 billion annually. "To handle this complex transportation problem, a fleet of 40 specially designed supertankers will be built at a cost of $3 billion. With the cost of each tanker approximating $75 million, the world's total hull and cargo insurance syndicates will be taxed to cover these exposures," he asserted. "I am confident an adequate market will be provided when needed," he concluded.

The energy crisis, with possible gasoline rationing and the threat of gasoline increasing to $1 a gallon, should force a marked trend toward smaller, less costly, lower horsepowered automobiles, Mr. Ruff noted. "When this occurs, I believe the loss experience will improve with the result that B.I. and P.D. rates will be lower," he added. ■



In the time it takes to read this sentence, Halon 1301 extinguished this fire with no harm to man or equipment.

It's protection you need when people and high-value equipment are together.

Du Pont Halon 1301 has the unique ability to protect lives and property from fire while not causing extinguishant damage.

A total flooding system using Halon 1301 works fast and can be released fast—while people are in the area, because exposure to usual extinguishing concentrations for up to five minutes is not harmful.

Halon 1301 is a chemical vapor that can penetrate cabinets, above ceilings and under floors. Yet it doesn't leave residue or cause thermal shock damage to equipment. And systems using Halon 1301 are economically competitive with other gaseous fire protection systems.

National Fire Protection Association has approved a standard for the use of Halon 1301 (Standard 12A). And many insurance rating organizations now include Halon 1301 systems as another method of protection.

Write or call for more information on how Halon 1301 can protect your installation and perhaps solve some of your insurance problems. Du Pont Company, Room 23486B, Wilmington, DE 19898. 302-774-7381.

Total flooding systems using Halon 1301, with UL and/or FM approval, are manufactured by:
The Ansul Co.
Cardox Div. of Chemetron Corp.
Fenwal, Inc.
Walter Kidde & Co., Inc.
Norris Industries
Safety First Products

DUPONT REG. U.S. PAT. OFF **Halon 1301** fire extinguishant

State pays $1 million in abuse case

PHOENIX, AZ.—A six-year-old, boy who was permanently disabled while living in a foster home where his sister later died of alleged child abuse, was awarded $1 million in damages here last month.

Full payment of the damages was made by The Home Insurance Co. of New York, carrier for the State of Arizona. According to the superior court settlement, the state and foster home owners must share responsibility for the awards payment. But in cases where the state is a co-defendent, full damages may be borne by the state.

THE BOY Dale Byus, allegedly suffered from child abuse during August, 1970. His sister, Patricia Joe Ellen Hanson, 2, died at the same foster home in October, 1970.

A suit was filed in 1971 against Mr. and Mrs. Charles Rowe, owners of the foster home, and against the State of Arizona. The welfare department had issued a foster family home license to the Rowes in February of 1970.

The suit charged injuries received by both children resulted from their neglect and careless, wanton and reckless treatment by the Rowes.

Mr. Rowe pleaded guilty of involuntary manslaughter and received a nine year prison sentence. Mrs. Rowe was not tried on the manslaughter charge.

The children's natural mother, Jo Ellen Hanson, was also awarded $100 in the death of her daughter. ■

Thoughts on size from a small-town company.

We're the business insurance company that grew up in the vigorous climate of Wisconsin's north-woods country. Now we stand a billion dollars tall.

Size is important to us because it's important to our policyholder-partners. Size is what lets us develop the ever-growing range of services we need to keep ahead of our customers' needs. Size is strength and financial responsibility and reserve power to protect our policyholders' futures.

With over one billion dollars in assets, Employers Insurance of Wausau is among the top business insurance firms in the country. Which means we have the resources to serve the largest companies in American industry.

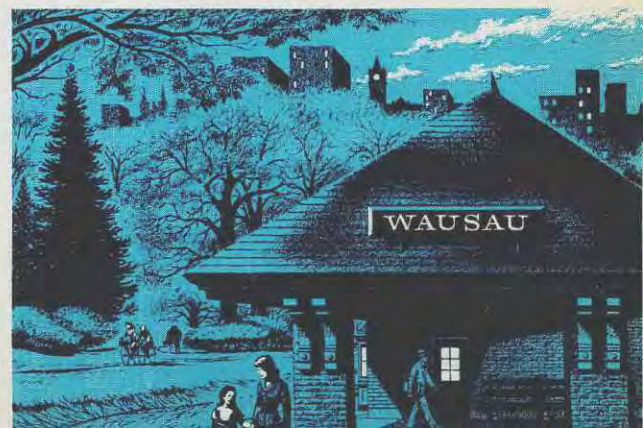
Yet, we have a hidden strength that comes not from bigness but from smallness—from our small-town upbringing and our heritage of neighborly, personal service. And from our concern with the individual needs of each policyholder regardless of his size.

In 228 locations across the country, as in our hometown headquarters shown here, good people with the Wausau spirit see to it that insurance works for a living. That's really how to size us up.



Come to the source

Employers Insurance of Wausau
Wausau, Wisconsin



we don't believe in

GUESSTIMATING



And neither should you!
If you have any doubt
about the replacement
cost of your property . . .
or its actual cash value . . .
call the professionals.
No guesstimates . . . just
sound certified appraisals
that you can rely on.

INDUSTRIAL APPRAISAL COMPANY
Nationwide Service

Executive Offices:
Chicago/Los Angeles/New York
23 Sales and Service Offices
Recognized Valuation Authorit es

HOME OFFICE:
222 Boulevard of Allies
Pittsburgh, Pa. 15222
412 471-2566

ASIM Southwest conference

Loss prevention to be big product safety cost

DALLAS—The cost impact of the Consumer Product Safety Act will be great enough to "eliminate" some marginal manufacturers who aren't able to afford better quality and design, a corporate director of insurance for a leading consumer products manufacturer predicted.

Russell A. Drake, Jr., director of corporate insurance for Columbus, Oh.-based Borden, Inc., expressed this view at the fourth annual Southwest regional conference sponsored by the local American Society of Insurance Management chapter and the Insurance Information Institute.

AMONG THE consequences of the CPSA, Mr. Drake foresees are:

- more thorough testing of products;
- new product certification;
- new emphasis on design and re-design;
- establishment of accurate record-keeping systems.

"I think adverse publicity, if products are labelled as potentially hazardous, extremely hazardous or even prohibited from the marketplace—or if scientific studies are released—will increase our claims," Mr. Drake asserted.

"More and more people will seek redress in the courts," he continued. "This will result in higher liability insurance premiums, and in the long run will develop or put the pressure on larger corporations to self-insure more of the exposure."

OVER THE long term, however, "we are going to have reduced claims," Mr. Drake believes, resulting from increased investment in loss prevention, more accurate record keeping, clearer instructions how to use products, and better warnings.

"Premiums will go down, but they will go down more slowly," the risk manager predicted, noting that after a peak of claim activity . . . the initial flurry . . . manufacturers will work furiously to reduce claim costs.

He looks for increased costs of record keeping, "establishing a system so that you can identify every product, when it was manufactured, where on the asembly line, what parts went into it, where it was distributed, through what channels."

"IN INDUSTRY as a whole, the cost impact will be to eliminate some marginal manufacturers, those who work on the fringe. They have not followed sound safety practices and design standards. They have reduced some production costs in the area of safety. These firms will either be put out of business, or their costs will rise to the level of their competition, so they will lose some of their competitive advantage," Mr. Drake told his audience.

The CPSA is actually an ally of the risk manager in that it will assist in the first steps of the risk management process . . . discovery, analysis and evaluation . . . by forcing manufacturers to help gather and disclose information on injuries, Mr. Drake said.

In a private telephone poll of fellow risk managers, Mr. Drake found several areas of current confusion about the impact of the CPSA surfaced:

- how to balance loss prevention costs against the potential returns;
- will the data collected be made available to plaintiffs' attorneys for use in suits?
- how far does a manufacturer have to go in making a product foolproof?
- how much should a company cooperate with the Consumer Product Safety Commission, since release of private competitive information could have negative results?

Mr. Drake cited a recent study by Market Facts Inc. which indicated that 18% of consumer injuries are caused by product design defects and production line defects, which he figures could cost manufacturers something like $990 million. He got this figure by multiplying the 18% of all injuries times the $5.5 billion estimated economic loss from all consumer injuries.

"Do we spend $990 million to save $990 million? Or $2 billion to save $990 million? At what point do we have diminishing returns?" Mr. Drake asked.

HE ALSO NOTED that it appears claims by consumers are not going to be limited by the fact that a company complies with product standards, has an adequate loss prevention program, or has had certificates or labels reviewed and approved by the law department of the CPSC.

One problem risk managers foresee under the CPSA, Mr. Drake asserted, is that the commission, in doing its work and in creating adverse publicity about products, may "lay the groundwork for additional lawsuits as the consuming public becomes more aware of what standards should be established, or the fact people will recognize that a product should have been designed better," and will try to recover in court. ■

Coverage Classics

Please Don't Eat the Daisies

Putting new warning labels on products that have already caused injury can be like locking the barn door after the horses have been stolen. It has been predicted that in the very near future there will be a greater number of product liability cases in the courts than claims involving automobiles.

Carriers and their Reinsurers are well aware of the loss ratio trends on products liability and it is becoming increasingly difficult to get proper underlying limits and/or excess layers from regular markets. There is also an underwriting reluctancy to take on additional products liability exposures since the new carrier is faced with carryover exposure for past products sold by the assured without the benefit of past earned premium income.

Wohlreich & Anderson has been successful in putting together an "in-house" facility for difficult products exposures on either a $300,000 CSL primary basis or for $1,000,000 excess of at least a $100,000 underlying products layer.

Submissions or inquiries should be directed to your local Wohlreich & Anderson office or to the attention of Mr. Frank Conti, Vice President Casualty, Wohlreich & Anderson, New York.

Special Risks and Unusual Situations • Exclusively Through Agents and Brokers

Members of the Howden Swann Group

New York
Wohlreich & Anderson Ltd.
55 John Street
New York, N.Y. 10038
(212) 349-3020

Pennsylvania
Wohlreich & Anderson, Ltd. (Inc.)
120 South Warner Road
King of Prussia, Pa. 19406
(215) 265-6210

New Jersey
Wohlreich & Anderson, Ltd.
1 Grand Union Plaza
North Arlington, N.J. 07032
(201) 991-5611

Ohio
Wohlreich & Anderson Agency
662 Hanna Building
Cleveland, Ohio 44115
(216) 241-2917

D.C. Area
Wohlreich & Anderson (D.C.) Ltd.
The Teachers Building
10221 Wincopin Circle
Columbia, Md. 21044
(301) 997-1272

New England
Wohlreich & Anderson (New England) Inc.
One Boston Place
Boston, Mass. 02108
(617) 723-5770

Correspondents in All Other States

This newsmagazine covers the fastest-growing money pool in the world.

Pensions & Investments talks to the top 25,000 managers in the pension fund market.



Dollars invested in pension and other tax-exempt funds have been growing at the fantastic rate of 8 percent a year, compounded. So it's no wonder this is the largest and fastest-growing segment of the entire money management field.

At present, the pension fund market's assets and reserves total over $300 billion.

The care and feeding of $300 billion

Pensions & Investments is the bi-weekly newsmagazine devoted to this booming market.

And with a circulation of well over 25,000 (BPA membership applied for), Pensions & Investments offers the largest and most influential audience of any magazine now serving the pension fund market.

The primary readers of Pensions & Investments are managers, administrators and chief financial officers of pension, profit-sharing and other tax-exempt funds.

It's also read by people who serve fund managers as advisors, money managers and in other capacities. These include investment advisors, portfolio managers, security analysts, stock brokers, bank trust officers, insurance company and mutual fund management company investment officers, consultants, actuaries and attorneys.

The accent is on timely, unbiased news

Fund managers are under heavy pressure as they try to keep up with earlier retirement, more generous plans, and the increased cost of pension payouts.

To help them meet their investment goals, Pensions & Investments accents news. News that is timely. News that is unbiased. So the pension fund manager has objective, up-to-date information to help him achieve better performance.

The large and experienced staff of editors at Pensions & Investments believes in the Crain philosophy of presenting objective and unbiased news, news with no point of view to be promoted other than to help the fund manager do a better, more informed, more competent job.

Influential, important investors

Advertisers—such as banks, insurance companies, investment advisors, and corporations with institutional messages to tell—will benefit from Pensions & Investments. And that's because the newsmagazine offers an opportunity to communicate every-other-Monday to a most influential audience which manages and invests over $300 billion, the largest pool of private capital in the world.

For more information on Pensions & Investments, advertisers should contact Don Angela or Steve Stone in New York at (212) 986-5050.

In Chicago, call Joe Guarise at (312) 337-5200.

In Los Angeles, call Dennis Koch at (213) 651-3710.

Or write: Pensions & Investments, 708 Third Avenue, New York, N.Y. 10017.



pensions & investments

RCI Risk Controls, Inc.

Serving the Insurance needs of commercial enterprises throughout the world.

Our Specialties Include:

- *MASS MERCHANDISING*
- *COMPUTERIZED COST CONTROL*

Headquarters:
Richard T. Miller, CPCU
Vice President & General Manager
9665 Wilshire Boulevard; suite 805
Beverly Hills, Calif. 90212
(213) 278-5260

David B. Sanborn
Manager
3700 Buffalo Speedway
Houston, Texas 77006
(713) 621-9590

James F. Keating
Vice President
Box 554
1767 Morris Ave.
Union, N.J. 07083
(201) 964-7636

A TOTAL SYSTEMS APPROACH TO RISK MANAGEMENT

Frank B. Hall & Co. of Texas

INSURANCE AGENTS

Frank B. Hall & Co. of Texas takes plecsure in announcing the opening of its Houston office as an addition to the worldwide insurance service facilities available to its clients, under the direction of:

JOSEPH G. McCORKLE
Senior Vice President

Houston Office
Tenneco Building
Houston, Texas 77002
(713) 237-0559
Joseph G. McCorkle
Senior Vice President

Dallas Office
8350 N. Central Expressway
Dallas, Texas 75206
(214) 361-8228
Lloyd C. Bellamy
Vice President

Adelaide
Anchorage
Atlanta
Boston
Brisbane
Caracas
Cedar Rapids
Chicago
Cleveland
Coral Gables
Dallas
Denver
Detroit
East Chicago, Ind.
Fairbanks
Hamilton, Bermuda
Hong Kong
Honolulu
Houston
Jacksonville
Las Vegas
London
Los Angeles
Melbourne
Mexico City
Milwaukee
New Orleans
New York
Oak Brook, Ill.
Oakland
Orlando
Oslo
Perth
Philadelphia
Pittsburgh
Portland, Ore.
Providence
Salinas
Salt Lake City
San Francisco
Santa Ana
Seattle
St. Louis
Sydney
Tel Aviv
Youngstown

info for buyers

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

• The National Assn. of Independent Insurance Adjusters has printed the **1973-74 Blue Book of Adjusters** for industry claim/loss executives. The directory of membership contains a complete listing of association officers, committees and member firms. It also lists separately provisional members, international associate members and contains an alphabetized listing of all firms. A free copy of the book may be obtained by writing the NAIIA, 175 W. Jackson Blvd., Chicago, Il.

• Insurance companies will be able to offer J. K. Lasser's **Your Income Tax,** as a premium and business-builder, after the first of the year. This is a special printing for insurance companies' promotional use and low quantity-discount rates are available. Interested companies should contact Jim Street, Director of Insurance Service Division, Benjamin Co. Inc., 485 Madison Ave., New York, N.Y. 10022.

• **A Group Income Protection Plan** for employers with 10 to 40 employes is a new pamphlet available from Combined Insurance Co. of America. This booklet describes IMAGE 10140, an easy to install plan that can help avoid loss of income due to disabilities from sickness and accident. For your free copy write Harold Laurence, Director of Marketing Services, Agency Division-Group Insurance, Combined Insurance Co. of America, 5050 N. Broadway, Chicago, Il. 60640.

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

• A new 12-page condensed catalog describing many of the popular burglar and fire alarm products is now available from Morse Products Mfg. Included in the fully illustrated catalog are burglar alarm transmitters, fire alarm equipment, central station equipment and a new security polling system. For a free copy write Morse Products Mfg., 12960 Bradley Ave., Sylmar, Ca. 91342.

• **Behavorial Systems Consulting Services** offered by Towers, Perrin, Forster & Crosby, applies psychology to human resource problems within an organization. For your free copy of the brochure, write Joseph A. Banik, Towers, Perrin, Forster & Crosby, Three Penn Center, Philadelphia, Pa. 19102.

• Universal Health Care Inc. has prepared a brochure of questions and answers about self-funding group health care. For a free copy write William D. Alcott, Exec. vp, Universal Health Care Inc., 18301 E. Eight Mile Rd., E. Detroit, Mi. 48201.

• **Werbel's General Insurance Primer and 1972 Addendum** is available. This 248-page training manual is for anyone involved in selling, buying, or managing property and casualty insurance. It is used in colleges and in insurance schools to prepare prospective licenses for state brokers and agents examinations, and its multiple choice self-quiz is comparable to state examinations. The book costs $8 but a one-third discount is offered to *Business Insurance* readers from Werbel Publishing Co. Inc., V. Merkel, Mgr., Circulation Dept., 595 Old Willets Path, Smithtown, N.Y. 11787.

• Two data sheets from ATA Control Systems Inc. give specifications and descriptions of a burglar or fire or combination alarm system. For free copies write ATA Control Systems Inc., 340 W. 78th Rd., Hialeah, Fl. 33014.

Info for Buyer's Issue

Business Insurance's annual Info for Buyers Issue, to be published Jan. 7, 1974, will carry hundreds of items of interest to buyers of corporate insurance, employe benefits and related items, including safety and security systems.

An annual feature, last year's info issue, drew over 36,000 requests for individual items.

If you wish to submit material for the 1974 Info for Buyers Issue fill out the coupon on page 47 and mail to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Il. 60611.

• **Property Records and Insurance Valuations for Schools, Institutions and Municipalities** describes specific requirements of cities, schools, hospitals and other institutions for property records and determination of insurable value of buildings and contents. Available from General Appraisal Co., the brochure also illustrates a computerized asset control and information program. For a free copy contact E. Gentry, General Appraisal, 7330 N. Figueroa, Los Angeles, Ca. 90041.

• **What You Should Know About Health Care** is a comprehensive guide for people needing or anticipating a need for home health care services themselves, for a family member or a client. The free book is published by Homemakers Home and Health Care Service Inc. To get it write Ronald Rosenberg, at the company, Kalamazoo, Mi. 49001.

• **Dataquest,** a brochure from Hewitt Assoc., describes the company's "hotline" information service for quick and accurate answers to employe benefit and compensation questions. For free copies write Al Schlachtmeyer, Hewitt, 102 Wilmot Rd., Deerfield, Il. 60015.

• The Humetrics Corp. has released a pamphlet, **Can Heart**

Attacks be Prevented? an article reprinted from Occupational Hazards. The article deals with the problems and costs to industry caused by heart disease and "risk factor" screening programs. For copies of the pamphlet contact Kenneth Dufour, Humetrics Corp., 6347 Arizona Circle, Los Angeles, Ca. 90045.

• Need unbreakable windows? The sheet products business section of the General Electric Co. has a booklet called **MR-4000 Mar-resistant Sheet** which describes how the miracle sheet came to be. For a free copy, write R. J. Whilihan, Chemical and Metallurgical Division, General Electric, 1 Plastics Ave. Pittsfield, Ma. 01201.

• Advanced Devices Laboratory Inc. has released **Microwave Intruder Detector,** a short, illustrated booklet explaining the operation and application of the instrusion detection systems and their commercial and industrial applications. For a free copy write M. J. Fealy, Advanced Devices Laboratory Inc., 316 Mathew St., Santa Clara, Ca. 95050.

• Assurers' Service Inc. has made available **Workmen's Compensation Self-Insurance Service,** a brochure covering the requirements for qualification, as well as details on the benefits accruing to a corporation with a competently administered self-insured program. For a free copy write Alvin J. Sims, Assurers' Service, 22 Batterymarch St., Boston, Ma. 02109.

• General Adjustment Bureau has made available a free brochure outlining its new **Watchcare** rehabilitation service designed to aid insurance companies in providing expanded services to the seriously disabled. Copies may be obtained by writing Management Services, General Adjustment Bureau Inc., 123 William St., New York, N.Y. 10038.

• **A Glossary of Reinsurance Terms,** compiled by the Reinsurance Assn. of America's committee on terminology after a two-year study, updates definitions in accordance with changing trade conditions. Copies are available by writing the association, 1025 Connecticut Ave., N.W., Washington, D.C. 20036.

• A bulletin from Ross Operating Valve Co., about pneumatic safety controls, describes devices that help meet the Occupational Safety and Health Act of 1970. Devices included are: double valves which sense their own malfunction and shut down when this occurs and handwaver valves for pneumatic two-hand and/or nonrepeat control. For a free copy contact Hal Hudson, Ross Operating Valve Co., 120 E. Goldengate Ave., Detroit, Mi. 48203.

• Allstate Insurance has prepared a 13-minute color film called **A Pioneer Look At Air Bag Reliability** which is available on free loan. The film shows, in slow motion and stop-action photos, the deployment of an air bag with a live occupant riding into an SAE J850 barrier at 5 miles per hour and at 17.5 mph. For a loaned copy of the print, plus a new publication, **Air Bags —Questions and Answers,** write to the Safety Director, Allstate, Northbrook, Il. 60062. State three preferential dates for showing.

• **Something Worth Investigating** is a brochure briefly describing the investigative methods and services provided to clients of Advance Industrial Security Inc. For a copy write E. Stanley Reynolds, at the company, P. O. Box 1709, Atlanta, Ga. 30301.

• Marsh & McLennan has made available a booklet titled **Australian Employe Benefits in the Seventies.** It discusses some of the recent trends and changes in employe benefits in this growing continent, emphasizing the implications for both employes and employers. For a free copy write Marsh & McLennan Benefits International, 1221 Avenue of the Americas, New York, N.Y. 10020.

• **Kodak Microfilm Products 1972** is available from Eastman Kodak Co. The booklet describes various microfilmers, microfilm readers, readers-printers, processing equipment and accessories available from Kodak. It is available free by writing Arlene Stein Corp., Info. Dept., Eastman Kodak Co., 343 State St., Rochester, N.Y. 14650.

director of insurance

$30,000+ RANGE

. . . to provide protection for corporate assets of $150 million, involving annual premiums in excess of $4 million

. . . for a $1 billion company with 5,000 employees, located in an excellent metropolitan midwestern city.

. . . must have a minimum of 2 years' experience in corporate insurance buying with property and casualty emphasis.

. . . must have sales and sales management experience, preferably in an insurance agency to develop, merchandise and service a comprehensive diversification program.

If you qualify for this position, please send brief but complete details of your background, including current earnings. All replies will be handled confidentially by a leading national executive recruiting firm.

Box 404, ADVERTISING AGE
740 Rush St., Chicago, Ill. 60611

Our new "Anything-Pension-Plan" is everything you could ask for.



Mutual Benefit Life's Anything-Pension-Plan is a new concept in group pension contracts.

It's anything you desire.

We can limit it to straight investment management, if you wish. In which case, all you get is an asset management charge.

Or you may want us to assume certain short or long term risks for a pension fund. Like guaranteeing the preservation of capital with or without a guaranteed fixed rate of return. Or guaranteeing the maximum future cost of pensions.

We'll do it and charge you accordingly.

The Anything-Plan can include expert plan design. And consulting actuarial services. Or superior benefit administration and employee counseling. Or take in guaranteed or self-insured death benefits and/or disability benefits.

In short, it may include as few or as many of these services and guarantees as you require, with charges tailored to whatever you select. And if you want our Anything-Plan to include all of Mutual Benefit's services and guarantees, it becomes—you guessed it—the "Everything Plan."

For more details, write to Director of Group Pension Sales, Mutual Benefit Life, 520 Broad Street, Newark, N. J. 07101. Or contact the Mutual Benefit Life Regional Group and Pension Office in your city.

For the Group Pension Plan that best fits your needs, remember our name. MUTUAL BENEFIT LIFE

THE MUTUAL BENEFIT LIFE INSURANCE COMPANY NEWARK, NEW JERSEY SINCE 1845

Directors and Officers Liability Insurance

The **EX-UND WAY** to the sale of D & O insurance is to provide the very best insurance obtainable and at a fair price.

Our applications are more extensive, covering in great depth the financial and operating results of each prospect.

The reward to the Director and Officer is certainty of insurance protection.

You owe your client the duty to investigate Ex-Und's *new* facility. It features informed underwriting, and the very best legal talent should claim be made.

EXCESS UNDERWRITERS, INC.

150 South Wacker Drive, Chicago 60606. Telephone 312/641-0033 (Telex Number 25-4127).

Monsanto uninsured for heist of documents

ST. LOUIS—Three documents stolen from the Monsanto Co., valued "in the area of several million dollars," were not covered by the company's crime and fidelity insurance.

The papers were recovered by an FBI agent posing as a representative of the Stauffer Chemical Co. A St. Louis man who allegedly tried selling the documents to the chemical company for $5,000 was arrested at the O'Hare International Hotel in Chicago.

A SPOKESMAN for Monsanto said that the company's crime and fidelity insurance only covers employes. But the documents were allegedly taken by an employe of a St. Louis duplicating service and brought to Chicago by his accomplice.

Among the papers was a financial analysis, an operating unit business plan, and a new product commercial development report.

GEORGE W. THORNTON, the man arrested in Chicago, allegedly obtained Monsanto's documents from Craig Faatz, an employe of the Speed-E-Way Duplicating Service in St. Louis.

Monsanto was having the documents copied at Speed-E-Way when they were stolen. A security agreement between the two companies provides for special attention given to secret company papers.

Jack Lapp, president of Speed-E-Way, said that his business handles secret documents only from Monsanto, and is not insured against fidelity risk.

A Monsanto spokesman said the Stauffer Chemical Co. was "outstanding for its help in recovering the documents.

"We're very appreciative of the cooperation and good conduct Stauffer showed," he said. ■

Self-insurance. If you find it self-serving, James is all for it.

For some companies, self-insurance fits into the risk management picture very well. For others, not at all. One of James' strengths is the ability to spot the difference. For corporate clients and prospects. At home and abroad.

We install and administer self-insurance plans, and have for years. In fact, our Paige Division launched one of the earliest plans for a major American Corporation, in 1938. After all these years, it's still producing important savings and cash-flow benefits without sacrificing protection. Which is precisely how self-insurance is supposed to work.



Making self-insurance work takes strong capabilities. In claim handling and safety engineering.

James has the specialists and services. And uses them all in a unified drive toward just one goal. More effective risk management for all our clients.

Can your company use self-insurance as a means to more effective risk management? Ask James. You'll get an answer that serves your corporate interest.

James Risk Management

Fred. S. James & Co., Inc.
Insurance Brokers and Consultants since 1858

Atlanta • Boise • Boston • Chicago • Dallas • Detroit • Fort Lauderdale • Fresno • Harrisburg • Hartford • Jersey City
Laguna Beach • Little Rock • Los Angeles • New York • Newark • Oklahoma City • Philadelphia • Pittsburgh • Portland
Rochester, N.Y. • Salt Lake City • San Francisco • Seattle • Spokane • Tucson • Tulsa • Washington, D.C.
Worldwide Services in 16 Nations Through 28 Branch Offices.

John Deere captive to expand

MOLINE, IL.—John Deere Insurance Co. reportedly is gearing up to expand into national sales of all kinds of personal and possibly even commercial insurance policies within the next year or so.

The company, captive of John Deere & Co. Inc., was formed four years ago when Deere purchased Fulton Insurance Co. The firm's managers are presently studying ways to increase capacity for its move into national competition, and is determining the organizational structure to be established, *Business Insurance* learned.

IN FACT, Robert Siegel, corporate insurance manager for Deere, said he is not yet "in a position to even be that close to handling this proposition. We're still basically metal benders, and not in the insurance business," Mr. Siegel added. He indicated further that this move "may not" come for several years.

Sources close to the deliberations said as yet the decision whether to use national agencies or to establish an internal sales force has not been made.

John Deere looks to the insurance business for "growth, profits, expansion," in the words of one company man who confirmed reports of the captive's expansion beyond internal Deere insurance matters.

THE BEST KNOWN so-called captive insurer to expand into the general market is Allstate Insurance Co., a wholly-owned subsidiary of Sears Roebuck & Co. Allstate is now the second largest automobile liability insurer in the country. The auto manufacturers—General Motors, Ford and Chrysler—and International Harvester also have insurance firms involved in general markets.

John Deere had total sales last year of $1.5 billion; the company employs nearly 50,000 internationally. ■

In 1948, Page Airways was Royal-Globe insured.

As our aviation department marks its 25th anniversary, it still is.

When it comes to business aviation, Page Airways does it all. Aircraft sales, leasing, fueling facilities and maintenance, aircraft modification—all this at nine major airports.

Insured by Royal-Globe. A pioneer in aviation insurance since 1917.

This year our Aviation Department is marking its 25th anniversary of writing and servicing all phases of general aviation. For leaders like Page. And many of the country's foremost corporations.

Today, we are recognized as leaders in corporate aircraft insurance. Through such innovative policies as AIRSHIELD—the *only* policy tailored exclusively for professionally piloted corporate aircraft. It provides the most comprehensive corporate aircraft protection available in the industry.

Royal-Globe is one of the few all-lines companies with its own aviation facility. This means full engineering and claims service in all our 19 regional offices. And almost all of our 31 branch offices. Our financial strength also means an underwriting capability of the highest liability limits.

In more than 80 countries, Royal-Globe assures you of prompt, efficient, complete aviation service. Worldwide. Ask your local Royal-Globe agent.

Royal-Globe Insurance
World-wide shield
against the unexpected.

YOUR Independent Insurance AGENT SERVES YOU FIRST

ROYAL-GLOBE KNOWN ROUND THE WORLD INSURANCE

Royal-Globe Insurance Companies
150 William Street, New York, N.Y. 10038

Listen to the Notre Dame football games, sponsored by Royal-Globe, on your Mutual Network station.



Local skeptics question Heil & Heil's award . . .

Continued from page 1

monopolized the $88 million worth of Skyway coverage.

After a detailed study of Skyway exposures by Wyatt Co., market letters were solicited from 18 or 19 agencies. In the end, the low bidder on an important part of the coverage, the bridge direct damage policy, was Insurance Programmers Inc., agent for Great American and Fireman's Fund. Arthur J. Gallagher & Co. was second low, agent for Pacific Indemnity, St. Paul, Safeco and Unigard. Heil & Heil bid as agent for Insurance Co. of North America.

Insurance Programmers, however, had failed to take precautions that its carriers fulfill city specifications. Great American, it turned out, lacked the proper A+ rating for the job, although Fireman's Fund (working 50-50 with Great American) and Insurance Programmers could still have been able to insure half the Skyway job.

WYATT CO.'S Mr. Brockmeier recommended two alternatives: split the business between the lowest and second low bidder, if the low bidder fulfills all other requirements, or move to the second and third low bidders. The decision was at the discretion of acting city purchasing agent, James Arnold.

One deciding factor: Heil & Heil did submit the low bid on two specific Skyway policies, for use & occupancy, and the equipment floater. INA stated, however, it did not want to participate in these two policies unless it also got part of the bridge structure policy.

Although a spokesman for Insurance Programmers expressed shock at being dismissed by the city, the firm reportedly did not fulfill city agency requirements.

Sources close to the city indicated to *Business Insurance* questions were raised about the reliability of Insurance Programmers and its ability to service the city adequately. The firm had carelessly used an unqualified carrier for 50% of its bid, the principal individual responsible for the agency's negotiations with carriers was found to be only a part-time employe, and the firm had been in business less than four years, sources said.

In addition, an effort appeared to have been made by Insurance Programmers to submit three market allocation letters under different corporate names, an unusual practice, sources close to the city disclosed.

THE CITY IS known to have specified the agency have at least five employes on its staff, and a minimum premium volume of $500,000 a year, two areas where Insurance Programmers was said to barely squeak by in compliance.

Frank B. Hall was awarded a contract for boiler and machinery insurance, with premiums of $94 a year. But Hall assigned this small market to Arthur J. Gallagher, with total premiums of about $41,000 a year. Heil & Heil was assigned business generating premiums of almost $31,000 a year.

The new Skyway coverage involves a dishonesty policy (or fidelity bond) which is brand new and carried by Gallagher, along with substantially increased limits for liability, bridge direct damage, bridge use & occupancy, fire, and the equipment floater.

DEDUCTIBLES also generally increased to $100,000 on the bridge (from $50,000), to $1,000 for fire (previously first dollar) and to $500 on the equipment floater (from $100). Limits for bridge direct damage were raised to $75 million from $60 million.

Gallagher was awarded Skyway business amounting to slightly over $41,000 a year in premiums, including primary CGL, auto liability, workmen's compensation, fire coverage, dishonesty, most of the bridge direct damage, and boiler and machinery.

Heil & Heil has the umbrella policy, bridge use and occupancy, the equipment floater, and one-third of the bridge direct damage.

Mr. Brockmeier said the Skyway's liability coverage was increased 65%, bridge direct damage 28%, bridge use and occupancy 30%, fire insurance 35%, and the equipment floater 52%.

A source at one of the other agencies close to the bidding noted that competitive bidding definitely resulted in substantial savings on premiums. According to the Heil bids on record, if Heil had been awarded all of the coverage total premiums would have been about $84,000 a year.

CITY PARK district superintendent Patrick O'Malley disclosed that Heil & Heil was also recently the successful bidder on health insurance coverage for some 3,700 district employes, with Phoenix Mutual Life Insurance Co. as the carrier.

Other major city insurance contracts will be up for bid soon, the next one being city parking garages. One very large piece of the city's business, the public building commission, isn't expected to be let out to bids until at least July 1, 1974, since Heil & Heil took that business over from another agency only last July.

The public building commission includes the civic center, city hall, public schools, fire stations, and countless other municipal buildings.

New contracts are for three year periods. ■

MATTHEWS-DANIEL COMPANY

INDUSTRIAL • MARINE • MD • SURVEYORS • ADJUSTERS

7015 GULF FREEWAY, SUITE 232
P.O. BOX 26836, HOUSTON, TEXAS 77032
TELEPHONE 713 644-1971

SURVEYORS • ADJUSTERS
DRILLING RIGS • WELL SERVICE UNITS
SPECIALIZED PETROLEUM SERVICE EQUIPMENT
COMMERCIAL HULLS • OFFSHORE STRUCTURES

Wage loss . . .

Continued from page 1

In the insurance area, the union wants hospital and medical coverages liberalized and pregnancy treated like any other disability. Interestingly, the committee mentioned prepaid group practice plans for its members as a solution to the quality medical care availability problem.

Employers should be required to pay all Medicare monthly charges incurred by union retirees, as well as any employe costs to come about under Federal or state health legislation, the union said.

Noting that industrial accidents and health hazards were taking an increasing toll of its membership, the union wants a contractual right for members to refuse to work on jobs which they feel are unsafe or present a health hazard, without loss of pay.

"Injured workers should receive make-up pay consisting of the difference between their workmen's compensation benefits and their regular pay," the committee stated. "No worker should suffer a loss in earnings because of occupational injury or illness."

THE WAGE increase sought was termed "substantial" by the wage policy committee.

Bargaining for the union's 29,500 aluminum industry workers employed by the three largest companies will be conducted under the "experimental negotiating agreement" reached between the union and the basic steel industry earlier this year.

Under that agreement, the union will not be using the traditional strike threat in an effort to achieve its goals. The union agreed not to strike under the terms of the pact in return for a guaranteed wage increase and arbitration.

Negotiations will begin Nov. 26 in New York, with Feb. 1 as the target settlement date. The union's contracts with Alcoa, Kaiser and Reynolds do not expire until May 31, and the buffer period will, hopefully, be enough to avoid a strike.

In the past when a strike threatened, many aluminum buyers built up stockpiles in anticipation of workers walking off the job. This led to production slowdowns and worker layoffs as the firms worked off their stockpiled inventory. ■

Need a specialty market?

Take a look at The Stuyvesant Approach

Since 1850, Stuyvesant has been developing and writing specialty lines. Today, Stuyvesant companies field such specialty programs as:

- Mobileowner Insurance
- Mobile Home Credit Insurance
- Mobile Home Physical Damage
- Recreational Vehicle Insurance
- Surcharged Commercial Fire
- Surcharged Dwelling
- Surcharged Private Passenger Auto Physical Damage
- Motor Home Physical Damage & Liability Insurance

Have a new program and need a specialist to write it?

. . . Check out the Stuyvesant Approach to specialty lines programs for Managing General Agents. Rely on a substantial ('A' rated), experienced and reliable specialist to custom-tailor an innovative program for your needs.

For more information about The Stuyvesant Approach to your specialty lines programs, write or call collect . . . Mr. W. A. Taylor, Director of Agency Marketing, or Mr. H. L. Williamson, Vice President-Mobile Home Insurances. Telephone (215) 437-8000.

Stuyvesant Insurance Group

EXECUTIVE OFFICES—*1105 Hamilton Street, Allentown, Pennsylvania 18101*
The Stuyvesant Insurance Company, New York, New York
Stuyvesant Life Insurance Company, Allentown, Pennsylvania
Mohawk Insurance Company, New York, New York
Trans-Oceanic Insurance Company, San Juan, Puerto Rico
Trans-Oceanic Life Insurance Company, San Juan, Puerto Rico

You're being sued for a million dollars. We can prevent you from going down the drain.

The St Paul

There's nothing like a big lawsuit to do you in quickly.

That's why it's a good idea to look into The St. Paul's Personal Catastrophe Liability Policies now. For you individually or for a group like you in your company.

In the unfortunate event you're sued, we'll protect you with up to five million dollars of excess liability beyond your primary coverage. Everything from personal and bodiiy injury to libel and mental anguish.

You'll probably be surprised at the low cost. For example, if you own one home and two cars, rates may be as low as five dollars a month.

And you only need as few as five employees to qualify for even lower rates. Why not have your company's financial manager look into a group plan.

An excess major medical feature is also available in most states.

Personal Catastrophe Liability. It's the kind of insurance that's made us a leader for over a century.

The St. Paul is a major subsidiary of The St. Paul Companies, ranked by Fortune Magazine among the top fifty largest diversified financial companies.

Call your St. Paul Agent. He's in the Yellow Pages.

THE ST. PAUL COMPANIES
St. Paul, Minnesota 55102

St. Paul Fire and Marine Insurance Company, St. Paul Mercury Insurance Company, The St. Paul Insurance Company.



Benefits 'protected' for employes of defunct bank

By CHARLES WINGIS

SAN DIEGO—The pension fund and other key employe benefits of U.S. National Bank of San Diego workers were at stake when the bank went into receivership last month and became the "biggest bank failure in U.S. history."

Retired U.S. National employes and those about to be retired reportedly stood to lose everything, the rewards of as much as 40 years of faithful service. Pension fund trustee Angus J. McDonald, however, claimed, "Reports of the demise of the USNB pension plan have been slightly exaggerated."

Said Mr. McDonald, "All retired personnel as well as those eligible for retirement will have their benefits fully protected. The pension plan has more than adequate assets to take care of this group, in addition to those in the plan ten years or more with either full or partial vesting."

On the other hand, Mr. McDonald explained, U.S. National maintained no directors and officers liability insurance as a corporate entity. He noted, however, that a number of the executives may have D&O underwirtten on an individual basis.

THE EXTENT OF any D&O coverage carried by the individual executives may well be disclosed as the result of a $120 million civil damage suit filed in Los Angeles' U.S. district court against 23 of the bank's directors. This suit, as well as another for $75 million filed in the San Diego jurisdiction, was brought on behalf of all minority stockholders, one of whom is Angus J. McDonald.

Mr. McDonald branded as "totally inaccurate" some early newspaper accounts about the pension fund being taken over by the Federal Deposit Insurance Corp., the agency in charge of liquidating U.S. National assets. He also singled out for clarification other areas that have caused employe concern since about 1,800 of their number and 63 southern California branches of U.S. National were acquired overnight by Crocker National Bank, San Francisco.

FDIC was named to liquidate USNB assets and accepted Crocker's bid of $89.5 million to acquire "certain of its assets and assuming certain of its liabilities, including all demand and savings deposit liabilities."

In the flurry of newspaper reporting that followed, an FDIC official was quoted as saying, "The pension fund came to us, not to Crocker, and if there is any money left after we resolve this case, it will pass back to the employes." This statement lent strength to the rumors circulating that lower level employes would lose all pay, pension, hospitalization and seniority rights.

FEARS REGARDING the pension fund were laid to rest, however, when FDIC liquidator Fontaine Storm cleared the air in a letter to Mr. McDonald on Oct. 31. Erasing any doubts about FDIC's connection with the USNB pension fund, Mr. Fontaine wrote, "This is to advise you that the Federal Deposit Insurance Corporation as receiver for the United States National Bank claims no interest in or to, or power over, the retirement plan for employes of United States National Bank, as amended, or any of the assets held or administered under the plan."

Although it appears the USNB pension plan was sufficiently well funded and contained securities adequate to cover all liabilities due the vested employes, an evaluation of these assets is currently being made to determine their exact worth. S.H. Huffman Jr., Los Angeles manager for the Wyatt Co., a national consulting actuarial firm that administers the USNB pension fund, told *Business Insurance*, "We won't know precisely what the assets are until they've been converted to liquid form. This may take up to a year or more."

RETIRED EMPLOYES and those eligible to retire as of the date USNB was declared insolvent will continue to receive their checks as before. Notes Mr. Huffman, "The assets are in trust and can only be used by the employes."

The next group of employes with a claim on pension fund assets, said Mr. Huffman, are those with vested rights and ten or more years participation in the plan. Fund assets will fully provide for these employes, he explained, but the extent of pension credits due short service employes, those with less than ten years in the plan, is uncertain at this point. "It could be anything from zero to 100%, depending on the value of the assets," Mr. Huffman said.

In a recent statement to former USNB employes, Mr. McDonald said, "Currently the fund owns in excess of $1 million of sound, marketable assets. This is many, many times as much as is needed to guarantee full pension benefits to all retired personnel, as well as those of retirement age who have not as yet elected to receive retirement benefits."

THE MCDONALD memorandum to employes took note of another news report which said, "Principal loss to the former USNB employes may be their contributions to the employe pension fund." Said Mr. McDonald, "As you well know, the plan (founded in 1954) was non-contributory; no employe ever made a contribution to the fund."

The failure of USNB, 83rd largest bank in the nation and ninth in California, is the latest scandal to rock the shaking empire of San Diego financier C. Arnholt Smith. Since the U.S. Comptroller of the Currency declared the bank insolvent and it was acquired by Crocker on Oct. 18, Mr. Smith has stepped down as USNB chairman and director of conglomerate Westgate California Corp. Both he and Westgate president Philip Toft have been charged by the Securities and Exchange Commission with "massive fraud" in converting the assets of Westgate and USNB to their own use.

About a week after the USNB collapse, Westgate-California Insurance Co., a casualty property insurer affiliated with the Smith companies, was ordered to discontinue further policy underwritings. The order came from California insurance commissioner Gleeson L. Payne who said the firm appears to be solvent "and all claims to policyholders and other creditors should be met."

Mr. Payne said the insurance

Continued on page 17

You're putting
the cart before
the horse,
if you're putting
insurance ahead
of property
conservation.

Benefits . . .

Continued from page 16

company's surplus was insufficient to meet statutory requirements, a restriction that applies to both new and renewal business. He also reported that another Smith affiliate, the Westgate Life Insurance Co. "continues to meet statutory requirements so its business is not being restricted."

WHEN CROCKER Bank acquired USNB it bought assets of $850 million, which were primarily in good loans. Also assumed were USNB deposits and liabilities totaling $1.5 billion. The FDIC retained $412 million of USNB assets, of which $320 million were said to involve questionable loans to Smith-affiliated interests.

With the purchase Crocker gained another 63 branches to bring its total in California to 360. The big losers were USNB's 4,600 shareholders who suffered total or nearly complete losses on their investments in USNB stock.

In addition to being a trustee of the USNB pension fund, Angus McDonald was the bank's insurance and pension plan administrator. He currently holds the same post with the other Westgate companies of C. Arnholt Smith, including Air California, U.S. Holding Company, the San Diego Padres baseball team, Yellow Cab Company, and fishing operations around the world.

Although he declined to state the value of his stockholdings in U.S. National, Mr. McDonald asserted: "I was with USNB for 20 years and I've lost every dime I had invested in USNB stock. But I have to take my hat off to the people at Crocker Bank. They've been magnificent."

"Magnificent" was hardly the first impression USNB employes had of their new bosses following the overnight acquisition by Crocker Bank. The 63 branches closed their doors as USNB one night and opened for business the following morning with all employes wearing badges bearing the Crocker insignia.

THE QUICK transition, facilitated by meetings well into the night when the new employer/employe relationship was established, was notable for a lack of amenities. A USNB worker reported being told, "You are as new employes starting out fresh." Rumors about losing all of their pensions, quickly followed and were duly reported by the press.

At first all that was known was that in the sales agreement Crocker consented to retain all USNB employes for at least 120 days. This was quickly followed up by a statement by Crocker chairman and president Emmett Solomon which gave specific details about how the ex-USNB employes were to be absorbed into the Crocker work force.

Summarized, the Solomon statement provided for all former USNB employes to be retained at their present level of employment and given opportunities for advancement comparable to other Crocker employes in the bank's statewide system. USNB benefits are to continue in force until Jan. 1, 1974, when the new employes will receive all of the benefits provided by Crocker.

Major elements of the Crocker insurance benefit program include:

Basic and supplementary life insurance; travel accident insurance; unemployment compensation disability; long-term disability; Blue Cross hospitalization; and major medical and dental coverage. Those with three or more years of continuous full-time employment with USNB will be eligible to participate in Crocker's profit sharing plan beginning in 1974.

REGARDING the pension plan for the former USNB workers, Mr. Solomon told them, "Bids submitted by Crocker and other banks to acquire certain assets and assume certain liabilities of USNB did not include the assumption of any liability inherent in the USNB pension plan."

But he also noted, "In addition to whatever benefits you may receive from the USNB pension plan, each of you who meets the eligibility requirements under the Crocker pension plan are not current service participants in that plan."

Commenting on the new employe benefit package inherited by the ex-USNB people, Mr. McDonald said, "It contains substantially more benefits than their old program. I think they'll be gaining a lot working for Crocker." ■

OSHA filing simplified by Texas group

HOUSTON—A new OSHA recordkeeping service introduced here by Mandata Inc. is now available through the Texas Assn. of Insurance Agents (TAIA).

The service is a simplified method for complying with record maintenance laws of the Occupational Safety and Health Act, a Mandata spokesman said. Any TAIA client in Texas who subscribes to the service is guaranteed proper compliance with the laws.

THE MANDATA spokesman claimed that the service is attracting interest from all kinds of businesses, not only from companies with workmen's compensation coverage.

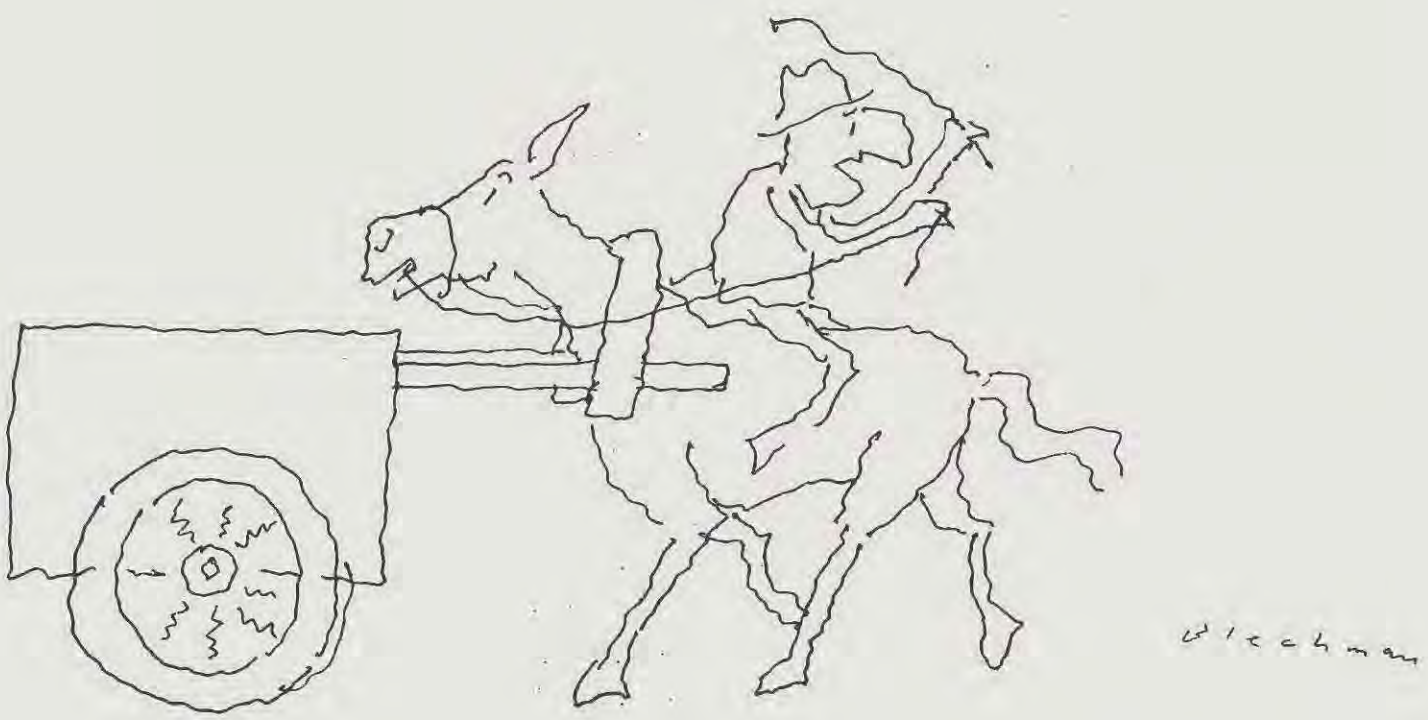
Costs are determined by the number of accidents reported by a business during the year. For one to 12 job injuries reported, the service costs $48. The next bracket, 13 to 25 accidents, costs $90. Any more recordkeeping is priced in direct proportion to the number of accidents reported during a period.

Similar service is expected to begin soon in other states, the Mandata spokesman said. ■

Sure you need insurance. But the way we figure it, you need a property conservation program even more. Where insurance provides compensation should a catastrophe occur, a strong property conservation program can significantly help to reduce the possibility of a catastrophe ever happening. Effective, preventive action is an integral part of the unique Factory Mutual System. A system that offers a promise to pay *plus* a positive plan for prevention. It's what we mean when we say **we're more than insurance.** For some help figuring out your insurance priorities, contact any of our offices, or write Factory Mutual System, Norwood, Massachusetts 02062.

Factory Mutual System

Allendale Insurance
Arkwright-Boston Insurance
Philadelphia Manufacturers Insurance
Protection Mutual Insurance
System Associates
Factory Mutual International
FM Engineering and Research



What we don't pay out, we pay back.

That's the way Texas Employers' does business. Savings from policyholders and our own efficiencies are paid back to policyholders. In the form of premium discounts and dividends. Well over $10.6-million in 1971 alone.

That's why many national companies with Texas operations have placed the Texas portion of their Workmen's Compensation coverage with Texas Employers'. Shouldn't you investigate? Just call us collect at 214/742-9331 and ask for the National Accounts Division.

TEXAS EMPLOYERS' INSURANCE ASSOCIATION
P. O. Box 2759
Dallas, Texas 75221

Employers Insurance of Texas:
Texas Employers Insurance Assn.
Employers National Insurance Co.
Employers Casualty Co.
Employers National Life Insurance Co.

editorial opinions

Cogent comments

J. D. McGEE, vp of employe benefits for Johns-Manville Corp., had a few cogent comments for 400 doctors and officials of Blue Shield Plans meeting in Chicago the other day. We don't know who had the good sense to include Mr. McGee on the program, but it was refreshing to see a corporate benefits man speak out on a subject well-ventilated by others—the nation's health delivery system.

"We have had too much insurance coverage that mandates hospitalization," Mr. McGee said, adding:

"It would appear that Blue Shield and the medical profession's major responsibility within the very near future must be to . . . make the private system work" by returning the highest possible benefits on out-patient care as well as in-patient services in insurance plans, and by offering protection against personal bankruptcy that often occurs after a long or unusual illness.

While the Johns-Manville executive said he does not believe the structure and financing of medical care needs complete revision, he did offer some suggestions for changes that would, in his words, strengthen and supplement the present private system. He recommended that both employers and insurers throw their support behind the following:

- Federal legislation to encourage establishment of health care centers;
- Legislation which would fund new hospitals, HMOs and ambulatory care facilities;
- The removal of legal barriers to HMOs that now exist in many states;
- State legislation to remove restrictive licensing which discourages the use of paramedical personal;
- A greater emphasis in employer-union insurance plans on preventive and ambulatory care; and
- The concept of HMOs and out-patient clinics, including legislation under which low-cost government loans would be provided to operate these facilities.

Well said, Mr. McGee.

A good move

THE NEWS THAT the American Society of Insurance Management will retain a law firm next year to keep tabs on risk management-related legislation at both the state and federal levels is good news. For various reasons, the action has been too long in coming, but now that it's here we applaud it.

The complexities of legislation at both levels of government have increased enormously over the years. The risk manager whose responsibility it is to stay informed about legislative developments affecting the protection of the assets and/or employes of his or her company has not really had a good internal source of information to turn to.

We'd like to think, of course, that in the last six years of its existence this magazine has been a solid source of information of this sort, for we have indeed covered state and federal legislative developments on a continuing basis. But, let's face it, we would be dull indeed if we spent 100% of our time reciting and analyzing legislation.

And so, the retention of a law firm with extensive research facilities and staff capability to cover "many legislative fronts simultaneously," in the words of Berry Griffin, ASIM's vp-legislation, is a real positive move for the society.

For many years now, ASIM has depended on a Washington-based legislative counsel, James E. Bailey, to perform a job that is just too big for one man. Mr. Bailey's Washington headquarters, moreover, must have at times been a turn-off for state regulators he sought out as part of his job of representing ASIM on the state regulatory level.

There are indications the law firm ASIM is leaning toward in its search is a New York-based firm with broad resources and background in areas vital to risk management.

We have no reason to believe that ASIM is approaching it otherwise, but we would like to affirm the feeling that we believe this is a significant and important move for the society —and one that will become even more significant as time goes on.

Therefore, in its selection process and contractual negotiations with a law firm ASIM's leadership should make a reasoned and deliberate effort to get the best possible for its membership.

ASIM is a strong and vital organ. It should continue to be the powerful and responsible voice of the most influential group of insurance consumers in the nation. Input and guidance from a resourceful law firm will help ASIM maintain its position and strengthen its purpose.

Prizes

FIRST PRIZE for Best-Insurance-Department-Directive-of-the-Week goes to Illinois' Fred A. Mauck, who has ordered companies it regulates not to give gifts to any of the department's 238 employes at any time.

Second prize goes to Oklahoma's commissioner, Joe B. Hunt, who several days later sent out this "Warning Notice!" to all insurance companies, agents and others:

"We are again calling your attention to the following provisions of the Oklahoma Insurance Code . . . :

" 'No member of the (insurance) Board or any employe of the State Insurance Department shall accept any gift, lodging, transportation, or other thing of value from any such person, firm or corporation, except fees and charges authorized by law. . . . My staff joins with me in wishing all of you a Merry Christmas and a Happy New Year."

We do hope both gentlemen accept these gifts of words, for it is indeed a wise insurance regulator that recognizes that graft always begins somewhere—even with a $5 bottle of liquor.

letters

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

Not responsible

To the Editor: Your story, headlined "Landlord to absorb ITT blast damage", in your October 8th issue, was very much in error. As the builders and owners of 437 Madison Avenue, where the blast occurred, we are in no way responsible for the damage that occurred to ITT's space.

The terms of the lease signed by ITT makes them responsible for acts of their visitors. It is apparent they had a very unfriendly visitor.

Perhaps you could pass this information on to the "spokesman for the conglomerate," who is not identified in your article.

Melvyn Kaufman
William Kaufman Organization, New York, N.Y.

More on consultants

To the Editor: As the motivating force behind formation of the original Insurance Consultants Society (currently called the Society of Insurance and Risk Management Consultants), I would like to comment briefly on the letter (*Business Insurance*, October 22, 1973) of my good friend and colleague, Dave Langner CPCU/CLU Assoc. of Crain, Langner Co. of Cleveland.

To me, the basic function of an insurance or risk management consultant is to give objective advice in the "public interest," as Mr. Langner states. If I were seeking such advice, it would more adequately reassure me to know that my advisers did not "directly or indirectly have any interest in, and are not directly or indirectly owned or controlled by, or affiliated with, any insurance agent or agency, broker or brokerage company, or insurer" (Article II 2.1, Bylaws of Insurance Consultants Society).

I believe you are also aware that another group, supporting the same principles, was formed at the LaSalle Hotel in Chicago on September 14-15, 1973. The name of this new organization is Institute of Risk Management Consultants Inc.

The record should also show that the original meeting of Insurance Consultants Society was held September 18 and 19, 1964 at the Hotel Congress (not the Drake) in Chicago. That meeting in turn resulted from a preliminary conference held by Jason Crain CPCU/CLU Assoc. of

Continued on page 20

business insurance

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

G. D. CRAIN, *Chairman and founder*
S. R. BERNSTEIN, *Chairman, executive committee*
RANCE CRAIN, *President and editorial director*
ALFRED MALECKI, *Publisher*

STEPHEN D. GILKENSON, *Editor (New York)*
SUSAN ALT, *Managing editor (Chicago)*
Washington editor—TOM WALSH. *Associates: New York*—PATRICK THOMAS, MARY ANN CALLAHAN. *Chicago*—STEPHEN GOOD. *Los Angeles*—CHARLES P. WINGIS. *Editorial production: Chicago*—DIANE DeROCHER, ANN LINDNER. *Editorial assistants—New York:* JUDI TALIT. *Chicago*—VALERIE MACKIE. *Art director:* JOE FARACI. *Correspondents: San Francisco*—KENNETH MACDONALD (415-474-8532). *Hartford*—ALLEN M. WIDEM (203-231-3101). *Los Angeles*—ROBIN SUHRBIER (213-547-9587).

Advertising
District managers: New York—CHARLES A. HORVATH, JACK FORREST. *Chicago*—ROBERT L. NIESSE. *Los Angeles*—DENNIS KOCH. *Production manager: Chicago*—JOHN JAMKA. *Manager, marketing services New York*—DAVID E. COHEN. *Assistants to the publisher: New York*—RONNIE I. DRACHMAN. *Chicago*—CELIA MALOUHOS.

Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Pensions & Investments, Advertising & Sales Promotion, Industrial Marketing.
M. A. HARTENFELD, *executive vice president;* D. J. CLEARY JR., *senior vice president;* KEITH CRAIN, ALFRED MALECKI, J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, LOUIS F. DEMARCO, WILLIAM STRONG, *vice presidents;* G. R. CRAIN, *secretary and treasurer,* RICHARD M. DAUGHERTY, *controller.*
Cable address: *CRAINCOM*

Published biweekly at 740 Rush St., Chicago, Il. 60611 (312-337-5200). Offices at 708 Third Ave., New York, N.Y. 10017 (212-986-5050); Suite 1253 National Press Building, Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles, Ca. 90048 (213-651-3710). 45 cents a copy. $10 a year in U.S., Canada and Pan America. Elsewhere $4 a year extra. WILLIAM STRONG, circulation director. ROGER DEGREGORIO, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, Business Insurance, 740 Rush St., Chicago, Il. 60611.

BPA Member of Business Publications Audit of Circulation ABP



Insurance goes out of style, too.

Today's department stores don't want to be covered in an old-fashioned way—any more than today's customers.

Retailers know that carrying out-dated insurance can be as disastrous as stocking an out-of-date fashion—and just as costly.

That's why so many of them are turning to Commerce and Industry.

Our experience dates 'way back to 1881, when a group of retailers—including department store owners—created the insurance reciprocal that ultimately became C&I.

We've been shaping and re-shaping insurance packages for retailers ever since—helping them to find the latest, practical ways to reduce their loss potential and possibly qualify for preferred risk treatment.

C&I engineers are the trend-setters, there. Heavily experienced in retailing, they can satisfy the safety engineering needs of department store owners. Because they are C&I staffers—not free lancers.

So, think about C&I when you're looking for preferred risk service. For property insurance, business interruption, package policies—and straight casualty, too—you'd be wise to try us on for size.

Just mail the coupon today for more information.

Commerce and Industry Insurance Company

Dept. BI113, 125 Maiden Lane,
New York, N.Y. 10038

Please send me more information about your Preferred Risk program for department stores.

Name _____ (PLEASE PRINT)

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

A Member Company of American International Group

We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer to place business with C&I.

RED TAPE?

We've Been Throwing Lots Of It Away For 25 Years

REUBEN WARNER ASSOC, INC.
General Agents, NEW YORK, NY

SPECIALISTS IN GROUP TRAVEL & ALL FORMS OF ACCIDENT & HEALTH
(212) 964-3670

Overhaul of Canada pension plan begins

OTTAWA—Canada Pension Plan (CPP) proposals that will boost benefits and contributions have been announced by federal and provincial welfare ministers.

The revisions are designed to:

- gear pension benefits to the consumer price index and
- boost the earnings level that payments are based on.

Federal and provincial welfare ministers met here to discuss the pension program overhaul. Marc Lalonde, federal minister, said outside the closed sessions that immediate action must be taken to bring the two key changes into effect by Jan. 1.

The provinces have agreed to the amendments by a two-third majority. It is also necessary for the Parliament and the federal cabinet to approve the changes.

After the two-day meeting, the welfare ministers issued a statement to the effect that removal of an annual 2% limit on cost of living increases would prevent further erosion by inflation of CPP pension benefits.

This 2% limit was included in 1966 legislation, but the annual cost of living has risen faster than that amount. Adjustments taking into account consumer price rises will be made at the close of the year, Mr. Lalonde said.

A second revision changes the ceiling on pensionable earnings—the amount of wages and salaries upon which benefits and contributions are based. However, benefits under the revised CPP plan also will rise to an estimated annual maximum of about $1,300 in 1974 from this year's payment of $1,089.

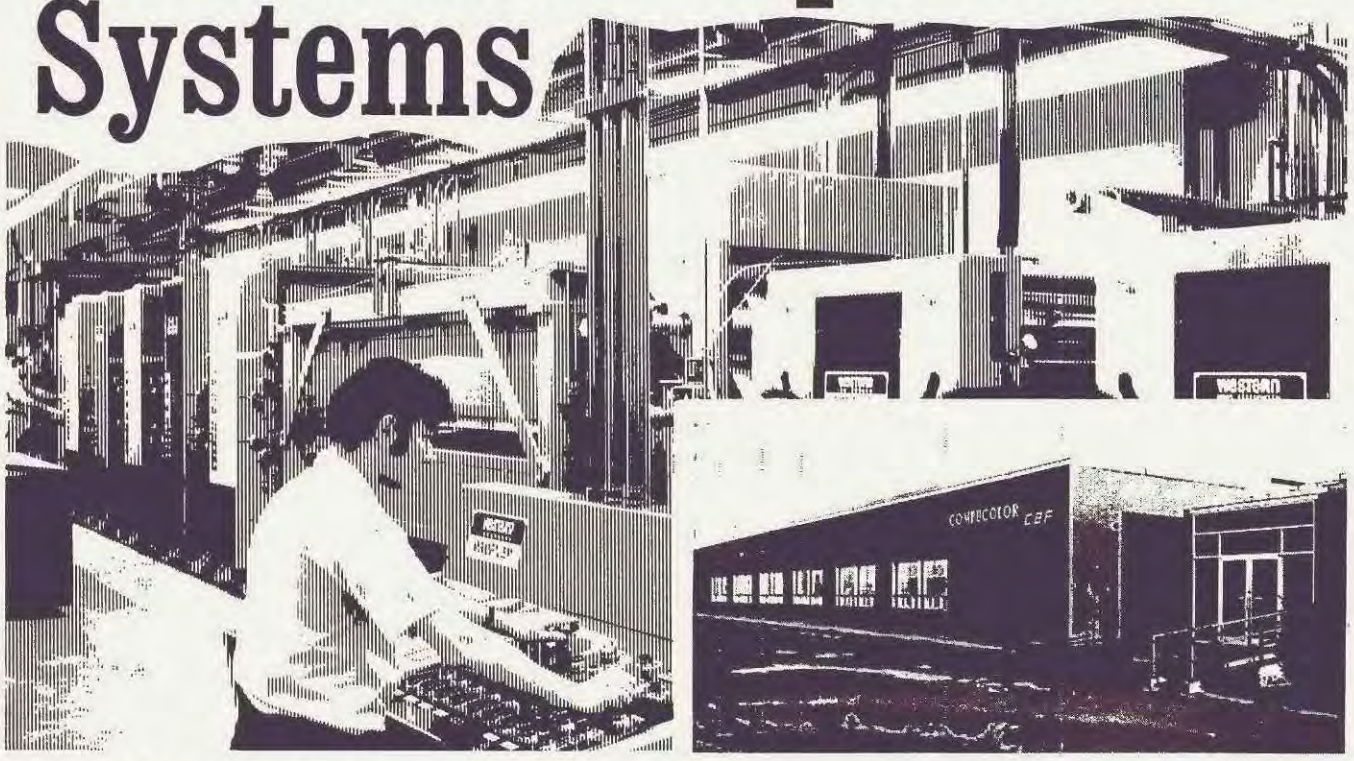
THE MAXIMUM CPP pension will be about $3,000 by 1980.

As a result of the meeting, an estimated 500,000 persons who retired between 1967 and last year will receive retroactive benefits that partially compensate for the difference between the 2% cost of living limit and actual consumer price increases.

The escalator payment for those who retired in 1967 will represent 12% of benefits. This declines to 2.5% for those who retired in 1972.

The ministers also agreed to eliminate the earnings test applied to persons between the ages of 65 and 69. ■

Printing Plants lease "Automatic" Sprinkler Systems



Compucolor, Inc. Stratford, Connecticut, producer of high-fidelity, direct mail printing, avoids large capital outlay; saves on insurance premiums; protects production.

As recommended by their Consulting Engineer, Mr. Edward Schultz, Greenwich, Conn., Compucolor Inc. leased a complete "Automatic" Sprinkler Fire Protection System to protect their 25,000 sq. ft. plant. Their entire facility is fully sprinklered including executive offices, paper storage warehouse, and printing production areas.

Heart of Compucolor Inc. is their computerized, electronically-controlled, 10-color, web offset press. Says Mr. Tom Kelsey, General Manager, "Automatic" Sprinklers protect our production. Depending on the extent of damage, we could lose several months of operation on this machine in case of a fire."

According to Mr. John M. Davis, Executive Vice President, "It makes good business sense to lease an "Automatic" Sprinkler System; more companies should take advantage of this feature. The installation was expert, fast and professional, too. No interference with production!"

Substantiated by Compucolor's insurance broker, Glover Agency, Norwalk, Conn., this summary of costs and savings applies.

Here are the facts:

Annual fire insurance premiums if *not* sprinklered	$21,700.00
Annual fire insurance premiums as sprinklered	6,700.00
Annual Premium Savings	15,000.00
Annual Lease Costs	4,333.52
Net Savings	10,666.48

As with Compucolor, Inc., where insurance premium savings more than cover sprinkler systems lease costs, it can pay you well in protection and premium reduction to install "Automatic" Sprinklers. We can tailor the job to both your physical and fiscal requirements.

For complete information, contact Mr. R. L. Pardee, Manager of Marketing Services, "Automatic" Sprinkler Corporation of America, Box 180, Cleveland, Ohio 44147.

7072

"Automatic" Sprinkler
CORPORATION OF AMERICA
A DIVISION OF AMERICAN LA FRANCE INC., SUBSIDIARY OF A-T-O INC.

Letters . . .

Continued from page 18

Cleveland; Rutherford Pates, Esq. of San Francisco; M. Robert Olp, CPCU of Detroit, and the undersigned in Denver on September 24, 1963 during the annual CPCU meeting and seminar.

So professionally-organized consultants have been around for a little over 10 years. It is my hope that both groups will continue to distinguish between a trade association, which too many "professional" groups have become, and an organization acting at all times in what it determines the public interest to be, which is the only justification for the existence of any professional organization.

William Peet
William Peet Co., St. Paul, Mn.

Agent/Broker issue

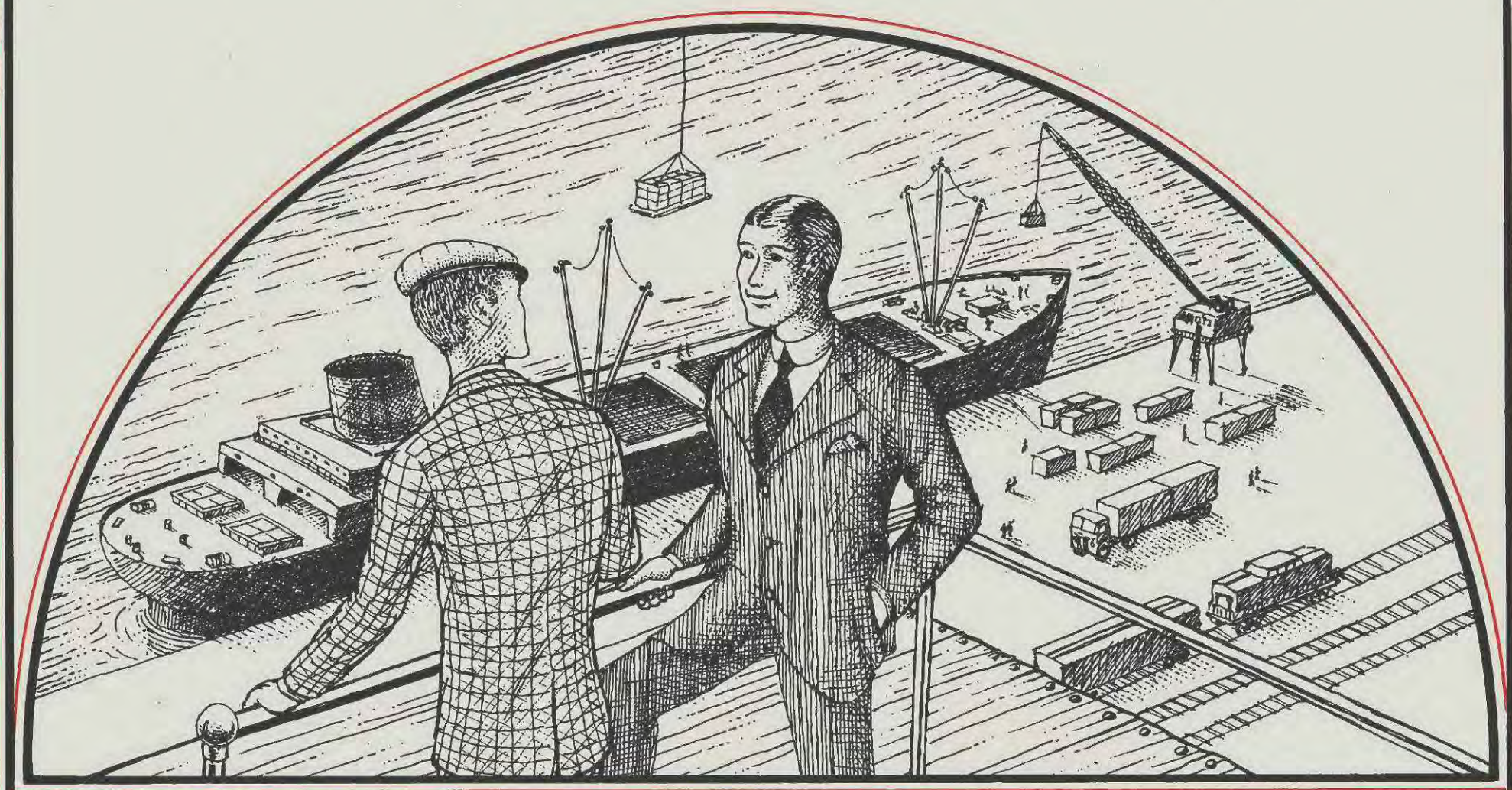
To the Editor: While recently attending the CPCU National Meeting in Washington, D.C., an acquaintance of mine brought to my attention the fact that you recently published a list of agencies incluing some in Phoenix that were in the commercial insurance business. Haldiman Insurance Agency was not included.

We are in the commercial insurance business; please advise how we would be included henceforth.

John B. Haldiman
CPCU, Haldiman Insurance, Phoenix, Az.

Editor's note: Mr. Haldiman is referring to the annual Business Insurance *Agent/Broker Profiles issue (July 30, 1973). Information about next year's issue will be published well in advance of closing so companies not appearing in the 1973 directory can be considered for inclusion in the 1974 issue.*

TOM SWIFT and The Law of the Waterfront



"**The smartest** thing I ever did was to take your advice and call Midland, Tom." Tom Swift was being addressed by his friend Ned Newton as the two of them stood on a promontory observing the hectic waterfront activities.

"**I knew** that when it came to stevedoring, terminal operations, ship repair and maintenance, dredging and just about anything else that goes on around the waterfront, Midland could offer you exactly the coverage you needed," said Tom broadly. "Midland has the highest level of experience of any insuror in the field of Maritime risk management," he added loftily.

"**True enough,** Tom," said Ned, "but what I appreciated most of all was the way Midland guided me through the intricacies of the new Longshoremen's and Harbor Workers' Act."

"**It's not** a new law," amended Tom, "but there certainly is a great deal of confusion about the changes and about what the future will bring.

"**We all** know there are some companies who go in and out of the Maritime field," Tom interjected inconsistently. "But today you have to have an outfit that stays on top of the changing situation, one you can count on to have all the facts you need to know. And that describes Midland," he concluded authoritatively.

John Downey, Midland's Port Claims Control Manager, recently spoke to the AMA on the meaning of the changes in the Longshoremen's and Harbor Workers' Act. If you'd like a copy of his valuable comments, just drop him a note at 160 Water St., N.Y., N.Y. 10005.

Have you sent in your Swifties yet?



"There's been a veritable outbreak of Swifties around here lately," said Tom rashly.

It's time you caught the bug, too. Come up with a Swiftie that has something to do with insurance and submit it on your company letterhead. Every quarter, the five best entries will win Tom's latest invention. Everybody who enters will win a Tom Swift poster.

"So sharpen your pencil," reminded Tom pointedly.

The first five winners in Midland's "Swiftie" Contest are: S. Peter Law, U.S. Industries, Inc., New York, N.Y. • Pat McCreery, Southern Underwriters, Coral Gables, Florida • Doug Devore, Florida Light & Power, Miami, Florida • Glen Beaman, State Farm Fire & Casualty, Bloomington, Illinois • M. T. McCochran, Kemper Insurance, Long Grove, Illinois •

MIDLAND INSURANCE COMPANY
ONE STATE STREET PLAZA ■ NEW YORK, NEW YORK 10004
CHICAGO ■ ATLANTA ■ MIAMI ■ LOS ANGELES

Amerace may keep 'uncatastrophic' risks

BY MARY ANN CALLAHAN

NEW YORK—Amerace Corp., a leading diversified manufacturer of rubber and plastic products and industrial materials, is reportedly considering a move to self-insure its 150-vehicle corporate fleet against collision damages.

Charles L. Russell, the new insurance manager at the $187 million company, also hopes to raise the present $1,000 deductible on the fire insurance part of the multi-peril property policy to at least $5,000.

Why? "I think it is reasonable to pay off minor losses out of pocket in exchange for lower premiums," he said. "I feel the purpose of insurance is not to trade dollars on minor losses but to make sure that corporate assets are not endangered."

He expects annual self-insured damages would cost Amerace less than premiums now paid to Affiliated F M Insurance Co., a subsidiary of Allendale Mutual Insurance Co. for a collision policy.

HE BASICALLY believes that risks like auto collision and the smaller property damage items are "uncatastrophic" enough to be expensed normally. "We don't feel we should be paying 110% of losses to an insurer for this."

Mr. Russell, who joined Amerace only six months ago after 19 years as an underwriter at Affiliated F M, noted a connection between his past and present jobs. Since 1966, he was head of a team of casualty underwriters at Allendale and Amerace was the largest casualty account.

Mr. Russell said that among other changes he may suggest would be consolidating difference-in-conditions coverage into the multi-peril policy. Although Allendale presently does not allow DIC to be part of the multi-peril coverage, he said he knows Allendale is seriously considering writing it in. (A spokesman at the Allendale headquarters in Johnston, R.I., however, refused to confirm the report.)

Amerace currently has DIC coverage underwritten separately by Continental Casualty Co. with limits ranging up to $10 million depending on location of offices, plants and warehouses. The deductibles range geographically from $1,000 on some foreign plants up to $100,000.

Boiler and machinery insurance is already written directly into the Allendale multi-peril policy, which according to Mr. Russell, is unusual. "It is more customary for boiler and machinery to be a separate policy," he said. The coverage is based on a $10,000 deductible, he added.

EVEN THOUGH he expects self-insurance and higher deductibles to lower insurance premiums for Amerace, Mr. Russell stressed in an interview with *Business Insurance* that "the profit-center philosophy does not appeal to me."

"I could shop around on all the coverages each year, and maybe at first I'd save a little money," he said. "But the insurance company that offers a slightly lower rate this year may have to raise it next year, and in the meantime, we will have had to adapt to the new coverage."

"If you're constantly changing, pretty soon you'll burn out the market anyway," he noted.

Mr. Russell said he considers the $3 million Amerace pays in total annual premiums for property, casualty and employe benefits to be a reasonable figure, and "I don't want to change policies too frequently when we already have a reasonable situation."

HE SAID he does not plan any major changes in the insurance coverages, "unless there is some sign we can't live with what we've got." He will not even invite competitive bids from insurance companies on most coverages, he said.

What Amerace has, he said, is a corporate insurance program which includes automobile, DIC, property/casualty, directors & officers liability, workmen's compensation, and foreign credit insurance, foreign fronting policies, and employe benefits.

The $169 million property cover is actually a combination of two Allendale blanket policies which insure against fire and extended risks, boiler and machinery and business interruption.

"Each of our industrial plants, with one exception, is in accordance with the Allendale standards as a highly protected risk (HPR)," he said. The only exception is an old building, but even that plant is still safe for its employes, according to federal standards, he noted.

Because of the age of the building, Amerace pays about 10 times more for insurance on it than if the building passed HPR inspection. According to Mr. Russell, however, it was a group management decision to spend more on

Continued on page 23



Amerace Corp., a diversified rubber and plastic products maker, is the nation's leading producer of garden hoses.



Many insurers considered the plastics industry too hot to handle.

CNA found that it was simply misunderstood.

Plastics, once considered a cheap substitute of inferior quality, has proven itself to have sophisticated applications in all areas of modern life. In fact, the plastics industry is growing so fast that plastics will probably be America's number one raw material by the 1980's.

When an industry grows this fast, it's faced with many problems. For instance, the problem of operator safety in molding operations. Also, during the early stages of the industry's rapid growth, fire losses created an image of high insurance risk. So, when The Society of the Plastics Industry, Inc. (SPI) wanted a national insurance program, they hired a safety engineer to study their industry and asked several insurance companies to develop coverage.

Ultimately, only Continental Casualty Company, a member company of CNA/insurance, fully accepted the

CNA/insurance, 310 S. Michigan Ave., Chicago, Illinois 60604, Continental Casualty Co., American Casualty Co., National Fire Insurance Co. of Hartford,

Amerace . . .

Continued from page 22

insurance, temporarily, rather than pay for overall improvements. Although he did not commit himself, he hinted that the building may be replaced by a new structure.

THE COMPREHENSIVE general liability policy, which includes product liability and fidelity insurance, has a $35 million limit and is underwritten by seven companies, but predominantly by Allendale.

"Our relationship with Allendale over the years has been like a partnership," Mr. Russell said. In 1957, the insurer covered a $14 million fire loss at one of Amerace's New Jersey plants.

"This was the beginning of Amerace's long-standing, loyal relationship with Allendale," Mr. Russell said. "In 1966, the casualty policy was switched to Allendale and I had charge of the account. That was the last year of competitive quotes on the casualty account," he said.

Directors & officers liability, a separate policy underwritten by Continental Casualty Co., has a $10 million limit but includes a 15% participation by Amerace directors and officers in the losses. For the d&o policy, Amerace works through Johnson & Higgins. Originally, the Amerace d&o policy was with Lloyd's.

Johnson & Higgins also negotiate insurance policies with the Foreign Credit Insurance Assn. for Amerace, and participates in group benefit negotiations.

ALONG WITH foreign credit insurance, Amerace also carries two kinds of coverage abroad. Each foreign plant, office or warehouse is first of all included in the overall multi-peril property/casualty covers, but in order to comply with foreign local laws, each unit also has a fronting policy acceptable to authorities in each locale, Mr. Russell said. In all cases, the overall coverage would go into effect as a second layer of coverage after the fronting policy leaves off, he added. But a new subsidiary recently formed in Germany is covered under the FM policy.

"WE HAVE a marvelous relationship with Aetna Life and Casualty on the group benefits," Mr. Russell said. Although his role as corporate insurance manager does not include the administration of benefits for the 7,200 Amerace employes, Mr. Russell participates in the negotiations of insurance benefits more or less as a consultant.

"I know how an insurance company prices a large account," he said. ■

Employe Benefits Communications Awards Competition

Mail to: Benefits Communications Awards
Business Insurance
708 Third Avenue
New York, N.Y. 10017

Yes, I am interested in entering our communications program(s). Please send me _____ entry blank(s) and the competition rules.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____



challenge of this "problem" industry and discovered that it was simply misunderstood. CNA did its homework well. It lived with the plastics industry for a year and a half, acquiring invaluable knowledge from an insider's point of view. This led to the development of an insurance program that made good economic sense for all.

SPI endorsement of the CNA program has proven to be mutually beneficial. One example was a CNA recommendation which provided for a positive approach to loss control through better safety programs. And in fact, for two years in a row, SPI's safety program won a National Safety Council Award hands down!

By getting to know and understand the fast changing world of plastics, CNA was able to offer the best insurance coverage possible. Coverage that delivers more value for each insurance dollar.

Providing such coverage is what made us a part of a growing three and one-half billion dollar corporation. With the special kind of CNA people and independent agents that make it possible. People who write insurance not to be first. But to set precedents. To go where insurance never was. Do what insurance never did. And do it better than anyone else.

To learn more about how we can help solve your insurance problems, call your CNA agent. We're listed in the Yellow Pages.

GOING WHERE INSURANCE NEVER WAS
CNA/insurance
A PART OF CNA FINANCIAL CORPORATION

Transcontinental Insurance Co., Transportation Insurance Co., Valley Forge Insurance Co., Valley Forge Life Insurance Co., CNA Casualty of California.

B. I. benefits competition

NEW YORK—Some 150 requests for entry forms for the second Business Insurance Employe Benefits Communications Awards Competition have been received since the competition was announced a few weeks ago.

The winners of this year's contest will be honored at an award ceremony to be held during the American Society of Insurance Management's Employe Benefits Conference luncheon, Tuesday, April 30, 1974, in Toronto.

Entries will be accepted beginning Dec. 3 and will be taken until March 15, 1974.

THE COMPETITION, open to employers and others involved in the communicating of benefits, such as employe benefits consultants, will honor excellence in any or all of four categories:

- Booklets.
- Personal communications, such as letters and computerized benefits statements.
- Audio-visual.
- Total communications, a new category for this year's competition comprising a combination of the above elements in the program, plus any other factor contributing to the program's success.

A panel of judges, not yet selected, from the communications field, though not necessarily employe benefits communicators, will pick the winners based on graphic appeal, the amount of information provided, effectiveness of copy, how often published and novel techniques used.

Past winners include Delta Air Lines, Security Pacific National Bank, Dun & Bradstreet, Northwest Bancorporation and Nationwide Insurance Cos., which were chosen from 120 entries. ■

CPCU risk seminar

The Society of Chartered Property and Casualty Underwriters (CPCU) will hold a risk management seminar Dec. 6-7 at the Playboy Club, McAfee, N.J. Risk managers from seven Fortune 500 companies will speak, including William Altstaetter, director of insurance and risk management for Rockwell International; Alan R. Carey, claims and insurance manager for Eastman Kodak Co.; Neil Hamilton, director of financial services for Eaton Corp.; S. Peter Law, vp of insurance for U.S. Industries Inc.; Harold Meeks, director of property and casualty insurance for the Aluminum Co. of America; and Dan McCoy, manager of risl and insurance for Upjohn Co.

COMPLETE INSURANCE MANAGEMENT
and ADVISORY SERVICES

Professional - Objective

Herbert L. Jamison & Co.

90 Park Avenue
New York, New York 10016
Area Code 212 — Oxford 7-6678

Multinationals 'under the gun' expert warns

CHICAGO—"All international corporations should pay strict attention to the accusations of widespread tax avoidance and currency speculation hurled at them by the EEC Commission in a confidential report. Although no immediate action is feared, the mere fact that the commission has put its seal of approval on such a study clearly demonstrates how badly the international business climate has deteriorated."

So warned William E. Bray, vp of Alexander & Alexander's international division, at an international seminar in which he noted growing tensions for multinational corporations and concern about their impact on foreign countries.

Multinationals are coming under the gun more these days because, of bigness if nothing else. Mr. Bray cited these figures:

- Each of the top 10 multinational firms, in 1971, had added value of over $3 billion, more than the gross national product of at least 80 countries;
- Production of all foreign subsidiaries of multinationals totaled $330 billion, slightly more than the total exports of the entire non-Communist world.

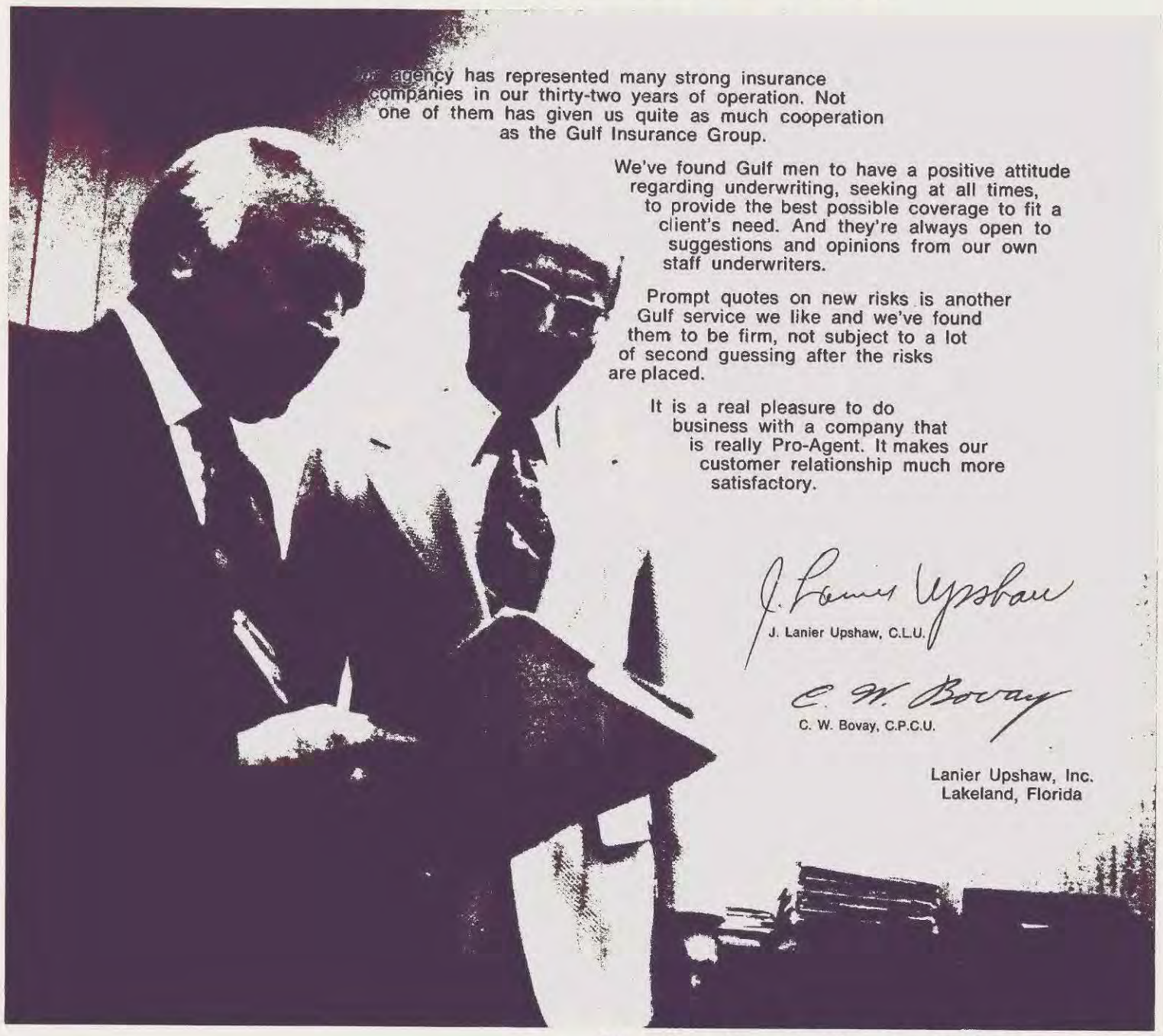
"INTERNATIONAL production has surpassed trade as the main vehicle of international economic change," Mr. Bray concludes.

"Certainly the strongest threat to the expansion of the multinational corporation, at present, is nationalism," he stated.

He does not believe that trade unions or consumers, of themselves, are real threats, but "as fostering agents for nationalism they can be the founding flakes of the building snowball. Trade unions, in particular, often are most political in design and have been known to clamor for profit shares, increased control over management affairs or nationalization. Should this seed mature, (and the trend may be starting in Latin America), the MNC's will incur setbacks," Mr. Bray noted.

Multinationals must be flexible in adjusting to increasing governmental efforts to prevent "undue influence" by multinationals in their countries, he urged. ■

Gulf is PRO-AGENT!



Meeting the challenge of change!

GULF GROUP

GULF INSURANCE GROUP

GULF INSURANCE COMPANY
ATLANTIC INSURANCE COMPANY
SELECT INSURANCE COMPANY
INS. CO. OF THE PACIFIC COAST

EXECUTIVE OFFICES P.O. BOX 1771, DALLAS, TEXAS 75221 (214) 528-5881

USSR farm insurance is expanded

MOSCOW—Expanded terms for state agricultural insurance was boosted by better than 300% claims payments in the span 1968 to 1972, the head of the USSR state insurance department said.

Leonid A. Motylev said the total coverage of property on collective farms how totals some 82,000 million rubles, equivalent to $121.4 billion in current conversions.

Collective farms received the equivalent of $10 billion from 1968 to 1972 in indemnity, or 3.3 times more than in the previous five year period, Mr. Motylev said.

HE ATTRIBUTED this growth in loss payments to a widening of terms for agricultural coverage in 1968. At that time it was decided crops would be covered "against draughts, excessive moisture, lack or shortage of water in irrigation sources, and all other exceptional meteoroligical or natural conditions, as well as diseases and damage from plant pests and fires." Previously, crops had been insured against hail, floods, frosts, storms, hurricanes and other natural calamities.

Under the new terms, Mr. Motylev said, buildings structures, machines, irrigation equipment, fishing vessels, tackle and all other property of collective farms are insured for full value.

Mr. Motylev also noted that personal life and property insurance policy sales in the USSR have been growing at an average rate of 25% to 30% per year, with total individual insurance today now over 91,000 million rubles, or about $134.7 billion. ■

OSHA study may establish lower permissable noise level standards

LEBANON, PA.—"Hemingway said the occupational disease of soldiers and bullfighters is syphilis. For boilermakers, it's deafness."

John H. Stender, asst. secretary of Labor for Occupational Safety and Health, thus called attention to the serious problem of industrial noise in a speech to the American Boiler Manufacturing Assn. here.

He said it is not enough for employers to merely provide earmuffs to workers to protect their hearing in areas where noise cannot be lowered to the 90-decible maximum. Employers must play a more active safety role and order employes to wear protective devices, Mr. Stender asserted.

"Workers should have ear protective devices made available to them and be ordered to wear them," he said. "Even a 90-decible noise level is not completely safe. It is estimated that up to 20% of the population would suffer a permanent hearing impairment from working eight hours a day in a 90-decible environment," he continued.

OSHA HAS undertaken a study by a Cambridge, Ma. firm to determine what the costs and benefits of an 85-decible level would be, he disclosed. "If the study shows that an 85-decible level is feasible, OSHA may issue such a standard in the future," he warned.

"That's one reason why I would suggest that you take a serious look at the noise problem in your factories and consider what steps you might take to start working toward an 85-decible environment," he further urged the manufacturers.

"I would suggest to all of you that if you have not already done so, you put noise at the top of your list of safety and health concerns," Mr. Stender stressed.

He noted sustained exposure to loud noise causes workers to suffer additional complications than hearing impairments, and cited psychological studies showing nervousness, speech interference, psychosomatic illnesses, disruption of concentration, restlessness, irritability and loss of sleep as noise-related problems.

Mr. Stender sharply criticized opponents of OSHA, describing much of the opposition to federal safety and health laws as "arrogant and stupid." "These same critics might as well argue against speed limits on our highways, sanitary regulations in our restaurants, or licensing of doctors and hospitals," he charged.

"OSHA HAS been criticized by some near-sighted opponents on the grounds that safety and health cost money. But you know and I know that accidents, injuries, illnesses and deaths, in the long run, cost far more," Mr. Stender declared.

He challenged his audience to help OSHA work out some good, efficient way to lower noise levels, and better protect workers' hearing. "If one company finds a way to appreciably reduce noise, tell us! Tell each other!" he invited.

"THIS COUNTRY needs effective job safety and health legislation," Mr. Stender firmly believes. "To make OSHA more effective I have done everything in my power to increase our presence by increasing inspections. The rate today is double what it was a year ago," Mr. Stender told boilermakers.

"To make OSHA more effective I have done everything in my power to help states that want to put their own plans into effect to do so—and thus increase the protection available to working men and women," he continued.

"Furthermore, I have pushed vigorously for the development of comprehensive health standards, not only because we need them today . . . which we do . . . but because we will need them even more tomorrow," he said. ■

New OSHA figures show injury hike

MADISON—The change to federal inspection and safety code enforcement may be responsible for a sharp rise in Wisconsin's job injury rate figures.

The department of industry, labor and human relations reported 25.3 injuries per month for each 10,000 non-farm workers this year from Jan. 1 through July 31.

That was compared with 22.2 injuries per month in the first seven months of 1972.

There were 117 suspected job-related deaths through July 31 this year, against 85 last year.

JOHN WENNING, administrator of industrial safety and buildings, said the causes of the rise were undetermined but he pointed out the new federal rules cover accidents and illnesses which were not reported under the state's administration of the codes.

Although the federal enforcement is tougher on employers, it may not curb the rising injury rate, he added.

There was no enforcement of the codes for the first six months of this year. The state's enforcement of the codes was shifted to the federal government July 1 under the Occupational Safety and Health Act.

The OSHA administration battle is still going on, with organized labor favoring federal enforcement and others seeking continued state administration.

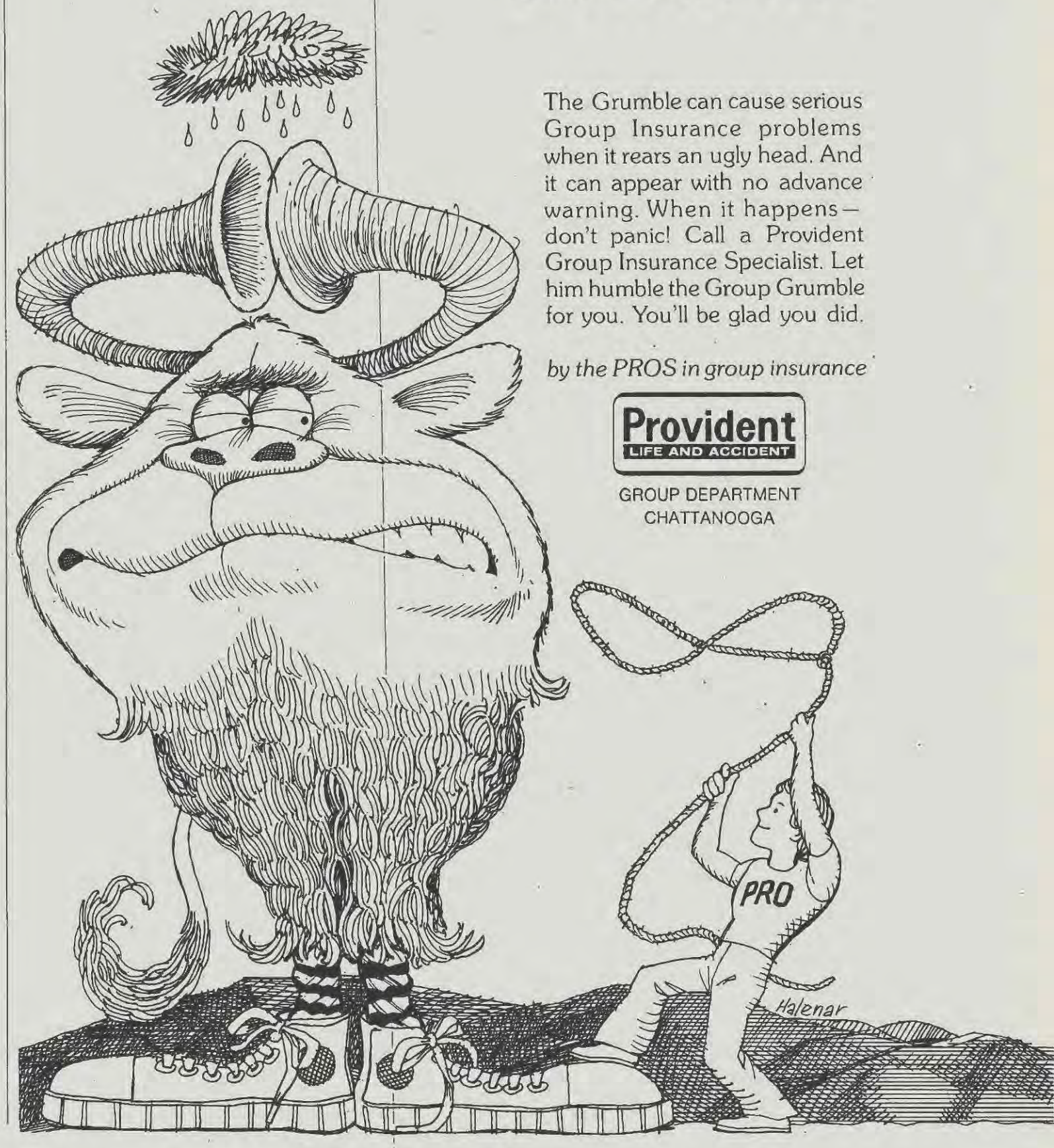
"The philosophy before the OSHA was that we have inspection and enforcement but much of it was consultation and education," Mr. Wenning said. "We would talk with the employer."

Under the federal administration, "there is more of a crackdown attitude," he said. ■

Fitzgerald elected

Arthur J. Fitzgerald, corporate claims manager and manager of workmen's compensation for Ingersoll-Rand Co., was elected president of the New Jersey Self-Insurers' Assn. He succeeds Richard Williams, Westinghouse Electric Corp. The association includes 49 large state companies who self insure their workmen's compensation programs.

How to Humble **The GROUP GRUMBLE**



The Grumble can cause serious Group Insurance problems when it rears an ugly head. And it can appear with no advance warning. When it happens—don't panic! Call a Provident Group Insurance Specialist. Let him humble the Group Grumble for you. You'll be glad you did.

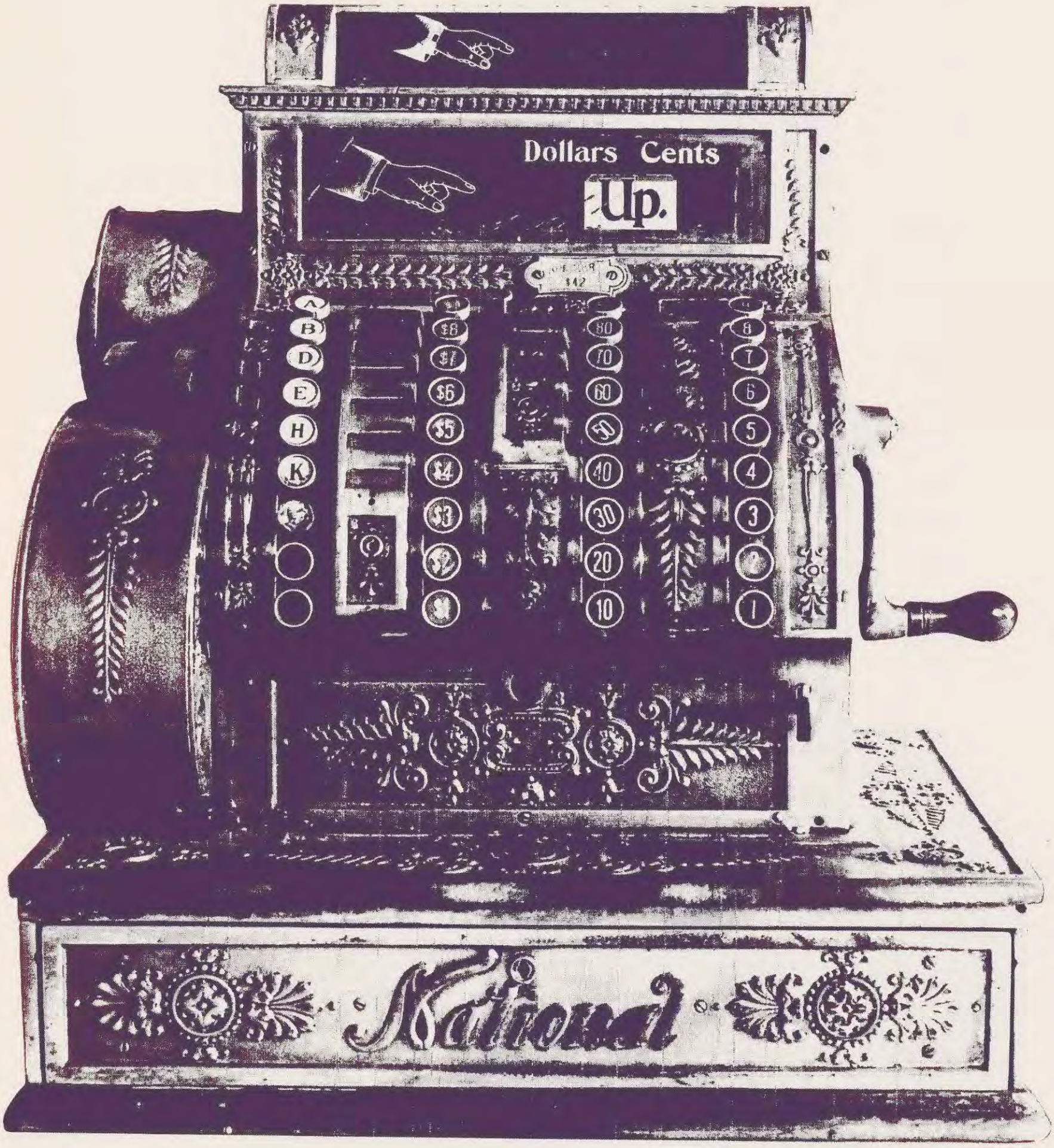
by the PROS in group insurance

Provident
LIFE AND ACCIDENT

GROUP DEPARTMENT
CHATTANOOGA

Pension business?

Just "ring it up"...



Group and Pension Offices: Atlanta 404 451-7171/Augusta 207 622-5883/Boston 617 423-3790/Chicago 312 427-9380/Columbus 614 486-7784/Los Angeles 213 384-2571
New York 212 986-6650/Northern N.J. 201 654-5353/Philadelphia 215 563-6378/Portland 207 773-1758/Saginaw 517 799-9690/San Francisco 415 982-2702/Seattle 206 622-2461/Syracuse 315 475-2131

with our new DA Contract!

Writing pension business is never quite that easy, of course. But with our new" $5,000 and Up" DA Contract you have the perfect vehicle for funding the Defined Benefit Pension Plan.

Your client enjoys maximum money accumulation, safety and low expense charges.

Here are the details:

Plan Size

$5,000 minimum annual deposit — subject to any state laws regarding number of lives.

Interest

Guarantees for first 5 years deposits.

1974-1975 8¼%
1976-1978 6½%
1979-1983 5%

Purchase Rate

Contract Year	Male 65 $1 Mo. Life Annuity
1	$113.77
2-5	$123.81
6-10	$130.64

Contract Charge

$450 annually minus 1% of current year deposits over $25,000.

This new Pension Contract for small businesses is designed to minimize yearly cash contributions by the corporation and provide for speed, service and simplicity.

Considering the relatively short time we've been in Group Pensions, we've stirred things up pretty well. "Full Disclosure", the Unionmutual "Spread Sheet" and now "$5,000 and Up" . . . they call us the Up Group because we keep coming up with new ideas.

For more information about Group Pensions, Life and LTD, contact one of our field offices or write: Bob Stevenson, Vice President (Group Marketing), Union Mutual Life Insurance Company, 2211 Congress Street, Portland, Maine.

Unionmutual®

Up.®

They call us the "Up Group"

Union official questions value of pension reform

ATLANTA—Sounding vaguely like a corporate critic of private pension reform proposals, a union executive charged that workers have been "deluded" into believing the pending pension legislation will instantly end their retirement worries.

And with all the attention going toward pension legislation, national health insurance, equally as important as pension reform, had received short shrift, the official added.

"It is regrettable," said Paul J. Gross, director of health and welfare for the United Paperworkers International Union, "that the proposals have such meaningless pacifiers as vesting a worker in 25% of his earned benefit after five years of service.

"Can't you just imagine the disillusionment if we had these proposals on the books for 40 years and a worker retiring now with 40 years spent with five or six different employers?" he asked his audience at the 27th annual conference on employe benefits.

"EVEN WITH reform on the books I am convinced that worker would only receive about 25% of the benefit he anticipated," Mr. Gross declared.

The union man, who emphasized his remarks reflected his personal opinions only, pointed out the possible disappointment of workers was not his only concern when it came to pension reform.

He envisioned a great deal of money, which might have been spent on benefits for those in need, instead being spent on "more commissions and administration while the real need for protection remains unsatisfied."

He said he is concerned about the number of "instant experts" on pensions the reform movement had created and he felt statistics had been abused in the effort to whip up enough interest in the subject to get the legislation through Congress.

BUT HIS overriding concern about the reform movement was controlling the legislation.

"Has this legislation reached this stage because of its political appeal or has it come to be to correct the so-called horror stories?" he wondered. "Time will be that judge."

One of his personal priorities in the employe benefits area, he noted, was to push for an escalator clause in retirement programs in order to guarantee retirees the purchasing power of their retirement benefits. And he seemed unsatisfied with pension reform proposals in this area.

What he sees on the pension horizon dismays him—more horror stories, more legislation, more government control and less flexibility in the design of response pension plans, he said.

NATIONAL health insurance, another top priority area to Mr. Gross, has not received the attention it really deserves of late—most probably because all the factors involved—employers, workers, financial providers and medical service providers—were further apart in their views than those involved in pensions.

"If there is any area for need to provide protection for the workers, active or retired, and their families, in this country, he charged, "it certainly has to be, in this individual's view, in the area of correcting the inequities and inadequacies in our health care delivery system."

There are dedicated persons in the health care arena, he noted, but also there were far more horror stories to be told than pension failure tales. Most of the attention, when health care delivery gets it at all, is given to high costs and the inability of some workers to pay for it, but availability is every bit as serious a problem as cost, according to Mr. Gross.

"At any rate," he said, "the health care delivery system is seriously inadequate and seriously unavailable in many areas of our country.

"NOW I suppose we'll go the same route on national health insurance as we went on pension legislation," he continued. "The workers will hold one view as to how it shall be corrected, the employers will become allies of the carriers and the providers—in the end will the best interests of the beneficiaries he served?"

Another priority item is in the area of survivor's benefits, which Mr. Gross feels should be payed both in the case of death before retirement and after retirement.

This is an area which, perhaps, has suffered because the employe benefits program is sometimes the product of wants, rather than needs, Mr. Gross believes and it was here that the employer must share in the guilt for failing to correct the situation.

WHEN I LOOK at a program of benefits and find a liberal drug prescription plan which is costing more to administer than the beneficiaries are receiving in benefits," he said, "and then find workers covered under the same benefits program who are wiped out financially because a member of their family had a serious illness, I can't help but believe we were serving wants and not needs."

Pension programs, he believed, suffered from the same symptoms, as did any number of life insurance plans.

"When I see a surviving widow with a life expectancy of another 25 years who has no real means of support other than a widow's benefit under Social Security," he noted, "and then we find a very liberal early retirement provision, say the popular thing (30 and out), and find no survivor's benefits or not even pattern life insurance benefits, I wonder what interest was being served."

MR. GROSS said many of these problems can be solved, and that his benefits priorities could probably be achieved, through education and enlightenment of the worker.

Enlightenment could come in many ways, he said, specifically pointing to the use of pre-retirement counseling and programs rather than leaving the pension message to be told by a "Madison Avenue folder."

Then Mr. Gross asked his audience a question: "Why don't you tell the worker honestly the way it is about his benefits instead of letting the news media do it? We know you have some ability to educate your workers. You frequently demonstrate that at least you try when we attempt to organize an unorganized plant that you may have." ■

The dirty story nobody wants to hear.

It's 1976.
And she's a beauty.

But suddenly production in that new plant of yours comes skidding to a stop. Because your power supply systems can't comply with recently tightened air standards.

Or. New processes you've installed bring you new villains. Dangerous noise levels. Toxic chemicals. That threaten your workers' health. And give you a splitting corporate headache.

Or. Effluent standards are tightened. So you need more (and more costly) water cleanup equipment you wish you'd allowed for in the first place.

Nobody's got a crystal ball. But the more you've been involved with the design of environmental controls, the more successfully you can eliminate pitfalls. Even mushrooming pollution ones.

We know. We're Marsh & McLennan. The world's leading insurance broker.

And we've helped plan facilities to minimize risks for over 100 years.

Part of this service we're so proud of is M&M Protection Consultants (M&MPC) and George D. Clayton & Associates (GDC). Together they have a full staff of qualified engineers and scientists. With expertise in air, water, noise, radiation, industrial hygiene, and solid waste disposal. And GDC has its own comprehensive pollution-analysis laboratories. To help solve your environmental problems. The ones you've got now. And potential ones.

Call us. Wherever you are in the world.

We want to help you lead a good clean life.

MARSH & McLENNAN
The Knowledge Broker

Portable plan available to construction workers

WASHINGTON—The Associated General Contractors of America, with 9,000 members, is making available a new nationwide portable insurance plan to hourly construction workers and salaried personnel.

The carrier is Continental Casualty, a division of CNA/Insurance.

The new health and life insurance program can be carried from one job and location to another as long as the policyholder is employed by a member contractor. Employer contribution to the basic minimum plan covering employes is only 11 cents an hour, the AGCA said, with costs ranging up to 30 cents an hour.

TWO BASIC plans are available to hourly employes. A major medical plan can be added to the basic plans for salaried personnel, and there are additional elective and voluntary coverages for drug, dental, short term disability, vision, and permanent life insurance. Rates for these plans and options vary by state and coverage.

AGCA, an association of unionized and open shop building contractors, has never offered health and life insurance to members. A spokesman for the group said the change was made because a competing association, the Associated Builders & Contractors of Baltimore, is experiencing success with its national portable policy through Connecticut General, a division of Aetna Insurance Co.

UNDER THE new plans, employes become eligible on the first day of the second month after any 90-day period in which 300 hours of work were accumulated. After initial eligibility is established, employes must work 200 hours in any two-month period to remain eligible. Any work over 300 hours and up to 800 hours in two-month periods may be credited to an "hour bank," which can be used during slack times.

Basic plans include either $1,000 life insurance and $1,000 in accidental death benefits, of $2,000 life and $2,000 in accidental death benefits. The latter plan also provides additional coverage for dependants. The optional major medical plan has a lifetime maximum of $30,000.

Art Hintze, director of open shop services for AGCA, said estimates are that within a year and a half, at least 500,000 construction workers could be covered by this new portable plan, at an average rate of 20 cents an hour. Figuring an average of 2,000 hours per year per worker, the coverage would amount to a whopping $200 million annual premium business.

More than one million workers are employed by member of AGCA.

The association accepted the recommendation of Steven Middlebrook, a consultant at Furman Co. in Greenville, S.C., when it worked out this plan.

MR. HINTZE said some 25 carriers were approached on this specific program, and CNA was one of the "very few" which could meet AGCA specifications for portability and a flexible program with premium rates based on actuarial rates in individual states.

"We had some staff discussions that a single, national plan with flat rates averaged over all states like the ABC plan, would be better for the contractors, but our board members, who are more sophisticated, wanted the different plans with rates for different states," Mr. Hintze said. ■

Life Assn. to meet

The American Life Insurance Assn. will hold its annual meeting Nov. 27-29 in Washington, D.C. at the Shoreham-Americana Hotel. General sessions will feature addresses by Fletcher Bell, insurance commissioner of Kansas, and Roy Ash, director of the office of management and budget, Maurice Mitchell, chancellor of the Univ. of Denver, and Senator Russell B. Long, (D-La.) chairman of the Senate finance committee.

dates for buyers

November 25-29, the College of Insurance, Seminar in Reinsurance, Management Development Institute of General Electric Crotonville, New York. For more information write the college, 123 William St., New York, N.Y. 10038.

November 27-29, Capitol Life Insurance Co., annual meeting, Shoreham Hotel, Washington, D.C. For more information write the company, Capitol Life Center, Denver, Co. 80201.

November 29, Self-Insurers Assn., 59th annual meeting, Hilton Inn, Tarrytown, N.Y. For more information write the association, 420 Lexington Ave., New York, N.Y.

December 3-7, National Assn. of Insurance Commissioners, Las Vegas Hilton, Las Vegas, Nevada. For more information write the association, Reservations and Registration Committee, P.O. Box 890, Las Vegas, Nevada 89101.

December 5-6, Northeast Missouri State Un., Insurance Institute, campus of Northeast Missouri State Un., Kirksville, Mo. For more information write the university, Kirksville, Mo. 63501.

December 6-7, Society of Chartered Property and Casualty Underwriters, risk management seminar, Playboy Club, McAfee, N.J. For more information write CPCU, P.O. Box 566, Media, Pa. 19063.

December 10-12, American Management Assn., a course in principles and practices of insurance buying, AMA headquarters, New York City. For more information contact the AMA, 135 W. 50th St., New York, N.Y. 10020.

New from **business insurance...**

Risk Management Reports

A brand new working tool for financial officers, risk and insurance managers of corporations, and others involved in the field of risk and insurance management.

The reports, to be published bimonthly, beginning January 1974 will cover—in-depth—subjects pertaining to the following four major risk management categories:

- Exposure Identification/Risk Analysis
- Risk Control
- Risk Finance
- Risk Management Administration

Each report will be preceded by a **Current Comment** section with notes on ideas and subjects of current interest. The format will be 8½" X 11", looseleaf, three hole punched, for ease of filing in an attractive looseleaf binder which will be mailed to subscribers with their first report. A cumulative index will be prepared annually and the length of each report will be 30 to 40 pages, permitting thorough analysis of each particular subject. Emphasis will be placed on developing practical working tools for the risk manager, drawn largely from the continuing contacts of the writers and their staff—who are risk management consultants—with both large and small companies, and institutions, in the U.S. and Europe.

The editor of Risk Management Reports will be H. Felix Kloman, president of his own consulting firm, Risk Planning Group, assisted by his staff and an editorial advisory board including the following experts:

Stanley R. Tarr, Director of Risk Management, Rutgers University, New Jersey
Jean-Paul de Cottignies, Partner, Risk Factoring, S.a.r.l., Paris, France
Edgar S. Clark, Vice President, Risk Planning Group, San Francisco
Peter Downes, Insurance Manager, American Trading & Production Corporation, Baltimore
Peter Law, Vice President, Insurance, U.S. Industries, New York
Stefan J. Valovic, Director of Fire Protection & Insurance, Kaiser Aluminum & Chemical Corporation, Oakland, Ca.

Additional experts will be named from insurance companies, brokers, safety consultants, etc.

Among the many different subjects to be treated individually by Risk Management Reports are the following:

- **Risk Management in Europe and the United Kingdom (January 1974):** A practical guide to risk management exposures in Europe. How they differ from those in the United States and how the U.S.-based risk man should deal with them.
- **Product Liability Control and Funding:** Identifying product liability control areas, with emphasis on the Consumer Product Safety Act. Report will also detail how one major U.S. corporation has dealt with the problem.
- **How to deal with those who provide Risk Management Services, Agents/Brokers, Claims Organizations and Engineering Facilities:** The care and feeding of those you depend on for services and how to get the most out of them.
- **Risk Management Cost Allocation:** An effective risk management program should be understood and implemented at the operating unit level. How do you create cost incentives at that level to make your risk management program more effective.
- **Managing risks of Data Processing Facilities:** How to apply risk management techniques to the ever-important and costly data processing facility.
- **The Risk Management Function in Management:** Given the evolution of the risk management function—from clerk to buyer to manager—where should today's risk man belong in the organization of his company.
- **Self-Insurance and Workmen's Compensation:** The pros and cons of self-insuring workmen's compensation—with the emphasis on the pros. Report will also identify those firms capable of assisting in the administration of self-funded plans and summarize state laws regarding the self-insurance of workmen's compensation.
- **Natural Hazards—Earthquakes, Floods and Windstorms:** How are you fixed geographically and, if there's an exposure, how should you cover it. Report will also delve into the various government disaster insurance programs available or on the drawing boards.
- **Corporate Risk Insurance Management Manual:** Every company should have a corporate policy on risk management and insurance that has the approval of the board of directors. A risk management manual is also a valuable tool. Should it be one or 100 pages? Examples will be included in the report.
- **The Risk Manager and Corporate Social Responsibility:** Should the risk manager, in the best interest of his company, take an active role as an ombudsman of sorts?
- **Risk Control and Risk Management Administration—A conflict between Line and Staff:** The risk man often must walk a delicate line between line and staff management. How can he without falling in either direction?
- **Risk Retention Levels:** How large should your deductible be—$100 or $100 million? There are objective and subjective methods for determining this level.
- **The Annual Risk Management Report:** What should a risk manager report to his management annually? Some reports are too long and too detailed others not long or detailed enough. Examples of good reports will be provided.
- **A guide to Emergency Planning:** An analysis of what several corporations have done to plan for that which no one wants to see happen but that which could happen to your firm.
- **Directors & Officers Liability Insurance:** The question still persists—Is Directors and Officers Liability necessary? Millions are spent on it annually, but are benefits being returned?
- **Captive Insurance Companies:** Updated analysis of the pros and cons of captive insurance companies along with a list of current captives.

Why you should subscribe to RISK MANAGEMENT REPORTS

We live in an age of information explosion and all in the risk management field (including financial officers, risk and insurance managers, safety specialists, consultants, agents, brokers and insurance company representatives) have different specialized inputs, many of which are depended upon to assist in decision making. However, there is no single source which can give current, in-depth and lucid comment on a particular topic of importance to the risk manager. He needs a resource which is objective and which has researched all of the pertinent material which applies to a given subject. Risk Management Reports, then, becomes a research and intelligence arm for the risk manager. For example, when a member of the board asks, "What should we do about Directors and Officers Liability Insurance?", the risk manager should be able to turn to a Risk Management Report giving him both sides of this question, a specific outline of markets underwriting the coverage, recommendations for corporate action, limits carried by other companies and a bibliography of pertinent articles.

The **Current Comment** section will be a stimulus for new thinking—questions will be invited—and a tool by which the risk manager can anticipate developing exposures and take corrective action before there is a financial loss.

To subscribe to Risk Management Reports fill in the coupon and send it in with your remittance to:
Risk Management Reports, c/o Business Insurance, 740 RushStreet, Chicago, Illinois 60611
(Make checks payable to Risk Management Reports)

☐ **Yes,** enroll me as a satisfaction guaranteed subscriber to Risk Management Reports at the annual subscription rate of $60,* which I have enclosed, and start my bimonthly subscription with the first issue in January 1974.

☐ **Yes,** enroll me as a satisfaction guaranteed subscriber and bill me / my company $60 with the first report.

*You can qualify for a $15 savings if we receive your order and payment by December 15, 1973, in which case the cost of the first year's subscription, including the attractive looseleaf binder, is only $45. The first report will be mailed in January 1974.

NAME / TITLE

COMPANY

STREET

CITY, STATE, ZIP

Security on Concorde, 'guarded' operation

DALLAS, TX.—When the "Concorde", the huge British-French SST aircraft, landed on United States soil here for the first time, it took a guard force of 24 persons to keep the craft secure during its four-day visit earlier this year.

The guard force, comprised of both men and women, was provided by Advance Industrial Security Inc., Atlanta, through a contract with Braniff Airlines. It was through the efforts of Braniff that the airplane was brought here to participate in the dedication of the new Dallas-Ft. Worth Regional Airport, which will be the largest airport in the world when completed.

"IT WAS basically a guard and screening operation," H. M. Smith of Advance told *Business Insurance*. "We had guards around the aircraft at all times and they checked everyone who went aboard for any reasons. It was a VIP-type opening of the airport. The general public was not allowed in but we still had to make sure no one messed around with the airplane."

Mr. Smith said the company had 16 guards and guardettes in position during the daylight hours—both inside and outside the aircraft—and eight on duty at night. One of the female guards, Mr. Smith reported, was bilingual in order to communicate with the airplane's flight and ground crews, who were all French.

He would not divulge the precise cost of the "guarding and screening operation" but indicated the cost to Braniff was determined by the number of guards used during the airplane's visit. There were no other security arrangements, such as electronic equipment, provided by Advance, which was in charge of total security.

REGARDING the effect of security operations on insurance premiums, Mr. Smith commented, "Generally speaking, the majority of the times we have provided security, it has had a definite effect on insurance costs. Underwriters seem to like this kind of loss prevention practice."

The "Concorde," which attains a cruising speed of between 1,350 and 1,400 miles per hour, is worth $14 million brand new, accordng to Mr. Smith. But that cost rises to closer to $50 million when flight simulators, ancillary ground equipment and other devices are considered.

Advance Industrial Security, which lists Braniff, Coca Cola Co., Delta Air Lines and Boise-Cascade Corp. among its clients, is a division American LaFrance Inc., the world's largest integrated firm providing safety, fire and security equipment and services. Advance is considered one of the country's 10 largest contract security service companies. ■

NORTH AMERICAN

RE

...our new corporate emblem

We think this emblem is an improvement over our old one. It ought to be—we designed the old one ourselves, but we paid for this one!

We found out that selecting a new emblem is not easy. We didn't want just one more clever logo, and we weren't trying to win an award in graphics. What we do want is something that lets you identify us quickly. After all, our name is hardly distinctive. Lots of other firms use the words "North American" too: North American Van Lines, North American Fish Company, North American Import Bedding, North American Overseas Treasure Company, North American Bolt & Screw Company, and about one hundred other firms listed as "North American" something-or-other in the Manhattan telephone book alone.

Changing our name would cause a lot of problems—besides, we're used to the one we've got. Shortening it into initials or an acronym just doesn't work. In the end, we accepted what we already knew—that when people talk about us, they call us "North American Re"; so that is what you see in the emblem—"North American Re." The same old-fashioned name, but as plain and forthright as ever even after putting on its new clothes. Just like our reinsurance. A little old fashioned in the basics, plain and forthright in the way we work with you, but modern and up-to-date in a changing world.

NORTH AMERICAN REINSURANCE CORPORATION

Worldwide facilities through affiliation with the SWISS REINSURANCE GROUP

EXECUTIVE OFFICES:
245 Park Avenue, New York, N.Y. 10017

BRANCHES:
Atlanta • Boston • Chicago • Houston • Los Angeles • New York • San Francisco

No coverage for alleged phone tap

NEW YORK—J. P. Stevens & Co. Inc., was sued for $71 million by the Textile Workers, the Industrial Union Department of the AFL-CIO, and 19 individuals who charged that an illegal tap was placed on the telephone of a union organizer.

The suit alleges J. P. Stevens put the tap on the telephone of Alfred L. Motley, an IUD representative assisting the Textile Workers in organizing Stevens. The tap was on a phone in a Wallace, S.C., motel room occupied by Mr. Motley and used for meetings of union officials and members directing the organizing effort, the suit charges.

The suit, filed in U.S. district court in Columbia, S.C., states that the tap began Oct. 31, 1972, and ended Jan. 19 of this year when a phone company worker discovered a listening device and turned it over to the FBI.

The company's insurance manager told *Business Insurance* there is no coverage for costs of litigation or any settlement of a suit of this kind. "We have negligence policies, but they wouldn't cover in this case," he said.

J. P. Stevens' spokesman denied any knowledge of the telephone tap, and said the company would "strongly disapprove" of any such actions. ■

Illinois job approved safety plan

CHICAGO—Illinois became the 20th state to have a job safety and health plan formally approved by the U.S. Labor department when it was signed at the National Safety Council convention here November 1.

The plan, covering about 5 million workers, provides for state assumption of job safety and health responsibilities originally assumed by the federal government under the Occupational Safety and Health Act.

At the signing of the plan, John H. Stender, assistant secretary of Labor for occupational safety and health, said that more than 50% of the nation's workers are now covered by a total of 20 OSHA-approved state plans.

Under the plan Illinois will adopt all federal safety and health standards. All public as well as private employes are covered. The state industrial commission will handle standards and review procedures while the Labor department will carry out enforcement. ■

Every Day 27 New Companies Trust Us With Their Lives.



Every business day of the year, an average of 27 companies choose Phoenix Mutual for their Group Life Insurance. Companies with 2 employees, 200 or 2,000. Companies who have heard about us through other companies.

In the last 6 months alone, 3,504 company presidents entrusted us to insure their employees' lives.

That averages out to a new company every 18 minutes. In our book that's a lot of well-placed trust. And helps explain why Phoenix Mutual is a 2 billion dollar annual insurance sales organization—up from 1 billion dollars as recently as 1970. When it comes to Group Insurance, you can trust us with your life.

Phoenix Mutual

Space chamber drys waterlogged libraries

PHILADELPHIA—A lucky hunch uncovered a less expensive and much faster way to dry out waterlogged libraries, a solution which could substantially cut flood and water damage losses in years ahead.

General Electric Co.'s space division provided the new solution to an old problem when Richard G. Shoulberg, a GE project manager, suggested the use of thermal-vacuum space simulation chambers to dry the thousands of books from Temple University's Law Library damaged last year during a fire (*Business Insurance*, Oct. 23, 1972).

SALVAGE EXPERTS from Recovery Services International, a division of INA Corp., insurers of the library, looked eagerly for a more efficient method than freeze-drying to salvage books. William H. Russell, RSI asst. vp, said by late last year, nearly 100,000 of the total 400,000 damaged books and pamphlets had been freeze-dried and returned to the library.

The GE space chamber, in nearby Valley Forge, Pa., is normally used to test spacecraft, including the weather satellites. But it also can accommodate between 3,000 and 4,000 books for drying, and the whole process takes only about five days, removing as much as 500 gallons of water from books in one load.

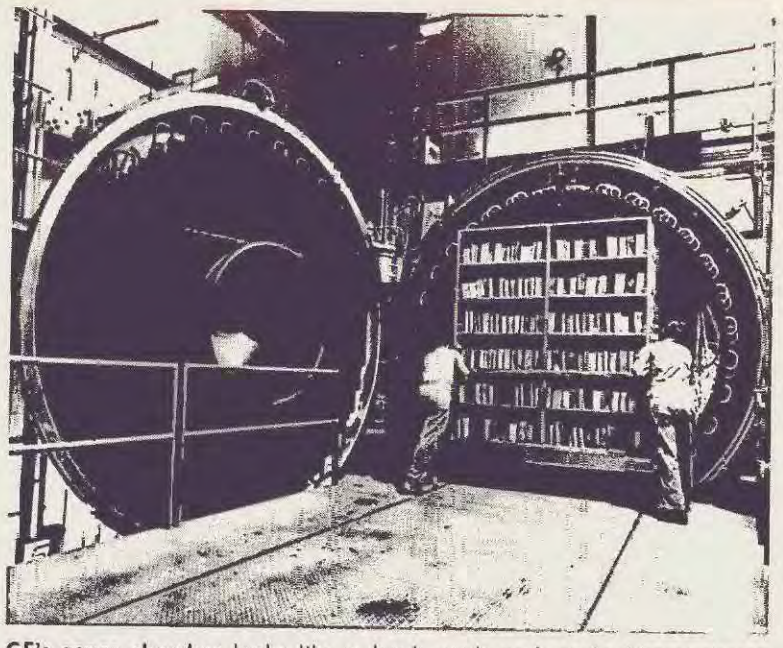
Temple's insurance manager, George Reese, originally estimated the library loss would run $3 million to $5 million. That may be cut, however, with the use of the new dryer.

"Since we processed the first load on Aug. 13, we have successfully dried over 24,000 volumes more rapidly and less expensively than by any other means," Mr. Shoulberg, the project manager said.

Mr. Russell, a salvage expert, asserted the process could become a major savior of waterlogged books. He noted further that about 35 libraries a year in various parts of the country receive some form of water damage.

"BUT," HE ADDED; "the process can work on practically anything—wristwatches, clothing, cameras, color tv's, oriental rugs —as long as we can get to it early enough. In fact, RSI now considers GE's process as a standard technique in all of its salvage and recovery operations that involve severe water damage."

At the time of the fire, INA insured Temple University under a $10 million blanket manuscript policy. The law library itself was insured for a limit of $3 million and carried a $100,000 deductible. The broker was Gillespie, Pye & Gray, Philadelphia. ■



GE's space chamber looks like a bank vault and works like a champ drying out 4,000 books at once, Recovery Services Intl found.

Study shows private health coverage up

NEW YORK—Substantially more people were insured for dental work during 1973 than in earlier years, the Health Insurance Institute found in its annual study of private health insurance.

Of the 170 million people under age 65 with private health insurance at the end of 1972, nearly 157 million had surgical expense insurance, only 1.2% more than a year earlier, the study found.

As 1973 began, nine out of every ten U.S. civilian residents under 65 had health insurance, two million more than a year earlier, the Institute disclosed.

OTHER FINDINGS for the population under 65 were:

- 134.5 milion people were covered for non-surgical medical expense (physicians' visits, x-ray and lab charges), up only fractionally from the previous study;
- more than 77.5 million persons were covered by major medical policies, an increase of just over one per cent in a year;
- 8.9 million people were covered by dental insurance policies written by insurance companies, nearly 15% more than were covered in the year-earlier study;
- 61 million people—about seven out of ten in the work force —had short term disability insurance, three per cent more than a year earlier;
- over 12.5 million persons had long term disability insurance.

HIC data was from insurance companies, government agencies, and Blue Cross, Blue Shield and medical society plans.

The annual study found, too, that of all the persons with health and/or disability coverage, more than 109 million of those with hospital expense insurance were insured with insurance companies, 73 million with Blue Cross, Blue Shield or medical society plans, and eight million with "other plans." The survey showed that almost 21 million persons were protected by more than one type of insurer. ■

If anyone can help you line up the perfect Excess insurance program, it's Tony Christian. He's the insurer to the top ten in the Fortune "500."

Home Senior Vice President Anthony "Tony" Christian (left) discusses part of the Excess insurance program of the Columbia Broadcasting System with CBS Director, Insurance, Mr. Joseph J. Carazzone. Looking on in a television control room is Mr. Hilliard Feldman, Executive Vice President of Schiff Terhune, the broker who writes the business.



Some policyholders rescued

Indictments against 22 in Equity Funding case

CHICAGO—A California grand jury and an Illinois county grand jury both announced indictments Nov. 1 against 22 men involved in the Equity Funding Corp.'s $2.2 billion scandal.

The indictments followed a seven-month investigation of the Equity Funding Corp. by the Illinois and California departments of insurance, the FBI, the Illinois attorney general and the U.S. Attorney's office in Los Angeles.

In the course of investigating it was discovered that only 34,000 of Equity Funding Life Insurance Co.'s 97,000 policyholders were real.

All 22 defendants were charged with conspiring to commit felonies including mail fraud, bank fraud, electronic eavesdropping, securities fraud, interstate transport of counterfeit securities, and the filing of false documents with the SEC.

THE FEDERAL grand jury in California charged the defendants with a total of 105 counts in the indictment, while the DuPage County grand jury in Illinois issued 95 separate counts. A spokesman in the Illinois attorney general's office said that as many as five more men will be indicted in the near future.

Among the indicted were 20 former employes and executives of the Equity Fundng Corp. and two accountants from an independent accounting firm.

Stanley Goldblum, Equity Funding's former chairman and president was named in 45 counts. Fred Levin, former president of Equity Funding Life Insurance Co. and executive vp of marketing for the parent company was named in 33 counts.

Mr. Levin was counsel to the Illinois department of insurance in 1964-65. He has reportedly hired attorney Edmund G. (Pat) Brown, the former governor of California, to defend him.

SOLOMON BLOCK and Julian Weiner, both employes of the auditing firm of Wolfson, Weiner, Ratoff & Lapin, were also indicted. They were charged with conducting incomplete and insufficient audits of Equity Funding.

When the scandal first became public, April 2 it was learned that Equity Funding had fabricated more than $2 billion in life insurance policies that it sold for cash to reinsurers. The scheme involved complicated falsification of computer records and forged death claims on nonexistent policyholders. When the fraud was disclosed the company filed for bankruptcy and the Illinois department of insurance took control of the life insurance operations.

The Arkansas-based National Investors Life Insurance Co. recently agreed with the Illinois department of insurance to assume 918 policies formerly co-insured with Equity Funding.

Fred A. Mauck, Illinois insurance commissioner, announced Oct. 25 that the arrangement "represents the first solid accomplishment in making sure that all of Equity Funding's life insurance policyholders would be protected and made whole."

The policies assumed by National Investors have a face value of about $20 million.

"WHEN EQUITY Funding crashed last spring as a result of corruption among some of its executives, I pledged that no policyholder would be abandoned," Mr. Mauck said.

About 27,000 other policyholders are still waiting for their coverage to be restored. The Illinois department of insurance is now paying death claims on Equity Funding policies it has assumed. But all policies should be restored to full coverage by early 1974, Mr. Mauck said.

"We can't say now what homes the policies are going to find," he added. ■

In fact, nearly half the Fortune "500" companies choose The Home for Excess coverage. Why?

One reason is Tony Christian—and all of The Home's other highly experienced Excess specialists. Working with you and your agent or broker, they know how to develop the most complete and economical Excess program.

Time and time again, the Home-plus-broker team succeeds for business. Whether yours is a multi-location company or a relatively small enterprise, you'll find The Home makes the special protection of Excess coverage available at very attractive rates.

With The Home, you get it all—the capacity, the program, the price and the people. Why not contact your broker now or look for your local Home agent in the Yellow Pages!

People make the difference.

INSURANCE HOME COMPANIES

Home Insurance Companies



Insurer urges U.S., Soviet cooperation

MOSCOW—An international underwriter called for more cooperation, joint underwriting and loss prevention emphasis between the U.S. and Soviet Union, especially on oil exploration and transport projects.

Roy D. Jackson, president of Oil Insurance Ltd. (OIL), suggested at a Soviet-American trade symposium sponsored by the American Bar Assn. here that Soviet petroleum export and Soviet-U.S. insurance cooperation could be important factors in the detente between the two nations.

FORMERLY COUNSEL for Gulf Oil Co., Mr. Jackson said there could be important insurance cooperation in the "high risk areas (of) petroleum exploration, development and production."

He cited as an example of "the sort of international cooperation possible between the U.S. and Russia in insurance matters, which can lead to joint participation with world underwriters, the huge Iranian pipeline project," for which one portion of insurance coverage is held by U.S. carriers and another by Ingosstrakh. Ingosstrakh is the Soviet state insurance monopoly for non-domestic affairs, including non-Russian companies engaged in activities inside Russia.

MR. JACKSON put much emphasis on more Russian loss prevention efforts, and stressed that "prudent and sophisticated financial control suggest the . . . desirability of self-insurance as, in effect, a self-insurance company, with definite liquid reserves to service losses," despite the fact the USSR allows no private ownership.

Mr. Jackson also suggested the Soviet Union could set up a centralized administration for its loss prevention activities, "including its maritime fleet and its joint participation in projects outside the Soviet Union." ■

We do our homework

Consider some of the things that are happening in the insurance industry today... OSHA legislation... a continuing interest in self insurance and the captive company concept... the dramatic increase in the number and size of products liability claims... spiraling court costs and awards... increasing pressures in the area of employee benefits programs... and much, much more.

Now consider how these developments can affect your company's exposures. Unnerving, isn't it?

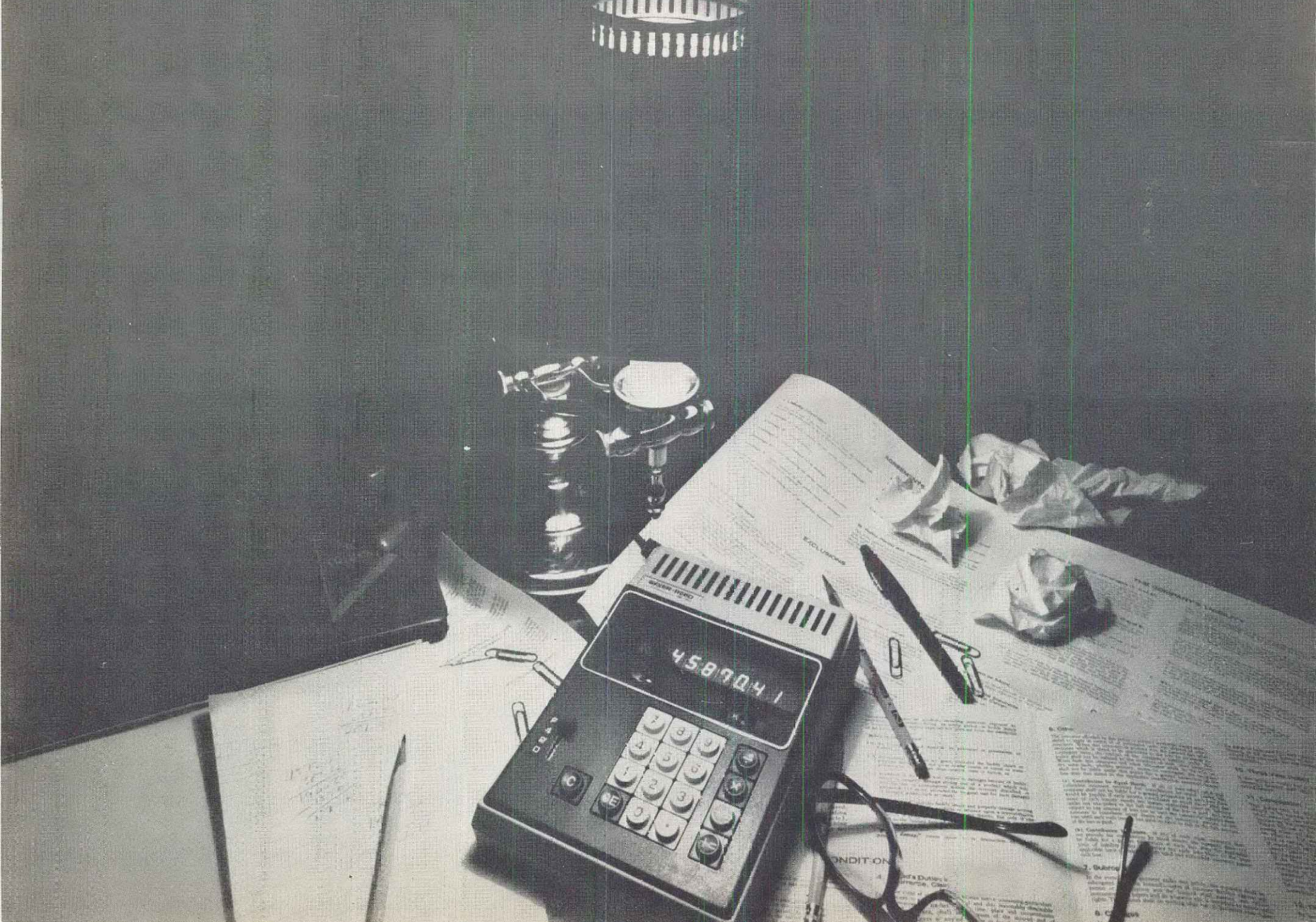
It doesn't have to be. Not if you've got the right insurance broker behind you. Someone who knows the insurance market inside and out... someone who is thoroughly skilled in custom designing the right type of protection plans for your various exposures... someone who can save you additional premium dollars by instituting an effective loss control program... someone who follows through by constantly reviewing your total protection package and makes changes when and where they are needed... someone, in short, who does his homework.

Doing our homework has been a Corroon & Black trademark for nearly 70 years. It's helped us become one of the largest and most knowledgeable brokers in the world today, one fully capable of meeting the insurance challenges of tomorrow.

So, next time you're in the market for a truly professional brokerage service, contact the Corroon & Black office nearest you. You'll find we do a lot more than just buy insurance.

CORROON & BLACK

We make it our business to understand your business.



business insurance PERSPECTIVE

Risk management spreads via joint venture to eastern nations

"The Romanian government believes the best way to break into the European market for computer equipment and other high-technology products is through joint ventures with multinational firms based in the U.S. or western Europe."



By ROBERT E. ABRAHAMSON
Corporate insurance manager,
Control Data Corp.
Minneapolis, Mn.

RISK MANAGEMENT is evolving into a professional endeavor in many western nations, and corporate risk management associations are already established in the U.S., Canada, Mexico, England, France, Germany, Switzerland, Italy, The Netherlands and Australia.

But risk management is still virtually unknown in eastern Europe.

Recent announcements of joint ventures involving American companies by Romania's Ministry of Foreign Commerce and by governmental agencies in the Soviet Union, however, indicate risk managers will soon be practicing their profession worldwide, arranging insurance and coordinating plant and personnel safety efforts for new operations in the eastern bloc of countries. The amount of each risk manager's involvement will depend, to some extent, on his own initiative and also on his company's overall management role as joint venture partner.

In general, our eastern European partners will initially be looking to us for management guidance, opening the door for professional risk management counseling.

As early as 1968, Romania was eager to establish new friendships in the west, and was anxious to build technological independence. Thus, she began to negotiate and sign new scientific and cultural exchange agreements with the U.S. An initial purpose of the agreements was the desire of Romania's National Council of Scientific Research to increase U.S.-Romanian friendship and understanding.

INTEREST IN COMPUTERS, petrochemical plants, space technology, aircraft machine tools, and coal-oil-gas technology spurred initial discussions with this country. Control Data was among the first American firms to expand into eastern Europe via a joint venture with the Romanian government. Preliminary discussions began with a Romanian government agency, the industrial group for electronics and vacuum technology in the Ministry of Machine Tools and Electrotechnique.

The Romanian government believes the best way to break into the European market for computer equipment and other high-technology products is through joint ventures with multinational firms based in the U.S. or western Europe. The joint venture formed in April of this year with Control Data, to manufacture computer peripheral equipment, is the first involving a local enterprise and an American firm.

JOINT VENTURE agreements had previously been made with western European countries and more are now being negotiated with other American manufacturers of everything from machine tools to baby food. Similar arrangements are being finalized between the Soviet Union, and other European countries, and the U.S.

What place did risk management have in Control Data's discussions with Romania? As risk manager of a firm with the minority interest (45%) in a proposed manufacturing plant to be constructed in Bucharest, Romania, my first interest from a professional standpoint was passive. Normally the joint venture partner with the controling interest would manage the insurable risks, our company believed. In this instance, the Romanian Ministry had the majority interest of 55%.

Some written communication on this effort, however, indicated to me that general management, financial, accounting construction and product principles similar to ours in the U.S. would be utilized. I reevaluated my involvement.

A cursory review of the joint venture contract immediately revealed articles captioned Insurance and Plant Fire Protection instructed us to take an active part in these responsibilities.

THERE ARE FEW sources of comprehensive data on laws, customs and practices governing casualty-property insurance for commercial ventures in a country like Romania or other eastern bloc nations, including the USSR. Large international brokers with experience in arranging covers for multinational firms through an organization such as AFIA are logical sources. (AFIA, formerly American Foreign Insurance Assn., is a worldwide insurance market owned jointly by Aetna Insurance Co., American Fireman's Fund Insurance Co., The Home Insurance Co., Reliance, St. Paul Fire & Marine Insurance Co., United States Fire Insurance Co., Westchester Fire Insurance Co., and Hartford Fire Insurance Co.)

In January of this year, a Soviet-owned

Continued on following page

Corporate mergers raise a host of ticklish benefit questions

"There is urgent need for professional assistance in identifying problems . . . relating to overall compensation practices, including vacations, sick leave, salary continuance, survivors' benefits, and above all, retirement pensions."



By LAURENCE COWARD
Vice President and director,
William M. Mercer Ltd.

THE CORPORATE MERGER or takeover, so common today, may give rise to a variety of awkward problems in the area of employe benefits.

When one company acquires or merges with another, early attention to employe benefits often reveals difficulties which, if tackled promptly, can be satisfactorily resolved in terms of costs and employe relations.

Too often such problems only become apparent after agreement on the terms and conditions of the merger or acquisition has been reached.

THE USUAL result of this is employe uncertainty or dissatisfaction which can only be removed by expensive measures.

In many cases there is urgent need for professional assistance in identifying problems and formulating solutions relating to overall compensation practices, including vacations, sick leave, salary continuance, survivors' benefits, and above all, retirement pensions.

The need for advice on the benefits structure and financial arrangements is particularly critical for retirement plans.

These plans have substantial reserves, have made long term committments to the members and have developed complex rules and conditions.

DECISIONS must be made not only on the best way of preserving benefits already earned but also on the funding and administration arrangements.

Acquisitions and takeovers are loosely used words. Acquisitions and takeovers of one company by another fall into two essentially different classes.

The acquiring company may purchase all the voting shares, or at least sufficient shares to give it control. In this case the pension and group insurance plans continue in force unless contrary action is taken by the directors.

Eventually management may decide to unify the benefit plans of the parent and subsidiary companies, but this need not occur for several years.

ON THE OTHER hand, acquisition may mean the purchase of the assets and goodwill of a business as a going concern. The entire business may be involved or only one division or plant.

Since the employes' job descriptions and terms of employment are unchanged, they may scarcely notice the change of ownership.

Typically, the hourly employes remain doing the same jobs in the same factory, wearing the same overalls, earning the same rates of pay and belonging to the same union.

Nevertheless, they have terminated employment with one employer and commenced employment with another, with all the implications that termination of employment involves.

THE IMPLICATIONS are serious, since the participation of a transferred employe automatically ceases unless the new employer agrees to continue the plan on some basis.

In many cases, by union agreement or otherwise, the new employer does not continue the plan. Nevertheless, it would seem that legally the employes could demand the benefit in accordance with the termination of employment provision, unless the plan is wound-up in respect of the transferred group.

Thus employes may obtain rights to cash

Continued on following page

business insurance

PERSPECTIVE

Venture...

Continued from page 35

insurance company and the AFIA, headquarted in Wayne, N.J., formed an alliance. The Russian firm was Black Sea & Baltic General Insurance Co., Ltd., the London-based subsidiary of the Soviet Union's insurance monopoly, Gosstrakh, with extensive operations in the Soviet Union and other eastern European countries.

The pact between Black Sea & Baltic and AFIA was in anticipation of increased trade between the U.S., Soviet Union and other eastern bloc countries. AFIA at the time characterized the arrangement as the development of servicing facilities in eastern Europe including the handling of insurance claims of American countries.

THE NET EFFECT of the arrangement is that the Black Sea & Baltic and the AFIA will jointly coinsure risks of American firms in eastern Europe. This alliance will assist corporate risk managers of U.S. companies in obtaining answers to questions that could arise in the management of risks in those nations.

In a recent London meeting of Black Sea & Baltic, the AFIA and Alexander & Alexander, I learned that property insurance for the plants could be written on a non-admitted basis in Romania and that local service could be provided by Adas, the Romanian state insurance company. The advantage of having insurance written on a non-admitted basis is the obvious one of being able to provide either U.S. or FOC (Fire Office Committee—U.K.) terms and conditions in the contract. Policy wording could be in English, Romanian or French. French is widely used in Romania, particularly in government circles.

"I learned that property insurance for the plants could be written on a non-admitted basis in Romania and that local service could be provided by Adas, the Romanian state insurance company."

Rates for the most part would be negotiated between AFIA and Black Sea & Baltic, which generally follows normal rating practices, meaning HPR (highly protected risk) credits for the risk I was presenting.

Although, Black Sea & Blatic maintains a staff of fire inspectors, Control Data decided to use Alexander and Alexander's fire protection engineering services in Paris to establish a loss prevention program for the manufacturing plant.

A desire for some semblance of technological independence, coupled with an element of national pride, provided the incentive for Eastern European countries to explore cooperative efforts. The Romanians in particular felt they would achieve their goal faster if they utilized the knowledge of other electronic data processing equipment manufacturers.

FOR SOME TIME, the Romanians have used French technology to build computer central processing units through a licensing arrangement with Compagnie International pour l'Informatique (CII).

The joint venture with Control Data will develop and produce peripheral equipment such as card readers, punches and printers to be incorporated into their Felix computer systems and also to be marketed separately in Eastern and Western Europe. A large new building in a modern industrial park, complete with full fire protection including an automatic sprinkler system, will be constructed to suit manufacturing needs, with production scheduled for early 1974.

Mr. Abrahamson is Corporate Insurance Manager of Control Data Corp. He is a graduate of the University of Minnesota, and a member of the Minnesota Chapter of the American Society of Insurance Management, ASIM's International Cooperative Committee, the American Management Assn. and the Machinery and Allied Products Institute Insurance Council.

Mergers...

Continued from page 35

refunds or vested pensions that would not exist but for the takeover.

Before any acquisition is completed, a review should be made of the coverage and participation by employes, the scope and generosity of the benefits, the desirability of costly improvements, and the adequacy of the funding arrangements.

THE PENSION fund assets and liabilities warrant more than casual attention during takeover negotiations.

A cursory review of the most recent actuarial report may be insufficient to assess the extent of under funding (or over funding) of a retirement plan.

The actuarial assumptions and methods used should be appropriate to a realistic valuation of benefit obligations.

An actuarial valuation for the purpose of negotiating the terms of an acquisition agreement may differ considerably from the one used in funding the plan on an "ongoing" basis, as filed with the IRS.

Thus the normal projection valuation basis may be replaced by a unit credit basis.

Again, the investment return assumption and the assumption of future increases in salaries or wages used in the valuation may be less conservative than in the regular valuation.

The assets of the fund should normally be taken at market value. Each party to the negotiations should retain actuarial advice before making any firm committments.

Other pension plan matters merit close scrutiny. The wording of the plan should be examined to see what financial commitments have been undertaken by the employer.

ANY CONTRIBUTIONS due but unpaid for current service or past service benefits should be determined. The plan terms dealing with the disposition of any surplus in the event of plan wind-up should be fully understood and interpreted.

The vendor company may take action before the acquisition date to apply surplus funds in the light of his intentions and moral obligations. The interests of shareholders and plan members must be recognized and balanced.

For instance, the vendor may feel that shareholders have a just claim to a surplus generated by pre-funding of future salary increases.

In that such surplus adds to the purchase price it is in effect returned to shareholders.

Alternatively, the vendor may feel that surplus funds should be used to provide members with larger benefits than those contractually earned.

The vendor's decision to apply surplus derived from conservative funding or experience gains to improve benefits can be carried out regardless of the preferences and practices of the new management.

The parties to the acquisition may consider that the employes' interests are best served by purchasing immediate or deferred annuities from an insurance company to cover the benefits accrued under the old plan.

THE CURRENT FAVORABLE annuity rates give the opportunity to reduce immediately the unfunded liability or to provide larger pensions than those earned under the plan formula.

This approach is sometimes used to help employes who might otherwise be adversely affected as a result of the merger or acquisition.

The rights to pensions earned by transferred members can be undermined unless service both before and after the merger or acquisition is recognized for vesting and other service-related conditions.

As a minimun, a suspended or paid-up plan should be amended so that service with both vendor and purchaser is combined and deemed continuous in determining the qualifications for benefits under the old plan.

Equity would also suggest a similar rule be used for qualifications under a new or continuing plan of the sucessor employer.

NUMEROUS QUESTIONS on pensions crowd in on the employer involved in a corporate acquisition, whether as vendor or purchaser:

- What are realistic figures for the assets and liabilities of the pension plan?
- What effect does the funding status of the pension plan have on the acquisition price?
- Should the acquired company's pension plan be wound up or continue in force?
- What are the legal and moral rights of the employes, having regard to the form of the acquisitions?
- Should service in both companies be combined in determining the qualifications for vesting?
- Should the two plans be unified forthwith—or in the future—or never?
- These are some of the issues that are too often overlooked or neglected in the stress of negotiating a takeover.

The oversight or neglect may be costly. ■

Laurence E. Coward is a Fellow of the British Institute of Actuaries, a Fellow of the Canadian Institute of Actuaries, a Fellow of the Conference of Actuaries in Public Practice, and a member of several other actuarial bodies. He revised and rewrote the Canadian Handbook of Pension and Welfare Plans by Williams M. Mercer (Fourth Edition 1972) which has become a standard textbook on its subject. He is a member of the Pension Commission of Ontario and was its first full time Chairman. He is a Past President of the Canadian Pension Conference and the Canadian Institute of Actuaries.

RISK MANAGEMENT NOTES

Formal position descriptions for risk manager situations: Seldom a realistic device

By WARREN, McVEIGH, GRIFFIN & HUNTINGTON
risk management consultants
San Francisco—Newport Beach

OCCASIONALLY, we are asked to draw up position descriptions for the risk management position in a corporation or governmental body. Formal position descriptions provide top management with an orderly picture of the organization and the comfortable conviction that people know what they are supposed to do. They establish formal chains of command and delineate authority so that people will not interfere with each other. Also, they can serve as a basis for an equitable salary classification scheme. However, they are not a particularly realistic device for telling people what they should be doing.

MANAGEMENT AT middle and lower levels makes little actual use of position descriptions. Frequently, in fact, the descriptions are glanced over when received to determine whether they coincide with common sense preconceptions, then filed away and forgotten.

Many research studies show substantial differences in the perceptions of subordinants and superiors concerning requirements and priorities of the job. Unfortunately, position descriptions do not often resolve these differences or produce clarity of understanding. Prominent management consultants feel that the chief values of position descriptions are:

- To satisfy the needs of the organization planners for order and systemization, and;
- To provide reassurance to top management that everyone has a piece of paper which tells them what to do.

THE PROBLEM IS that people often mistakenly assume that the descriptions represent reality. Every manager's job should be defined in terms of the contribution he should make in achieving the company's goals. It may be adequate to define a job in terms of work and skill where the contribution is only faithful effort. A risk manager, however, must have knowledge and judgement, self-direction, and the enthusiasm which will motivate him to get the job done. The emphasis in the case of the risk manager, therefore, must be on contribution and results.

It is far better to rely upon a statement of policy, a set of general guidelines for the risk manager, and an understanding as to what the goals of the program are to be. In other words, establish an overall strategy, give the risk manager some broad parameters of authority and responsibility, and let him work out the tactics as how best to achieve optimum results. ■



You've got to spot the problems to stop the problems.

Ætna's Claim Status Report lets you do both. Now you'll be able to find out the what, where, when and who of problem areas in your organization. And then eliminate them. You'll be better able to control your losses and reduce your insurance premium cost. In fact, with the help of our new report, you can increase the efficiency of your entire operation. It's one of the most comprehensive and flexible reports of its kind in the industry...the latest addition to Ætna's highly regarded loss control activities.

An employer genuinely and actively committed to loss control knows there's more to an accident than the injury itself. In fact, the indirect cost from an accident can often be many more times than that of the actual insurance claims. Downtime, reduced production, customer disappointment and mounting replacement costs must all be taken into account.

Now, with our Claim Status Report, you have the data you need to take corrective steps. And it's based on one of six different formats so the data's tailored to fit your needs. You'll get the dollar amount of each claim, breakdowns by coverage and status, totals... a complete overview of accidents and injuries within your operation so you can work towards reducing them.

To find out exactly what our Claim Status Report can do for you, see your local Ætna Life & Casualty agent or broker. You'll discover that it's another reason why we're not your average insurance company.

You get *action* with Ætna

Ætna
LIFE & CASUALTY

Trademark of the Ætna Casualty & Surety Company

Baxter labs considering a captive in Bermuda

By STEPHEN GOOD

CHICAGO—When Baxter Laboratories' risk manager went on a honeymoon to Bermuda this month he mixed business with pleasure—working on plans for a company insurance captive.

Before he left, Spencer Traver told *Business Insurance* that his company will "definitely" have a captive in three to five years if the present rate of growth continues. And Baxter's health care business shows little sign of slowing down.

Total sales were up 48.6% between 1970 and 1972, Mr. Traver said, from $187.6 million to $278.8 million. The company manufacturers various prescription drugs, artificial organs, kidney machines, even air compressors used in the aerospace program.

Baxter now has 211 facilities around the world employing 13,000 people. New plants are added at the rate of about one a month.

Why put the captive in Bermuda? Mr. Traver explained that the island uses the pound sterling monetary system, which reportedly provides the "easiest controvertibility" for international transactions. For countries like France, where insurance coverage is kept strictly local, the captive will reinsure the bulk of Baxter's policies carried through domestic insurers.

ESTABLISHMENT of a captive will mark a profound change in Baxter's insurance coverage. The company currently self-insures very little, Mr. Traver said. But a captive is one more step in the consolidation of insurance Mr. Traver began three years ago when he became risk manager at Baxter.

"When I got here there was an interesting assemblage of insurance policies," he said. The company held more than 60 policies with 45 carriers. Those numbers have been trimmed down to 20 policies with only five primary carriers.

"The effect is obvious," he explained. "Premium costs dropped."

With fewer underwriters now enjoying more premiums than before, the quality of each carrier's service and the amount of attention given to Baxter's needs has increased.

"We will be paying less in 1974 than we were paying in 1970 by a good margin," he added, even though Baxter's business continues to grow.

But Baxter Laboratories has cut down its premium costs through more than simple insurance consolidation. Another factor in the company's lowered insurance premiums is its transition to HPR (highly protected risk) protection. About 50% of Baxter's property was rated HPR three years ago, Mr. Traver said.

ABOUT 95% of our property is now under HPR protection," he noted. "With our growth we can't afford plants burning down."

The expenses incurred by changing facilities to HPR will prove to be less than the long-range cost of conventional coverage, Mr. Traver believes.

"We generally experience enough premium savings in about five years to cover the cost of setting up the HPR," he explained. Because many of the facilities are built to insure a high level or product quality control, HPR modification costs were often "modest."

Factory Insurance Assn. and Factory Mutual handle much of Baxter's property coverage, Mr. Traver said. With their assistance he has concentrated on fire prevention engineering for Baxter's facilities around the world.

NOT COUNTING the cost of plant modifications, loss control and engineering services, Baxter pays somewhere between $3-6 million in premiums, Mr. Traver estimated. Excluding "the biggest chunk" of insurance costs, employe benefits, the company spends about $2 million a year on insurance premiums.

"I've been blessed with two things," he noted. Product quality and loss control keep liability costs down. And workmen's compensation expenses are "practically zilch" because the facilities have to be clean and safe for manufacturing health products.

But a great cost factor not included in the premium payments is emphasis on loss control. One out of five employes works on product quality and safety.

"Product quality control here is one of our most critical functions," he said. "Everything has to be clinically tested and approved. Sometimes this takes many many years, which is why health care products are not as cheap as flashlight batteries."

Mr. Traver believes in coupling his insurace consolidation with tight centralized control of the company's international coverage. Insurance responsibility should not be spread among many local managers, he said, because the lack of coordination will weaken the company's negotiating power with carriers causing gaps, overlaps and inequities.

"YOU CAN'T DO anything well if you have to wear 17 hats. If you can't put the economic power into one basket as you approach either the underwriter or the broker, you've lost some of your most effective tools."

Mr. Traver works closely with a corporate claims coordinator and an international business manager who has high qualifications for the job. He speaks five languages and has a doctorate in Law, magna cum laude, from the University of Berlin.

Baxter's risk manager also makes sure that he has close communication with his brokers and carriers. The three brokerage firms that handle most of the company's coverage—Rollins Burdick Hunter, Johnson & Higgins and Marsh & McLennan—all have large offices in Chicago.

Mr. Traver calls the three-sided working team made up of risk manager, broker and carrier an insurance "triumvirate."

"The more they know, the less that's unknown, the less expensive risk is going to be," he said. "And if you know what your exposures are, the underwriters can insure to the maximum. ■

On December 2
The Travelers Theatre of Man
presents PRIMAL MAN:
"THE KILLER INSTINCT"



In this first of four specials titled "Primal Man" we'll explore the origins of aggression and what it is that provokes us to violence.

A David L. Wolper Production.
ABC-TV. Check your local listings. Sponsored by
The Travelers Insurance Companies
and their agents and brokers everywhere.

THE TRAVELERS

$25.5 million paid

Marine insurers in London have paid out $25.5 million in loss insurance on the Italian cargo vessel Igara which hit a rock near Singapore last March. This is believed to be a record pay-out for the marine market, headed by British underwriters who held over more than $15 million in reinsurance.

N.Y. insurance dept. fines insurer $15,000

NEW YORK—American Empire Insurance Co., a domestic insurer licensed to write fire, marine and casualty insurance, has been fined $15,000 by New York Superintendent of Insurance Benjamin R. Schenck.

The firm's offices are located in Watertown, N.Y.

In stipulating its violations of state insurance statutes, the firm implicated itself in these separate incidents:

- It contracted for servicing and leasing agreements with subsidiaries of its parent holding company, American Financial Corp., without prior approval of the insurance department and failed to notify the department of what it was doing. The company has since divested itself of the insurance division;
- It made investments without obtaining either prior approval or authorization by the board of directors or an appropriate committee of the insurance department. Such investments, however, were approved at a later date than the agreements to invest;
- It entered into a participation or underwriting investment which contained a restriction regarding resale which rendered such investments ineligible under insurance code section 78.2. The investment has subsequently been disposed of;
- It acquired a parcel of property valued in an amount in excess of the limits prescribed in Section 81.7). American Empire has since divested itself to the excess amount.

According to insurance department spokesmen, the fine was paid, violations were corrected, and steps taken to prevent the recurrence of similar violations. ■

Texas OK's multi-peril insurance

AUSTIN—Recommendations to create a standard commercial multi-peril insurance policy for Texas business and industry were recently accepted by the Texas State Insurance Board.

The state board's multi-peril advisory committee advocated creation of both a policy form and rates for multi-peril coverage. The board expects to implement the multi-peril program in five separate stages.

Under a multi-peril policy, selected business risks are combined, eliminating cost factors usually present in multiple policies that cover a wide range of risks.

THE NEW type of policy coverage will first be offered to offices, motels and hotels. Every 90 days coverage will extend to cover other business sectors including institutions, apartments, mercantile businesses and processing and industrial plants.

The multi-peril advisory commitee also recommended that the state insurance board appoint an industry committee composed of actuaries who would study statistical plans to assure that required rate-making criteria will be properly established. ■

Parke-Davis security chief

DETROIT—William C. Goodridge Jr. was named director of security operations for Parke-Davis Corp. Mr. Goodridge, in this newly created position, will be responsible for security of all U.S. operations.

He reports to James A. Jaffee, vp, personnel relations.

Mr. Goodridge was formerly in the security department of the U.S. Postal Inspection Service. He has held top level security positions in other government agencies and also with General Electric Co., Sylvania Electric and Burroughs Corp. ■

CAN YOUR COMPANY USE THE CASH THAT YOU PAY IN PREMIUMS?

GROUP VII SERVICES

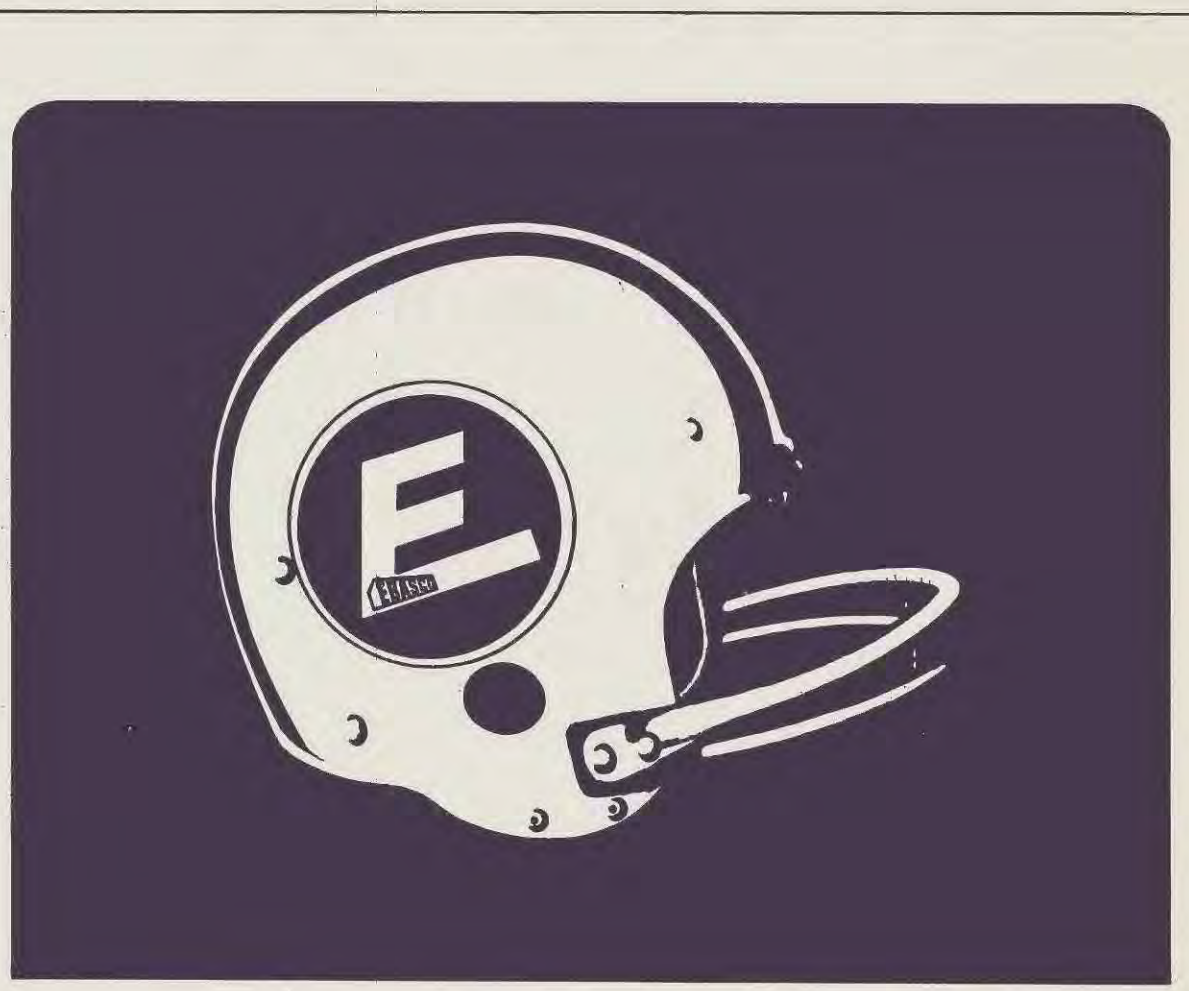
A Division of Adams, Scott & Conway, Inc.

Property & Casualty Self Insurance Administrators

127 John Street
New York, N.Y. 10038
(212) 248-1570

175 West Jackson Blvd.
Chicago, Ill. 60604
(312) 922-1400

3807 Wilshire Boulevard
Los Angeles, California 90010
(213) 380-1331



The bigger the risks, the rougher the game.

Anyone who loves the sporting life knows there's a world of difference between professional and nonprofessional football.

And anyone who knows the corporate insurance business, knows there's more to risk management than insurance.

That's why your risk manager needs the help of professionals . . . Ebasco's Risk Management team. They are objective consultants who do not sell insurance.

Ebasco's record is one of the best in the business. Over 65 years of experience in all areas of risk management from loss prevention to employee benefits. Serving industry, institutions and government on a world-wide scale.

If your game is going the wrong way, maybe it's time you had some professionals on your side.

Write Dept. R for our BIG E brochure. We play to help you win.

EBASCO RISK MANAGEMENT CONSULTANTS, INC.
A Subsidiary of Ebasco Services Incorporated
100 Church Street, New York, N.Y. 10007 • (212) 344-4400
A HALLIBURTON Company

london line

Record Liberian tanker loss adds to Lloyd's concern about hull rate

LONDON—The sudden catastrophe to the supertanker Golar Patricia is causing concern among Lloyd's underwriters to whom the loss of three giant tankers after explosions four years ago is still largely a mystery.

The Golar Patricia's hull value was $24 million, which makes it as costly as a jumbo-jet to cover, and its place in marine history is assured, for the 216,326 ton Liberian-flag vessel is the biggest ship ever to sink in the world.

It went down off the Canary Islands Nov. 5 while en route to Bahrein, but several persons were reported to survive so the cause of the blast which ripped open the vessel may still be found.

Only a small part of the insurance was held at Lloyd's, but supertanker ratings may have to be closely examined, for losses of the three ships in 1971 came to the $50 million level and the full causes have still not been determined.

They were the Marpessa, Mactra and Kong Haakon VII, and explosions occurred while they were in ballast. Electrostatic discharge has been put forward as the most likely reason, but research is still going on.

Sources at Lloyd's told *Business Insurance* that they are now awaiting more details of the latest disaster, to see if this will solve the riddle of tanker blasts. Built in Japan in 1969, the Golar Patricia was listed as owned by Ocean Oil Ventures Inc. of Monrovia, but Gotaas-Larsen, described as a U.S.-based group, are noted by Lloyd's List as being concerned.

* * *

WILLIAM J. CLAYDON, chairman of the Institute of London Underwriters, is on a six week tour of world insurance markets which will end with a visit to New York.

He left London Nov. 5 for China, and will also visit Japan and Australia. He will have meetings with the American Institute of Marine Underwriters toward the end of his tour.

Before he left, he told *Business Insurance*: "With the growth in trade between Britain and China, there is obviously a great deal of interest in the insurance market. My talks in Peking are at the invitation of the People's Insurance Co., but they are merely exploratory at present. Apparently insurance officials in Peking are very keen to learn how the London market works."

* * *

POTENTIAL STEPS toward setting up an industry insurance fund for oil-rig operations in European waters are being taken by British operators and their international associates.

They have noted the moves adopted in the U.S. for combatting pollution risks in offshore developments, as well as those established by tanker consortiums to protect against oil spills off coastal waters.

The operators hope to create a voluntary insurance pool, before being compelled by governments to take stronger measures. Talks are now going on to protect offshore interests.

The London Financial Times comments: "Just how serious the pollution risk is remains a subject of considerable debate within and without the industry. A number of incidents in the Gulf of Mexico and the Santa Barbara Channel have served to highlight some of the problems involved in off-shore work.

"There are few in the industry who would absolutely guarantee that a major blow-out could not occur in the North Sea area between Britain and adjoining European countries. It can be argued that oil found so far has been well away from land, so that leakage risks that will reach the shore are relatively less than in the U.S., and that technical progress has enabled the industry to build in several lines of defense. But the phase of sizeable production is now being reached, and a large number of new companies are preparing to drill in the area for the first time. They may be less able to carry their own insurance against major risks."

* * *

AN ENGLISH DOCTOR praises American private hospitals for their system of meeting surgeons' bills through private health insurance schemes. He prefers the American system to the popular British method of funds coming from government social security sources.

The doctor is Paul New, 50, a radiologist at Massachusetts General Hospital in Boston, Ma., where a $350,000 brain x-ray machine has been installed.

The machine is a British invention with a great future. Already 21 of them have been sold by E.M.I. to hospitals in the U.S., compared with only four in Britain.

Dr. New told the London Daily Telegraph: "I left England in 1951 because I felt the system there was slowing up. It takes a long time to get equipment through government channels. We like to think it is private hospitals like ours that make the innovatory steps."

He felt that the system of financing, which included payment of patients' bills either privately or through insurance schemes, as well as large gifts from wealthy patrons gave doctors a freer hand in choosing their own equipment.

The new scanner, he claimed, would prove cheaper to patients than existing techniques because time spent in hospital can be shortened. ■

More bridge liability

Inflation and larger jury awards in damage suits prompted directors of the Golden Gate Bridge to consider increasing the Bridge District's general liability coverage from the current $10 million to as much as $50 million.

3 WAYS YOU CAN PROFIT FROM THE VALUATION REVOLUTION

1 Investigate the Revolutionary M/S Simpraisal. This completely new appraisal technique is already at work cutting time and costs in some industries. Our Revolutionary Consultant will discuss with you the possibility of applying it to your business. Just say the word.

2 Keep your property covered with the Revolutionary M/S Annual Valuation Service. For a fraction of the original cost you can perpetuate your commercial appraisals, and make sure you are covered at current replacement costs. It insures your insurance.

3 Send for the Revolutionary Kit & Manifesto. Get the facts now on the important new developments in valuation for insurance—and for all other purposes. This may be the time to start a Valuation Revolution in your company!

For information on any of the above items, and your free Valuation Revolution Kit, call your nearest Marshall and Stevens office or write: The Valuation Revolution, Marshall and Stevens Incorporated, 1645 Beverly Boulevard, Los Angeles, California 90026.

M&S THE VALUATION REVOLUTION

appraisals by Marshall and Stevens

A Unionamerica Company

Boston/Chicago/Dallas/Detroit/Houston/Los Angeles/Minneapolis
New York/Philadelphia/Pittsburgh/St. Louis/San Francisco

Conflict of interest is revealed on state award

PHOENIX—Arizona Investment Managers Inc., abandoned a controversial state contract which was clouded by conflict of interest investigations.

AIM was awarded last July, an exclusive contract under which it was to manage a new, deferred compensation retirement plan for up to 27,000 state employes.

However, an investigation revealed that original principals in AIM were two house committee chairmen who had sponsored the legislation which made the plan possible; namely Reps. Jay Stuckey Sr., and Ray Everett.

Although the legislators claimed they sold out to three members of Gov. Jack Williams' insurance advisory committee, 40% of the firm continued to be held by two secret trusts tied to them.

Mr. Howard, president of AIM and of the Valley National (Insurance) Co., recommended annuities be purchased with the state employe contributions from the Aetna Insurance Co., and revealed he is an Aetna agent who cannot recommend purchase of annuities in any other firm because of federal conflict of interest. Further, an Aetna employe was acting as unpaid consultant to AIM, whose only office was in Mr. Howard's office.

THESE DISCLOSURES prompted an investigation by house speaker Stan Akers and majority leader Burton Barr.

While a recent closed-door probe was continuing, Mr. Howard sent a letter withdrawing AIM from the contract to the seven-member insurance committee which made the contract award. ■

Kansas oks credit life regulations

TOPEKA—Fletcher Bell, state insurance commissioner for Kansas, adopted regulations effective Jan. 1, 1974 giving him authority to control rates charged for credit life and credit accident and health insurance policies.

"The regulations I have adopted will result in a significant reduction in the rates charged for credit life insurance which will save Kansas consumers an estimated $2.5 million a year, and will broaden the coverage afforded under credit accident and health insurance policies substantially," Mr. Bell said.

This is the first time Mr. Bell's offices will have the authority to regulate credit rates. Most rates will be lowered, resulting in savings noted. For example, currently credit life rates are about $1 per $100 coverage on a decreasing term basis, and the rate is being lowered to 75 cents per $100 coverage.

These new rates will affect both personal and group credit insurance rates. ■

Searcy to fill new insurance position

INDIANAPOLIS—Clifford C. Searcy was named corporate insurance manager for P. R. Mallory Co. Inc., to succeed Robert F. Hevron, who left to join the Indiana Group of insurance carriers.

Mr. Searcy was formerly vp of College University Insurance Co., and also was with Indiana Insurance Co.

In his new position, Mr. Searcy will report to James M. Chenoweth, treasurer, and will be responsible for property coverage, working with Factory Mutual, and liability coverage, working with The Home Insurance Co. He acts in an advisory capacity on employe benefits.

P. R. Mallory is a diversified company in the electronics business, with sales last year of $190 million. Total assets last year were $125 million.

A Flexible Market for Treaty Reinsurance, Casualty Facultative Reinsurance and Excess Covers.

Call [212] 269-0300

NORTH STAR REINSURANCE CORPORATION

90 William Street, New York, N. Y. 10038

trim

a trimmer insurance budget for wider coverage

Since 1898 we have continually sought ways to make the corporate insurance dollar go farther.

In negotiating and placing insurance, our risk presentations to carriers have a reputation for containing detailed, professional and exacting specifications. We will often want to test such alternative approaches as guaranteed cost, retrospective rating, and excess-of-loss insurance.

Placement of insurance by our skilled staff of brokers is based on extensive risk evaluation by engineers, analysts and employee benefits consultants. Our presentations provide detailed specifications for coverage, policy administration, loss control and claim service programs. We utilize our favorable position in world insurance markets to negotiate in your behalf.

However, we know that cost is just *one* consideration in placing insurance.

Others can be equally important . . . service, service and service.

A total and effective program requires a wide range of insurance professionals. We think you will enjoy talking with ours.

Rollins Burdick Hunter—
Growing in *service*

RBH ROLLINS BURDICK HUNTER CO.

Multinational Insurance Brokers

10 South Riverside Plaza, Chicago, Illinois 60606 (312) 454-1400

washington watch

Safety waiver granted to ailing Penn Central as Congress argues

WASHINGTON—While the Congress is busy trying to find a financial solution to the problem of saving the Penn Central railroad and other Northeast lines from bankruptcy, the Department of Transportation (DOT) granted the railroad a "limited interim waiver" of federal track safety standards.

In a petition filed Oct. 10, Penn Central told the DOT 6,901 miles of its track failed to meet the minimum safety standards set forth by the Federal Railroad Safety Act of 1970. The railroad withdrew some 2,790 miles of track from services Oct. 16, the effective date of the new standards.

The railroad was given 30 days to restore all track used by passenger trains to compliance with the standards, and it was told to inspect substandard mainline track daily, yard track weekly and all other substandard track prior to train movement if there is less than one train per week operated over those lines.

The DOT also said no trains in revenue passenger service shall be operated over substandard track and that all trains operating on substandard track adjacent to track used by passenger trains must stop and conduct an inspection of the passenger track prior to passage of the passenger train. That inspection, officials told the railroad, must be completed "in sufficient time to flag any moving passenger train if necessary."

The federal agency also restricted operating speeds on substandard mainline track to eight mph and, on connecting track, to six mph.

The DOT prohibited the railroad from carrying hazardous materials over substandard without special federal approval. The railroad is also ordered to certify, in writing, each week that it is operating under the provisions set forth by the DOT exemption.

The waiver will remain in effect, the federal agency said, "until superseded by a final order or orders with respect to some or all of the trackage covered in Penn Central's petition for exemption from the law."

The waiver, railroad administrator John W. Ingram said, should permit operation of the railroad, while, at the same time, preserving to the maximum extent possible safety of such operations.

* * *

EMPLOYERS have used stalling tactics to avoid compliance with the Occupational Safety and Health Act, a union official charged here.

George H. R. Taylor, executive secretary of the AFL-CIO standing committee on safety and occupational health, said inadequate funding and these employer delays have held the two-year-old federal job safety and health law to "little more than a beginning" of what the measure is meant to accomplish.

Mr. Taylor indicated he would like to see stiff regulations of employers who show no signs of voluntary compliance. But he scored the record of the OSHA Commission in issuing citations and easing penalties.

* * *

A NATIONAL Consumer Finance Assn. study of 1972 expenditures for personal health care shows private insurance plans paid only $96.14 per person, while federal and state governments paid $136.86 and individuals paid $127.46.

Of the $365.21 spent per person for health services, $76.31 went to pay doctors' fees, $135.52 for "other health services" and $153.38 for hospital care. The study shows hospital care costs have increased at an average of 8.5% per year over the last 20 years, from $16.77 per patient per day in 1950 to $81.01 by 1970. The association attributes the increase to "the greater number of full-time hospital personnel and the introduction of highly complex, potentially life-saving machinery.

"The burden of these expenses," the study results say, "has been lightened somewhat for the patient by prepaid public and private hospital insurance, which covered 90% of costs in 1971, compared to 62% in 1950."

Personal health care expenditures have jumped to the 1972 level from $78.35 in 1950, and are expected to increase to $757.02 per person by 1980.

"The changing nature of medical care and prices which rose faster for health products and services than for all consumer items have contributed to the expanded U.S. medical bill," the study reports.

The study also shows that federal and state government expenditures for health care have jumped to over 37% from the 25% level sustained throughout the 1950s and mid-1960s. ■

Umbrellas . . .
if it's big or unusual we'd like to quote.

J.H.BLADES & CO., INC.
713/526-6551 P. O. BOX 22003 HOUSTON 77027
512/826-2378 P. O. BOX 12085 SAN ANTONIO 78212
J.H. BLADES & CO. (INTERNATIONAL) LTD.
2-6971 P. O. BOX 691 HAMILTON, BERMUDA
J.H. BLADES & CO. PTE. LTD.
377295 P. O. BOX 60 TANGLIN P. O. SINGAPORE 10

Ford plant blast raises UAW ire

DETROIT—Ford Motor Co. called a casting plant explosion near here Oct. 29 "an honest mistake," but the United Auto Workers union (UAW) criticized Ford for lack of safety at the plant.

The blast reportedly occurred when a chemical was put into the wrong storage tank. Damages in the two-year old, $200 million plant were still unknown. Twelve workmen were injured.

Ford is covered for property damage by Factory Mutual and Kemper Insurance. Factory Mutual also carries Ford's business interruption insurance.

(In a related finding, *Business Insurance* learned that Ford recently transferred half its property-casualty account from the Factory Insurance Assn. to Kemper Insurance. Kemper now shares the coverage equally with Factory Mutual).

TWO OF THE workers were hospitalized after the incident, but no one was hurt seriously. Although plant employes were sent home for a day, operations have been resumed.

The UAW charged that the explosion was "the lastest in a series of shocking examples of how little attention Ford Motor Co. has paid to protecting the well-being of the workers. . . Any further exposure to our members to health and safety hazards is intolerable."

UAW made the statement shortly after the explosion on Oct. 29, two days before settlement of a three-year labor contract with Ford.

Union officials requested an immediate investigation by the Occupational Safety and Health Administration (OSHA). An inspection of the facilities by OSHA determined that there was "no imminent danger" at the plant. ■

New group life carrier

Westinghouse Hanford Co. reassigned $2 million of its group life insurance to Supreme Life Insurance Co., Chicago-based black-owned firm. Westinghouse Hanford transferred a portion of the total group life insurance account formerly handled by Connecticut General Life Insurance.

Your trusted bookkeeper just took off for parts unknown. Unfortunately, a lot of your company's money took off with her.



You never would have believed it. The bookkeeper, of all people. She just wasn't the type. But that's just the point, there is no way of typing an embezzler. That's why embezzlers are so hard to detect.

But that doesn't mean you can't protect your company from a severe loss. The key is adequate Honesty Insurance.

Ask your insurance agent or broker about the protection afforded by this valuable coverage. And while you're thinking about it, why not write for our free booklet: "Embezzlement Controls for Business Enterprises."

Fidelity and Deposit Co.
Nation's leading bonding experts.
Fidelity Building, Baltimore, Md. 21203

The most expensive thing in the world to repair... is about to break.

There's an employee injury every 14 seconds. So by the time you finish reading this, somewhere there will be three very important people off the job.

At Kemper Insurance we work hard to help our policyholders prevent accidents. That's why we have an expert staff of loss control representatives.

With their training and experience, they can spot potential loss situations and offer corrective measures.

And they can help your business set up a control program that is designed to reduce accidents and injuries.

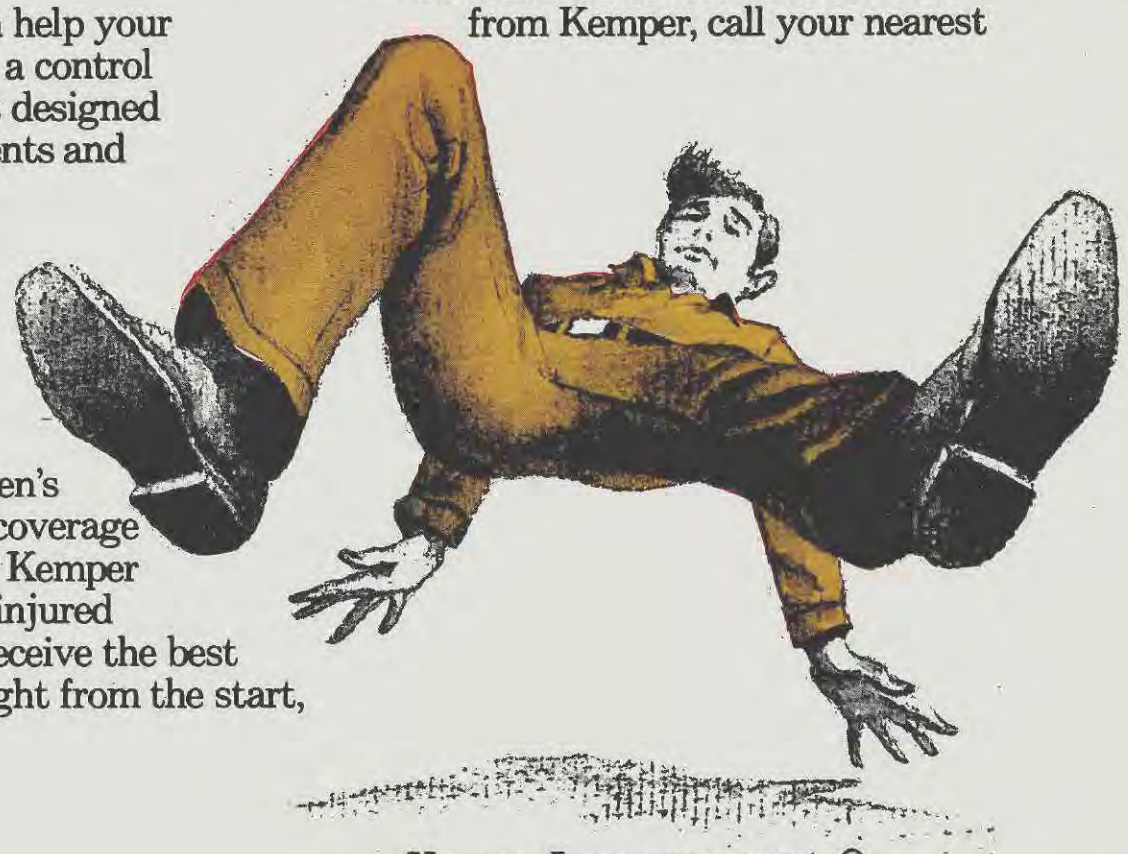
But should an accident occur, Kemper stands ready to enter the case quickly.

With Workmen's Compensation coverage from one of the Kemper Companies, an injured employee can receive the best possible care right from the start, when the most good can be done.

Whether your business operates from a single location, or nationwide, our network of claims offices is staffed to provide fast and fair claims handling.

The same service and expertise we bring to Workmen's Compensation we also bring to General Liability, Fire, Burglary, Boiler and Machinery, Travel Accident insurance and more.

If you'd like additional information about business insurance from Kemper, call your nearest Kemper Insurance agent. Or write Walter R. White, Kemper Insurance, Long Grove, Illinois 60049.



Kemper

INSURANCE

small enough... big enough
for every size insurance need

Lumbermens Mutual Casualty Company, American Motorists Insurance Company, American Manufacturers Mutual Insurance Company,

OSHA inspections up

CHICAGO—The Occupational Safety and Health Administration plans to continue increasing job safety inspections and push for stricter enforcement of standards, according to OSHA's chief official.

"We are targeting our inspections where they will do the most good," said John H. Stender, assistant secretary of Labor for occupational safety and health. He told the National Safety Council congress here that OSHA's target industry program will maintain its focus on the longshoring, meat products, wood products, sheet metal and transportation equipment industries.

Mr. Stender added that serious health hazards like asbestos, carbon monoxide, cotton dust, lead and silica are the focus of OSHA's target health hazard program.

"Our inspection priority has been changed to make imminent danger situations—those where death or serious physical harm could result at any moment—our first concern," commented Mr. Stender.

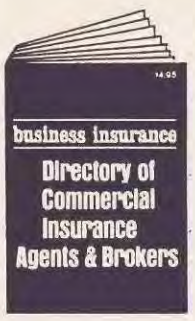
In fiscal year 1972 OSHA conducted 36,100 inspections, Mr. Stender noted. Inspections this year are expected to double that figure.

OSHA PASSED the 100,000 mark in jobsite inspections during October, he added.

According to the U.S. Labor department, OSHA made a total of 98,852 inspections between April 28, 1971 and Sept. 30, 1973. About 63,300 citations alleging more than 315,000 violations were reported with proposed penalties totaling almost $8.5 million.

About $5.9 million in OSHA fines was received by the Treasury secretary by the end of September.

In September alone OSHA issued 3,688 citations alleging almost 19,000 violations of job safety and health standards. Proposed penalties totaled almost $480,000. The weekly average of 1,500 inspections in September was about 250 more than the number of inspections per week in August. ■



business insurance

Directory of Commercial Insurance Agents & Brokers

September 1973 edition

Contains profiles—including financial information—on the leading insurance brokers and agents who predominantly serve commercial consumers of insurance and employe benefits plans; and editorial features which analyze the agency and brokerage business.

The Directory is available at $4.95 per copy; $3.95 per copy on orders of ten or more. Make checks or money orders payable to Business Insurance, and mail, with coupon, to Business Insurance Directory, 740 Rush Street, Chicago, Illinois 60611. (Illinois residents add 5% sales tax.)

Please send me_____copy(s) of the Business Insurance Directory of Commercial Insurance Agents & Brokers, September 1973 edition. (Payment must accompany order).

Name_____

Address_____

City_____ State_____ Zip_____

business insurance

740 Rush St., Chicago, Ill. 60611

Employers urged, use carrier for OSHA help

LONG BEACH, CA.—Employers must move ahead with their insurance carriers and with safety departments to establish safety programs and loss control plans, instead of relying on OSHA inspectors' advice, a state official urged here.

An OSHA luncheon meeting aboard the Queen Mary provided the forum for a discussion of the new Cal-OSHA law, as well as other state, local and federal safety laws.

Charles Hammons, chemical engineer with the division of industrial safety, State of California, told his audience the Cal-OSHA law covers 10 to 15 times as many situations as the federal law.

AND BECAUSE the law severely limits the amount of consulting the division can do, Mr. Hammons urged his listeners to lean on their carriers and safety departments for OSHA consultations, advice and programs.

He noted the state division of industrial safety is responsible for enforcement of the law, which reaffirms the right of entry with an inspection warrant, establishes an appeals board, and spells out injunction procedures.

Any employe complaint must be investigated within 72 hours, Mr. Hammons said. If the complaint concerns an imminent hazard, the complaint does not have to be in writing, he noted.

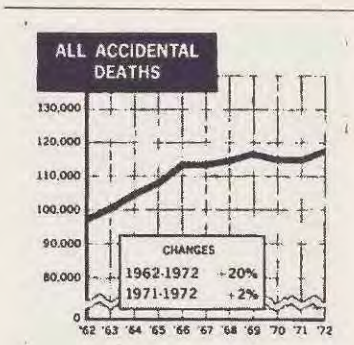
Cal-OSHA will be monitored by federal inspectors for three years, and if the federal agency is satisfied with the workings of the state law after that time, "We will have the right exclusively to its enforcement," the official said.

Employers who are issued citations are generally given a compliance period, but "if an employer knows he can't comply with the citation by the specified date, he should let us know and we can work out an arrangement," Mr. Hammons emphasized. ■

1972 work accidents decrease 1%

CHICAGO—The 1972 death toll from work accidents was down one percent from the 1971 total, according to a report by the National Safety Council.

Accidental deaths in all categories, including motor vehicle, public non-motor vehicle, home and work accidents totaled 117,000 in 1972, up two percent from the 115,000 fatalities reported in 1971.



About 14,100 workers were killed on the job in 1972, compared to 14,200 in 1971. The death total excluding agricultural accidents numbered about 11,900, with 1,700 of these fatalities reported in the manufacturing industries.

Workers sustaining a disabling injury on the job last year totaled 2.4 million.

The sum cost of the work accidents in 1972 amounted to about $11.5 billion, the National Safety Council reported. About $1.1 billion was lost in direct fire losses. All types of accidents resulted in wage losses of $12.0 billion, medical expenses of $3.9 billion, and insurance administrative and claim settlement costs of $7.6 billion. ■

In the Mountain states ... it's All-Star

All-Star Insurance Corporation is an expert at tailoring excess/surplus coverages to fit the risks working through an experienced corps of general agents who understand All-Star's professional standards.

All-Star is a growth company with a tradition of service and skilled underwriting to meet today's rapidly changing social and economic conditions.

If you are in the mountain states or anywhere in the United States, All-Star is ready to serve your needs. Contact All-Star today for information on coverages and representatives in your area.



ALL-STAR INSURANCE CORPORATION

The domestic company that specializes in excess/surplus risks.

5401 N. 76th Street P.O. Box 2917 Milwaukee, Wis. 53218
(414) 466-8300 CABLE: ALLSTARWIS MILW TELEX: 2-6879

PC
a Post Corporation company

No private coverage on atomic test site mishap

OAK RIDGE, TN.—The Atomic Energy Commission, most probably by way of Congress, will self-insure any losses stemming from an accident late last month in its experimental facility here, *Business Insurance* learned.

The private insurance pools—Nuclear Energy Property Insurance Assn., Nuclear Energy Liability Insurance Assn., Mutual Atomic Energy Liability Underwriters and Mutual Atomic Energy Reinsurance Pool—are not involved in the coverage for the facility here, according to spokesmen for the AEC and one of the pools.

As a government agency, the AEC does not purchase insurance coverage for its property and buildings, the AEC spokesman said, adding that the costs of the accident in a facility which obtains uranium 235 by the gas centrifuge method were not yet known. There were no injuries reported in the incident.

"An investigating committee is looking into the accident right now," the spokesman noted, "and the cause and the costs of what will have to be replaced won't be known until the committee makes its report."

ONCE THE costs were known, he said, the commission would go to Congress for the money needed. "That is the usual procedure," the spokesman explained. "We had a fire at a site a few years ago that cost about $50 million and we went to Congress for that."

He played down the possibility of a product liability action against the manufacturer of the gas centrifuge which apparently failed when internal parts, spinning rapidly, chewed themselves to bits.

"There is always the possibility of that kind of action but it's rather remote in incidents like this," the spokesman said. "You must remember that the equipment we use in our facilities must meet rigorous standards before we accept it.

"AND THERE is also the fact that this accident involved highly experimental equipment," he continued. "With these highly experimental models, we have to expect a certain amount of failure."

The gas centrifuge separates the gaseous uranium 235 from other forms of uranium much like a cream separator obtains cream from milk—by spinning it apart. Once the experimental method is perfected, smaller uranium enrichment plants could be built, requiring a much smaller amount of electricity than present methods need.

The AEC announcement of the accident indicated that about four ounces of uranium hexafluoride, a gas employed in all uranium separation methods, were released in the building but added, "There was no radioactive overexposure of personnel."

The accident, the commission pointed out, was similar to other accidents except that never before had damage been done to other centrifuges, as in this case.

Though many centrifuges were not damaged in the incident, which the AEC said was not an explosion, and continue to operate, the accident is considered a setback to the commission's secret program of developing alternative methods of obtaining uranium 235 for power plants and weapons. ■

Connecticut work comp premiums up

HARTFORD—Workmen's compensation insurance premiums in Connecticut were increased an average 10.8% under a ruling by State insurance commissioner Thomas C. White.

The increase is the result of a request by the National Council on Compensation Insurance, representing all insurers in Connecticut writing workmen's compensation insurance, for an average increase in rates of 16%. The ruling by Mr. White, for an average 10.8%, included a reduction of 1.2% imposed by the federal Cost of Living Council.

Mr. White estimated that if insurers had not been granted the hike, they would have lost 7% on compensation premiums collected in the next 12 months.

COMPENSATION premium payments for all manufacturing jobs increased 15.7% under his ruling; construction jobs, 6.6% and all other job categories, 8.3%, for an over-all boost of 10.8%. In Connecticut, premiums are paid entirely by employers.

Mr. White attributed the premium cost increases to higher benefits paid by insurance companies in recent years, with biggest benefit payment increases in medical costs.

Another reason for the increase, he said, was higher average production wages forming the base for determining injury benefits paid. ■

Info for Buyers issue

If you have not yet submitted data or literature for publication in the Jan. 7, 1974 Info for Buyers Issue, please return the coupon below for forms and instructions. All material for publication must be in the hands of the editors no later than Dec. 1, 1973.

Mail to: Info for Buyers
Business Insurance
740 Rush St.
Chicago, Il. 60611

Please rush me forms and instructions for submitting data for publication in your Jan. 7, 1974 Info for Buyers Issue. I understand that there is no obligation on your part to publish the items submitted, nor is there any cost or obligation to my firm if they are published.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Date _____



• **Organization of the Employ Benefit Function** is a foldout dealing with the results of a survey conducted by Towers, Perrin, Forster & Osby to form the ested organization it trends and fu- ustry for profes- competence s field. The among 33 es vary- siz-

he National Safety Council recently published **Fundatals of Industrial Hygiene,** a cover 1,008-page textbook elf-teaching or college clas in an industrial h amentals course indexed ev

• The Ansul Co. has released **Fire Protection for the Petroleum Industry,** a booklet discussing hazards and proposed fire protection for the petroleum industry, including off shore plat- ium & Chem more

• **The Internal Security Han book,** an authoritative and co nsive guide for securiti alizing and impro security programs, m the Association

e Ansul Co. has released a ure, **Sentry Fire Extin- ers,** describing the compa- new chemical fire extin- hers, their UL ratings a comparative fire killi of the new unit h water, soda, extinguishing s by Underwriter n their catagories

• **Proper Planning . . . For New Construction . . . Additions . . . Alterations** is a kit containing an ng general planning guide ng construction in out- hs 18 booklets, fold- formation sheets cover- ic hazards and recom- fire safety precautions. is $3 and available from service department, Im- Mutuals, 15 N Plains, N.Y.

Insurance Agent's Action Guide to Catastrophes, produced by the General Adjustment Bureau Inc., is a handbook of procedures for insurance agents in such disaste plosions, ha nts pri

• **Multi-Employer Pension Plans,** a basic informational guide for employers, union offi- and administra- jointly ad- anagement been pub- e of Life ook covers ng up such tion to the nce compa- Singl

tion Insured Can Avoid Duplicate Recordkeeping under OSHA is a folder prepared by the Travelers Insurance Co booklet con- tains a cha work- men's comp ly used in ea ic inform not cont By usir can sup men's the n

• A revised third edition of **In surance for Contractors** is avail able from Fred S. James & Co., N. La Salle St., Chicago, Ill 60602 at $3 p copy. The 109- page bookle f wide interest to gener and sub-con- tracto itects, engi- nee ged with ct speci- topics hold

• The United States Aircraft Insurance Group has made available the **Legal Liability of Manufacturers of Aircraft and Aircraft Components.** The pamphlet discusses the increasing scope of liability, sources of liability, aircraft design, fabrication and testing, components, aircraft repair, and safety

• **Guide to Property Conservation,** a booklet produced by the engineering staff of the combined property department of Kemper surance is available free to *Insurance* readers. The is applicable to almost ation and covers security, cut- regulations, pansion, what loss occurs and ase of disaster. writing

• **Commercial Property Product Lines** is a concise guide to the various commercial property product lines in which American Inc. The brochure also

Get in touch with nearly 100,000 corporate consumers of insurance and employe benefits executives in

business insurance info for buyers

January 7,1974

The "Info For Buyers" issue of BUSINESS INSURANCE will describe and catalogue published literature concerning systems, policies, programs, products and services which are aimed at the executives responsible for the protection of their companies' people and assets.

Information that, this year, brought over 36.000 inquiries from financial executives in the 15,000 most important U.S. corporations—employing over 43 million workers. PLUS, 26,000 insurance agents and brokers and insurance company underwriters.

This influential group can best be reached by your ad message in the January 7, "Info For Buyers" special issue . . . an issue which is consistently one of the best selling opportunities of the new year.

To make sure your market-directed ad is in this issue, reserve your "Info For Buyers" space now.

Ad closing is December 19, 1973

For more information, contact your Business Insurance representative now.

business insurance

NEW YORK
708 Third Avenue
New York, N.Y. 10017
(212) 986-5050

CHICAGO
740 Rush Street
Chgo., Ill. 60611
(312) 337-5200

LOS ANGELES
6404 Wilshire Blvd.
L.A., Calif. 90048
(213) 651-3710

labor beat

UMW caught in vicious circle over medical; pension benefit funding

By TOM WALSH

WASHINGTON—The United Mine Workers of America (UMWA) are a year away from their next contract deadline with the nation's coal mine operators, but whispers of a strike over inadequate funding of medical and pension benefits are already turning into audible demands.

Due to a number of factors—not the least of them the mismanagement of the union's welfare and retirement fund over the last 20 years—the current system of paying medical benefits and pension annuities to some 600,000 miners, pensioners, widows and dependent family members is in trouble.

BOTH HEALTH and pension benefits are now paid out of fund reserves, and, for the first time since 1968, the fund finished its last fiscal year in the black. Its revenue, however—under a system first worked out by John L. Lewis in 1946—is derived from a per-ton royalty charged mine operators, and, although that royalty will increase this week from 70 cents per ton to 75 cents per ton, there simply does not appear to be enough coal being mined to meet future fund demands.

New demands by miners for sick pay (they receive none now), by widows for extended benefits and pensions (they now receive $1,000 cash and medical benefits for one year), by disabled miners for increased pensions and medical benefits (they now receive medical benefits either for four years or one year, depending on the extent of their disability, and no pension) and the added demands of thousands of new persons made eligible for fund benefits under terms of recent court rulings, indicate that the fund's present foundation is a shaky one indeed.

THE ROYALTY-PER-TON agreement was first hammered out between John L. Lewis and and the Department of the Interior after miners stopped working and the government, still rebounding from WW II, seized control of the mines. A five cent per-ton figure was agreed to for the coal operators by the federal government, and the contract was signed in the White House. The first payments made under the pioneer system were $1,000 death benefits received by 99 families who lost miners in a 1947 explosion in Centralia, Il.

The royalty was increased to a dime when the mines were returned to their owners in 1947, and that new contract also contained language needed to establish a pension fund. The mine operators balked at the proposal, the miners began digging out less and less coal, and, eventually, they stopped coming to work at all. Following another national emergency later, the pension provision was agreed to.

The welfare aspect of the retirement and welfare fund began hiring its own medical directors, and, by 1951, established nonprofit corporations in Kentucky, West Virginia and Virginia to own and operate 10 union hospitals. The mine workers health program became the success story all other unions envied.

Fortunately, the union was able to increase the royalty to 20 cents in 1948, 30 cents in 1950 and 40 cents in 1952 to help pay the costs of its innovative medical programs.

Unfortunately, that's where the royalty level stayed for the next 20 years. Coal production in the next 10 years declined steadily, and, as less money became available to the fund, more persons applied for benefits.

BENEFIT CUTS began in 1953 with pension eligibility amendments and continued in 1954 with some disabled miners, widows and children losing all of their benefits. In 1960, a number of miners had their medical benefits revoked, and pensions were reduced to $75 from $100. By 1961, benefit payments exceeded royalty income by $17 million, and the union was forced to dip into its reserve to meet demands.

Union fund trustees had unusual ways of coping with their problems: when small mine operators began withholding their royalty payments, the fund responded by withholding medical benefits of the miners who worked at those mines. The theory was that the operators would pay up to avert a strike. A lawsuit stopped this practice in 1966.

In 1962, the union fund said the financial drains caused by its hospitals had forced closure. Only the efforts of the Presbyterian Church and the personal concern of President John F. Kennedy kept the hospitals operating and saved them from the wrath of angry miners threatening to level them with dynamite.

BETWEEN 1963 and 1968, coal production increased by 85 million tons, but the union was unable to negotiate a hike in fund royalties.

A number of lawsuits later, much of the inequity dealt to the miners was alleviated, and the court replaced the management of the fund with its own handpicked trustees. The fund was still alive, despite efforts of its management to bleed it into bankruptcy.

The fund's reserves now stand at $83.6 million, up $4.7 million over last year. Union leaders caution, however, that the 17,000 additional pensioners made eligible by lawsuits could soon reduce the reserves to less than $50 million.

Although the royalty will again increase next June by an additional nickel, fund officials predict the anticipated $288.9 million in royalties expected during this fiscal year will not be enough to meet new demands.

Why, one may ask, doesn't the union change its funding method to provide medical and other benefits on a per-man-hours-worked basis like other industries?

The union says such a scheme

Continued on page 49



You can't tell
a bad egg by its shell—

and it is not just with eggs that appearances are deceptive. As many companies have learned through disastrous losses, it is often the most innocent-looking employee that turns out to be the biggest thief. New and improved controls can lessen the risk, but the fact is that corporate stealing is increasing at an alarming rate. Only adequate insurance guarantees a company against critical financ al loss. Our dishonesty bonds are exceptionally broad in coverage. The form, which provides money and forgery coverage, not just dishonesty coverage, is brief and clear. To provide this much needed protection we offer expert fidelity underwriters to analyze your needs, and a staff of commercial fidelity claimsmen whose sole area of responsibility is crime claims from commercial assureds. Before you are faced with a catastrophe, call a Chubb agent or broker and find out what you can do now to avoid it.

CHUBB

CHUBB/PACIFIC INDEMNITY GROUP
Subsidiaries of The Chubb Corporation, 100 William St., New York, N.Y. 10038

CHUBB & SON INC., *Manager:* Federal Insurance Company + Vigilant Insurance Company + Great Northern Insurance Company + The Sea Insurance Company Limited + The London Assurance + Alliance Assurance Company Limited + Sun Insurance Office Limited + The Sumitomo Marine and Fire Insurance Company, Limited • Affiliated through THE CHUBB CORPORATION: Pacific Indemnity Group + The Colonial Life Insurance Company of America + United Life and Accident Insurance Company Aviation Insurance through Associated Aviation Underwriters.

Sentry offers P&L package to trade groups

By SUSAN ALT

CHICAGO—Sentry Insurance Co. is offering to put together a property/liability insurance package for the National Tool and Die Precision Machining Assn. that the carrier claims could save members up to 15% on annual premiums, *Business Insurance* learned.

Sentry is being very close-mouthed about the package, which reportedly will offer a shopping list of options, because it proposes to individually tailor the policies to fit NTDPMA members, a concept still in its infancy.

Directors of the 1,700-member association, here for an annual meeting recently, voted to tentatively accept the new package, along with some other insurance changes, and refer the proposal to legal counsel for clearance.

THE ASSOCIATION presently does not have any property/casualty insurance plan for members. But it does have a workmen's compensation program (through Sentry), major medical and life (through Sentry), accident (through American Casualty), and employe disability (through Hartford).

These policies provide blanket-type coverage, Jack Bell, manager of NTDPMA's membership activities, said. The new property/casualty insurance programs, though, will be "designed to the individual account," with the group discount still available, he added.

"The total gross premium and our total experience record which is good, would give us a better premium," said Frank H. Wikstrom, president of Wikstrom Machines, Inc. and head of the group's insurance committee.

Sentry is talking annual premium savings for members in the area of 15%, he added, noting that just as with the group's workmen's compensation coverage, members with annual premiums over $1,000 will benefit from an immediate discount of about 5%.

A SOURCE AT Sentry, while declining to disclose details of the program being worked out, did acknowledge that this type of property/casualty coverage is the "newest" kind of insurance for association members. He said the carrier is working with at least six other associations on similar programs.

Among the options expected to be offered to NTDPMA members are manufacturers and public liability, fire coverage, business interruption, burglary, payroll theft, auto collision, fire contents coverage, product liability, building, multi-peril coverage, personal property coverage, multi-location coverage (as an option), floaters for in-transit property, and manufacturers output coverage.

The association's members average $1 million a year sales, and have an average of 35 (they range from 5 to several hundred) employes.

The group workmen's compensation-safety dividend program is presently the biggest of the four major insurance plans, with nearly 700 participants, Mr. Bell said. It is in its fifth year, and has averaged a 15% cash dividend per year over the life of the program. "We're hoping to get that dividend up to 20% or higher," he said.

Dividends paid out totaled $171,000 in the past year. The annual premiums are running about $1.2 million to $1.3 million now, and they're rising since they are based on total employment.

THE LIFE and health insurance package available to members also has various options. At the recent meeting, the insurance committee voted to increase maximum life insurance benefits under the plan to $100,000 from $30,000.

Life and health coverage, with Sentry, has been in force for about 17 years. It has 200 participants and is also a potential dividend plan, "but we've not had any dividends in three years," said Mr. Bell.

Premium rates have only gone up once in the last 17 years, and then it was only 8%. "That is the life-health plan's only claim to fame," Mr. Bell joked, noting that premiums are kept down through the use of a reserve fund from prior years.

The individual accident plan for salaried workers and their families is with American Casualty, through Dignan Assoc. in Cincinnati, administrators. As much as $100,000 coverage is available for about 70 cents per $1,000 value per year.

The fourth plan, key employe disability coverage, offers individual coverage, "but is quite frequently paid for by our members, the employers," said Mr. Bell. That plan is with Hartford; Dignan is administrator. ■

Labor beat...

Continued from page 48

would reduce income. There simply are not enough miners working to sustain the income levels needed by the fund. The union has also studied and rejected a contributory plan: with only 115,000 miners working, a deduction as high as $40 a month would only earn $46 million annually for the fund.

The union says the only way to keep the fund and its beneficiaries healthy is to seek a major royalty increase above the 80 cents a ton level. The union is also doing what it can to organize non-union coal mines so that it can begin collecting royalties on the tonnage mined there.

HOW MUCH of a royalty increase the mine operators will stand for—if, indeed, any—remains to be seen. Their contributions have already doubled in the last three years, and some union sources say they expect strong resistance.

The union estimates sick pay could cost five to 18 cents per ton. Medical services and pensions for disabled miners will cost 15 cents per ton. Medical benefits for widows will cost an additional 27 cents per ton. A pension increase to $200 from $150 will cost 11 cents a ton.

An expensive proposition, indeed, and even more so when it is remembered that a strike by the mineworkers means that no coal is mined. And, if no coal is mined, no royalties are paid to the fund.

What we have here, it seems, is a classic case of damned if you do, damned if you don't. ■



"This year, we'll insure plants producing 6 million auto engines. We'll make your insurance work for you, too."

Charles C. Cronovich, V.P., Detroit office

Johnson & Higgins

the automotive industry's insurance broker

for the record

New dual-definition of worker disablement

CHICAGO—New disability income insurance with what is described as the industry's first "dual definition" of disability was made available by Mutual Benefit Life Insurance Co.

Under the policy's dual definition of total disability, the insured may collect benefits under two circumstances:

- if he is unable to engage in his own occupation; or
- if his income from any occupation is reduced to 25% or less of his former income.

This approach is quite different from other noncancelable contracts which do not allow payment for disability if the disabled person continues to earn any income from his own or another occupation, the company said.

"We are encouraging rehabilitation by not penalizing the policyholder for returning to work on a limited basis," Robert V. VanFossan, president of Mutual Benefit said.

Although Mutual Benefit does a large business in group health and life coverage, this new policy will initially be available only to individuals. It represents Mutual Benefit's first entry, however, into the individual accident and health field.

The company expects to market the three new basic disability policies extensively to business owners and professionals, and believes that some companies will use the policies as top-level executive benefits, with employer-paid premiums, Mr. VanFossan said.

The dual disability definition is applicable to all three policies, which cover professional income, professional overhead expense, and disability income.

Multi-cover liability plan to be available

SAN FRANCISCO—A new multi-coverage liability endorsement was developed by Fireman's Fund American Insurance Companies, which includes personal injury liability, including libel and slander, false arrest and detention.

The endorsement also covers invasion of privacy, with coverage for injury to employes, blanket contractual liability, broad form property damage and watercraft non-ownership as well as world-wide product liability, fire and explosion legal liability, 30 day automatic coverage for newly acquired or newly formed entities and incidental malpractice and host liquor liability.

"Damage claims," Richard C. Carniglia, Fireman's Fund vice president, said, "can be based on interoffice communication, host liquor liability laws and the office Christmas party and on unwarranted eviction of a tenant.

Those eligible for the increased coverage include most types of business having annual general liability combined premiums less than $5,000 and the endorsement can be attached to either comprehensive liability or package policies.

Air charter awards $800,000 damages

MONTREAL—Families of three business executives killed in a 1969 plane crash near Wabush, Newfoundland, were awarded damages totaling more than $800,000.

Justice Kenneth Mackay of superior court directed Atlantic Aviation of Canada Ltd. to pay the damages to the families of Donald J. McParland, 40, president of Churchill Falls Corp. and company executives Gordon Lambert, 46, and John F. Lethbridge.

In determining the damages, Justice Mackey said he took into consideration "spiralling inflation," as well as the amount each of the executives could have expected to be earning at retirement.

The three businessmen were aboard an executive jet operated by Atlantic Aviation which crashed November 11, 1969 while on a flight to Wabush from Churchill Falls, Labrador. ■

FREE INSTRUCTIONS ON HOW TO ASSEMBLE A FRELINGHUYSEN

For best results, begin by making direct contact with J. S. Frelinghuysen. A simple telephone call or letter will set things in motion. You've now assembled the talents of one of the most active insurance brokers in the country, geared to serve the large as well as the smaller corporation. Our capabilities range from utilizing international marketing facilities to bringing a unique and expert approach to self-insurance. Along with providing comprehensive supporting services, our experienced staff has a reputation for innovative solutions to the insurance problems and needs of clients. It's no wonder that J. S. Frelinghuysen has been called upon to serve as broker and advisor to some of the largest and most active corporations around the world.

Wherever you are located, if you are considering an insurance broker or consultant for an account review, or a specific quotation, call or write Earle S. Rynston, Executive V.P., today. When it comes to insurance, assemble a Frelinghuysen. It works—For *you!*

J. S. Frelinghuysen Corporation
20 Vesey Street, New York, New York 10007 (212) 349-2112
A Fidelity Company

classified advertising

CHIEF ACTUARY
(Life and Health)

The state of Wisconsin Insurance Commissioner has a vacancy for Chief Actuary, Life & Health lines. Must have college degree and four years of progressively responsible experience in actuarial analyses or an equivalent combination of training and experience. Must have associate membership in Society of Actuaries Actuary will serve as a consultant to Commissioner of Insurance and will be responsible for the review and analysis of financial documents. Starting salary between $16,920 and $18,900 annually, depending on qualifications, with raises to $22,032. Contact Bureau of Personnel for application and return immediately to that bureau at 244 State Office Bldg., Madison, WI 53702. Applications accepted to December 7, 1973. Wisconsin residency not required.

An Equal Opportunity Employer

16 years experience in risk management and insurance administration available for insurance staff of large risk or as manager of smaller aggressive company. Now Assistant Manager of Insurance Dept. heavy in risk management and administration of property/casualty, group insurance and pension administration. All corporate level work in retailing, manufacturing and contracting. Degree, maturity, $20's. All inquiries will be considered.
Box 406, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

LOS ANGELES OPPORTUNITY
MATERIAL DAMAGE AND CREDIT LIFE
Office & Personnel available to represent Insurance Company or Agency as Marketing & service facility in 5 county greater Los Angeles area.
Dealer-Lender-Agent oriented
CALIFORNIA MISSION INSURANCE AGENCY
6252 E. Telegraph, Los Angeles, Ca 90040
(213) 726-2646

SENIOR ADMINISTRATOR
RISK MANAGEMENT

Control Data Corporation, a major midwest computer manufacturer, has an opening in its Corporate Insurance Department for a Senior Administrator. This is a major position in the Company's Risk Management function and will include risk determination and analysis, administration of casualty and property claims, self-insurance, accounting controls and loss control programs.

Degree required, preferably in Business Administration. A casualty-property insurance background is desirable, including a minimum of 3-5 years in a corporate insurance department. To investigate a challenging career opportunity with a dynamic international corporation send resume or contact:

W. B. Cochran
Corporate Headquarters Personnel
CONTROL DATA CORPORATION
P.O. Box 0
Minneapolis, Mn. 55440
(612) 853-5289

CONTROL DATA CORPORATION

To investigate other opportunities nationwide, send your resume to: Control Data Corporation, Box 888, Minneapolis, Minn. 55440

An Equal Opportunity Employer, M/F

WANT AD ORDER BLANK

RATES AND CLOSING TIME: $2.25 per line, minimum charge $9.00. **Cash with order.** Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of $19.50 per column inch, and card discounts on size and frequency.
Mail ads to Business Insurance, 740 N. Rush St., Chicago, Illinois 60611.

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

_____

Number of Insertions: _____ **Amount Enclosed $** _____

Issue dates: _____

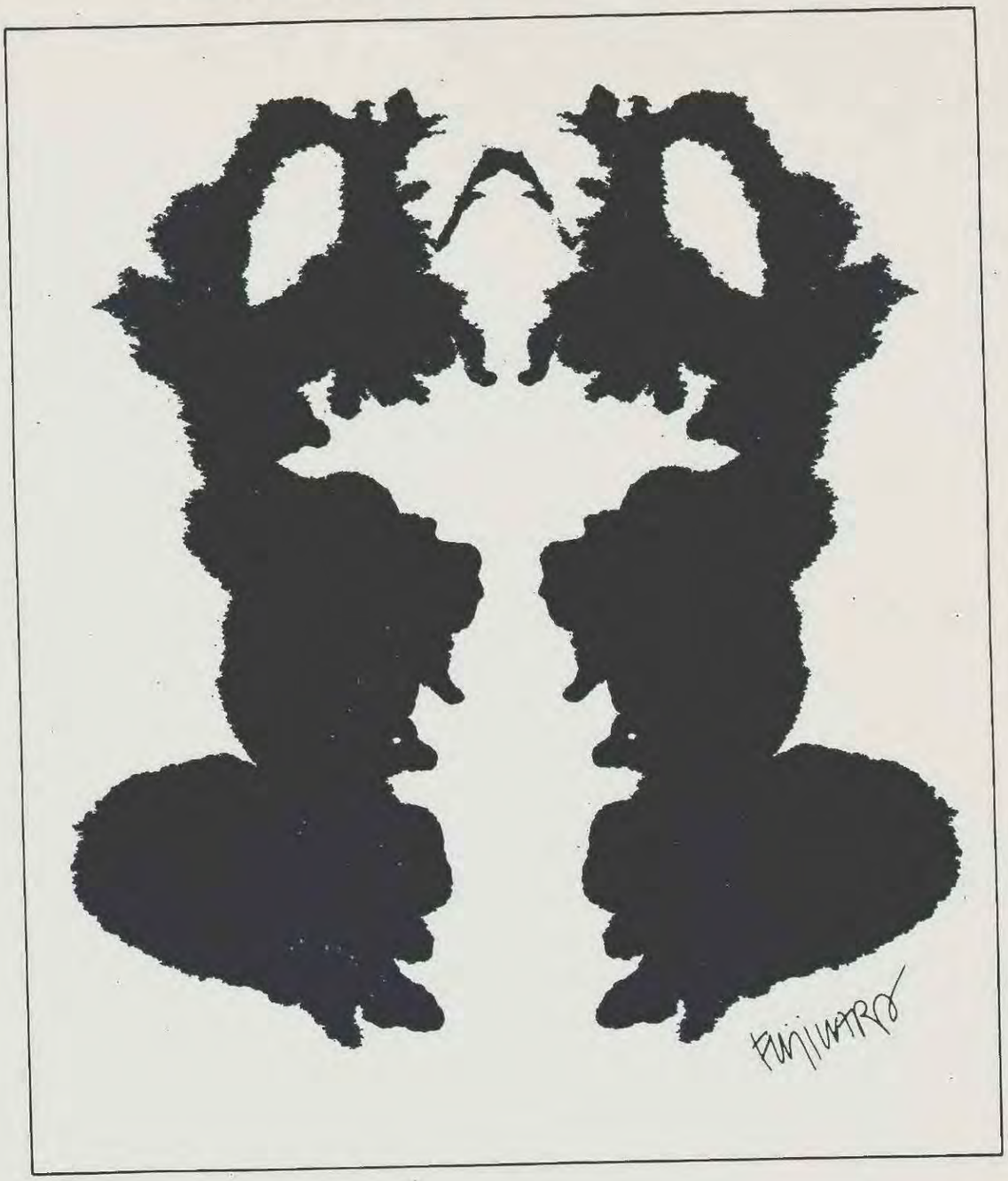
Name: _____

Company: _____

Address: _____

Clip and Mail This Form To:
WANT AD DEPARTMENT
business insurance
740 Rush St., Chicago, Ill. 60611

DRAGON CHAT



OR?

We might see something different.
But then, we've been looking at things in a different light
ever since 1887, when we founded America's first liability insurance company.
Today we're just as innovative — with Workmen's Compensation,
with Group coverages, with all forms of business and personal insurance.
Talk with American Mutual, where there's an original way of looking at everything.

American® Mutual

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880

There's an original way of looking at everything.



"Let's say one of my trucks just had an accident in Dexter, Iowa. How would Allstate handle it?"

In a case like that, our adjuster was immediately sent to the scene.

The entire cargo transfer was completed and a relief truck was on its way to its destination in about 12 hours.

You see, Allstate has the largest full-time staff of claims specialists in the business. They're located coast to coast and trained in Allstate's advanced way of doing things.

When an Allstate Account Executive calls on you, sit him down and pick his brains. He can tell you about the fresh ideas we're bringing to the commercial insurance business. And how they'll work for you.

Insurance is as competitive as your business, so we have to capitalize on our advantages.

Extra hustle. An aggressive, just-let-us-quote attitude. And a management that thinks an insurance company's service should bend to suit the customer instead of the other way around.

And the price? That's right—very competitive.

We wouldn't expect you to just take our word for all this. So when our Account Executive shows up, put him to the test.

Ask him to quote.

Allstate®
BUSINESS INSURANCE