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ASIM, AMA have taken steps toward working together

By STEVE GILKENSON

CHICAGO—The American Society of Insurance Management and the American Management Assn., after several years of quietly ignoring one another when it came to programming seminars and conferences for risk managers, have taken initial steps toward supporting each other on several fronts.

The development came to light early this month when *Business Insurance* learned of a meeting held here in October that was attended by representatives of both ASIM and AMA. Early reaction from both sides is extremely positive, and both organizations are now working toward establishing more formal lines of communication and cooperation.

In essence, the agreement reached last month is in two parts:

First, ASIM will henceforth lend "educational program support" to AMA. This includes assisting in the programming of the 1973 fall insurance and employe benefits conference. In addition, the agreement says, both ASIM and AMA will work to avoid scheduling seminars or conferences for the risk manager or employe benefits person that conflict with one another.

SECOND, AMA will assist ASIM in "communicating the risk management concept." AMA has agreed, for example, to select "a limited number of key programs in their financial and systems management programs where a condensed presentation of the risk management concept would be appropriate." This includes developing an outline for a risk management presentation that may be given at some of these meetings, which are often attended by key financial men from U.S. corporations. It is these men that the risk or insurance manager often reports to and with whom the ASIM member is constantly trying to get the risk management message across.

Commenting on the agreement, Robert D. McGowan of Rand McNally & Co., Skokie, Il., and president of ASIM, said:

"Some people, I think, have been led to believe that ASIM was out to kill the AMA's insur-

Continued on page 2

Eight deaths and damages of $1 million resulted from the Sidney-Lanier Bridge crash—Wide World photo

Coverage of tragedy spread

By MARIE KRAKOWIECKI

BRUNSWICK, GA.—A percentage of the liability for a grisly ship collision here earlier this month was written by the American Steamship Owners Mutual Protection & Indemnity Assn. Inc., *Business Insurance* has learned. Preliminary estimates set damages to the Sidney-Lanier Bridge in excess of $1 million. At least eight victims lost their lives in the accident.

A spokesman for the New York-based American Steamship Owners Mutual said that his firm's portion of the cover was in a protection and indemnity policy. He confirmed earlier reports that the remainder of the coverage was written in the London protection and indemnity clubs.

The African Neptune, an 11,000-ton freighter which hit the bridge, is owned by Farrell Lines of New York. Hull damage it incurred was relatively slight—preliminary figures were running around $25,000, according to a source at the American Hull Insurance Syndicate. AHIS subscribers share 55% of the hull cover.

Georgia officials said the state is self-insured for the loss to the bridge because it is public property. It is, in fact, a part of U.S. 17, the highway from New York to Florida. It is expected to be out of use for at least six months.

Whether the protection and indemnity policy that American Steamship Owners Mutual wrote will cover business interruption losses and death benefits for victims, as well as general liability, "is not a clear cut issue." So states the association's spokesman, who noted that the state of Georgia will likely press a class action suit in the matter.

THE ACCIDENT occured when the African Neptune, possibly through a steering gear malfunction or a ship pilot's error, slammed into the Sidney-Lanier drawbridge while several cars and trucks were parked on it, waiting for the ship to pass.

Vehicles and their passengers were hurled into the Brunswick River when the freighter rammed.

Eight died, and two others are missing and presumed dead.

An official from the Brunswick Port Authority said the ship had been released by a tug and was under her own power at the time of the collision. ■

Washington Watch

How Nixon win will affect insurance reform

By JOHN REVETT
Washington editor

WASHINGTON—While the Democrats boosted their Senate majority and officially held on to the House, it's still nothing like a sure bet that pension reform, no-fault auto insurance, and tax-backed national health insurance legislation will have clear sailing in the new Congress.

The three major insurance and insurance-related issues had rough going before Mr. Nixon's massive win over George McGovern, and opponents of the measures feel the big presidential victory will give the White House a somewhat stronger voice among Republicans in Congress who have supported one or more of the controversial bills.

Just how much more influence the administration will have, however, is a question that will probably have to wait until Congress convenes for an answer. There is some feeling that the big Nixon majority is a clear sign of voter support for the president's viewpoints—one that should be applied across the board to include domestic as well as foreign policy issues.

But there are also reports of discontent among Republicans who feel they got little help from the president during the campaign, that his victory, as GOP chairman Sen. Robert Dole (R.-Kan.) said, was a "personal" one, and many Republicans who were re-elected or were first-time victors did it largely on their own and have few favors to repay.

While neither Sen. Dole nor other GOP leaders spoke anything but praise for the president's win, there is an undercurrent of disappointment. It seems odd after Mr. Nixon swept everything but Massachusetts and the District of Columbia. What more could he have done?

One answer, though somewhat faint, came from GOP state leaders even before the Nov. 7 election—that the GOP presidential campaign chiefs had put lopsided stress on the White House, in a race all the polls showed Mr. Nixon winning easily, while playing down the president's party affiliation and thus detracting from the extra pull from his victory, that might have put Republican losers over the top.

Two defeats that stung the party's congressional leadership came at the top of its ranks—Sen. Margaret Chase Smith of Maine, chairman of the Senate GOP caucus, and Sen. Gordon Allott of Colorado, chairman of the Senate GOP policy committee, both lost to Democrats. Sens. Smith and Allott were solidly on the side of Nixon on his domestic policies.

Whether the two-seat Democratic gain in the Senate will mean easier going for bills like the Williams-Javits pension reform act or Hart-Magnuson no-fault auto insurance, both narrowly missing Senate passage before the elections, remains uncertain, in view of offsetting losses by the Democrats and unknown pension and no-fault positions of newcomers like Rep. William Hathaway of Maine and Floyd K. Haskell of Colorado.

One definite vote on the side of both measures—plus sure support for the Kennedy-Griffiths national health insurance bill, which probably won't develop into a hot issue until late in the session—was lost when Sen. Fred Harris (D.-Ok.) retired and the seat was won by Republican Dewey F. Bartlett. The victory of Rep. William L. Scott (R.-Va.), a conservative, over Sen. William Spong (D.-Va.) gives the administration one more probable vote.

Continued on page 2

Michigan's new no-fault measure exceeds DOT recommendations

LANSING, MI.—Michigan's new no-fault automobile insurance law, scheduled to take effect Oct. 1, 1973, is the first in the country to match or mandate more liberal benefits than the Department of Transportation's recommended standards, according to its backers here and Federal Insurance Administration spokesmen.

Provisions of the law include:

- Unlimited medical coverage including rehabilitation expenses.
- Reimbursement of loss of earned income to a maximum of $1,000 a month for three years.
- Coverage of replacement services of $20 per day up to three years for non-employed people.
- Elimination of fault in property damage to autos—collision insurance is voluntary.
- Elimination of fault or tort actions for all no-fault economic benefits—the right to sue for intangible damages is permitted only in "serious" cases.
- Duplication of benefits may be eliminated through the use of deductibles, if first approved by the Michigan insurance department.
- Minimum no-fault benefits are compulsory for all motorists.

Robert H. Rowe, chief deputy insurance commissioner under Michigan's Russell E. Van Hooser, commissioner of insurance, and current president of the National Assn. of Insurance Commissioners, told *Business Insurance* that alternative self-insurance provisions had been written into the law for corporations, but companies must prove their ability to handle the risks. The secretary of state of Michigan will formulate self-insurance requirements in cooperation with the insurance department.

UNDER THE NEW Michigan law, he stated, there is little discrimination against commercial insureds in terms of the law's mandatory features.

Mr. Howe further explained that the new law provides that employes driving an employer's vehicle will collect benefits from their employer's policy and that, in the case of vehicles carrying passengers for hire, passengers would collect from the owner's policy.

Corporate insurance buyers will probably save money, he pointed out, by coordinating auto, workmen's compensation and Social Security benefits in the case of employe injury. Since an employe cannot receive both workmen's compensation benefits and other benefits, workmen's compensation could be deducted from benefits received through the no-fault policy, subject, he noted, to insurance department approval.

FOR THOSE companies offering group auto insurance as an employe benefit, Mr. Howe commented, coordination of benefits could again save premium dollars, although any such contractual deductible provisions would have to be approved.

Gov. William G. Milliken has directed both Mr. Van Hooser and Richard Helmbrecht, state commerce director, to "take whatever steps necessary" to evaluate rate schedules and develop an information program on the new law.

A court battle over the measure has been predicted, although its backers are "optimistic" that it will be deemed constitutional. The Michigan state legislature will probably make amendments to the law before it takes effect, William A. Ryan, speaker of the Michigan house, has said. He also predicted that the legislature will attempt to clarify the meaning of "serious impairment" before the question reaches the courts. ■

Nixon win...

Continued from page 1

In the House, the president apparently added to what is generally considered a philosophical majority—the coalition of Republicans and conservative Democrats that dominates most House legislative matters.

Supporters of national no-fault and private pension reform are troubled by liberal losses in the House to the extent that they are already looking for administration moves that might head them off. One possibility: a White House proposal to set a deadline for states to enact no-fault plans with a less-strict-than-Hart-Magnuson set of standards. ■

ASIM, AMA: New cooperative era

Continued from page 1

ance division. This was not true at all. We've always encouraged our members to attend AMA meetings and with this agreement we'll be working closer with them than ever before."

However, Mr. McGowan, other ASIM members and AMA officials agree that there may have been a breakdown in communications between ASIM and AMA in recent years—or, rather, that the dialogue never got started. "We just weren't talking to one another," Mr. McGowan told *Business Insurance*.

Others point out that there may have been a feeling of competition between ASIM and AMA when it came to meetings and conventions, although this is denied by officials on both sides. Many ASIM leaders, in fact, have also served on the AMA Insurance Council.

However, few will disagree that in a real sense there was competition for the convention and seminar dollars that corporate insurance and employe benefits people have had in their budgets during the last three or four years. Most of those dollars, as attendance indicates, have been going to ASIM's annual conference. About 1,400 attended this year's meeting in Montreal. The year before, in San Francisco, there were 1,000 attendees.

Meanwhile, attendance at what over the years had come to be known as the "big" conference for corporate insurance and employe benefits personnel, the AMA's fall meeting held at the Drake Hotel, Chicago, has fallen off dramatically. This year's, which was held earlier this month, drew only 170 persons or about half the number that attended last year.

AMA officials point out, though, that the attendance drop-off at the Chicago meeting is not representative of the response AMA's insurance division has generated in recent years.

For example, said a spokesman, "attendance has actually increased 52% over last year. We are now holding more meetings in more cities." The AMA man did admit, however, that most of the increased attendance has come from the insurance industry itself—producers, underwriters, etc. —and not so much from the corporate insurance and employe benefits consumer.

Nevertheless, both AMA and ASIM officials are optimistic that the new agreement will go a long way toward a common goal—the improvement, upgrading and increased recognition of the concept of risk management.

"We're going to encourage ASIM to tell us what they want to get into in terms of seminars and meetings," said an AMA spokesman. ■

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Bridge collapse losses shared by two insurers

By CHARLES WINGIS

LOS ANGELES—Employers Insurance of Wausau will pay an estimated $670,000 in death and medical benefits to dependents of the dead and the injured survivors of the Foothill Freeway bridge collapse in northwest Pasadena.

The Oct. 17 accident, at a construction site just north of the Rose Bowl, claimed the lives of six workmen and injured at least 21 others.

Max Batchelder, regional claim manager for Employers Insurance, told *Business Insurance* that total workmen's compensation benefits are based on a maximum figure of $28,000 in death benefits for the families of each of the deceased, plus $1,000 each for burial allowance. Even more costly, said Mr. Batchelder, will be the disability payments and medical expenses which are expected to more than double the payment for death benefits and bring the total to the estimated $670,000.

The California workmen's compensation law provides for payment of death benefits at the rate of $105 per week to widows with one or more dependent child, to a maximum of $28,000. Based upon wages earned, benefits to the injured are also payable at the rate of up to $105 per week while incapacitated.

EMPLOYERS Insurance, which has underwritten the workmen's compensation coverage involved in the accident since Jan. 1, started payment of benefits within three days of the accident. The company has also assigned a rehabilitation nurse to work with the injured and their doctors during the recovery period.

In addition, through interviews with over 70 witnesses to the accident, Employers Insurance has assisted with the investigation into the causes of the accident.

Liability coverage for the bridge mishap was written by Argonaut Insurance Co., Los Angeles. The amount of this liability, according to claims manager Les Myer, is expected to be determined by an official inquiry which got under way on Nov. 1. The participants in the investigation are the Federal Highway Administration, the California Division of Highways, and Freeway Constructors of San Bernardino, the contractor.

Freeway Constructors is actually a consortium of three construction firms, one of which is Polich-Benedict Construction Co., Rosemead, Co., the firm responsible for constructing the bridge. Preliminary testimony from state highway and safety officials at the hearing disclosed that Polich-Benedict has been involved in two previous bridge accidents in freeway construction.

Although the inquiry was incomplete and was expected to last a week or more, early testimony appeared to indicate that improper bracing of steel girders was the major cause of the bridge collapse. ■

An estimated $670,000 will be paid in death and medical benefits to dependents of those killed or injured when a highway bridge under construction in California collapsed Oct. 17. —*Business Insurance* photo

Work comp commission is through

WASHINGTON—Time has run out on the National Commission on State Workmen's Compensation Laws, and thus far there is no sign that there will be presidential appointment of a successor commission.

The commission recommended in its report more than three months ago (*Business Insurance*, July 31) that another panel be named by the White House to oversee progress by the states toward upgrading their workmen's compensation laws. Ward Donohue, the commission's public information and hearing officer, said there has been "no indication" of administration plans. The commission terminated by law on Oct. 29.

If a successor commission is not appointed, states taking note of the commission's recommenda-

Continued on page 4

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American Home protects hockey players against off-ice accidents

NEW YORK—If Ken Schinkel of the National Hockey League's Pittsburgh Penguins has a car accident on the way to work, the American Home Assurance Co. will hear about it.

If he gets body-checked against the boards and breaks an ankle, they probably won't.

Since June 15 Mr. Schinkel and his teammates have been covered for their off-the-ice activities under American Home's accident insurance plan, tailored for the National Hockey League. Exclusive broker for the account is the Montreal office of Gordon Symons & Co., Ltd.

The base policy now available to the 16 NHL teams indemnifies each team for $100,000 per player, with the aggregate limit set at $2 million. There are no deductibles.

Senior underwriter of the accident and health department of American Home, Vincent La Iacona, explained, "the teams are still autonomous. There are many policies and many layers of coverage. We're presently trying to write individual team policies which would work in combination with the base policy."

MR. LA IACONA also reported that his company is exploring the feasibility of contractual loss-of-service coverage.

Since settling the base policy with the NHL, American Home has been talking to the separate teams. Mr. La Iacona estimated that 40% to 50% of league members are now included in the new policy. Several teams have been insured by American Home in the past and are still under old policies. Within the next year the insurer hopes to bring 75% of the league teams under the umbrella of the new policy.

"We're involved in delicate negotiations," Mr. La Iacona related. "Modifications are being discussed. When we've finished, the account could be worth upwards to a half million dollars."

THE POLICY covers team members while on the business of the NHL, excluding play and practice time, for which the teams make their own accident insurance arrangements.

In the recently concluded hockey Canada series with Russia, American Home covered the Canadian team, under an endorsement of the base policy, for accidental death, dismemberment and loss of sight, from the time they reported to the training camp in Toronto until they returned to Canada following games in Sweden, Russia and Czechoslovakia. For that series players were covered for $200,000 per person with an aggregate limit of $4 million. No claims were paid on the policy.

Broker G. Gordon Symons, American Home underwriters and NHL representatives worked on the details of the base plan from March of this year until June 15. The NHL makes internal arrangements to pay for the plan.

The NHL had previously been covered by the Insurance Co. of North America. ■

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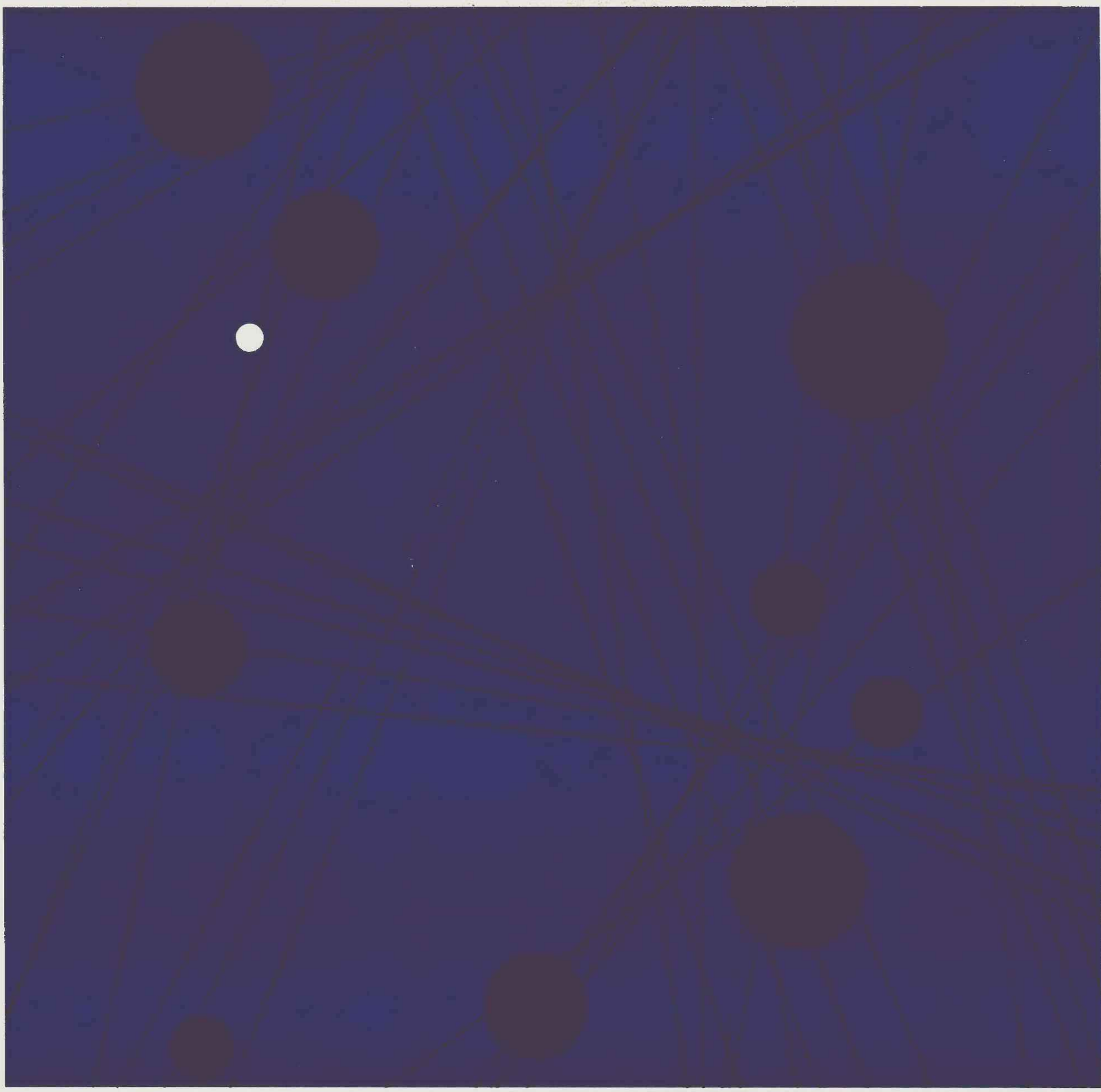
Work comp...

Continued from page 3

tions presumably will proceed on their own. The commission suggested to Congress that it give the states until 1975 to make improvements, then take action itself if the states haven't done so. Labor members of the commission had wanted a recommendation for immediate federal standards and are said to be ready to press for action on a standards law in the new Congress.

Main improvements recommended by the commission in its report included compulsory rather than elective coverage (with neither employes nor employers having the right to reject coverage); coverage of all employers with one or more employes and elimination of exemption for any occupational groups; elimination of statutory limits on dollar amounts or length of time of compensation for a work-related impairment and provisions for full medical care and physical rehabilitation services for an impairment; and weekly cash benefits for temporary and permanent total disability and death of no less than two-thirds of the worker's gross weekly wage.

Although it is no longer officially in existence, the commission is arranging for publication later this year of a "Compendium on Workmen's Compensation," "Supplemental Studies" and "an edited version" of the transcript of its public hearings. The compendium is described as a "textbook" on workmen's compensation, tracing its history and dealing with all of its aspects, including insurance. The supplemental documents and transcript are being published to show what went into the recommendations. ■



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• Alexander & Alexander has announced that a revised edition of its brochure, **Notes on Old Age Benefits Under Social Security,** is available. It incorporates the 20% increase in benefits which became effective last September and the increase in covered earnings to $10,800 for 1973 and $12,000 for subsequent years. Single copies are available by writing the Consulting Actuarial Division, Alexander & Alexander, 2 N. Riverside Plaza, Chicago, Ill. 60606.

• Royal-Globe Insurance Companies have issued **Insure to Value,** a brochure explaining the amount of insurance necessary to match the inflationary increases in the value of business property since it was purchased or constructed. Copies can be obtained by writing Royal-Globe Insurance Companies, Corporate Communications Dept., 150 William St., New York, N.Y. 10038.

• **Yes, You Can Buy Earthquake, Flood and Crime Insurance,** a leaflet designed to inform California property owners of the availability of these coverages, has been developed by the Insurance Information Institute. The leaflet has been endorsed by the California Insurance Dept. as "satisfying the intent" of its request to the insurance industry that they educate the public about the availability of these little-purchased coverages. The leaflets may be obtained at cost. For more information write the institute, 110 William St., New York, N.Y. 10038.

• A revised **Safety Engineering Standards** handbook has been published by Industrial Indemnity Company. The 108 page book is a compilation of fundamental safety practices in construction and manufacturing and contains illustrated safety recommendations on more than 60 subjects. The handbook was updated to include new procedures and laws, particularly the Occupational Safety and Health Act of 1970. Some subjects included are; noise control, rigging practices, protective equipment, explosives handling and scaffolds. For information contact Industrial Indemnity Co., 255 California St., San Francisco, Ca. 94120.

• The 1972 edition of the **Business Insurance Directory of Commercial Insurance Agents & Brokers,** published by Crain Communications, Inc., contains profiles—including financial information—on leading brokers and agents who serve commercial consumers of insurance and employe benefits plans. The directory also contains charts, tables and editorial features which analyze the agency and brokerage business. Copies are $4.95 or $3.95 on orders of ten or more. They may be obtained by sending a check or money order to Business Insurance Directory, 740 N. Rush St., Chicago, Il. 60611.

• The American Society of Safety Engineers has published a **Dictionary of Terms Used in the Safety Profession.** The dictionary lists terms and definitions applicable to the technology and practice of occupational safety and health. For information write the society, 850 Busse Highway, Park Ridge, Ill. 60068.

• **Property Insurance . . . Need for Appraisal Service,** is a brochure released by American Appraisal which discusses insurance and value, value requisites for proof of loss, how to keep value current and appraisal service for insurance. For a free copy write E. J. Francione Jr. at the company, 525 E. Michigan St., Milwaukee, Wi. 53201.

• A new brochure prepared by John C. Paige & Co. examines the potential benefits of self-insurance for companies paying sizeable workmen's compensation premiums. **Up With Retained Capital . . . and Profit** may be obtained by writing the company at One Boston Place, Boston, Ma. 02101.

• The Ansul Co. has released **Fire Protection for the Petroleum Industry,** a booklet discussing hazards and proposed fire protection for the petroleum industry, including offshore platforms, petroleum loading racks, refinery complexes and the training of fire safety personnel. For a copy contact Phil Alman, The Ansul Co., One Stanton St., Marinette, Wi.

• **Applying Behavioral Science to the Corporate Safety Effort,** an article by Thomas G. Briggin, reprinted from *Business Insurance*, has been made available by the risk management department, Ebasco Services Inc., 100 Church St., New York, N.Y. 10007. The article discusses the correlation between employe attitudes and loss prevention and copies are availably by writing the company.

• **Security for Business and Industry** is a comprehensive 300-page book detailing how to prevent losses due to burglary, employe theft, embezzlement, van-

dalism and fire. Written by Charles F. Hemphill Jr., the book is applicable to firms of all sizes. For price information write the publisher, Dow Jones-Irwin Inc., 1818 Ridge Rd., Homewood, Il. 60430.

• General Adjustment Bureau has made available **Nature's Destructive Forces,** a 47-page, illustrated booklet describing in layman's terms: thunderstorms, hailstorms, tornadoes, hurricanes and how to protect yourself in the event of one. The booklet is illustrated with photographs, maps and charts and available without charge from GAB, management services, 123 William St., New York, N.Y. 10038.

• **International Group Life and Pension Services** is a detailed source book from the Swiss Life Insurance and Pension Co. The brochure discusses experience rating in multinational plans and unallocated funding as well as offering more specific information on the company, its methods of handling the two topics mentioned, the scope of its international network and services provided. To order your free copy write the company, General Guisan Quai 40, 8022 Zurich, Switzerland.

• **The Legal Liability of Owners and Operators of Airports,** a summary of the law presented by the United States Aircraft Insurance Group, covers such topics as aircraft accidents, fueling, hangarkeepers, police and security, indemnity, liability to surrounding property owners and special events. For copies write USAIG, 110 William St., New York, N.Y. 10038.

• **The Process of Recovery: Patterns in Industrial Back Injury,** an initial report of a research project conducted by Teknekron Inc. and published in Industrial Medicine & Surgery journal is now available as a reprint for $2.50. The four-part booklet contains information on costs and other quantitative measures, predicting outcomes from early case data and mapping the health care process. To obtain the reprint write to Medical Publications For Industry Inc., reprint division, P.O. Box 7151, Ft. Lauderdale, Fl. 33304.

• **BABACO: The First Name in Motor Cargo Protection** is a booklet produced by Babaco Alarm Systems Inc. The brochure describes alarm systems designed to combat thefts and hijackings of trucks, tractors, and trailers. For your free copy write the company at 1775 Broadway, New York, N.Y. 10019.

• **Multi-Employer Pension Plans,** a basic international guide for employers, union officials, consultants and administrators concerned with jointly administered labor-management pension plans, has been published by the Institute of Life Insurance. The handbook covers major factors in setting up such plans and calls attention to the facilities of life insurance companies in underwriting them. Single copies are available free. Quantity price information may be obtained by writing Joseph M. McCarthy, assistant vp, Institute of Life Insurance, 1701 K St., N.W., Washington, D.C. 20006.

• The Insurors Press has released its 1972/1973 catalogue educational products, listing books and devices in the areas of audio-manual and audio-visual, continuing manuals and licensing, professional education and topical books. A 50¢ handling charge may be applied to a buyer's first catalogue purchase. Write Insurors Press, catalogue sales dept., P.O. Box 1430, Santa Monica, Ca. 90406.

• **Accident Prevention Manual for Industrial Operations,** a 1,654-page comprehensive "how to do it" compendium, discusses almost every area related to industrial safety including training, materials handling, noise control, personal protection, machine guards, industrial hygiene and audio-visual aids. The manual is available from the National Safety Council, 425 N. Michigan Ave., Chicago, Il. 60611 for $23. Specify stock number 121.36. Quantity prices are available upon request.

• Wohlreich & Anderson Ltd. has made available a booklet concerning **Overseas Builders Risks.** The pamphlet discusses many of the problems which often confront agents, brokers and insureds engaged in overseas operations. For a free copy write the company at 55 John St., New York, N.Y. 10038.

• CNA Financial Corp. has released a booklet, **Intergroup Prepaid Health Services Plan,** which outlines the operations, administration and coverages of a new prepaid health maintenance program formed by insurance subsidiaries of the CNA Financial Corp. The program is initially offered in Chicago and the northern Indiana area through group practices in business, unions, and other organizations as an alternative to conventional health insurance plans. For copies write Edward Boltin, Intergroup, CNA Financial Corp., 310 S. Michigan Ave., Chicago, Il. 60604.

Pre-paid health plan is growing in Rhode Island

PROVIDENCE, R.I.—The Rhode Island Group Health Assn. (RIGHA), Rhode Island's first group practice pre-payment plan, has been expanding its enrollment, at the same time launching a new program for alcoholics and emotionally-disturbed persons.

RIGHA now has some 8,500 members and envisions a count of between 11,000 and 12,000 members by Jan. 1.

Sherwin Z. Goodblatt, who has been in health care administration and is now RIGHA director, says, "We have several groups who have already chosen RIGHA, but are waiting for approval of their fringe benefits by the federal price commission."

RIGHA is offering its program, through Nov. 30, on a multiple-choice basis to the some 16,500 federal employes in Rhode Island. Federal employes are entitled to health insurance coverage under a special benefit program. Most of those in the state are covered by Blue Cross-Blue Shield.

A TWO-YEAR grant of at least $670,000 is being provided by the bureau of industrial alcoholism of the National Institute of Alcoholism and Alcoholism Abuse for RIGHA's program designed to assist persons with alcohol-related problems and persons suffering emotional problems affecting individual performance and family stability.

Continued on page 10

What do we have in common?

Different people know us by different names. What they may not know is that we are the same. We are the property casualty division of Integrated Resources Inc. We all started with solid roots in General insurance in the early 1900's. Since then our growth has been dynamic. Imagination and innovation have brought us to the vanguard of insurance and financial products and services today. Our growing network of offices and representatives allows us to conduct on-the-spot dialog with any client or supplier. That dialog is backed by a cumulative expertise that extends throughout the realm of property, casualty and employee benefits into related areas of mutual funds, equities, and tax preferred investments. Next time you wonder "What do all those names have in common? . . . Remember, the answer is . . .

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State court broadens manufacturer liability

MADISON, WI.—The Wisconsin state supreme court has extended the doctrine of manufacturer liability for product defects to cover bystanders. The doctrine previously applied in Wisconsin only to buyers and consumers of products.

In ruling that Deere & Co. could be sued for injuries suffered by a Lake Geneva, Wi., boy in a 1970 power lawn mower accident, the court said, "There is no essential difference between the injured user or consumer and the injured bystander."

The court did not rule that Deere was negligent in the manufacturer of the mower, however, it upheld a circuit cour ruling which refused to dismiss the case against Deere. About ten states have adopted he concept of liability to bystanders by court rule.

THE WISCONSIN HIGH court said: "In extending this potential liability, we are further implementing the policy that a manufacturer should be strictly liable in tort when he places a defective article on the market that causes injury to a human being."

The ruling was the result of a suit filed in behalf of Richard Howes II, two-years-old, whose right foot was amputated following an accident involving a Deere mower that was being used on the lawn outside the Howes family residence. A legal guardian for the boy sued Naomi Schatzman of Lake Geneva, Wi., owner of the house in which the Howes family lived; her son, Fred, who owned the mower; a 12-year-old boy hired to operate the mower and Deere & Co.

Circuit Judge Ernst John Watts had denied Deere's motion to dismiss the suit. In upholding Judge Watts' decision, the supreme court rejected Deere's claim that extending the doctrine would expose sellers to claims by "unlimited and unforeseeable classes of nonusers and bystanders."

THE SUPREME court noted: "This fear of appellant is simply untrue. To extend strict tort liability to bystanders would not create an infinite class of persons to whom liability for an ill constructed product is owed." The court added that a claimant would still have to prove that the product was defective, unreasonably dangerous and that it caused the claimant's injuries. ■

Suit charges city with mishandling insurance

PHOENIX—An $800,000 lawsuit charging mishandling of a health insurance program covering 2,500 city workers was filed Oct. 31 in superior court against the city of Phoenix and two insurance firms by the head of a municipal employes group.

Wilbur Richey, president of the Service Workers Assn., filed the class-action complaint against the city, its mayor, the city council, Associated Hospital Services of Arizona Inc. and Arizona Blue Shield Medical Service Inc.

City officials, the suit alleged, have renewed the policy with the two health insurance companies without the benefit of competitive bidding. "The city of Phoenix," the suit maintained, "refused to allow public bids on the policies, despite the fact that the SWA procured the same or similar policies with more advantageous benefits and at the same or lower premiums."

The complaint also accused the city of making money off insurance coverage for dependents.

The suit estimated that refunds totaled $300,000 over the years and demanded an accounting of the funds, after which they would be paid back to the employes. The complaint also asked the court to award the employes $500,000 in punitive damages to be assessed against the city. In addition, the suit asked court permission to obtain a health plan through competitive bidding. ■

Health plan...

Continued from page 9

The RIGHA plan to date has kept member hospitalization rates substantially lower than that of Blue Cross. There is also a shorter length of hospital stays for surgical patients.

RIGHA medical director, Dr. Martin Posner, remarked: "We are offering screening, counseling and various treatment forms, except psychoanalytic therapy. We plan to deal with entire family groups and are already doing marital counseling and treating children with behavior problems."

Since RIGHA's approach is based on prevention and early identification of as many threats to health as possible, this philosophy will be considered the organization's mental health program nucleus.

FOR THE first quarter of 1972, RIGHA subscribers undergoing general surgery had an average length of 5.9 hospital stay days—2.6 days less than the national average noted by the Commission on Professional and Hospital Activities.

Significantly, Mr. Goodblatt admitted that RIGHA, which started business in the red, is still operating at a loss. He said that the break-even level is envisioned at over the 12,000 subscriber mark.

The organization was launched by the Rhode Island AFL-CIO. It began operations in June, 1971. ■

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Texas Employers' Insurance Assn.
Employers National Insurance Co.
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Employers National Life Insurance Co.

Info for Buyers deadline is extended to Dec. 7

CHICAGO—The deadline for material to be published in a special Info for Buyers edition of *Business Insurance*, which will be published Jan. 1, 1973, has been extended to Dec. 7.

The edition, an annual issue, is expected to offer hundreds of new items of interest to more than 55,000 corporate readers of *Business Insurance* who are responsible for employe property, and liability insurance programs, pension investments, financial services and the safety and security of their corporations' employes and assets.

Insurance carriers, brokers, service organizations and others who wish to submit material for the special issue may fill out the accompanying coupon to receive more information and submission forms. Material may be submitted directly to: Info for Buyers, *Business Insurance*, 740 Rush Street, Chicago, Il. 60611.

Last year's Info for Buyers edition listed more than 200 items and drew reader responses for 31,800 pieces of literature.

Categories for the edition include: commercial property-liability insurance, employe benefits, pension and profit-sharing plans and Social Security, safety and workmen's compensation, security, foreign insurance and benefits, and general information of interest to those faced with making corporate insurance or insurance-related buying decisions. ■

Business Insurance's Info for Buyers Issue

If you have not yet submitted data or literature for publication in the Jan. 1, 1973 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. 7, 1972.

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. 1, 1973 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.

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City _____ State _____ Zip _____
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Canadian pensions criticized

OTTAWA—The pension structure in Canada was criticized here by an educator who charged that a majority of pension plans put a financial load on younger workers and their families while largely benefiting older employes.

Leveling the charge was J. V. Peapst, associate dean of the University of Toronto's faculty of management studies. He addressed the annual conference of the Federated Council of Sales Finance Companies.

The university official said that rather than investing their savings in a pension, younger people are better off financially if they put their savings into automobiles, homes and other consumer durables.

Mr. Peapst pointed out that the deduction of pension contributions from a worker's pay means one of two things: Either he must defer buying major consumer durables which are considered a family investment; or he must go into debt to procure them.

If he goes into debt, the interest he must pay on this debt usually is higher than a pension manager can earn for the employe in the plan, the speaker said.

It is possible for workers to abandon some pension plans, said Peapst, but in so doing they usually take a financial loss. He noted that employes quitting plans fail to get the actuarial equivalent of their companies' contribution to their pensions in terms of higher pay.

The educator asserted that a worker who sought more responsibility in his company but quit the pension plan early might be tagged "imprudent."

Mr. Peapst told the conference: "As I see it, current pension planning is part of a generation gap problem. Those who design plans are unduly influenced by memories of the 1930s and are themselves at the family stage, in which accumulation of pension benefits is suitable. Those for whom the plans are most unsuited were born after the Second World War." ■

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UAW exec charges health insurance industry has become 'part of problem'

CHICAGO—The head of the United Auto Workers' social security department has charged that the private health insurance industry has become "part of the problem" that must be solved before an effective national health insurance system can be established in this country.

Melvin A. Glasser told an American Management Assn. meeting on employe benefits and insurance here early this month that national health insurance will be a "top priority" of the 93rd Congress. *(Additional AMA conference stories are on pages 52 through 60.)* He said the private health insurance industry, which organized labor helped create, is no longer able to deal with the problem and that any new system should be financed through employe-employer taxes with federal government assistance.

Mr. Glasser also took out after the medical profession when he said that "It would be ludicrous to expand the present system without an overhaul of the entire medical system.

"The health insurance industry and 1,800 companies selling health insurance is a payments mechanism, not a standard-setting or control mechanism," said the UAW official. "They have demonstrated their complete incapacity to control costs, which is of deep concern to management and labor."

Noting that his criticisms were based in part on first-hand knowledge—the fact being that unions are the largest nongovernmental health insurance purchasers in the U.S.—Mr. Glasser said soaring medical costs are being borne directly by employes in many cases.

He pointed out, for example, that health care costs for UAW employes of Chrysler Corp. in Michigan have gone up 90% in the past three years, with no increase in benefit levels. This, he said, includes Blue Cross and Blue Shield coverage where it applies.

"It is the unions' members who are out of pocket. Last year $725 million was paid in health care premiums as a result of negotiated benefits," said the UAW official, noting that this money is part of an employe's total income and that workers are concerned about how it is spent.

"THE PRIVATE health insurance industry has failed to control costs and it has done nothing to control the quality of health care," said the UAW official: "We have worked with the industry and we have worked well to a point, but we are no longer able to deal with the size of the problem we now have," he said, speaking of private health insurance industry's role in the health delivery system.

Noting that the UAW would continue to support the Kennedy-Griffiths proposal for a broad national health measure that would be financed along the lines of Social Security, Mr. Glasser said there are five component parts of the health insurance system that must be addressed in legislation.

It must, he said: Stem the soaring costs of health care; reverse the trend of uneven and frequently poor quality health care; improve the fragmented delivery system; solve the health manpower shortage; and successfully integrate all of the above. ■

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Two pension trusts file suit against bank

CHICAGO—Two union pension trusts have filed a class action suit in federal court here charging that Continental Illinois National Bank invested the funds in Penn Central Co. securities while possessing "detailed inside information" on Penn Central's financial status and while the bank was one of the railroad's major creditors.

The suit alleges that the bank, while acting under an agency agreement with the Chicago District Council of Carpenters Pension and a corporate trust agreement with Local 734 Bakery Drivers Pension Fund Trust, violated disclosure provisions of the Securities Exchange Act of 1934 and acted in direct conflict of interest with the two funds.

Penn Central Co.'s railroad subsidiary filed for bankruptcy in June, 1970.

According to the complaint, more than 500 trust or agency accounts at Continental "suffered an aggregate loss of more than $21,000,000 on their investments in Penn Central common stock." The suit asks proportionate redress for the amount of loss for each class member as well as interest and costs. The carpenter's trust is seeking $413,040 for its losses alone, the bakery drivers, $51,932.

As outlined in the suit, Continental Bank allegedly:

- Failed to inform either fund of its knowledge of Penn Central's internal financial proceedings or of its status as creditor to the railroad.
- Did not inform the plaintiffs that Penn Central common stock "was not of an investment quality suitable for trust funds," or that the market price of Penn Central stock "was inflated in relation to the operating and financial condition of the company and was subject to the risk of substantial decline."
- Though fully aware of Penn Central's financial condition, retained the stock for the plaintiffs until approximately the time the railroad filed for bankruptcy.
- Delayed selling Penn Central stock for its accounts "in order to protect its own interests over those of plaintiffs."
- Failed in its fiduciary duties and contractual duties to the trusts.

BECAUSE the bank concealed its involvement with Penn Central from them, the plaintiffs have charged, they continued to act in good contractual faith in accepting Continental's investment judgments and advice.

James S. Gordon, special counsel for the union funds for security litigation, stated that "trustees of the two funds are very courageous in bringing this suit because it breaks new ground. There has been no prior effort made to apply the disclosure requirements of the Securities Exchange Act to bank trustees in their relationship to their beneficiaries." He added that neither fund was in jeopardy because of the Penn Central investments.

Defense counsel expects to file for Continental on Nov. 22, according to Miles G. Seeley of Mayer, Brown & Platt. He had no statement to make on the case. ■

Insurance company president hits state agencies that regulate ads

PORTLAND—Arthur S. DeMoss, president of National Liberty Corp., mail order insurance company under attack in several states for its advertising, said in Oregon such charges are "subjective judgments of regulatory agencies.

"It's not a question of deception . . . nobody has accused us of misrepresentation," he asserted. "It's a subjective judgment, involving full disclosure." Mr. DeMoss was in Portland for the Christian Businessmen's Convention.

National Liberty Corp., whose insurance policies are endorsed by Art Linkleter in hundreds of newspapers around the country, sells about 1 million policies a year that are worth some $300 million. It reportedly is the largest mass-marketer of health and life insurance in the world.

Under attack in at least 25 states, the firm has been questioned by the Senate antitrust committee for excessive profits and was fined in Florida for using Mr. Linkletter in its ads without licensing him as a Florida agent.

THE ADS WERE banned temporarily in several states, including Washington and Ohio, and the firm was the subject of hearings in Vermont and Pennsylvania.

Oregon's insurance commissioner has just told the company to stop using the "gimmick" of offering the first month's coverage for 25¢ and to clarify language describing policy coverage.

"We're against deceptive ads, misleading ads and ambiguous ads," Mr. DeMoss declared. "We respect the right of insurance commissioners to protect the public and insure that the ads are clear. But some of their criticism is a matter of opinion."

Mr. DeMoss defended the first month's coverage for 25¢: "They call it a gimmick, but a gimmick can be good or bad. It's the same technique used by the Book of the Month Club and some record clubs. It makes it easier to join. There's nothing deceptive."

HE SAID another criticism has been that the company does not clearly disclose the clause that pre-existing medical conditions are not covered for the first two years.

"If we mention that four or five times in an ad and the insurance commissioner wants it mentioned six times, that's a subjective judgment," he declared. "I respect their right to say we haven't said it often enough, but it's not a question of misrepresentation."

Answering Oregon Insurance Commissioner Lester Rawls' charge that mail-order companies generally "prey on the fears of the elderly and capitalize on the tendency to over-insure," Mr. DeMoss said his firm has found that "nobody is ever over-insured."

IN OTHER action, commissioner Rawls temporarily banned all direct-sale insurance advertisements in the state so his department can prepare new regulations.

The ban affects 20 insurance companies which advertise in Oregon primarily through newspapers and direct mailings. The ban applies only to insurance companies which include an application form with their advertisements, it was reported.

It does not affect the majority of the 500 companies which do business in the state.

Mr. Rawls said he will allow companies which had printing contracts before the ban was announced to run their advertisements until Dec. 3. After that, the ban will be total until his department prepares new regulations which should "should be ready sometime in January," he noted.

"WE HAVE became more and more dissatisfied with the way these ads have been appearing. The ban gives us some breathing time to develop new regulations," the commissioner said.

Mr. Rawls wants to discuss the new regulations with other commissioners at a meeting of the national association in Atlanta Dec. 2. "After that, we'll begin reviewing direct sale advertisements as we have been doing," he noted. Since 1971, Oregon's insurance commissioners have required direct-sale insurance companies to submit ads to the insurance division for approval.

A substantial amount of direct-sale advertising is done through inserts in the state's larger daily newspapers. The largest of the companies affected is National Liberty Corp.

ARTHUR DeMoss, president of National Liberty, said, "we're amenable to anything he wants."

But the Oregon Newspaper Publishers' Assn. said the ban "is interfering with the free enterprise system."

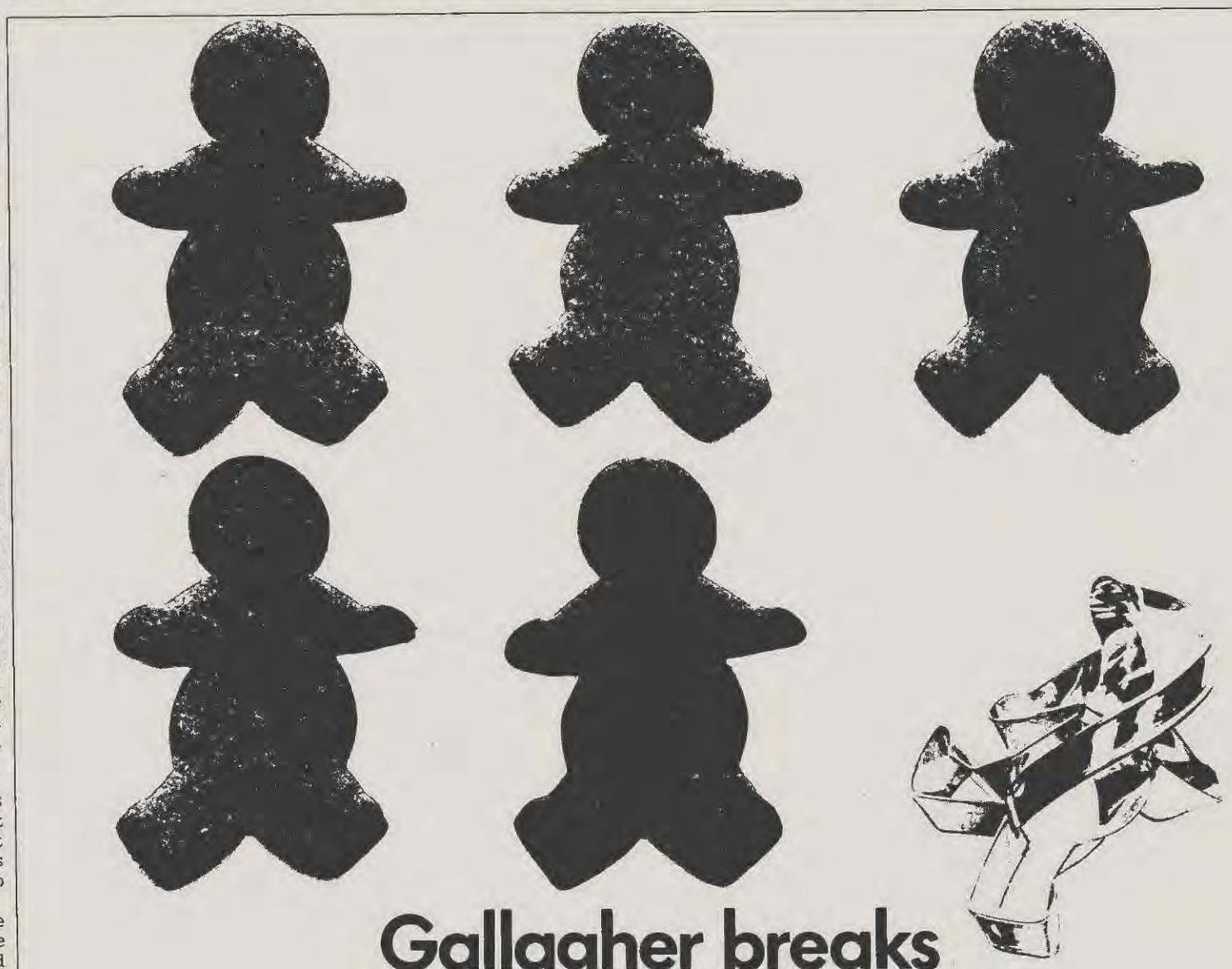
The companies affected by the ban are:

- Pennsylvania: Academy Life Insurance Co., Fidelity Interstate Life Insurance Co., National Home Life Assurance Co., Union Fidelity Life Insurance Co.
- New York: American Progressive Insurance Co. of the state of Pennsylvania.
- Illinois: Bankers Multiple Life Insurance Co., Continental Casualty Insurance Co., Old Equity Life Insurance Co., United Fire Insurance Co., Valley Forge Life Insurance Co., and Washington National Insurance Co.
- New Jersey: Bankers National Life Insurance Co.
- Utah: Equitable Life and Casualty Co.
- Oklahoma: Globe Life and Accident Insurance Co.
- Nebraska: Mutual Protective Insurance Co.
- Michigan: National Casualty Co.
- Connecticut: Phoenix Mutual Life Insurance Co.
- Indiana: Wabash Insurance Co. ■

Payment for blast damage

MADISON, WI.—The state insurance fund has made the final payment—$873,633—for repairs to Sterling Hall, the University of Wisconsin classroom building which was badly damaged by a bomb in 1970.

A researcher, working there late at night in the Army mathematics lab, was killed in the explosion. One suspect has been arrested in Toronto and faces extradition proceedings. Two others are still being sought. According to Stanley C. DuRose, state insurance commissioner, the payment raised the total given from the fund to $1,680,932. ■



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following the funds

Connecticut asks PBW membership; state-owned corporation will finance

HARTFORD—Connecticut formally applied last month for a seat on the PBW/Stock Exchange. The move, maneuvered to allow the state to directly buy and sell common stock for its pension and retirement funds worth over $700 million, is something of a precedent-setter. No state or public body had ever before been successful in purchasing a seat on a stock exchange. (*Business Insurance*, August 18)

Robert I. Berdon, state treasurer, estimates that in three years, Connecticut's pension and retirement funds will be worth a billion dollars, with half of that in common stock. In that time span, if Connecticut was without a seat on the PBW/Exchange, it would have to pay stockbrokers' commissions to the tune of $2 million to $3 million.

The Securities and Exchange Commission, as well as some of the larger brokerage houses, have discouraged Connecticut's bid for a seat on the exchange. The SEC, which has traditionally opposed such institutions as insurance companies and mutual funds from joining stock exchanges, attempted to get the PBW to voluntarily restrict institutions from doing their own trading. It failed.

BOTH THE PBW/Exchange and Connecticut requested that open hearings be held to discuss the dispute. The SEC has so far refused to hold hearings, but their base of opposition has been weakened.

Another barrier to the Connecticut bid came about when the constitutionality of a state joining the stock exchange was questioned.

The problem was skirted by the creation of a corporation, the Connecticut Nutmeg Securities, Inc., by state-sympathetic benefactors. The benefactors contributed $10,000 to fund the new corporation, then promptly handed over all stock to the state.

The Connecticut Nutmeg Securities Inc. will cover the $8,500 cost of the exchange seat and legal expenses, and will use the remaining $1,500 in its coffers to meet miscellaneous expenses, according to Mr. Berdon, who serves as president of the state-owned corporation.

FEW OBSTACLES now seem apparent to Connecticut's potential membership in the PBW/Exchange. Of the 26 governors now on the board of the PBW/Exchange, fully 20 positively favor Connecticut's membership, according to Barry Tague, a chairman of the PBW floor committee.

"In my opinion, Connecticut's membership is a certainty," Mr. Tague said.

Connecticut's position on its reasons for wanting the stock exchange seat were pointedly stated in a letter state treasurer Berdon sent to SEC chairman William J. Casey:

"Because of the minimum commission rates charged by all exchanges, the state finds itself in the position where there is no alternative but to purchase, through a corporate affiliate, a seat on the exchange in order to minimize the cost of acquiring and selling common stock." ■

Keeton says states in need of no-fault

MONTPELIER, VT.—Harvard Law School prof. Robert Keeton contends that if the individual states do not adopt no-fault insurance plans during the first part of 1973, the U.S. Congress will adopt a nation-wide system.

This, he told the annual meeting of the Associated Industries of Vermont, would be preferable if the auto insurance legislation remained on the state level.

He is recommending a plan approved by the National Conference on Uniform State Laws, which would call for unlimited medical payments and a wage guarantee for life to an automobile accident victim. (Mr. Keeton is co-author of the no-fault insurance concept).

In addition, the plan would permit an individual to bring court action in event of serious injury or death.

Such a plan, he told the assembled industrialists, seems to be preferable to the present-day system of fault-oriented insurance, with the settlements obtained through the courts. It is also better, he continued, than the limited no-fault plans approved by a number of states.

The plan, according to Mr. Keeton, would not achieve much savings in premiums, but would emerge a better one than the existing system.

He would endorse a proposed insurance industry measure, which would eliminate an individual's right to bring court action in event of serious injury or death, he said.

Vermont, Mr. Keeton said, should adopt no-fault, though such a proposal was turned down in the 1972 legislative session.

The upcoming session is expected to have similar proposals submitted. ■

Industrial safety course

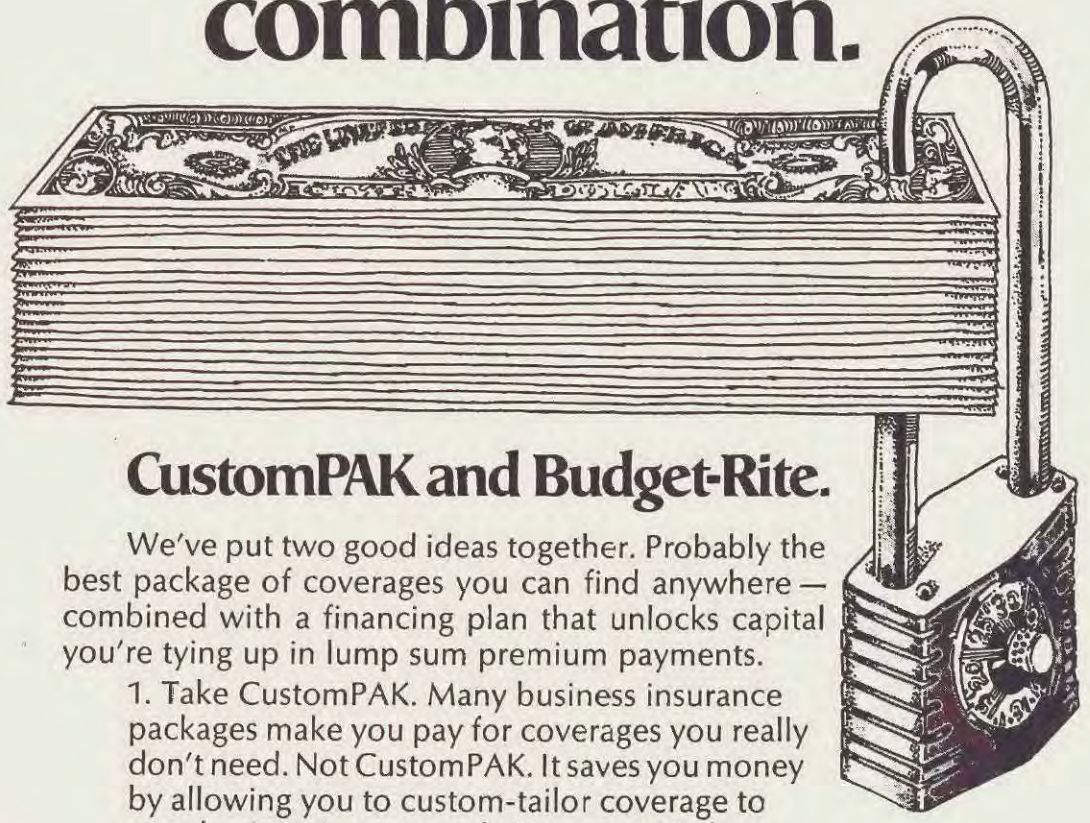
LONDON—Special courses in industrial safety are being arranged by the British government for plant executives as part of a national program.

They are based on the theme that "Good managers help to prevent accidents" and will be available for 260 job supervisors in the next three months.

The scheme has been started by the government's department of employment which states: "The supervisor, in the first line of management, is a crucial figure in day-to-day efforts to reduce accidents and health risks to people at work."

Corporate firms throughout British industry have agreed to co-operate with the government in promoting these courses, which will cover vital aspects of accident prevention, as well as methods of ensuring safety standards among employes. ■

The smart businessman knows the right combination.



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2. Our second good idea is Budget-Rite. It's a way we have of financing your insurance premiums. At less than most bank rates, and with the convenience of 12 monthly payments. You don't tie up capital by pre-paying your premiums. One more convenience: when premiums change, your account is adjusted automatically.

Talk to your local Ætna agent or broker about CustomPAK and Budget-Rite. He knows the perfect combination for your business insurance.

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Senate counsel attacks proposal to let states enforce OSHA plans

WASHINGTON—A proposal to let states enforce the Occupational Safety and Health Act, without federally approved plans and after the deadline for approvals, has been sharply criticized by one of Congress's chief interpretors of the measure.

Robert Nagle, general counsel of the Senate labor committee, said the proposal by assistant labor secretary George C. Guenther "not only contravenes" the intent of the OSHA law regarding federal responsibility but "would place any state enforcement action after Dec. 28 in jeopardy of being challenged on the ground that state authority has been preempted by federal authority."

Mr. Guenther, noting that the development of state plans has "taken longer than anticipated" and that most states won't have plans approved by the deadline, contends an exception is necessary "to prevent a gap in worker protection during the period of orderly progression to full state participation in the OSHA program."

HIS PROPOSAL is for a rule that would permit states that have submitted a complete plan to OSHA regional offices by Dec. 28 to enforce OSHA standards under the plans until they are approved or rejected. "A temporary order will in no way prevent rejection of a plan if it is found to be inadequate" or not "at least as effective" as the two-year-old federal OSHA standards, Mr. Guenther said.

Although Mr. Nagle contends that the OSHA law leaves no room for an extension of state enforcement without approved plans, and that the federal government must take over enforcement responsibility after Dec. 28 where there are no approved plans, officials at Mr. Guenther's OSHA headquarters say his rule could be put into effect anyway. Mr. Guenther hasn't decided yet whether to do so, according to OSHA staff members.

As Mr. Guenther and OSHA worked on this decision, Leonard Woodcock, United Auto Workers president, rapped the Labor department for failure to implement the OSHA law in a speech at the National Safety Congress in Chicago. He also said Congress hadn't authorized an adequate OSHA budget.

MR. GUENTHER has support from members of the Senate Labor committee in his efforts to amend the OSHA law to permit "consultation" calls to be made on employers to avoid hitting violators with penalties on first visits. A labor committee staff source said there is committee support for an amendment to make this possible "because so many small businessmen have been fined after the first inspection for violations they didn't understand." Attempts to pass "consultation" amendments last year were either knocked out of bills or failed to come up for a vote. ■

No jobless cover change

ANTIGONISH, Nova Scotia—There will be no changes in Canada's unemployment insurance legislation, it was stated here by Prime Minister Pierre Trudeau.

During a visit, the prime minister was asked by a university student about reported changes in jobless insurance legislation. He replied: "We have no intention of changing the Unemployment Insurance Act."

Discussing the cost to taxpayers of unemployment insurance benefits, Mr. Trudeau said: "Parliament decided it would cost that much" when it extended UIC benefits to pregnant women, sick people and fishermen.

He said these people had to be protected and there are no plans to drop that coverage. ■

Cowen is retirement board head

CHICAGO—James L. Cowen, an employe of the Railroad Retirement Board since 1952, was appointed its chairman by President Nixon and the appointment was confirmed by the Senate late last month.

The board is the Federal unit which administers the $2 billion-a-year retirement and unemployment-sickness insurance system for the nation's railroad workers. The board is headquartered here.

Mr. Cowen, who succeeds Howard W. Habermeyer, told *Business Insurance* that the board acted mainly as an advisory group, giving technical advice and assistance to railroad labor and management groups.

He worked closely with the high-level commission which studied the railroad retirement system and, last August, recommended a 2% tax on both employers and employes to keep the ailing system solvent. For this reason, Mr. Cowen said he was acutely aware of both the problems in the system and the recommendations which have been made to save it.

After joining the board in 1952, Mr. Cowen was named its chief actuary in 1970. He is an associate of the Society of Actuaries, a member of the American Academy of Actuaries and a fellow of the Conference of Actuaries in Public Practice. ■

Hall acquires brokerage

MILWAUKEE—Insurance Management Inc., a 20-year-old insurance brokerage here, has been acquired by Frank B. Hall & Co., Inc., New York, an international insurance brokerage.

Hall will exchange about 100,000 shares of its common stock, traded over the counter, for Insurance Management. Based on the closing price Oct. 30, the day preceding the announcement, the acquisition represents a transaction of about $2.8 million.

Officials said the Milwaukee firm would retain its name and become a division of Hall. Richard Bamberger, president and chief executive officer of Insurance Management, will continue to head the Milwaukee operation.

Hall, which has 22 offices in this country and abroad, reported record revenue of $28.9 million for the six months ending June 30. It is a broker of property, casualty, marine, aviation insurance, as well as employe benefit programs. Insurance Management has annual revenue of about $1 million on 5,000 accounts. ■

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editorial opinions

Product safety

THE SIGNING BY President Nixon of a bill creating an agency with unprecedented regulatory authority in the realm of product safety has brought some anguished moans from businessmen already hassled by product liability problems. Insurers, meantime, have generally applauded the long-range effects of the law (safer products, hence fewer claims), while enunciating in softer voices its short-term impact (higher product liability premiums in some cases).

That the Congress should draft and pass such a law in these times is not surprising, of course. That Mr. Nixon put his pen to the measure, however, may have been more surprising. To our way of thinking, however, it made good political sense. After all, it was the only consumer legislation to make it through a Congress hurrying toward adjournment and the elections. And, after all, it did contravene some of the opposition's campaign rhetoric about the Nixon Administration being soft on big business and industry. (Actually, there is a case to be made for the argument that Mr. Nixon's signature on a strong product safety measure had little impact on his relationship with big business, for the product safety bill will not affect the GMs and the ITTs so much as it will the small-to medium-sized manufacturer who until now has not established the same quality control standards for the household widget he produces.)

In any event, the bill is now law. There is something to be said for that. It was inevitable—as are such things as pension legislation, national health insurance, workmen's compensation improvements and auto insurance reforms—and it now behooves businessmen large and small to stop wringing their hands and get on with the business of making safer products. In the end, a few product liability problems just might work themselves out.

Quick start

WHILE ON THE subject of product safety, it is interesting to note that two days after the bill became law the wheels were set in motion for its quick implementation by the Food & Drug Administration which revealed that the "National Electronic Surveillance System" had been put into service.

The NESS connects 119 hospital emergency rooms in 30 states with a computer in Washington. The system will provide daily nationwide summaries of household accidents and, presumably, put a red flag on products involved in a high rate of accidents.

A test run of the system has already revealed several product areas likely to get initial scrutiny when the FDA sets up its bureau of product safety shortly after the first of the year. The test run turned up high "severity" rankings for such items as gas stoves, power mowers and saws, electric dryers and frypans, pressure cookers, aerosol containers, drain cleaners and other household items.

The rankings do not mean that these products are at fault, but they do give the new agency a place to start when establishing its priorities. If further investigation does determine a product to be unsafe, the FDA agency could recall the item or set standards that might even force a manufacturer to retool. In any event, the bureau of product safety has a clear-cut mandate to disclose to the public what products are unsafe or hazardous.

Indeed there are frustrations ahead for the manufacturer whose products are red flagged by the bureau of product safety. He must not only contend with the bad economics brought about by a recall or re-tooling, but he may also find himself sitting in the middle of an overwhelming product liability problem. The bureau of product safety will be compiling and making public information that will make the job of plaintiffs' attorneys with class action on their minds easier.

To be sure, it is a time for risk management to flourish—if it can get the message across to top management.

Back to work

WITH THE ELECTION over and with things settling back to near normalcy in Washington it is time, we think, for the White House to get on with some business it may have overlooked in the final weeks of "The Making of the President—1972."

We speak of the formal termination of the National Commission on State Workmen's Compensation Laws. The commission passed out of existence (hopefully not into oblivion), by law, Oct. 29, a little more than three months after it submitted a lengthy report recommending many improvements in the state workmen's compensation system. Generally speaking, the report won the approval of business, industry and labor, although there were charges of timidity leveled at the commission for its recommendation that the states be given until 1975 to upgrade their laws before Congress takes action to guarantee the improvements.

In any event, one of the 80 recommendations made to President Nixon by the commission was that a successor commission be named by the White House to oversee the progress (or lack of it) made by the states toward upgrading their workmen's compensation laws.

Thus far, Mr. Nixon has not seized upon the opportunity to follow up on this recommendation. Perhaps it was an oversight, or maybe he was saving a ruffle and flourish or two for after the campaign. He has made it clear, of course, that he would rather see the states act on their own in the matter of workmen's compensation. Now is not the time, however, to ease up on whatever pressure the original commission may have exerted in the direction of correcting some dreadfully inadequate workmen's compensation systems around the country.

letters

This column is a readers' forum. Letters are welcome. Address Letters to the Editor, Business Insurance, *630 Third Ave., New York, N.Y. 10017.*

NFL retirement plan

To the Editor: Your Oct. 23 issue had a story on benefits for NFL players. It created a misimpression about the retirement plan.

The medical care, life insurance and dental insurance benefits for active players and vested inactive players are defined under the 1970 collective bargaining agreement. These benefits are provided under a group contract with Lincoln National. The selection of Lincoln National and the administration of the contract are under the control of the owners.

The status of the retirement plan is quite different. The retirement plan is a joint labor-management trust fund with equal representation by owners and players. This trust fund receives the contributions specified in the 1970 collective bargaining agreement. The allocation of these contributions depends upon the decision of the joint trustees. The retirement board has retained our firm and Pension Planners of Baltimore as co-actuaries and co-administrators. This reflects the fact that Mr. Hyman represents the owners during collective bargaining and that our firm represents the National League Players Assn.

William A. Dreher
William A. Dreher & Assoc. Inc., New York, N. Y.

Risk management

To the Editor: A recent editorial (*Business Insurance,* Sept. 25) mentions sequential risk management courses which are of interest to me.

Would you please refer this letter on to a person involved who could furnish details of future courses.

G. J. Muir
Assistant secretary-treasurer, Interstate Power Co., Dubuque., Ia.

Editor's note: Your letter has been passed along to the Insurance Institute of America Inc., sponsor of the courses, at 270 Bryn Mawr Ave., Bryn Mawr, Pa.

Bion Francis series is available

A 13-part series of articles on buying corporate insurance, which was authored by *Business Insurance* contributing editor Bion Francis, has been prepared in booklet form due to demand from readers who expressed a desire to have the entire series available in a single package.

The series, which appeared on the Perspective pages of the magazine in issues earlier this year, looks into the problems to be expected when buying insurance, how to recognize them and offers practical advice on how to surmount them.

Readers interested in obtaining a copy of the booklet may write: Bookshelf, Crain Communications, 740 Rush St., Chicago, Il. 60611. Single copies are $350. A check or money order should accompany the request.

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Preventive health care plan set up in Phoenix

PHOENIX—The Arizona Health Plan, a private-enterprise insurance program aimed at keeping people well, began operating in October with more than 5,000 enrollees.

The plan, a prepaid, capitation program available only to employe groups of more than 10, is Connecticut General Life Insurance Co.'s answer to growing nationwide criticism that the health system should switch its priorities from crisis health care to preventive protection.

Under a capitation program, doctors are paid salaries instead of collecting fees based on visits.

Eventually Connecticut General hopes to expand the plan from the one office it has opened to a series of satellite facilities throughout the country, said John Stiteler, manager of the Phoenix office.

MR. STITELER said he believes the plan will be available in the future to individuals as well as groups. Currently, a person who signs up as a member of a group and then changes jobs is allowed to continue as an enrollee, he noted.

The monthly charge for the plan is $20 per person or $58.50 per family.

Family Health Associates, a local physicians' group, is cosponsoring the plan and supplying 12 physicians who will provide the 24-hour "comprehensive" coverage the plan offers. In addition, the plan will contract for services with 32 specialists.

Connecticut General is enrolling local employe groups in the plan on an optional basis. Seventeen per cent of the employes of the state of Arizona chose the plan, along with employes of 14 firms, he said.

Doctors Eugene Ryan and Donald Schaller of Family Health, said the plan covers health-evaluation examinations, X-ray and laboratory tests, electrocardiograms and pulmonary tests, hospital care through local hospitals and out-patient surgery and ambulance service. It also covers the complete cost of drug-abuse counseling and hospitalization required for addiction, with no limit.

It does not include dental care or drugs, but Dr. Schaller said drugs will be sold at minimum cost from a pharmacy in the plan's office. ■

James wins coverage on Pa. state buildings

HARRISBURG, PA.—Fred S. James & Co., agent here for Lumbermans Mutual Casualty Co., has won a $568,569 premium bid from Pennsylvania's department of property and supplies for one year's coverage of state buildings.

This year's coverage, effective since Oct. 1, totals $1.381 billion, with a $500 deductible. It is written on a property policy covering fire and comprehensive damage.

The premium rate was termed "astonishingly low" by Frank C. Hilton, property and supplies secretary of the state agency. He pointed out that last year's premium was nearly twice as high—$1,007,334. The 1971 coverage was $1.155 billion, with a $100,000 deductible.

A spokesman for Fred S. James discounted the surprising contrast between last year's premium and the premium his company offered this year. He told *Business Insurance* that the discrepancies were "more of a reflection on those who bid last year than a credit to us. The high premium paid last year had nothing to do with what it was worth."

HE ESTIMATED that about 15 other companies bid against James & Co. for the government contract which applies to structures built by the General State Authority, a state agency which leases buildings to the commonwealth. ■

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New York firms angry over benefits

BUFFALO, N.Y.—Big industries in New York state are angry over jobless benefits for strikers and are trying to have some changes made in the system.

This anger was raised at a recent luncheon meeting of the Buffalo Area Chamber of Commerce, which was addressed by Alvin G. Mardon, director of public affairs of the Associated Industries of New York State.

Mr. Mardon charged that labor law, which forces employers in New York to subsidize strikes through unemployment insurance reserves, could result in severe consequences for the future of industry in the state.

Payment of unemployment benefits to strikers compels employers, in effect, to "finance strikes against themselves," said Mr. Mardon. He charged that such payments are in direct conflict with the "principle" of the Unemployment Insurance Act.

IT WAS pointed out that under present law strikers can apply for unemployment insurance benefits when a strike reaches its seventh week.

Noting that Associated Industries and organizations like the Buffalo chamber of commerce have worked for repeal of the law, Mr. Mardon said there is a good chance that the campaign can succeed this year.

This year could be the critical one for the solution of the problem because a number of major strikes are focusing attention on the magnitude of the situation.

He commented: "Every top industry is aware of the picture in this state and it is a picture which unfortunately has hindered the expansion of new industry here. This, coupled with the high cost of doing business in New York, could result in severe consequences for the future of industry in the state." ■

Mass marketing

The Commercial Mass Marketing division, a new part of the Kemper Insurance Group, will be run by James J. Levis. Kemper said of its new division and director: "Mr. Levis will work closely with underwriting, sales, claims and engineering personnel to provide the most complete mass marketing programs and policies available to our commercial insureds." The new division will be part of the underwriting executive department.

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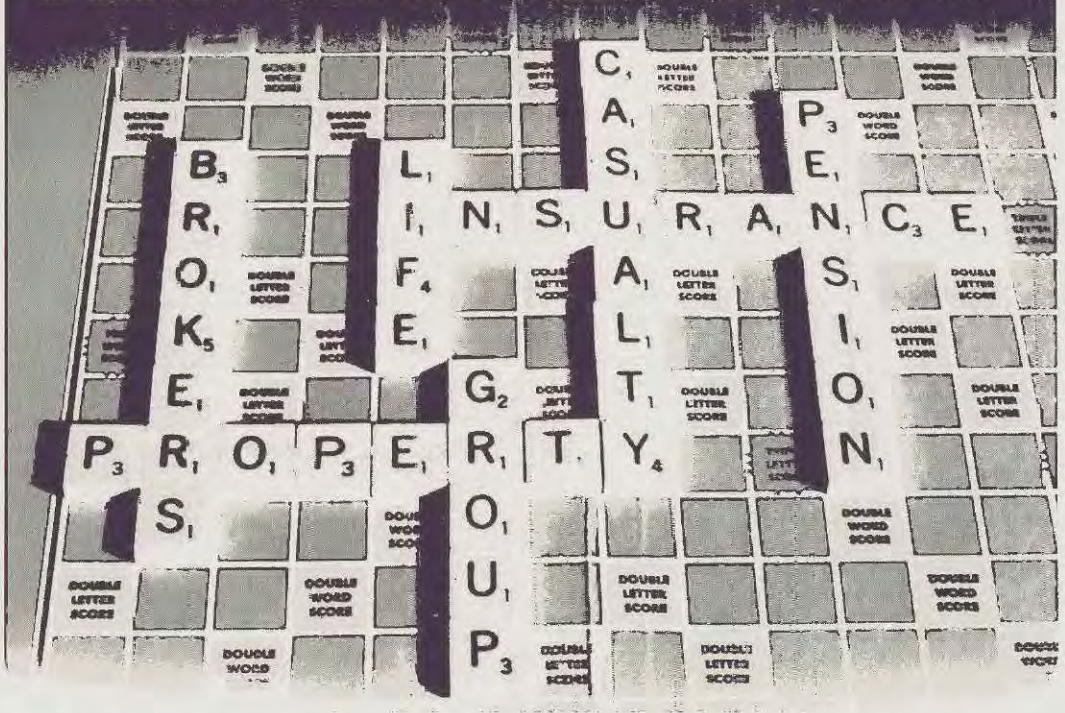

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for the record

Members for labor dept. advisory council named

WASHINGTON—Seven members were named to the labor department's Advisory Council on Employe Welfare and Pension Benefit Plans. Labor Secretary James D. Hodgson named four new appointees and reappointed three members for two years.

The new appointees include: Preston C. Bassett, vp and actuary of Towers, Perrin, Forster & Crosby Inc., Philadelphia; Frank Cummings, professor, Columbia University Law School; Robert Georgine, secretary-treasurer, AFL-CIO Building and Construction Trades Dept., Washington, D.C.; and Charles J. Schaffer Jr., administrator, Teamsters Health and Welfare Pension Fund of Philadelphia and Vicinity.

Reappointed for two years are: H. Richard Wilking, vp, First National Bank of Chicago; Bracy D. Smith, vp and comptroller, U.S. Steel Corp., Pittsburgh; and Dan Mays McGill, chairman and research director, Pension Research Council, University of Pennsylvania, Philadelphia.

The 13-member advisory council meets to advise the secretary of labor about his functions as outlined in the Welfare and Pension Plans Disclosure Act.

Owner not responsible for all patrons' injuries

HELENA, MT.—The Montana supreme court affirmed that the owner of a place of business is not responsible for all accidents which might befall patrons on his premises.

The ruling upheld a lower court judgement in a suit against the Baxter Hotel, Bozeman, Mt. The unanimous opinion, written by Justice Gene B. Daly, rejected an appeal by Carol Lea Campbell.

The woman had sought $5,422 plus court costs in a suit stemming from leg injuries sustained in a fall in May 1971 down the hotel stairs, charging negligence and contributory negligence on the part of the hotel. A district court jury found in favor of the hotel, on grounds the stairway was not defective.

The high court affirmed that ruling and stated the "mere fact that a plaintiff trips and falls does not make a defendant liable. The owner of a business premises is not the insurer against all accidents which might befall business invitees on his premises."

Claims from N. Ireland civil war: $150 million

BELFAST, Northern Ireland—Cost of the Northern Ireland civil war has now reached $150 million in compensation claims on public funds.

This figure was released by government sources in a review of the three-year period of bomb attacks and shooting reprisals between the Catholics and Protestants.

In Belfast alone, $5 million has been paid out to bomb victims or their dependants, and another $6 million sought by claimants is being processed. This is for personal injuries only. There is another $25 million paid out in the city for damage to stores and business premises. Two Belfast sisters who lost both legs in a bomb-blast in a city restaurant are seeking $600,000 compensation.

Insured firms are compensated by their insurance companies, who in turn reclaim the money from the government, and uninsured people get their payouts directly from government funds.

Denenberg retirement demanded by doctors

HARRISBURG, PA.—In a letter to Gov. Milton J. Shapp, the 12,000-member Pennsylvania Medical Society has called for the end of Herbert S. Denenberg's term as state insurance commissioner.

The society warned that if action were not taken to replace the "irresponsible" commissioner, it might apply pressure on the state by pulling out of the state operated medical plan, thus depriving the state of federal assistance in its Medicaid program.

Denenberg attributed the medical society's complaints to his refusal to grant a Blue Shield rate increase until certain reforms were enacted, including turning over control of Blue Shield to consumers.

He said the medical profession was also unhappy about a "Shopper's Guide to Surgery" published by the insurance commissioner earlier this year.

Sale of damaged cars is a 'potential liability'

WALNUT CREEK, CA.—New and used car dealers in Northern California are being warned by the Contra Costa County district attorney of "potential liability" in the sale of recalled vehicles.

The warning relates to the sale by dealers of vehicles recalled by

Continued on page 31

W&A Newsletter

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W&A EXPANDS BANK PROGRAM

A new Master DIC Cover has been designed for financial institutions by W&A. The first section provides single or dual coverage for DIC (or Full All Risk) on risks in the course of construction or repair. The second section is designed for completed risks that require broad form coverage on either a single or dual interest basis.

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Blue Cross rate hike comes up for hearing

TRENTON—Insurance Commissioner Richard C. McDonough scheduled a public hearing this month on a new rate-increase request by the New Jersey Blue Cross.

The Blue Cross proposal would increase rates on an average of 18.1% for one million subscribers holding individual policies or included in groups of fewer than 100 members.

This request to the state insurance department follows a similar one last April in which Blue Cross asked for approval of an increase averaging 14.3% for the same subscribers.

The April request was rejected in June by Mr. McDonough on the ground that it was "excessive." He asked the non-profit hospital insurance plan to submit a new request in November.

THE LATEST rate increase would affect 29% of Blue Cross's 3.8 million New Jersey subscribers. No one over 65 years of age would be affected.

The remaining 2.8 million policyholders who would not be affected are included in large group insurance plans that are experience rated.

The new increases sought by Blue Cross would range from 12.7% for familes in small groups (increasing monthly premium payments from $25.27 to $28.48) to 29% for a family not involved in a small group plan (from $22.68 to $29.19 a month), according to a statement released by the department of insurance.

A Blue Cross statement reports that Blue Cross's reserves were down to $2.1 million at the beginning of the year and it now has a $3 million deficit.

BLUE CROSS said that the requested rate increase would restore the plan to solvency by 1973. State figures show the 18.1% average rate increase would bring Blue Cross about $17.5 million in additional annual revenue.

Besides the rate increase request, Blue Cross has also suggested changes in the plan's method of reimbursing hospitals and calculating subscription rates to be paid by individual and small group subscribers.

One area expected to raise questions at the hearing is the question of Blue Cross benefits to automobile accident cases after the state's new "no-fault" automobile insurance system becomes effective. A special advisory counsel to the department of banking recommended this year that the Blue Cross benefits should be denied.

Other factors likely to emerge are complaints that subscribers in southern New Jersey are being asked to subsidize northern New Jersey subscribers, who have to pay higher hospital and medical costs, and a charge that the plan discriminates against individual and small group subscribers in favor of large group policyholders.

The last major rate increase approved for Blue Cross by the state was for 9.4% in July, 1971, and a combination of two increases that totaled 55.6% between December, 1969, and May, 1970. ■

Pennsylvania sets up rehabilitation program

HARRISBURG—The Pennsylvania labor and industry department has launched a program designed to help occupational injury and disease victims become employable.

"This is the first time the workmen's compensation program has had this kind of specialist to see that injured people get rehabilitation assistance," said Paul Smith, labor and industry secretary.

Mr. Smith named Bernard Orr, Philadelphia, as coordinator of the program. Mr. Orr had been serving with the Jewish Employment and Vocational Service in Philadelphia as director of a project to help handicapped applicants find jobs.

His state assignment is to coordinate efforts of several state agencies to provide counseling, job training and placement assistance to persons receiving workmen's compansation or occupational disease benefits.

The bureau of vocational services will provide the counseling and retraining to claimants physically handicapped because of on-the-job injuries or diseases. If they cannot return to their former jobs, the bureau of employment security will be responsible for finding other jobs for them.

Mr. Smith said there never has been program in Pennsylvania to make sure injury and disease victims receive rehabilitation and placement from the state. ■

Polaroid to consider pension plan

CAMBRIDGE, MA.—Polaroid Corp., headquartered here, has called a special meeting of stockholders to consider a proposed pension plan for its entire work force.

Also on the agenda will be an amendment to the company's present profit-sharing retirement and incentive compensation plans. The meeting will take place Dec. 19, at Newton, Ma., about ten miles outside of Boston.

ALTHOUGH the entire Polariod company is covered by the profit-sharing retirement plan, no pension plan currently protects the 9,000 employes of the instant film and camera giant.

A Polaroid spokesman said that final details of the proposed pension plan were pending approval prior to their presentation to the stockholders.

The meeting will be open to the public. ■

Container safety

United Nations officials have organized an international conference on container traffic to be held in Geneva, Switzerland. Safety regulations for containers will be discussed by delegates from 144 countries, who want to ensure that proper standards are maintained throughout the world. IMCO (Inter-Governmental Maritime Consultative Organization) is cooperating in plans for the conference, which will also examine health aspects of container transport. ■

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Director says Golden Gate Bridge is overcharged on insurance rates

SAN FRANCISCO—The Golden Gate Bridge, one of its directors has charged this month, is being "grossly discriminated against in its insurance rating."

The "discrimination," Dean Meyer said, "is costing the Golden Gate Bridge District thousands of dollars annually, for less insurance."

Mr. Meyer told a meeting of the directors that the premium paid for Golden Gate Bridge insurance "now is five times higher than that paid by other major bridges." The annual premium of $150,000 insures the bridge for $10 million, with the insurance provided by 16 U. S. carriers and Lloyd's of London. Estimated replacement value of the bridge is about $225 million, he said.

Mr. Meyer also complained that the current $10 million coverage, as compared with the more than $50 million carried several years ago, does not include earthquake protection. Current policies cover only direct damage and loss of revenue, with policies on a first loss basis and with no co-insurance provisions.

MR. MEYER and the Golden Gate Bridge insurance consultants, Warren, McVeigh & Associates, San Francisco, met recently in New York with insurance industry executives.

"We wanted answers," *Business Insurance* was told by both David Warren and Donn McVeigh, " as to why the rate is so high for the Golden Gate Bridge, in comparison with premiums paid by other major U. S. bridges. The answers we got were not very satisfactory".

Mr. Meyer reported that during the past 30 years the Golden Gate Bridge has been insured for an average of "roughly $30 million" a year under policies that carried a premium rate of $2 per $100 of insurance.

"That premium rate," Mr. McVeigh explained, "was for an all-risk series of policies, including earthquake insurance."

IN VIEW of federal programs covering disaster areas and the "probability" that damage from a major earthquake would place the bridge into the disaster area category, the bridge district's insurance committee recently followed the alvice of Warren, McVeigh and obtained a new reduced rate of $1.50 per $100, specifically excluding quake damage.

The San Francisco office of Marsh & McLennan is broker for the bridge district and executives of that firm as well as the risk management consultants point out that bridge insurance is not underwritten in the conventional manner.

Most major bridges, according to Mr. McVeigh, are "categorized as target risks and as such it is almost impossible to get reinsurance. This means the broker has to canvas practically every carrier in the business and the total package is shared by a number of carriers."

New York's three major bridges, Triborough, Verranzano Narrows and George Washington, pay between 20 cents and 32 cents per $100 of insurance, with the policies covering a large share of replacement costs.

IN CONTRAST to the Golden Gate Bridge, the San Francisco-Oakland Bay Bridge, operated by the California Toll Bridge Authority, has a $30 million first loss policy which costs $1.50 per $100, plus a $20 million second loss policy with a premium of $1.25 per $100. Estimated replacement cost of the bridge is $223 million.

The San Mateo-Hayward bridge, with replacement estimated at $101 million, carries a $37 million first loss policy, at $1.78 per $100 and a $15 million second loss policy at $1 per 100.

Mr. Meyer said he hopes the Golden Gate Bridge directors, through their insurance committee, will ask Marsh & McLennan to "appeal to the Insurance Rating Bureau for lower premiums". ■

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Goldberg promoted at National

LOUISVILLE, KY.—Allan A. Goldberg has been named insurance coordinator of National Industries Inc., headquartered here. The new risk man sees his basic function as a task "to continue a program of consolidation and improvement in the insurance program, and to coordinate the insurance of whatever new systems are put into effect."

That definition aptly describes what Mr. Goldberg has been up to since he began his new post in September. He told *Business Insurance* about an employe benefits program he helped evolve that pulls together benefits for

Allan Goldberg

workers in each of the 12 National subsidiaries. All the previous separate plans have been consolidated in one program.

Probably the greatest challenge Mr. Goldberg has faced so far as insurance coordinator was the revamping of the corporate use of brokers. National formerly handled its insurance programs through five major and 25 minor brokers.

SINCE Mr. Goldberg took on his new position, the system has been consolidated. National now uses one major broker, Diversified National Insurance Agencies Inc., St. Louis, to administer employe benefits.

Property and casualty policies will be handled now as a joint venture by only two major brokers. Nahm, Turner, Vaughn & Landrum Inc. of Louisville will act as the entire agency account executive, while Alexander & Alexander of Houston, Tx., will handle marketing aspects of the policies.

Formerly assistant insurance director for National, Mr. Goldberg is also safety director for the company. He succeeds Norman Hoffman, a *Business Insurance* contributing editor. ■

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Pre-retirement programs: Preparation for freedom

By LESLIE MURRAY

CHICAGO—"I'd much rather see people engage in useful activity and wear out than give them food and shelter and let them rust out," said Edward M. McGehee while addressing a workshop on pre-retirement counseling at the Council of Profit Sharing Industries' silver anniversary conference held here.

Mr. McGehee, director of retirement studies at the industrial relations center of the University of Chicago, also asserted that the responsibility for adequate retirement planning rightfully belongs to the individual and his employer as well as the society as a whole. "If we don't do something about it," he commented, "the government will."

He noted that pre-retirement programs ranged from those utilizing intensive individual counseling—some amounting to over 35 hours spanned over a number of years, to quick 15-minute interviews during which retirement benefits are hastily explained. "Nonetheless, any kind of program at all has some strength," Mr. McGehee said, "if only to provide accurate information or to create an awareness in the employe that it's later than he thinks."

THE RETIREMENT expert condemend most pre-retirement programs for failing to deal with a retiree's real apprehensions, which he outlined as a fear of retirement, a lack of systematic long-range planning and a lack of opportunity to gather concrete information.

Corporations frequently hesitate to provide adequate, or in-depth, pre-retirement counseling because of a fear of appearing paternalistic or because of seemingly high costs, Mr. McGehee continued, adding that some companies were also lacking in qualified counseling personnel. However, for all the drawbacks he enumerated, he did note a marked resurgence in the past few years of interest in pre-retirement planning, highlighted by the White House conference on aging.

John B. Maloney, manager of employe communications and services for Motorola Inc., Franklin Park, Il., told the COPSI audience that his company accentuates the positive approach to retirement. Motorola's counseling program, "for positive and practical reasons," begins three to five years before an employe reaches his retirement age. Mr. Maloney explained that "on-the-job retirement," an attitude resulting in an older employe's biding out his time on the job, can become "a real dollars-and-cents problem" in terms of reduced work efficiency, and, consequently, reduced profits. Counseling then, as he put it, is "modified altruism."

MR. MALONEY stated, however, that a company must take an interest beyond the purely monetary in preparing an employe for the freedom retirement affords him. Quoting a number of authorities on retirement, he pointed out that most people are disoriented by a lack of structure and that "freedom can be a curse without a positive orientation in dealing with it."

Motorola's plan, he went on, not only suggests possible post-retirement activities such as part-time employment, volunteer work, or, in some instances, brand new careers, but also offers lectures on Social Security, Medicare, nutrition, health care, pension plans, profit sharing, financial management, wills and trusts and living arrangements. Mr. Maloney stressed that the cost of such intensive planning need not be excessive, since Motorola calls upon company attorneys, doctors and profit sharing and pension administrators to lecture and lead discussions. Most have been amenable to giving group advice, he noted, adding that the local Social Security office is equally helpful in providing lectures.

WHEN BURLINGTON Industries' program was first initiated it "countered a fair amount of resistance," the company's assistant personnel director, John M. Melick, said. "Many employes thought they were too young and refused to even think about retirement, "but enthusiasm about our retirement sessions grew when the word spread that we weren't running a rocking chair clinic."

MR. MELICK noted that most employes are still not enthusiastic about retirement, but instead "graciously accept" the situation.

His company's pre-retirement counseling program begins with employes being contacted by the firm three or four years before their retirement; any employe over 55—Burlington's early retirement age—can request to be included, Mr. Melick pointed out. The employe then receives a retirement notebook which is appended by letter each month. Each pre-retirement individual is assigned to a personnel counselor with whom he meets at six-month intervals, and group counseling sessions are arranged on an annual basis. The half-day sessions, Mr. Melick said, feature speakers and the dissemination of printed materials covering topics similar to those presented Motorola.

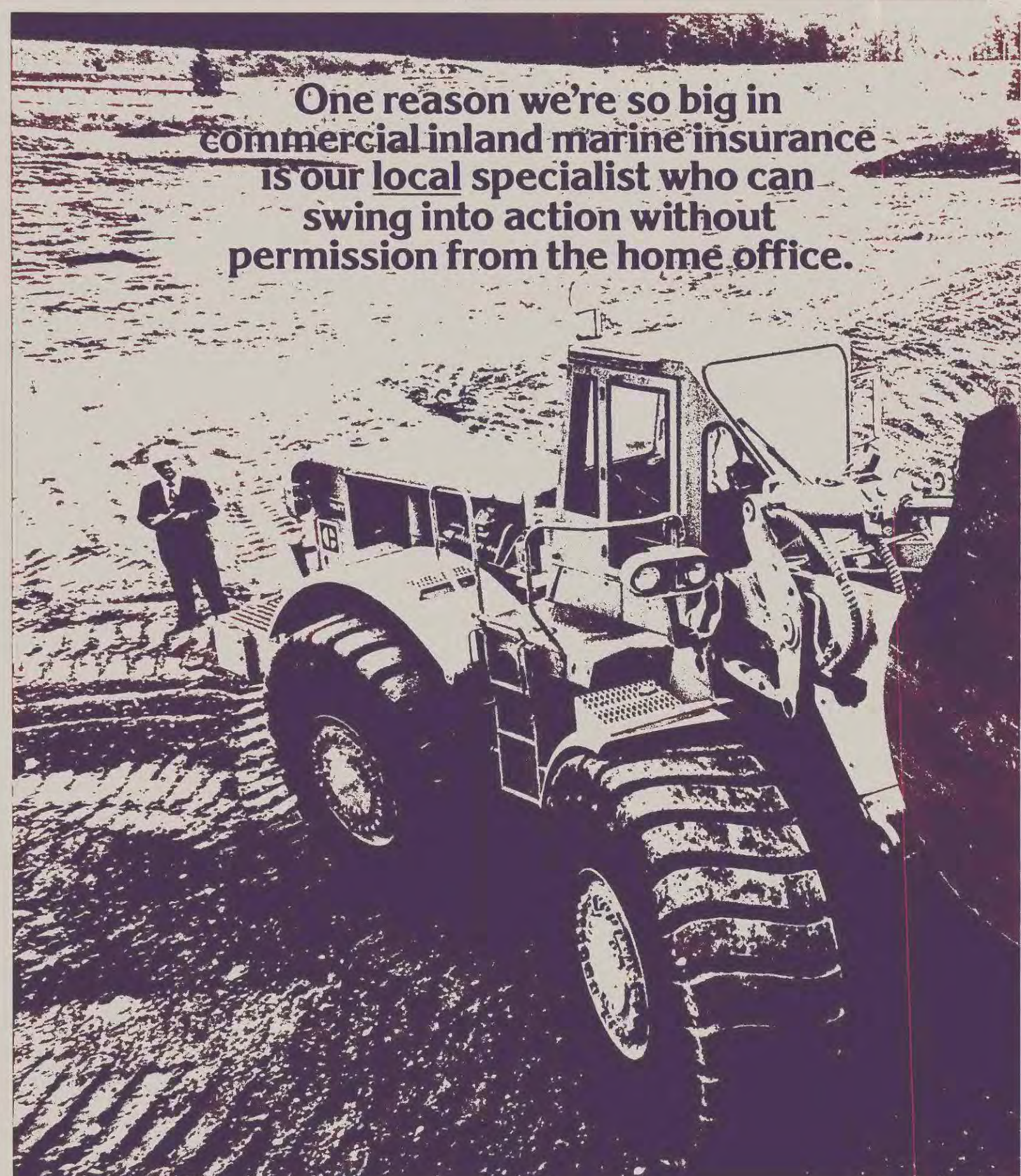
Mr. Melick commented that removing the uncertainty about retirement finances seems to be one important result of Burlington's counseling system. He added that, "Often, the employe is less apprehensive when he discovers that he will have more financial resources than he expected."

Besides providing advantages to the employe, the program has been a decisive plus for the company as well, he asserted. The process of moving younger workers up the job line coincides with the counseling process, subsequently making for smoother transitions with less ill will, said Mr. Melick. In addition, the pre-retirement experiences of older workers reassure those who are younger and furthermore, as a result of employe suggestions, the company has developed improved options in its benefits program.

IN AN OPEN discussion following the panel, topics raised included:

• Involving an employe's spouse in the pre-retirement counseling process. Having the spouse there to learn about the options available often increases confidence in decision making. Mr. McGehee noted, "We find in our first sessions with both husband and wife present that it's frequently the first time they've

Continued on page 36



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Limited share in Ohio agency sold to J & H

CLEVELAND—Johnson & Higgins has acquired a 49% interest in the commercial insurance agency of Wilson, McBride & Co. here. Considered a foreign broker in this state, Johnson & Higgins' interest in the firm was limited to 49% by Ohio law, though the nation's second largest broker is hopeful that, pending the outcome of current litigation, Wilson, McBride will become a wholly owned subsidiary.

A spokesman in the Ohio insurance department explained that an administrative rule has been adopted by the department which would allow, for the first time, "the big, foreign brokers to come into the state and buy domestic agencies. We will still insist that the day-to-day management of the agency be carried out by Ohioans."

However, that rule was challenged by the Ohio Assn. of Insurance Agents. "There will be a hearing the end of the month on a department motion to dismiss on a jurisdictional basis," the insurance department man told *Business Insurance*. "If it is dismissed, the rule can take effect quickly. If not, it could be up to a year but I think we'll win."

HE SAID that the department was allowing Johnson & Higgins to go ahead with its plans on a limited basis even though the rule was not yet firm.

"We are treating Wilson, McBride as if they were a branch office," said a spokesman at J&H, "and they, in turn, have access to our facilities. We have done business in Ohio in the past and we have customers there who can now get local service."

He explained, and his explanation was supported by the insurance department man, that the large brokers could do business in the state as long as they supplied products that Ohio businesses could not get locally, such as directors and officers liability insurance or international coverage.

The Ohio law states that foreign brokers could do business in the state if they did not actively solicit such business and did not place the coverage with domestic insurance carriers.

Wilson, McBride & Co. is a specialist in commercial and industrial insurance for corporate clients. It employs a staff of 31 persons and is headed by Donald S. McBride, one of the men who founded it in 1931. He will continue as its head. ■

Canadian commission advises early vesting

TORONTO—A report of the Pension Commission of Ontario has proposed legislative changes in benefits vesting which, if enacted, would allow earlier vesting to 2.75 million employe members of private pension plans in Canada.

The report suggested that existing pension legislation (passed in 1965) be changed to provide for vesting of benefits at age 40 and after five years of service instead of at age 45 and 10 years of employment as is now the case.

According to the commission's general estimates, the extra cost to employers for earlier vesting would range from under 1% to 9%.

A Canadian source reported that the strongest arguement for the pension reform is that earlier vesting would make it easier for an employe to change jobs. He explained that under the present regulations, an employe is hesitant to move on to another job if he has not fulfilled the age 45-10 year service requirement.

ANOTHER pension issue raised by the report is the present locking-in provision of pension legislation.

The laws now prohibit a plan member who passes the "45 and 10" test from taking out the contributions he made to the plan after the effective date of the act.

Exceptions are made by certain plans, whereby an employe may withdraw 25% of the commuted value of his deferred pension. Cash payments may be paid, as well, to disabled employes.

The provision was established to ensure that contributions would be working to provide pensions at retirement.

SOME PENSION men and other opponents to the locking-in provision are advocating that employes at least have the option of withdrawing their contributions if they change jobs. In 1970 Statistics Canada reported that only about 2% of covered employes in Canada were without vesting.

Basically uniform legislation presently governs private pension plans in Ontario, Quebec, Alberta and Saskatchewan; and a federal act covers employes under federal jurisdiction. ■

Stock offered by financial services firm

MADISON, WI.—Wisconsin insurance and securities commissioners have approved the plans of CN Corp., a new financial services firm here, to offer 235,000 shares of common stock to the public at $10 a share.

The company, which also announced the plans to operate insurance subsidiaries, said it intended to move its main office to the Milwaukee area. It was formed last February.

Eugene W. Reese, president, said proceeds of the stock offering will provide initial capital for Consumers National Insurance Corp., a subsidiary being organized to sell and service group, auto, homeowner's and personal insurance. The company plans to market auto and homeowner's policies on a group basis. ■

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Professionals threatened by poor pension plans, says Sen. Williams

WASHINGTON—"Despite union contracts which have won greater job protection for highly skilled salaried employes," Sen. Harrison A. Williams (D.-N.J.) said, "highly skilled professionals suffer perhaps the greatest threat to retirement security."

The chairman of the Senate labor and public welfare committee asserted that the absence of governmental supervision of pension plan assets is causing "millions of employes who expect and need to be covered by pension plans when they stop working, to lose their benefits."

He explained that such problems are most acute among persons in technical, scientific and entertainment professions who cannot be assured of steady jobs for 20 or 30 years at a time.

Sen. Williams made his assertions in the current issue of INTERFACE, a quarterly newsletter published by the Council of AFL-CIO Unions for Scientific, Professional and Cultural Employes.

HE REPORTED that pension assets, totaling more than $140 billion and accelerating at a rate of 11% annually, are the "largest virtually unregulated pool of funds in this country today."

In spite of those multi-billion dollar assets, he said, pension plan deficiencies "cause untold suffering as employe after employe finds, as he approaches retirement, that the pension he has counted on to support him is just not there."

Sen. Williams explained that his committee has conducted hearings throughout the country, and has heard "stories of large companies or plants that have closed, merged or been sold," with the result being that employes are unable to collect pensions due to them, "because there has been no money in the pension fund."

THE COMMITTEE chairman listed these causes for failure of pension plans to meet their obligations to employes:

- No vesting in the pension plans, so that after years of employment on one job, an employe may move to another job and forfeit any pension credits he has accumulated because he had not reached retirement age when the first job terminated.
- Many pension plans are not adequately funded.
- Employes often are not sufficiently informed about the provisions of their plans.

Sens. Williams, Jacob Javits (R.-N. Y.) and 16 others had introduced legislation in the Senate which would have provided for minimum vesting standards, mandatory funding requirements, insurance of unfunded liabilities, establishment of portability programs and improved communication between employer and employe about provisions of their plans. The Williams-Javits reform bill died however, in Congress. ■

Pensions said to be mismanaged

TORONTO—Pension money is the least well managed pool of capital in North America, because corporate pension fund managers are the worse clients of professional investment managers, according to Charles Ellis, managing director of Greenwich Research Associates Inc., New York.

At a luncheon of Canadian investment managers, Mr. Ellis attributed such inefficiency partly to the fact that large pension funds are a relatively recent phenomenon, and also that companies should see pension funds as a problem for senior and financial officers rather than personnel departments.

He also pointed out that many corporate officers are not able to get sufficient on-the-job training in investment.

Mr. Ellis advised the Canadian audience that managers should expect a 7% long-term gain from investments in the equity market.

HE REPORTED that the professional managers of the top 300 investment funds in the U.S. had been able to achieve only a 6.2% annual growth rate on equities in the period from 1962 to 1971, when the price of stocks had gained at an average of 7.1% annually (Standard and Poor index figures).

Also speaking at the meeting was the director of Weisner and Partners, James P. Marshall. He stressed that investment managers must have direct contact with the corporate pension fund managers.

In answer to a question from a listener, Mr. Ellis noted that the capital market is at a critical stage and higher rates of return might be earned on fixed income securities over the next 10 to 20 years than on equities. ■

N.Y. school boards ask state cover

SYRACUSE, N.Y.—A state insurance fund that would provide adequate coverage in all school districts was endorsed by the New York State School Boards Assn. at its annual meeting.

Adopted during the business session of the convention, the resolution will constitute part of the program that the association will push at upcoming meeting of the state legislature.

But coming out strongly against the resolution was Armand J. Magnarelli, president of the Syracuse school board and a member of the resolutions committee. He said "school boards should not get into the insurance business."

The resolution calls for the association to sponsor legislation "creating a true state insurance fund for school districts in New York state for the purpose of providing adequate insurance at fair and reasonable rates."

IT WAS THE contention of those sponsoring the proposal that many school districts in New York have either failed to obtain fire insurance coverage or have been forced to pay high rates.

But, on the other side of the question, Mr. Magnarelli quoted from a survey by the state education department which showed most districts do not have difficulty securing insurance. ■

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Industrial health group warned that chemicals may cause auto accidents

FRAMINGHAM, MA.—A speaker at an American Insurance Assn. seminar on industrial health training here warned that after-work automobile accidents involving industrial employes could be connected with overexposure to toxic gases and chemicals on the job.

"Many common organic solvents are excellent anesthetics and narcotics," explained Dr. Melvin First, professor of environmental health engineering at the Harvard School of Public Health. "Care must be exercised to prevent overexposures which can result in dangerous work habits as well as hazardous driving practices after work."

Dr. First pointed out that many industries make use of potentially dangerous chemicals and that a worker's blood absorption of toxic vapors rises during the course of the working day. By the end of the shift, the amount of toxicity in the employe's blood may reach the saturation point causing impaired judgement.

"Although we do not have supporting statistics," he said, "I wonder how many of the accidents occuring during the peak traffic periods in the late afternoon can be attributed to drivers still under the influence of high concentrations of toxic vapors in the bloodstream."

ANOTHER problem, that of the ability of smaller businesses to provide adequate safeguards against occupational health hazards, was referred to by an industrial hygienist as "the greatest problem facing insurance company engineers today."

Rudolph Schmidt Jr., Aetna Insurance Co. chemical and industrial hygiene, engineer, told the assembled engineers that by small businesses he meant those which employed fewer than 500 workers, "and, more realistically, those under 100."

"These plants employ the greater proportion of the working population," he said. "They cannot afford the services of an industrial hygienist or, for that matter, occupational disease consultants, except under dire necessity. They usually rely upon their insurance company's facilities or those of the state."

Pointing out that government regulations regarding occupational health will, hopefully, foster a greater awareness of responsibility for corrective measures in this area, Mr. Schmidt commented, "It thus becomes abundantly clear that what is needed today is a larger work force of industrial hygienists or a supplementary unit of specially trained individuals who can in a fair measure assay an exposure and quantify it into categories of degree of risk involved."

Another of the seminar's speakers, Paul F. Alvarado, regional program director of OSHA, stated that "the law now has teeth in it and is being enforced. OSHA will enforce the 1969 threshold limit values which are now in the Federal Register and as criteria documents are collected, they will eventually be incorporated in the regulations."

Mr. Alvarado discussed many aspects of the health problem, such as fumes and dusts which attack the body's organs and the hazards of noise.

"Noise in most plants is a chronic complaint," he said. "Such psychological and physiological stresses result in absenteeism, so from the employer's point of view it is economically feasible to control noise levels in the work area." ■

Record...

Continued from page 24

the manufacturer for correction of inadequate motor mounts, where throttle linkage might be affected.

Many of these cars, according to the disctrict attorney, "are beginning to appear on used car lots throughout Northern California, without the necessary repairs having been made."

Another auto-buying problem facing consumers has to do with flood damaged cars showing up in Southern California—for sale.

Some of the autos damaged by floods in California's Sacramento Delta area, Pennsylvannia and South Dakota are showing up for sale to unsuspecting buyers.

Consumer groups and law enforcement agencies have reported sales of new and used flood damaged cars sold at full value. ■

British set up insurance firm in U.S.

NEW YORK—When Dominion Insurance Co. of America opens its doors for business Jan. 1, the occasion will be an event of somewhat historical significance in American insurance.

Dominion, a reinsurance company, is a subsidiary of Shipping Industrial Holdings Ltd., London, and, according to its backers, is the first major British effort to set up a domestic American insurance company in close to 50 years. Yes, there are insurance companies doing business here with British ties but the Dominion people point out that they all began as branch offices of British firms.

Shipping Industrial Holdings, a multiple-interest operation in London which owns travel agencies, ships and insurance companies, pointed out that Dominion would write property-casualty and aviation coverages. The insurer was capitalized at $2.5 million and will have a paid-in surplus of $7.5 million.

Agency Managers Ltd., a New York-based reinsurance pool, will manage Dominion. Agency Managers is also a subsidiary of Shipping Industrial Holdings.

Dominion has already received its license to operate in the state of New York. ■

No-fault rate reduction

Florida's insurance commissioner Thomas O'Malley asked for an 11% reduction in no-fault bodily injury liability insurance rates. He said this rate cut will affect 90% of the companies that write no-fault automobile insurance in Florida. Mr. O'Malley called for the reductions to be made no later than Jan. 31, 1973. He said his proposed reductions are the result of: a reduction in the companies' loss adjustment expenses; the elimination of certain expenses occurring when no-fault was first implemented; and examination of trends in bodily injury liability.

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The fact is that only about 2% of all the nation's ambulance attendants are as qualified as Karl Block to help save you in an emergency. The U.S. Public Health Service estimates there are 60,000 needless deaths each year due to poorly trained and ill-equipped emergency personnel. And upwards of another 100,000 victims are permanently disabled by "rescuers" with more good intentions than skills.

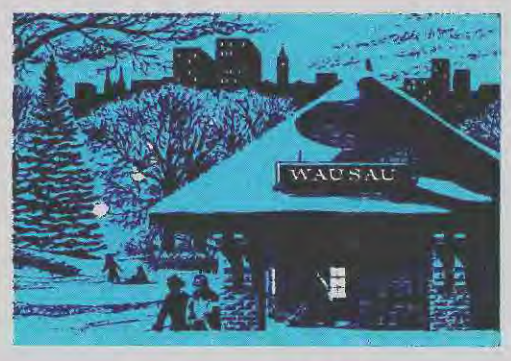
That's why Employers Insurance became involved in both ends of emergency medical care—the amateur and the professional. For amateurs, (as most of us are) we produced a film called "Ready—or Not?" It's aimed at getting families to sharpen their skills in such basic first aid techniques as stopping bleeding and starting breathing.

Perhaps even more importantly, we joined with the American Medical Association and the Ambulance Association of America in helping to start the Registry of Emergency Medical Technicians—Ambulance. That's a mouthful to describe this new national organization whose purpose is to upgrade the competence of ambulance personnel. How? By recommending courses of instruction (developed by the American College of Surgeons and by the American Academy of Orthopaedic Surgeons) and providing doctor-supervised examinations, both written and practical. Successful candidates are awarded the Registry's official certification and shoulder emblem.

So there is now a national standard—and a priceless measure of professionalism available for your community. The $10 testing fee charged by the Registry is perhaps the biggest bargain ever offered. *It could buy a human life.* Individuals or business firms in your area—as happened in Wausau—may wish to sponsor ambulance attendants who want to become certified. It's a practical way to become involved in better local emergency services.

There are two ways you can help. If you or any organization you belong to wants a print of "Ready—or Not?", write to our Public Affairs Division, Wausau, Wisconsin 54401 for information. To sponsor Registry exams for your local ambulance attendants, write to Registry of Emergency Medical Technicians—Ambulance, 1395 Granville Road, Columbus, Ohio 43229.

Either way, when you're driving through our town or we're driving through yours, we can all feel safer.



Employers Insurance of Wausau

Wausau, Wisconsin

Ottawa in need of more cash for jobless benefits

OTTAWA—Since the enactment of Canada's new Unemployment Insurance Act on Jan. 1, the Unemployment Insurance Commission has paid benefits of more than $1.3 billion, out of the predicted cost for the year of $2 billion. The figure for the month of August alone was $143.8 million.

These unemployment payments have been paid out of both the funds that employers and employes contribute to the unemployment insurance account and the extra money the federal treasury has been putting into the account.

Employer-employe contributions are supposed to be sufficient to cover payments when unemployment runs at less than 4% of the labor force. The general treasury pays the extra amount needed when unemployment runs above 4%.

In September, Canadian unemployment was rated at 7.1%, and according to manpower minister Bryce Mackasey, the general treasury's share of the benefit payments this year may run to between $780 million and $820 million.

THE GOVERNMENT funds were to be drawn from an $800 million reserve according to the new Unemployment Insurance Act, but since this reserve has already been exhausted, the government has had to ask for a $234 million general governor's warrant to finish out the year. This is the method used to finance government operations when Parliament is not in session.

Next year the government will have the option to increase the rates paid by employers and employes. Unofficially, the UIC is reported to be considering a 24¢-a-week hike in rates.

Moreover, 2.3 million more people are now paying the premiums than under the old act. But under it, they pay only 40% of the full rate in the first year. Next year it will rise to 60%. Two more adjustments will bring the rate to 100% by 1975.

Both the rate increase and the adjustments will reduce the overall UIC deficit.

At present Unemployment Insurance Commission officials are trying to figure out why benefit payments went up by 13% in August, at a time when the number of claimants went down significantly. ■

First insurance plan for Arkansas' state workers

LITTLE ROCK, AR.—Arkansas' first insurance plan for its 12,000 full-time employes will go into effect Dec. 15, after three attempts to obtain an adequate program for the amount of money available.

Still the employes will pay the majority of the cost.

The State Employes Insurance Advisory Committee signed a contract recently with the Equitable Life Assurance Society of the United States to provide group health and life plans for the state. Equitable was considered to be the lowest bidder among six firms that submitted bids.

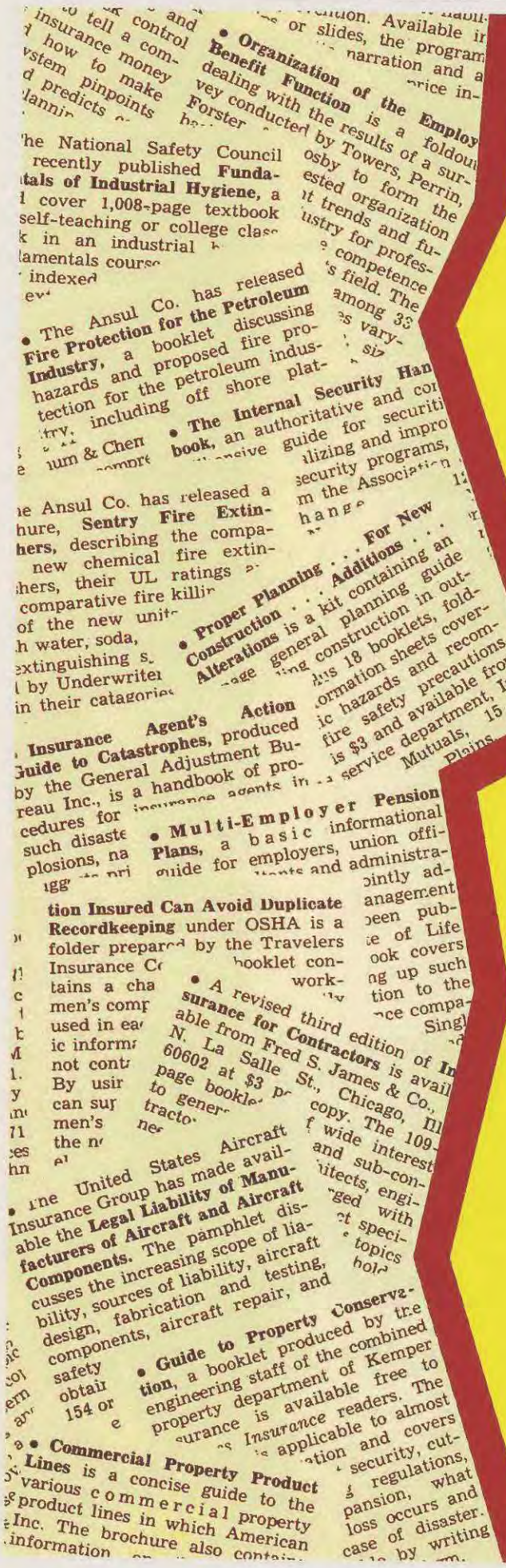
James D. Anderson, an administrative assistant to the state auditor and chairman of the committee, said the cost of the program was reasonable. At least 75% of the state's employes must enroll in the plan or the program will be dropped, which was one of the requirements placed in the enabling act passed by the general assembly. The state is contributing $5 a month per employe, which is much less than private industry contributes normally to its employes.

EMPLOYES who work more than 1,000 hours a year, if they are not temporary employes, are eligible. Contributions to the plan will be deducted from the employes' paychecks. Separate plans are available for employes who earn less than $3,600 a year and those who earn more than that.

The maximum life insurance under the plan is $20,000. An employe who earns $5,100 a year may obtain life insurance in the amount of $6,000. Under both plans, the maximum is equaled to a person's salary, rounded off to $1,000.

The hospital plan covers up to $2,000 in costs, with a $50 deductible.

For a single employe making $6,000 a year, the premium is $15.13 a month, with the state paying $5 of that. For an employe in the $6,000 pay range who wants to include his family in the plan, the cost is $34.67, with the state paying $5. ■



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Workmen's comp ruling

HARRISBURG—Commonwealth court has ruled that under the Pennsylvania workmen's compensation program, employers do not have to prove that work has been offered to a partially recovered beneficiary—only that it is available to him.

The ruling, which reversed the state workmen's compensation board, involved a coal miner who had recovered from a 100% disability to a 50% disability.

The question before the court was: How far does the employer have to go, under a petition to modify an open compensation agreement, to show that work is available?

The referee and the board held that the employer, Ruffsdale Coal Co. Inc., had failed to meet the burden of proof because the available jobs had not been offered to and rejected by the injured worker.

But Judge Roy Wilkinson Jr., ruled that "what is required is testimony that positions for which claimant is qualified are available, not that one for which he was qualified had been offered to him and rejected." ■

Auto plan for employes

Yale University, New Haven, Ct., will sponsor an automobile insurance program for employes. The program, to be called "Royal Guard Insurance Plan," is written by the American and Foreign Insurance Co., one of the Royal Globe Insurance companies, through Duble and O'Hearn Insurance Agency of New Haven. Effective Jan. 1, the plan will offer low-cost automobile coverage, made possible through centralized sales. Premium payments will be made in regular installments with no interests or carrying charges.

Japanese insurer signs working deal with AIG

NEW YORK—A joint working relationship between the American International Group Inc. and Nichido Fire and Marine of Japan was established in an agreement signed last month in Tokyo.

AIG, a multinational insurance holding company with assets of $1 billion, will assign one of its subsidiaries to aid Nichido's entry into the U.S. market, and to act as its exclusive managing agent.

One of the four largest property and casualty insurers in Japan, Nichido, through the agreement, will gain access to AIG's capabilities for enlarging its business beyond Japan.

In return, AIG hopes to use a portion of Nichido's extensive marketing organization to provide another vehicle for their products in Japan. Edwin A.G. Manton, chairman of AIG, mentioned Nichido's large agency force. He said AIG hoped to use the agency to open up markets in Japan for AIG insurance products.

ASKED HOW the new relationship with Nichido would affect AIG's Japanese agency subsidiary, American International Underwriters K.K., Mr. Manton said he expected that AIU would acquire "more capacity." He noted there were agreements for Nichido and AIU to exchange reinsurance accounts, sharing risks.

Corporate insurance clients of AIU, which has operated in Japan since 1946, "would not be affected directly in any appreciable way," Mr. Manton continued. He projected that AIU would receive more of the Japanese industrial business, but said that there would be no fierce competitiveness with Nichido.

AIU already handles about 1.5% of the total insurance market in Japan, primarily dealing in fire, property, auto, accident and health policies. Its current premium volume is $40 million. Although Mr. Manton said that no estimates had been made as to the amount of asset increases AIU and AIG might enjoy from the new relationship with Nichido, he indicated that increased business in reinsurance and coinsurance should bring financial profits with it.

M.R. Greenberg, president of AIG said that the agreement with Nichido may be expanded in the future as the relationship matures. ■

Agent/Broker Directory Available Now

Because of the demand for the profiles tables, charts and analyses contained in the July 31 issue, this information has been published in the form of a 6" x 9" desk-top directory. The annual *Business Insurance* Directory of Commercial Insurance Agents & Brokers, September, 1972, edition contains this important information for use by corporate insurance buyers, financial institutions, consultants and government officials. Readers may order copies by filling in this coupon and mailing it to: *Business Insurance*, 740 Rush Street, Chicago, Ill. 60611.
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ITT appoints D. Frazier to corporate job

NEW YORK—Donald A. Frazier has been named director of corporate insurance for International Telephone and Telegraph Corp., the telecommunications giant headquartered here.

Mr. Frazier, formerly vice president of Allendale Mutual Insurance Co., will monitor all areas of insurance for ITT, including employe benefits placement.

As director of corporate insurance, Mr. Frazier's relationship with the risk managers at ITT's many subsidiaries is a flexible one. While he will be responsible for reviewing the overall effect of the insurance programs placed by the subsidiaries, Mr. Frazier noted that risk managers in many of the larger divisions, particularly overseas, will continue to handle the placement of their current programs.

Donald A. Frazier

Mr. Frazier's most active involvement in his new post concerns ironing out the problems with ITT's European property insurance. He noted that he was preparing to leave for Europe shortly, where he will stay for the remainder of the year, working out the intricacies of the overseas property insurance. (*Business Insurance* will feature an in-depth interview with Mr. Frazier upon his return from the assignment abroad).

Before joining ITT, Mr. Frazier's work with Allendale Mutual included a variety of executive posts in engineering, underwriting and marketing activities. Most recently he served as account executive for large multi-national firms with particular emphasis on property insurance problems overseas. ■

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State employes eligible for deferred salary plan

WILMINGTON, DE.—The First National Retirement Corp. of America (FNRCA), a chartered, non-profit organization here, is offering the nation's first deferred salary plan for state employes. Called the National Retirement Plan, it offers benefits to workers that previously were available only to private executives.

Vesting, complete portability, non-locking provisions, and choice of individual investments are upgrading the quality of the pensions for employes who opt the plan, according to its proponents. Even more attractive to many is the tax break they can get on their deferred portions of salary. If the employe agrees not to collect his deferred funds except in the event of normal retirement age, severance of employment, disability, or death, there is no federal or state income tax liability on the amount held back.

The National Retirement Plan operates for several non-profit, tax exempt agencies, including the state of Delaware. Although it is "not now" attractive to private industry because of requirements that private employers must pay federal taxes on all pension-invested money, the FNRCA hopes that this will soon be changed.

"WE HAVE A bill before Congress to make the plan available to private employers and employes," Robert I. Tuttle, vp of FNRCA told *Business Insurance*.

Mr. Tuttle noted that the bill would help to introduce the plan to private industry by giving employers a tax-exempt status for deferred salary amounts invested for workers. The bill is sponsored by Wilbur Mills (D.-Ar.), Jacob Javits (R.-N.Y.), and Harrison Williams (D.-N.J.).

The FNRCA executive was frank, however, in acknowledging that the bill would probably not pass Congress for at least two years. But he is optimistic that by that time the deferred salary plan will be open to private as well as state employes.

In the meantime, Mr. Tuttle is traveling extensively to encourage state workers across the nation to adopt the National Retirement Plan. When he spoke to *Business Insurance*, negotiations had just been completed in New Hampshire, where state workers in the town of Manchester have chosen to try the deferred salary plan. The FNRCA anticipates spreading the plan to many other states outside of Delaware as well.

Public employes, some of whom have the most liberal pension benefits in the nation, (*Business Insurance*, Nov. 6) will not forfeit any of their pre-existing benefits if they decide to enroll in the National Retirement Plan. They will also pay less income taxes on their earnings.

An agent duly licensed by the state insurance department will handle the investment orders for the employe, who is given relative freedom in deciding how to place his deductions. The only standards recommended by the National Retirement Plan are that the deductions are divided between savings, life insurance and mutual funds.

If a state employe changes jobs to go to private industry, his benefits accrued in the National Retirement Plan are not lost. He may elect to leave his investments where they are, to withdraw the lump sum of the deductions, or to take the amount as an annuity, Mr. Tuttle noted. ■

Retirement . . .

Continued from page 28

ever talked about retirement."

- Scattered-site companies can offer counseling through booklets, magazines and retirement and trade organizations.
- The number of early retirements will increase, with more people taking early retirement to start new careers or pursue established avocations. One participant noted that his company is considering a program of sending both husband and wife to night school specifically to prepare them for post-retirement activity.
- Hiring retired employes for "busy season" work is a possibility in some industries, although union contracts and some profit sharing taxation considerations should be taken into account before instituting such a program.
- Exert extreme care, in both published material and verbal communications, to avoid giving tax advice. Instead, outline financial options carefully and clearly, letting the employe make up his own mind with all the facts at hand.
- An excellent pre-retirement counseling program should include sessions devoted solely to decision-making and problem solving procedures.

One participant urged the Council of Profit Sharing Industries to work legislatively for a higher earnings limit for full Social Security eligibility, to which Mr. McGehee replied, "This is still a sore point in Washington." ■

Industrial noise causes hearing loss for millions

RICHMOND, British Columbia—A seminar on noise control here was told by an acoustics expert that some 17 million workers in North American industry are suffering some kind of hearing impairment because of excessive noise at their workplaces.

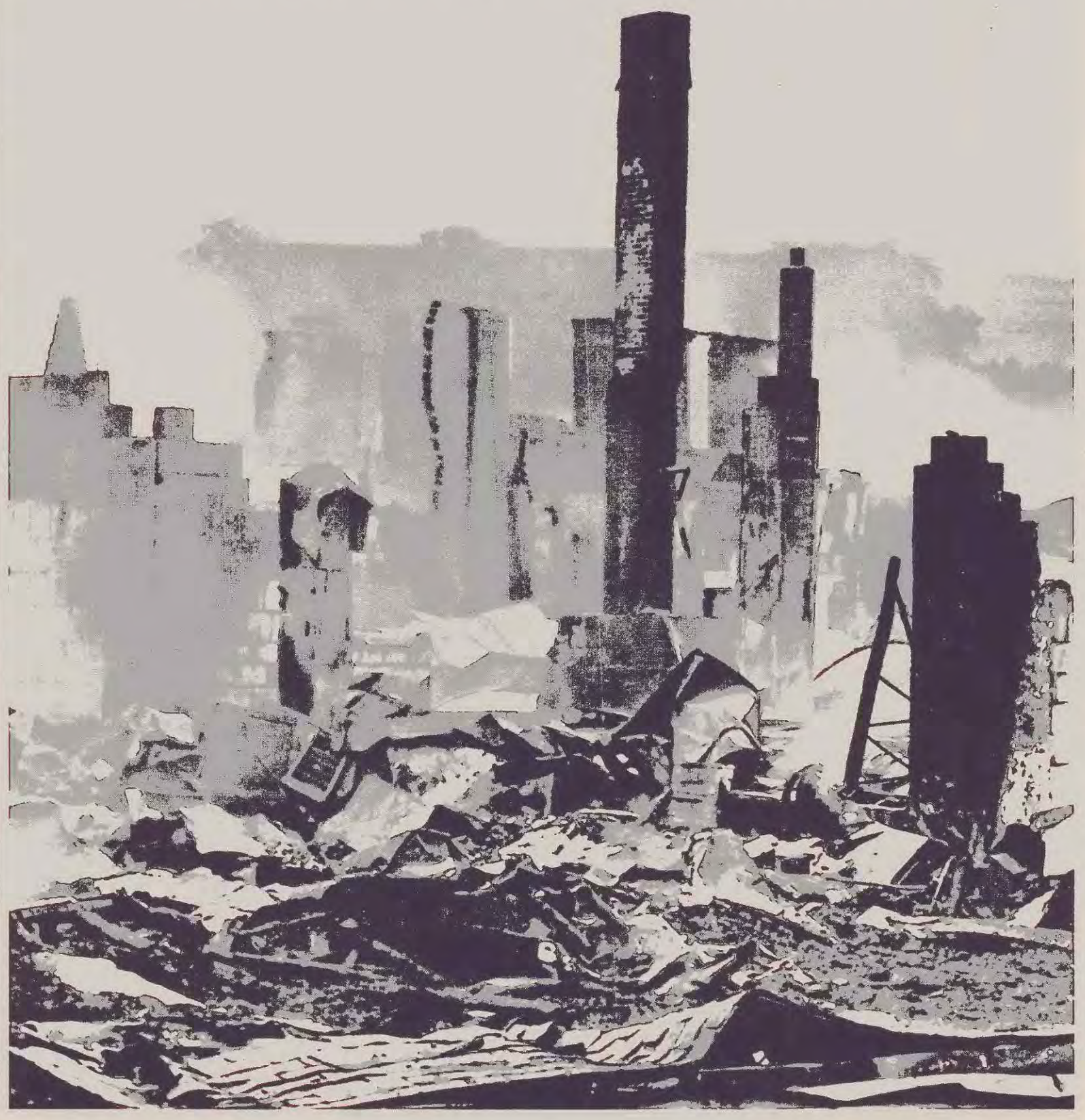
While calling for legislation in Canada to assuage the problem here, Dr. A. J. Price, assistant professor of architectural engineering at the University of British Columbia, said 25% of the work force in this province alone were "candidates for compensation" because of noise.

He said current legislation and workmen's compensation board standards did not go far enough in that they still allowed some workers to be exposed to noise levels which could cause hearing damage. His own feeling was that the present level of 90 decibels on an "A" scale, to which a worker can be exposed for an eight-hour shift, should immediately be lowered to 80 dbA. He admitted, however, that this would probably not be possible due to economic considerations.

DR. PRICE pointed out that, in many areas of North America, on-the-job hearing loss is compensible. He used New York and Hawaii as examples, noting that a worker with a 100% hearing loss is paid a lump sum of $12,000 in New York and close to $33,000

Continued on page 38

The biggest losses in a fire can be things that didn't burn.



Officials of Atlanta insurance firms and the Metropolitan Atlanta Rapid Transit Authority (left to right): Alton F. Irby III, president of A.F. Irby and Co., Inc.; Roy A. Blount, chairman of MARTA; Alan F. Kiepper, general manager of MARTA; Jim Anderson, president of Jim Anderson and Co., Inc.; and Eugene Oberdorfer II, president of Oberdorfer Insurance Agency, Inc.

Atlanta transit system's insurance coverage undertaken by four firms

ATLANTA—The contract to design, develop and administer a comprehensive insurance program for the largest construction project in the Southeast, the Metropolitan Atlanta Rapid Transit Authority (MARTA), has been awarded to a joint-venture of four Georgia insurance firms.

The joint venture, known as MARTA Insurance Managers (MIM), is patterned similar to the insurance arrangement for the Bay Area Rapid Transit. "In San Francisco, the local firms formed a partnership," said Eugene Oberdorfer II, MIM chairman. "We're a joint-venture but the pattern is very close."

He felt that using a coordinated central claims office, a sophisticated safety program and the ability of the joint venture to obtain certain discounts and combine interests would save MARTA about $10 million in insurance premiums over the next eight years, the term of the contract.

In explaining the make-up of the joint venture which would make these savings possible, Mr. Oberdorfer told *Business Insurance* that the fields of expertise represented by the four member firms covered the insurance bases quite thoroughly:

A. F. IRBY & CO. is an Atlanta insurance agency that dates back three generations and is a wholly-owned subsidiary of Fred. S. James & Co. James, a member of the BART partnership, brings to the joint venture a good deal of experience in the transit insurance area.

Oberdorfer Insurance Agency Inc., Mr. Oberdorfer's firm, is also an old-time Atlanta company which has built up a clientele in the risk management area.

Alexander & Co. is the largest black owned insurance agency in Atlanta. Its founder and president, T. M. Alexander, has been in the insurance and agency business for 40 years and has extensive dealings with the black community.

Jim Anderson & Co., located in Decatur, Ga., will provide bonding expertise, a problem since there will be dealings with many minority contractors. MARTA is also a two-county system and Anderson is close to the site of construction in DeKalb County.

MIM'S NEW risk manager, Earl Novell, formerly risk man for the Perini Corp., a Framingham, Ma., construction firm, began work early this month and was soon joined by the new safety director, Russell Dugger, who came to MARTA after a stint as an OSHA compliance officer.

Mr. Oberdorfer pointed out that the staff would grow to "nine or ten during the peak construction periods and then will taper off. Our staff is working closely with the claims department of the Atlanta Transit System, which is self-insured."

He said that even though construction had not actually begun on the $1.32 billion project, the insurance program was already under way, covering the surface bus operation and short-range transit improvement program of the Atlanta Transit System, which was purchased by MARTA.

MARTA, which is now acquiring property, is expected to begin construction on the transit system at the end of next year.

MR. OBERDORFER appeared to be a great admirer of BART and his admiration is reflected in the fact that MARTA has also retained Lee Hoagland, BART's risk manager, as an advisor. "BART has had an excellent record, particularly in the safety area," he said, "and we are coordinating with the BART people extensively."

Regarding the awarding of the contract, Mr. Oberdorfer noted that MIM had been in competition "with the big boys." He reported that Marsh & McLennan, Johnson & Higgins and Alexander & Alexander had all submitted proposals to MARTA.

"We had the advantage because we had both a national broker in Fred. S. James in the joint venture and local firms with deep Atlanta roots," he commented.

The joint venture was formed in February of this year and its members studied the rapid transit insurance programs in Washington, D.C., London and Tokyo, as well as San Francisco, before submitting their proposal to the MARTA board. ■

Insurance firms merge

Directors of Pacific Northwest Life Insurance Co., Portland, Or., have approved in principle the merger with Pioneer Life Insurance Co., Lincoln, Nb. Edward S. Fulop, president of Pacific Northwest, said the transaction must be approved by stockholders and regulatory authorities of the two states.

If you're in business, you probably carry Fire insurance. But don't let that lul. you into a false sense of security. You may not be covered as well as you think.

You may need help in tearing things down.

Let's suppose that a fire destroys 50% of your plant. And suppose that local ordinances stipulate that the *remainder* of the building must be demolished (which is often the case).

Fire insurance normally doesn't cover this part of your loss. It only covers property damaged or destroyed in the fire.

What can you do? Buy Contingent Liability from Operation of Building Laws insurance plus Demolition insurance which will protect you against the loss of property *not* damaged or destroyed, including the cost of tearing it down and removing it.

Who usually pays for removing debris?

OK. With "Contingent Liability..." and Demolition insurance, you're paid for the property that didn't burn but which needs getting rid of. But what about the debris of what *did* burn? *That* expense can be covered... usually without charge... by a Debris Removal clause in your standard Fire and other Property Damage policies.

One caution, however. The inclusion of Debris Removal coverage does not... repeat, *not*... increase the limit of the insurance company's liability. It simply adds an additional item for which they will pay, *within* that limit.

Remember that it can be fairly tricky to establish for insurance purposes—and in advance—how much it might cost to remove debris or demolish up to 50% of your plant. One solution: get an estimate from a wrecking contractor.

What if you're not allowed to replace the building?

Zoning laws change. Building codes change. Aside from your own preferences, will you be *allowed* to replace the demolished building? Or will you have to use more costly materials? Conform to more stringent regulations? You'd probably need a lawyer to get the answers.

But we can tell you this: even being insured on a full Replacement Cost basis doesn't always protect you against such losses.

What can you do? You guessed it. There's another type of coverage that answers the question. Increased Cost of Construction insurance.

Replacement Cost vs. Actual Cash Value.

The two terms mean vastly different things. And the time to understand the difference is before a loss.

The standard Fire policy is written on an "actual cash value" basis. Which means that, in settling a loss, a deduction will be made for physical depreciation.

To protect yourself, get Replacement Cost coverage. There are several ways you can do it, but the most common is simply to modify your present policy so that losses will be paid without deduction for depreciation. That means you'll probably have to increase your insurance to cover the amount of depreciation and to be sure you comply with the coinsurance requirements.

Another reason for Replacement Cost coverage: generally, you can't buy Increased Cost of Construction insurance unless you're insured on a replacement cost basis.

Incidentally, Replacement Cost coverage on stock inventory isn't necessary because depreciation normally isn't a factor. But consider it on your improvements and betterments. And, if you can get it, for your equipment and machinery.

Who decides what things are worth?

Buildings deteriorate. Construction costs increase. The result is, determining the value of a piece of property can be difficult. And when losses occur, it can be the source of a great deal of litigation.

The safest thing to do is to get an estimate on property values for insurance purposes, as accurately and scientifically as possible. In advance. And in writing.

And the best way to do that, is to get a competent and reputable professional appraiser or contractor. He'll also know about local building codes, which will help you establish how much Increased Cost of Construction insurance you should carry.

Where do you find such an expert? Check with architects in the area. Or ask your insurance agent. When you do find a qualified man, don't be surprised if his price is high. He's probably worth it.

When you realize that, you'll probably do what you should do... keep your appraisal up to date by periodic review.

What about the most precious commodity... time?

In discussing hidden exposures, it would be an oversight to neglect the question of time.

To protect yourself against this kind of additional loss, there are several types of insurance with which you may be familiar... Business Interruption, Extra Expense, and Rent insurance. And one with which you may *not* be familiar... Demolition and Increased Time to Rebuild insurance.

The actual effect of a loss of time will vary so much, depending on the size, location and nature of your business, as well as on construction problems, that specific advice would be impossible here.

But we can advise you to think about it. And when you do, we think you'll do something about it.

In fact, the whole purpose of this ad is to urge you to think about exposures to loss that you hadn't thought about before.

Getting the right answers on your own may not be easy. That's why you should consult with the professional agent of a service-minded insurance company.

You won't have to look far to find one.

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Noise . . .

Continued from page 36

In the Hawaiian islands.

However, he continued, British Columbia classifies hearing loss as a disease rather than a loss of function and the workmen's compensation board pays only in cases involving loss of function. The provincial board is now considering a reclassification of hearing loss.

Another problem area discussed by Dr. Price was noise control and the disparity of the various regulations governing it. For example, the British Columbia department of mines has issued strict noise control rules over equipment used in the mining process. But, the construction industry has no such noise emission standards and the same equipment that is banned from the mines can be used at construction sites. This, he emphasized, needed changing.

He also urged more cooperation between governmental agencies. He said the federal government has control over only federal industries, such as interprovincial trucking, while provincial governments have jurisdiction over most of the noisiest industries, such as construction, forestry and metalworking.

This, too, needed changing, in Dr. Price's opinion. He felt that all industries should come under federal jurisdiction so that uniform national noise standards could be introduced. As in the United States, the responsibility could be taken over by the federal environment department.

Noting that the U.S. environmental protection agency had had jurisdiction over noise problems since 1969, Dr. Price commented, "In some ways we are already several years behind the U.S. in our noise legislation. But it's certainly not too late. And the sooner we do something about it, on a national level, the better."

A person who apparently practices what he preaches, Dr. Price developed what he calls a noise dose meter for use in industry. After pointing out that audiometric testing on the workers and noise level testing in the plant were two good ways of determining whether noise was creating problems, Dr. Price explained his instrument.

Designed specifically for industry, the noise dose meter is small, lightweight and is capable of monitoring noise continuously rather than giving only instantaneous sound level values at a particular time. It can be used by persons with little training and avoids time and motion studies for those employes who work in areas of varying noise levels. ■

re Masters Of The Art series

Dr. Alexander Fleming was already a recognized leader in the field of bacterial research when, as he said, his "triumph of accident and shrewd observation" led to the discovery of penicillin. Fleming was being modest. The fact is he recognized what he saw and he knew what to do with it. His perceptiveness, and his dedication to helping mankind, brought him both knighthood and a Nobel Laureate; and saved the lives of millions.

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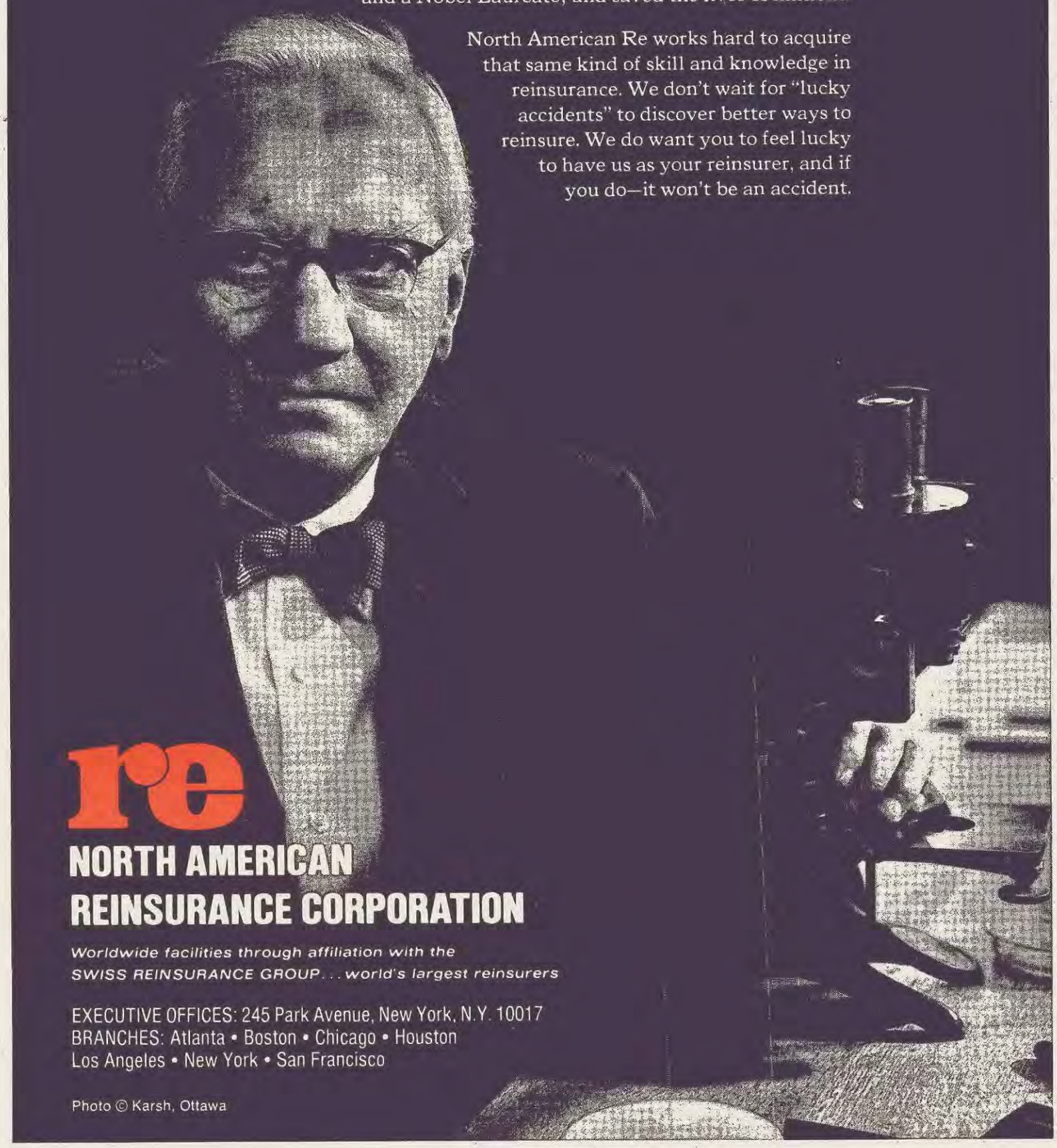

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Pension bill proposed in New York

NEW YORK—Legislation designed to protect pension benefits of workers in private industry will be sought by the office of New York State's Attorney General Louis Lefkowitz.

Two bills, one requiring vesting of pension benefits, and one concerned with putting all plans under jurisdiction of state agencies, are expected to be proposed at the opening of the New York legislature early in January.

Assistant Attorney General Daniel Polansky told *Business Insurance* the new bills are modifications of laws that passed the New York assembly last year, but which got boondoggled in Congress, never to be re-introduced.

The first is a vesting rights bill which provides that "in all existing or future pension plans, there shall be implied or inserted a provision that vesting pension rights of employe members of plans shall commence on Jan. 1, 1974."

The 1974 deadline will compel employers to implement vesting in pension plans of those workers who have given 15 years of service under the plan. The bill additionally provides that in 1977, this 15 year vesting period be reduced to a 10 year period.

AN OPEN provision of the plan would also give an individual a proportionate share in his pension benefits if, after 15 years of service, he is below the age limit called for by his plan. For instance, a man belonging to a plan that provides pension benefits at age 65, would, at age 50 after 15 years of service, receive a percentage of his benefits based on the number of years worked and the age differential.

The second bill to be introduced to the state legislature would put all pension plans, both lateral and bilateral, under the jurisdiction of state agencies. It would also make it mandatory for employers to distribute copies of the plan to workers enrolled in it, so that they are advised of their benefits and rights.

The major thrust of both bills, should they be passed, would be to make it compulsory for all private industries to provide adequate pension rights for older employes. The attorney general's office pointed out that under the present system, with no required vesting of pensions, a long term employe could lose all benefits if he were discharged or laid off.

MR. POLANSKY noted that a federal bill on vesting rights came before the Senate in October. However, most of the key provisions were cut, leaving the bill ineffective. Mr. Polansky called it "emasculated" in regard to vesting rights.

If the federal bill ever becomes law, it could supercede New York's bills by pre-empting the state authority. But until the federal measure becomes law, the attorney general's office will push for state legislation. ■

Insurance manager

Arthur H. Melzer has been selected as corporate insurance manager for General American Transportation Corp. Mr. Melzer, part of the GATX insurance department since 1956, is also a member of the American Risk and Insurance Assn., American Society of Insurance Management and is past president of the Chicago chapter of ASIM.

Risk managers cite a few 'truisms' of their work

SAN FRANCISCO—The objective of risk managers in profit oriented corporations continues to be that of increasing profits by reducing the dangers to profit.

The risk manager should never buy insurance against expected losses, except for catastrophe protection.

Successful risk management is the result of the "team approach" which utilizes all services and skills available.

These "truisms" dominated a day-long seminar on the risk management process, which, on the basis of record attendance, proved the more popular feature of an all industry day sponsored at the St. Francis Hotel here early this month by the Northern California chapter of the Society of Chartered Property and Casualty Underwriters.

MORE THAN 400 insurance industry executives attended one or more of the 10 seminars while 800 were present for the luncheon, addressed by John Adam Jr., CPCU and president of Hanover Insurance Cos.

A packed meeting room spent the morning and afternoon reviewing many aspects of risk management with a panel consisting of Robert E. Butler, director corporate insurance, Lockheed Aircraft; Thomas A. Duffield, corporate director insurance, Northrop Corp.; and Richard H. Soper, assistant manager, corporate insurance, Hughes Aircraft Co.

The three aerospace risk managers are also officers of the Southern California chapter, American Society of Insurance Management, which arranged this particular seminar.

Mr. Butler emphasized that "the fact that all three of us represent the aerospace industry is pure coincidence. The concept of risk management, perhaps the most important new insurance industry development of the past 25 years, now spreads across all industries and business."

TAKING as his theme "risk transfer through insurance and risk transfer by means other than insurance," Mr. Butler pointed out that at Lockheed, which now has 70,000 employes, the risk management function ranges over every aspect of protection, from general insurance to employe benefits.

According to Mr. Duffield of Northrop, which has long been considered primarily an aircraft company, the company has diversified and acquired to the point where aircraft now accounts for only 50% of its activity.

"Northrop," he said, "now has 128 corporations and I must admit it has become somewhat difficult to keep up with the risk problems. Each time we acquire a company, Northrop's risk hazards and problems change."

Mr. Soper pointed out that Hughes Aircraft Co. is not related to the Hughes Tool Co., which soon will "go public with a stock issuance" but is owned, in effect, by a Florida medical institute set up by Howard Hughes. Hughes Aircraft profit goes to support this institute.

MR. SOPER concentrated on loss reduction and prevention and outlined a variety of methods by which risk managers can define risks, variations in hazards and the results of risks.

"The effective risk manager," he insisted, "must concern himself with the so-called static risk as well as with the dynamic, or speculative risk."

Static or "pure risk" was defined by Mr. Soper as "that hazard or risk which can produce a chance of loss but no chance of gain. Fraud, physical damage, death or injury fall into the category of static risk.

"The speculative risk is more difficult to define but it exists and judgment must be exercised as to how a corporation can be best protected against such risk.

"IN EITHER category," Mr. Soper added, "the true risk manager just has to be either the corporate president or chairman. It is top management that has to make the decisions that help the firm to success."

The Hughes Aircraft man presented four steps which he believes risk managers should follow: (1) risk identification, (2) risk measurement, (3) risk control (4) constant system monitoring to uncover new or unknown risks.

"Risk identification," he said, is "knowing the potential profit drains or losses; applying known facts as to severity and frequence as well as predictability of risks and losses. Risk measurement," he continued, "then becomes simply the development of all available statistical and other knowledge, including history as well as theoretical considerations."

Hughes Aircraft, Mr. Soper said, utilizes the check-list approach to establish knowledge of potential losses. He suggested as other approaches the use of financial records or inventory or the flow-chart method.

"Another approach, growing in popularity with corporate risk managers," he said, "is the use of outside the company consultants which has disadvantages as well as advantages.

"The outsider," he explained, "whether broker or risk management consultant firm, may have all of the required expertise but most often will lack specific knowledge of the company. The very best approach is to utilize a combination of all methods."

QUESTIONS from the floor indicated some brokers present at the seminar, if not envious of the risk manager's job, might like a crack at it. A number of those present wanted to know "how risk managers are made."

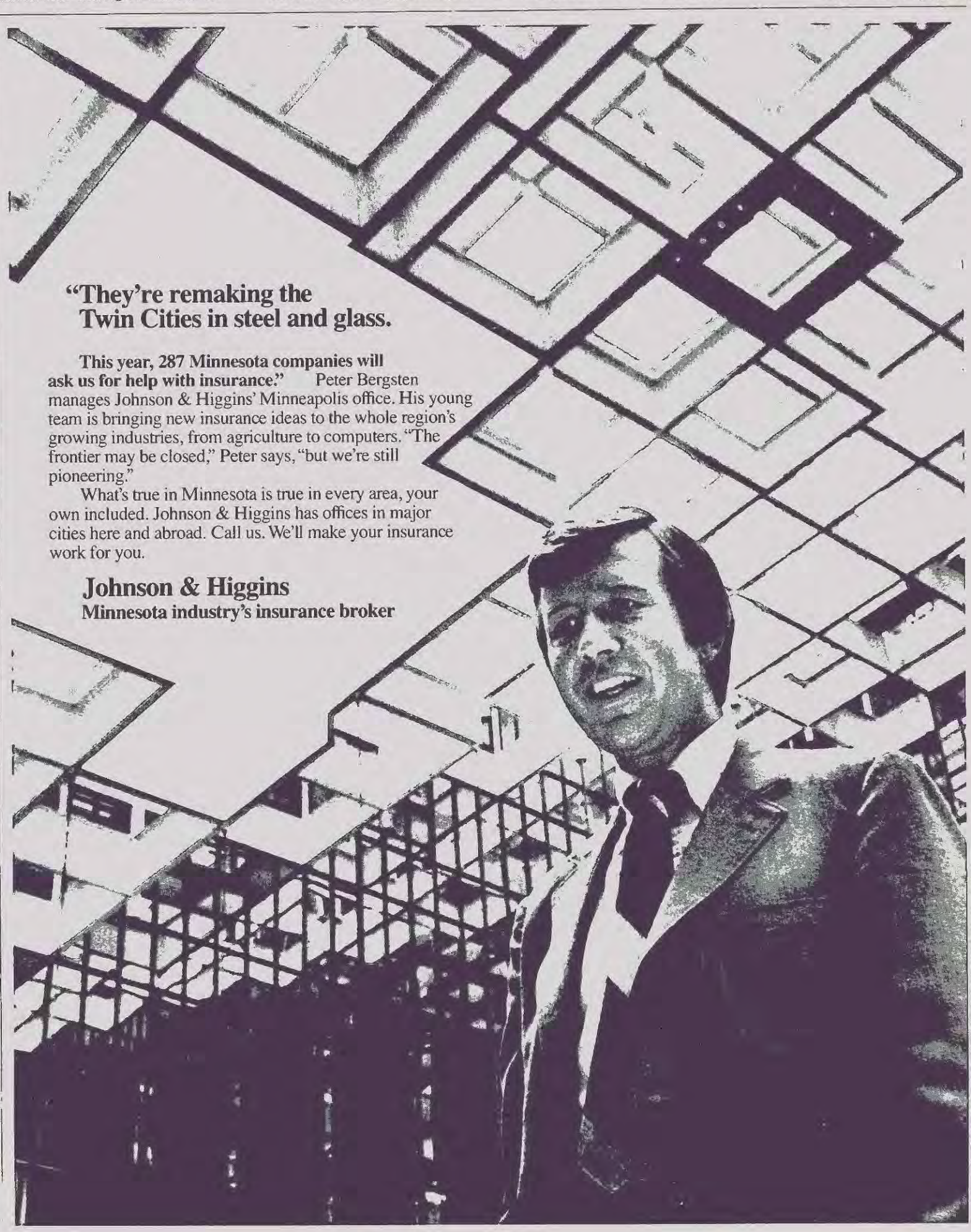
Mr. Butler, Mr. Duffield and Mr. Soper cited their own personal backgrounds to substantiate the reply that "most risk managers normally enter the corporate field almost directly from some aspect of the insurance business."

MR. DUFFIELD, who also is an attorney, added that "a legal background can be a big help; not only in getting in as a risk manager but also in competently performing the risk manager's functions."

The three panel members also agreed that "in most of the larger corporations, the risk manager reports to a senior finance officer, only two or three steps below the president."

Risk management, Mr. Butler emphasized, "is a concept as well as a specific function within a corporation," adding his conviction that "although risk manage-

Continued on page 40



'Truisms' . . .

Continued from page 39

ment has come a long way in a comparatively short time as a profession, it still has a long way to go."

Mr. Butler also told the seminar that "the risk manager, in seeking insurance protection for his company, must look for the broadest possible coverage to suit the needs, at the most economical cost.

"TODAY," he said, "this requires a true team effort which involves everyone in the corporation as well as the broker, the carrier and anyone with a skill or a service to help gain the objective."

It was Mr. Butler who asserted "the risk manager should never buy insurance against expected losses. At a 60% loss level," he explained, "only 60 cents of the premium dollar represents pure insurance. The remaining 40 cents covers all of the costs, such as broker's fee and carrier's profit. With costs such as these, insurance should be geared to the unknown or the unexpected losses."

All three panel members agreed on the value of the services beyond pure insurance which can be supplied by brokers, agents or outside consultants. "Without these services available," Mr. Butler emphasized, "the risk manager otherwise has to provide them in-house as it were.

"Additionally," he pointed out, "in third party losses the insurance carrier or the broker can serve beautifully as a buffer or middleman between the company and . . . employes, in such instances as workmen's compensation, or in customer or public claims."

Mr. Butler also cited the growth of computer data processing as "a new risk" that demands insurance protection against damage risks which threaten "huge dollar investments.

"THE POLICY provisions of purchased insurance," Mr. Butler declared, "must always be tailored to the exact and specific needs of the corporation the risk manager serves."

Hughes Aircraft, Mr. Soper explained, has a "structured" program to identify risks, and through a data collection effort and risk management, "crosses all personnel lines as well as departmental," in its search. He cited as an example of this review by his department of all contracts written, as well as "classes" among employes on the extent and varieties of risks which Hughes Aircraft faces.

"In addition," he continued, "the risk management people at Hughes Aircraft are advised immediately whenever any kind of a new risk exposure arises or threatens. Probably the most difficult task a risk manager has," he asserted, "is the job of establishing within his company a truly effective communications system. I think we have accomplished this at Hughes Aircraft."

Mr. Butler added, "if anything, at Lockheed we probably have a sort of 'over-kill' in this area of within-the-company communications. Just about everything possible is done at Lockheed to interchange information that might be of use to the risk manager."

At both Lockheed and Hughes Aircraft, the risk manager is deeply involved in all company activities, including even plant engineering, both men noted. At Northrop, Mr. Duffield's department presents a "risk memo" on "almost everything that occurs within the company."

At all three companies, however, the risk manager serves in a "line-advisory" capacity and presents recommendations "which leaves the final decision to top corporate management."

Disaster, in terms of achieving the objectives of risk management, occurs only when "the risk manager is not advised ahead of time of proposed company actions that might pose hazards."

THE THREE panel members did note, however, that lack of time and personnel do present some problems for risk management.

At Northrop, for example, in 1968 when the company had some 25,000 employes, Mr. Duffield had a staff of 12. When total personnel dropped to 12,500, the risk management staff also dropped, to one man and one girl.

"However," Mr. Duffield pointed out, "this situation perhaps was typical of the aerospace industry, although risk managers in many companies do operate with limited staffs."

In a spirited discussion involving questions from the floor, the three risk managers expressed conviction that "use of brokers and outsiders, on a fee basis, for special services can only enhance the corporate role of the risk manager."

Hughes, Lockheed and Northrop have used essentially the same broker or brokers "for years" and "we even have used broker services at times when carriers provided direct writing services," they noted. ■

Traffic safety award

Franklin M. Kreml, president of the Motor Vehicle Manufacturers Assn., was given the National Safety Council's Distinguished Service to Traffic Safety Award. He had served as chairman of President Nixon's Task Force for Highway Safety in 1969-1970, which released a reported titled: "Mobility Without Mayhem."

Denenberg issues form letter for resignation

HARRISBURG—Demands for the ouster of Herbert Denenberg as Pennsylvania's insurance commissioner have become so frequent of late that the outspoken regulator has issued a form letter to be used by groups desiring his resignation to facilitate the process.

Using the letter sent to Gov. Milton Shapp by the Pennsylvania Assn. of Trial Lawyers earlier this month as a base for the form letter, Mr. Denenberg commented, "I must commend the trial lawyers on one matter—their letter did not contain any illegal threats."

The threat he referred to was contained in a letter to the governor from the Pennsylvania Medical Society which indicated that the physician's' group would refuse to do the paperwork on "Pennsycare," a $500 million program which aids the state's poor persons, unless Mr. Denenberg was fired. Gov. Shapp rejected the demand.

Mr. Denenberg's form letter reads:

"Dear Governor Shapp: Our group hereby demands that Insurance Commissioner Deneberg be fired immediately. His pro-consumer reforms are bad for our special interests because (list reasons in order of personal priorities; if you're ashamed to publicly disclose your reasons, merely say Mr. Denenberg is irresponsible and intemperate).' ■

Agents dislike self-insurance bill; N.J. department agrees with them

TRENTON, N.J.—The New Jersey department of insurance is apparently supporting the principle, if not the action, behind the move by the New Jersey Assn. of Insurance Agents to oppose self-insurance for local school boards as proposed by bill 1309, now pending in the legislature.

The bill would create a self-insurance program for school property. The state commissioners of education and insurance plus three appointees would manage a special insurance company created for the purpose.

Deputy commissioner of insurance Morgan Shumake noted that because the bill would not make self-insurance compulsory for all school boards, only those with high risk potentials or exposure problems would enter the self-insurance fund, creating in effect a "selection against the company."

The problem would be compounded, he said, because the bill has no funding. Any subsequent company set up to administer it would be unprepared to finance any losses that would occur.

Mr. Shumake called bill 1309 "outdated." Explaining, he said, "Maybe three years ago, when the bill was first introduced, there was a need for self-insurance for those school boards that had difficulty getting insurance. But that problem doesn't exist today."

He credited the state insurance department's effort to keep the market open with decreasing the insurance problems of school boards. The last complaint he could recall was registered in 1968 by the New Brunswick board. And since then, he noted, the New Brunswick insurance difficulty had been cleared up.

The New Jersey Assn. of Insurance Agents reacted to bill 1309 by writing to the heads of 623 local school boards in the state to warn them of "potential dangers of an ill-conceived proposal for your school district."

"You should not be misled into thinking a self-insurance plan would be highly economical," the letter said. "Experience shows that such plans directed by novices in the insurance field often result in wider insurance of property which can prove extremely costly to you and the taxpayers in your district."

The AIA letter conceded that in the past, certain school districts had difficulty in acquiring insurance (a condition that led to the introduction of the bill), but it pledged itself to work with any school board to solve its insurance problems.

THE LETTER claimed that although many school districts had been burdened with what seemed to be excessive rates, closer examination revealed that the increases in most cases were activated to bring rates to more realistic levels in the light of losses being sustained.

The association said that similar self-operated insurance plans have failed because cost of operation is prohibitive. Severe losses can bankrupt the reserve fund and make it necessary to draw on general treasury funds, it asserted.

Deputy commissioner Shumake, evidently fearing the same fate for the proposed self-insurance program, said of the AIA's stance, "I'm inclined to agree with their side." ■

Explore real estate, funds urged

TORONTO—The mortgage banking firm of Morguard Trust Co. is avidly encouraging Canadian pension-fund managers to turn their sights from a sluggish stock market to the field of real estate for their investment activities.

According to John E. Henderson, pension fund investment consultant with Morguard, real estate (direct ownership of property) satisfies the essential investment criteria for pension funds—stability, income and growth.

Other plusses noted by the Morguard firm in lauding land investment are its low downside risk, unlimited diversification potential and deferral of yield.

MR. HENDERSON also points out that a sound real-estate investment can produce an annual return of about 10% for the fund.

At present not many Canadian pension funds have caught on to the land potential. At the end of 1970, only 0.4% of the trusteed pension fund assets were in real estate and leasebacks, whereas 24.3% were in stocks.

Morguard believes, however, that a new tax law requiring pension funds to invest no more than 10% of their assets in foreign securities will put such pressure on the Canadian stock markets that funds will be especially receptive to alternative investments.

In a survey done earlier this year, Morguard found that pension funds in several European countries have been increasing their real estate investments. Many of the leading British funds have 30% of their assets in real estate equity. One major fund has invested 80% of its cash flow in real estate during the past five years.

Morguard predicts that such initial problems as rent collections, tax payments and property maintenance, can be helped along by outside firms in return for a fee based on a percentage of rental income.

In discussing his firm's advice to fund managers, Mr. Henderson concluded, "The euphoria surrounding stocks in the past few years has obscured the fact that significant growth in the stock market is becoming harder to achieve." ■

Extend no-fault?

A Connecticut state legislator, Sen. Larry DeNardis, Hamden Republican, has disclosed his intent to sponsor a measure in the January session "to extend the new no-fault automobile insurance law from bodily injury liability to property damage liability." The present law, which becomes effective Jan. 1, (if it survives a court challenge), was the result of the efforts of Sen. DeNardis and a New Haven Democrat, who co-sponsored the original Connecticut no-fault bill in 1971.

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Giles on the law

District court reviews suit claiming industry-wide liability for products

By JOHN W. GILES
Attorney at law

WASHINGTON— Manufacturers of explosives will do well to examine a recent case in U.S. district court wherein damages were sought from explosive manufacturers and their trade association for 18 separate accidents in which children were injured by blasting caps.

While the case is only in its preliminary stages, the court did hold that a complaint against producers of injury-causing blasting caps presented a claim of joint liability against non-producers or manufacturers, on the theory of industry-wide responsibility for certain features of cap design.

But it did not state a claim on which relief could be granted, in view of the arbitrary basis for selection of only two manufacturers to defend against the claim of industry-wide responsibility and in view of the absence of any demonstrable need for joint liability. The case is important because it reviews at length a manufacturer's duty to warn of the danger of its product, the strict liability of a manufacturer and the principal elements of joint liability.

The court defines these as: The actors knowingly join in the performance of the tortious act; the actors fail to perform a common duty owed to the plaintiff; there is a special relationship between the parties (e.g. master and servant or joint entrepreneurs); although there is no concerted action, nevertheless the independent acts of the several actors concur to produce indivisible harmful consequences.

The court also explains at length the doctrine of "enterprise liability." The basic allegation in the complaint is that the practice of the explosives industry, during the 1950's continuing until 1965, of not placing any warning upon individual blasting caps and of failing to take other safety measures, created an unreasonable risk of harm resulting in the injuries to the 18 children. (*Hall* v. *E. I. DuPont de Nemours & Co.*, U.S. District Court, May 18, 1972 - E.D. N.Y. 345 Fed. Supp. 353.

* * *

WILL A product liability claim properly lie in maritime court? The U.S. district court in California says, "yes."

Here the owners and subrogated insurers of a ship's cargo brought an action against the shipowner, shipbuilder and the corporation which designed and constructed hatch covers for the vessel, to recover for damage sustained to the cargo when seawater entered the hold during ballasting operations.

The court held that no extra precautions were taken, though shipowners knew that both the device which measured the depth of the liquid in the tanks and the electric bilge alarm system were inoperative. The court also held that the damage would not have occurred if the water had been shut off immediately once tanks were filled, and further, where the shipbuilder failed to remove the plug blocking sounding tubes which would have alerted the crew that tanks were full, negligence of both shopowner and shipbuilder had caused the damage.

The court here said an action based on breach of an implied warranty of fitness will lie in admiralty, citing *Montgomery* v. *Goodyear Tire and Rubber Co.*, 231 F. Supp. 447. Regarding Admiralty and the product liability claim, the court said the indication in admiralty is that it draws upon and incorporates the law prevailing on land where there is no statutory or historic principle to the contrary.

"There is an unavoidable and solidifying relationship between the wrongful acts and omissions on land and the injury or damage which is inflicted on navigable waters. They cannot be separated and liability cannot be avoided merely because a defect was not discovered while the ship sat on land before delivery. The damage was done on navigable waters and is a maritime tort." (*Sears Roebuck & Co.*, v. *American President Lines Ltd.*, U.S. District Court of Northern California, June 24, 1971—345 Fed. Supp. 395.)

* * *

ARE YOU dissatisfied with your telephone service and believe you have a just claim against the company? Recently, in New York, a subscriber sought to recover damages from the telephone company for failure to provide proper service.

The court held that there could be no recovery, in the absence of proof of any wilful misconduct or gross negligence on the part of the telephone company against plaintiff as a subscriber.

The court said, "Although the public service commission has no power to award monetary damages for poor service, this does not mean that a court may grant this relief. The fact that a party has no administrative remedy does not entitle him to judicial relief unless he proves a cause of action.

"As you know," the court continued, "gross, or culpable negligence, implies very great negligence and the want of even scant care. It has been defined as "disregard of the consequences which may ensue from the act, and indifference to the rights of others". (*Warren* v. *New York Telephone Co.*, Civil Court of New York Supp. 2nd 25.)

* * *

THE U.S. Supreme Court, by an 8 to 1 vote, has ruled that a Louisiana statute denying the same workmen's compensation death benefits to dependent unacknowledged illegitimate children, as afforded to legitimate or acknowledged children, violated the equal protection clause of the Fourteenth Amendment.

This was the same "unpermissible discrimination" which was condemned in *Levy* v. *Louisiana*, 391 U.S. 68 (1968). The court held that the fact of the child's illegitimacy bore no reasonable relation to the purpose of the workmen's compensation laws. The dependent illegitimate child is entitled to the same rights as other dependent children.

The law in question, as found by the court, bears no rational relationship to the legitimate stated purpose of the "regulation and protection of the family." (*Weber* v. *Aetna Casualty and Surety Co.*, 40 L.W. 4460) ■

(No. 5 of a Series)

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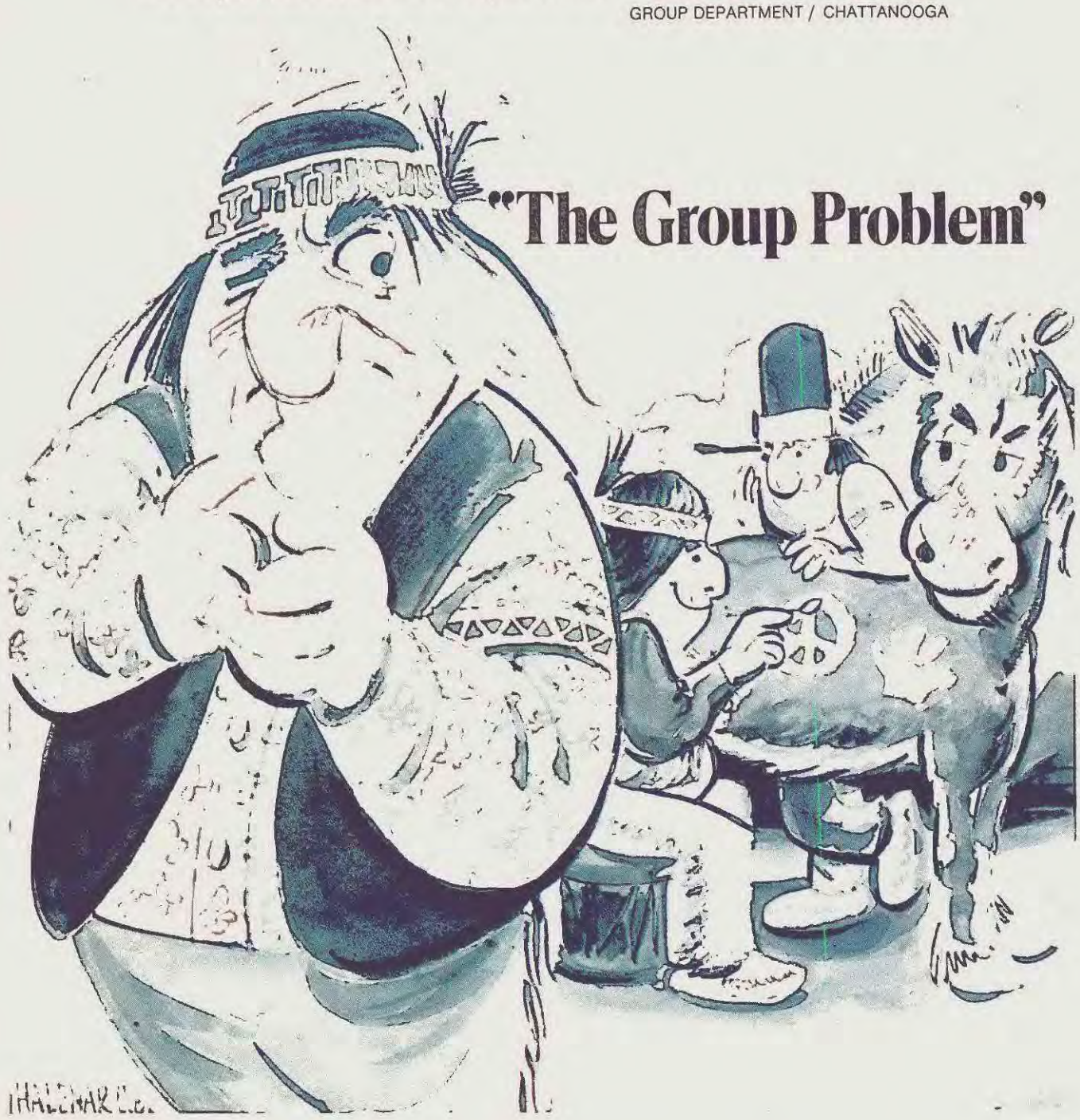

Pension funds speed growth of bank trusts

NEW YORK—Flourishing pension funds fanned a 50% increase in the assets of bank trust departments in a six year period, a Federal Reserve Bank study reveals. From $191 billion in 1964, trust department assets swelled to $292 billion by the end of 1970, with the growth about evenly divided between net price appreciations and net inflow.

Edna Erlich, the study's author, and manager of the New York Federal's international research department, predicts that even assuming no further price inflation, pensions will soar to a multiple of their current dollar amount.

Within this boom, she also expects that by 1980, some 40 million persons will be covered by private pension plans, as opposed to the 30 million currently protected.

EVEN though bank trust assets are up so dramatically, the increase in pension funds has created a climate of tough competition for management of employe benefits. It seems that more and more corporations are turning away from banks and insurance companies to manage their pension funds, and are looking for these services from independent investment counselors, brokerage houses, and mutual fund managers, according to the study.

Part of the competitive pressure on banks, insurance companies, and other fiduciaries came in the form of an increased demand for a higher rate of return on investments from pension funds.

What resulted was a big switch to equities, particularly common stocks. One offshoot is the "master note" in which a corporate borrower will raise money through direct negotiation with a trust department. The interest rate is generally the same as on the borrowers 180-day commercial paper. The trend toward equities and away from bonds is pronounced.

By 1968, the Federal Reserve Bank study shows, a majority of the larger banks considered a 60% to 65% investment in equities appropriate for pension fund accounts. And of 675 large firms surveyed, a solid 42% announced that they expected to have 70% to 100% of their pension assets in equities by 1975. ■

Judge dismisses suit charging malpractice

TORONTO—A woman wound up with a surgical pad in her abdomen following an operation, but she couldn't collect any damages over the medical blunder in a court of law.

Justice J. D. Cromarty dismissed, with costs if demanded, a claim for damages against Dr. L. R. Clow of Kingston, Ontario, filed by Pauline Karderas who charged that a surgical pad was left in her abdomen.

IN HER SUIT, Mrs. Karderas asked for general damages of $100,000 and special damages of $15,000. At the same time, her husband, Anastasios Karderas, made claims of $100,000 in general damages and $25,000 in special damages and costs.

The non-jury action was tried in Ottawa and the supreme court ruling was announced in Toronto. Mrs. Karderas was admitted to Dieu Hospital in May 1965 with what was believed to be a ruptured fallopian tube.

Justice Cromarty ruled: "It was removed and the operating room nurse reported the sponge count correct." Later in May the patient returned to hospital with abdominal pains and a pad about 14 inches square was removed from her abdomen.

But Justice Cromarty found: "Dr. Clow followed approved and widely accepted procedures . . . and was neither in breach of contract nor negligent in doing so." ■

Blues sued for illegally high rates

KANSAS CITY, MO.—The federal government has alleged that Blue Cross and Blue Shield here have been charging illegally high premiums for hospital and medical insurance.

The rates in question apply only to group policies. A Blue Cross-Blue Shield spokesman here said he has no idea how many policies, how much premium revenue or how large the group policies are that are involved. He also said he has seen no figures specifying how high the alleged illegal premiums are.

The justice department has asked a federal district court in Kansas City to force the Blues to refund the alleged overcharges, which have been in effect since Jan. 11, a spokesman for the Cost of Living Council said.

The suit charges that rates on certain contracts in approximately 30 counties in northwest Missouri violate price commission regulations. In addition to refunds, the suit asks for a $2,500 penalty to be charged to the company for each violation. ■

Insurance firm bought

MILWAUKEE—International Harvester Co. plans to buy a Milwaukee-based life insurance holding company.

The proposed acquisition has been approved by directors of both firms but requires approval by shareholders of the holding company, Association Corp.

Preliminary terms call for International Harvester to issue one share of its common stock for every ten shares of Association stock, if the market value of I. H. stock is at least $37.50 but not more than $42.40 at the date of the merger.

IF THE value is outside this, the formula will be adjusted and an exchange value will be placed on Association Corp. stock, depending on International's market value.

Association has about 1,680,000 shares outstanding.

Plans also call for W. Stanley Pearce to remain as president and chief executive officer of the insurance firm, which would become a subsidiary of International Harvester. ■

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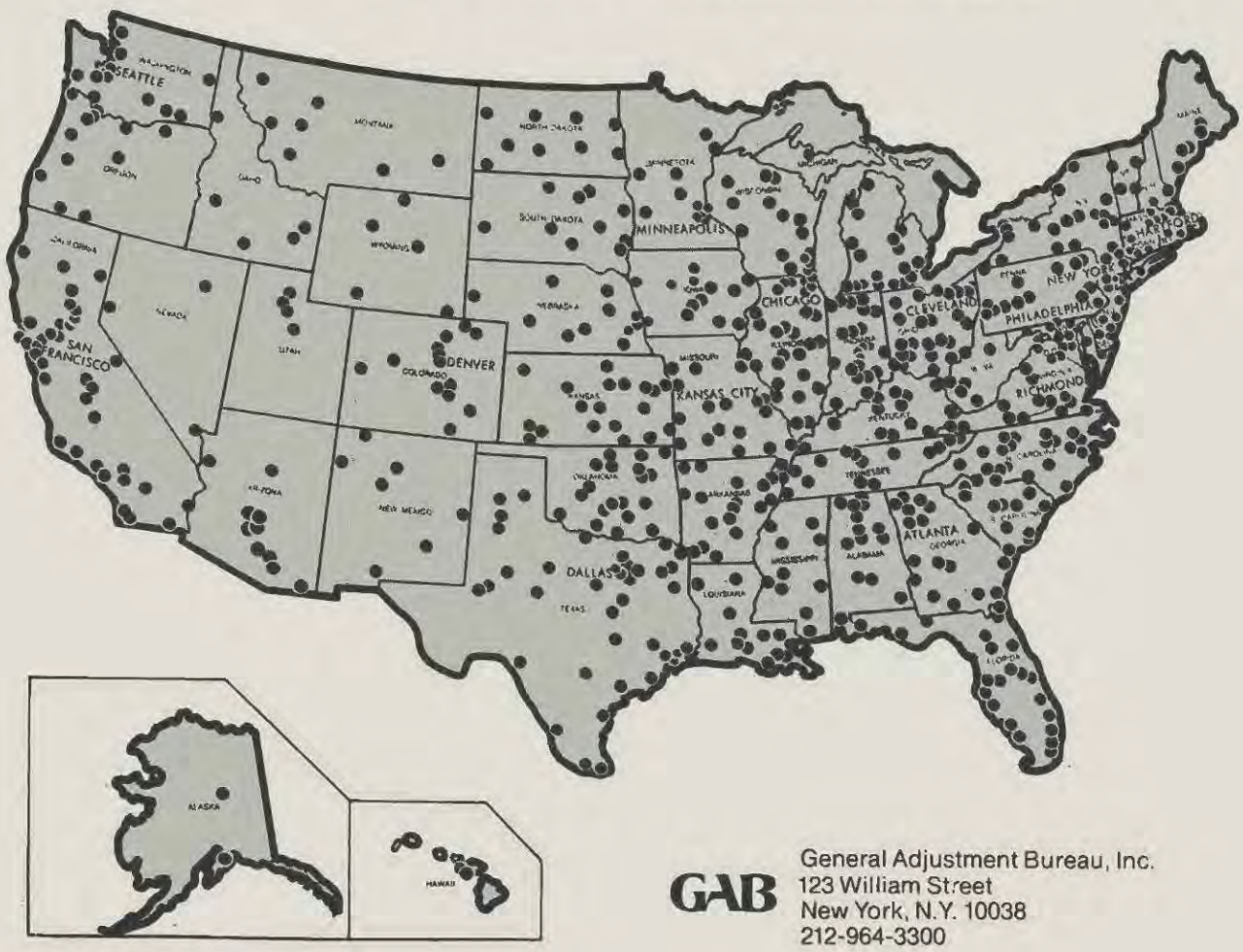

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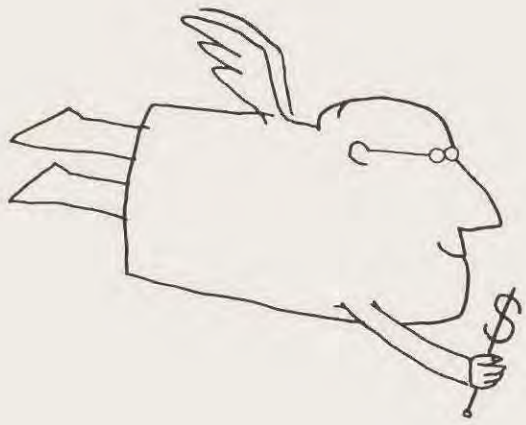

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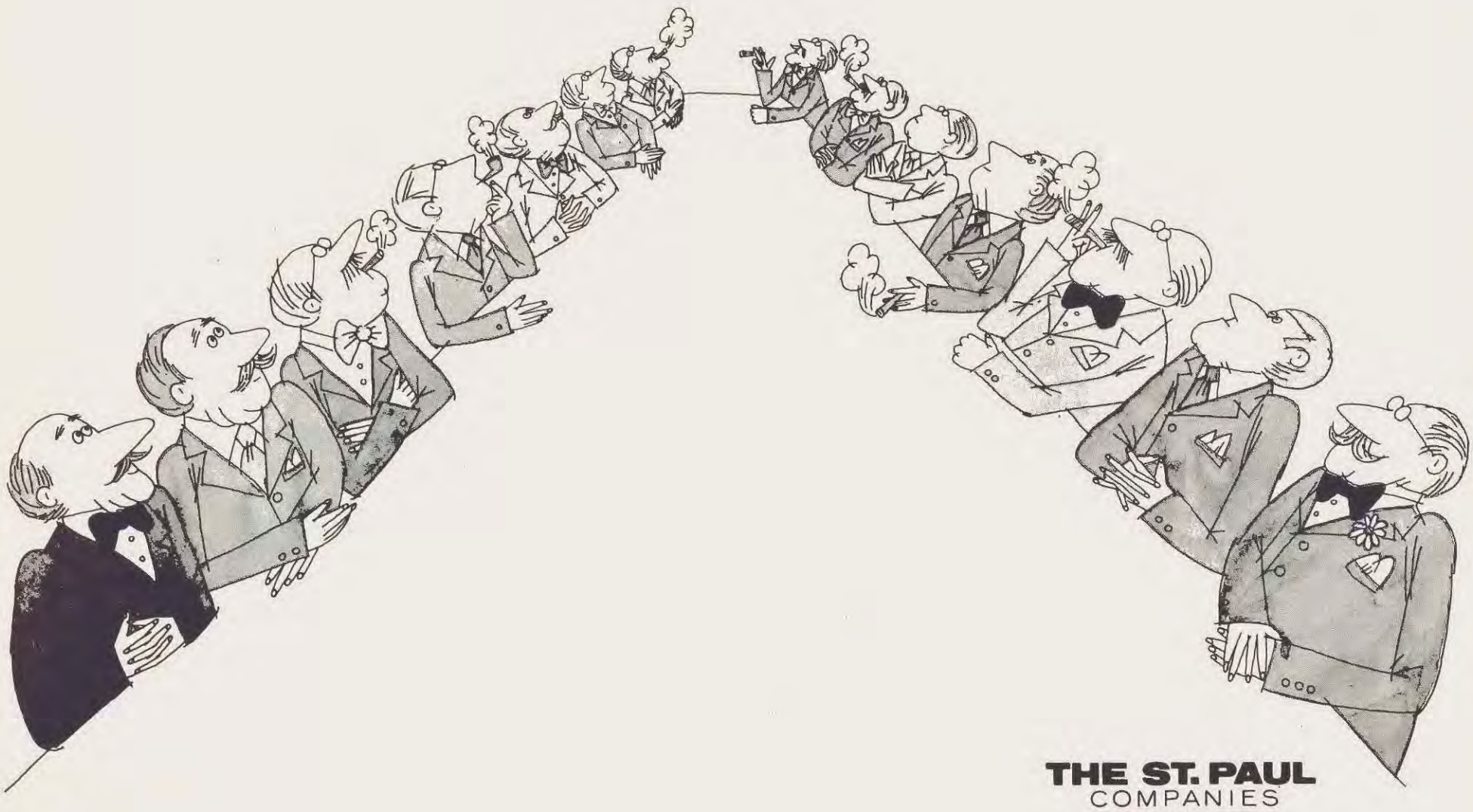

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PERSPECTIVE

BY BION H. FRANCIS

Insurance consultant, Milford, Ct.

Be aware of hidden expenses for older employes' life benefits

"Suppose you have 1,000 pensioners, and have agreed with the union to pay a benefit of $1,000 at the death of each. The company decides simply to pay the $1,000 for each pensioner as part of payroll. If this is done, you have now incurred a liability of $1 million."

GROUP LIFE INSURANCE on workers under 65 year of age and insurance on workers over 65 may be written on the same kind of policy forms. However, the differences can be so great as to be a real difference in kind.

First, let us look at some figures. How does the cost of group insurance vary with age? Here is a table which presents the annual "pure insurance cost" of life insurance, based on a widely used mortality table:

Age of employe	Annual cost of $1000 of Life insurance
25	$ 1.93
35	2.51
45	5.35
55	13.00
65	31.75
75	73.37
85	161.14
95	351.24

To obtain the cost of group life insurance, we simply multiply the amount of life insurance at each age, by the cost of insurance at that age, and then add the figures for each age. For a working force made up largely of young and middle-aged workers, the cost of group life insurance is only a few dollars a year per $1,000 of life insurance.

After age 65, the cost increases sharply and is no longer a relatively minor annual premium. The employe has probably retired, and his insurance is the amount (usually reduced) which will stay in force until he dies. The question is therefore not *whether* this insurance will become available, but rather *when* it will be payable. Under these conditions, the full face amount of the insurance should be regarded as the pure insurance cost on a "one-time" basis. If this is regarded as the cost at retirement, it will be reduced only by some discounting for interest.

THIS LIABILITY is sometimes undertaken without a clear understanding of what is involved. I have encountered situations where a retiring employe stopped off at the personnel office to say good-bye to old friends. He might ask if he could continue his life insurance and his medical expense insurance (which also increases in cost after retirement) by paying his usual contribution to the company.

The request seemed reasonable and its effect upon cost appeared negligible. After all, good old Joe is covered now. How can it change things if we simply continue the insurance which he now has? So the protection is continued and the company has taken on an obligation. Of course, the cost of Joe's insurance increases as time goes on. Joe may have died by now, but we can be sure that before he did he told all his friends about the arrangement and they are getting the same thing when they retire. Once you start, how can you stop?

The possibility of this situation occurring is decreasing, in large part because, when a plant is unionized, no company will take on a new benefit except by specific agreement with the union. However, there are still plants which have no unions, and other plants where the ghosts of past agreements have risen to haunt present managements.

HOWEVER, the situation comes about, it can leave an unfortunate legacy which is not limited to the increase in cost. If you have retired employes included with active employes in the protection provided by your group insurance, the unit cost of that insurance will be greater than the true cost of insurance for your active employes.

As pointed out previously, the cost of group life insurance for active employes is low. In situations where group insurance is the best method of meeting employe needs, you should have freedom to increase group insurance to whatever level best meets the needs of your employes. Your situation should not be complicated by the fact that group insurance experience indicates a cost which is greater than the true cost of group insurance of active employes.

Similarly, for retired employes, if you wish to provide group insurance for them you should have a clear picture of the cost of what you are providing. Experience for retired employes should be segregated.

IN DOING THIS, insurance may not be involved at all. Sometimes, the protection for retired employes is, in effect, incorporated in the operating expenses of a plant. For example, the company may negotiate with the union to provide benefits for pensioners. Such an agreement may provide for millions of dollars of death benefits. The company may decide to provide these death benefits, not from life insurance, but rather by setting up reserves to pay these amounts directly as death benefits. The company may fund such a reserve by regular payments over a period of years.

Suppose you have 1,000 pensioners, and have agreed with the union to pay a benefit of $1,000 at the death of each. The company decides simply to pay the $1,000 for each pensioner as part of payroll. If this is done, you have now incurred a liability of $1 million. Properly, a reserve should be established on your balance sheet to reflect this direct payment of death benefits.

IF YOU DO *not* establish such a fund on your balance sheet, you may be criticized for not doing so. However, suppose that you now insure the liability for death benefits by obtaining a group life insurance policy for that purpose. I have seen a situation where the fact that the company "insured" a liability of this kind was interpreted as meaning that the reserve was no longer necessary. This is not the situation at all. If a group insurance policy is written for this purpose, the policy is probably written on a cost-plus arrangement. The liability for death benefits has simply been replaced by a liability for insurance premiums. These premiums represent the discharge of an accrued liability from the past rather than a current operating expense.

However it is done, whether by separate insurance or by establishing a fund, benefits provided for employes after retirement should be regarded as part of the corporate retirement problem rather than as part of the problem of providing insurance for active employes.

The liability for insurance after retirement is a liability which has accrued during the active lifetime of the employes involved. The money to provide for this liability should also be accrued during the work lifetime of the employes involved and the accrual should be completed by the time the employe retires in just the same way that the reserves for his retirement income should be accrued by the time of retirement. ■

Risk men's concern with heart attacks could lower premiums

BY CHARLES F. LEVINSON

Director of insurance, United Brands Co. New York

"The risk manager should be concerned that . . . there is some emergency procedure for the immediate treatment of anyone who exhibits symptoms of a heart attack."

WE'RE ALL familiar with statistics indicating that death by heart attack is probably the greatest killer in the world and probably the greatest crippler in regard to decreased activity and ambition for employes and executives alike.

In attempting to reduce or control, in some manner, life insurance costs, health insurance costs and workmen's compensation premiums, the risk manager should be vitally concerned with emergency methods used in his company to handle on-the-job heart attacks. The risk manager should be concerned that at all locations having more than just a few employes there is some emergency procedure for the immediate treatment of anyone who exhibits symptoms of a heart attack. One duty of the risk manager is to make sure that management personnel, at least, understand the basics of treatment on an emergency basis.

The severity and causes of heart attacks vary, but in all cases a decreased efficiency of this most important organ is evident. Typical symptoms in a patient having a severe heart attack include extreme pain —usually described as a crushing pressure beneath the breastbone, a feeling of apprehension, shortness of breath, nausea and vomiting coupled with increased perspiration. Treatment prescribed for patients with all types of heart conditions is basically the same: Place the patient in a sitting position, give him oxygen, comfort

Continued on following page

business insurance

PERSPECTIVE

Attacks . . .

Continued from preceding page

and reassure him, loosen his clothing and, if necessary, administer cardio-pulmonary resuscitation.

A HEART PATIENT should always be given oxygen since this relieves both shortness of breath and anxiety. In addition, oxygen may help some of the damaged heart muscles to remain alive.

All cells need oxygen and shock might occur if there is not enough present. A blueness of the lips indicates that the patient is not getting enough oxygen and such a patient generally breathes more easily in a sitting or nearly-sitting position. He should always be positioned so that his head and chest are above the rest of the body and never forced to lie flat.

Do not allow the patient to move by himself for a damaged heart needs rest. Fluids and drugs should be given only as ordered by a doctor. If possible and practical the name of the patients' doctor should be obtained as well as any history of heart or other ailments that may guide you in giving emergency help or in informing professional help when it arrives.

In many instances, heart attack victims will, after a short period of time, try to get up and move around partially to reassure himself that the situation is not as bad as he fears. This should be prevented.

SUPERVISORY people should be informed that any such patient requires prompt medical attention and, if his physician cannot be contacted immediately, he should be sent to a hospital in an ambulance. Under even ideal conditions the best ambulance service normally requires at least 10 minutes from the time the call is placed until the ambulance arrives. Therefore, assistance given to the patient during this waiting period is vital to successful handling of the situation.

Individual locations within a building should be equipped with a 30-minute oxygen unit as a standard part of first-aid equipment. Small units of oxygen generally cost from $8.50 to $20.

Every office or facility physically separated by floors should be provided with one such unit even though there may be a central first-aid station equipped with more sophisticated oxygen equipment. In the event of an emergency requiring the administration of oxygen, time is most important and any delay occasioned by having to send for a unit which is locked in a first-aid room located on another floor or in another building wastes excessive time.

Examination of heart incidents in any large company usually reveal that a slight heart attack can be aggravated—or even result in death—if proper attention is not given immediately. Aside from the duty that one individual as a human being bears to another to give the best help possible in case of illness, a monetary necessity exists to cut down the severity of any heart attack that occurs in and around a company. I would recommend that all risk managers examine procedures in their companies to see whether provisions are made for the proper handling of a heart attack victim on their premises and, in addition, disseminate first-aid procedure information to employes.

As a first step, risk managers can obtain booklets on heart attack emergency procedures from life insurance companies. The pamphlets are generally issued free of charge. ■

Risk management notes

Insurance dilemma for public agencies

BY WARREN, McVEIGH & ASSOCIATES

risk management consultants
San Francisco—Los Angeles

THE DISASTER Relief Act of 1970 (public law 91-606) provides federal funds to public agencies following loss from a major disaster. This includes earthquake as well as other disasters but does not cover any loss which is insured. This provides the local public entity with a real dilemma: Should it buy insurance and pay a premium for a loss which could be at least partially funded from the federal government, or should it not buy insurance and rely on the disaster relief act? The answer is clear for fire, windstorm and other readily insurable perils, but, for earthquake, the high cost of adequate insurance is a deterrent.

It is dangerous to rely upon the federal act for protection because there are many limitations. First, the president has to declare it a disaster area; second, funds must be available.

There is one method of approaching the problem which so far has proved adequate. Insurance may be written so that the underwriter will exclude loss for which recovery is available under the federal act, but will pay any difference between the amount recovered through the act and the amount available under the policy. In the event there is any delay in recovering federal funds, the underwriter should make full payment of the loss, considering the portion which may be recovered from the government in the nature of a temporary loan repayable when funds are received. The wording of such a clause should be evaluated by counsel, but it should prove to be a desirable approach.

Joint Earthquake and Fire Loss

Consider the possibility of an earthquake which damages your building. As a result of the quake, but subsequent to the damage, a fire starts and does additional damage. You will never be able to determine how much of the damage was due to earthquake and how much due to fire.

Now what is going to happen with the loss adjustment? If you have insurance for both perils in different companies, there will be a tug-of-war between the two carriers with you in the middle. The results could be failure to collect the full amount due or a costly law suit. If the same carrier covers both fire and earthquake, your only problem will be to make the best effort you can to distinquish between the amount of loss due to each peril so that the different deductibles can be properly applied. If you have fire insurance but no earthquake insurance, you will again have a problem in proving the amount of your fire loss, since it is likely the carrier will say the building was already damaged.

When considering this situation, you would be well advised to follow the old maxim "adjust the loss before it occurs." Ideally, you should have a single property policy covering all perils, and including all time element coverage, with a single limit of liability and a single deductible. In this case you have no problem. For the other cases, the problem will be to separate the fire damage from the earthquake damage. Since this will be difficult to do and the parties of interest would be unlikely to reach agreement among themselves, it may be advisable to appoint an independent arbitrator in advance—probably an independent claims adjusting firm with all parties of interest indicating their willingness to abide by the decision.

Defense Coverge

The standard liability contract states: "The company shall have the right and duty to defend any suit against the insured seeking damages . . . even if any of the allegations of the suit are groundless, false or fraudulent, and may make such investigation and settlement of any claim or suit as it deems expedient." The term "defendent" is not defined, but the consensus is that it does not require the insurer to contest a claim but does bind it to represent the insured where coverage exists in the contract and suit is brought. The insurer must defend if coverage exists and cannot decide arbitrarily that there is no valid claim.

Questions of coverage, however, do arise. There are three reasons for denying defense because of invalid coverage: Violation of public policy, such as where a loss results from commission of a felony; violation of contract law, such as where there is a material misrepresentation; and those instances where coverage clearly does not exist.

One of the problems facing an insured is whether he should have legal defense provided not only by his primary liability contract but by all excess or umbrella liability contracts. The obligation to defend normally ceases upon payment by the primary carrier of his limit of liability in a judgment, and with a very large judgment, he could very well pay his limit and refuse any defense. It is, therefore, desirable, unless the insured has a capable legal staff and prefers to conduct his own defense, for all liability policies to include defense costs as part of the coverage. Check your umbrella now. If defense is not included, you may want to put it in.

Specifications for Services

Services such as claims adjusting (especially workmen's compensation) and loss prevention can be selected by competitive quotations, but price cannot be the sole criterion. To develop quotations, specifications must be prepared which thoroughly communicate the job to be performed but which are not too detailed. They can be likened to basic design criteria published by a builder or developer for an architect to implement in detail.

When reviewing proposals, the buyer should be concerned with what individuals will do the work and their professional background, their physical location, estimated time allocation, opinions of their other clients and reputation of the firm.

When there are many potential bidders, written proposals may be used for screening the list down to four or five to be personally interviewed. Wherever the service firm will be dealing with different departments or operating units, each unit should be represented on the screening committee in order to obtain their ideas, minimize potential personality conflicts and give them the feeling of participating.

Bidding vs. Negotiating

One of the hallmarks of the American economic system is the free play of competitive products and services. The spur of competition forces each to his maximum performance, resulting in the best quality at the lowest price to the consumer. At least that is the basic theory, although exceptions frequently arise.

Insurance is a good case in point. A good many, if not most, insurance policies may be purchased on a competitive basis provided all factors of coverage, service and cost are brought out. However, consider the large corporation or municipality having high values and/or unusual risks which call for a sophisticated tailoring of excess layers and complicated structuring of lower level deductibles, aggregate limits, retrospective rating plans, or even spread loss plans.

It is not practical to go to a number of brokers or direct-writing insurers to obtain competitive quotations on such plans. Not only do the complexities of the program make it impractical, but the brokers cannot do an adequate job of fitting together the upper limits of the program without a firm commitment from the insured. If he is merely probing for a quotation, the underwriters are not able to give him the best possible results.

So in this situation, you pick your broker first, then have him market the program. But what about keeping the price in line? Doesn't he now have a free hand to come up with almost any cost he thinks he can get away with? Yes, this possibility does exist, but is held in check by the insured's knowledge of approximately what the cost should be, as well as the broker's desire to do a professional job. The result should not be concluded until it is acceptable to all parties.

Auditing Your Claims Management

The equitable adjusting of a workmen's compensation, liability, or property loss with a minimum of legal and administrative expense is an art. Judgment enters at many points and can drastically affect the future course of the claim. Sometimes the attitude of the adjuster may make the difference between negotiating a settlement with an injured third party or causing him to bring in an attorney and sue.

The knowledge as to when to subrogate, and the vigor with which subrogation is pursued, can play a large role in obtaining a proper settlement from the party at fault, but its pursuit can easily be neglected. Having the judgment to know when to use outside investigators to uncover facts regarding a malingering or embezzling employe may be important.

The efficiency of record keeping and the promptness of follow-ups is a mundane but highly important claims function. Knowing when a case can be handled by telephone and when field investigation is necessary can greatly affect costs. Knowledge of the probable outcome of litigation is important in establishing reserves.

In considering these points, you will doubtless agree that knowledgeable and efficient administration of claims can play a large role in controlling costs, especially since the total figures involved are often large. The question now is: How do you judge the effectiveness of your claims administration? Whether it is handled by an insurance company, contract adjuster or your own people, it is desirable to have a knowledgeable outside party make periodic audits not only to give you the information necessary to gauge the effectiveness of the program, but to provide the right psychological climate for the claims adjusters themselves. Regardless of the degree of skill, there is a difference in performance between persons who know there is no supervision of results and those who know they will be evaluated. ■

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Directors' stake in product liability is explored

NEW YORK—Speaking to a meeting of the Manufacturing Chemists Assn. here, an attorney urged corporate directors and officers, for their own protection, to come to grips with their responsibilities in the booming product liability area.

Sol Kroll, a member of the law firm of Kroll, Edelman, Elser & Wilson, New York, began by pointing out that product liability law was rapidly growing because judges seemed to be eliminating old defenses and redefining duties and obligations due and owed between parties.

Add to this inclination the "obvious intent to grant remedies giving viability to the rights thus created," and you have more people ending up in court than ever before.

"There can be little doubt," Mr. Kroll said, "that today we have reached the point in the field of product liability where every household, business and recreation item which touches our daily lives, is encompassed in the 'products' to which time has promiscuously added the word 'liability' and we now have two words, 'products liability,' which now seem as if they have been forever joined and are inseparable."

NOTING THAT the United States was the most modern and wealthy country in the world, Mr. Kroll felt that it was inevitable that the many products used in our society should receive the brunt of the judicial trends which establish rights and remedies for consumers.

"Given the nature of the free enterprise system," he added, "such liabilities and responsibilities will rest largely upon those corporations and their directors and officers who design, manufacture, fabricate and package products which will ultimately be used by or for the benefit of the consuming public."

He said that courts were urging the further expansion of consumerist doctrines by "the imposition of shared responsibility on those charged with the duty of setting the standards of product safety, product information and labeling."

He cited a case in which an entire industry (blasting cap manufacturers) had been held liable for injuries to children on "theories of joint and enterprised liability for negligence and on the basis of strict tort liability for not placing warnings on individual blasting caps produced by that industry."

HE ASKED that if the duty of foreseeable or reasonable care can be applied against a manufacturers association for the unintended use of a product, could it not also be applied to directors and officers?

"Developments in negligence and strict tort liability have imposed extensive duties on manufacturers to guard against the broad spectrum of risks to which their products expose the general population," he noted. "The problem is distinctly one of joint or group control of the risk. The courts now see a need to deter hazardous behavior, not only by individual defendants, but also by groups of multiple defendants.

"Joint liability has been traditionally imposed on multiple defendants who exercise actual collective control over a particular risk creating a product, or activity in a related, but distinguishable fashion," he continued. "Vicarious liability has been imposed upon the most strategically placed participants in an enterprise even though the injuries sustained are also caused directly or partially by other participants under their general supervision."

He then pointed out that the time for sharing product liability responsibilities with directors and officers may well be on the way.

"The rising tide of consumerism, reflected in the home building industry, has for all practical purposes resulted in the abolition of the rule of caveat emptor and permitted awards based upon a breach of warranty in at least a dozen states. In addition, a Georgia court went out of its way to find the president of a construction firm personally liable for defects in the homes sold by his company," Mr. Kroll stated.

"The supreme court of Kansas held that the officers and agents of a corporation may be held personally liable for the tortious acts of a corporation in which they have personally participated, with knowledge.

"In an extension of the court's remarks, the court held an officer who violated the duty he owed to a third party is answerable to such third person for the consequences of his act, departing from the traditional principle that an officer does not incur personal liability by reason of his title.

"Not surprisingly, while the courts and legislatures have been expanding the liability of corporations to the public for the products which they manufacture and/or sell; similar expansions of liability have been expressed with respect to the duties and obligations of corporate directors and officers to their shareholders. Whereas 'figurehead' or 'absentee' directors might once have had a reason to feel relatively safe and secure, such complacency would, today, be foolhardy."

Mr. Kroll said, yes, directors and officers could purchase errors and omissions insurance but that this coverage usually excluded liability for bodily injury, among other things.

Noting that early case law which determined the standard of care by which a corporate director would be judged referred to the "ordinarily prudent director" just as the ordinarily prudent man is the standard by which lay persons are judged, Mr. Kroll felt that prevailing judicial opinion was that a corporate director could be held liable for damage resulting from product deficiency.

He said consumer safety legislation that is now being discussed in the Senate contains a number of criminal penalties for persons who willfully violate the statute.

"Whenever any corporation, the legislation says, knowingly or willfully violates the act, any individual director, officer or agent of such corporation who knowingly or willfully authorized, ordered or performed any of the acts or practices constituting in whole or in part such violation, will be subject to such penalties, in addition to the corporation," he said.

HE ALSO noted that the proposal called for civil fines, which could go as high as $500,000, for a related series of the act's violations. These fines, he felt, could be used by the government against individual officers in cases where the corporation was insolvent.

"On the other side of the coin, of course," he continued, "fines imposed upon the corporation or treble damages awarded to a claimant which result from the negligent management of a director or officer of a corporation may be the basis of a stockholder's derivative suit that the director has wasted the corporate assets by his own negligence.

"We submit," he concluded, "that the corporate director and officer must now come to grips with his individual obligations to the public in the field of product liability. This is admittedly a new concept. But then again, it is not so long ago that strict liability in tort, the elimination of the defense of privity, class actions and stockholders suits were new concepts. In our fast moving society, new concepts can become law almost overnight." ■

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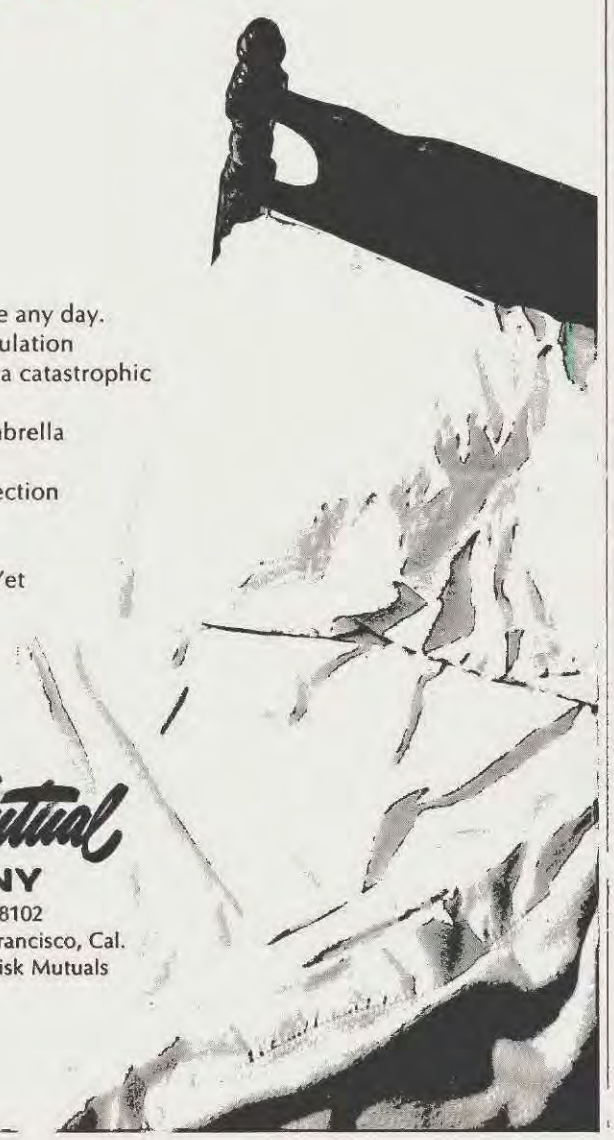

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Many different views on Washington no-fault bill

SEATTLE—The proposed Washington no-fault auto/insurance bill placed before a legislative committee may not go far enough, critics told state lawmakers.

One critic of the bill, given to the Legislature's interim committee on banking, insurance and utility regulation, was Richard Roddis, dean of the University of Washington Law School.

"A good no-fault bill should not have a cap" on benefits, he asserted. The bill requires motorists to carry only enough insurance to pay $25,000 in medical expenses for themselves, their passengers or pedestrians. No property damage insurance is required.

Victor Slavin, representing an insurance-industry group that supports no-fault, said motorists should be required to carry a policy that would pay for loss of wages for several years if an injured person was disabled.

THE BILL would require only enough insurance to pay up to $200 a week in lost wages for a year.

Mr. Slavin said the cost of car insurance will be 2% to 4% higher if insurance companies are allowed to reimburse each other according to whose client caused the accident. This would mean the companies would still hire investigators and pay to have claims arbitrated.

Spokesmen for insurance companies who favor keeping this system in the bill said that without it, insurance-premium costs would be turned topsy-turvy.

If the man who causes accidents can't be required to pay for harm he does to others, insurance premiums for drunks, careless drivers or young people will drop, they said. Premiums for the careful driver who can suffer great loss . . . because he has a high income or because he has six children . . . will go up, they stated.

Mr. Roddie replied that the system is unfair now because it is based on classes as much as on individual driving records. Robert Porterfield, head of Seattle's Advisory Office of Consumer Protection, said the bill should not deny benefits to drunken drivers or unlicensed drivers.

These drivers may have done wrong, but denying them insurance benefits would be unfair to their innocent families, Mr. Porterfield said. Criminal courts, not insurance companies, should penalize these drivers, he added.

A spokesman for National Car Rental Co. pointed out that the bill leaves out many drivers who lease cars instead of buying them. It also leaves out those who use company cars, it was reported.

The bill places only relatively minor accidents in the no-fault system. If an injured person had more than $500 in medical bills or was dismembered, disabled or disfigured, he could sue the person who caused the accident for pain, suffering, inconvenience and other intangible damages.

THIS WOULD lead to too many lawsuits and investigations and the cost of insurance will remain high, some insurance-industry spokesmen said.

Joseph Ganz, Spokane lawyer who wrote the bill, said it did not aim at setting up a complete no-fault system. It is only a rough draft aimed at getting the lawmakers to think about alternatives, he pointed out.

The bill is far less thorough than the federal no-fault bill sponsored by Sen. Warren Magnuson, Washington Democrat. The federal bill would not limit the amounts no-fault policies would pay for medical bills and property damage. It would require insurance companies to offer any driver more than the minimum coverage, including insurance to pay for pain and suffering and insurance to pay for damages to the insured person's own car.

Sen. Magnuson also wants to require insurance companies to issue a policy to any driver who has a license and pays the premium. Rates would be based on government-approved classifications. ■

Liability is upheld in cargo case

OTTAWA—A maritime accident liability judgment of an international nature has been upheld by the supreme court of Canada.

The $107,621 award was against the Federal Commerce and Navigation Co. Ltd., Montreal, and Halifax Overseas Freighters Ltd., and in favor of the German corporation, Eisenerz. The German firm's pig iron cargo was damaged enroute to Italy by the steamer, Oak Hill, owned by Halifax Freighters and chartered to Federal Commerce.

The vessel went aground in the St. Lawrence River near Lauzon, Quebec. While the ship was being repaired the pig iron cargo was put ashore. As it was being reloaded, the pig iron was damaged by breakage and the blending of two types of iron in the holds of the ship.

It was the finding of the supreme court that the owners of the vessel failed to live up to their contract not to mix the two types of pig iron, rendering much of the iron virtually worthless.

The court further ruled that it was the responsibility of the carrier to take care of the cargo during the temporary unloading and reloading operation. ■

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'Big company benefits' given to small employers who buy new pension plan

WORCESTER, MA.—A new idea in pensions has been introduced by State Mutual Life Assurance Co. of America to make "big company benefits" available to smaller employers.

The new idea is a group master plan that will offer employers of three to 100 workers the same basic services currently enjoyed by large policyholders. The master plan has several standard provisions, but beyond these basics, there is a flexibility of features to allow the small employer to tailor his contract to individual needs.

The group master pension plan is designed to be a non-contributory benefit available to regular employes (a "regular employe" is defined as one who has been employed for at least 20 hours a week in more than five months in any given year). In any of the monthly benefits, payments cannot be less than $20.

From this starting point, however, the individual is offered a wide range of options in the plan features. Eligibility, for example, is fashioned to permit definitions by class of employes, or by minimum and/or maximum years of service, or combinations of these.

Benefits formulas that the small employer may choose from also vary. Among the options are: a benefit for each year of service from $2 to $10; a benefit equal to a percentage of earnings multiplied by years of service from 0.5% to 2%; and a benefit equal to 30%, 40%, 50% or 60% of the final average pay reduced by 65% of the primary social security benefit at age 65.

The master plan may also be modified by the employer's opting for vesting, for early or late retirement provisions, for total disability benefits, or for a pre-retirement spouse benefit.

Bruce Crawford, State Mutual vp of group marketing, told *Business Insurance* that an added feature for small employers was pre-approval of the master plan by the Internal Revenue Service.

THE NEW GROUP master pension plan uses an IRS accepted actuarial funding method. It is totally administered by State Mutual, which also provides an employes' communications service for every policyholder. This service supplies for every worker an "employe status report," outlining the current worth of pension benefits in terms of disability or terminated employment.

The State Mutual man said the need for a pension plan to protect the smaller employer group market was highlighted by a report which revealed that 73% of employers nationwide fall into the three-to-100-workers category. This particular market in the past has had limited pension choices, with many of the employers having no formal pension or retirement plans whatever. ■

Account executive

James A. Bagwell has been named group account executive, handling life, health and accident insurance for the Kemper Insurance Group in North Carolina.

35 states to go.

Most of our nation's drunken drivers, habitual speeders, and hit-and-run offenders are free to drive on our highways whenever they like. These people are involved in more than half the traffic deaths and injuries which occur each year, yet they continue to hold valid licenses to operate a motor vehicle.

It takes tough laws and strict enforcement to keep them off the streets and highways permanently. Only 15 states have such laws and enforcement. The traffic toll is steadily decreasing within their borders but is increasing sharply in the remaining thirty-five states.

What can you, as a concerned citizen, do to help? One way is to join your independent insurance agents in working for safer highways.

The Independent Insurance Agents in Indiana, for example, spear-headed a successful effort to mobilize the public to take action. They used local radio, newspapers and television. They talked at social functions and mass meetings wherever they could get anyone to listen. They outlined the problem and the solution again and again.

Finally, they submitted petitions, bearing more than 150,000 signatures and demanding action, to the state legislature. This excellent and well-run campaign has resulted in new strict laws removing the habitual traffic offender from the roads in Indiana. In our judgment, such a campaign can and should be run in all states.

If your state is one of the 35 still to go, call the independent insurance agent in your town. He has the campaign package and the know how.

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Canadians hear pension plan opinions

TORONTO—Despite recent pleas by federal officials in Ottawa that comparability be maintained in the pension plans of Quebec and the rest of Canada (*Business Insurance*, Oct. 9), speakers at the 1972 Canadian Pension Conference here urged restraint in any amendments proposed for the Canada Pension Plan (CPP).

Following the recommendations of a federal white paper on income security for Canadians, the independent Quebec Pension Plan (QPP) widely liberalized its provisions last September.

The CPP has been under corresponding pressure to broaden its coverages to compete with the QPP benefits. However, conference members here expressed concern that the CPP would merely become a vehicle for political one-upmanship should amendments be legislated too swiftly. Some top officials also warned that inflationary dangers would be imminent in the face of CPP changes.

JOHN MUNRO, Canadian health minister, noted that expansionary action is planned for the CPP, incorporating some of the white paper proposals, some of the QPP changes and some proposals from other provinces.

He indicated, however, that the federal government will re-examine its position on the escalation limit with regard to recent price increases, and the fact that limitations have been removed from escalation of benefits payable under the Old Age Security-Guaranteed Income Supplement program.

One opponent of the existing CPP is James L. Clare, a tax consultant who warned conference members that proposed white paper amendments would increase the amount of CPP disability pension benefits available to some people to levels well in excess of 100% of wages while working. Mr. Clare advocated the complete abolition of the CPP and the development of an entirely new plan.

MOST OF the conference speakers, however, felt that the CPP has achieved most of its aims to date without disrupting the economy. Along with the QPP, it covers 8.8 million Canadians and has provided the provinces with a huge fund of social capital. A hybrid plan, the CPP has a $5 billion surplus, and combines some aspects of social wealth sharing with the kind of prefunding required by private insurance plans. ■

Flood insurance

The National Flood Insureds Assn. reported that flood insurance is now available to property owners in selected areas of seven states. Damage from flooding is not covered in standard property insurance policies. The new flood coverage is being offered in accordance with requirements established by the U.S. Department of Housing and Urban Development under terms of the National Flood Insurance Act of 1968. Private insurance agents and brokers are now authorized to offer flood insurance to owners of one-to-four family dwellings and all types of general property.

Kodak reassures its workers that their pensions will be ready when needed

ROCHESTER, N.Y.—With much criticism of the private pension system of late, including a lacing from NBC News and a good deal of harsh talk in Congress, the defenders of the system are noticably up in arms. While some groups are content to merely yell that they have been wronged, other companies are quietly guaranteeing their employes that they won't have to worry when retirement time comes around.

One of the latter is Eastman Kodak Co.

The Kodak pension plan, which was established in 1929, is now being paraded in front of the company's employes in a series of articles in the employe newspaper, Kodakery. Perhaps in an effort to assuage any fears on the part of its work force, the articles, according to a company spokesman, are being run in light of the recent criticism.

Kodak employes vest in the pension plan after 15 years of service with the company, regardless of their age or when they might leave after those 15 years. Upon retirement, the specific employe's pension is computed by one of three formulas. These formulas, based on total years of service, total amount of money earned from the company, or highest annual salary are open to all employes. There are no differences in the formulas used for executive pensions and those which are used in the computation of hourly employes' retirement plans.

THE COMPANY, however, selects the formula which provides the specific employe with the highest retirement income when computing the payments.

Kodak pension payments, currently going out to some 12,000 retirees, are guaranteed for life through annuities bought through Metropolitan Life Insurance Co. The seven other trustees of the pension fund are banks. The plan's trustees are Bankers Trust Co., First National City Bank of New York, Chase Manhattan Bank, Morgan Guaranty Trust Co., Lincoln Rochester Trust Co., Security Trust Co. and Chemical Bank.

Kodak contributes between $45 million and $50 million a year to the employer-pay-all plan, which has a present valuation of close to $750 million, the spokesman told *Business Insurance*. The plan is examined annually by independent actuaries to determine the amounts that should be set aside by the company to meet both current and future obligations.

Part of the money goes to Metropolitan for annuities or investment and the rest goes to the other trustees for investment. The trustees may invest in U.S. government securities, corporate and other bonds, mortgages and preferred and common stock (though not Kodak stock). Figures filed with the government indicate that the overwhelming majority of the pension money is invested in common stock.

BROKERAGE fees are paid out of the trusts but other costs, such as administrative and actuarial services and fund manager salaries, are paid by the company, not by the plan.

The retirement annuity plan is reviewed periodically and these reviews sometimes lead to changes in the plan. For example, in 1970, the company increased annuity payments to more than 9,000 retired employes. This increase—2% times the number of years since the employe retired—cost Kodak $11 million.

As another example, the Kodak plan was revised in 1971 to allow employes between the ages of 55 and 59, with at least 30 years of service, to retire early and receive payments based on percentages of their benefits.

The Kodak spokesman said that early retirement had been popular among those employes who had been eligible for it, but he did not say whether the company would use the idea again.

Information about the pension plan, as well as other Kodak employe benefits, is given the employes through handbooks and articles in the newspaper. Kodak employes also receive an annual benefits statement; and one-to-one counseling is available. ■

COPSI chairman

Weir C. Swanson (above), vp of personnel at Jewel Cos., Inc., Melrose Park, Il., has been elected chairman of the Council of Profit Sharing Industries. He succeeds James J. Cassidy, president of Hill and Knowlton Inc., New York. Roger H. Cushman, profit sharing fund executive director of Signode Corp., Glenview, Il., is now COPSI's first vice chairman and Theodore H. Bower, special assistant to the vp of taxes, Sears, Roebuck & Co., Chicago, was elected second vice chairman. Richard A. Anderson, vp of the First National Bank of Chicago is the council's new treasurer.

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by John R. Stafford

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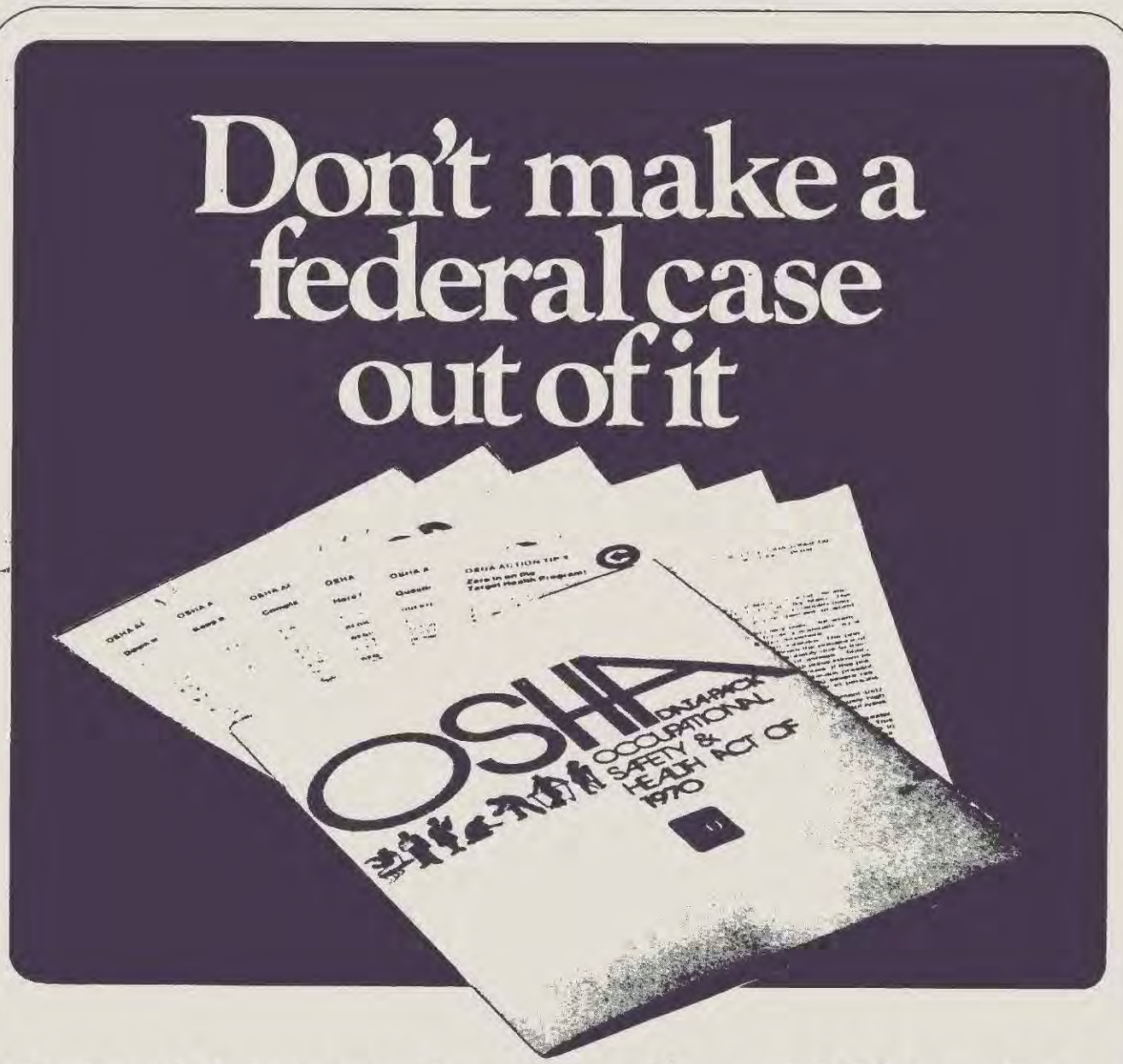

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How does OSHA apply to your company? What are your responsibilities and how can you best meet them? Are you doing all you should to protect your employees from occupational safety and health hazards, and yourself from OSHA's teeth? Commercial Union Companies can help. A new CU Data Pack provides a convenient summary of basic OSHA information, together with a suggested Loss Prevention plan.

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AMA conference

Urges companies to adopt 'total loss control'

(This article begins Business Insurance's *coverage of the American Management Assn.'s insurance and employe benefits conference held in Chicago this month. Other stories appear on pages 53 through 60.)*

CHICAGO—Admitting that his purpose was "to obtain greater recognition of 'total loss control' as a concept, which if properly organized and managed, can benefit greatly in the reduction of controllable loss" for U.S. corporations, a loss control specialist urged risk men to consider adopting the systematic approach of reducing risks.

Said Fred A. Manuele, vp of M & M Protection Consultants, a division of Marsh & McLennan, at an American Management Assn. meeting here this month:

"Occasions have arisen for us to say to management people—with great gentility, much tact and considerable diplomacy—that they really did not have an appreciation of their total loss experience. They had little knowledge of how many income dollars must be dispensed for all types of loss and that, most likely, their view of actual loss experience was segmentated and related to individual insurance coverages historically applicable to particular types of loss."

DEFINING total loss control as "a managed loss control function that properly recognizes all elements of loss potential and utilizes the broad range of skills available in accomplishing loss control efforts," Mr. Manuel called attention to six points that should be considered under the concept of a total loss control system.

- That an effort be made to establish the total impact that all loss costs have on the company's financial well-being.
- That most often, actions to control the various types of losses are segmented and uncoordinated because the several persons responsible report in different areas of management.
- That through the use of consultants in loss control, a management of loss frequency—and to a degree, severity—can be achieved.
- That successful control of loss can be obtained only through positive management support.
- That all loss control activities should be a part of a broad, planned, coordinated and singularly directed effort relating to all types of possible loss.
- That all sources of loss, or identifiable sources of loss even though no loss experience has yet developed from those sources, be treated as one subject for management consideration and that no loss area be ignored.

MR. MANUELE further noted that the proper loss control system should include all phases of "direct or indirect" loss relating to on-the-job injury or illness, off-the-job accidents, fire protection and business interruption, public liability, product liability, vehicle accidents, air and water pollution, crime and security, loss to goods in transit, marine losses, and nuclear loss potential.

The Marsh & Mac division vp emphasized that most important to the success of any total loss control system is the management structure in which it is allowed to flourish within a corporation.

"It would be logical to expect," said Mr. Manuele, "as the concept obtains acceptance, that the 'total loss control' effort would be directed by an executive of considerable stature, reporting in such a manner as to convey by his place in the organization a recognition of the great importance of his function."

ONE OF HIS company's major objectives, he told the AMA meeting of risk and insurance men, is to convince managements that the functions of safety directors ought to be extended to include additional areas of loss control. And, he noted, the company has been successful in many cases.

"In a concern with which we regularly deal," said Mr. Manuele, "the safety director had a responsibility for employe safety only. For quite some time, experience pertaining to a fleet of salemen's cars was trending poorly. When the situation became critical, and only at that point, did management agree with our proposal that the safety director's skills and abilities should also be applied to the auto loss control field."

In two other firms, Mr. Manuele noted, product liability loss frequency became a serious problem. "Response has been favorable to our proposals that safety directors be allowed to serve as consultants" on the product liability problem. However, he said, in both cases these decisions were made after product loss dollars became sizeable.

"Our activities in the product liability field have also led us to the conclusion that most safety professionals could contribute greatly to the improvement of product loss control within their organizations, given an opportunity," said Mr. Manuele.

CONTINUING, the M&M Protection Consultants vp said:

"It's unfortunate that in too many instances safety professionals have been ignored when management personnel commenced activity to control air and water pollution problems. Certainly, air and water pollution specialists have an expertise that is usually beyond the knowledge of the safety professional.

"But," he added, "management controls to prevent air and water pollution incidents—once expert knowledge has been applied to provide solutions to problems—is identical in nature to that necessary to obtain good employe safety practice, good fire protection, good industrial hygiene control or good public liability control. So, also, are the same management people involved—plant managers, department heads, supervisors—the people with whom the safety professional regularly deals." ■

The amateurs meet the pros on Home grounds.

NEBRASKA'S CHADRON STATE COLLEGE AND PITTSBURGH'S THREE RIVERS STADIUM BOTH GET BIG-LEAGUE PROTECTION FROM THE HOME.

Product safety program is working for Western Gear; results in fewer claims

CHICAGO—The corporate director of product safety for Western Gear Corp., a diversified California company, told insurance and risk men at an American management Assn. conference here that his company has a product risk problem, that it has instituted a corporate product safety program and has set itself a goal.

That goal, said Howard Feichtman, is to increase the company's profitability through product safety. And it's working, he said.

Noting that Western Gear's formal product safety program had to be sold to the company's board of directors, the president, the operating management of the various divisions and subsidiaries, the sales and service groups, union employes and anyone else that could contribute to product safety, Mr. Feichtman detailed the systematic approach taken by his company to help reduce product liability exposures and thus trim the firm's financial risks.

WESTERN GEAR, he pointed out, produces a wide range of products ranging from construction scaffolding, printing presses and lower lobe cargo systems for jumbo jets to marine missile transfer systems, gear drives and primary metal furnaces. The product liability exposures attached to such products, while he didn't say so in as many words, are obvious.

However, he told the AMA's annual insurance conference, the company is determined to reduce these exposures by establishing a formal product safety program that is "monitored" by himself with assistance from the corporate legal staff and the corporate technical director.

"NOTICE the word 'monitored,' " said Mr. Feichtman. "We feel that the reduction of product risks must be accomplished by the operating divisions and subsidiaries," he noted, pointing out that Western Gear has autonomous operating divisions with respective operating heads that are responsible for their own profits and losses.

"Thus," said the product safety man, "the operating manager must be given full awareness of the consequences of today's 'state of the law' with regard to product liability.

"If he has had product claims, whether third party suits for damage to property or injury or contractual liability suits, the explanation of profit erosion can be short," said Mr. Feichtman.

DETAILING Western Gear's program, the safety man said that after a product risk awareness was created at the division level, operating heads were asked to form a product safety committee and appoint one of its members product safety manager. The committee is responsible to the division manager and is usually composed of the top engineer, manufacturing manager, customer service manager, service manager, quality control manager, marketing manager or representatives from these departments.

Basically, explained Mr. Feichtman, the committee is organized to review, monitor and recommend action in connection with product safety. Some of its responsibilities, he said, are to:

- Recommend criteria for the degree of risk of all products and evaluate current and new product risks.
- Establish a product safety program for each product to reduce or eliminate risks.
- Review and recommend action at specific times for (1) terms and conditions of sale, (2) records retention, (3) quality control procedures and records, (4) all sales specification sheets, advertising and sales promotion data and (5) all instruction and maintenance manuals, warning plates etc.
- Maintain an up-to-date library of safety and product liability information, as well as technical standards, codes and laws relating to the division's field of interest, in addition to maintaining a list of recognized experts connected with the division's field of interest.
- Maintain a complete file of field experience records and all claims and recommend action or design revisions to reduce future liability and assist defense counsels.
- Review and monitor all new product designs, developments, procedures and tests.
- Review and recommend action for specific contracts which are important to the division but contain hold harmless or indemnification clauses.

MR. FEICHTMAN listed three ways this is accomplished by a group of individuals whose primary duties are running division departments. First, he noted, the product safety committee must provide a free flow of communications among its members; second, the division manager must insist on regular meetings with minutes, so he may monitor progress; and, third, the importance of the committee must be stressed to the entire division.

"It must be generally known and accepted that a recommendation from this committee, with approval by the division manager, must be accomplished and accomplished on time," declared the Western Gear product safety man.

"OUR BASIC objective," Mr. Feichtman said of the overall program, "is to increase profits." To do this, he said, the company has also established some sub-objectives:

- A reduction in product liability claims because of more safety conscious product designs, quality control procedures, product warnings and maintenance programs. This should result in less internal communications and allow more time for normal business pursuits, improved customer relations and less internal and external claims expense.
- A reduction in insurance premiums as a result of improved loss experience.
- An improvement in the defensibility of product claims through better records, improved accident investigation and improved training of defense counsels.
- Improve new product selectivity as a result of an increased hazard awareness.

"The product safety program that has been initiated at Western Gear Corp. is producing results —less claims—therefore, less profit erosion—and, eventually, it will reduce insurance premiums," said Mr. Feichtman. ■

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AMA conference

Pros and cons of in-house pension investment

CHICAGO—Let an outside money management firm handle your pension fund if its assets are less than $250 million, William R. Donnelly advised a group of American Management Assn. employe benefits conferees meeting here.

In discussing the pros and cons of in-house pension fund investment management, Mr. Donnelly, board chairman of MacKay Shields Financial Corp. and Institutional Investors Trust, noted that in-house management's main benefit was allowing the corporation more direct control over its portfolio investments and degree of investment risks. "Investments by outside firms," he stated, "frequently meld into one pot and receive the same treatment across the board."

Those funds which have met their full liability, he continued, are able to reduce their level of risk more readily through in-house management, and, for all funds, internal control affords a greater degree of flexibility in acquiring and divesting specific securities. Furthermore, the investment manager said, in-house management can mean greater control in awarding commissions, more freedom to deal in third and fourth markets and decrease the likelihood of personnel turnovers. "Changing portfolio managers," he cautioned, "means a portfolio turnover as well."

Trade knowledge (which he stressed is "public knowledge, but not publicized beyond the trade —it's not secret") can be helpful in managing your own fund, Mr. Donnelly noted, adding that in-house management can also afford protection from conflict of interest problems which may affect brokerage accounts.

THE CLOSE supervision of carefully handled private placement, such as real estate, is still another point for internal money management, he said, besides the fact that, using your own staff, you can usually reduce costs.

Turning to the negative aspects of in-house pension fund management, Mr. Donnelly asserted that most small funds cannot support a staff large enough and expert enough to compete with outside firms, adding that most outside teams are able to employ economists full-time to add important overall in-put. He noted that most pension staff expenses are absorbed as operating expenses which may put the in-house staff "in the middle of a corporate political ball game" during low-profit periods.

"COMPETENT money managers are expensive and hard to find," Mr. Donnelly said, "and the good ones usually stay near the money centers, such as Wall St. It takes a lot to lure them to comparatively obscure locations; remember you're competing with the finance industry."

Mr. Donnelly warned that fund security often rests, at least partially, on dispersing fund investments through a diversity of different management groups. "In-house management can only be justified when a fund can support a full-sized staff to take on research and investment," he said. "Otherwise, you should disperse through outsiders, and at all times remember your fiduciary responsibility. Stress the long-range, protective investments of your fund."

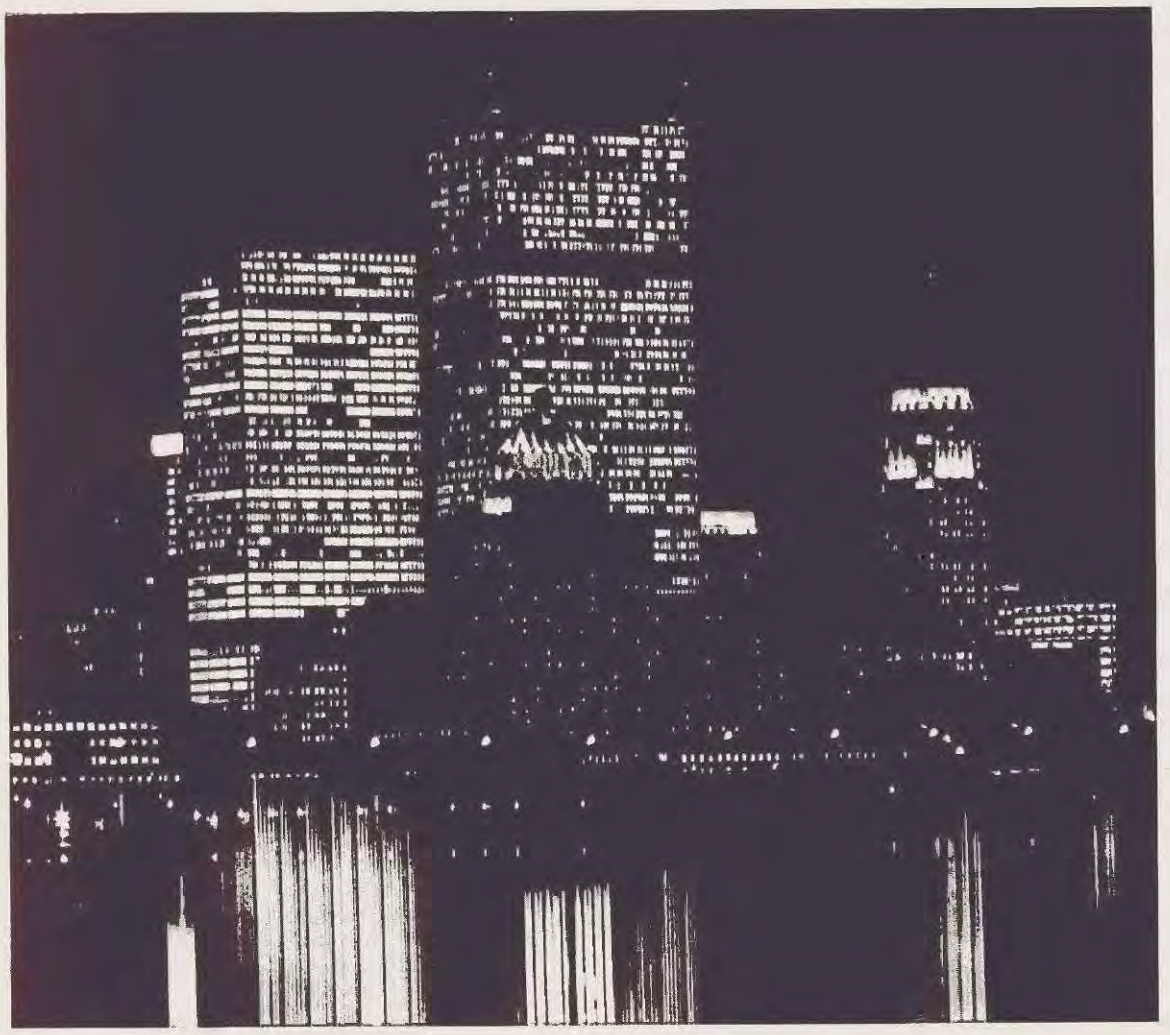
William A. Hayes, director of pension fund investments for ITT Corp., thinks the current rage for split-funding "is corporate fashion—there's really two rationales for split-funding: Everyone else is doing it, so you do too and when money management people come knocking on your door you just might take a liking to them and want to add them on."

BEFORE choosing an outside management firm, he cautioned, sit down for a few minutes and think about your situation. Then, he added, brace yourself for a deluge of applicants.

"Pick out two or three of the best firms and study why they're good," the ITT man counseled. "It gives you a good opportunity to learn more about the business in general." He asserted that most reputable and successful firms have developed a well-defined investment philosphy used consistently.

He further suggested that pension fund managers ask for a record of an investment firm's hirings and firings, noting that stable management is a vital factor in such a firm's success. "Make sure they have a solid research department," he said, "with quality in-house analysts."

Continued on page 59



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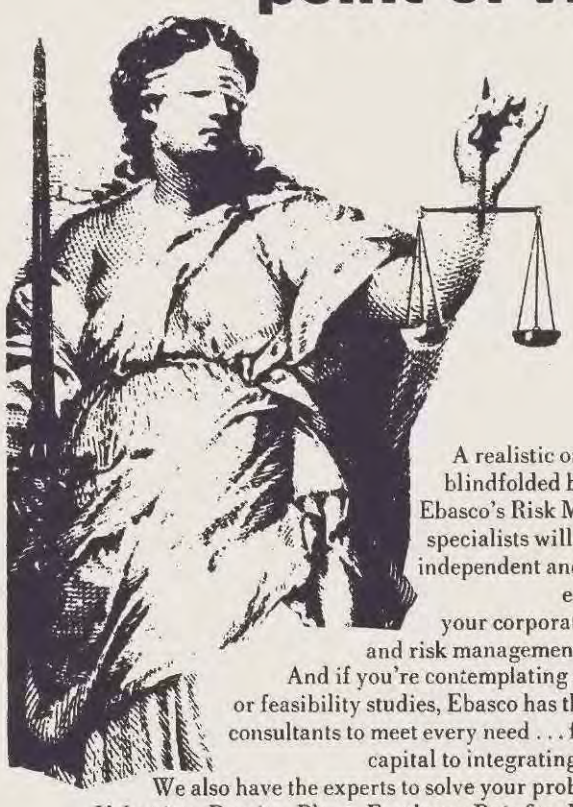

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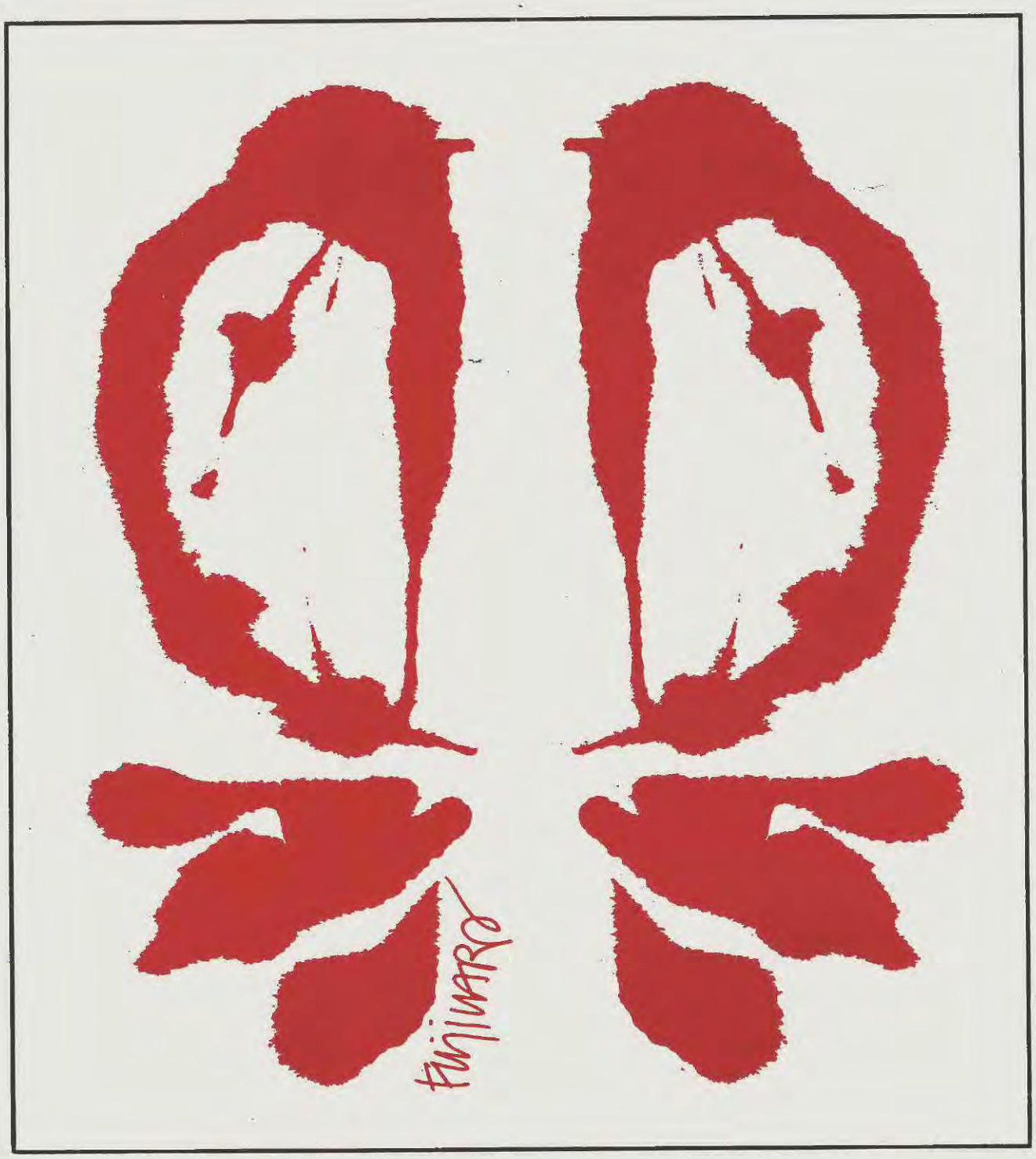

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AMA conference

Furor over pensions due to lack of information

CHICAGO—Two pension authorities have attributed much of the current furor over pensions to a widespread lack of information on the part of legislators, the general public and the press.

Addressing the American Management Assn.'s annual employe benefits conference held here, Joseph W. Satterthwaite, vp and director of Towers, Perrin, Forster & Crosby Inc., cited the extreme difficulty of communicating the complexity of pension financing and a severe lack of actuarial information as the major double-headed threat to this country's private pension system. He also noted that a "staggering" demand for new federal revenues would embroil pension funds in upcoming federal tax reform attempts.

The opinionmakers, he said, have shown a "gross misunderstanding" of the pension problem as witnessed by such media presentations as NBC's "Pensions: The Broken Promise." Ralph Nader "has done a lot of good," according to Mr. Satterthwaite, "but he's not qualified to judge on pension reform. He has only a narrow understanding of what the private pension system is attempting to do."

ON THE PLUS side, as seen by Mr. Satterthwaite, the private pension system is run by "a core of highly dedicated businessmen." Pensions are "the great economic success story of the past 35 years," he continued, "coinciding perfectly with the great rush from the farms to an urban, industralized society." He stressed that the vast majority of plans are soundly financed, with great improvements emerging within the past few years. He tagged the results of the last election as an encouraging sign to pension administrators since, he said, "the Nixon Administration has shown great restraint" in hesitating to advocate incomplete legislative programs and by encouraging the development of a new government program to amass comprehensive pension statistics.

Furthermore, Mr. Satterthwaite pointed out, the great magnitude of pension fund assets will be needed in the future to provide capital improvements in competition with increasing foreign trade.

As to reasons for preserving the private pension system, he warned, "32 million vested employes should be acknowledged as a significant factor" before tampering with private pensions. Pensions plans are soundly financed, compared with Social Security, he reasoned, and only private plans offer the kind of flexibility needed by different groups of employes. "The number of widely different pension plans, "Mr. Satterthwaite said, "attests to the already established need for flexibility."

HE GRANTED that "every legislative proposal has some merit, if only because it spotlights some specific problem," and thinks that "they're written in good faith —unfortunately, they're written by people who don't have all the facts." Mr. Satterthwaite urged pension administrators to take a positive stand on reform legislation and to admit to flaws within the system and insist that any instituted improvements be made on a strictly factual basis.

Plans that fail to incorporate vesting, he said, "give a black eye to the whole system and should not be tolerated." He stated that he sees no reason to oppose legislation incorporating mandatory vesting provisions. In addition, Mr. Satterthwaite asserted that deductible employe contributions "would go a long way in solving pension problems."

On a similar note, Joseph P. Mulhern, a partner in McDermott, Will & Emory, told his audience that most proposed pension legislation seriously underestimates the complexities of vesting and portability. He compared legislative proposals to abstract art: "It all looks good when you're at a distance, and when it's vague, but when you get up close there are many glaring faults." The preponderance of proposed legislation, according to Mr. Mulhern, includes references that working out the details be left to cabinet secretarys or others, meaning that, for right now, no one has actually come down to the tough work of solving the pension system's problems.

MR. MULHERN quoted an Administration official as stating that portability is "an illusory and completely unworkable idea," and agreed by asserting, "I seriously doubt we'll see portability within the private pension system. It's just seems staggering when you zero in on the details that will have to be worked upon.

"Probably," he continued, "the only way to provide adequate portability would be through Social Security or some other centralized program."

In contrast to his colleagues, Thomas Little, president, Investment Corp. of Delaware and chairman-trustees, First National Retirement Corp. told the same audience that sweeping pension reform legislation is a certainty and strongly suggested that benefits managers plan now for what pension plans will be like in 30 years. He advised, "If you have cash on hand, freeze your company's benefits and put that cash into vesting—right now."

THE MAJOR question of pension plan reform today, he said, is "when a corporation identifies a dollar—not in direct compensation—for an employe, does the employe own that dollar or does the employer?" To Mr. Little's way of thinking, the employe should, and will, win out.

He predicted that fiduciary responsibility would eventually evolve into the employe's deciding his own options in handling the pension dollar and assuming full investment responsibility, and asserted that every employe is entitled to tax exemptions as outlined under the so-called Mills' bill. Full vesting, Mr. Little added, will solve much of the portability problems.

In other predictions, Mr. Little said the concept of Social Security would change with severe regulation of private industry plans and that the "eternal beneficiary" concept, whereby an employe's pension accrual would be passed on to his survivors after his death, would eventually be commonplace.

AS FOR funding and reinsurance,, Mr. Little asserted that the federal government would indeed develop a system similar to the Federal Deposit Insurance Corp.

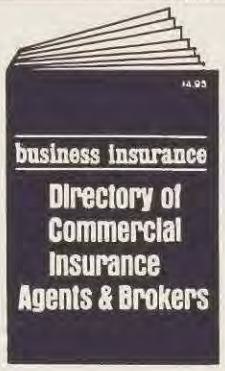
He described a program administered by the Investment Corp. of Delaware for 33,000 Delaware public employes which began 14 months ago and for which, Mr. Little says, "We have great hope."

Under that program, each employe is responsible for his own account and receives immediate full vesting. His money is placed in a custodian bank which invests it according to the employe's wishes. The plan is completely portable, "and as insured as the bank," and transferable upon the employe's death as part of his estate. It is this type of pension system which Mr. Little forsees as dominating the future.

HE OUTLINED four options for meeting demands for pension system improvements:

- Tax deductions allowed for salary deductions for every working American.
- Companies can forgo cost-

Continued on page 58



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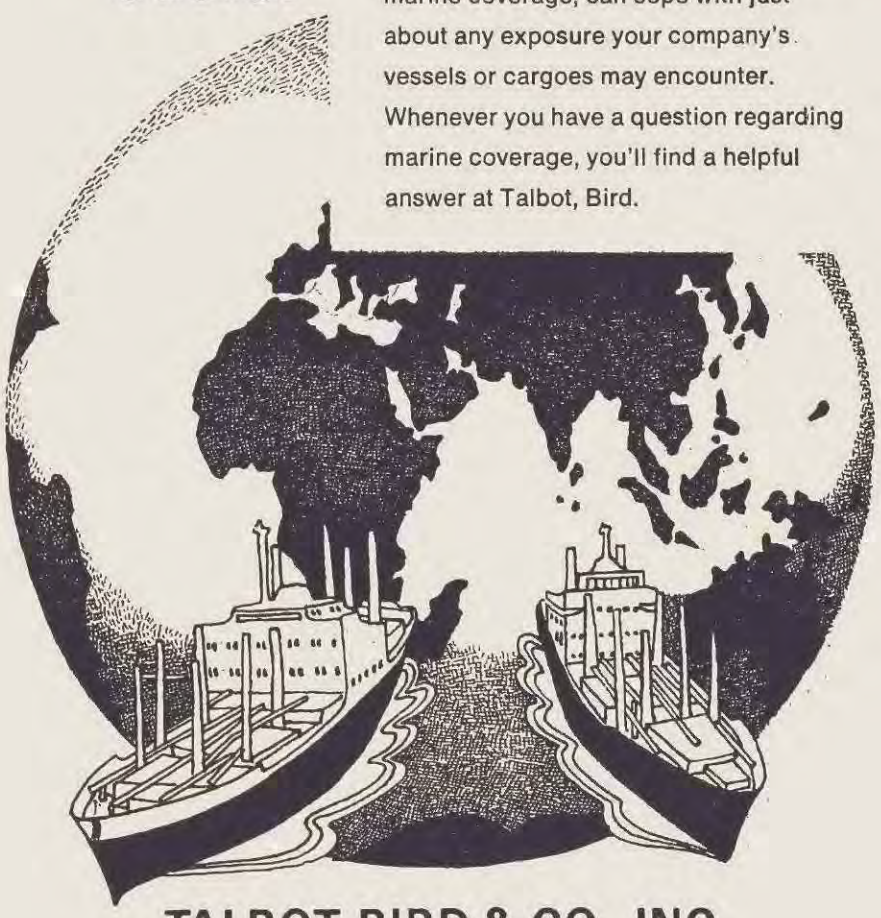

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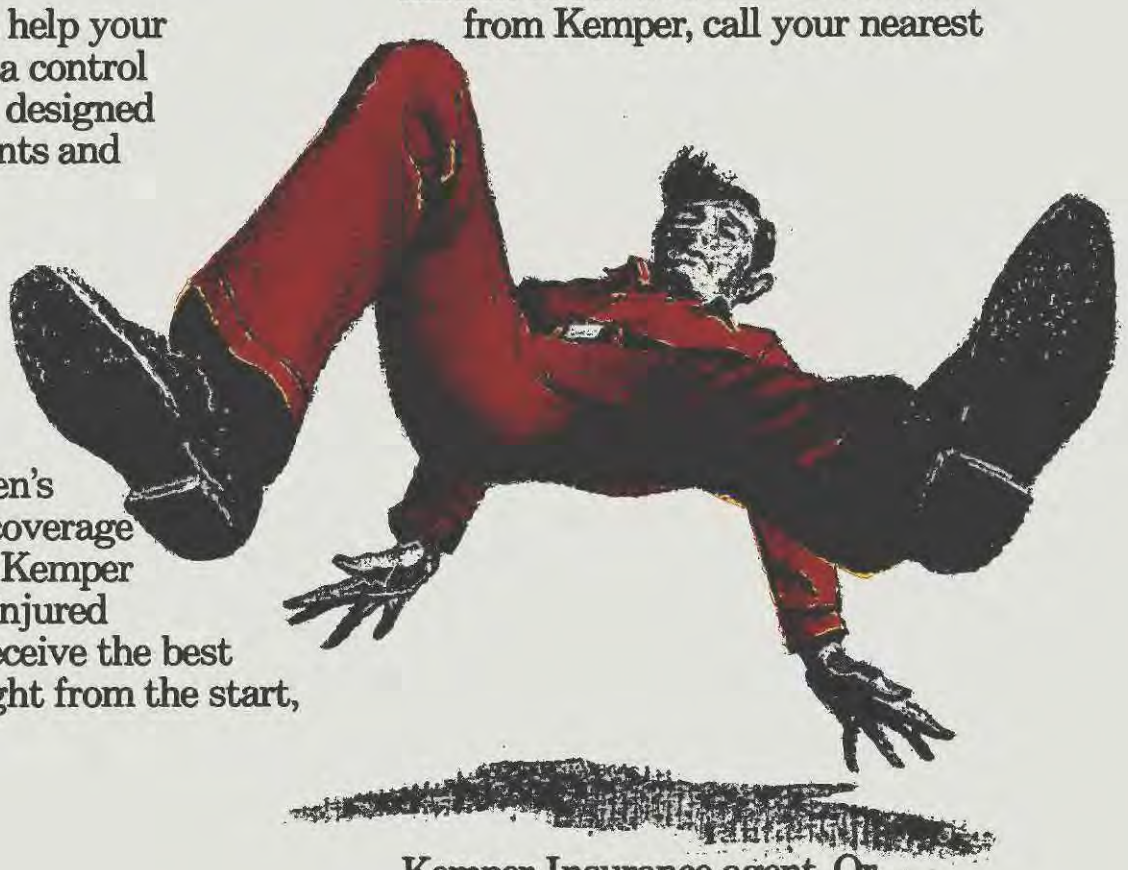

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AMA conference

Courts, law enforcers apathetic to corporate dishonesty problems

CHICAGO—Businessmen who wait for police and the courts to act to stem the increasing tide of corporate fraud and embezzlement will be out of business before necessary reforms become effective, a management consultant who specializes in employe dishonesty declared early this month.

Norman Jaspan, president of a New York firm bearing his name, told an American Management Assn. meeting at the Drake Hotel here, "It would appear that the state provides virtually no deterrent to business crime because, based on current statistics, less than 5% of the offenders are found guilty, and approximately 1% are sent to jail."

Noting that because of court and law enforcement lack of interest in the problem dishonesty in business has become a well-paying, low risk, tax free enterprise. "It constitutes the biggest drain on industry's profits," he declared, "and it means higher prices for you and me."

Pointing out that dishonesty in business far exceeds—in both dollars lost and the number of participants—crime in the street, Mr. Jaspan said that the problem has "reached an all-time high and threatens to double in the next five years.

'RIGHT NOW," Mr. Jaspan continued, "there is a better than 50% chance of sizable dishonesty in any firm, and a 75% chance of costly malpractice. Generally," he added, "fraud in a company is a good barometer of the quality and integrity of its supervisors. In fact, more than 60% of the dollar losses sustained by business is attributable to employes at the supervisory level."

Many employes, including department heads, supervisors and executives are aware that malpractices exist, Mr. Jaspan continued. However, he added, many do nothing about it because they emotionally withdraw from a distasteful situation that may involve a friend or associate—or they do not want to disturb the structure of their departments, are afraid of being found at fault and criticized, or they may be intimidated by fear of bodily harm or loss of job.

Turning to conglomerate firms, Mr. Jaspan noted that mergers and acquisitions lead to increased sales and, hopefully, increased profits, "but they also foster disloyalty and frustration due to insecurity and unfulfilled expectations. These feelings," the consultant noted, "are reinforced when conglomerates and other companies accelerate the liquidation of marginal operations. Kickbacks, conflicts of interest, manipulation or records, falsified reports and thefts of confidential information become irresistible and widespread."

MOREOVER, Mr. Jaspan continued, industry is unduly depending on insurance for protection rather than safeguarding its assets by preventive measures. He noted that recent court decisions have held executives and directors, in addition to public accounting firms, responsible for failing to aggressively pursue evidence of dishonesty.

Terming it a "challenge to top management to determine the root causes and to utilize new and proven techniques to control losses" in order to revitalize and motivate their employes, Mr. Jaspan said "it would be a tragic error to delegate this vital responsibility to the same supervisors who created this situation.

"Many executives have panicked and resorted to running their business as an armed camp, utilizing lie detector tests, closed circuit tv and armed guard saturation. In many cases," Mr. Jaspan said, "this has been counter-productive in terms of solving the problem, and has adversely affected employe productivity and morale. Furthermore, at the retail level, it has frightened the public and inhibited their normal shopping habits."

MR. JASPAN offered the following pieces of free advice and called them "proven ways to destroy the roots of dishonesty:"

- Evaluate employe capabilities and set realistic performance standards. Requiring employes to achieve a goal while denying them the means to accomplish it leaves them with the alternative of failing or resorting to dishonesty.
- Employes are no better than their supervision. As a rule, he said, a problem starts from the top and works down.
- Be unpredictable in setting up and enforcing controls. Spot checks and the introduction of occasional deliberate errors to test the system and employe integrity are especially effective.
- Maintain uniform policies for all employes. Nothing breaks down discipline and morale more rapidly, or so quickly lessens respect for management, than double standards, he said.

"Dishonesty," said Mr. Jaspan, "is usually a by-product of mismanagement. When indifference and dishonesty run rampant, top executives are at fault if they tolerate it and in danger if they do not control it." ■

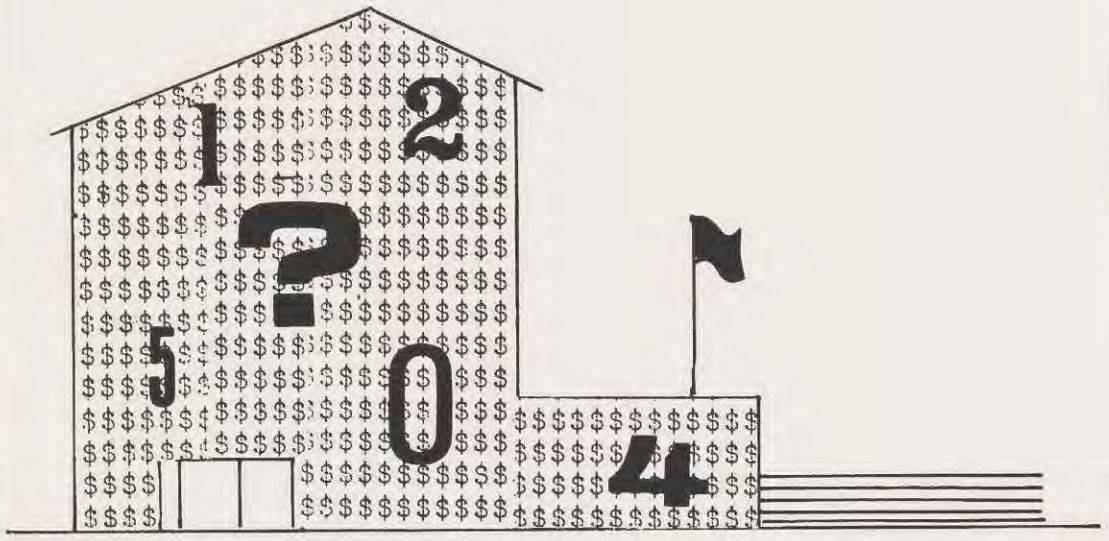
Pensions...

Continued from page 56

of-living wage increases, instead offering pension credit for employe management, or offer a combination.

- Companies can contribute straight out for an employe's own investment management.
- "Or the federal government can take care of everybody."

Inevitable reform legislation, he said, would include one of the following vesting provisions: The Administration's "Rule of 50," the Williams-Javits bill's proposed 30% vesting at eight years of service with 10% added each year after that, graded vesting, or immediate full vesting. "George Meany (AFL-CIO president) will get much of what he wants during these next four years," Mr. Little said, attributing this to Mr. Meany's decision to turn his back on Sen. George McGovern in the recent Presidential election, "and labor is insisting on broad reforms. ■



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Problems of high-rises still to be solved, says loss control analyst

CHICAGO—The problem of evacuating the population of a high-rise building has not yet been solved, one loss control specialist told an American Management Assn. insurance conference here, and tests have shown that it takes longer than an hour to completely empty one 50-story structure.

Aulton D. Mullendore, secretary-loss control, Fireman's Fund American Insurance Cos., said "in essence, these structures are comparable to many cities in monetary value, numbers of occupants and variety of facilities offered —but instead of people and property being on a horizontal plane where fire departments can use ladders and water effectively, we've stacked them perpendicularly, hampering efforts to gain access, control fires and prevent loss of life."

Other severe loss problems posed by high-rises are built in through design, he added, including heavy-weight, fixed glass that is difficult to break for ventilation or fire-fighting access. He mentioned that two kinds of plastic foam used for insulation are being investigated by the Federal Trade Commission, and that many ceilings are designed to be primarily acoustical, resulting in concealed spaces difficult to reach.

MR. MULLENDORE noted that air conditioning systems within high-rises often act as fire conduits, and many air moving systems are not equipped with fire dampers. "Little effort has been made to provide smoke vents which can be used in case of fire," he pointed out, "and critical smoke levels develop quickly." One oft-mentioned hazard he pinpointed are heat-sensitive elevators call buttons that pull an elevator to floors where the fire is in progress with the elevator subsequently becoming inoperative due to extreme heat.

He characterized many building construction control measures as "substandard," noting the large amount of exposed wood used in construction, storage of flammable plastic insulation materials and heating systems improvised by workers also add to fire dangers.

As to possible resolutions to the high-rise dilemma, Mr. Mullendore suggested that responsibility for working out solutions belongs primarily to the government in cooperation with insurers, contractors, architects and engineers. He cited the Occupational Safety and Health Act as spuring much high-rise construction and management reform by way of its stipulation that "an employer must provide a place of employment which is free from recognized hazards that are . . . likely to cause serious physical harm to his employes."

THE LOSS prevention authority noted that "engineers, contractors and architects may now be found liable for not complying with all codes and standards applicable under the act," and mentioned that professional associations of architects and engineers have begun to deal seriously with the problem.

He enumerated necessary requirements for safe building design as:

- Alternative, readily accessible exits of ample width.
- A system of voice communication capable of reaching all parts of the building.
- A fire alarm warning system which can be heard simultaneously throughout the building.
- Fire and smoke detection devices installed in critical areas.
- Structural fire stops located at strategic points within walls, partitions and duct work.
- Ample stand pipes and hose connections built in on each floor.
- Facilities on every floor for external venting of smoke and gases.
- Auxiliary power sources for the operation of elevators and lights.
- An efficient method of transmitting an alarm to the fire department.

Highly combustible materials should not be allowed in interior construction, Mr. Mullendore continued, and elevator controls should be designed to "keep each unit free of smoke and available for fire fighters' use in an emergency." He urged that structures be designed according to "the compartmentation principle," by which the bulding is divided by fire partitions with each section having its own ventilation system.

"No tenant—regardless of prestige or financial status—should be permitted onto the premises unless his operation conforms with rigid predetermined standards," Mr. Mullendore said. "Lease agreements and contract arrangements should specify the types of operations permitted, equipment to be installed, limitation on structural modifications and so on." In addition, he noted that high-rise owners and managers should devise emergency plans and be certain that the plans are understood by all tenants. ■

Council issues award

The National Safety Council has awarded its Public Service Award to Employers Insurance of Wausau for distinguished service to accident prevention by an individual or group in any mass medium. The award was presented to the company for communications efforts on behalf of improved emergency medical care during 1970-71. The insurer received a similar citation from the council in 1968 for its campaign to encourage safe driving by Wisconsin teenagers.

Investment...

Continued from page 54

Check that they have good business minds at the top, Mr. Hayes commented, with stable senior guidance.

As for performance ratings, he reminded his audience that "performance fluctuates. Remember that whole new fields of stock leadership might emerge in the next few years. What's important is the method the firm uses for achieving good performance. Find out just where their investments are located."

Another important consideration, according to Mr. Hayes, is knowing the names of the firm's clients. "Obtain a client list and get permission to call them," was his advice. He said the list of clients may be the most valuable decision-making tool of all, but qualified his assertion by adding, "Don't discount young, aggressive firms if you're structured to do it." ■

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Lessening influence of insurance firms 'healthy'

CHICAGO—Terming the change a "healthy" one, an insurance company engineer noted here early this month that the influence of his industry,—"both in design and service, has partially receded with the emergence of technically competent risk control people working more directly for manufacturers.

"The manufacturer," Martin M. Brown, director of engineering-property for the American International Group Inc., told an American Management Assn. conference, "tends now to be bigger in relation to the insurer and more capable of dictating terms rather than being dictated to.

"There is more competition among insurers, and less tendency to limit fire areas, storage heights or in any other way stand in the path of industrial progress," he said.

Calling this evolution "a healthy one," Mr. Brown went on to say that this is all well and good, "providing the property owner studies his own problems on the basis of facts, and an educated perspective, there is no reason why he should rely entirely on insurance engineering evaluations and recommendations—other," he added, "than to welcome such outside evaluations as an important supplement to his own risk management.

"Why should a property owner wait for insurance company representatives to arrange maintenance trip testing of his dry pipe valves? Or fail to exercise his responsibility over safe procedures of his employes and of visiting contractors through well planned inspections and reporting methods?", Mr. Brown asked.

Turning to loss prevention, Mr. Brown noted that the fundamental reasons for wanting loss prevention and being willing to pay for it are two. First, he said, are the financial advantages and, second, is the legal necessity.

"TRADITIONALLY," the AIG man said, "The financial advantage comes from reduced insurance costs. Starting in 1970 another financial advantage has been added," he noted, referring to the avoidance of expensive fines that can be levied on businesses for failure to comply with regulations under the Occupational Safety & Health Act. ■

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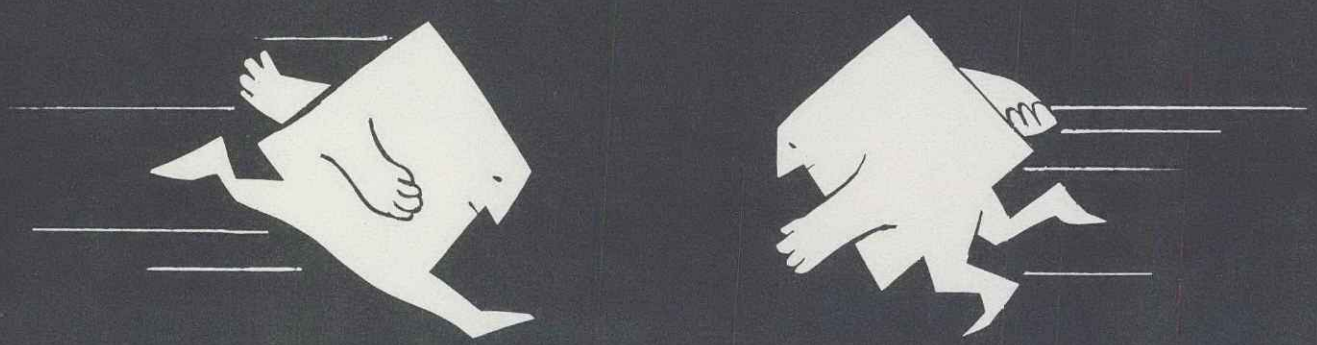

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Insurance is as competitive as your business, so we capitalize on our advantages.

Extra hustle; an aggressive, just-let-us-quote attitude. A management that thinks an insurance company's service should bend to suit the customer instead of the other way around; and the largest full-time staff of claims specialists in the business.

And the price? That's right, very competitive.

Put us to the test. Call Allstate and tell us to come out with our safety specialists.

We'll also bring a sharp pencil.
All we want is a chance to quote.

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Available in most states.