Group life and health: A special report

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Starts on page 17

Lloyd's underwriter on D&O 6
Wells Fargo heist 8
Buyer's call to action 44
Survivor life 56

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Workmen pick their way through the rubble from a blown-out partition in the Chase Manhattan Building in New York City after a bomb blast that caused nearly $500,000 damage. Other buildings bombed during the same time period were the General Motors Building and the RCA Building in Rockefeller Center. See story on page 48.

—Wide World photo

Product safety commission gives insurance claims details

WASHINGTON—The first public survey ever of the product liability files of the nation's leading insurance firms, released by the National Commission on Product Safety, revealed that of the 2,582 claims closed during a three month period in 1969, 65% (1,676) were closed with payment.

Thirty-two of the 2,582 claims involved death and 130 permanent disability, a total of 6% of the cases. Another 301 (12%) required hospital confinement, while 1,729 (67%) involved medical treatment outside the hospital and 390, no medical treatment at all.

Glass bottles were the leading cause of injury, according to the survey, accounting for 430 of the claims, or 16.7%. This was three times greater than the second most frequent accident causer, "other beauty aids," which were involved in 155 claims, 6% of the total.

"STAIRS: indoors and outdoors" was the third largest claims group, accounting for 112 of the total injuries.

The commission surveyed 545 insurance companies, but 214 filed no reports, mostly because they closed no cases during the three months covered by the survey, March, April and May.

It was indicated that a large number of the others did not file because they were subsidiaries of larger insurance firms which filed for them. There were 275 insurers that filed reports for all three of the survey months.

IN ADDITION to the insurance company's name, the commission requested the following information from the carrier: file number of each claim closed with or without payment; generic name of product and product code number from commission list; date of injury; extent of injury (death, permanent disability, hospital confinement, medical treatment without hospital confinement, no medical treatment); and disposition of claim, with payment or without payment.

The reports were to exclude claims relating to food, drugs, automobiles and certain other products not directly within the scope of the commission's investigation.

The major type of accident injury involving glass bottles was

Continued on page 48

Late news

INCO drops coordination of benefits

SUDBURY, Ontario—Some 2,000 local members of the United Steelworkers of America have ratified a contract agreement made by negotiators with International Nickel Co. of Canada calling for a 32¢ hourly increase in company-sponsored employe benefits over the next three years. Under the new pact coordination of benefits between the Canadian provincial workmen's compensation and INCO's own disability plan has been discontinued. INCO has also assumed a 40% increase in its share of the sickness and accident plan's cost.

Kramer moves to Ford

DETROIT—William D. Kramer, formerly head of the risk analysis section at Standard Oil of New Jersey, has joined Ford Motor Co. here as supervisor of overseas insurance. Prior to joining Standard Oil, Mr. Kramer was assistant general manager of the Oil Insurance Assn.

EXPO liability payments in process

OTTAWA—A syndicate of insurance companies has refunded $800,000 of the original liability insurance premium of $2,475 million to Expo Corp., operator of EXPO '67 in Montreal. The total refund could be between $200,000 and $400,000 higher, based on a formula for refunding up to 55% of the premium. So far the insurers have paid out or will pay out $561,000 in accident claims.

Stock exchanges' goal: full financial services

CHICAGO—Several stock exchanges have expressed interest in following the lead of the Midwest Stock Exchange here which adopted a new rule allowing its member companies to sell a full line of life insurance.

"Several exchanges—not including the New York Stock Exchange—have called to inquire about our new program since the permissive rule was announced," said Frank J. Rothing, senior vice president and treasurer of MSE.

"We adopted the new rule," he told *Business Insurance*, "in order to offer to individual institutional investors one-stop financial service." MSE member companies can now sell stocks, bonds, mutual fund shares, commodities and all forms of life insurance including disability income protection.

Spokesmen for MSE said that the new rule will affect corporate insurance programs because life insurance sales representatives for MSE member companies will be authorized to sell group life coverages.

APPROVAL OF the new rules has been given by the Securities and Exchange Commission, according to MSE.

MSE President Michael E. Tobin said, "It is our intention, in allowing members to sell life insurance, to make it possible for them to offer a well-rounded, full-service financial program to their individual and institutional customers. Life insurance is an integral part of such a program."

Mr. Tobin emphasized that the permissive rule applies only to the 200 sole members of the Midwest Stock Exchange, not to the 145 member companies that are also members of the New York Stock Exchange which does not permit the sale of insurance. More than 90% of the member companies of the Midwest exchange expressed interest in selling insurance.

MSE officials said that it will be about six months before the first of its member companies have sales personnel and the proper insurance carrier connections to begin selling group and individual life insurance programs.

FIRMS THAT intend to sell life insurance are required to:

- File with and receive MSE approval of a written plan of operation.
- Submit written reports to MSE on the member firm's life insurance carrier, and the amount and types of policies placed with his customers.
- Receive MSE approval of member-company personnel's qualifications for selling life insurance. Meeting state licensing and registration requirements will not be sufficient, and MSE plans to set up a program of instruction in life insurance sales for persons employed by member companies.

"It makes sense for an investor to buy life insurance from the same qualified registered representative who is already familiar with his total investment needs," Mr. Tobin asserted. "Our goal is simply to establish, under our rules, the same professional standards in the sale of life insurance that MSE member firms already follow in the sale of securities. Further, we believe that by making it possible for a customer to obtain a broad range of financial services from one source, the client-customer relationship is strengthened to the benefit of both."

LA SALLE STREET observers pointed out that the new MSE rule places MSE members in two-way competition with agents of some insurance companies who now sell securities through mutual funds.

Chicago, they point out, has become the center for one-stop financial services. CNA Financial Corp. and Kemperco, both Chicago based, have recently diversified to add mutual funds and other financial services to their long-standing insurance coverages. Allstate Insurance Co., also of Chicago, will start selling mutual fund shares next year.

Mr. Rothing told *Business Insurance* that financial writers gave too much emphasis to a press conference statement by Mr. Tobin indicating that MSE is giving consideration to the creation of a reinsurance exchange similar to Lloyd's of London.

"Mr. Tobin intended to say only that we were not ruling out any possibilities for exchange operations in the insurance area," the MSE senior vice president said.

Air taxi insurance requirements low and confused

By THOMAS LUTZ

CHICAGO—The Civil Aeronautics Board public liability insurance requirement for commuter airplanes is about the same as standard car insurance protection, and other coverage requirements are clouded with problems, *Business Insurance* has learned.

The CAB insurance requirements cover all air taxi planes—scheduled, chartered and mail service—that are 12,500 pounds or less.

The requirements include public liability protection of $75,000 per person and $300,000 per occurrence, $100,000 property damage and 75% of the number of seats on each plane multiplied by $75,000. (In other words, passenger liability limits for a four-seater aircraft would have to be $225,000.) As of July 1, 1969, evidence of such insurance is now required by the CAB.

AT ISSUE ARE three differences air taxi operators have with the CAB:

- In effect, the CAB has required open-end passenger liability. Because many air taxi operators will rent larger airplanes to accommodate more passengers for a chartered flight, the CAB requires that each air taxi operator have coverage for all contingencies.
- Single-limit policies that provide more than the required aggregate coverage are not accepted by the CAB because specific limits for the three categories of insurance are not spelled out.
- In some instances, endorsements eliminating exclusions have been required by the CAB. Underwriters contend the endorsements take away cost controls. In turn, underwriters have narrowed coverage to compensate for the added exposure required by the Federal government.

ACCORDING TO underwriting sources, the CAB decided to establish insurance requirements in the hope that insurers would police air taxi operators and bring about safety in the airways.

"As you know, there have been a lot of small plane wrecks lately," one underwriter said.

However, the underwriters contend that they can't possibly police the safe operation of air taxi service because they can't be around every time a small airplane takes off.

Also underwriters flatly state that they cannot issue open-end policies for passenger liability.

AT MAXIMUM, there are 5,000 airplanes operated by at most 2,500 air taxi service owners that come under the new CAB insurance requirements. Prior to the establishment of the requirements, estimates were much higher, and it is thought by many in the industry that the CAB insurance requirements have driven some smaller air taxi operators out of business.

A spokesman for the National Transportation Conferences, a Washington, D. C.-based association of air taxi service, declined to confirm any estimate of the number of air taxi planes or owners but readily admitted that members are having troubles meeting CAB insurance requirements.

The NATC, it was learned, carries an excess blanket insurance cover underwritten by American Home Insurance Co. that provides public liability protection of $750,000 per occurrence above each member's own insurance.

AS OF THE LAST CAB report, about 1,700 air taxi operators have been given an insurance okay. But in the beginning, according to a broker with Harlan Inc., Philadelphia, 90% of all applications to meet CAB insurance requirements were rejected.

The broker, Jay Levenson, termed the whole situation as "absurd," pointing out that while there have been several meetings with CAB officials, nothing has been resolved.

However, an underwriter contended that the CAB officials have been "very reasonable" in granting temporary okays so that air taxi operators can continue their business.

A REPORT in the Nov. 9 issue of *Business Insurance* estimated that as many as 99,000 small airplanes fly with little more than car insurance liability protection—$100,000 per person and $300,000 per occurrence.

Because the CAB insurance requirements are for planes of 12,500 pounds or less, these aircraft are part of the 99,000 small airplanes discussed in the Nov. 9 report.

However, the CAB public liability insurance requirement is even less than what was called "car insurance protection" by *Business Insurance.* ■

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Mr. Watts Carr, Jr., Executive Vice President, Southland Associates, Durham, N. C.

"And each year they become more of a factor in our office. We think of Atlantic more and more when we are deciding who to give an account to. They are consistent. Their growth with us has gone beyond what we expected."

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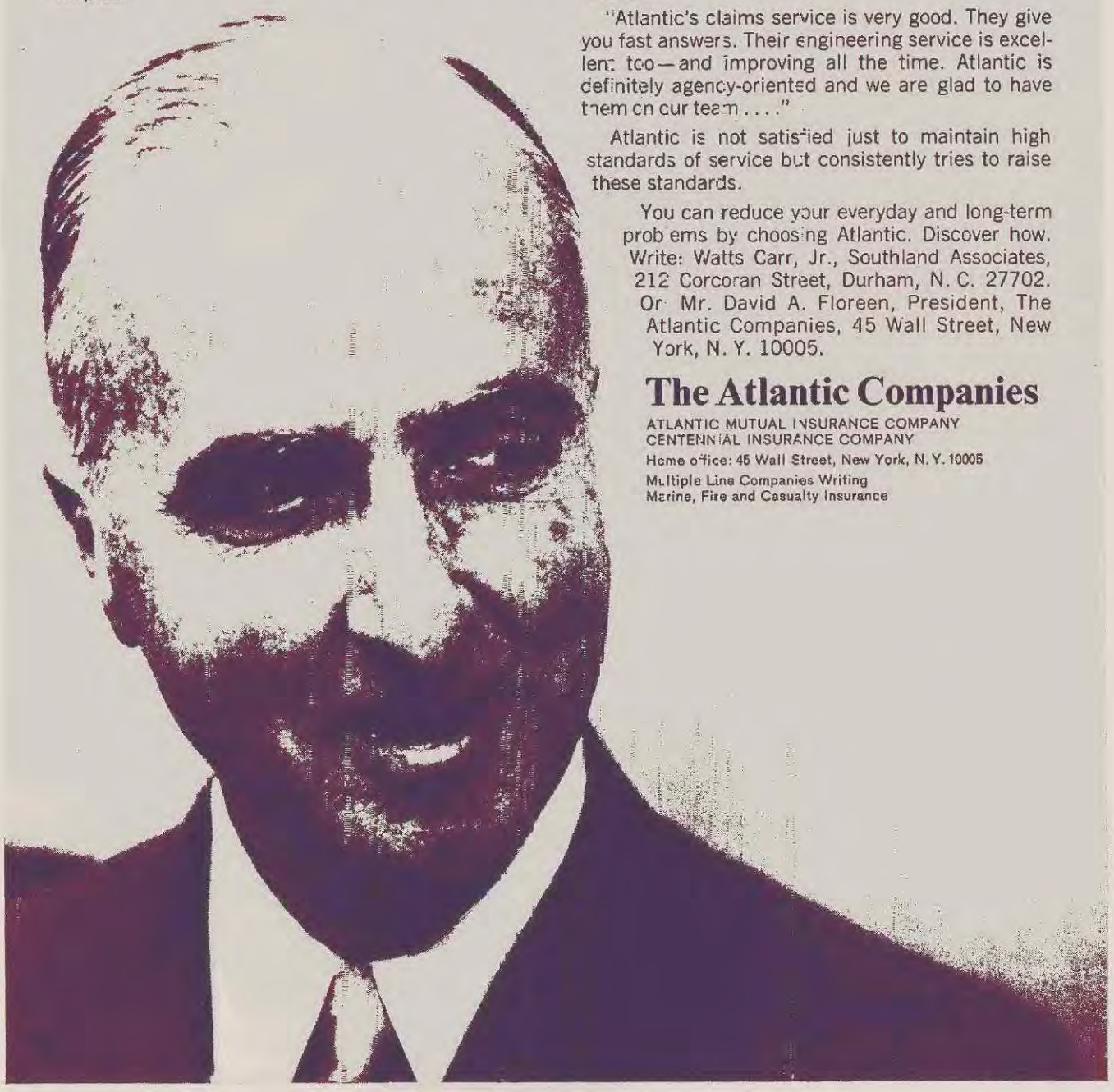

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Koch is 'BI' West Coast ad manager

CHICAGO—Dennis Koch has joined Crain Communications Inc. as district manager in charge of advertising sales for *Business Insurance* on the West Coast.

Mr. Koch will be responsible for nine states: California, Oregon, Washington, Nevada, Idaho, Montana, Wyoming, New Mexico, and Arizona. ■

GUIDE TO FEATURES

Compensation Trends 4
Info for Buyers 8-9
Giles on the Law 10
Editorials 12
Following the Funds 15
Special Group Life and Health Section 17-50
Washington Watch 37
Perspective 43-44

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Auto insurers' trade groups plan unit to fight fraud

By RICHARD BJORKLUND

CHICAGO—Auto insurance companies in three major trade associations are quietly completing plans for a national all-industry investigative agency designed to expose and prosecute fraudulent claimants.

The new facility, patterned generally after the National Automobile Theft Bureau, will be a cooperative effort of auto insurers in the American Insurance Assn., the National Assn. of Independent Insurers and the American Mutual Insurance Alliance. Several hundred major auto insurance companies are expected to subscribe to the new fraud prevention service, but the three trade associations will not themselves be represented on the agency's board of directors.

One source involved in drafting the unit's by-laws and fee schedules told *Business Insurance* that the three associations involved were keenly concerned about antitrust implications in the organization of the joint facility.

"WE APPROACHED this matter pessimistically at first, but our attorneys have assured us that such a cooperative antifraud unit would not be in violation of various Federal laws," he asserted.

The kick-off date for the new agency has not been determined, but it is expected to begin operations with about 50 investigators during the first quarter of next year. Representatives of the claims committees of the three associations have met for many months to iron out legal and financial details connected with the opening of the bureau.

"This effort began when the American Insurance Assn. found that its fraud and arson bureau was costing its companies too much money, about $2 million each year," said a source close to the negotiations. "AIA came to the other associations with the suggestion that an all-industry facility be formed that would serve all auto insurance companies at lower cost."

The decision to form a joint facility enabled AIA to draft plans to drop from its fraud and arson bureau those investigators concerned with fraudulent auto insurance liability claims.

WHILE THE insurance industry formulated plans to step up its drive against fraudulent auto insurance claimants, there has been a marked slowdown in efforts to expose and prosecute property insurance cheats who burn their businesses or homes to gain insurance settlements.

One arson investigation unit that formerly handled hundreds of probes annually with a staff of six agents has been cut to an "educational" agency that this year has handled about two dozen investigations, half of them on a "consultant" basis. AIA's own investigative staff, which once numbered more than 100 persons, is now down to fewer than 70 and, according to insiders, is "losing people every day because they have nothing to do."

The sharp slowdown in arson investigations is viewed as part of the newly-adopted practice of some property insurers to pay claims freely and to spread the cost to policyholders in the form of increased premiums. Some companies now pay without question all fire insurance claims of less than $500, a category that accounts for about 80% of all fire insurance losses.

Creation of the auto insurance fraud investigation unit is viewed in some quarters as an effort by the insurance industry to focus attention on fraudulent claimants as causes of rising auto insurance premiums.

Dean Sharp of the Senate antitrust subcommittee investigating the auto insurance industry termed the new unit "nonsense."

"If they are so concerned about fraudulent claimants," he told *Business Insurance*, "why don't they act individually instead of in concert. They ought to go to the bar associations and to state and municipal law enforcement officials if they feel that a crackdown is needed."

An advocate of the new unit disagreed with Mr. Sharp and termed the proposed bureau "a good thing for the consumer, a way to bring auto insurance premiums down."

Being against such an agency, he added, "is like being against motherhood because its motive is simple: To fight fraud." ■

GM asks dismissal of Nader suit

ALBANY, N.Y.—General Motors has asked the state's highest court to dismiss a $21 million suit brought by safety crusader Ralph Nader.

The court of appeals reserved decision on the motion, which stems from Mr. Nader's claim that General Motors violated his privacy after publication of his book, "Unsafe at Any Speed," which criticized the company's automotive safety efforts.

General Motors has conceded that its investigators tapped Mr. Nader's telephone, shadowed him, made threatening telephone calls and attempted to entice him into an illicit sexual relationship.

MR. NADER BROUGHT suit for $7 million damages on each of four causes of action:

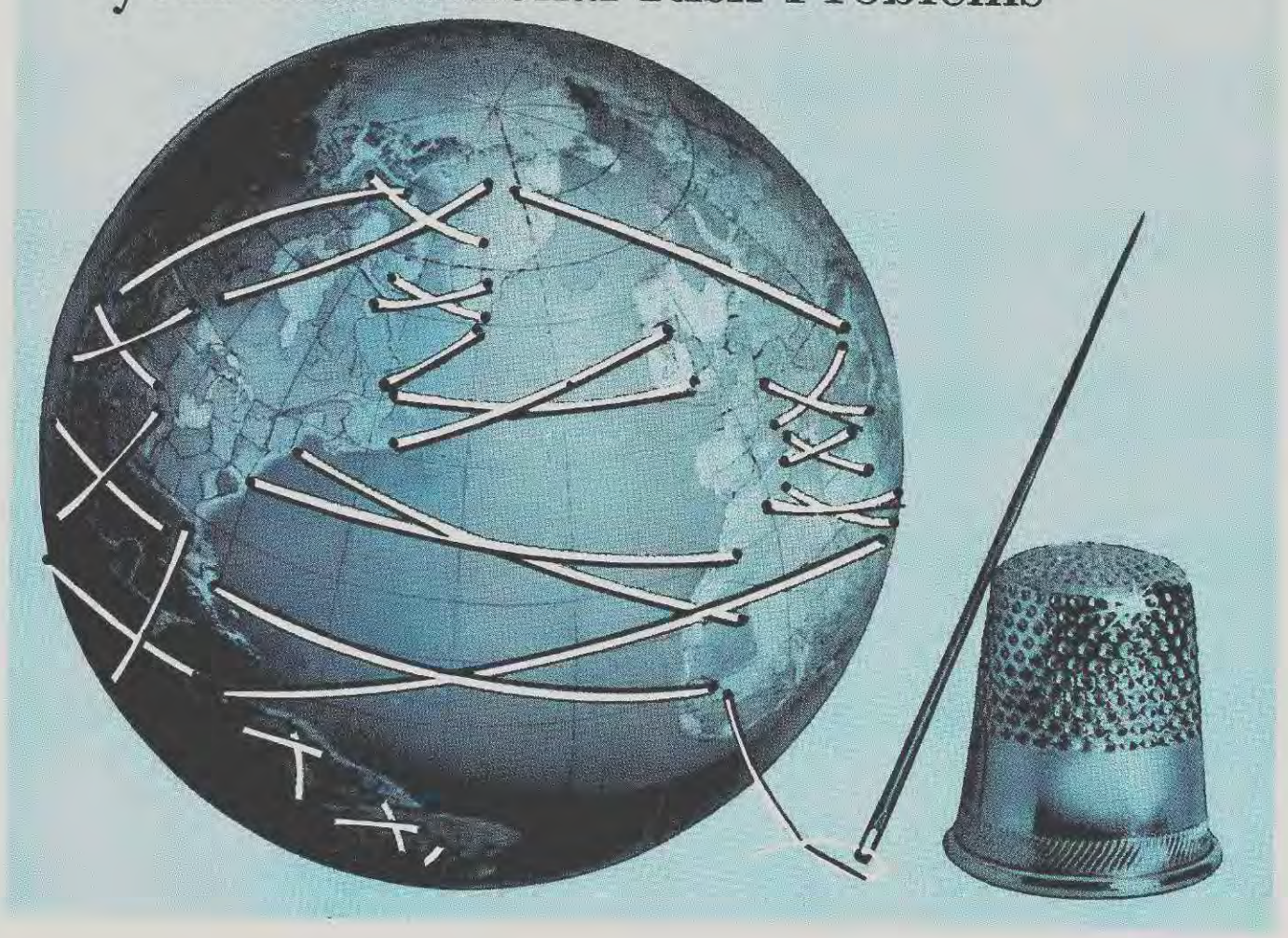
- That the company investigation in states other than New York violated his privacy.
- That the investigation in New York violated his privacy.
- That the entire investigation was reckless.
- That GM prevented publication of articles critical of it and the auto industry.

The company has let stand the third cause of action, but seeks dismissal of the other three. ■

Aetna loans money to railroad, airline

Aetna Life & Casualty Insurance Co. has agreed to loan $5.6 million for the purchase of phosphate ore handling equipment to be used by Seaboard Coast Line Railroad Co. Aetna has also loaned $10 million to Pacific Southwest Airlines to assist in financing acquisition of 26 jet aircraft costing $126 million.

Here's how to tie together your International Risk Problems



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Change retirement pay for Feds to three highest years, not five

By JOSEPH S. ROBINSON

NEW YORK—There's good news for Federal employes including members of Congress. They're all set for a boost in retirement pay—the President signed a bill to that effect.

The pension hike comes about because of a different way of measuring how much an employe is to get when he retires. Up to now, a worker's pension would be based upon his salary for the highest five years. But all this has been changed. Henceforth, the basis will be only the three highest years. With salary scales rising each year, the new rules give government employes a better break in pension benefits.

For instance, suppose a $10,000 man retires in 1970 at age 55 after thirty years with the Government. Under the old rules, his annual pension would have been $4,900. Under the new law, he'll get a $300 pension raise. And if he has accumulated a year's unused sick leave, his pension would go up another $200.

CONGRESSMEN do even better. Reason: They gave themselves a pay raise some months ago—from $30,000 to $42,500. This means that a Senator, entitled to the maximum pension, eventually could wind up with $34,000 a year; it used to be $24,000.

Here's another up-to-the-minute pension provision for those on the Federal payroll. There's a built-in hedge against inflation —an upward adjustment in benefits whenever the cost of living goes up 3% or more. Retirees will get that cost of living increase plus another point tacked on to it.

Since government pensions are contributory, the new benefits will call for additional contributions. For example, typical Federal employes will kick in 7%, up from 6.5%. Congressmen's contributions will go from 7.5% to 8% —their staff members will contribute 7.5%—up 1%.

THE CHIEF Executive can look forward to allowances in addition to pension benefits. Take a look at the awards granted L.B.J. in retirement.

Mr. Johnson has a $25,000 a year Presidential pension for the rest of his life. He is also due a Congressional pension of about $20,000, based on his own contributions during his years as a legislator in Washington.

But that's not the whole story. Mr. Johnson also enjoys a spacious office in Texas to wind up his White House affairs—he has about a dozen assistants to help him along the way. The former President can draw up to $375,000 from Uncle Sam over an 18-month period to finance these Government activities. He is also entitled to a yearly check of $80,000 for staff salaries, office expenses, etc.

THE PENSION agreement between the United Steelworkers and U.S. Steel Corp. has an interesting new benefit pension. It guarantees a life income to the surviving spouse of an employe who dies after age 55 if one of the following conditions is met: (a) the employe dies after 15 years of service but before retirement, or (b) after early or disability retirement and before reaching age 65.

Under the plan, the widow can receive a monthly check of 50% of the employe's regular pension until she reaches age 62. This sum is what the employe would have been entitled had he lived to normal retirement at 65. However, if the widow is under age 50 when the benefit starts, payment is reduced .5% for each year she is under 50.

When the widow reaches age 62, the benefit will be cut down by two-thirds of the widow's Social Security benefits.

HERE'S AN illustration showing the new provision in action:

A U.S. Steel employe dies at age 57 after 25 years of service. His widow was 48 at the time. His average monthly earnings before death was $600. According to the pension plan, the deceased employe would have received $162.50 per month at age 65. Thus, the widow's benefit will be $79.63 per month until she reaches age 62.

Here are the calculations: Since the widow is 48 years old, her benefit is 49% of the regular pension (50% less .5% for each year she is under age 50). $162.50 times 0.49 equals $79.63.

Under the widow's benefit provision of the pension plan, she is guaranteed a minimum of $75 per month to age 62; $25 per month thereafter—Social Security will pick up the rest. ■

Stevedore held liable in accident

BELLINGHAM, Wash.—The Bellingham Stevedoring Co. has been held responsible for $183,432 in damages and additional costs stemming from a waterfront accident at Ferndale, Wash., Dec. 1, 1966.

The judgment was issued by U.S. district court judge William T. Beeks in Seattle.

He ruled that a crane operator supplied by the company to unload aluminum ore from the ship Troja was negligent. The crane's boom fell from the vertical position after the operator secured it at the end of his shift. The outboard end of the boom crashed down onto the ship, causing extensive damage, it was reported.

JUDGE BEEKS said the operator, not identified in the judgment, was negligent in failing to turn off the motor and in failing to set a brake mechanism.

Most of the judgment will be paid to Wilh. Wilhelmsen, the ship owner, and Kristian Jebsens Rederi, the ship operator. ■

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Touchy Question #38

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

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

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

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

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

Never.

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

It begins with our computer program.

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

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

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

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

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

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

That's the Wausau Story.

Employers Insurance of Wausau

We think insurance ought to work for a living.

Lloyd's underwriter: D & O market shrinking but vows not to pull out

CHICAGO—A leading Lloyd's underwriter of directors and officers liability insurance says that there are signs of shrinking capacity for such coverage but he vowed not to pull out of the market because "this coverage has become much too important to the business world."

Speaking before the insurance group of the Union League Club here, Leslie R. Dew, a member of the committee of Lloyd's, said, "One of your best-informed insurance journals (*Business Insurance*) recently carried two articles in exact juxtaposition on the subject of directors and officers liability.

"The first of them claimed that the coverage was illusory, and that as a result of a skillful marketing effort, 'scare' advertising had produced an enormous volume of what the author inferred to be the most profitable insurance coverage ever written. What a wonderful thought!

"The second article," Mr. Dew continued, "was a long and thoughtful one that took exactly the opposite view. It concluded that the coverage was useful and indeed necessary; that the premium cost was relatively low for the large limits given; and cast doubt on the enormous profits reputedly being made by insurers. I don't need to tell you which of the two authors is correct!"

MR. DEW CONFESSED that he entered directors and officers liability underwriting with some reluctance for three reasons:

- "It seemed to me that the individual director's coverage came perilously near to the insuring of moral hazard, something automatically impossible."
- "The corporation reimbursement might easily be considered against public policy."
- "I thought it probable that we should soon find ourselves guaranteeing the business acumen of the directors."

Pressure from brokers, he added, caused him to set aside these reservations.

"We tinkered a little with the wording to emphasize what is today sometimes forgotten—that we intend to do two things: To indemnify and to provide defense for those persons innocently involved in a wrongful act or omission, and to limit corporation reimbursement to the extent that the by-laws and state statutes permit."

The result, according to Mr. Dew, has been "a good volume of gross written premium, a fantastic total exposed liability and subsequently a bad headache in the shape of advised losses, the vast majority of which are still unsettled but which will certainly end in rather substantial payments and defense costs. Indeed, legal costs have already made serious inroads into the margins which we shall need to meet catastrophic losses.

"ONE OF THE *Business Insurance* articles suggested that one policy in every ten has produced a claim's advice. Speaking for my own book I would say this is not too far wide of the mark. So can you really believe that the realistic comparison of net earned premiums to paid and outstanding claims reveals unconscionable profits"

The Texas-Gulf case, Mr. Dew conceded, "is not one to which I would expect the policy to respond, but it has already spawned two important court decisions—the New York court of appeals decision in the Belock Instrument case and the Livingstone Oil Co. case in the New York Federal district court.

"These and the Bar Chris judgment—which, by the way, added nothing new in the way of liabilities but did set out in beautifully precise terms the duties owed by directors, lawyers and accountants—should be required reading for brokers and potential buyers," he said, so that they can "envisage the considerable exposure to which the policy will respond."

Mr. Dew said that he hopes to avoid rate increase for directors and officers coverage by changes in the division of deductibles, a close control of merger and acquisition situations, and some editorial changes, including probably the cutting-down of the discovery feature on nonrenewal. ■

Lloyd's man offers encouraging word

CHICAGO—Leslie R. Dew, a leading underwriter and member of the committee of Lloyd's, summed up the current profitability picture in his speech to the insurance group of the Union League Club:

"Signs are that a return to profitability is well under way—if I may be stupid enough to indulge in prophecy I would guess that 1967 (which we shall shortly be closing) will finish in the black, and 1968 will prove a vintage year.

"Don't press me on 1969. So far 1969 is rumored to be exceptionally good but we have still to weather the full effects of Camille and the number of large individual losses outstanding—any one of which would have been regarded as a major disaster 10 years ago. The final result may well be spotty.

"And there are two very encouraging pointers: Many members closely connected with Lloyd's have increased their deposits in order to accept increased premium limits and there is a significant proportion of wives and close relations of existing members among those 50 or so noble ladies who will line up for the 1970 maiden stakes following Lloyd's recent decision to admit British women to membership."

Disability pay series

NEW YORK—A disability income plan that is guaranteed renewable to age 65 is part of a series of new health insurance policies introduced by Continental Insurance Cos. The program is being marketed nationally under the name "On Guard."

Included in the program are two disability income plans and a business overhead expense policy.

George L. McDowell, vp, said that the new series is based on the findings of hundreds of interviews with property and liability agents across the country. ■

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What if your plant were to collapse suddenly from the weight of heavy snow or ice on the roof? What would happen to you? Would your insurance protect you from severe loss? Special coverage is needed for a situation like this – the kind of coverage you can learn about from your Arkwright-Boston man. He can show you a program that's tailor-made for your business – insurance designed to protect your profits.

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Quietly to the rescue: The St. Paul Insurance Companies, with a policy covering disablement of computers. ("Externally caused, fortuitous disablement.") The reception astonished even us. Problem-solving policies like this one, never written before, have helped make The St. Paul quietly notable.

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Wells Fargo's truck heist covered

ATLANTA—Wells Fargo Armored Car Service, which sustained a $1.4 million loss in the heist of one of its trucks in Brooklyn, N. Y., was heading off at the pass most questions concerning its insurance coverage last week.

Reached at the company's corporate headquarters here, James Leidgen, president, was reluctant to discuss limits or details of Wells Fargo's coverage, although it is known that Brink's Inc., a competitor, has limits of $50 million on money carried on each truck. The figure represents both primary and excess.

IN A RELATED development, it was learned the funds, which were receipts picked up from Aqueduct race track in New York shortly before the robbery, are also covered by an endorsement to the track's all risk money policy. Under the endorsement, Aqueduct will be loaned the $1.4 million interest free, until the Wells Fargo policy pays off.

The track's all risk policy is written by Insurance Co. of North America through Despard & Co. Inc., New York brokers. According to Carl L. Dellenberger, Despard chairman, the endorsement is a "gimmick" of sorts. He noted that Aqueduct has had it since beginning operations but that this was the first time the track had to use it.

Mr. Dellenberger explained that the INA funds will probably be in the hands of Aqueduct for only a few days. "If they (Well's Fargo's insurer) should deny liability, we would be on the hook for a while," the chairman said. However, he noted that he had read the Wells Fargo policy and the liability appeared to be an open and shut case.

QUESTIONED about this, Mr. Leidgen commented: "We have something less than Brink's, but substantially more than $10 million."

Wells Fargo, as does Brink's and at least two other major armored car services, has its primary coverage with Commercial Union Insurance Co. The excess is placed mostly in the London market, Mr. Leidgen said.

"It's Commercial Union's loss," the Wells Fargo president told *Business Insurance* when asked if the robbery would be covered entirely by the primary insurer.

Continued on page 47

The good life

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info for buyers

Info for Buyers offers material that *Business Insurance* believes will be of value to its readers. The complete name and address of each supplier of information is listed so that readers can write directly to the publisher, simply saying that they saw the item in *Business Insurance*.

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

• **Absenteeism Hurts** is a 16-page, pocket-size booklet published by the Drumcliff Co. The item is designed to re-awaken in the employe a sense of responsibility not only to his company but also to himself—because, as the booklet points out, absenteeism costs money and lowered profits lead to lower salaries. The booklet is available in quantity for use as an employe handout. Prices are available by contacting the company at P. O. Box 300, Lutherville, Md. 21093.

• A non-slip material that conforms to any surface has been developed by the 3M Co. **Safety-Walk** is made of mineral coating and is applied by removing its paper liner and setting in place. Write 3M for a free sample and descriptive literature at BS & CP Div., Bldg. 224-5W, 3M Center, St. Paul, Minn. 55101.

• The Life Insurance Agency Management Assn. has released a research report entitled **Mutual Funds: Soundings from the Marketplace**, which attempts to answer the question: "Who buys mutual funds and why?" It delves into buyers' attitudes and examines the reasons some people prefer investing in mutual funds instead of in other saving devices. For more information on the report, contact the association at 170 Sigourney St., Hartford, Conn. 06105.

• A new line of safety self-ejecting keys has been introduced by Miracle Instrument Co., 1569 Third Ave., New York, N.Y. 10028. A patented spring-loaded ejection device prevents 'flying key' injuries caused by chuck keys accidentally left in power and machine tools when the units are activated. Information on the keys, which range in price from $2 to $5.95, is available from the manufacturer.

• **Financial Services—Putting More Venture into Capital** is a 16-page industry survey discussing trends in the insurance and financial fields and the development of the financial services company. Explanatory tables are included. To obtain a copy write Goodbody & Co., 55 Broad St., New York, N.Y. 10004.

• ESB Inc. has announced an improved line of air hoses and fittings for respiratory protection equipment. The line is approved by the U. S. Bureau of Mines. The new hose is green, the accepted color for air and oxygen, and has a cover of synthetic rubber to resist oil, abrasion and weather. It is available with pre-fitted couplings and clamps already installed. For further information, contact the merchandising manager, Willson Products Div., ESB Inc., P. O. Box 622, Reading, Pa. 19603.

• Information on two oscillating cameras designed for the prevention of shoplifting, employe theft, holdups and bad checks is available from the manufacturer of **Photo-Scope Model E** and **Photo-Scope Model Z**, Security Electronics, Inc., 1503 Howard St., Omaha, Neb. 68102.

• A 40-page case study of a profit-sharing program has been published by the Center for the Study of Productivity Motivation at the University of Wisconsin. **The Utilization of a Total Systems Incentive: A Case Study of a Cash Profit-sharing Program at Merrill Manufacturing Corp.** costs $1 and contains interviews with company executives; professional, office, supervisory and plant employes plus an analysis of results of the program. The center also publishes a quarterly **Productivity Letter,** free on written request. The address to write is Rm. 856, Van Hise Hall, Madison, Wis. 53706.

• What should the safety engineer dealing with problems of industrial hygiene know about respiratory protective equipment? An eight-page item complied by D. E. Albert, Mine Safety Appliance Co., Pittsburgh, Pa., and released through the National Safety Council covers the subject. The illustrated pamphlet is titled **Respiratory Protective Equipment** and is accompanied by revision **Data Sheet** 444, also illustrated. For information on quantity prices and member discounts, contact the National Safety News, 425 N. Michigan Ave., Chicago, Ill. 60611. Please indicate stock numbers 111.17-29 and 123.04-444 for the two items.

• Companies that spend as much as 30% of payroll on a wide range of employe benefits should at least receive a reciprocal benefit from those employes —that of recognition. **Benefacts** is a folder of sample brochures and reports, aimed at the individual employe, and explanatory material on the services of Benefacts Inc. in an effort to reduce the benefit communications gap. It is their contention that each employe must be given a dollars-and-cents value to place on his personal benefits before realization of them occurs. This, the company believes, is far more effective than a general information brochure or film, which offers the worker only vague knowledge of his company's benefit program. For your folder write Walter P. Petersen, 2 N. Riverside Plaza, Chicago, Ill. 60606.

• Fidelity and Deposit Co. of Maryland offers a 40-page book, **Embezzlement Controls for Business Enterprises.** The book's eight chapters discuss control of cash receipts and disbursements, merchandise and a program for small businesses. Also included is a check list of internal control procedure. For a copy of the item write the company in Baltimore, Md. 21203.

• The Shredmaster Corp., 891 S. Ocean Ave., Freeport, L. I., N. Y. 11520, offers a free folder, **Record Retention Schedule,** graphically showing the minimum periods that business records must be retained for government and business purposes. Also offered is literature explaining how to destroy obsolete records quickly, quietly and efficiently.

• The public information office of Underwriters' Laboratories Inc. has made available an illustrated brochure that explains how the non-profit laboratory tests for public safety. The literature explains the significance of the UL symbol on a product and how its use is carefully controlled. For a free copy, contact the public information office at 207 E. Ohio St., Chicago, Ill. 60611.

• A 12-page booklet from Commercial Loan Insurance Corp. discusses **Lease Guarantee Insurance** as a new concept in rental income security. A premium rate chart is used to illustrate the item and information concerning the corporation's reserves is included. For a copy write the corporation at 606 Marine Plaza, Milwaukee, Wis. 53201.

• Advance Data Systems Corp., 336 N. Foothill Blvd., Beverly Hills, Cal. 90213, has released a four-page brochure, **Access**. Illustrated with photographs and a table, the item discusses automatic card control entrance security systems and compares the critical security system (which codes up to 16 areas) to the general security system (which codes up to four areas).

• **Collective Merchandising of Automobile Insurance: The Employers' View** is a 50-page report prepared by Bernard L. Webb, assistant professor of actuarial science and insurance, Georgia State College, as a part of a study on behalf of the subcommittee on antitrust and monopoly of the Senate Committee on the Judiciary. The survey is an estimate of the current status and future progress of the movement toward collective merchandising of private passenger automobile insurance and a definition of terminology is contained in the foreword. Copies are available for $1 from the Bureau of Business and Economic Research at the college, at 33 Gilmer St., S.W., Atlanta, Ga. 30303.

• Engineering representatives of the Glens Falls Group have embarked on a program of developing loss control and safety pamphlets. Engineering personnel across the country will write pamphlets on topics with which they have had experience. The first booklet to be printed is **Safety for Electric Utility Linemen.** For information, contact the group at Glens Falls, N. Y. 12801.

• Blue Shield has published a color-illustrated book, **Drug Abuse: The Chemical Cop-out.** The item is based on authoritative research and is aimed at dispelling the romantic illusions of drugs and separating the facts from the myths for both adults and young people. A pertinent comment from Dr. Alfred Freedman of the New York Medical College is included: "It's not so much the physical dangers of drugs, which do exist, or that they (young people) will become criminally insane, which is ridiculous, but rather it's the fact that they are developing an inward reality that is most meaningful to them rather than maintaining a concern with society in general. We are in very difficult times, it seems to me, and the participation of everyone, particularly the younger people, is extremely important. If the focus of their lives becomes centered upon drugs, which often happens, then I think we are losing something." The literature is available at 13¢ per copy from the communications department, National Assn. of Blue Shield Plans, 211 E. Chicago Ave., Chicago, Ill. 60611.

City says 'won't pay a nickel' for riots

HARTFORD—Upwards of 170 suits have been filed against the city of Hartford for personal and property damages sustained during Hartford racial disturbances over Labor Day weekend.

Claims were made under a state statute rendering the city liable for individual losses arising from municipal "negligence" during a civil disturbance.

Corporation counsel John M. Fitzgerald, when questioned by *Business Insurance* about the suits, commented, "We haven't paid a nickel yet and we won't. We can't afford to."

HE EXPLAINED that the city's coverage—with the Travelers Insurance Cos.—for these purposes amounts to $500,000—"and that is cumulative over a one-year period; it's not per riot. It also includes all kinds of deductibles."

Mr. Fitzgerald continued:

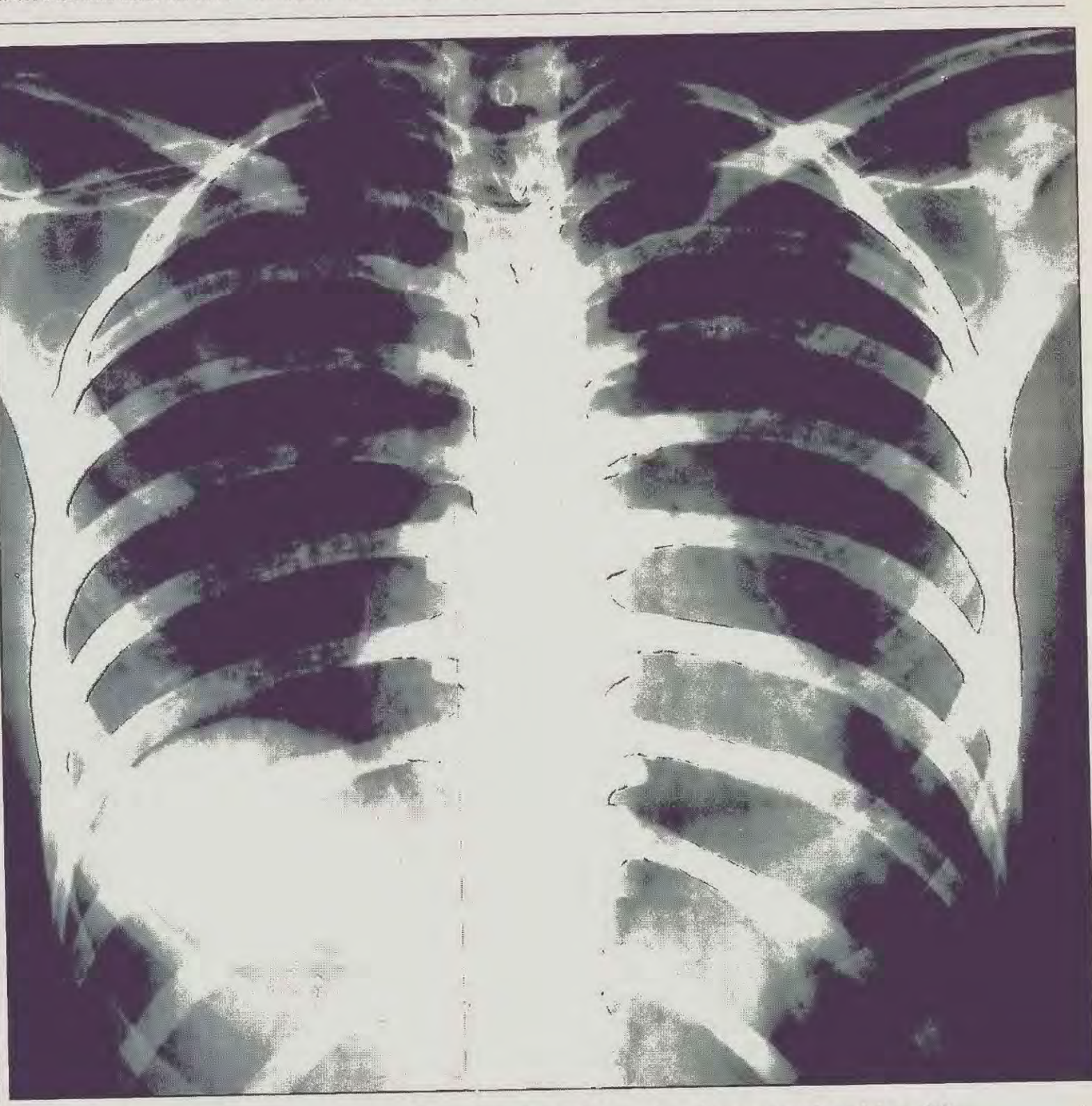
"A couple of years ago, they threatened to take away our policy. We told them they wouldn't dare do that—this is 'Insurance City.' We wound up with a $30,000 boost in our premiums and they limited their liability to half a million dollars."

He added that some insurance companies have advised clients to file against the city under the Connecticut civil disturbance statute.

"ONE LAW FIRM that represents an insurer handles so many of these claims that they've printed up a form for them," he said. "The claimant just fills in his name and the date of the incident."

If the city was to start paying out on these claims, Mr. Fitzgerald remarked, "We'd run through the insurance mighty quickly. The Bursey-Chappell Tire people situated in the heart of the northend ghetto area alone have filed for $50,000. We'd be in very dire financial straits."

Continued on page 10



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Under another one of our policies, plans are available up to $1000 a month for as long as a lifetime if you're ever disabled.

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Then if you did break your back, it wouldn't cost you an arm and a leg.

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Giles on the law

Wisconsin court defines trade secret elements in customer card file case

WASHINGTON—What are the elements of a trade secret?

While it is very difficult to formulate an exact definition of a trade secret, certain factors should be considered in determining whether given information is one's trade secret.

They are (1) the extent to which the information is known outside of his business; (2) the extent to which it is known by employes and others involved in his business; (3) the extent of measures taken by him to guard the secrecy of the information; (4) the value of the information to him and to his competitors; (5) the amount of effort or money expended by him in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

A recent Wisconsin case discussed the right of a former employe to utilize customer lists which he had developed during his former employment. An officer employed by the plaintiff corporation, manufacturers of steel products, left the corporation's employment with a customer card file, which he had developed from an original file that he had compiled during a 28-year period of prior employment with another company.

WITH TWO OTHER ex-employes, he organized a new corporation in competition with the plaintiff. In an action in the lower court, all three ex-employes were enjoined from contacting four specified customers of plaintiff. On appeals by plaintiff from the portion of the judgment limiting the injunction to the named customers, and by defendants from the injunction even as limited, and from taxation of costs against them, the Wisconsin supreme court reversed.

It was held that the customers' cards and information thereon were definitely not trade secrets, and, among the significant factors noted were the origin of the cards, the unspecialized information they contained, plaintiff's refusal of defendants' offer to return them uncopied to avoid litigation, and plaintiff's steady business expansion, despite certain of its customer's orders being transferred to defendants. (*American Welding & Eng. Co.* v. *Luebke*. 155 N.W. 2nd 576.)

* * *

CAN AN EMPLOYE who has received a workmen's compensation award maintain a malpractice suit against the injured employe's attending physician?

There is a wide diversity of opinion among the courts of the several states concerning the right of an employe, who has received compensation under the Workmen's Compensation Act, to maintain a suit for malpractice against a physician or surgeon who treated his original injury. In a recent case in North Carolina, that supreme court considered the question.

An employer retained and paid defendant physician to treat plaintiff employe for an industrial accident that, according to plaintiff, was aggravated by defendant's negligence. Plaintiff sued for damages. On plaintiff's admission that both he and his employer had accepted the provisions of the Workmen's Compensation Act, the court dismissed the action on the ground that jurisdiction on the issue of damages lay with the industrial commission and not with the trial court.

On appeal, the court held that the law, under the North Carolina statutes, was that as long as the physician was not working full-time for the employer, the employe retained the common-law right to sue in the superior court for damages for the aggravation, and that the industrial commission had no jurisdiction over the matter. (*N. J. Bryant* v. *Dr. R. J. Dougherty*. 148 S.E. 2nd 548.)

* * *

IN MISSOURI, in order to establish the liability of a manufacturer, you must convince a jury that the decedent was using the product in a manner reasonably anticipated.

In a recent case the widow of a decedent who was electrocuted by a sump pump that had no ground wire attached or overload protector had a good cause of action in strict liability against the wholesale distributor of the pump.

The court said that strict liability is an action in tort and not in contract. The widow recovered $20,000 in the lower court, but the case was remanded because the plaintiff's verdict-directing instruction did not require a finding that the decedent was using the pump in the manner reasonably anticipated.

The Missouri court voiced three reasons for adopting the strict lia-

Continued on page 46

Employee euphoria: Can you profitably create it?

If you're like many of the companies who have called us in to help, your employee benefit program shows as many growth rings as a California redwood, with new benefits simply tacked onto old ones year after year.

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Riots . . .

Continued from page 9

The corporation counsel declined to disclose the total amount of claims. "Lord only knows," he remarked.

"SO FAR," he continued, "we've adopted a policy of complete denial of liability. None of the cases has come to trial. When they do eventually go before (the state) superior court, the burden of proof will be upon the plaintiffs.

"They'll have to show how we were negligent. We had all our law-enforcement people out. What should we have done? Should we have called out the army? The national guard?"

At the same time, Mr. Fitzgerald commented that the only court precedent coming to his mind was a case developed in New Jersey, involving damages in a disturbance in Newark.

THE COURT FOUND for the plaintiff in that situation.

Mr. Firtzgerald said that if a jury, deliberating on points of fact, were to find against the city, ruling that there was actual negligence, "We might have a hard time in the appellate division" (which deals only with the legality of a lower court's verdict).

Mr. Fitzgerald asserted: "We'd appeal it all the way up to the U.S. supreme court. We'd have to." ■

Purchase of EDP claims analysis is boon to evaluation, communications

CHICAGO—The director of property and casualty insurance for Tenneco Chemical, Houston, Tex., told the fall insurance conference of the American Management Assn. that buying computer time to analyze claims "provides a service that formerly was available only to firms large enough to have an internal computer service."

Charles L. Bailey explained that Tenneco decided to buy computer time "because of the tight market and tight money." Less than a year into the venture, he nevertheless believes that the computer analysis of Tenneco's claims has improved the evaluation and communication of the company's risks.

At the moment, three of the seven operating divisions of Tenneco send all claims—whether insured or uninsured—to Computer Claims Control, of Amarillo, Tex., which performs an analysis on the claims and returns a computer printout to Tenneco.

ON THE PLATFORM with Mr. Bailey to help explain the process was Charles D. Hamilton, a vp of Computer Claims Control. He told the AMA insurance conference that the purpose of computer analysis is to "free the risk management area of a company from the paperwork of personally handling claims." This allows the risk manager to "zero in on his management function," Mr. Hamilton said.

According to the Computer Claims Control vp, analysis of claims can be made in six areas of each division:

- Coverage and cause code: Code numbers are assigned for each coverage type and the various causes of loss for each coverage.
- Cause of accident: A printed description of each accident or loss is separated and classified as to coverage type and totaled as to number of open claims and number of total claims.
- Frequency: A current column records the number of claims for a particular cause since the last report and a year-to-date column tells the total number of claim causes since the beginning of the current policy year.
- Valuation: This category of information is also broken down into two bits of information: current valuation of the claim and year-to-date costs of the claim the fourth, unbound, is for the division head. There is a minimum number of sheets required each month for a company, and the cost is $2 a sheet, Mr. Hamilton said

Along with the division reports the Computer Claims Control vp said, Tenneco receives a company summary or analysis of divisions This printout gives the same six classifications of claims information, with all division losses since the beginning of the current policy year.

- Premium: Reported in this column is all the premium earned to date in the division sorted by the line of coverage.
- Loss ratio: The percentage of incurred losses to date by incurred premium to date.

FOUR COPIES of each division report are given to the company —three of which are bound and grouped according to policy coverage. Periodically, and in addition, another company-wide report compares Tenneco's loss experience with its past experience.

Tenneco, according to Mr. Bailey, is now processing about 1,000 claims a year with the use of the computer information. This is being done, he said, with no increase in the Tenneco insurance department staff.

In fact, Tenneco's director of property and casualty said, there is "less cross indexing of claims and there has been a major reduction of the overall loss cost with the proper use of the computer tool." At present, Tenneco processes claims for property loss, workmen's compensation, third-party liability, business interruption and uninsured losses with use of computer time.

Mr. Hamilton said that a company should be spending about $25,000 in insurance premiums to warrant the use of a computer to process claims. ■

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opinions

Health cost crusade

In preparing this special issue on group life and health, we came across a number of sound approaches to holding down the skyrocketing cost of health care. Most of these plans are either mere proposals or in an embryonic stage of planning whose impact won't be felt for four or five years.

We feel, however, that some of them offer good jumping off points from which industry and its insurance carriers can establish the momentum needed behind these plans to persuade Federal and state government to take immediate action.

For instance, Blue Cross of Southern California, anticipating the success of a 26 hospital experiment in incentive reimbursement, has instituted an interim reimbursement program for all 300 hospitals which it services. The commission for administrative services in hospitals (CASH), administering the three-year experiment, projects an annual 4.4% decrease in labor costs resulting in a total of $300,000 savings in reimbursement payments.

Aetna Life & Casualty's proposal to the House Ways and Means Committee listed the promotion of outpatient care as a major goal for government legislation because this would reduce utilization of costly inpatient facilities by 25%. Private industry could devise a plan whereby one or a series of outpatient clinics could be built with funds derived from a pooling of the resources of state "health plans," private industry, and a pool of insurance carriers.

A big problem in large urban areas is the antiquated hospital facility. Experiments aimed at cost control on a community-wide basis must make special standards allowances for these obsolete plants in order to make incentive reimbursement available to them. By forming a common pool of funds for modernizing these facilities on a step-by-step basis, private industry and its insurance carriers could accelerate the cost-control upgrading effort considerably and thereby break loose the projected cost reduction savings. In metropolitan areas such as greater New York these savings could run into millions of dollars in only a few years.

Aside from expenditure of funds, employers should include ambulatory care coverage in group medical expense plans and utilize a coordination of benefits clause in protecting themselves against costly over insurance. By accentuating this ambulatory coverage, employers can provide an incentive for the employe to stay out of the hospital thereby avoiding substantial claims. Aetna's proposal, if enacted in legislation, would limit the employer's tax deductibility for medical benefits expenditures for employes by 50% if at the end of five years such coverage was not offered by the employer.

Much ado has been made about the overall dearth of medical and paramedical personnel. Aetna is asking the government to foot the entire bill for medical students' education costs subject to reimbursement in an attempt to attract more young people to the field. A scholarship fund arising from a pooling of resources in private industry and insurance would be an immediate step in this direction, the effect of which would be felt much sooner than whatever tentative legislation might be in the making.

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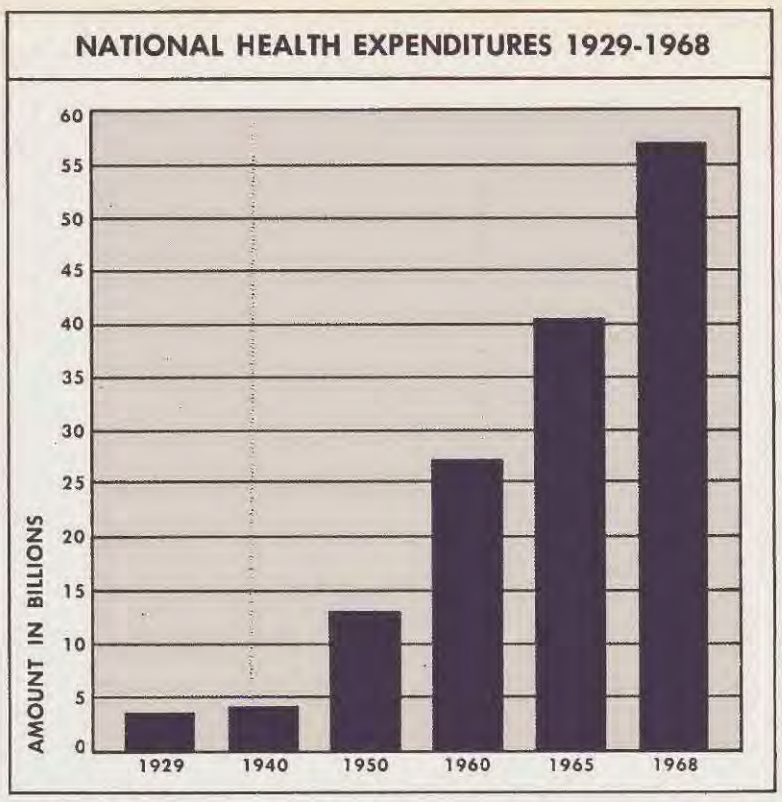

National health care expenditures of $57.1 billion for 1968 are 19 times greater than in 1929. Health expenditures as a percentage of gross national product during the same period have risen from 3.5% to 6.6% In fiscal 1969 expenditures per person rose nearly 11% and approximately 60% of these were met by third parties such as government, private health insurance, philanthropy and industry. A major factor in the increase of health care expenditures has been growth of employer-sponsored group health plans, reported in a special section in this issue. Source: Social Security Administration

No doubt many people would question the private sector's responsibility in all of these areas. Americans tend to pay a good deal of lip service to our fine tradition of "do-it-yourself." However, when a situation arises where such a tradition is in order we sometimes tend to show our penchant for a slightly less praised practice—passing the buck. We don't feel that private industry can afford to wait around to see if the government will take over the load. The fact that various components of health care costs have risen from 30% to 50% since 1967 indicates that the amount of money it will take to apply the brakes can only grow—and in astronomical terms.

Flying with car insurance

In the last issue of *Business Insurance,* we gave an initial report on our on-going investigation of the airways within the scope of this magazine's news coverage.

What we reported—that as many as 99,000 could be flying around with car insurance liability protection—seems shocking enough but was well known to the professionals in the aviation insurance markets.

It did, however, surprise us to learn that the Federal Aviation Administration has no concern about the indemnification of air diaster victims. Spokesmen for the FAA said the agency has no insurance requirements for any aircraft and that indemnification was up to the courts.

The nightmare of this situation very quickly becomes reality when a small airplane, woefully underinsured to protect the public, crashes into a major jetliner, either on the ground or in the air. Professional aviation insurance buyers have more than adequately taken care of their liabilities; it's the private plane owners who leave the public unprotected.

The solutions to this problem may very well be found outside the private insurance industry. With the capacity pinch of today and the increasing cost of insurance, the private insurance market probably can't easily supply the coverage and the private plane owners probably can't afford the insurance. For example, $10 million in liability insurance protection costs about $10,000 a year. That's more than the total cost of some of the planes.

But wherever the answer lies, it seems to us that it certainly concerns everyone involved in the airways. As travelers, in business and pleasure, we believe the airways belong to everyone and therefore adequate insurance is the responsibility of all.

SST and sonic boom

President Nixon's announcement that the Administration favors going ahead with the development of a supersonic transport has triggered a national debate over the wisdom of investing Federal funds in such aircraft. SST discussion has centered about the economic feasibility of the planes as well as the propriety of using substantial public funds to enrich the coffers of aircraft manufacturers that would produce the planes.

We suggest that those concerned about the protection of property and life should introduce into the SST debate some consideration of the insurance implications of producing such planes. Those who favor building and flying SSTs assure us that they would not fly over land, but once an SST is in the air there would be clamor for transcontinental service. This would mean that sonic boom curtains could fall anywhere with consequent damage to property. Corporate insurance buyers ought to say something about this in the great debate over SST.

letters

Best's service

To the Editor: In a recent editorial observation you suggest that "at least some national clearinghouse" is needed. Possibly you are unaware of our policyholder reporting function. Your professional insurance management readership is very much aware that "at least some national insurance clearinghouse" does exist.

We have served the policyholder's need to report upon a carrier's soundness, stability, safety and permanency for over 70 years. Our corporate insurance subscribers cannot "spend substantial premiums for worthless coverage." They have but to seek and get an opinion from our analysts either directly or via Best's Insurance Reports.

Thus the clearinghouse you suggest does, in fact, exist and has protected those who are guided by the opinions of our analysts.

Might I suggest that you examine our reports on the companies referred to in the editorial comment. I tend to believe you will find that our subscribers would have acquired the necessary information to avoid the situation you describe.

Frank R. Waldron
A. M. Best & Co., Morristown, N. J.

Editor's Note: When we suggested a "national clearinghouse" of information on marginal insurers we meant a private agency or government bureau that would warn buyers—without cost—of fraudulent insurers. We are sure that many corporate insurance buyers avail themselves of the services of Mr. Waldron's company, but many apparently do not. A single Missouri minimutual has collected $6 million in premiums for coverage that it was not authorized to write, we reported on Oct. 13. Likewise, articles in this publication have detailed numerous instances of corporate buyers purchasing worthless coverage and new reports of insurance fraud come to us with alarming regularity. Neither the Best's information service nor the nonadmitted insurers office of he Naional Assn. of Insurance Commissioners has effectively barred the operation of criminals in the realm of corporate insurance underwriting.

Happy anniversary

To the Editor: Congratulations on the second anniversary of *Business Insurance.* I have found your publication to be most helpful and enlightening. Yours is the only publication that gives major emphasis to the insurance problems of an educational institution.

I would have only one suggestion for you to consider in your future years. In almost every issue I find an article which I would like to make a copy of for my files. I would hope that the page size of your publication could someday be reduced so that it would facilitate the use of conventional reproduction equipment.

R. E. Marriott Sr.
Assistant Business Manager, University of Missouri, Columbia, Mo.

Foam fire fighter

To the Editor: In the Sept. 29, 1969, issue of your magazine an article appeared concerning a foam fire fighting system developed by Loss Prevention Sys-

Continued on page 40

Be a hero to your board.

If your company's group health dividends are being reduced by many confusing reserves, be a hero to your board of directors by installing Z-A's *retrospective* group health plan.

The predominant value is low net cost, due to elimination of reserves (except for existing known claims) plus contractually guaranteed factors, incorporated into the policy, to be used in determining cost.

Retro plans maximize returns because of the low expense factors; for example, the loss adjustment factor is applied to known claims rather than policy premiums. Contingency charges are eliminated. Z-A amortizes acquisition costs over 10 years, although the contract is renewable annually.

A stop-loss provision assures maximum cost limits, regardless of the severity of claims in a given year. And if your company has had good group health experience, you can expect an even greater return under *retro* than under a retention plan.

In union negotiations, *retro* gives you greater bargaining flexibility because virtually any health benefit can be written. Z-A has the experience to provide benefits others would be reluctant to attempt.

If your company now has an ordinary group health program, get the details on Zurich-American's *retrospective* group health plans* immediately, from your Independent Agent or broker. You'll be a hero to your board!

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Corley warns buyers to keep pace with fast-changing product liability

DALLAS—Because products liability represents the fastest changing portion of the law today and will continue to broaden in scope, insurance managers should check frequently to be sure they have adequate coverage.

This was the message Corley C. King, property and casualty supervisor for Employers Casualty Co., Dallas, brought to the monthly meeting of the Dallas-Fort Worth chapter of the American Society of Insurance Management here.

Confining his discussion to coverage under the comprehensive general liability section of the standard liability form (GLA-1), Mr. King noted that it was put into effect Oct. 1, 1966, marking "the first time Texas has been able to get in step with the rest of the nation, as far as insurance is concerned."

Products liability is covered under the liability policy unless removed by endorsement; or by a provision called completed operations and products liability insurance.

"COVERAGE IS for our insured's liability for bodily injury or property damage caused by our insured's product, or by our insured's completed operations. Damage to the product or to the completed operation is not covered," he explained.

A manufacturer of canned goods whose product causes injury to the consumer would be covered, for example. On the other hand, in the case of a manufacturer who designed, fabricated and installed a cantilevered canopy on a building under construction in a shopping center, when a man got on top of the canopy, causing it to fall and damage the building and trucks parked nearby, the damage to the building and trucks was covered, but damage to the canopy was not.

Another example cited concerned the offshore oil well installation of 12 miles of pipe sold by a steel pipe manufacturer to the government of Mexico, which developed leaks. Divers line tested it and the repairs were made, but this was not covered.

"THERE IS NO coverage for failure of the product to perform the intended function if such failure is due to mistake or deficiency of design, formula, specifications, advertising or instructions, unless there is an active malfunction of the product," Mr. King said, adding that there are available additional liability policies covering these aspects.

"If you manufacture a product to kill boll weevils and advertise that your product will kill boll weevils, but it doesn't, you are liable and the liability form does not cover." However, if the product kills boll weevils, but also kills the cotton, it would be considered an active malfunction of the product, and this would be covered.

Mr. King pointed out the escalation of liability since the landmark negligence case: *MacPherson vs. Buick*, which established that if negligence is proved, no privity of contract is required. "It may be difficult to prove the dealer negligent if the wheel comes off the car, but it isn't difficult to prove the defective wheel was the fault of the manufacturer, and this has been broadened to warranties in the recent past."

THE WARRANTY factor was originally established in food and drug cases. It is necessary to prove: (1) Food or drug was contaminated. (2) It was consumed. (3) Illness resulted. It is unnecessary to prove any specific act of negligence.

Implied warranty or strict liability concept was extended to other than food cases in *McKisson vs. Sales Affiliates*, and *Shamrock Fuel and Oil Sales vs. Tunks*.

The Supreme Court adopted this guideline, "One who sells any product in a defective condition unreasonably dangerous to the user or consumer or to his property, is subject to liability for physical harm thereby caused to the ultimate user or consumer or to his property, if: (a) The seller is engaged in the business of selling such a product, and (b) It is expected to and does reach the user or consumer without substantial change in the condition in which it is sold."

The McKisson case involved defective serum for cattle. The damage to the cattle was called property damage. ■

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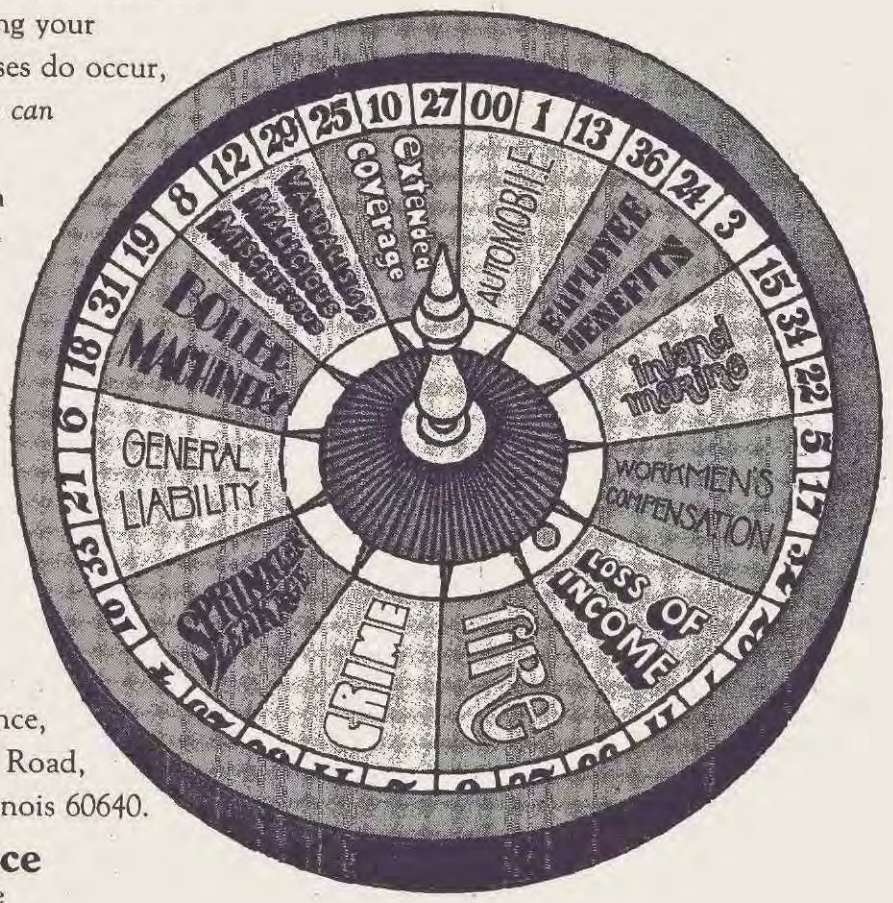

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Third suit filed against Penn Central

NEW HAVEN—A Penn Central Railroad engineer has filed a $675,000 suit in U.S. district court here charging the railroad with negligence in regard to a train crash at Darien last August.

The action was brought by Edward J. May, 37, of Watertown, engineer of an empty train which collided with a northbound passenger train. The mishap resulted in four deaths.

Mr. May charged that he suffered disabling injuries.

SUBSEQUENT news stories reported that Mr. May was trapped in the wreckage for five hours while rescue teams worked to rescue him.

This suit is the third to be filed against the railroad in aftermath of the accident.

A $2 million suit was brought by the estate of Cortas Vlahakis of Stamford and a $1 million suit was brought by the estate of Eugene A. Chain of West Haven (as previously reported in *Business Insurance*). Both men were killed —Mr. Vlahakis was a passenger and Mr. Chain was a flagman aboard one of the trains. ■

Switches pension funds

The Great Western Sugar Co.'s pension funds have been transferred from the Bankers Trust Co. of New York and placed with the Denver-U.S. National Bank and the Colorado National Bank, according to William M. White, Jr., board chairman of the parent Great Western United Corp., Denver. He said the transfer was in accordance with GWU's policy that its funds "should be invested at home; that is, right here in Colorado."

following the funds

Profit sharing gets 12% return but view ahead slightly cloudy

WASHINGTON—If there were any clear crystal balls in this city the other day they must have been in use elsewhere, for those that leaders of an investment panel at the 22nd annual conference of the Council of Profit Sharing Industries were using were extremely cloudy.

Attempting to let some light pass through the mist for profit sharing managers attending the annual rite were an economist, an investment counselor and an investment performance researcher. And, while no magic formula was presented, one could not help but wonder if one was really necessary.

Profit sharing managers, it would appear, have already been extremely successful at managing their money.

RAYMOND H. GIESECKE, president of McGraw-Edison Co., Elgin, Ill., and chairman of the board of the Council of Profit Sharing Industries (COPSI), told the group that 12.43% was the average return on profit sharing investments last year. (The figure, worked out by Hewitt Associates, Libertyville, Ill., includes stock appreciation, interest and dividends.)

According to Mr. Giesecke, 12.43% is somewhat higher than an average determined earlier by a University of Chicago study of investment records of profit sharing industries based on a period of years. That average, Mr. Giesecke told *Business Insurance*, was slightly in excess of 9%.

While profit sharing managers have every reason to be at least three percentage points happier about 1968 than previous years, the same will probably not be true about 1969. "It's doubtful it will do as well this year," Mr. Giesecke said, adding that the ultimate return on investments this year will depend a lot on how the market acts between now and the end of the year.

BUT COPSI MEMBERS and nonmembers attending the annual conference here did not appear to be terribly concerned about investment returns in 1969. They are, of course, but they were not in Washington for that purpose; the cards for this year have already been shuffled, dealt and are now being or about to be read. No one, incidentally, seemed to be weeping over his hand.

Profit sharing managers are concerned about 1970, however, and it was for this reason they were meeting.

Dr. Herbert E. Neil Jr., an economist with the Harris Trust & Savings Bank in Chicago, told the group that inflation was due to poor government policies, that it is continuing on an upward trend, but that the outlook for late 1970 may be better if you believe "the standard forecast" for the economy and "maybe even add a little wishful thinking."

THE STANDARD forecast was very much a part of Dr. Neil's comments as he told the group to look for a modest decline in business in 1970 (a "mild recession" were his precise words), a drop in industrial production of about 5% to 7% by early next spring, an increase in unemployment by the same time next year, as well as a dip in corporate profits. But, he added, again pegging his thoughts to the "standard forecast," we might look for a prosperous late 1970 and early 1971.

If that is true, the economist noted, "bonds will be a great buy, with returns running close to 15% including interest and capital gains." However, if inflation is not curbed in the next year or so there is a possibility of price and wage controls.

If Dr. Neil echoed the party line to some extent then so did others.

RICHARD A. HALL, a partner with Scudder, Stevens & Clark of Boston, spoke of measuring potential investment candidates.

"Earnings estimates are the heart of our business," Mr. Hall told the gathering. "It goes without saying that we're looking for the fastest near-term earnings growth at the lowest price." However, such forecasts are not easy, the investment counselor said, adding that the best way to start is to familiarize yourself with the company you are looking into and its industry.

"The process is really very simple," Mr. Hall said. "You start with where sales and earnings are today, try to understand how they got there and, then, incorporating whatever changes you believe will occur, make your prediction for tomorrow." Mr. Hall also emphasized the importance of measuring a company's management by determining the company's record and what the competition thinks of them.

THE MOST FUN in the business of investment selection is not predicting earnings estimates, the counselor said. Instead, it is in "predicting how the market will capitalize these earnings." This, he noted, is the great poker game aspect of the business, and it is where the idea of "conceptual investing" comes in.

Explaining his definition of the term, Mr. Hall said it was "anticipating what the market will be anticipating in the future" and thus trying to predict what is going to be 'very big' and therefore prospectively very exciting to the market when recognition finally comes.

"Through 20-20 hindsight we can see what a perfect concept mobile homes were three or four years ago, or nursing homes or pollution control. Any of the stocks of companies concentrating in these areas rose explosively for a time. There was little need to predict earnings. All you needed was to recognize an emerging concept."

ASKED THE inevitable—whether he sees any great new emerging concepts—Mr. Hall said he anticipates "great things in housing; modular construction, that sort of thing." He also mentioned transportation, saying that a lot of subways were going to be built in the future and that com-

Continued on page 40

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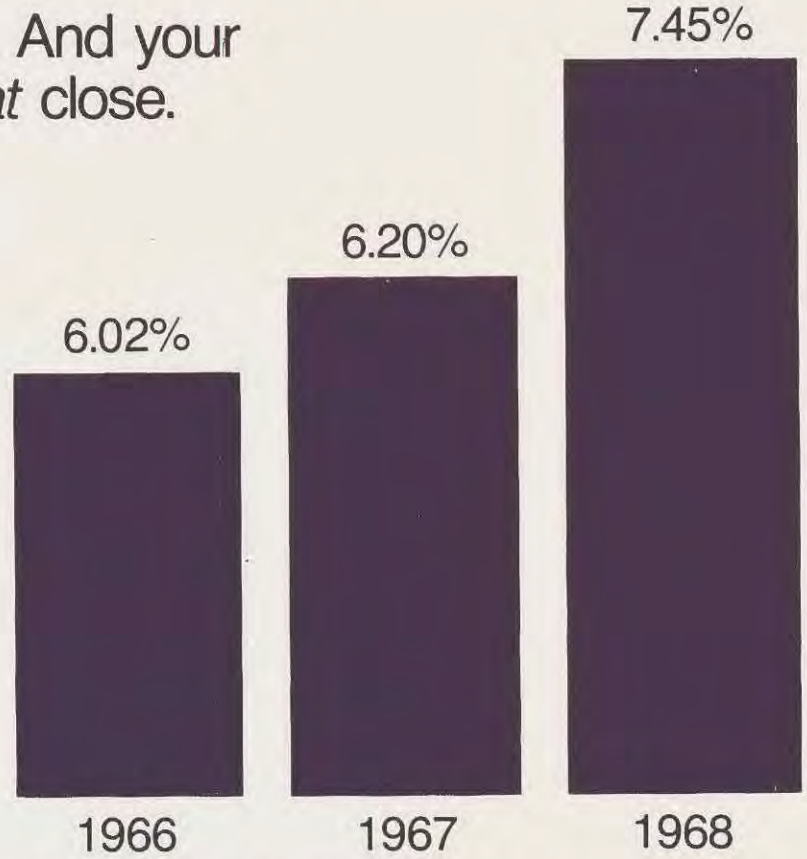

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life & health benefits/a special re

Transplant exclusion now needed

CHICAGO—Employers who wish to avoid or limit future liability on organ transplant claims under group medical and disability plans will "probably only be able to do so by very precisely wording the language of future policies or by specifically excluding such claims from future policies."

This is the opinion of Crome R. Dollase, director of individual claims for the Mutual Life Insurance Co. of New York, who also told employe benefits people meeting here recently, "While the prospect of living with vulnerable policy language in existing policies is not heartening, it need not prompt you to voluntarily accept, carte blanche, all of this unanticipated liability, to the endangerment of loss ratios and premium structures.

"Nor," he added, "would you for long be able to strictly adhere to the traditional interpretations of 'sickness,' 'eligible expense,' etc. I would think," Mr. Dollase asserted, "most of our transplant claim policies will and should fall somewhere between these two extremes."

MR. DOLLASE outlined his company's philosophy toward coverage for organ transplants under existing group medical and disability plans before the fall employe benefit conference of the American Management Assn. held at the Drake Hotel here Nov. 5-7.

Noting that the increased frequency of organ transplants has raised insurance questions in addition to the more obvious moral, medical and legal queries, Mr. Dollase said that it is essential that these questions be resolved "in order to protect the rights and interests of organ donors, recipients, relatives, the medical profession, policyholders and the health insurance carriers.

"For some of these answers we must necessarily look to our policy language and the existing

Continued on page 18

Clinics such as this were developed in early 20th Century Oregon as part of the National Hospital Assn. founded by Dr. Holt C. Wilson and C. C. Bechtold for the care of injured lumber workers. The association sold health policies to the lumberjacks for a small monthly fee.

Good old days weren't so—in health care field

PORTLAND, Ore.—Life for lumberjacks in Oregon around the turn of the century was not an easy one. The peril of physical injury and death constantly hung over their heads. When accidents happened, and this was a frequent occurrence, the men seldom had funds to pay for medical and hospital services. Passing the hat among members of the logging crew to pay the physician was a common practice. More often than not the physician would tell the men to give the money to the injured man's wife or in many cases his widow.

Dr. Holt C. Wilson, an early-day Portland physician, knew all too well from personal experience the drastic need for some answer to this tragic problem. He felt it would be a good idea if there was some kind of organization which would pay these medical expenses from small monthly fees paid by its members. His idea was readily accepted by everyone he talked with in the logging industry as well as physicians and hospitals that were acutely aware of the situation.

Dr. Wilson's idea resulted in the formation of the National Hospital Assn. in Portland, Ore. in 1906. C. C. Bechtold, a young Portland lawyer at that time, thought Dr. Wilson's idea was a great one and should be sold. He traveled by horseback and river boat to the most remote, backwoods parts of the state to sell prepaid medical and hospital care to the rough and ready men of the woods.

BETWEEN 1906 and 1923, the National Hospital Assn. sold a policy that provided complete medical and hospital care at a cost of $1 a month. To make the offer even more attractive, the policy included a $200 burial benefit and free legal services. Mr. Bechtold was a good salesman and he knew he had a terrific product. The immediate re-

Continued on page 38

Attract, retain, motivate employe is American Can benefit philosophy

NEW YORK—One might normally think, as he approaches the office of the man responsible for administering employe benefits for a firm the size of American Can Co., the person who occupies the chair has a well-though-out philosophy that governs his every move. Such is not the case.

Eugene C. Ecker, administrator of corporate benefits at American Can, is not a philosopher. He's probably more of a realist.

"I guess we like to say we have a philosophy on employe benefits," he said during a recent interview with *Business Insurance*, "and that would be to attract, retain and motivate employes.

"CERTAINLY," HE WENT ON, "there are things our philosophy is not. It's not just to meet the competition. Of course, we have to be honest with ourselves—it is a factor. Historically, American Can has led rather than followed. But that is not a sound philosophy.

"I suppose we like to say that to the best of our ability we think our benefits program should be designed to cover the needs of the employe. However, we also encourage our employes to provide for themselves. They ought to have some interest in this. We want the employe to think of his future and plan for it," he added.

Mr. Ecker, in his 15th year with American Can and an insurance man of 10 years' experience before that, rates his company's benefits package as "in line with the best in terms of total benefits."

CONFINING HIS explanation to salaried employes, of whom there are about 12,000 at American Can and its subsidiaries, Mr. Ecker noted that the company and its subdivisions actually have about 50 life insurance plans and 75 different pension plans in force. Confusion does exist, he admitted, but no more so than at other companies, which negotiate benefit plans with a number of different trade unions. Salaried employes, however, are covered by the same basic package.

That package includes basic group life, which is noncontributory and a contributory supplemental plan for employes earning over a specific amount annually, a comprehensive medical expense insurance plan, a salary continuation program and a disability in-

e group life policy pro-
22/b twice annual salary to a
m of $20,000. Costs of the
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$1,000, is typical of such pro-
ms.

AMERICAN CAN'S comprehensive medical expense insurance, which is also paid for entirely by the company, is written through Metropolitan and Aetna in the U.S. and Prudential in the firm's Canadian operations, as are its group life plans.

Surgical benefits, he explained, are based on reasonable and customary charges. An employe earning $10,000 or less annually receives full payment. An employe with earnings in excess of $10,000 receives surgical benefits in the amount he would have paid had his salary been $10,000.

Hospitalization coverage, according to the benefits administrator, provide for semi-private coverage up to a maximum of 365 days for any one accident or illness. Full expenses for hospital incidentals are also included.

Continued on page 47

Aetna gets health cover

BOSTON—The Massachusetts State Employes Group Insurance Commission has voted to award an $18 million health insurance contract to Aetna Life & Casualty Insurance Co. of Hartford.

The commission had purchased such coverage for the past 14 years from Blue Cross-Blue Shield.

A commission spokesman said the group feels that "in the best interest of the taxpayers and the employes of the commonwealth that the commission accept the lowest responsible bid involving no change in the present level of health insurance coverage and with a higher degree of services."

Aetna submitted the lowest bid —not disclosed—in competition with Metropolitan Life Insurance Co. and Massachusetts Blue Cross-Blue Shield.

Coverage will affect more than 100,000 active and retired state employes and dependents, including some municipal employes. ■

Computer printouts tell benefits word

NEW YORK—If you can't quite find the time to personally interview your 15,000 employes to nail down that latest addition to your benefits program, relax, and rely on your friendly neighborhood computer. That's the direction in which an increasing number of companies are turning in an attempt to cope with the thorny problem of communicating their benefits program to their employes.

A growing number of communications companies, spawned by large insurance firms, are gearing up to offer a comprehensive personalized computer print-out of what an employe benefits program means to "Harry Swanson," be he a big-money executive or "the guy over there on the lathe."

These annual computer statements aren't huge 18" sheafs covered with numbers; they come in a myriad of shapes and sizes, colors and formats, all designed to give a clear dollars-and-cents picture of what you are doing for your employe in every area of compensation.

DIFFERENT FORMATS are used for different income and benefit levels of employes so that there is no mistaking that the form is meant for an individual employe. Usual procedure is to allow the client company to have most of the say in exactly how its employe benefits package will be presented. The size of the job is very flexible: Some companies contacted listed accounts with as few as 94 employes.

The cost of annual computer statements of employe benefits is divided into two categories: Installation and production figures. Installation costs cover the communications company's analysis of your benefits program and the initial year's delivery. Prices quoted by the communications companies interviewed by *Business Insurance* ranged from as little as 35¢ to as much as $6 for each employe. The number and complexity of a company's employe benefits program are the major factors determining this installation charge.

Production cost refers to the annual charge for delivery of the employe benefits statement, which usually includes any minor changes in amounts or percentages which a company has made in its original program during the year. Of course, if you reorganize your entire program or add a completely new one, that's another story. One specific example of the production cost a company quoted was for 8,000 salaried employes. The format used involved two colors and covered all cash and benefits compensation. Price: $2,000 for one year.

Those companies contacted unanimously recommended that their computer statements be sent to the home. The employer usually takes their advice because he finds that getting the spouse involved in the communication problem helps to create interest much faster.

SEVERAL company managers of employe benefits had differing views on computerized statements. Gordon Thayer, who manages employe benefits for the Vitro Corp. of America, praised his computer statement, saying "our employes are better informed about their benefits than they have ever been." Mr. Thayer explained that his company's employe benefits statement, tailored for the firm's 5,000 salaried employes at a cost of $15,000 for the first year is now a year old. "We consider it very valuable," he said.

Moses Bond, second vp at the Trust Company of Georgia in Atlanta, revealed that the annual employe benefits statement was his company's sole means of communicating its program of benefits to its employes. "We think it is a well-justified expense," Mr. Bond said.

Irving W. Walldinger, employe benefits manager for the Amerace Corp., takes a different tack. "The computer statement is too expensive. It cost Amerace $10,000 not long ago to find out that our nonstandard employe benefits programs and our divisional-

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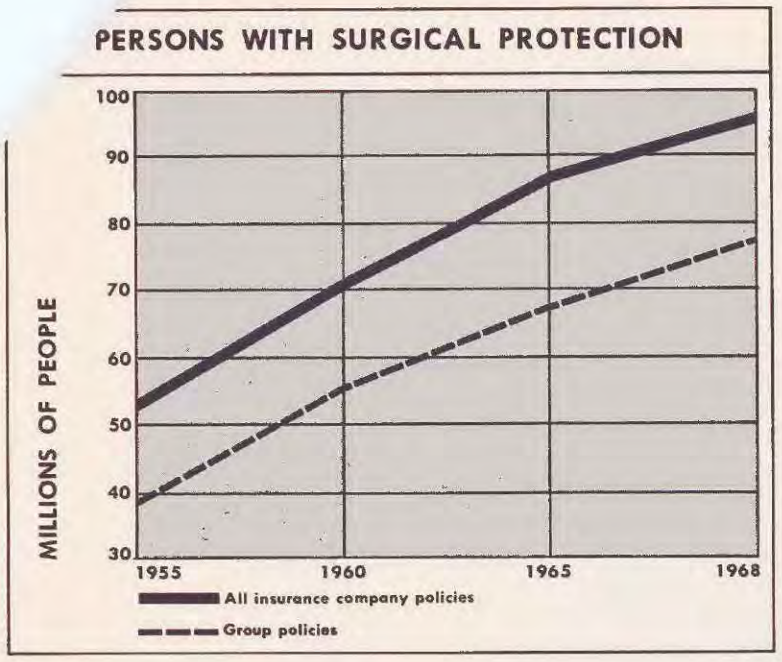


Transplant . . .

Continued from page 12

law," Mr. Dollase explained, "while for others the policy law will undoubtedly be re-evaluated and changed. And health insurance policies probably will have to be administratively liberalized to balance the social, public relations and policyholder needs with the liability of the health insurance carrier," the insurance executive said.

Mr. Dollase began his remarks with two questions: "How many of you," he asked the audience, "recall the first organ transplant?" and "What was it?"

"ADAM AND EVE," replied one quick-witted member of the audience out loud. It was the first really humorous note of the day for some conventioning hangers-on who obviously were suffering from the inevitable morning-after-the-night-before in Chicago town. It's a great town, most felt, but not one you're likely to be seen dancing with your wife in—not on Rush Street, at any rate, where employe benefits managers from the likes of Wichita and Omaha sidle up to the bar and plunk down $1.50 for a bottle of lager just to watch those young go-go dancers vibrate their assets.

So, here it was the following morning and these same admirers of the female anatomy were listening to a related subject—organ transplants.

Noting that there are still many moral, medical and legal problems surrounding the whole field of organ transplantation, Mr. Dollase asserted that solutions are on the way, and as they arrive "we'll see more and more organ transplant claims under both group and individual health insurance policies."

Explaining Mutual Life's attitude toward the effect of organ transplants on health insurance claims, Mr. Dollase outlined the subject in three parts: when the donor is the insured, when the recipient is the insured and when both are insured by the same company. He then made a distinction between a living organ transplant, such as the case of a person who donates a kidney, and a cadaver organ transplant, as in the case of recent heart transplants.

A LIVING ORGAN transplant donor covered by a disability plan would "probably" receive benefits during a recuperative period for "public relations and humanitarian reasons," Mr. Dollase said. Under the same circumstances, a donor would also receive medical expenses for his costs for care relative to the donation of the organ, he said, adding that transportation of the donor to the location of the recipient would "hopefully not" have to be borne by the donor's insurer.

In the second case, that of the recipient being the insured, much the same applies. Normal disability benefits are payable, Mr. Dollase said, whether it be an artificial, living or cadaver organ transplant. In addition, he noted, the typical medical care plan should cover artificial organ transplants, much the same as payment is now made for appliances and artificial limbs. When a living organ transplant is involved medical costs should also be borne by the insurer, Mr. Dollase said, adding that coverage would "hopefully not" extend if the donor was to suffer medical complications as a result of the donation.

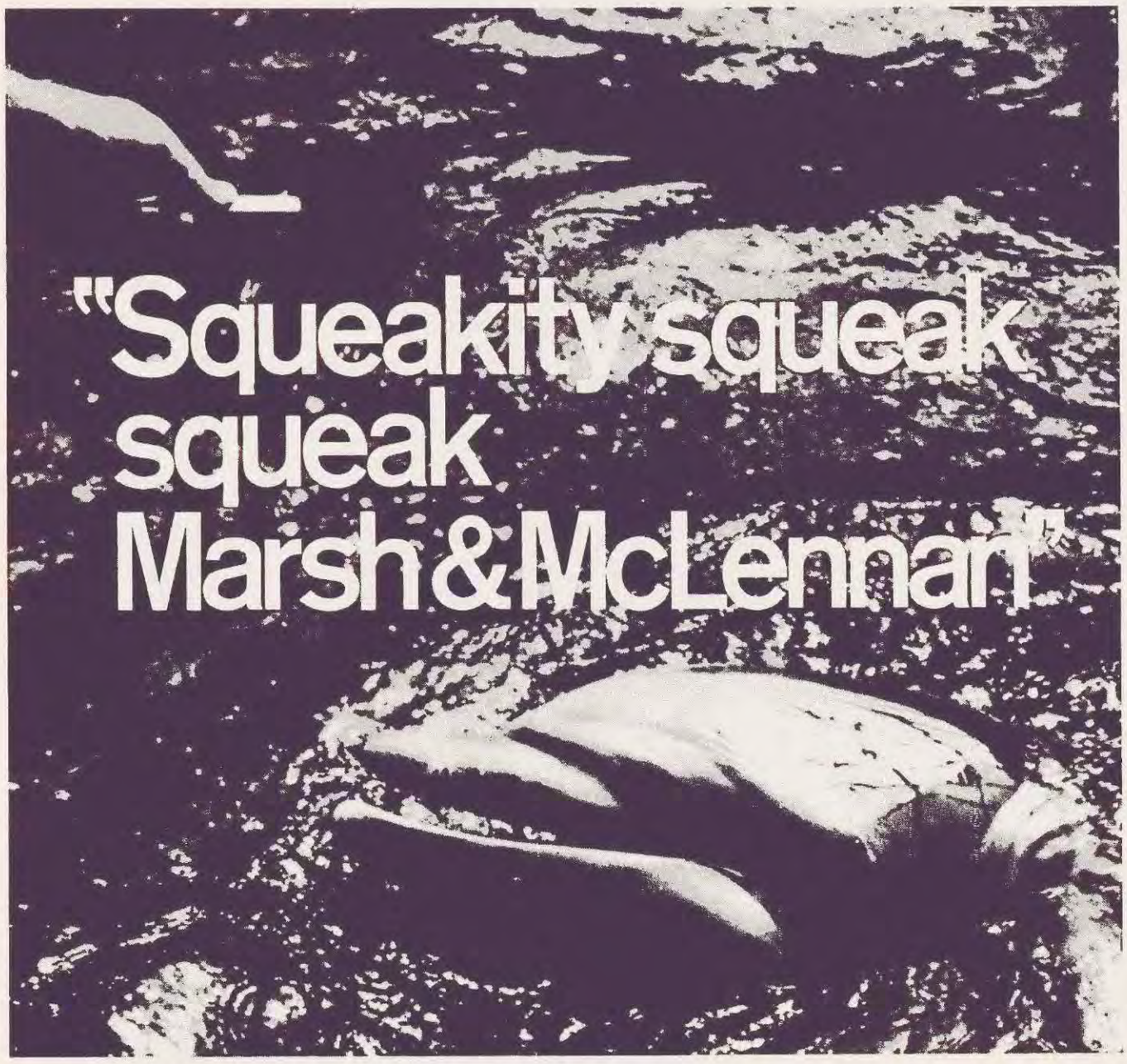
"When both the donor and the recipient are our insureds," the executive went on, normal disability payments will be made to both under their standard policies. The same would apply under the medical care plan, Mr. Dollase said, including any expenses incurred on the part of either as a result of medical complications resulting from the transplant.

NOTING THAT FOR a heart transplant today medical expenses can run anywhere from $18,000 to $75,000 and more depending on complications resulting, Mr. Dollase said "I hope some mechanism for cutting off the carrier's expenses at some point is found."

Another approach to the extraordinary costs involved in organ transplantation, he suggested, is a specific organ transplant benefit be added to existing group major medical plans. In addition, he noted, separate transplant policies have appeared—similar to the old polio and dread disease policies—and some carriers are upping or removing major medical maximums on transplant claims.

"From an underwriting standpoint," he said, "perhaps organ transplant claims will be 'pooled.' We'll see more of these developments introduced with each passing month."

Summing up his remarks, Mr. Dollase urged employe benefits managers to "become familiar with the organ transplant claims practices of your insurance carrier—now. Transplant claims practices," he said, "should be reasonable and equitable from all viewpoints. And before you attempt to pressure your group carrier into an unrealistically liberal transplant claims practice, remember that in the final analysis the dollars being paid out on such claims are generally your own." ■



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Wife is key person in effective employe benefits communication

NEW YORK—If you are having trouble communicating the value of your benefits program to your employe, you may be talking to the wrong person: His wife is much more interested. Such were the problems discussed at a recent workshop on group insurance held by American Management Assn.

"The employe's wife is usually the more security-conscious of the two," said Margaret W. Smith, assistant secretary of the employe benefits committee at Illinois Bell Telephone. "We always send all our printed information to the employe's home. That way it doesn't get lost and there is always someone who reads it."

Most of the participants at the AMA seminar agreed that communications with employes was a major problem plaguing employe benefits managers. They feel that many employes are ignorant of or confused about their company benefits.

"At S. C. Johnson & Son, we hold opinion surveys every two years on our employes' reaction to our benefits program," said A. J. Koening, employe benefits manager for the Johnson's Wax manufacturer. "We find that between 90% and 95% of them think highly of our program, however, and over 50% stated they didn't feel they completely understood our employe benefits."

A VARIETY of causes were cited. John W. Munshower, secretary-treasurer of Lake Forest College, observed that people aren't interested in informing themselves on employe benefits until something serious happens. In the meantime they don't take full advantage of these benefits, and their company's efforts in this area are thereby wasted.

"We are also hampered," Miss Smith of Illinois Bell added, "by the fact that people trade misinformation with great authority. Most employes will listen to a fellow worker they've known for 20 years before they will listen to the company."

Mr. Koening feels that on the whole younger people are much less interested in their health benefits or in what they will accrue upon retirement than are older employes. Mr. Koening considers this important because the average age of Johnson's employes is around 35 years.

EMPLOYES ARE just more interested in cash payment (salary) than in employe benefits," said Richard Greene, vp for employe benefits at Baylys-Martin & Faye.

Meanwhile, company management is testing a variety of different tracks designed to better educate the employe about his benefits. "No one method is really sufficient," said Lawrence T. Brennan, a discussion leader at the seminar and a partner in the Kwasha-Lipton Co.

"Companies spend an increasing amount of money each year for booklets, pamphlets and other printed matter which is passed on to the employe. They hold group presentations on an annual basis; some companies are beginning to use individual contact with each employe."

A STATEMENT of what each employe has accrued in dollars and cents for the year from his company's benefits program was discussed by Walter J. Kutrip, manager of employe services at COMSAT Corp. The employe's statement is printed out on a personalized form by a computer.

One such statement exhibited at the seminar included the employe's medical benefits, short and long term disability as well as his life insurance coverage, the year's profit and current total value of the employe's profit sharing plan, and his retirement plan.

Finally, the total value of his benefits program is computed and that portion contributed by the company is noted. In this case the company's share represented 38% of this employe's annual earnings.

Miss Smith revealed that Illinois Bell uses a "plastic wheel" which was met with an enthusiastic reception at the AMA seminar. Two rotating sides exhibit the company's benefits program in two parts: in summary by kind of benefits and in-depth by each five year increment of employment.

COMPANY HOUSE organs and newsletters run articles on employe benefits on a regular basis, seminar participants asserted. One large concern which invites personal written inquiries to management from employes concerning company policy cited employe benefits as the second most frequent subject of the questions received. The company replies individually to these questions by mail.

Illinois Bell resorted to videotaping a recently televised panel discussion on employe benefits between representatives from management and labor. The videotape is now made available for viewing to group meetings on request.

Most of the AMA seminar participants interviewed felt that although individual indoctrination of employes might best solve the communication problem, the cost and time this involves make it infeasible.

COMPANIES SHOULD rea. depend on their supervisors t convey information and answe questions about their benefits programs, said Helen M. Lewis, manager of employe insurance at W. R. Grace & Co.

This would mean not only that the supervisor should have a thorough working knowledge of his company's employe benefits program, she said. It must also be made certain that he considers his advisory role on benefits an important part of his duties as a supervisor.

John Munshower of Lake Forest College provided an interesting footnote to the discussion of employe communication: "some participants were in favor of poor employe communications because they claimed it holds down claim costs. They revealed that because of an improved benefits education campaign the number of claims rose 20%. ■

City employes vote on group coverage

PUTNAM, Conn. — Some 40 city employes have been granted additional Blue Cross and Connecticut Medical Service benefits and presented proposals for a pension and increased insurance coverage by the common council.

Council president Albert W. Morey said the employes will now receive maximum benefits under a new Blue Cross and CMS plan adopted by the council's insurance committee in a move to offset rapidly-escalating hospital costs.

John Gahan, insurance agent of record for the city's insurance group, comprising several Putnam insurance firms, explained the proposed pension plan and increased city-paid insurance policies.

HE NOTED that at present the employes have a $1,000 life insurance policy, covering them while off duty and terminating with employment, a $36-a-week sickness and accident policy for non-duty connected occurrences and a $10,000 major medical coverage, paying 80% of costs after Blue Cross, CMS and $100 are deducted from total.

Under the new proposal, life insurance is to be increased to $5,000, the employes to have an option to purchase into it for an additional $3,000 worth of coverage. To buy into the policy, Mr. Gahan said, 80% of the employes will have to go along with the policy plan, contributing about $4 a month from their salary.

At time of employe's work termination—for whatever reason—the individual could convert the policy into any other policy plan or be returned the premiums paid to date plus interest at about 7%.

THE LIFE policy, he said, is being offered to all employes regardless of physical condition or age.

Also proposed is an increase in compensation insurance, paying the employe $50-a-week for non-duty connected illness or injury, the worker to begin collecting from the first day of an accident and 15th of an illness.

The last policy increase proposed by Mr. Gahan offers employes $25,000 major medical with built-in deductible clauses similar to the $10,000 policy already in effect.

AFTER EMPLOYES vote to accept additional benefits, Mr. Morey said the insurance committee will circulate a letter to employes to see if 80% will en-

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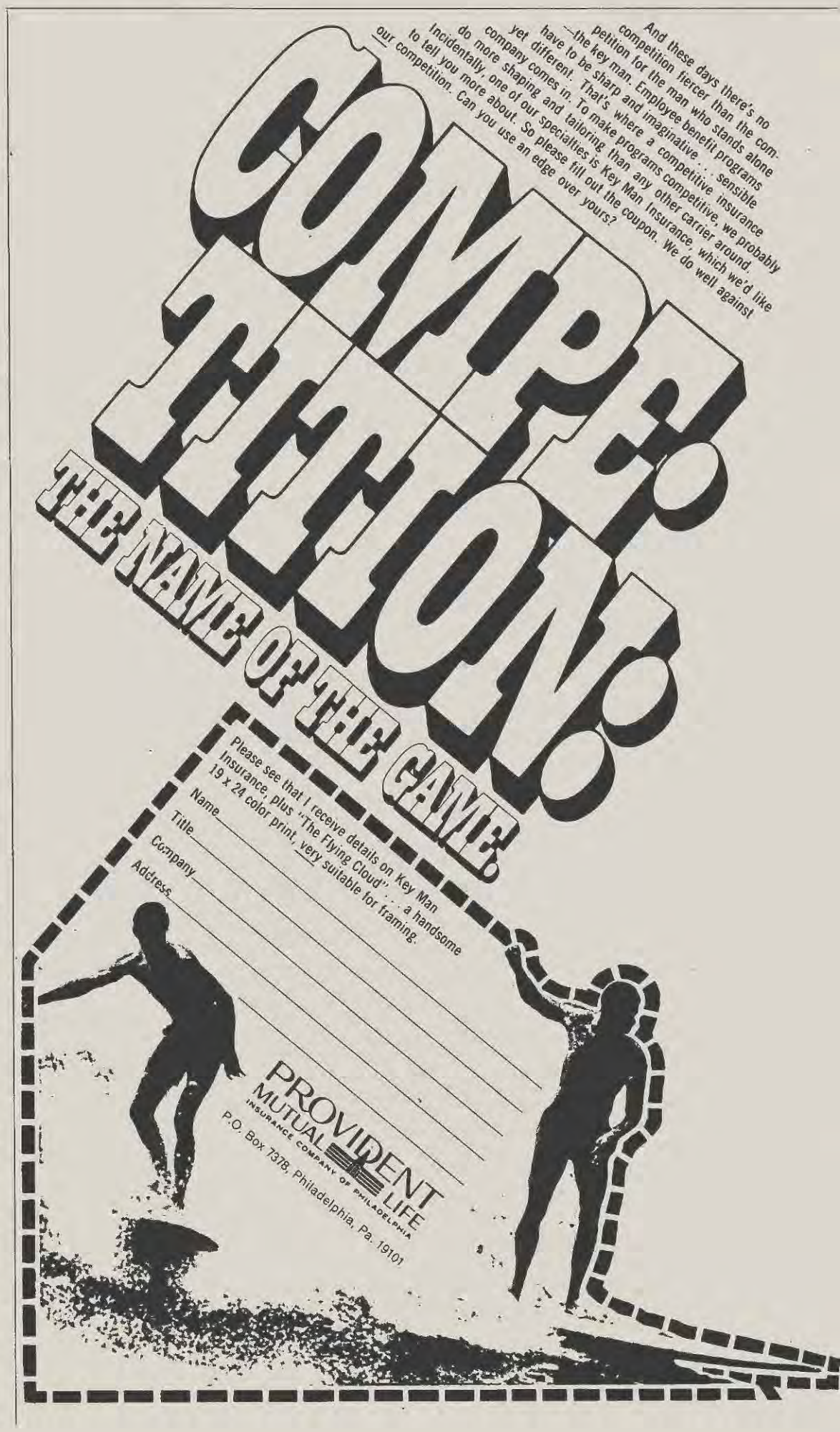

Cites para-medical employes wages, new equipment for hospital cost rise

PORTLAND, Ore.—"Hospital care is expensive and it will become even more expensive in the future. The only protection for the average citizen is adequate medical insurance," says Fayette L. Thompson, business manager of the Good Samaritan Hospital and Medical Center in Portland, Ore. Good Samaritan, founded in 1875.

Hospitals are doing many things to hold the line on increasing costs but expenses are going up mainly because of wage demands of para-medical employes and the need to purchase highly sophisticated equipment in order to keep abreast with the latest developments in modern medicine, according to Mr. Thompson.

"Historically, wages paid to para-medical employes in hospitals have been far below those paid in private industry. This applies from janitors all the way up. These employes are being paid more now but they are still below the standards of private industry. Technicians who operate this new and more complex equipment have to be paid reasonably well because of the skill and training necessary to do these jobs," he continued.

"BOTH PATIENTS and doctors are demanding that hospitals have this sophisticated equipment available. Doctors don't wish to be associated with medical institutions which cannot provide the type of care their patients need and this puts pressure on the hospitals to buy this equipment to keep doctors on their staffs.

"Some people," he said, "think hospitals are overdoing it in terms of purchasing very expensive equipment, but a heart-lung machine, kidney machine or cobalt therapy isn't a luxury for the patient who requires this type of treatment to stay alive. But there's no getting around it, the improved medical and hospital care of today is very costly both for the hospital and the patient."

The average room charge in the metropolitan Portland area is $48 a day. The average cost for the patient care is $88 a day.

In Portland, the Health Planning Council for the Portland Metropolitan Area has made an evaluation of health care needs of the area in an effort to avoid duplication of hospital services and to eliminate unnecessary new construction in this field.

Funds provided under the Hill-Burton law for new construction are denied to hospitals whose applications under the law do not receive favorable recommendations from the planning council.

MR. THOMPSON offered several suggestions which he feels could be helpful in stemming hospital overhead.

"We now have a computer center owned and operated jointly by Good Samaritan and the Emanuel Hospital. This computer is used mostly for the processing of various kinds of business applications. St. Vincent's and Providence also have a computer they use jointly.

"Hospitals in Portland are now studying a proposal to build one laundry that would serve the needs of all the hospitals here. This would be particularly helpful to the smaller hospitals.

"I think an arrangement whereby all the hospitals here would do their purchasing on a joint basis is another area in which savings could be made. This greater buying power would result in a lower unit cost per item. Again, this would be particularly helpful to the smaller hospitals.

"OUR HOSPITAL now uses many disposable supplies and I think further consideration should be given to increased use of disposables. We now give each new patient a personal plastic toilet kit that is disposable. I think the higher cost of labor will stimulate greater use of disposables in the future.

"More efficient methods of bill collection," Mr. Thompson contended, "would reduce administrative expense but this is a difficult and delicate problem. Of course, the more it costs to collect bills the greater the cost of overall hospital care. We need a good public relations program to explain to the public why its' important that hospital bills be paid promptly and why hospital costs are as high as they are.

"A great deal of unfavorable publicity has been directed against hospitals and I think hospitals generally have done a very poor job of presenting their side of the picture," Mr. Thompson stated.

Other suggestions offered by Mr. Thompson include improved design of hospital buildings to gain greater efficiency from existing personnel, and greater use of persons with professional hospital training in various departments as well as in the business administration of hospitals.

"UNTIL RECENT years, hospitals were not set up for efficiency in the sense that private enterprise thinks of it. A hospital," he continued, "wasn't considered to be a business but rather a haven for the suffering. It wasn't looked upon with favor to press too hard for the payment of a patient's bill. After all, he or she was just getting over an illness and shouldn't be bothered with financial matters at that time. That's a fine spirit to have but it just won't work today. The very size of hospitals like ours forces us to view things about the same way a private business organization does. We don't give discounts to anyone except our employes and this is really part of their compensation for working for us."

Since the passage of the Medicare bill, hospitals have been required to perform a great deal of additional clerical work to meet requirements of the law. Mr. Thompson thinks something should be done to lessen this burden by eliminating some of the red tape involved. An effort is now being made to do this as the result of meetings between the American Hospital Assn. and officials of the Federal Government.

"A lot of people think hospitals receive all kinds of money from state, county and city governments. But this isn't the case at all. Here in Oregon, the Department of Public Welfare allows

Continued on page 36

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Inadequate usage of hospitals seen as major cause of health cost spiral

NEW YORK—Skyrocketing health care costs were blamed on inadequate supervision of hospital usage and the relentless hike in physicians' fees at the American Management Assn.'s recent workshop on group insurance.

Last year rapid acceleration of health care costs prompted President Johnson's warning to Congress that during the decade between 1965 and 1975 the cost of health care will increase by 140%, compared to the cost of living's 20% rise for the same period.

Benefits experts have come up with many ideas, said John Munshower, secretary-treasurer of Lake Forest College and an AMA discussion leader, but no one has hit on a real answer to the problem of rising health costs. Getting representatives from business on hospital boards has proved futile in holding down costs. Holding the line on physicians' fees depends on the degree of rapport and cooperation a company has established with physicians in its community, he explained.

"PARTICIPANTS were quite interested in the hospital utilization committee as a means of holding down hospital stays and extended work absences," said Margaret Smith, another AMA discussion leader. Miss Smith is assistant secretary to the employe benefits committee at Illinois Bell Telephone Co., Chicago.

One seminar participant interviewed by *Business Insurance* had had extensive and successful experience with a hospital utilization committee at his home plant. He explained that the committee, made up solely of physicians, maintained close scrutiny on the length of patients' hospital stays. The committee also acted as a means of communication between business and medical people which aided in keeping fees "reasonable and customary."

One large food manufacturing company employs a registered nurse who visits employes who are ill or injured. The company's employe benefits manager feels this procedure curtails malingering absences significantly. He admitted, however, that this scheme was feasible because the majority of his company's employes live close to the plant.

THE PROBLEM, noted the employe benefits manager for one of the country's major manufacturers, boils down to good claims control.

"It has become increasingly difficult to control a person's stay, for example, in a hospital. Medical plans have been consistently improved over the years. Companies are now picking up most of it, if not all of the bill. If an employe was paying, say, $10.00 or more a day above and beyond his hospitalization plan he wouldn't be so prone to spend a few extra days in the hospital."

Doctors, he noted, have contributed somewhat to the dilemma by letting a patient stay "that extra day or two" that he could just as well spend at home.

FUTHERMORE, he noted, company disability plans have come so far that, with tax advantages etc., an employe can make almost as much money at home as he can at work. With the disability plan in force at his company an employe can collect 88% of his salary during the recuperative period following an injury, he said. The figure, of course, includes state disability insurance and the usual tax reliefs afforded temporarily disabled persons.

He mentioned a personal example to illustrate the point he was trying to make.

"I have a sore elbow," he said, rubbing same. "Under our medical plan I'll have to pay 40% of the costs if I go have it x-rayed. I'm thinking twice about having it done. If I had 100% coverage, I'd be down there today. And a hospital would probably take eight of them."

"MORE AND MORE medical services are being performed as outpatient care," said Miss Smith. "Pre-surgical testing for example, when done on an outpatient basis, is much less expensive than when performed during hospitalization of the patient."

"When an employe undergoes pre-operative testing as an outpatient, he is covered in full by our medical plan," said A. J. Koenings of S. C. Johnson & Son Inc. This incentive enlists the employe in keeping hospital costs down.

Group medical practices plans are also viewed as a possible way out of the health cost dilemma. As reported earlier in *Business Insurance* Kaiser now owns and operates 19 acute general hospitals, and in the next year several other companies are following suit. "The federal government's direction in this area will determine whether more companies should follow this route," said Lawrence T. Brennen, a discussion leader at the AMA seminar. Mr. Brennen is a partner at Kwasha-Lipton Co.

PENDING FEDERAL legislation proposes to extend Medicare to disabled persons under 65, Mr. Brennen said. If this trend continues to other categories under age 65, a large part of the burden of health care services may be removed from the shoulders of private industry, he asserted.

In any case, he noted, it is generally agreed that group medical practice supported and operated by a company is much less expensive than conventional medical services. Mr. Brennen explained that comprehensive care afforded by a well-organized team of medical personnel in a clinic is much more efficient and much less time-consuming than conventional hospitals. More of the services could be rendered on an outpatient basis, he asserted.

Preventive medicine techniques were cited as a method of reducing large medical costs incurred under major and group medical plans. Richard J. Greene, a seminar participant from Bayly, Martin & Fay said that "companies should offer a complete annual physical check-up for employes. Participation would reach close to 95%. The potential costs headed off by such a move could be tremendous."

IN ADDITION, the pap test for early signs of cancer has evinced interest among many employe

Continued on page 31

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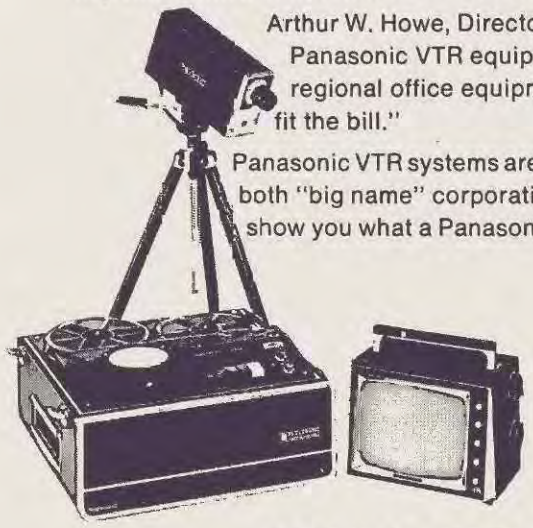

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Beware of custodial services with extended care schemes: Pearce

CHICAGO—H. G. Pearce, senior vp of the Blue Cross Assn. here, told benefits managers "the role of the risk manager has assumed rapidly increasing responsibility" in these times of spiraling health costs and that alternatives are coming they should be prepared for.

Noting there is broad backing for reorganization in the provision of health services, Mr. Pearce asserted that "most sources are down on the hospital per day of care because of its high cost. Extended care facilities, outpatient and home and office care are proposed as alternatives," he said, adding that such alternatives might include an expanded use of non-bed health care.

The senior vp made his remarks to the fall conference of the American Management Assn. meeting at the Drake Hotel here.

"RISK MANAGERS should proceed to incorporate benefits for capacity of the alternatives is not fully developed. Extended care benefits should be carefully worded to clearly and cleanly exclude custodial services. They are largely social services, not medical," he noted.

Clinical care shows promise of development in the immediate future, particularly to extend services to inner cities, Mr. Pearce told the AMA gathering. However, he noted, most coverages will require redesigning to take advantage of such services. "Such facilities will serve to provide further access to care, a degree of prevention and will relieve some pressure for additional hospital facilities," he pointed out.

Quoting a government source, Mr. Pearce stated that there is a shortage of 50,000 doctors, 9,000 dentists, 145,000 nurses and 20,000 allied health professionals. Some, he said, have advocated further grouping of doctors, restructuring of hospital services and echeloning of institutional care, to effect greater productivity.

"CHANCES ARE it will be decided to be impractical to attempt the development of these additional practitioners in their present form," Mr. Pearce explained, adding that some are suggesting the streamlining of doctor education, and others advocating shortening the term of education and limiting the practice for a longer period after graduation. One school has begun training physician assistants and at the other extreme advocates of quality are urging the limitation of certain kinds of surgery to board certified specialists, he said.

"All such developments would call for restructuring of benefits to accomodate the newer and sometimes less expensive specialties," Mr. Pearce told the Chicago gathering.

Noting that outpatient laboratory and X-ray as well as preadmission testing continue to be cost cutting alternatives worthy of consideration, Mr. Pearce said that areawide and statewide comprehensive health facility planning still holds much promise, although there has been little productivity to date.

"FEDERAL FUNDS, intended to stimulate development of statewide 'A' planning agencies and areawide voluntary 'B' agencies, have produced advisory councils and staff in 45 states, but little more than the organizational phase has been accomplished. This effort must be encouraged in an effort to produce orderly and more efficient development of health facilities," Mr. Pearce asserted.

Telling the group that progress has been good, but there are an increasing number of advocates of more sweeping health care solutions, Mr. Pearce said that he has read most of the health system proposals to date

"I would not rate any of them as a complete plan," he said, noting however that certain characteristics are evident: They range from income tax credits or coupons to basic benefit programs to comprehensive benefit programs, and all propose some form of restructuring of the financing base for health care and certain of them call for reorganization of health services. "I urge each of you to study all such proposals and their refinements in great detail. Obviously anyone of them could greatly affect the responsibility of the risk manager," he said.

LATER ASKED if a national compulsory health care system which includes regular preventive physical examinations would not reduce medical costs, Mr.

Continued on page 32

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Met tries campus approach to medical care

NEW YORK—The senior vp in charge of group operations for Metropolitan Life Insurance Co. sank rather comfortably into a deep beige couch in his office at 1 Madison Ave. here recently.

Just back from lunch, he was settling in for one of those interviews which invariably come up when a request is made for someone at the country's largest group insurer to discuss group life and health trends in the next decade.

The conversation on those occasions generally begins with small talk. This time the topic was weight. William S. Thomas was tugging on the lapels of his dark suit, noting that it was last year's suit and that sometimes the tailoring of the clothes can make a person appear overweight.

The public relations man on his right was nodding in agreement. However, the pr guy had on this year's suit and was still obviously overweight, but he mumbled something about those two martini lunches that are part of the trials of his job made it practically impossible to hold the line on his girth.

IN ALL fairness to Bill Thomas, he is not terribly overweight, although he probably falls above the line on those elaborately drawn up height-age-build graphs Metropolitan supplies its clients.

Putting the small talk aside, Mr. Thomas got right down to the business at hand.

What, he was asked, are the trends he sees in the '70s in the group life, health and accident field?

"A lot of attention in the past has been on how to finance medical care," Mr. Thomas began. 'Now we have to attack the problem of delivering medical care."

A MAJOR PART of Mr. Thomas' pitch is the more effective delivery of medical services in the future. He appears to be convinced that this is the only way medical costs will be held down.

Indeed Metropolitan feels the same way. In fact, the company has recently embarked on a five-year study, in cooperation with Washington University School of Medicine in St. Louis, and will soon offer the "campus approach" to medical care to its employes in the St. Louis area. Mr. Thomas noted that two other employers in the area are discussing the program with the medical school and Metropolitan and are expected to offer it to their employes soon also.

The "campus approach" to medical care is not a new concept. But it is being mentioned with increasing frequency these days of soaring medical costs. While Mr. Thomas is reluctant to tag the recent Metropolitan venture as such, preferring the term "medical care group" instead, it is one of the more ambitious approaches to such a scheme.

METROPOLITAN employes in the St. Louis area who join the program (it will be limited to 100 families at first) will have complete medical care provided by the medical school and its affiliated hospitals. They will not be billed for any covered services rendered by the medical care group.

According to Mr. Thomas, this represents a liberalization in terms of present coverage for Met employes who are now protected by a comprehensive medical expense plan, under which medical expenses are subject to a deductible and coinsurance amounts.

All employes who elect to receive their medical care from the medical care group will receive, with their families, a complete physical examination to establish their medical records. As services are provided, statistical data will be accumulated and analyzed as part of research objectives of the experimental program.

UNDER THE program, benefits will include central medical services, a family physician relationship, complete surgical and all other medical specialty services, "stay-well" preventive care through regular check-ups, full maternity services and unlimited visits to doctors. Offered in addition will be complete baby care including immunizations, rehabilitation services such as speech and occupational therapy, allergy treatment, round-the-clock emergency service, diagnostic x-ray and laboratory procedures and radiation therapy.

The Washington University medical care group, Mr. Thomas explained, is a group of doctors who hold faculty appointments at the school of medicine and are specialists in internal medicine, pediatrics and obstetrics. The group will be located in a central office at the Wohl Clinic Building, which is located in the Barnes and affiliated hospitals complex in St. Louis.

One or more of the group of doctors in the clinic building will serve as family doctors to Met employes and their families. "A traditional doctor-patient relationship will be maintained," according to literature now being passed among Metropolitan employes in St. Louis. "Furthermore," it goes on, "these doctors will be able to quickly refer their patients, when necessary, to specialists from the school of medicine faculty in all of the various specialties for consultations, surgery and whatever other medical services are required."

THERE IS A natural question that arises at this point and Mr. Thomas, sitting there on a comfortable couch in his huge office (at least 30'x30' and maybe even 40'x40'), was asked same:

Do you foresee the day when insurance companies will get into the medical care business?

He smiled and said, simply, "We have a completely open mind about this." He then referred again to the experiment being conducted in St. Louis and added, "The day may come when we can find a more efficient way to provide medical care. We're simply trying to determine how the best medical care can be organized and how we might fit into it."

Parenthetically, it should be

Continued on page 33

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Employer takes on 'parental' aura as new types of benefits proliferate

NEW YORK—"The company is becoming less an employer and more of a parent to its employes." This was one reaction prompted by the accelerating national interest in new employe benefits under discussion by benefits experts at a recent workshop session here.

"Employe benefits have gone beyond the necessities and are branching into extras," said Helen M. Davis, manager of employe insurance at W. R. Grace & Co. Companies are using new benefits more as "motivators" than as the "satisfiers" they were originally conceived to be, she noted.

The discussion on new benefits ranged from dental, vision and psychiatric care benefits to group auto insurance and group homeowners' coverage. In addition, drug prescription coverage was aired for evaluation.

AT THE TOP of the agenda was dental care. It was cited as the most expensive new health benefit, reaching one third of total medical costs in some instances, by several experts interviewed by *Business Insurance*. The West Coast evidenced the most experience with dental care coverage, said one source.

"The most common plans are $25 individual and $75 family deductibles with annual maximum benefits limited at $400 and $2,000 respectively," said John Munshower, secretary-treasurer of Lake Forest College in Illinois. "In general, the first two years of a company's experience are very bad because everybody is taking advantage of it then. However, subsequent experience reveals a dramatic reduction in cost."

Richard J. Greene, vp for employe benefits at Bayly, Martin & Fay, expressed the fear that dentists will raise their fees as they become aware that their services are compensable under employe benefits programs.

BOTH EXPERTS stated that vision care followed the same course as that of dental care coverage, citing deductible coverage and high initial cost experience as common to both services.

Mental and nervous disorder care coverage has seen an 100% increase in its use recently, Mr. Greene revealed. "Most employes resort to this coverage in solving family problems," he said.

Psychiatric coverage is most popular in highly urban areas with little or no interest evidenced among the employes of more rurally located companies, Lawrence T. Brennen, partner in the Kwasha-Lipton Co. said. He complained that psychiatric coverage rates were limited to half the proportion of medical coverage for other forms of sickness. Mr. Brennen expressed doubt that this differentiation was justified.

PRESCRIPTION DRUG coverage is also a new program just getting under way, Mr. Brennen said. "Insurance companies have been successful at maintaining reasonable and customary fees through the use of profiles of pharmacists' charges obtained by computer analysis. Because of the tremendous number of small claims administrative costs for drug coverage are extremely high," he observed.

Walter J. Kutrip, employe benefits manager of COMSAT Corp., explained a new health credit card plan rapidly gaining acceptance around the country. "This credit card can cut down a company's expenditures in drug coverage because its supplier administers all medical coverage claims," he said.

Proliferating employe benefits have recently encompassed group auto insurance plans, traditionally the responsibility of the individual, Mr. Munshower said. "No contribution by the company, group rated and preferred risk discount premiums which are paid for by monthly payroll deductions—these kinds of assets make it an easy step to take for a company's employes benefits program," he remarked.

Mr. Munshower added that this step has led to the addition of a group homeowner's coverage plan as the next stage of benefits growth. "Homeowner's coverage offers the same kind of tempting advantages as group auto insurance," he explained.

The employe benefits expert summed up most of his colleagues' fears in his description of the direction of benefits growth. "New benefits are a kind of Pandora's box," he said. "Any new benefit a company offers its employes at a lower cost than it can be obtained elsewhere opens the door to an additional demand by labor that the company assume the full cost of the benefit." ■

Insurers move into publishing

NEW YORK—Two insurance firms are moving into the publishing business.

NN Corp., holding company for Northwestern National Insurance Co., Milwaukee, has agreed to purchase the assets of Arthur Wiesenberger Services Corp. here, formerly a division of the Nuveen Corp., for between $1.25 million and $1.75 million.

The Wiesenberger firm puts out ratings and newsletters on the mutual fund business. Donald R. Pitti, vp and general manager of Wiesenberger, said the buy provides "a strong financial base for our continuing expansion and services in the rapidly emerging total financial services industry."

Meanwhile, Independent Securities Corp., Pasadena, Calif., has picked up Insurors Press Inc., Indianapolis. An announcement said Insurors Press will become active in the fields of packaging sales and training materials currently being utilized by Independent Securities for merchandising to the insurance and investment industry. The package, said the company, will include the use of tapes, cassettes and audio-visual techniques.

Duvall Y. Hecht, president of Independent Securities, said the purchase of Insurors Press gives the company "an in-house capability of packaging our training and sales to the entire independent agency system which includes around 160,000 fire and casualty agents and an additional 400,000 independent life agents and brokers." ■

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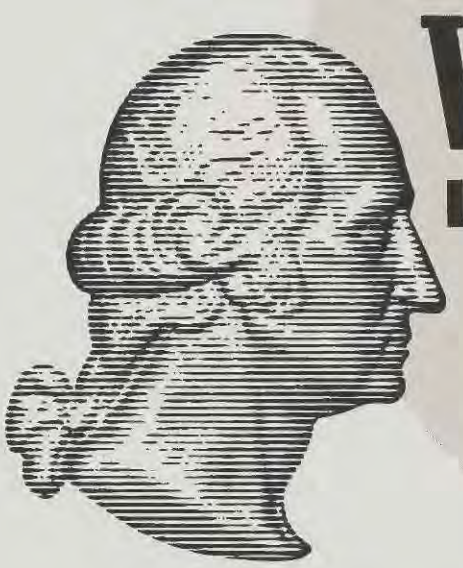

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Credit card health service gears up for hourly employes

MANSFIELD, O.—Hourly employes will be the next target of the health credit card, according to the president of a leading health credit card company.

"We have been dealing exclusively with salaried employes with incomes from $10,000 to $12,000," said Ralph Long of American Health Credit Card Assn. "However, that has already been changed to include all salaried employes. By the first of the year we will be geared to offer the same services to the hourly employe."

Mr. Long explained that his company's card is offered exclusively to companies as an employe benefit. "The cost is $25 per year for each family enrolled," he said, adding that some companies are paying the fee as an employe benefit.

"THE EMPLOYE uses the credit card to pay for every health care charge which he and his family incur," Mr. Long said. "All these charges are paid in full by American Health Credit Card, even though the employe may not be covered by his insurance in all areas involved.

"We then submit claims to the employe's insurance company to obtain all reimbursement which he is entitled to under his coverage. American Health Credit Card then bills the employe for the balance of his health care costs after his claims reimbursement has been credited to his bill. If the employe pays the bill within 25 days there is no charge. If he wants to extend his credit we charge him 1% of his bill per month."

According to Mr. Long, the employe benefits manager of a company may also find the service useful because he can evaluate the strengths and weaknesses of his group plan from the record of all health care charges which the credit card company compiles annually for the company's employes.

IN ADDITION, the executive noted, the credit card service also helps the employe benefits manager select new benefits because he can determine their cost to his company by examining the health care charges for a whole year in all health care areas.

"So far we have enrolled 41 companies," Mr. Long said, "with between 5,000 and 6,000 cards issued so far. Unions have also expressed interest in our programs. However, we feel that more research in the areas of credit risk and employe turnover are needed before we can branch into labor."

The biggest problem which a health credit card service faces is the turnover of personnel, he said. "We have a clause in our contract with a company which requires the company to retrieve the health credit card from an employe when he leaves the company's employ. So far, in working with salaried employes we have had no problems in this area."

The greatest employe appeal, Mr. Long said, is the total elimination of all paperwork for health care claims. The only claim forms involved are filled out by the credit card service for the insurance company claims. ■

Set plan for group buying

KALISPELL, Mont.—A group purchasing plan established by Kalispell General Hospital has been approved by administrators and purchasing officers of four hospitals.

Representatives of St. Joseph's Hospital, Polson; St. John's Lutheran Hospital, Libby; and North Valley Hospital, Whitefish, voted to expand the plan to include all medical, surgical, dietary and housekeeping needs.

Representatives agreed to participate fully and to name the cooperating group the Northwest Montana Hospital Purchasing Group.

Tom Metzger, purchasing officer at Kalispell General, will be responsible for coordination, negotiating contracts, standardization of supplies and reduction in hospital costs.

The official indicated the program is meeting with support not only from the hospitals but also from suppliers.

The group system is expected to be made available to any hospital within a 100-mile radius of Kalispell, and later may include St. Luke's Hospital, Ronan, the Flathead County Hospital, the Sanders County General Hospital, Hot Springs, and the Immanuel Lutheran Home, Kalispell.

Kalispell General's administrator Alex McAllister said his hospital is absorbing the additional administrative costs involved in initiating and maintaining the centralized service. ■

Aetna joins Harvard plan

BOSTON—The Harvard Community Health Plan, an experimental prepaid health care program, will be available to 1,500 present or prospective policyholders of Aetna Life & Casualty Insurance Co. in metropolitan Boston.

Daniel W. Pettengill, a vp of the Hartford-based firm, disclosed his company's participation at a Boston meeting with Prof. Jerome Pollack, Harvard Community Health Plan executive director.

Aetna's quota of 1,500 clients is highest any of the participating insurance companies have agreed to so far.

Massachusetts Blue Cross and nine insurance firms participate, as already reported in *Business Insurance*.

HCHP has been organized to service some 30,000 Boston residents living close to Kenmore Sq. and the four participating Harvard University teaching hospitals.

This marks the country's first university-sponsored prepaid plan.

The plan covers a wide spectrum of clients, with about ⅕th of reserved spaces for welfare patients.

The plan, by operating through Blue Cross and major private health insurers, hopes to raise enough initial funds to cover early operating expenses.

Preventive care is to be emphasized. An annual physical examination of each participant is required. ■

Two Seattle hospitals agree to share services

SEATTLE—An agreement late in October between Virginia Mason Hospital and Doctors Hospital was but one of the many recent signs of a new awareness that the health-care industry here can do something about soaring costs.

The two institutions agreed to explore the possibilities of sharing services to reduce costs.

Led by Robert P. Thomas, the little-known Regional Health Planning Council accepted the Federal government's dictum that "there shall be planning" and is devoting a new vigor toward increased communication and cooperation among hospitals.

"THE HEALTH-CARE facilities apparently lacked full awareness of each other's service," he said of the Seattle situation when he came here a year ago.

He explained this was because smaller hospitals usually do not want to open dialog with larger institutions for fear that the overture might be interpreted as signs of weakness.

On the other hand, he noted, the larger hospitals do not open talks because they fear they might be accused of attempting to swallow up the smaller ones.

"YOU DON'T break down 75 to 100 years of tradition in one year," said the veteran of hospital administration and health-care planning. "But we feel we have broken the ice. There is a new recognition that community-wide planning for health services has to be, that this is the way to cut costs and improve the quality of care."

He added: "If we don't do the planning locally, Uncle Sam will come along and do it for us."

In the Virginia Mason-Doctors agreement there is also the provision that the two will use the same central-supply system.

Linens and other supplies and equipment that require sterilization, such as sets of instruments used for intravenous treatment and certain surgical procedures, will be prepared at Doctors Hospital.

"WE MAY HAVE to wait for a period of time before we see savings from such cooperative sharing of services," Mr. Thomas declared. But, multiplied by the number of such agreements that have reached the talking stage here, the collective savings could be considerable, he stated.

"It might prove almost impossible to keep health-care costs from rising, but we will try to see that patients get their dollar's worth in quality care no matter how small the dollar gets," he asserted.

"Another thing that must be considered is that if we're looking at $100-a-day hospital care now—including all the charges —we can see $200-a-day care by 1975 if strong planning efforts are not forthcoming," he said.

SUCH EFFORTS include collective avoidance of duplicating major equipment purchases by several hospitals in the same area, and investing what are actually the community's dollars for additional beds that may go unused, besides the sharing of services and central-supply procedures.

"That is why the emphasis toward quality care must go side by side with cost-cutting in the cooperative programs being encouraged by our planning agency," he added.

The council is operating under a $100,000 budget this year with contributions from private industry, hospitals, physicians, underwriters, foundations, labor unions and others, and with many of these segments of the community represented on the board of trustees, he concluded. ■

Credit life gets scrutiny in Wisconsin

MADISON, Wis.—Credit life insurance is under fire in this state.

The Wisconsin department of insurance announced that it will take action on complaints about excess commissions being paid by some insurers for credit life and health contracts.

The department added it will also investigate charges that high commissions are being used for competitive purposes in the credit insurance business.

Stanley Du Rose, the new commissioner of the department, said that he endorses the position of his predecessor that stricter supervision of credit life insurance is probably in the offing.

The department's published report said it believes that at least 50% of the premium income under credit policies should be returned in claim payments. Also, the report said that commission payments of up to 50% or more "do not appear to be consistent with the filed loss ratio projections." ■

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Health insurers try out incentive plans

By GEORGE LANGWORTH

NEW YORK—Three experiments designed to establish new economy and efficiency in the provision of health care services through monetary incentives have been started in California, Connecticut and New York.

From savings accrued through the application of such techniques as management engineering and cost analysis budgeting, the participating health plans and hospitals will receive an incentive reimbursement aimed at prompting further cost reductions.

In an interview with *Business Insurance,* Robert M. Ball, commissioner of Social Security, explained that these experiments are the results of 1967 amendments to Social Security. "Their purpose is to improve medical facilities as well as medical services and at the same time save money for all participants concerned."

COMMISSIONER BALL said that any plan proving successful would require further legislation before it could be implemented on a more permanent, nationwide basis. Ultimately, such incentive reimbursement plans may be the key to stopping rising health costs. "This, of course, is an extremely optimistic expectation," Congress will not consider the liberalization of federal medical assistance if we cannot demonstrate that really effective cost controls are built into it."

The Connecticut experiment was officially started in July of 1969. The contracts for the experiments of the Southern California Blue Cross and the Health Insurance Plan of Greater New York were signed last month. Each of these experimental programs is planned to run for a period of three years, Commissioner Ball asserted.

"According to our cost and savings projections," said Carl Slutter, an official in the program experimentation and review section of the Bureau of Health Insurance, "we estimate a total three year savings to the government of $1.1 million dollars resulting from the programs. That is, the government will be paying out $1.1 million less in Medicare reimbursement of services than it would if these programs were not started. We expect incentive payments accrued from the overall savings afforded by the three programs to reach $11 million." Mr. Slutter further explained that these estimates were over and above the costs of the programs themselves.

UNDER THE Connecticut experiment budgets for individual departments will be formulated by the 18 participating hospitals and submitted to "peer group" budget approval boards for approval, Glen Martin, chief of program experimentation at the Bureau of Health Insurance, explained. "Each nine member board will consist of trustees, directors of nursing, administrators and controllers from three hospitals who will review budgets from a paired group of three hospitals.

These boards' criteria for accepting or rejecting a budget will consist of the prior year's cost and productivity levels which are set by the plan's industrial engineer advisors, Mr. Martin said. Each department will be paid in accordance with its actual operating costs but if it spends 10% less than its projected budget it will receive a portion of the savings as a reward. This program will result in an estimated savings of $100,000 for the government, Mr. Martin said.

Yale University has contracted to handle the evaluation of the experiment, Mr. Martin said. The institution will have representatives who monitor each approval board meeting, in an effort to determine the viability of the "peer group" accountability method.

THE HEALTH Insurance Plan of Greater New York (HIP) has 55,000 Medicare beneficiaries enrolled in a prepaid group practice plan. Its experiment will test the plan's ability to "develop economical arrangements for the provision of all medical, home care, and institutional services covered by Medicare," according to the Social Security Administration, the experiment's contracting agency.

The experiment will compare results of medical and hospital utilization experience and costs per enrollee to those of a matched control sample of individuals not involved in the experiment. HIP's improvement will hinge on its administrative unit's ability to modify current patterns of medical care. The amount of incentive reimbursement will depend on the difference in rates between HIP's enrollees and the control group as well as the relationship between the rates of change between plan rates and rates within given communities over the three-year plan period. The experiment will be evaluated by Harvard's Center for Community Health & Medical Care.

Over the three year plan period, HIP administrators expect to achieve a 30% reduction in rates as the result of the experiment, Mr. Martin said. The incentive payments will amount to approximately 90% of the cost reduction accrued. Even so, Mr. Martin asserted that the experiment, costing $1.1 million to administrate, will result in a loss of about $100,000 after all costs to the government.

"HOSPITALS have previously had little or no productivity increases such as those common to other industries," Mr. Ball said. "In October we contracted for an experiment out in California which would test an incentive reimbursement program based on the increase of labor productivity."

"The cost of labor represents about 65% of total medical costs," said Robert Edgecumbe, exec vp for the Commission for Administrative Services in Hospitals (CASH). CASH will administrate the incentive reimbursement experiment with Mr. Edgecumbe assuming the leading responsibility.

"CASH has been operating for about six years," Mr. Edgecumbe said, "and now we offer management consultation to 180 hospitals on a continous basis. We are averaging about 5% lower labor costs in these hospitals than in non-CASH member hospitals."

Twenty-six hospitals, statistically representative of the 300 hospitals in California, will take part in the experiment, Mr. Edgecumbe revealed. "Each will be divided into 30 cost centers, for which standards of productivity (performance) will be established."

Continued on page 36

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Post payment of medical care costs has 'social advantage,' says Snider

CHICAGO—The chairman of the department of insurance and risk at Temple University told employe benefit managers meeting here that post payment of medical care is here to stay and that he sees the method as having a "social advantage" which "permits and promotes the establishment of a form of self-insurance for individual medical care."

Dr. H. Wayne Snider, a professor at the Philadelphia university as well, spoke before the American Management Assn.'s fall employe benefit and pension conference here.

Noting that the concept of meeting the cost of medical care through the planned use of credit was becoming increasingly popular, Dr. Snider told the group that the "use of credit to finance a first layer of medical costs may be a method of controling unnecessary medical costs."

IN ADDITION, he noted, the post-payment approach "may very well encourage the development of major medical coverages with higher deductibles" and therefore reduce the cost of coverage for the consumer or his employer.

The post-payment concept, Dr. Snider explained, was first developed by a Michigan doctor in 1958, who suggested a plan whereby the insurer guarantee medical costs above the recipient's coverage and then work out a credit arrangement for the balance.

More recently, he noted, another theory has been advanced that would have Blue Cross and Physician's Service, as well as the commercial health carriers, become *de facto* lending institutions.

Recently, the professor went on, some such commercial programs have been started. The most sophisticated of these, he said, is a Medicredit program being experimented with in Reading, Pa. The area he said, is probably one of the poorest test markets in the country and "if it will work there it will work anywhere."

Participating in the Reading program is the Bank of Pennsylvania, which has extended a line of credit to Medicredit members who now present a credit card for medical costs over and above coverage in force. The recipient then pays the balance to the bank, much as he would pay for a new household item bought with a personal bank loan.

ANOTHER ADVANTAGE to post-payment, Dr. Snider said with all seriousness, is that the line of credit approach "conforms to our current economic climate in a society that seems to buy everything on time and one which is constantly anticipating future salary."

"What," he asked, "are the implications for the employe benefit manager in post-payment?"

First, he noted, many companies are already participating in an informal post-payment system. "When a guy is in a financial jam due to medical expenses many companies pay them for him and let him repay his debt on a weekly basis. What we are doing with post-payment, then, is saying that this approach be formalized."

In addition, Dr. Snider continued, extending a line of credit to an employe for medical bills over and above his coverage "may be an inexpensive way—or of no cost at all—of providing an additional employe benefit." Some companies may find it very easy to establish a medical cost line of credit for all their employes at a bank, he suggested. Although Dr. Snider did not mention it from the podium, some employe benefits people did remark to *Business Insurance* between sessions that the appreciation factor in employe-employer relations would be served enormously at little or no cost to the employer.

ANOTHER IMPLICATION for employe benefits people noted by the professor was that "it may very well affect the kind of medical expense packages a company institutes in the future. In some cases," he added, "it might eliminate the demand for benefits in some fringe areas, such as prescription drug and dental plans."

In any event, Dr. Snider commented, getting back to the pop topic of inflation: "In part, at least, such a plan might meet some of the needs and demands of employes that arise naturally out of an inflationary period." ■

Hospital use...

Continued from page 24

benefits people, according to one source at the seminar. "If even one life is saved it is obviously worth the trouble."

A self-insured program in which a company brings in an actuary to set up an insurance program for its employes was mentioned by another source at the seminar. "This can cut down a large company's insurance expenditures considerably," he said.

All participants at the AMA seminar interviewed by *Business Insurance* agreed that a great impetus to the continued rise in health care cost was the proliferation of new health care benefits such as dental, vision and psychiatric care. Mr. Greene stated that in urban areas employe use of psychological services had increased up to 100% in some cases. Mr. Munshower revealed that dental care coverage accounts for one third of medical care costs in some instances.

Psychiatric care services are limited by a "schedule of coverage clause" and a maximum allowable amount per year, Mr. Greene said. Mr. Munshower explained that a $25 deductible individual policy and a $75 deductible family policy were current attempts at limiting costs of the new dental benefit.

Industry is faced with a crisis of the imagination in finding new ways to combat the rise in health care costs. Mr. Munshower declared ruefully that "four years ago most employes paid for their benefits. Now they pay only a portion of the cost. As the dependency on deductible and coinsurance to hold down costs decreases, the employe's share of the responsibility shrinks. The company is being forced to search for new directions." ■

Woll elected chairman

J. Albert Woll, general counsel of the AFL-CIO, has been elected chairman of the Union Labor Life Insurance Co., New York.

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Delta Dental Plan establishes group price and quality control

MINNEAPOLIS—Built-in quality and price controls are two pluses in a new group dental plan sponsored by the Minnesota State Dental Assn.

The plan known as the Delta Dental Plan of Minnesota is available to employers wishing to cover 25 or more employes. Plans will be tailor-made for each employer. Dollar limits, deductibles, coinsurance clauses, specifics of coverage, etc. are determined by what the employer wants and the type rate the employer and employes have agreed upon.

The built-in controls result from the fact that the group dental plan is sponsored by the dentists. Quality control will be achieved by a system of checks where a percentage of patients will be called back and checked by some dentist other than the one they originally saw.

THIS, ACCORDING to Onan Thompson, executive vp, will be done to assure group subscribers that they are not being taken advantage of.

Price control will be done by obtaining annually from each dentist a fee schedule to know what the normal charges are.

"Such controls," Mr. Onan said, "are possible because the plan is professionally oriented."

The plan requires that a dentist become a participating member in order to receive his usual and customary charge. If he is not a participating member he will be reimbursed according to fee schedule.

IT'S THE AIM of the plan to get 85% to 95% of the state's 1,750 dentists as participating members.

Plan rates will run anywhere from $8 per month to $22 per month for family coverage and can be either fully paid by the employer, shared by employer or employe or completely paid by the employe. Yearly dollar limits will also vary but will probably range from $200 to $400 for an individual and $400 to $1,000 for a family.

During the first year a plan is in effect Mr. Thompson expects it will pay out $1.20 to $1.25 for every $1 collected because many people have neglected their teeth for a number of years.

"THE AVERAGE person," he said, "has a fear of going to the dentist. What we're trying to do is eliminate the tough situations in a dentist chair by keeping dental needs updated."

During the second year when there are apt to be more regular six month checkups, pay out should be about 100%.

By the fifth or sixth year, Mr. Thompson predicted, "it should be possible for us to go back to a group and say that we can either decrease the rate or increase coverage."

A family plan will include children up to 19 years of age if not married. Orthodontry with a maximum yearly limit and false teeth will be included in coverage. The plan will allow for replacement of false teeth once every five years.

ONCE A DENTIST has determined the amount of work on a patient, he must submit a treatment plan or claim form if the amount of work totals over $75. Under $75 he can go ahead and do the work.

The claim form, according to Mr. Thompson, "gives us an idea of what the exposure is. It's not used to question the dentist's judgment."

He expects to sign up the first groups within about 90 days. Right now Mr. Thompson is making employers aware of the new plan by sending a letter to about 600 personnel directors.

Once a company has signed for a group dental plan, the plan will be effective immediately for all currently employed workers. After that a new employe will have a 90-day waiting period unless an emergency develops.

ALONG WITH the program, dentists in many communities are conducting clinics for parents and children conneted with Headstart programs. Such basics as how to use a toothbrush are being shown to these children.

Similar dental plans exist in 29 other states. Mr. Thompson expects that by mid-1970 each state will have a Delta Dental Plan sponsored by its state dental association. ■

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3. Survivor Hospital Benefits—pays premium payments for the surviving family covered by the employee's hospital-surgical-medical plan.

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Custodial . . .

Continued from page 25

Pearce quoted a recent Chicago area university study which concluded such a program would not be feasible based on immediate economic returns.

"It might be true in the long term," the Blue Cross vp said, "but in the short term you would open up diagnoses that might not otherwise turn up." Mr. Pearce noted that it would take at least a generation for such a program to show economic results.

COMMENTING ALSO on whether a reappraisal of the reasonable and customary clauses now gaining wide acceptance in major medical policies might be forthcoming, Mr. Pearce said that it "is really too early to tell whether these have contributed towards inflation of medical costs. Early reports indicate that they do not," he said.

"The greatest cost factor," he said, "appears to be the medical profession's increased dependency on medical facilities when they are not really necessary. In addition," he noted, "until recently 4% of hospital employes were below the minimum wage and had to be brought up."

The vp also pointed to the "basic inefficiency" of management in the business of medical care. "You have a hospital administrator managing a plant that is being used by someone else. And it is the doctors who are determining how that facility is to be used," he said. ■

King joins agency

Daniel W. King, vp in charge of the Eastern department of Crum & Forster Insurance Cos., New York, is joining the San Francisco general agency of Deans & Homer, where he'll have a "small piece" of the ownership. Succeeding Mr. King at C&F is Frederick H. Jarvis, formerly general manager of the firm's western department. Edward D. Higgins takes over Mr. Jarvis' responsibilities.

Met tries . . .

Continued from page 26

noted that Connecticut General Life Insurance Co. is also trying to find a niche for itself in the future of medical services. CG recently agreed with Johns Hopkins Medical Institutions to become financial administrator for a new, prepaid, inpatient and outpatient medical insurance plan for citizens in the new city of Columbia, Md. It will be available to all residents in the new community for a monthly fee, which is reported to be $43.50 for the typical Columbia family.

For the group insurance buyer, Mr. Thomas, who worked his way up through the acturial ranks during 33 years with Metropolitan (he was named senior vp in charge of group operations in 1965), sees no major new products in the immediate future.

"The increasing costs of medical care has put a natural damper on the amount of dollars available for other employe benefit extensions," he said, adding that several "new products" (dental and prescription drug plans, for example) are still in the infancy stage. The '70s, however, will see increased implementation of such plans, he said, as well as increased interest in survivor life insurance.

SPEAKING AGAIN of the need for improvement in the delivery of medical benefits, Mr. Thomas said that in the next decade insurance companies must improve claims administration. "Such items as the credit card, bulk payments to the delivery of a medical service and a substantial reduction in the paper work involved" are areas in which he hopes to see advances made.

The senior vp noted here that Metropolitan had taken the lead in the computerization of claims payments and specifically mentioned the prescription drug plan Metropolitan has recently put into effect for auto industry employes. Payments of claims to druggists participating in the program are now being handled by a new computer center Metropolitan has set up in Ithaca, N.Y., Mr. Thomas said, retrieving a computer print-out sheet from his desk as if to prove the efficiency of the new system.

However, the vp successfully skirted comment on the situation in Peoria, Ill., where a court enjoined the Met drug plan after a suit was filed by druggists there who claim the program violates the state's anti-trust statutes. He did admit, though, with a nod of the head at least, that the program is giving druggists some claims administration problems of their own.

IN OTHER matters, Mr. Thomas is equally adept at insurance company diplomacy.

Asked about the current status of Metropolitan's "Mini-Met" program, which had been a source of controversy a year or so ago, he commented: "Mini-Met is here to stay. It seems to be operating very satisfactorily. Those that have it like it. They appreciate it."

The Mini-Met program, which has since been approved by most state insurance commissioners, is a system whereby a subscribing company agrees to pay a predetermined level of annual claims directly from its own funds. It is a deductible system of sorts, and one which can reduce an employer's health and welfare insurance substantially.

ON THE subject of a universal compulsory health insurance plan, such as those now being battered around by such as Walter Reuther, Mr. Thomas commented:

"If we (insurance companies and employers) continue to improve benefits, it can be handled more efficiently than on a government basis. There is so much good coverage in existence today, it seems a shame to destroy that simply to provide for a few needy." How, then, can we supply for those needy? "That is something that can be worked out," he said. ■

Negotiations begin

Negotiations are being conducted with the Union Life Insurance Co., Portland, Me., for the recapitalization of Hamilton Life Insurance Co. of New York, according to Superintendent of Insurance Richard E. Stewart. Hamilton was found insolvent by the New York insurance department in 1968.

Doctor stresses need for preventive measures

HOUSTON—More attention needs to be focussed on prevention of heart disease rather than on dramatic, and expensive, treatments like transplants, Dr. John Lancaster, a physician has said.

The battle agains coronary artery disease, which is the leading cause of death in the U.S., cannot be won until ways are found to prevent it, he told a group of businessman at a seminar sponsored by the Memorial Baptist Hospital System.

While all kinds of sophisticated treatment techniques have been devised, Dr. Lancaster said, prevention "has lagged very, very far behind."

THE AVERAGE heart transplant costs between $50,000 and $75,000.

"But I think it would be much better to devote our energies to prevention of premature occlusion of a part (of the heart) rather than trying to replace the whole," he said.

Despite the big push to get people concerned about diet, exercise and smoking, the cardiologist said:

"We're seeing more and more people at earlier ages with coronary artery disease. More people are dying earlier than ever before . . . and we just don't know why." ■

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Fighting the nickel-and-dime costs eyed to cut health care bill

HOUSTON—Hospitals, insurance companies, medical groups and businesses here all agree something must be done about rising hospital and medical care costs.

Despite the holding of meetings and coordinating of efforts, all steps in the right direction, the various sectors have limited concrete reduction programs to report.

The Houston Area Hospital Assn.'s November meeting, for example, is being devoted to "Cost-saving Gimmicks." Bob Stevenson, administrator of Bellaire General Hospital and immediate past president of the HAHA, said even 50¢ per patient day will greatly enhance the war on rising hospital costs. Mr. Stevenson said patient care, which is still primarily labor, is difficult to automate.

CONTRIBUTING to cost increases has been the wage and hour minimums, which went into effect last year.

What are helping to curb costs he noted, are pre-packaged convenience foods and disposable items such as dishes, silverware and cups, as well as items such as disposable syringes.

David DeBacker of St. Joseph Hospital here, closely allied with the war on rising hospital costs, told *Business Insurance* the Texas Hospital Assn. is developing a pilot program called Shared Management Systems which will apply to hospitals the principles of industrial engineering. He said the pilot for this program is just getting started with four Dallas and four Houston hospitals.

"We're looking at our laundry," Mr. DeBacker said of St. Joseph's operation. "And we are looking at value engineering principles such as those being instituted by the aerospace industry for use in hospital engineering programs."

MR. DEBACKER pointed out that it is difficult to transfer manufacturing programs directly toward hospital use since this is a service industry.

Disposable items such as gowns, surgical linens and thermometers as an industry have grown rapidly the past 10 to 15 years, said Mr. DeBacker, but the last five years have had the greatest growth.

Mr. DeBacker said there are several programs in the embryonic stages aimed at cost reduction. For example, the HAHA has been working with a Health Insurance Council here, which combines hospital and insurance efforts, in an attempt to cut costs. Plans are afoot for a similar program on a state-wide basis.

The HAHA also has a committee to work with the Harris County Medical Society to improve patient care and hold costs. Another aspect of the HAHA is its efforts toward a Houston area planning council that hopes to save future health dollars by avoiding duplication of medical facilities planned over a long-range basis.

MARVIN TOMLINSON of American General Insurance Co., chairman of the Health Insurance Council, said the eight-month-old group's primary accomplishment has been a breakthrough in cooperation between various groups concerned with medical costs. He said the hospital and insurance parties are working together and watching costs as well as potential excessive charges.

"We watch hospital bills," Mr. Tomlinson said of the HIC. "We watch a few real close."

The insurance executive commented that one of the major contributing factors toward multiplying hospital costs is industry dragging the personnel away from the hospitals. He said industry is offering more money and not requiring the people to work "screwball hours."

William S. Mackey Jr., board chairman of Prince Medical-Dental Inc., Houston-based firm that owns or has under contract four area hospitals, said the growth of proprietary hospitals is contributing to the control of costs.

THE BIGGEST single factor slowing down the rate of higher costs increases is hospitals operated by private enterprise, said Mr. Mackey, an advocate of the free-enterprise system.

He contended that non-profit hospitals "cannot and do not operate as efficiently and economically" as private facilities. "Private capital always does a better job than do institutions," he added.

Proprietary hospitals compete with non-profit institutions at equal to or lower rates, yet earn a respectable return on investment, said Mr. Mackey. He continued, saying that a single proprietary hospital meets its non-profit competition profitably. But when these proprietary hospitals become affiliates, reductions are often achieved on an enormous scale.

"All hospitals are subject to similar cost pressures," he said. "All are subject to being squeezed by increased labor. But if you can do the same job with fewer people," he added, costs then can be reduced.

PRINCE'S hospitals are in Alvin, Winnie, Port Arthur and Nederland, Tex.

On the corporate side of this quadrangle, firms report that about the only actions they take concerning medical cost reductions are precautionary medical measures.

Bank of the Southwest, Houston, gives pre-employment physicals, examinations for officers on an annual basis, annual chest X-rays, and offers flu shots on a voluntary basis. It also has a full-time nurse, rather unusual in banking circles here.

Texas International Airways Inc. began giving chest X-rays this year on a voluntary basis. They were accepted by 92% of the local employes. Diabetes tests will be given in February. Last year the firm initiated physicals for its officers and now department heads have been added to the group that is examined. ■

Zenith sets new unit

LOS ANGELES—Zenith Funding Corp., has set up a new unit to market salary deduction plans consisting of life insurance and mutual funds. The new unit, Zenith Planning Corp., is headed by Charles I. Shussett, formerly a vp and director of California Life Insurance Co. ■

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Florida health planners peg hopes on efficiency

MIAMI—South Florida health planners, mobilizing to help hold down the escalating cost of medical care, hope to offset some of the soaring costs through greater efficiency in utilizing health resources.

Changes being discussed in the Greater Miami area by such groups as the Comprehensive Health Planning Council of South Florida would alter significantly many traditional medical practices.

In Greater Miami, the emphasis is on fewer but larger hospitals which will offer a wide variety of services. Utilization is the goal. The planning council advocates efficiency to the extent that it recently came out in opposition to a 500-room addition being proposed by one area hospital (Cedars of Lebanon) on the grounds that the rooms were not needed in that region.

UNDER PRESENT planning, the University of Miami medical center will serve as the hub for Greater Miami's hospital network of the future.

The so-called 14th Street complex—including Jackson Memorial Hospital, Cedars of Lebanon, Veterans, the Mailman Retardation Center, Children's Cardiac, the Papanicolaou Cancer Research center, the Howard Hughes Medical Center and other affiliated facilities—is envisioned to develop into one of the nation's top medical centers.

More attention will be devoted to outpatient treatment, say Greater Miami planners, working closely with state, regional and national planning committees. Shorter inpatient stays are planned if the patient must be hospitalized

MINIMUM CARE units, better rehabilitation, increased use of extended care facilities and a more sophisticated network of home-care services are designed to move the patient along to less expensive beds as his health improves.

Area planners hold out little hope that their efforts to stabilize costs will be completely successful. They warn that the cost of medical and hospital care seems certain to continue upward.

Hospital costs, increasing at the rate of about 14% a year in Miami, are expected to continue climbing until a single day's hospitalization will cost roughly $100.

That is about $35 higher than the current Miami-area cost. ■

9,000 employes at CG get health credit card

HARTFORD—Connecticut General Life Insurance Co. and its affiliate, Aetna Insurance Co., have improved group health insurance benefits for 9,000 employes, full-time agents and dependents and initiated a credit card health care system.

One highlight of the new system is a direct claim system, greatly reducing health insurance paperwork by allowing doctors and hospitals to bill CG directly.

Each employe gets what amounts to a medical credit card, to be used by hospitals and doctors for billing.

Other changes: Doubling of lifetime major-medical allowance to $50,000; surgical costs related to geographical areas (enabling employes living in higher-price areas to enjoy improved benefits); maternity benefits for dependents, covering hospital bed, board, services, supplies, in-hospital physician's services (maternity benefit previously carried a $250 ceiling); and an increase from $500 to $1,000 for hospital services and supplies during any one period of confinement. ■

Promote Knipshild

James N. Knipshild, group sales vp of General American Life Insurance Co., St. Louis, has assumed responsibility for direction of the insurer's group field sales organization.

LA school board buys dental plan

LOS ANGELES—The Los Angeles City Unified School District Board of Education has put through a dental program for its 52,000 employes.

The plan, underwritten by Connecticut General Life Insurance Co., Hartford, will be available to all employes and dependents of the nation's second largest school district starting Dec. 1.

CG, which won the business over six others with its bid of $7.6 million annual premium, said the school plan is the biggest dental program it's written since going into the field in 1964.

School district employes will get the first 80% of all dental services (there's no deductible) up to $750 a year, except orthodontic work. For teeth straightening, employes will pay 50% of the cost with a $1,000 lifetime maximum.

All active and retired employes are eligible for the noncontributory coverage. Eligible dependents include spouses and unmarried children under 19, under 25 and in school, and physically or mentally handicapped children of any age. ■

Riots cause $14 million in damage

SAN FRANCISCO—Riots and civil disorders during the first eight months of this year caused nearly $14 million worth of damage to properties covered by insurance.

The Property Claims Service of the American Insurance Assn. reports nearly $8 million of the loss was attributed to disorders on college campuses and in the nation's high schools.

W. D. Swift, manager of the department, said incidents of civil disorder resulting in destruction of insured property occurred in 253 cities in 38 states, the District of Columbia and Puerto Rico.

Three states, California, Connecticut and Indiana, experienced insurance losses of more than $1 million with losses in excess of $500,000 in five other states, Illinois, Missouri, Ohio, Pennsylvania and New York. ■

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Cost rise . . .

Continued from page 22

for 21 days of hospital care per year for welfare recipients. When the city police bring someone here we don't get anything from the city if his bill isn't paid. Some states allow welfare patients much greater hospital benefits than others but in any event the cost of paying for the care of these people has to be absorbed by other patients if the hospital can't get paid any other way and that's often the case, he said.

"SOME TIME AGO, we has a patient who required the use of a kidney machine to stay alive. He happened to be a minister and he lived for about seven or eight months this way. It cost about $15,000 for his treatment, which was paid by his church. How can you answer yes or no to the question of whether he should have had this treatment, considering the cost?

"We have a machine that can perform 12 different kinds of blood tests in five minutes. It's a great help to the treating physician but it cost $75,000. In the long run this machine, an auto analyser, will save money because the results of these 12 tests cost the patient between $10 and $15 while the former method of blood chemistry analysis cost $5 for each test. This machine will improve the quality of medical care and will eventually lower hospital overhead but right now it means an outlay of $75,000 for us," he said.

Mr. Thompson believes advanced medical technology will eventually result in extremely high quality medical care with an eventual leveling off of costs but thinks patient fees will continue to increase for several years before the economic benefits of this advanced technology will payoff.

"In the meantime both employers and employes will have to decide how much comprehensive medical coverage is worth to them today. Certainly in many instances the employe or his union must upgrade the priority they wish to give to prepaid medical-hospital care. I think it's fair to say a greater percentage of the employe's pay will have to be set aside for medical-hospital insurance if he wants adequate protection," the hospital executive observed.

"I don't think most people want the advantages of modern medical technology held back in order to get lower priced medical and hospital care. When a person is sick or injured he wants the best treatment available but he must face the fact that while medical care today is vastly better than it was years ago, it's also much more expensive," Mr. Thompson concluded. ■

Incentives . . .

Continued from page 30

IMPROVEMENT will be gauged by comparison of payrolls of the previous two years with the annual payroll of each cost center. "Some 70% to 75% of the savings each year will be paid, as incentives to those hospitals showing the most improvement," Mr. Edgecumbe said. Blue Cross of Southern California expects to save $300,000 in hospital reimbursement resulting from the induced savings of the experiment.

Five incentive experiments were conditionally approved this spring, Mr. Ball said. Associated Hospital Service of New York (Blue Cross) and Hospital Cost Analysis Service of Maryland have proposed experimental plans which are still in the early stages of development.

The Maryland organization has proposed to find out which hospitals have high costs due to managerial inefficiency, the commissioner explained. They would then establish ceilings for these high-cost hospital service charges. No date for the implementation of the plan has been set.

NEW YORK Blue Cross officials explained that under their proposal a hospital would set a "target rate" of a certain dollar amount per inpatient day. If the target rate proved reasonable it would be approved by Blue Cross and used to make an incentive payment—providing the projected rate were bettered by the hospital. If the hospital exceeds the rate, the Blue Cross plan provides for the assessment of a penalty. Officials at Associated Hospital Service stated that their program was slated to get underway after the first of the year.

Any improvement in hospitals resulting from these experiments will be of tremendous benefit to private insurance and industry as well as the government and those health plans directly involved, Mr. Ball explained. In order for a hospital to qualify for incentive reimbursement payment it must achieve a significant savings in its operating costs. With the hospital's bills met before the incentive payment is earned, this added "bonus" will be used for further refinement of management and services. With so much to be gained, Mr. Ball expressed surprise and disappointment that private industry and its insurance carriers had done so little in this area to date. ■

Vote . . .

Continued from page 21

roll in the proposed $3,000 life insurance plan. This plan is over and above the $5,000 policy to be paid for by the city.

Moreover, the insurance committee is working on a pension plan that would provide about 10% of each salary upon retirement.

Although the police department is already covered by what Mr. Gahan called an expensive state-sponsored pension plan, the final pension plan is to include them. "The larger the group enrolled," he said, "the smaller the costs of a pension plan are."

Mr. Morey remarked: "Possibly 60% of the towns throughout the state don't have the employe benefits Putnam is offering. This is one way of saying our people are appreciated." ■

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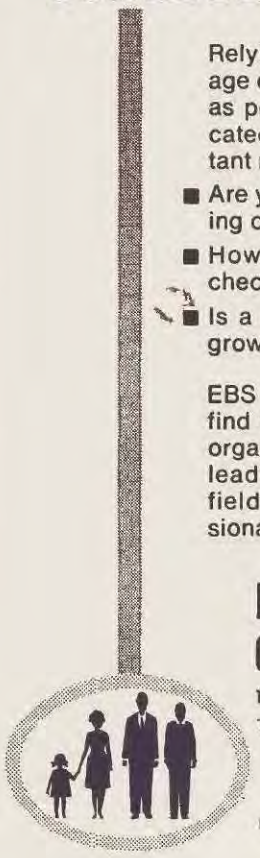

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washington watch

Congressional testimony indicates national health care plan on its way

WASHINGTON—Testimony at the House Ways and Means Committee's omnibus hearings on the Administration's Social Security, welfare and Medicare-Medicaid proposals indicate that there no longer is any real doubt that we eventually—say within ten years—will have some system of national health insurance.

One by one representatives from all segments of the health community have come forth to offer their plans for seeing that all Americans get adequate health care. No one of consequence has opposed the premise that such a plan is necessary.

"Even the conservative Nixon Administration and the American Medical Assn. now endorse the view that adequate health care in the U. S. is a right, not a privilege," a top official of the Social Security Department told *Business Insurance*. "It is now just a question of how the government will go about assuring this right, and how long it will take."

PREDICTING THAT national health insurance is on its way does not mean that employe benefit managers will eventually have no responsibilities in the health insurance area.

On the contrary, insiders are betting that the system we finally will adopt for assuring adequate medical care for all Americans will be built around the 60% of the population that is now covered under employer-sponsored group medical insurance programs.

Not only will the government require employers to provide more comprehensive coverage to this 60%, but it will apply strong pressures on the private sector to take an even larger segment of the population under its protective wing.

Even the liberal legislators who endorse the much-publicized Walter Reuther Committee for National Health Insurance approach—which would set up a completely Federal program, eliminating almost all need for private health insurance—admit privately that they doubt Congress could support an all Federal program.

BESIDES THE obvious drawbacks, which center around a traditional national abhorrence of socialized medicine, they point out, such a program is also unlikely both now and in the foreseeable future from a pure dollar and cents standpoint.

Most experts predict that it is more logical that the government will require the private sector to carry a larger share of the load. Congress could then establish Federal programs, similar to Medicare and Medicaid, to cover such groups as the chronically unemployed, the indigent, and the self-employed who are uninsurable because of poor health.

Such a program was outlined briefly for the committee by Aetna Life & Casualty Company's vp, Group Division Daniel W. Pettengill—and from all signs, it was warmly received.

To broaden the private sector's scope of coverage, Mr. Pettengill suggested that the government limit the deductibility of an employer's expenditure for medical expense benefits for employes and their dependents to 50% instead of the present 100% if the plan does not include all of the following features:

- That eligibility for coverage include all full-time and all part-time employes working at least 20 hours a week for at least 13 weeks of the year.
- That coverage continue for at least one month during a layoff or labor dispute with no increase in required employe contributions, with provision for continuation for up to 11 more months during such layoff or labor dispute subject to the employe's paying the full cost of the coverage.
- That coverage continue during a period of illness or injury up to a maximum of six months with no greater employe contributions being required than would have been had the employe remained actively at work. If at the end of the six months the employe is totally disabled, coverage would be continued for as long as total disability continued but not beyond the date he first becomes eligible for benefits under Medicare. The employe would not be required to contribute more for such continued coverage than he would have paid had he remained a healthy, active employe.
- That coverage continue for dependent children who are totally disabled, provided the child were insured under the plan prior to age 19 and became disabled prior to that age. This continuation would remain in effect until the child recovered or became eligible for benefits under medicare. The employe would not be required to contribute more for such coverage than would have been required were the child a dependent under age 19.

MR. PETTENGILL did not go as far in requiring more comprehensive coverage for employes as many advocates of the public-private joint venture approach have suggested.

His only proposed requirement was that employers be urged to include ambulatory care coverage in group medical plans—with a proviso that an employer who has not done so within a reasonable period (e.g., five years) could deduct for Federal income tax purposes only 50% of the money spent to provide medical expense benefits for employes and dependents.

If, and when, Congress opens debate on a proposal to set Federal requirements on group health insurance plans, the subject of what benefits should be required will be a hotly debated issue.

Many benefits proposed as necessary by liberals, such as dental care, out patient psychiatric care and prescription drugs, would be administrative nightmares for insurance companies as well as employers, health insurance experts point out. ■

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NHA . . .

Continued from page 17

sult was overwhelming success for the NHA and the benefit of badly needed medical and hospital services for hundreds of Oregonians.

Many of the policyholders had never seen a physician or been in a hospital before becoming part of the NHA's program. The giant green empire of Oregon was beautiful but life for its people was often grinding and sometimes brutal.

"We still have a few of those policies written between 1906 and 1923 in force. The other day I saw one written in 1918," said Joel Buchan of the NHA.

Prior to 1906 a form of prepaid hospital insurance had been instituted in the woods of northern Maine, according to E. O. McKeen, executive vp of the NHA.

"SOME OF THE early-day loggers in Oregon came here from Maine. It seems the loggers in Maine in those days enjoyed a good Saturday night fight when they came to town. After a night of wine, women and song, many of them ended up in the hospital needing medical attention as a result of the fights. Of course, they were usually broke by then and unable to pay the hospital.

"The sister in charge of the hospital suggested to the logging operators the men pay 25¢ a month for the services of the hospital. Each man who paid the 25¢ was given a ticket which entitled him to treatment at the hospital.

"Many of the loggers in Oregon often made reference to hospital tickets. I think this idea of hospital tickets actually helped to develop the concept of prepaid medical care. I know Mr. Bechtold had heard about this from talking with loggers in Portland," Mr. McKeen said.

A few years after the NHA was formed, the organization established a clinic in the Mohawk building in Portland. The association had several physicians on its staff as well as nurses and medical technicians. The NHA also had many participating physicians, most of whom were located in the logging areas, throughout the state. Railroad ambulances and first aid stations were also used extensively in order to get medical and hospital services to the injured worker as soon as possible.

IN 1918, the association leased the Portland civic auditorium to handle the overflow from the city's hospitals during the terrible flu epidemic. Hundreds of persons were turned away from the city's hospitals due to over crowding. The NHA went far beyond its contractual requirements to help meet this extreme emergency.

The clinic was in operation until 1953. It was well equipped and had facilities for minor surgery, X-rays, physical therapy and other medical services. Photos taken many years ago at the clinic show graphically efforts by the association to provide immediate help to many of its injured policyholders.

"C.C., as we use to call Mr. Bechtold, was a very dynamic person. He could talk to a bank president or a rough and tough logger and be at ease with either. He was a real salesman," said Mr. McKeen.

"Strange as it seems now, the concept of prepaid medical-hospital care did not move out from Oregon even though the NHA had outstanding success. Mr. Bechtold took a deep personal interest in the association. He didn't want it to get so big that it would become impersonalized."

MR. MCKEEN recalled a humorous incident in regard to an unusual use of prescriptions in a small Oregon logging town several years ago.

"Our pharmacy people noticed an especially large demand for certain prescriptions in this town. It turned out that some of our logger policyholders worked an arrangement whereby they were able to obtain alcohol by using their medical prescription rights. I think there was little collusion there," he laughed.

The NHA was a family owned corporation until 1968 when its stock was purchased by the Pacific National Life Assurance Co. of San Francisco. The association has a premium volume of close to $12 million a year and has policyholders in Oregon, Washington, Idaho, Montana and Alaska with the majority in Oregon and Washington.

Although it sells medical-hospital insurance to groups and individuals in all walks of life, nearly half of its business is still with groups and individuals in the lumber industry. Pacific National has more than $1.5 billion of life insurance in force.

IN 1939, the association started writing coverage that provided for free choice of doctors and hospitals and world-wide service for policyholders. The NHA has many other firsts to its credit including the first full coverage industrial contracts, transfer from group to individual group conversion without evidence of insurability, the elimination of red tape requiring an employe to obtain a claim form from his employer before being eligible for benefits, and the coverage of services of osteopathic physicians. It was one of the first companies to insure families of employe members of industrial and other groups.

In 1933, contractors who built the Bonneville Dam and the Oregon State Industrial Accident Commission selected the NHA to protect the health and safety of workers on that project. They reviewed all the various prepaid medical plans in existence at that time before selecting the association. The Bonneville Dam was one of the largest construction jobs ever undertaken in the far western U.S. and today plays a vital role in the economic life of the area.

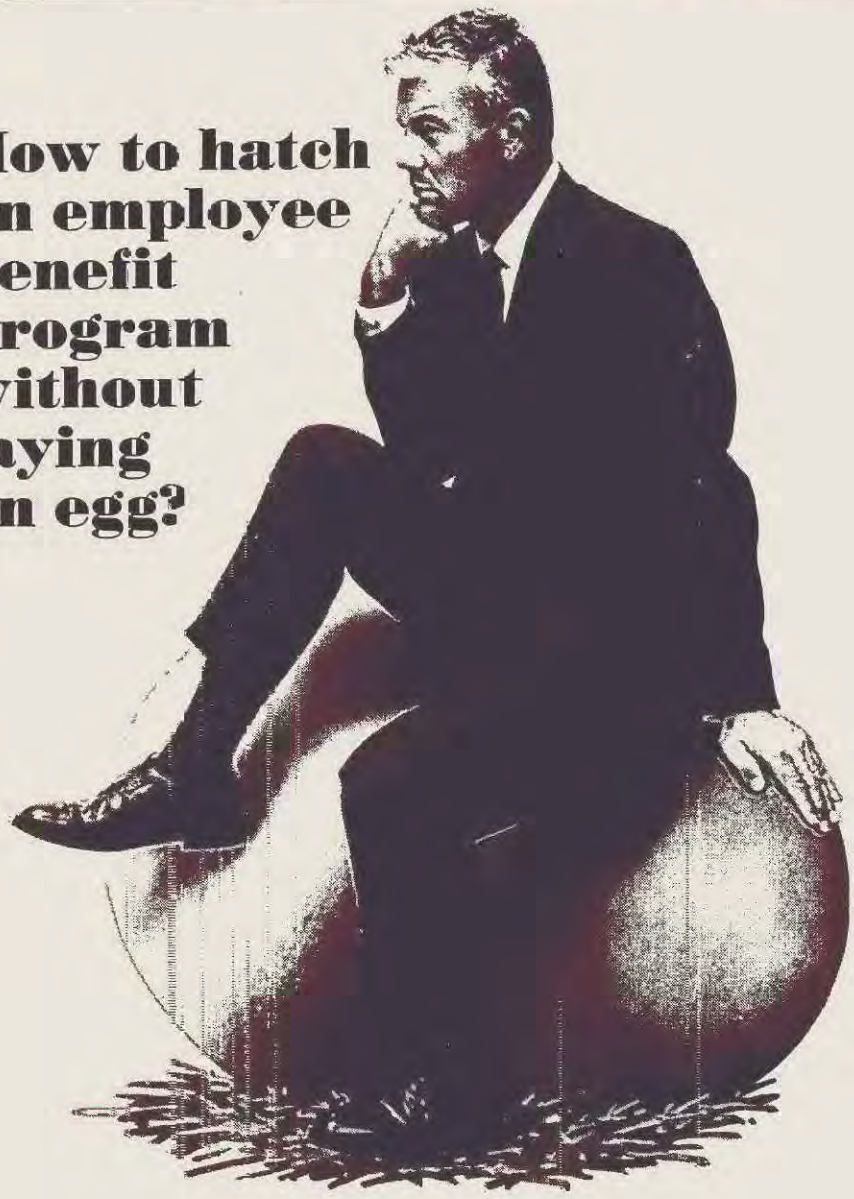
To meet the needs of this vast construction job, the association set up locations on both the Oregon and Washington sides of the Columbia river with a full-time physician, ambulances and a staff of first aid attendants to offer immediate facilities for injured workers. ■

W. J. Ward joins Morton

William J. Ward has joined Morton-International, Inc., a subsidiary of Morton-Norwich Products, Inc., both of Chicago, as assistant manager of the insurance and pension department. His duties will involve the administration of the firm's insurance program.

Mr. Ward was previously employed by Simoniz Co. as an assistant to the treasurer and manager of the corporate insurance program. He was formerly assistant insurance manager for the Rath Packing Co.

Affiliated concerns of Morton-Norwich are Morton-Salt, Morton-Chemical and Morton-Quality Products. ■



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Cafeteria approach to benefits only dinner talk

CHICAGO—Despite the fact that cafeterias have not been known to conjure up the most palatable dishes for the galloping gourmet, there is little doubt in the minds of those who have used one that they do indeed have a purpose, even if only to serve up a bit of Americana.

Nonetheless, cafeterias are fast, they do offer a choice and, after leaving the cash register, you have no one to blame but yourself for the choices made—everything has been laid out neatly in front of you.

Perhaps it was inevitable that the day would come when employers would start talking about menus of benefits for their employes. Why not, some have speculated, lay out a choice of benefits, line everyone up single file and let them move down the line picking and choosing as they go?

APPARENTLY that day has come. The day when employe benefits people are talking about it, that is. But it appears to be only talk at the moment, and for some good reasons.

The cafeteria approach was the subject of a recent speech by Dr. Stanley Nealey, a Colorado State University psychology professor, before benefits managers attending the fall conference of the American Management Assn. here.

More specifically, Dr. Nealey was reporting the results of two studies he and others have made in the last several years, one with General Electric Co. employes and the other with workers at a Caterpillar Tractor Co. parts plant in Illinois.

Dr. Nealey explained that the studies were made essentially to determine the preferences of employes when given a choice of benefit options. Being a college professor with a driving interest in benefits and how they motivate employes, Dr. Nealey is anxious to validate his original studies. However, he has been unsuccessful to date. Both GE and Caterpillar had been considering some form of cafeteria approach to benefits, but neither has taken a firm step in that direction and have in fact dropped original ideas.

ASKED LATER by *Business Insurance* if he knew of any companies that are using the cafeteria approach to benefits, Dr. Nealey replied: "No. If you find some will you let me know?"

The reply was almost the same from sources at GE and Caterpillar who were questioned on the subject. Neither knew of any companies—large or small—who are using the approach.

"It's a popular subject to talk and read about," a GE man said. "We've studied it, but when you get down to the hard facts of the matter it's not a very practical approach to employe benefits."

His sentiments were echoed somewhat by a source at Caterpillar. "We have looked at it, read all the material on it and have reached the conclusion that as far as we are concerned this is not for us. Perhaps it would work for a small organization where you have someone on the premises who can council employes.

"THE IDEA of trying to administer something for thousands of employes frankly scares us," he went on. "It could be an administrative nightmare." The Caterpillar source also noted that, when given a choice of benefits, there is a serious question as to whether the employe thoroughly understands what he is giving up in exchange for other perhaps more eye-appealing benefits.

While the language may vary among benefits managers, the thoughts behind the words remain essentially the same when the subject is the cafeteria approach. Some speak of the fact that "most employes don't know what they want." Others are even more frank, saying that they think "insurance consultants are constantly running around stirring up new ideas, trying to create new things" to make the employe benefits man's job even more complex.

While not exactly a crusader for the cafeteria approach ("I'm a university professor and you've heard of 'publish or perish' "), Dr. Nealey does take a somewhat positive stance on the issue.

"It seems to me that the company that takes some meaningful steps in this area would have a jump on other companies in the future," he said.

HE EXPLAINED, however, that his concern with the subject is purely psychological. "I would like very much to find a research site where the benefits offered to employes are actually the preferred benefits. Then I would like to measure their effect on such things as motivation," he said, adding that he believes they do motivate employes and would like to validate the belief.

(That, incidentally, is an open invitation to any company now using the cafeteria approach that would like to determine its motivational factors. "My payoff is the research information I get from such a study," Dr. Nealey said, adding that he is not an insurance consultant.)

The two studies in which the Colorado professor participated were conducted within the last five years. He noted that, while some of the benefits offered as options in the studies may have actually been obtained by employes since then, he feels the studies are still valid today.

Findings were based on interviews with 625 males and 204 females employes in a GE group, and 180 males and 17 females in the Caterpillar Tractor survey.

IN THE GE study, Dr. Nealey explained, employes at six GE plants were given ten compensation options from which to chose. A "game board" method was used, he noted, in which those interviewed were each given play money (slightly more than $100) and told to use that money on the compensation options they most desired.

According to the findings, the two most desired uses for that money were sick leave and pay raise. Sick leave led the way in dollars spent (roughly $48) and the pay raise came in a close second ($47).

Third in the GE study was vacation (about $27 spent) followed by pensions ($24). Lumped together between $12 and $8 benefit dollars spent were, in this or-

Continued on page 41

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Union asks for Blue Cross boycott

OAKLAND, Cal.—The Alameda County Central Labor Council has asked all member locals to boycott Blue Cross over the abortive attempt to unionize the Oakland Blue Cross in a recent National Labor Relations Board-sanctioned election.

A Labor Council official claimed that the failure of Office Workers Union Local 29 to unionize the Oakland Blue Cross was due to Blue Cross management's "vigorous" resistance and "anti-union attitude."

"We have already begun sending out information kits to labor councils throughout the nation, urging a secondary boycott," said Richard Groulx, executive secretary of the Alameda Central Labor Council. "We will communicate with the AFL-CIO and enlist their endorsement but essentially we'll be carrying the ball on this."

In an interview with *Business Insurance,* Mr. Groulx explained that a series of Oakland Blue Cross letters and statements by their executives attempted to "shake the individual's feeling of security" before the election, thereby thwarting the unionization attempt.

One statement, which Mr. Groulx attributed to J. Philo Nelson, president of Oakland Blue Cross, and which Mr. Groulx distributed to unions across the country, declared: "I worked hard to get the Christmas Bonus for you and if the union gets in you will lose it."

Mr. Nelson, when contacted by *Business Insurance,* firmly denied making "any such statement." Mr. Nelson explained that the union began its campaign on March 27 of this year. "This was the fifth or sixth time in the last decade or so that Local 29 has attempted to organize at Blue Cross. As in all prior campaigns we intended to remain silent on the question.

"However, because of some unfounded statements by the union concerning our management and the union's continuous harassment tactics we finally spoke up on July 16. We waited three-and-a-half months before ever saying a word, and then only in reaction to the union's campaign of harassment."

Mr. Nelson could not state explicitly what effect a union boycott of Blue Cross would have. ■

Return . . .

Continued from page 15

panies making subway cars, for example, could be expected to grow. The shipping industry ("now that containerization is upon us") is another "concept" Mr. Hall noted, without urging anyone to take all his eggs from one basket and transfer them to another.

Another factor for profit sharing investors to concern themselves with, Mr. Hall said, is the marketability measure or "how quickly you can get into and out of a stock without changing the price too much." Nothing that it does have its problems, he told the group that "the responsible investor must measure the marketability factor as best he can. A dangerous stock, in our opinion," he said, "is the one with the long price run up, which is held in quantities by the so-called performance mutual funds."

Mr. Hall also noted that "the final thing to be measured in this business is yourself. Everyone has investment prejudices," he said, "and it is important to try and know what your own are. In the vernacular everyone is a sucker for one type of stock or another. These prejudices are often based on experiences—usually unpleasant ones," he said.

WRAPPING UP the panel with a discussion of the measurement of investment performance was Dr. Randolph S. Robinson, director of research for the Bank Administration Institute, Park Ridge, Ill.

Dr. Robinson said that in measuring the performance of profit sharing funds the institute uses two dimensions: rate of return and the risk involved to achieve those returns.

"The rate of return shouldn't change much," he said, "but risk is an entirely different matter." The risk, Dr. Robinson explained, is the future value of an investment, based on many probability factors.

While he did not admonish profit sharing managers to go out and play with wild odds, he did say that there is "strong evidence that risk is directly related to rate of return" and that usually "the higher the odds, the higher the rate of return." ■

letters

Continued from page 12

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P. Robert Bale
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O'Brien, 62, dies

Lewis William O'Brien, deputy commissioner of insurance of the Maryland insurance department, died in his sleep Oct. 26. He was 62. Mr. O'Brien joined the department in 1947.

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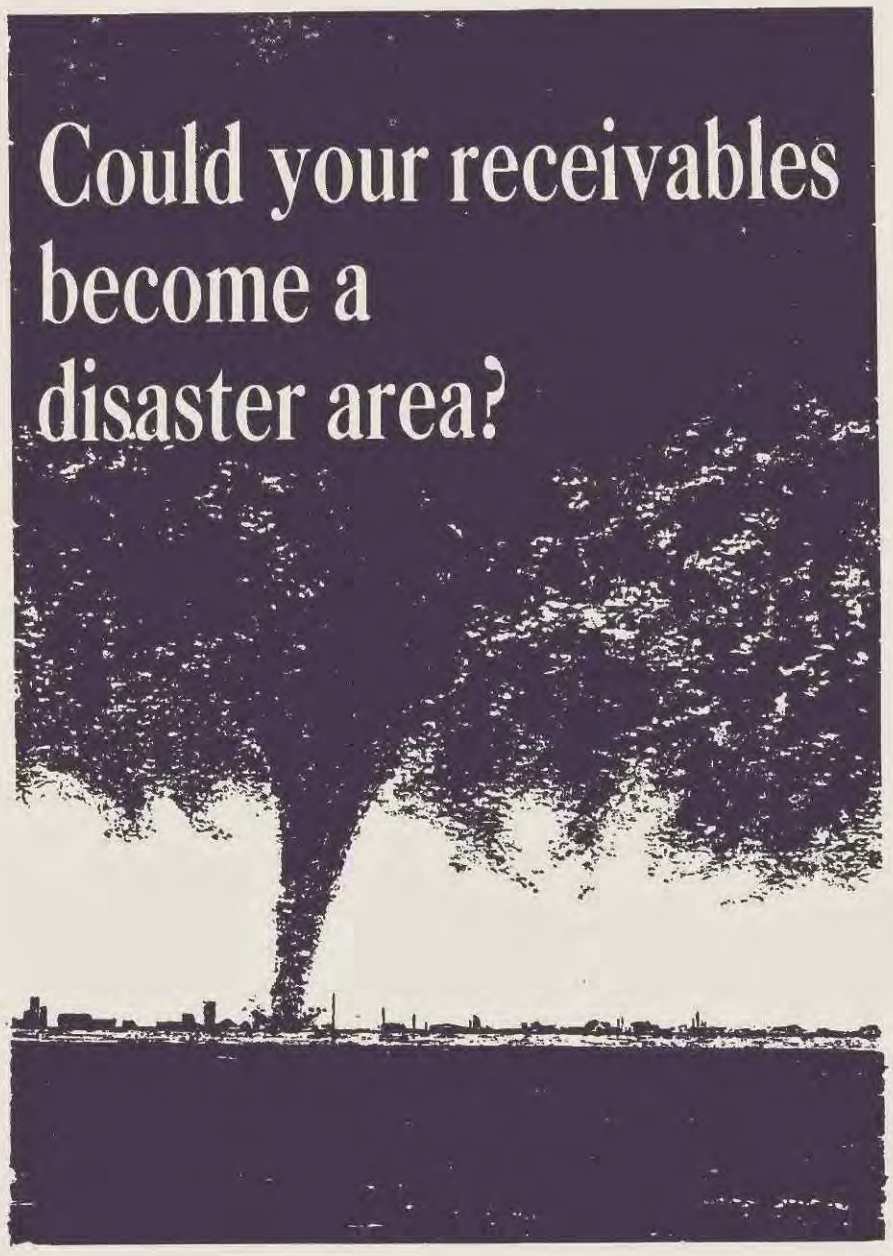

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Cafeteria . . .

Continued from page 39

der, long-term unemployment assistance, disability pay, medical care for the retired and life insurance. Ninth and tenth in the study were dental insurance ($4) and short-term unemployment assistance ($1).

Carrying the study a step further, the professor took the four most preferred benefits at GE and charted them by income level.

DR. NEALEY and his study group determined that the dollars spent on sick leave and vacation remained fairly constant despite income. However, dollars spent on pension and pay raise varied greatly according to income. Those earning $4,500 or less, for example, considered pension the least important and a pay raise the most desirable. Employes earning $5,400 or over, on the other hand, considered the pay raise almost on a par with vacations in the lower range of dollars spent (about $20), while pension was considered the most desired benefit with more than $50 spent.

The Colorado professor also charted the GE findings according to age, with some rather interesting if not totally unexpected results.

The dollars spent on pension, for instance, grew slowly from about $5 at age 25 or under to almost $50 at age 50. Thereafter it rose rapidly until, at age 55 or over, $100 was spent by employes in that age group on pensions.

Following a more erratic upward and downward pace were the three remaining benefits. About $40 was spent on vacation by those under 25. At age 25 to 26, however, this dropped to about $28, where it remained fairly constant until age 45 to 49. At that point it rose again to $40 before dropping off to $10 at age 55 or over.

A RATHER constant choice of those interviewed was sick pay, which fluctuated from $45 and $55 between the ages of 25 and 55 before dropping off to about $30 at ages above 55. Pay raise, on the other hand, moved from $35 to $65 with peak dollars being spent at ages 30 to 34 and 50 to 54.

The menu served to members of the study group at the Caterpillar Tractor Co. was somewhat different. Seven compensation options were offered to the 197 employes who were interviewed by Dr. Nealey's group.

The seven options in the order in which they were preferred by Caterpillar employes were one week extra vacation, five Fridays off per year, a five-week sabbatical every five years, a four-day week consisting of nine hour and 50 minute days, a 2% pay increase, earlier retirement and a shorter work day (10 minutes off).

Scaling these according to male and female preferences (there were 180 males and 17 females in the study group, you'll recall), the findings concluded the desires of the males and females were not all that different except in two areas—pay increase and shorter work day. The women preferred the shorter work day, listing it fifth in order of preference while pay increase was last. The men, on the other hand, felt just the opposite, listing more pay as fifth and the shorter work day as seventh or last.

IN THE AREAS of extra vacation and sabbatical the two groups were remarkably close in their thinking. The compensation option of five Fridays off a year was preferred somewhat more by the men, while the women chose the four-day week and earlier retirement slightly more often than the men.

Although the Caterpillar study was not presented according to wage levels, Dr. Nealey did chart them according to three age groups—those 18 to 33, those 34 to 49 and those 50 to 65.

Extra vacation was the benefit option chosen as most desirable by each of the age groups, with the 18- to 33-year-olds preferring it a little more than those in the 34 to 49 group and the 50 to 65 group preferring it most of all.

The five-week sabbatical every five years was a close second with each of the three groups. The 18 to 33 age bracket, however, preferred it much more than the two older groups.

THE SHARPEST line on the scale is the four-day week consisting of nine hour and 50 minute days. Those in the 18 to 33 range chose it as their third favorite option, while the 34 to 49 range picked it as fourth. Those in the 50 to 65 age group preferred it far less, sixth out of seven.

The only other dramatic line on the graph, was in the area of early retirement. Those in the 18 to 33 range picked it as least desirable benefit option, while those in the middle age range picked it more often. Those in the 50 to 65 range chose it even more. However, the results in this older age range were still somewhat surprising since the group picked it as fourth preference, behind extra vacation, sabbatical and five Fridays and only slightly ahead of a pay increase.

If there is a conclusion to be read into the studies conducted at GE and Caterpillar perhaps it is that, when given a choice of benefits, employes will pick different things for different reasons.

"The cafeteria approach," as one source put it, "will probably help you please all of your employes most of the time. But you can bet there'll be one unhappy guy sitting somewhere in the company with a benefits cafeteria. He's the one who will have to figure out who wants what this year and who wants what next." ■

Smith named secretary

Max L. Smith has been appointed secretary in the group division at Aetna Life & Casualty Insurance Co., Hartford.

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business insurance/perspective

Telling the benefit story

What kind of return can you expect?

by Howard L. Peck,
partner,
Hewitt Associates,
Libertyville, Ill.

Howard L. Peck

So you have a good package of employe benefits and you want to develop a program of communciation. What kind of return can you expect? What kind of employe response?

Over the years, there has been a lot of talk about "creating loyalty," "developing employe appreciation," and "improving the motivation to work." Can we really expect responses like these? Even with the best of beneifts and the most effective kind of communication, is it realistic to hope for such results?

More than one employe benefits man, who thought he had done a pretty good job of communicating, has been disillusioned to hear employe remarks like these:

- "What do you men this is a good medical care plan? I have to pay the frist $50!"
- "Boy, they really cut your pension if you retire early."
- "Why should the company care if I collect twice on a claim? The insurance company pays for it anyhow."

IN RECENT YEARS, certain discoveries of the behavioral scientists have helped throw light on this type of employe reaction and to give us some clues to the responses to benefits in general. Frederick Herzberg and his collegues at Western Reserve University (now Case Western Reserve) conducted some pioneering studies in which they interviewed employes to find which aspects of their jobs gave them feelings of satisfaction (motivators) and which factors had little or no ability to motivate but did have potential for dissatisfaction. He called this latter group "hygiene factors."

The motivators, Mr. Herzberg found, generally were related to the work itself (achievement, recognition, etc.) while the hygiene factors were peripheral to the job (working conditions, company policies, benefits, etc.). This latter group, if seen by employes as good, appear to have little potential as motivators but if seen as deficient can produce a high level of dissatisfaction.

Since that original work, the research of M. Scott Myers of Texas Instruments and others has corroborated Mr. Herzberg's findings. The growing body of knowledge in this area seems to correlate with the theories of A. H. Maslow and the late Douglas McGregor ("A satisfied need is no motivator") and the work of other leaders in the field.

So it appears that we can't expect much from benefits as motivators and that they have considerable potential as dissatisfiers, whether communicated or not. (Perhaps we should note here that under some conditions profit sharing can be seen as a motivator and under others as a dissatisfier.)

PERHAPS WE should not be surprised. It is a truism that employes today see benefits as rights—not as the gifts of a magnanimous management—and they expect good benefits, not token fringes.

Does all this add up to a conlcusion that there is no point in communicating on benefits, that you can't win no matter what you do? By no means.

Benefits are a major element in the employer-employe relationship. The fact that we can't expect employes to jump for joy when we liberalize the long-term disability doesn't mean that communication is futile. On the contrary, benefit communication should be an important part of your efforts to meet the employe's "need to know" about all the factors in the employment situation that can affect him and his family. A prerequisite to truly effective communication on benefits is a situation in which you communicate well on other subjects, where the channels are open and the climate is right. Given these conditions there are several specific tasks we can expect sound benefit communication to advance. Here are some:

- **Good employe relations**, based on an understanding of the facts of the case.
- **Realistic expectations of the employe about his benefits.** What do they do? What don't they do? A prime example of dissatisfaction is the case of the employe who receives a smaller benefit than he thought he should.
- **Recognition by the employe of the compensation value of his benefits.** Accurate descriptions of benefits and personalized reporting can help. When the employes know the worth of their benefits, they are less inclined to assume that the grass is greener in some other pasture.
- **Smooth administration.** When employes know how plans work and how to submit claims, for example, the cost of administration goes down and acceptance of the benefits goes up.
- **Responsible utilization.** As benefit costs climb and coverages increase, the need for improvement in this area grows. But we can't hope to reduce abuses until we can improve employe understanding of the why and how of benefits as well as the what. Achieving such improvement is difficult. But effective communication is our best hope of success.

Probably you can add to this list. But, whatever results you are aiming for, remember that effective benefit communication is not an easy task. To reach your objectives you need a good appraisal of the situation, an accurate definition of the target, adequate planning and skillful execution. When you have these you can expect a reasonable return on your investment in communication. ■

Howard L. Peck is a partner in the firm of Hewitt Associates, Libertyville, Ill., independent consulting actuaries, analysts, and advisers on pensions, profit sharing and employe benefits. He heads the firm's activities in employe communication. Mr. Peck, who has been active in the advertising and communication field since his graduation from Grinnell College, spent several years handling investment securities advertising. He was a program director for Wisconsin radio stations and for 15 years was an account executive and later vice president of a Milwaukee advertising agency. Since joining Hewitt Associates in 1952. Mr. Peck has handled employe communication projects for many companies in various parts of the country.

MIT produces award-winning benefits book

by Ned A. Miller, partner,
Romm, Miller & Lazarus,
New York

If you are one of the 7500 students—or one of the 1000 members of the faculty and full-time teaching staff—or one of the 2,000 members of the professional research and administrative staff—at the Massachusetts Institute of Technology in Cambridge, Mass., you have justifiable pride in being associated with one of the great educational institutions of the world. But—if you are one of the 5000 supervisory, clerical, technical and service employes of MIT, it's just another job!

It was the effort to overcome this attitude, by highlighting the fantastic breadth of employe benefits, that led the office of personnel relations, under its director—Robert J. Davis—to create one of the most impressive examples of employe communication that we have seen.

"Our basic aim in preparing this booklet," says Mr. Davis, "was to put together in one place not only our employe benefit program, which we believe to be very meaningful, but also to show the tremendous scope and depth of our extra curricular activities program for our employes."

'The advantages of having one set of benefits for all employes, union and nonunion alike, became obvious . . .'

MIT, as a matter of policy, extends the widest use of its great range of facilities to all its employes. Membership in the co-op store, use of university dining facilities, full use of the alumni swimming pool, basketball, indoor baseball, tennis, track, squash, ice-skating and sailing facilities are made available.

IN ADDITION to these activities, there are full programs of films, lecture series, community theatre, art exhibits and symphonic and choral music programs. In short, everything which the university makes available to the academic community is also available to non-academic employes. Making all this available is one thing, of course. That is a matter of university policy. Communicating the word to the employes is the next job and that was the responsibility of Mr. Davis' office.

In previous times, many different booklets had been prepared and distributed to the different classifications of employes. Obviously, their benefits differed. But as time went on, these differences grew less and less. The advantages of having one set of benefits for all employes, union and nonunion alike, became obvious and the whole development of the program was guided in that direction. Finally, it became possible to say that just about every classification of employe was covered by the single umbrella of the program. Now it became possible to write and design the single booklet which would apply to all.

Here is where we came into the act. The first time we saw the completed booklet was at a prize-winning display in New York City sponsored by the Society

Continued on following page

perspective

Continued from preceding page
of Graphic Art Directors. It was the only employe benefit handbook so honored. While there are many creditable design efforts that we have seen in this field, there are many atrocities that have also caught our eye. What a pleasure it was to see one that did so commendable a job in getting across its message, and was so outstanding in its coordination of symbol, type, photograph, color and layout.

WHEN WE QUERIED Mr. Davis as to whether this had been done in the house or outside, he told us, with great pride, that the whole booklet was written and designed by members of his department, using the facilities of the university.

But as he went on to explain his direction of the project, the criteria for excellence emerged. He said that he had set up three main conditions for the preparation of the booklet. First, the personnel who were assigned to the job were to meet repeatedly to define the problems and pose the solutions. Next, specific personnel were assigned to this task and the time and physical arrangements were made available to them so as to foster their best efforts. Finally, the university placed high priority and offered complete cooperation on the whole project.

So it comes down to a matter of priority. If this is important, it should be treated as such and a worthwhile product will result. If it becomes a project which gets delayed, shunted around, knocked off in spare time, held down on budget, you'll get what you pay for, a fourth-rate result.

WE ASKED Mr. Davis how the employes received the new handbook. He replied, "We wish we could categorically state that we can hire every master mechanic we interview or that we can retain every skilled serviceman. We can't and probably don't. But, we think the booklet has helped a great deal. Both employes and managerial workers now have a reference point to fall back on. Personnel policy guidelines that once were hazy are now predetermined. There are no surprises to a new employe. He knows what he wants—and he knows what he can get."

We asked our last question. "What was your general feeling about your booklet winning the award in the New York Graphic Arts Directors Show—the only employe handbook so judged?" "We were delighted, of course"—and then modestly with tongue in cheek—"but then, we have never considered MIT to be the usual institution." ■

Ned A. Miller, partner in Romm, Miller and Lazarus, New York, has been in the field of instituting and communicating fringe benefit plans since 1955. He graduated from Bucknell University and attended George Washingon University School of Business Administration and New York University Law School.

A call to action

by William J. Jones III, national program chairman, ASIM Conference

William J. Jones

We are constantly discussing the inadequacies of our industry in coping with the real needs of today. Our complaints include: Insurance company acquisition by noninsurers, investment performance of the insurers, cash reserves of insurers, timidity of insurers in doing a proper underwriting job resulting in government intervention, collapse of the London market, proliferation of liability suits, unsophisticated rate promulgation by state government, unpersuasive power of the insurance broker, lack of imagination, etc. We complain, as we complain about the infamous Long Island Railroad or Penn Central, but continue to wait for someone else to make a move!

I have been subjected to the LIRR for a little better than one year. I have joined a commuter group, refused to show my ticket and, in general, made clear my displeasure. I have correlated this daily displeasure with my feelings about the insurance industry. The LIRR's problem is basically one of communication—management's and commuters' lack of communication, and labor's very effective communication.

Part of the program I am preparing for the 1970 American Society of Insurance Management conference of Miami (Ins/-Expo '70) has to do with communication between management (the insurance companies) and the commuter (insureds). I'm afraid with all our talk (mostly to brokers) and all our meetings (especially among ourselves) we have not produced a sound channel for communication with the insurers. This is essential if the insurance industry is to grow to its full potential, and meet our needs.

Our organization is not called the "North Shore Commuters Group" or GLICO, but ASIM. What should ASIM be mainly concerned with—representing a cohesive platform on behalf of the buyers of insurance. If the needs of each member of this group can't be satisifed by the insurance industry as it now exists, what does an individual do? He turns to his peers, and gains strength in a number of ways—by using the knowledge gained by being a member of the association to create his own insurance company, persuading his employer to buy an insurance company, self-insure. These are fine approaches but temporary ones. Insurance is *finance* with a twist of underwriting and safety.

Here we sit—this large, potentially powerful, "commuter" group with all the assets of a sophisticated but professional organization. We never reach the point where we are willing to take the proverbial "bull by the horns." My first suggestion is "control." Not the "power in numbers" concept professed by the broker, but *real* control. We of ASIM have the expertise in insurance, and the real power as customers to be able to change our service.

The risk manager of today is a sophisticated financial and insurance professional. Why should he be saddled with reinsurance market-chasing all over the globe? If the domestic carriers won't supply the markets, we of ASIM have the perfect vehicle for establishing our own. Why can't we, the corporations that make up ASIM, start our own reinsurance mutual? Why can't we *take over* a mutual through proxy?

Dear Gerry

Foreign coverage tips

by Gerald W. Wilson, analyst of corporate insurance, New York

Gerald W. Wilson

(The following questions are the sort risk managers ask each other. The answers are not meant to be a substitute for analysis or research but are designed as thought-provoking comments or suggestions. Readers are invited to submit their own sticklers.)

DEAR GERRY: You handle foreign insurance. What is the main thing to watch out for?

ANSWER: This column does not allow enough space to write a primer on the differences. But, look out for the differences. On property coverages think of what coverages were 30 or so years ago and you will recognize many old policy features rarely used by American forms. Such things would be premium reinstatement cost, full disclosure and notice of change in risk clauses, definitions of storm, tempest and occupancy warranties.

Legal liability policies vary depending, I hope, on the legal environment of the country involved. Do not expect, for instance, to find broad contractual.

My suggestion—read your policies carefully, obtain full translations where required and don't hesitate to ask questions for answers phrased in your own terminology. There is very little standardization in foreign coverages unless it is with the compulsory coverages. This is not to belittle foreign coverages, as some are broader and better than you would get here. The problem is one of understanding whether or not you are getting what you expect. Don't rely on any idea, because you have an American company providing coverage in some foreign country, that you are getting American forms or good service.

DEAR GERRY: Where do you stand in the controversy relative to inclusion of investment income into the rate making process?

ANSWER: I am probably as confused as anyone but I do have some confirmed prejudices. Insurance companies are paid a fee (premium) for the assumption of risk during the period of the policy contract. Like most people they want "to keep their cake and to eat it too." On one side they say, "We miscalculated and lost, therefore, our rates are too low and since we are not in the business to lose money, we want an increase in income." On the other side they say, "Do not count the earnings of your premiums during the policy period or the earnings on the money I must pay for claims during the period before I pay the claims." Setting aside life insurance from the discussion because that is another story, consider the double-faced argument propounded. On one hand part of the money paid for premiums and set aside for losses is considered not to exist as part of the mechanism. The logic of this would dictate that the measure of profitability should only be on the use of the money actually supplied by the stockholders and the yield on their investment. But measured in those terms the profitabilities are in the neighborhoods of 25-plus percentages. So, this is blithely ignored.

One objective ignored by some insurance companies but inherent in their arguments for withholding investment income from rate considerations is that underwriting should be first and foremost a service for the premium producer or policyholder and therefore should not be given a secondary role for the benefit of the insurance company management and stockholders. My risk manager's suggestion is try to keep premiums "pay as you go" and get your losses paid as quickly and efficiently as possible, figuring your company can use premium and loss moneys more effectively than an insurance company. ■

The odds were against it.

We've heard it before. We'll hear it again. That's what they always say about freak accidents that swallow American Corporations: "The odds were against it." And they're usually right.

But being right doesn't pay for the catastrophe.

That's what CNA excess coverages are for—property and casualty protection that starts where primary coverages stop. High limit protection against the monster that can finish you.

CNA is uniquely willing to write such coverage. Because we're good at it.

We've been in this business a long time. We can recognize an unusual risk. Analyze it. And rate it. All with remarkable skill.

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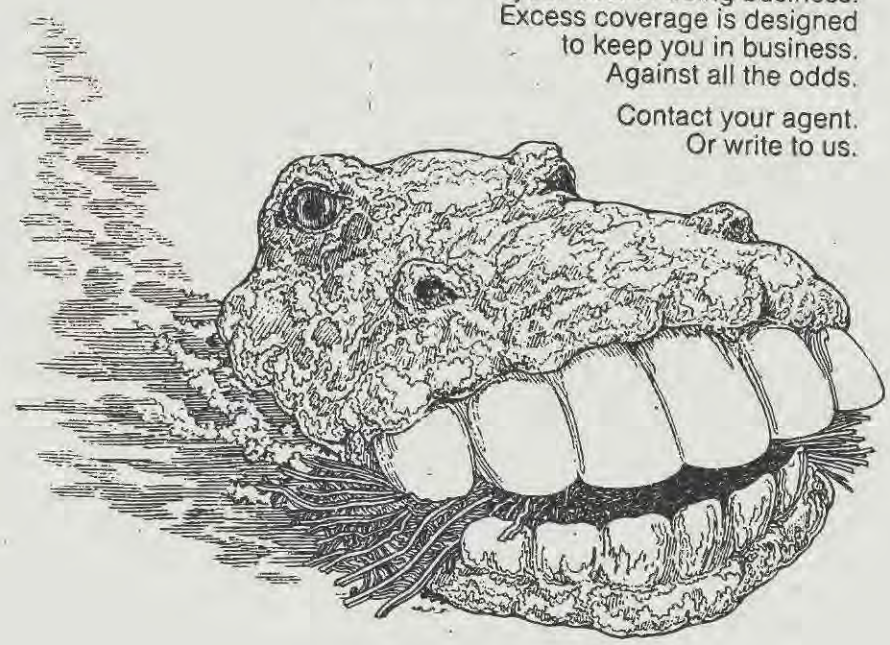
We're large enough to handle almost any need. Anytime.

But it takes more than brains and money to write excess coverage. It takes nerve. And CNA has it.

You can see it in all our insurance systems. It's just more obvious in excess coverage.

Most of our systems are designed to lower your cost of doing business. Excess coverage is designed to keep you in business. Against all the odds.

Contact your agent. Or write to us.



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Denenberg to lawmakers: Insurers must apply investments to all rates

BOSTON—Dr. Herbert S. Denenberg has joined sides in a bitter battle here over whether or not investment income of insurers should be considered when setting rates.

"There is no economic logic in ignoring investment income in the rate-making process," Dr. Denenberg told a state house of representatives hearing.

"A banker, for example, in establishing the price of a checking account, would be foolhardy if he ignored the potential investment return on the money placed on deposit," the Loman professor said. "For this reason, many banks offer checking accounts without any charge to the depositor; the expenses of the service are more than offset by the investment return on the funds."

THE BATTLE erupted last month amid reciprocal threats of lawsuits by a lawmaker of Dr. Denenberg's opinion and a representative of the American Mutual Insurance Alliance.

Nine other lawmakers joined the fight to force insurers to include investment income in the rate-making process and promised to make the issue a key point in the 1970 state legislative session.

State Rep. Alan D. Sisitsky promised legislation and a lawsuit unless state insurance commissioner C. Eugene Farnam requires insurance companies to disclose investment profits from unearned premiums and loss accounts at the rating-setting hearing.

DR. DENENBERG told the legislators that "on the legislative side, the recently passed rating law of Wisconsin expressly requires underwriting as well as investment income to be taken into account.

"Insurers, too," he said, "whatever the tenor of their formal pronouncements, have not totally ignored investment return in formulating pricing of policies."

State Rep. John W. Oliver estimated that some $20 million to $25 million a year in investment profit is not reported by insurers doing business in Massachusetts. ■

Giles . . .

Continued from page 10

bility in tort doctrine as stated in the second restatement of the law. They are (1) to insure that the costs of injuries resulting from defective products are borne by the manufacturers and sellers that put such products on the market; (2) to release Missouri courts from the shackles of the warranty language and to avoid the innumerable vexing problems that have arisen in other jurisdictions in which the device of warranty is used to impose strict liability and (3) to give the bench and bar of Missouri some sense of direction in products liability cases.

The court noted that a wholesale distributor may be held liable, because it is engaged in the business of selling products for use or consumption as provided in the second restatement of the law of torts. (*Frances M. Reener* v. *Dayton Electric Manufacturing Co.* —Supreme Court of Missouri—Sept. 8, 1969.)

* * *

THE LAW HAS its tragedies, as you know.

A male passenger in a private plane that crashed in a lake escaped injury in the crash, but was drowned while attempting to swim ashore. His policy contained the following exclusion: "This accidental death or dismemberment benefit shall not be payable if the death or dismemberment of the insured shall result directly or indirectly from . . . travel or flight in any species of aircraft except as a passenger on a licensed aircraft piloted by a licensed pilot on a scheduled air service regularly established between specified air ports."

Could his beneficiary recover? The plaintiff contended that insured drowned as the result of becoming entangled in a trot line, and that this was in intervening, and proximate cause of accidental drowning. The Oklahoma supreme court allowed recovery to the beneficiary, pointing out that it was shown that the flight had terminated without injury to the insured, and that all participants were in a position of at least potential safety after the crash. (*Security Mutual Insurance Co.* v. *Hollingsworth.*—Oklahoma Supreme Court—Sept. 9, 1969.)

* * *

IF YOU PURCHASE a parakeet and contract "parrot fever," can you recover from the department store where you made the purchase? Your real problem will be to convince a jury that you actually contracted the fever from your new pet.

In Michigan a woman purchased a parakeet from the defendant department store. The bird appeared to be in a dazed condition when she brought it home, and it continued to act sick. After three weeks, the bird appeared to be gasping for breath.

At the same time, the woman became ill and developed a high temperature. When she was taken to the hospital, the doctor advised her that she had "parrot fever." She was then placed in an isolation ward for two weeks. Her husband testified that he contacted the health department as to how to dispose of the bird, and he did so, according to instructions.

The health department reclaimed the bird, but reported that it was then too decomposed to determine if it were diseased. The husband then claimed that he became ill and went to the hospital suffering from the same trouble his wife had. The court reviewing the testimony of the medical experts, reversed the summary judgment for the department store and remanded the problem to a jury. (*Bilicki* v. *W. T. Grant Co.* —Michigan Supreme Court Sept. 3, 1969.) ■

Levin named at Equity

Fred Levin has been appointed to the newly created position of exec vp-marketing of Equity Funding Corp. of America. Mr. Levin was formerly president of Presidential Life Insurance Co. of America, a subsidiary of Equity Funding.

Grogan joins Jamison

Barry H. Grogan, formerly a partner in the Grogan Agency representing Guardian Life Insurance Co., has joined Herbert L. Jamison & Co., New York, as manager of the firm's life insurance department.

Am Can . . .

Continued from page 17

THE AGGREGATE total amount of benefits payable is $40,000 for any one accident or illness, with a maximum of $20,000 for any one accident or illness in any one calendar year.

Recent changes in the company's salary continuance and disability income plans have improved those programs considerably, Mr. Ecker noted, adding, "we think our disability income plan is one of the best in the country."

The disability income plan has been tied in with American Can's salary continuance program for a period of six months. Employes with less than two years' service receive full salary for two months; those with two to five years' service receive salary for three months; five to 10 year employes get full salary for four months; 10 to 15 year employes receive salary for five months; employes with 15 or more years' service are paid for six months.

BEYOND THE limits of the individual employe the disability income plan takes over. The plan, contributory for employes earning above $7,000, provides for benefits equaling 60% of base earnings up to a maximum of $1,800 per month for employes with less than two years' service. Employes with more than two years' service receive 70% of base earnings to a maximum of $2,100 per month.

Beyond the usual benefits paid during the first year of an extended disability, the company has provided further protection for employes with varying lengths of service. The new program went into effect at American Can Jan. 1, 1969.

Using the base earnings of $3,000 per month as the maximum considered for benefits under the plan, the program provides for 40% salary until normal retirement age for employes of less than two years' service with American Can. Thereafter, the percentages are graduated to a maximum of 70% for the first four years followed by 65% to retirement for employes with 20 or more years' service.

THE SCHEDULE of long-term disability benefits for employes between two and 20 years' service reads:

- 70% for one year followed by 45% until retirement for employes with two to five years' service.
- 70% for three years followed by 50% until retirement for employes with five to 10 years service.
- 70% for four years followed by 55% until retirement for employes with 10 to 15 years' service.
- 70% for four years followed by 60% until retirement for employes with 15 to 20 years' service.

Employe contributions for the coverage range from $4 to $8 a month for employes earning between $7,000 and $19,000 annually. Employes earning over $19,000 pay comparably higher amounts. Employes earning less than $7,000 do not contribute to the plan. ■

Heist . . .

Continued from page 8

A source at Commercial Union acknowledged this but added that his company's armored car accounts are heavily reinsured with the London market.

The Wells Fargo truck, which was carrying receipts from Aqueduct race track to Morgan Guaranty Trust Co. in New York, was held up by three men outside a Brooklyn restaurant. The truck had stopped so that one of the guards could take a lunch break.

"CERTAINLY a stop with that kind of money doesn't make much sense to us," a source at the insurance company said. However, he noted that the lunch break is a contractual thing specified in a union agreement that covers the Wells Fargo drivers and guards.

Mr. Leidgen, who was with the Brink's organization for 20 years before joining Wells Fargo two years ago, said his company is "taking corrective measures" to lessen the armored car company's susceptibility to such occurences.

A source at Commercial Union said that the insurer is naturally concerned with the problem of armored car heists, and after an incident of this kind "always re-evaluates" its position from a risk standpoint.

"The problem is that this thing is on such a limited basis, with the market being so small that you don't need many losses of this kind before it becomes a losing proposition. We're going to analyze our position again." ■

Hartford riot damages

Three days of racial disturbances in Hartford, Conn., set businesses back $1.28 million.

Publisher's credit union hikes limits

NEW YORK — McGraw-Hill Inc. employes should find it easier to save money because of a recent step taken by the firm's Employes Federal Credit Union.

As announced by its president, Herbert W. Buhrow, the credit union has eliminated the ceiling limiting members to monthly deposits of $100, and has raised the dollar limits in individual accounts 50%, from $6,000 to $9,000.

One direct benefit of the new credit union policies is that an employe can now transfer savings earning less interest elsewhere to the credit union account in a single deposit, rather than in staggered $100 deposits. Current quarterly cumulative interest payment amount to 5.08% a year.

Mr. Buhrow pointed out that with the raised ceilings a company employe can increase savings by opening or enlarging joint accounts with his spouse and/or children.

The credit union offers members additional banking advantages, including automatic payroll deduction services and opportunities for borrowing funds, if desired, at favorable loan rates. ■

High limit group cover available

FORT WAYNE, Ind.—A new, high-limit group insurance coverage called GEM, for Group Extra Medical, has been announced by the Lincoln National Life Insurance Co.

The new coverage provides an extra $100,000 protection as an option to the company's group health, major medical programs. It is designed to add protection for long-term or exceptionally expensive treatment such as organ transplants and is available to all Lincoln National Life group clients with 50 or more employes.

GEM pays 80% of all eligible charges, with a maximum benefit of an additional $100,000. ■

WE'RE 40 SO WHAT

Fortieth anniversaries are something to shout about when you have nothing else to say. That's why we belittle ours. We've been insuring planes since the beginning of commercial aviation and we've learned how to deliver extra values at competitive prices. Some of the values stem from our pioneer spirit which we have never lost – others from our extensive underwriting knowledge. Equally important are the service improvements made as a result of operating experience. With this background, we know you won't find an aviation underwriter with more know-how to take care of your clients. That's why we "so what" our birthday – we're more interested in the 40 years ahead and helping you with your aviation problems.

ASSOCIATED AVIATION UNDERWRITERS

90 JOHN STREET, NEW YORK, N.Y. 10038

After Manhattan building bombings insurers called in to pay for damage

NEW YORK—Risk managers for major buildings in this town and insurance company underwriters who draw up fire and extended coverage policies have apparently got over a bad case of the jitters caused earlier this month when three major office buildings and the city's criminal court building were bombed almost in succession.

Manhattan has had its mad bombers before, of course, but none seemed to work more deliberately than those responsible for the recent blasts. It was eerie the way the bombers set off their devices at times when the buildings would not normally be occupied and even warned their prey in advance. Perhaps they were even a little humanitarian in their approach; they seemed bent only on destroying property that represented the establishment.

Four persons have since been arrested in connection with the bombings. According to information supplied by the police, the quartet was motivated by radical political views.

IN ADDITION to the criminal court building, which is self-insured by the city of New York, bombs were set off at three large corporate buildings—the Chase Manhattan Bank headquarters, the RCA building and the new General Motors skyscraper in mid-town Manhattan.

Although damage estimates are still incomplete, it is expected that insurance will cover losses under the extended coverage endorsements normally attached to basic fire insurance policies.

Coverage on the Chase Manhattan is split between 15 or 20 insurance companies, including Fireman's Fund American, Travelers and Royal Globe. Bank and insurance company officials are estimating the loss will be nearly $500,000. All is expected to be absorbed by the primary insurance under a policy that is layered up to an $85 million limit, sources told *Business Insurance*.

Much of the damage to the building was to a bank of four elevators on the 16th floor. "It looks as if they will be out of service for about six months," a bank official said.

THE INSURANCE company that appears to be the hardest hit by the bombers' recent efforts is Royal Globe. The company covers Rockefeller Center Inc.'s RCA building.

Johnson & Higgins is the broker on both the Chase Manhattan and Rockefeller Center accounts.

The General Motors building, owned by Savoy Fifth Avenue Corp., is covered by policies written by five domestic companies. Those participating in the coverage, according to a source at the firm's broker, Reid & Carr Inc., are Glens Falls (said to be the most heavily involved). Home, Aetna, Lumbermen's and Westchester.

Sources indicated that the limits under the basic fire and extended coverage policy protecting the GM building run "in excess of $100 million" when business interruption factors are included. However, damage to office space at the building, which has not been officially estimated as yet, is not major. The source noted that Savcy Fifth Avenue Corp. has business interruption coverage to protect from loss of rents, but that this would not be a major portion of its claim. ■

Product . . .

Continued from page 1

lacerations, from simple to very severe over multiple parts of the body. Several cases of loss of vision and loss of eyes were reported, the commission said.

OF THE 430 claims involving glass bottles, more than 75% (326) received medical treatment for their injuries outside the hospital. Ten were permanently disabled (2%) and another 10 required hospital confinement. About two-thirds (280) of the claims were disposed of through payment.

Thirteen carriers specifically reported a total of 27 explosions involving glass bottles.

Cosmetics such as eye shadow, hair sprays, nail hardeners and lotions—all classified as "other beauty aids"—resulted in dermatitis, loss of hair, severe allergic reactions, burns, itching and lacerations to various parts of the body, the commission reported.

PRODUCTS in this group resulted in no deaths or permanent disabilities and involved only six hospital confinements. But, 91 of the 155 claims involved some sort of medical treatment.

THERE WERE 55 claims connected with household cleaning agents. The commission said there appeared to be four major types of serious injuries associated with these products: chemical burns to eyes, face and hands; dermatitis on various parts of the body; severe internal and external irritations; contusions and abrasions.

Of the 55 claimants, there was one death, and three permanent disabilities. Four required hospital confinement and 34 medical treatment outside the hospital.

THE SURVEY was released to the public over the strong objections of the glass manufacturing industry. The primary objection of the manufacturers was that it is unfair to compare an industry with over 73 billion items shipped each year with industries which might not have over one million items in existence. ■

Pay $7.2 million on Torrey Canyon claim

LONDON—Insurers have agreed to pay France and Britain $7.2 million for oil pollution damage caused by the shipwreck of the tanker Torrey Canyon two years ago.

Several British and American insurance companies participated in the coverage of the ship, which was owned by Barracuda Tanker Corp. and leased by Union Oil of California. At the time of the crash, the ship was on charter to British Petroleum Co. Executives of the New York investment house of Dillon Read & Co. and their relatives own Barracuda.

Another $60,000 has been set aside to be equally divided between French and British individual claimants.

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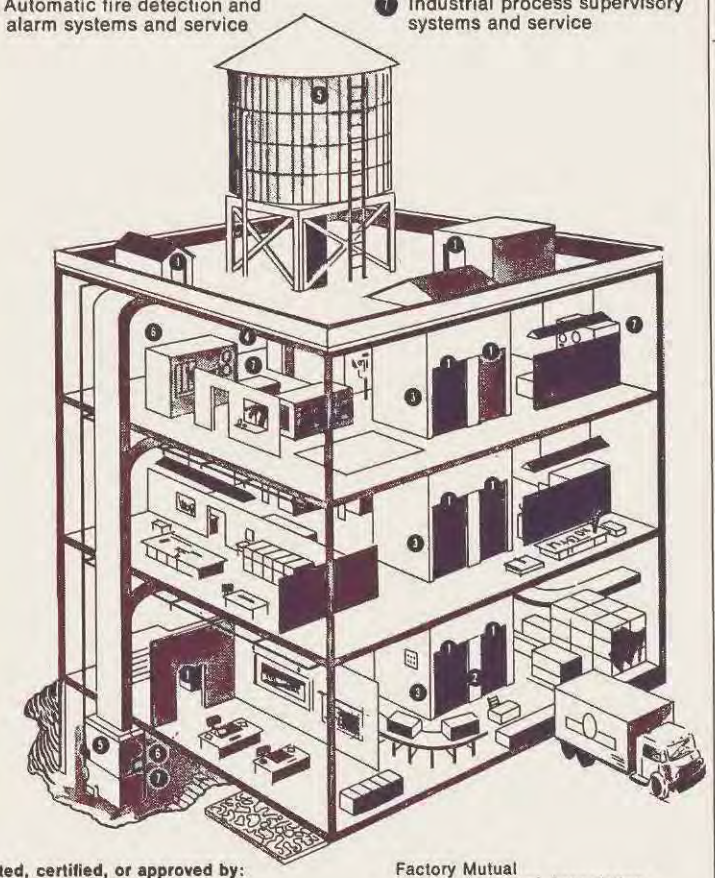

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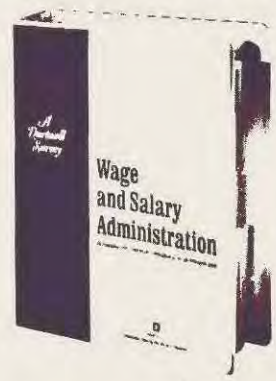

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Tax-supported units lag in benefits, says Corkum

FORT LAUDERDALE, Fla.—Tax-supported employers have not kept pace with private industry in providing maximum group insurance benefits at lowest possible cost to the taxpayer, according to George A. Corkum, executive director of Fringe Benefit Consultants here.

Because politics are usually involved, the situation isn't likely to improve, even though taxpayers and municipal employes alike cry for relief from the crunch of inflation, he said.

"Administrators of tax-supported bodies do not have to account for their revenues as do their corporate counterparts and the person charged with the responsibility of managing a fringe benefit program for a tax-supported employer doesn't have the background that a corporation would require," he told *Business Insurance*. In the rare situations in which competant, insurance-trained or oriented administrators are hired, many fail to achieve their desired objectives because of political patronage and interference.

"MEANWHILE, taxpayers are grumbling and teachers, policemen, firemen, nurses, city and county employes are becoming more vocal in their demands for better wages and fringe benefits," Mr. Corkum added.

A major step forward took place here in Florida when the 1969 state legislature took all state insurance out of the patronage arena and placed the purchase of all forms of insurance under tight supervision by an appointed general revenue supervisor, accountable to the governor and the six cabinet members comprising Florida's elected, corporate type of state government.

Insurance has been held to be a commodity (not just a service) which can be purchased under favorable circumstances when risks and numbers are combined. Hopefully, he continued, Florida will lead the way in providing insurance management in all areas of its insurance needs. "Why then, would any firm such as ours be the slightest bit interested in working in such an atmosphere?" he asked.

About five years ago, Fringe Benefit Consultants was confronted with this challenge when a South Florida group of teachers came to them for help. They had an employe-pay-all fringe benefit program which was totally unattended, yet involved over $1 million per year in premiums. Since the employer provided only payroll deduction facilities, no active supervision was involved. Whatever the employes wanted and could afford to pay for themselves was handled through a committee of teachers who changed every year before acquiring any expertise.

COOPERATION of the School Board and the Classroom Teachers Assn. led to the following results: Previous life and health carriers were required to either change their contracts to experience rating or live up to the terms of their existing contract. Refunds of $220,000 were obtained or set aside in reserves to provide increased benefits. Neither carrier had informed the employes about these earned refunds, and when consultants were hired both the life and health carriers were asking for rate increases without an increase in benefits while holding excess premiums of over $220,000. Working with a board-appointed committee comprising representatives of every employe group, Fringe Benefit Consultants increased life insurance benefits 75% at no increase in cost, and in the first year retrieved 50% of the low bid in the form of a refund.

The cost per thousand for life insurance was reduced through competitive bidding from 60¢ per month per thousand to 35¢, and after all claims and retention costs were paid, the net cost ended up at 17.5¢ per thousand per month.

The low bid carrier returned $111,680 the first year alone, and has since further refunded an additional $133,017. An interest-bearing reserve (5%) has been set up to offset adverse mortality and the plan continues to function well.

Health insurance benefits were dramatically increased, including major medical and a local claim facility was set up by the new carrier.

"In spite of tremendous increases in health care costs, the plan has only recently shown a need for possible rate revisions," Mr. Corkum told *Business Insurance*. The sum total of competent insurance management in an atmosphere of cooperation has resulted in a fringe benefit program now entirely paid for by the employer, with reduced cost and increased benefits for the employer, the employes and their dependents, he said. Direct savings to the school board and employes now amount to $439,510.42 in just three years.

"Let's hope that corporate-type insurance management will be invoked at every level of local, state and Federal government," the executive director concluded. "If it is achieved, along with some well-developed self-insured funds, millions of dollars in tax funds can be diverted to other areas." ■

Alstaetter director

Edward W. Alstaetter has been elected to the board of directors of the Los Angeles chapter, Society of Chartered Property Casualty Underwriters (CPCU). Mr. Alstaetter is corporate director of insurance for North American Rockwell Corp.

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Survivor life insurance: A benefits' time has come

By STEPHEN GILKENSON

NEW YORK—When Kenneth C. Nichols, a senior vp at the Prudential Insurance Co., told a group of employe benefits people here recently that survivor life insurance benefits' "time has come" he had some pretty good evidence to support the claim.

Item: The Prudential has approximately $1.25 billion worth of survivor life insurance in force today. About $900 million of that has been written within the last 18 months.

Item: The Prudential has recently quoted proposed plans that, if all are accepted, would amount to over $2 billion more survivor life in force.

THE ITEMS WERE given to *Business Insurance* by Mr. Nichols to support what he believes is a growing trend. It is a trend, he feels, that has been given considerable momentum by the auto industry which first negotiated survivor life with the United Auto Workers in 1964.

Survivor life, however, is not a new concept, nor is the Prudential the only company peddling it. Standard Oil has had such a program for its employes for many years, Mr. Nichols noted. In addition to Prudential, both Aetna and Equitable are promoting the concept aggressively. Metropolitan, Mr. Nichols said, is "somewhere in between" and not as aggressive as the former three.

TO ILLUSTRATE the benefits provided by survivor life, Mr. Nichols used an example (not a typical one, perhaps, but fairly illustrative of the point he was trying to make):

A man earning $30,000 with a three times earnings plan would leave $90,000 to his spouse and children.

Under the survivor life plan, the same man—say he was 45 years old, had a wife 42 and a youngest child age 12—would leave the following: A spouse benefit of 20% of predeath monthly earnings, payable until death, remarriage or age 65; a children benefit of 20% payable until the youngest child reaches age 23 (the combined spouse and children benefit cannot exceed 30%, however); and a restructured group life policy equal to one times annual earnings.

Mr. Nichols, who made his pitch before a Council on Employe Benefits conference last month, was rebutted to some extent by Paul H. Jackson, a consultant with the Wyatt Co. in Washington. Mr. Jackson said that under the group life approach to survivor benefits "it may well be that the fuss and bother involved in calculating the income tax may be a greater impediment than the absolute amount of the tax itself."

LATER ASKED ABOUT the remark, Mr. Nichols minimized the "fuss," sloughing it off as a tactic pension consultants are likely to use in approaching the subject.

Prudential has written survivor life insurance plans for Salada Foods Inc. of Canada and Johnson & Higgins, among others. General Dynamics will put a Prudential plan into effect Jan. 1. Those are some of the more prominent names in the Prudential files, Mr. Nichols said, adding that there are even more in the list of those presently considering Prudential quotes.

Naturally, the insurance company thinks survivor life is the greatest thing since tea bags. And there is evidence that others, less prejudiced, agree.

AT SALADA IN Canada, for example, they have had such a plan for some time now and sources there indicate all is going well. So well, in fact, that Salada Foods' operation in this country is presently drawing up a similar scheme for its employes and is expected to put it into effect soon.

The reaction at Johnson & Higgins is similar. A source there told *Business Insurance:* "We've had it for almost two years now and it's very, very popular. I think every married man in the company has signed up."

The J&H source noted that no particular tax woes have been encountered by employes' survivors who have had to call on the contributory scheme. "There is no problem at all if you have a heavy contribution plan, where the employe is allowed wide latitude in choice of beneficiary," he said, recommending the contributory approach to other companies currently considering survivor life.

"THERE'S NO DOUBT in my mind that this is the proper approach for death benefits in the future," he went on. "We've seen an awful lot of activity and, as a matter of fact, we're creating some of it with our clients."

As explained by Mr. Nichols, survivor benefits life insurance provides a percentage of predeath earnings to a spouse and children beneficiaries for as long as a presumed need exists.

"As employers have improved their group life schedules from

Kenneth Nichols

modest position or earnings plans to those with amounts equal to one, two, three or even more times employe earnings," the vp asserted, "they have begun to question whether such benefits really do the job."

MR. NICHOLS FEELS they do not. Fine, he says, if the job is primarily to provide management personnel with long service and high earnings a form of additional compensation with personal tax advantages, then a three or four times annual salary plan does the job.

"But," he adds, "if we define the job of group life insurance as providing timely and adequate benefits to fill family beneficiary needs in the event of the employe's death, then this multiple earnings approach falls far short of the mark. It provides too much coverage for some, far too little for others, and does not make the best use of the employer/employe dollars allocated to it."

Using himself as an example, Mr. Nichols said that since Prudential put a plan in effect for its employes he has increased his life estate by $400,000. "I couldn't buy that on the open market. I couldn't afford it," the senior vp said.

IF THE OBJECTIVE is to provide a more equitable program, Mr. Nichols asserted, then survivor benefits coverage meets it for three reasons:

- Single employes are not eli-

Continued on page 52

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Connecticut teachers can't collect unemployment pay for vacations

HARTFORD—Public school teachers in Connecticut may be idle during summer months, but compensation collecting is out.

This is the gist of an opinion by State's Attorney General Robert K. Killian, who had been asked to rule on the matter in light of a new state law making municipal employes eligible for jobless benefits. Mr. Killian remarked that Connecticut school teachers are employed by boards of education, which are "creatures" of the state.

The Killian opinion was in response to a request from State Labor Commissioner Renato Ricciuti, whose office had received a number of claims submitted by teachers and other school employes.

THE STATE legislature's action earlier this year brought municipal employes under the umbrella of eligibility for unemployment compensation previously applicable to private employes. Before 1969, the law had been permissive for towns.

Although Mr. Ricciuti is barred by law from telling who files complaints, *Business Insurance* learned that the school issue developed when some 98 teachers and other employes in a number of communities sought benefits under the new state law.

Mr. Killian's opinion also covered employes of housing, parking and other authorities established by state law. The attorney general said that in each case authorities may hire or fire their own employes.

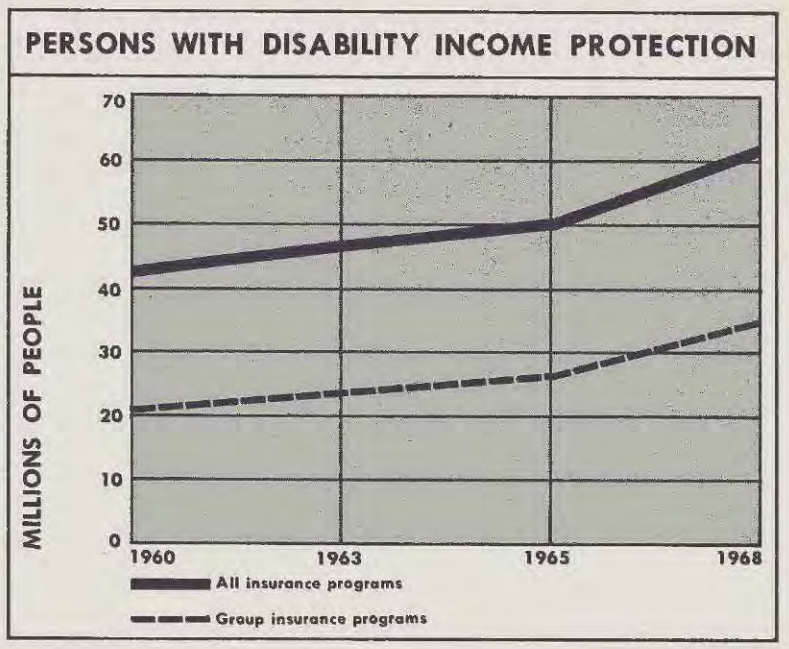
Mr. Killian's opinion passed over another question that could get involved—that of a teacher's technical 'unemployment,' during vacation periods.

MR. KILLIAN avoided the question by reasoning that school employes, in actuality, do not work for the city or town.

In summary, the attorney general's opinion said:

"The provisions of Public Act 700 do not extend unemployment compensation benefits to teachers because teachers are not employes of the municipalities in which they teach, but are employes of the boards of education, which, by law, are creatures of the state.

"Because the contract of employment between the public school teachers and the boards of education is a continuing contract and because the teachers are subject to the control of the boards of education during the various periods of the year in which the schools are not in session, the teachers are on vacation as a matter of law and hence disqualified from receiving unemployment compensation benefits in respect to such absences from their regular employment." ■



Food system may cut cost to patients

FORT LAUDERDALE, Fla.—An experimental convenience food system approved for the cafeteria and one nursing unit at Broward General Medical Center here might eventually lead to a reduction in costs to patients in the entire North Broward Hospital District (Broward County).

The new food system will start in December for a three-to-four month study period on the floor for new mothers and with service in the cafeteria.

The study is aimed for full use ultimately throughout Broward General Hospital, North Broward Hospital and at Imperial Point Hospital. ■

Computer . . .

Continued from page 17

ized structure were too complex. The statement's expense proved to be unfeasible. I guess for a company which has a more standardized benefits program it might be more practical, but not for anyone in our situation," he concluded.

There are several companies that market the service. Benefacts, a Baltimore sudsidiary of Alexander & Alexander, is the oldest and largest of the computer statement companies, with 203 accounts. Towers, Perrin, Forster, & Crosby Inc. operates System 7 out of Philadelphia. Another recently created communications company offering annual computer employe statements is Computer Communications Corp. of Boston.

In addition, Marsh & McLennan markets a computer benefits statement through its communication services department in New York. Frank B. Hall & Co. offers its computer statement through its subsidiary, Halltech Associates in New York. ■

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Survivor . . .

Continued from page 50

gible under the plan currently in vogue. "Their need for smaller death benefits is obvious," the vp said, "and our experience has been that they do not feel discriminated against when family men get more coverage."

- Unlike the multiple earnings plan, benefits are paid out over a period of presumed need.
- The cost of adding survivor benefits can be held down by including plan provisions which terminate the spouse benefit if she either dies or remarries before the end of the benefit period. "The mortality savings and the remarriage feature will usually produce up to 40% lower premium for a typical group," Mr. Nichols said.

PROJECTING THESE percentages, Mr. Nichols explained that the spouse benefit would be $6,000 times 23 years or $138,000; a child's benefit of $3,000 times 11 years; and a restructured group life benefit of $30,000. Totaling these up the benefit amounts to $201,000 or $111,000 more than the three times earnings plan.

Mr. Nichols' comparison provoked a rather astonished response from employe benefits managers present during his explanation (especially when he noted that a three times earnings group life plan and a survivor benefits plan cost exactly the same in premium dollars for a typical group).

Upon analysis, however, the difference of return is not all that whopping, considering that a $90,000 group life benefit, invested wisely by a beneficiary, would be expected to produce the same or better aggregate benefit over a period of years.

HOWEVER, MR. NICHOLS emphasized that the survivor life scheme produces the greatest benefit where the most need exists. The total benefit would be even greater were the 45-year-old man 10 years younger with children who were comparably younger.

(He also noted, almost lightly, that women with remarriage on their minds probably find the survivor life plan less interesting than their concerned husbands, since most plans being sold contain the clause which ends the spouse's benefit if she remarries. Mr. Nichols admitted that it is this remarriage factor which keeps some of the survivor life costs down.)

As far as the tax aspects go, the Prudential vp noted that employer contributions are tax deductible, just as are the premiums for conventional group life plans.

FOR THE BENEFICIARY, the present value of survivor benefits is added to any amounts of regular group life in determining whether the employe has current taxable income under Section 79 of the Internal Revenue Code, Mr. Nichols explained. "However," he added, "since survivor benefits' present values are greater at the younger and medium ages, it isn't likely that much taxable income will be incurred, especially if the employe is contributing."

What about the Federal estate tax?

Elaborating on that question, Mr. Nichols said that "the value of the survivor benefits at the death of the employe, like other forms of life insurance, is includable in the employe's gross estate if he had any incidents of ownership in the insurance at the time of his death.

"HOWEVER," he went on, "a ruling published by the Internal Revenue Service last year clarified, but like most such rulings not completely, the circumstances under which group life insurance benefits could be absolutely assigned so as to remove such benefits from the gross estate of a deceased employe." Mr. Nichols noted that a recent court ruling has supported this position when an irrevocable assignment is made.

Because of this possibility of removing the survivor benefits life insurance from the employe's taxable estate through assignment and the desire to reduce the taxability of income to the beneficiary, the life insurance approach is becoming very popular with a growing number of younger employes today.

However, he noted, older, high paid executives may find such benefits under a pension plan more attractive, especially if it is noncontributory or if they are reluctant to assign their life insurance benefits and don't mind their beneficiary paying income tax on the benefits received.

SOFTENING HIS PITCH somewhat in conclusion, Mr. Nichols said that there is no universal answer to which vehicle should be used to fulfill employe needs—a group survivor life or similar benefits funded through a qualified pension plan. "It depends upon the specific objective that is to be met," he said.

"However, you can be assured the survivor life plan will help you hedge against future increases in cost, because survivor benefits are directly related to need. There will be less future pressure for additional life amounts because the benefits will already be substantial for employes who need protection the most," he added. ■

Rohm and Haas, Philadelphia, is celebrating its 50th anniversary with Travelers Insurance Co. as carrier of its group life insurance contract. John C. Haas, Rohm and Haas executive vp, right, accepts a plaque from E. C. Johnston, vp of Travelers, center, on the occassion. George Clayton, left, a retired Rohm and Haas employe, has been covered under the contract the entire 50 years it has been in effect. The first Travelers policy covered 71 employes for a total value of $49,400. Under the present program, according to Edward M. Morgan, benefits manager, 12,400 Rohm and Haas employes are covered for a total value of $300 million. The program was brokered through Alexander & Alexander and is underwritten by Continental Assurance as well as Travelers. Employes are covered after three months with the company and a committee composed of representatives from Rohm and Haas and various unions decides the rate at which benefits are paid out to survivors.

Wood was proudest of Sear's profit plan

LAKE FOREST, Ill.—Gen. Robert E. Wood, who died here at 90 Nov. 6, once said he was prouder of starting Sears, Roebuck & Co.'s savings and profit sharing plan "than of anything else I ever did in business."

The giant fund, which holds 23% of Sears stock, has assets of more than $2.5 billion, the largest profit sharing or pension fund in the country. In 1968 the company contributed $87.1 million to the fund and paid out some $54.2 million in interest and dividends.

Gen. Wood (he held the rank of brigadier general in the Army in charge of purchase and storage) retired as chairman of Sears in 1954. He stepped down as a director last year and was elected honorary chairman.

Gen. Wood is also credited with starting Sears' Allstate Insurance operation. His rationale for entering the insurance business "was that as we were the largest sellers of tires, batteries and automotive parts in the country and every car owner in the U. S. knew Sears, we'd have plenty of customers." ■

Cameron, 62, dies

Donald Cameron, vp and Southwest division manager of Liberty Mutual Insurance Cos., died Oct. 31 in Boston. He was 62. Mr. Cameron joined Liberty Mutual's loss prevention department as a field engineer in 1930.

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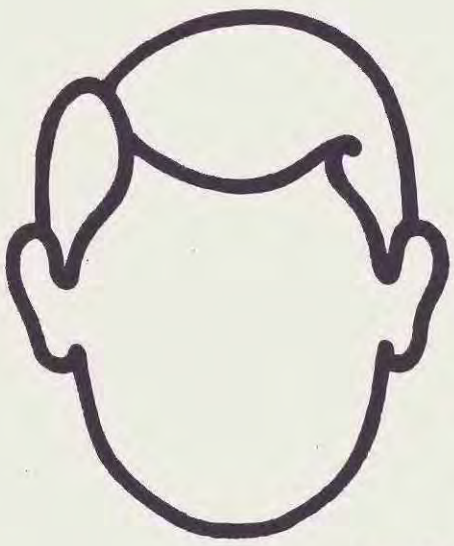

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