HMO's: Still some major unresolved issues page 68

Expert to producers: quality before economy
page 66

ASIM board to chapters: more legislative info soon
page 2

Trustees to Blue Shield: hasten health care reform
page 74

Entire contents copyright 1973 by Crain Communications Inc.

45¢ a copy; $10 a year Week of November 5, 1973

business insurance®

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

Mideast war spurs Alaska pipeline work

By MARY ANN CALLAHAN

VALDEZ, AK.—Oil companies, insurers and brokers expect to disclose shortly their insurance suggestions for the proposed Alaskan pipeline.

The plans reportedly are being tailored to cover potential damage to the ecological system governing hundreds of miles to be traversed by Alyeska Pipeline Service Co.

The proposed $3.6 billion project, a 789-mile Arctic link between energy-thirsty Americans and the bountiful oil pools of Prudhoe Bay, waits anxiously in the congressional wings.

AMIDST AUTUMNAL forebodings of winter cold, the sudden boiling over of tension between Israel and the oil-producing Arab states, a prime American energy source, could not help but push the Alyeska Pipeline Service Co. venture onto center stage.

Five years of planning have gone into the pipeline, including extensive environmental studies and revamping of original plans by the seven oil companies which form Alyeska. Experts indicate that construction could begin next spring, pending Congressional approval.

Although the prospect of insuring the huge and often unprecedented exposures of the pipeline has been on the minds of corporate risk managers, oil insurers and brokers for quite a while, sources indicate that no overall insurance program has been finalized yet.

Those involved in the planning even hesitate to commit themselves in discussions on insurance needs of Alyeska, although a spokesman for a major oil company said, "within two months we may have something definite."

THE SAME source said each oil company participant is putting together a tentative insurance package, presumably using a variety of underwriters and working through brokerage houses. Once all the plans are ready, the member companies will select the best one and begin an overall insurance program.

"What we will eventually have is a coordinated approach to the insurance coverage," he said. "We've done a lot of work on new facets, taking into account the risks of damage to the envi-

Continued on page 11

A major issue in continuing UAW negotiations is who will pay the costs of national health insurance premiums and taxes. —Wide World photo

UAW-Ford settle; IH and Cat talks ongoing

DETROIT—The United Auto Workers (UAW), forging ahead after winning substantial benefits from Chrysler, won a new three-year contract with the Ford Motor Co. that includes extended health benefits and looser retirement plans.

The labor contract agreement came only a few hours before the strike deadline on Oct. 26. More than 185,000 workers would have walked out if a settlement had not been reached.

THE FORD settlement, like the UAW-Chrysler compact, provides for a prepaid dental plan, and for employer-paid premiums or taxes in the event a national health insurance program is established. Negotiated health benefits will be maintained if any national health plan is enacted.

The UAW is still negotiating with International Harvester, whose employes have been out on strike since Oct. 18. The union also continues talks with Caterpillar, but no strike deadline is set now in those negotiations.

The union set a Nov. 19 strike deadline for General Motors.

Chrysler agreed earlier to pay all taxes on a national health insurance program for a worker and his dependents. This exceeded the expectations for most Congressmen, who were considering split cost plans for workers and management in the event that a national health insurance program was passed.

High on the list of reported victories gained by UAW in the Ford settlement is a new retirement plan for the motor company's 13,400 foundry workers. It will be implemented in the contract's third year, allowing foundry employes to retire after 25 years of service instead of the usual 30. Ford conceded to this demand after the UAW claimed it had a study showing that foundry jobs shortened workers' lives. Ford steadfastly refused to accept the study's findings as fact, even though it agreed to the union demand.

A SIMILAR negotiating battle with Chrysler last month resulted in only a tentative agreement to give bonus service credit to foundry workers in 1975 if other health studies show that a hazard exists in foundry jobs.

The Chrysler contract pension plan which eliminates minimum wages for early retirement and includes a $700 a month pension ceiling was accepted by Ford as well.

But one earlier UAW gain was not carried into the Ford pact. Ford refused to accept a bonus time-off plan for workers with good attendance records. The union had won this provision in a settlement earlier in October with Deere & Co. ■

Battle over private insurers' role in taking OPIC risks

By TOM WALSH

WASHINGTON—The Congress, the administration and some large private casualty insurers are at odds with each other about how to handle politically-sensitive risk coverage of foreign investments.

The Overseas Private Investment Corp. (OPIC) is caught in the middle.

All parties agree that sooner or later much of the $6.4 billion insurance portfolio now carried by OPIC with some private reinsurance will have to be absorbed by the private sector. The Senate foreign relations subcommittee on multinational corporations has clearly indicated a preference for sooner rather than later, while the House foreign affairs subcommittee on foreign economic policy, after also studying the question, told OPIC to take its time.

OPIC GENERALLY agrees with the House directive and is now working with a council of business and insurance executives to iron out the basics of any risk conversion. The insurers, generally, seem to be in no hurry, apparently wanting some time to study the potential liabilities involved before committing themselves to at least some potentially sticky risks.

The issue of U.S. foreign policy has also entered the debate. The use of insurance as a foreign relations tool was strongly criticized by Senate subcommittee chairman Frank Church (D-Id.) and just as strongly defended by Secretary of State Henry Kissinger (see story, p. 10).

The policy dispute apparently has arisen largely out of the somewhat ambiguous Congressional mandate of OPIC as put forth by the Foreign Assistance Act of 1969. The law said OPIC was to provide needed assistance for investments which would aid the economic and social growth of under- or lesser-developed countries. But it also said that OPIC was to be operated "with due regard to principles of risk management" and on a "self-sustaining basis." In addition, the agency was told to keep a keen eye on U.S. balance-of-trade objectives.

The problem, basically, is that the best risks are not those which might best benefit the host countries and their citizens. While having to insure a number of low-risk projects to maintain its reserves, OPIC must also pick and choose a number of not-so-attractive risks in the name of development.

THE ISSUE of the best way to handle this somewhat unusual objective came to a head with a request from OPIC for a $72 million Congressional appropriation and an extension of its existence for two years past June 30, 1974. The 1969 law creating OPIC set it up as a five-year pilot program, but the agency wasn't organized and functioning until January, 1971.

OPIC claims it needs the extension to complete unfinished business and also to conduct an "experiment in joint underwriting" with the private insurance industry.

The $72 million is being sought to pad OPIC's $143 million insurance reserves. Some $50 million from the reserves of the Agency of International Development (AID) was reclaimed by Congress when it passed along AID's insurance portfolio to OPIC. OPIC is now trying to restore that money and additional funds representing what might have been earned by the $50 million had it remained under OPIC's jurisdiction. Last year, Congress reinstated more than $12 million, and OPIC is now looking for the additional $72 million it feels it is owed.

THE HOUSE subcommittee has recommended the extension and the allocation be granted. The Senate subcommittee feels OPIC should begin terminating itself over a five-year period and has voted not to recommend the appropriation.

During a day-long meeting at the Kennedy Center here, OPIC officials met with members of the OPIC advisory council—comprised mainly of major exporters, representatives of multinational corporations and insurance industry executives—to discuss the opposing Congressional stands and further investigate the feasibility of more private insurance industry involvement in political risk coverage.

The council generally tended

Continued on page 2

Battle rages over role private carriers will play in OPIC risk conversion

Continued from page 1

to line up behind the House report and criticize the recommendations of the Senate report as "unthinkable" and "unwise."

Brad Mills, OPIC's first president and now one of 11 members of OPIC's board of directors, told the council the Senate "did not conduct an investigation, but a hanging session." The House, he said, conducted a "fair hearing."

Representatives of the casualty insurance sector also expressed disgust with the Senate subcommittee report, and hinted the major companies in the field may soon join together and formally challenge the report's findings.

DONALD E. JOHNSON, vp international insurance for Nationwide Mutual Insurance Co., termed Senate subcommittee report proposals "completely unrealistic."

"The Senate subcommittee is trying to dump the contingent liabilities of the U.S. government onto the private insurance industry," he said. "The industry will reject this out of hand."

The Senate had suggested that, if OPIC and the private insurers cannot reach agreement over the next five years, "OPIC should discontinue issuing political risk insurance until such a time that an agreement is reached."

"The Senate subcommittee proposal would undermine our capacity to negotiate an arrangement protecting the government's financial interests and the public purposes of the program," Marshall T. Mays, OPIC's president, said. "It would compel OPIC to come to terms with the private companies which could end up being costly to the taxpayer."

OPIC and the advisory council are now working on those terms, but, from comments and suggestions offered at the Kennedy Center meeting, no immediate solutions are forseen.

OPIC is now working to expand its reinsurance committments with private insurers and has made a formal proposal for an insurance syndicate of public and private reserves to insure political risks 50-50.

OPIC and Lloyd's of London entered into a reinsurance program in December of 1971 where Lloyd's accepted $258 million in expropriation exposure on a quota-share basis, taking 50% of any claim, with a $7 million per country limit. Lloyd's increased its coverage by $915,000 per country in April of 1972, upping its total involvement to $284 million, or 12% of the federal agency's outstanding expropriation portfolio.

UNDER BOTH agreements, Lloyd's relinquished all authority to place expropriation contracts, but received 85% of the premiums paid on that portion of the current expropriation coverages which it insured. The $284 million worth of reinsurance was provided to OPIC in 1972 at a cost of $1.1 million.

This year, Lloyd's upped its involvement to $410 million and doubled its per-country ceiling to $14 million. OPIC is now asking Lloyd's to extend the 1973 policy through June 30, 1974.

In addition, independent British insurers, Italian and Irish insurance companies, and seven American companies are now also involved in OPIC reinsurance.

The American Agricultural Insurance Co. of Indianapolis (a subsidiary of the American Farm Bureau Federation) has the largest involvement among U.S. companies, $125,000 per country. Unionamerica Insurance Co. Ltd. (a subsidiary of Unionamerica Insurance of Los Angeles) has $100,000 in reinsurance per country, and the Insurance Co. of North America of Philadelphia has contracted with OPIC for a $75,000 limit.

Other American insurers and the limitations of their exposures include: Bellfonte Insurance Co., Covington, Ky., a captive of Armco Steel, $60,000; Home Insurance Co., New York, $50,000; North Western National, Milwaukee, $25,000; and Liberty Mutual, Boston, $10,000.

ALL POLICIES written this year have no expiration date. Each interest has the right to terminate after giving appropriate notice. The Lloyd's contract was written on a 12-month basis.

Whether other companies will rush to get a piece of the OPIC action remains to be seen. None, it's clear, is interested in war risks, despite the Senate subcommittee's directive that all OPIC risks—including war—should be absorbed by the private sector.

None want bad risks either, and how OPIC will go about using insurance as a development tool in less-than-proven foreign countries and yet convince private insurers to back such projects with substantial funding, also remains to be seen.

The industry has indicated it wants a free hand in picking and choosing what projects it will cover and also in setting rates based more on risk than "public policy need."

THE ADVISORY council was told by a spokesman for a council committee investigating the syndicate proposal that it "looks like something that can be done."

Indications are that it would take at least three months to work out the formal details of any such syndicate proposal and at least six more months to work out the membership of the syndicate.

The Senate foreign relations committee and the House foreign affairs committee will have the next Congressional say on the future of the OPIC extension and its $72 million appropriation request. No final Congressional action affecting OPIC is expected this year. ■

ASIM changes

DALLAS—The American Society of Insurance Management will retain a law firm next year to keep tabs on state and federal risk management-related legislation that could have an impact on its member corporations, *Business Insurance* learned.

At the same time, ASIM directors decided not to renew the contract of James E. Bailey, who for the past several years has been the Washington-based legislative counsel for the society. Mr. Bailey's contract expires Feb. 28, 1974.

The decision to retain the law firm came at a board meeting here a week ago, after an ASIM ad hoc committee on legislation recommended the changes.

"Its report (to) the committee recognized that ASIM has expanded and its legislation program has received growing recognition in recent years," said Berry L. Griffin Jr., ASIM's vp-legislation.

"With this growth, the task of maintaining liaison and effective legislative review in 50 states and at federal government levels has become an enormous task. In view of this it was felt that the interest of ASIM members could best be served by retention of a law firm with research facilities and staff capability of covering many legislative fronts simultaneously," he said.

Mr. Griffin is presently searching for a law firm with these capabilities.

UAW backs government employes bill

WASHINGTON—The United Auto Workers (UAW) declared its support for a federal collective-bargaining bill affecting public employes, now being considered in the House of Representatives.

"We do not believe that the present hodge-podge of ill-considered state laws provides a vehicle through which public employes may obtain justice at the workplace," Stephen Scholssberg, UAW general counsel, said in a statement to the House special subcommittee on labor.

"THESE LAWS, while denying equity to public employes, have not promoted labor peace. Despite the mass of harsh and uneven state laws governing labor relations for state and local employes, strikes, blue flu and other forms of public worker protest are on the increase."

The federal bill provides a voluntary, pre-strike arbitration mechanism.

"The UAW believes that workers may obtain true equity only through collective bargaining. This is the compelling reason for our support of the Clay-Perkins bill," the union official asserted.

The Public Employes Relations Act also has the support of the American Federation of State, County and Municipal Employes, the Service Employes International Union, the Fire Fighters Union and the National Education Assn., the UAW noted. ■

Bulletins

CHICAGO—Gulf Oil Corp. and CNA Financial Corp. "indefinitely suspended" merger negotiations in a surprise move last week. E. L. Nicholson, CNA chairman and Bob R. Dorsey, Gulf's chairman said jointly the companies had been unable to reach a definitive agreement on merger terms. The merger plans were first announced Oct. 1. They reportedly included an exchange of about $850 million in Gulf securities for all of CNA's outstanding common and preferred stock.

In a related late development, CNA said more major claims forced a $16 million underwriting loss in its casualty insurance business during the third quarter, contributing to the whopping $7 million overall loss the firm reported for the period. CNA had profits of $26 million in the three months a year ago.

* * *

DETROIT—An explosion at Ford Motor Co.'s casting center plant injured 12 and prompted an OSHA check. The investigation disclosed "no imminent dangers" and UAW members returned to work. Loss estimates were not available.

GUIDE TO FEATURES

Info for Buyers 8-9
Washington Watch 10
Opinions 18
London Line 30
For the Record 43-44
Labor Beat 53
Giles on the Law 57
Perspective 63-64
Dates for Buyers 72

Vol. 7 No. 23—Business Insurance is published every other Monday at 740 Rush St., Chicago, Il. 60611. Controlled circulation postage paid at Chicago, Il. Copyright 1973 by Crain Communications Inc.

Establishing or expanding a captive insurance company?

If so, priority information should include the answer to this question

will the rate of return compare favorably with your cost of capital requirements

Cameron and Colby Co. feasibility studies include this financial forecast. (Along with a thorough analysis of loss patterns and exposures, premiums and coverages, and industry comparisons.)

Cameron and Colby Co. is capable of making such projections by virtue of the fact that we are actively, successfully, engaged in operating our own insurance and reinsurance companies. And have for many years.

If you are interested, we'll be glad to submit a proposal — without obligation. For information.

Albert R. Dow, *Senior Vice President*
MANAGEMENT SERVICES DIVISION

CAMERON AND COLBY CO.
AN OPEN CIRCLE COMPANY
60 Batterymarch Street, Boston, Massachusetts 02110 • 617/357-8400

Non-Standard & Specialty Lines Aviation, Marine and International Insurance

J. H. Blades & Co., Inc.
713/526-6551 • P.O. BOX 22003 • Houston 77027
512/826-2378 • P.O. BOX 12085 • San Antonio 78212
J. H. Blades & Co. (International) Ltd.
2-6971 • P.O. BOX 691 • Hamilton, Bermuda
J. H. Blades & Co. Pte. Ltd.
377295 • P.O. BOX 60 TANGLIN POST OFFICE • Singapore 10

Says benefits should include preventive care

CHICAGO—Preventive medicine should be provided by private health maintenance facilities under an upgraded private health care system, coupled with added coverage by Blue Shield plans, a leading corporate insurance buyer said.

J. D. McGee, vice president of employe benefits for Johns-Manville Corp., told 400 physicians and officials at the annual Blue Shield program conference he does not favor the total restructuring of our health care delivery system, especially with a federally-dictated program.

In a wide-ranging speech, Mr. McGee emphasized the need to lower medical costs and improve the health delivery system by shifting attention to health maintenance organizations (HMO's). He also recommended changes in coverage for the Blue Shield Plans, and suggested ways for Blue Shield to better serve national corporations.

HMO'S APPEAR to be gaining in acceptance, and "all indications are they will have an important place in the future of medical care," Mr. McGee said, nothing he does not believe HMO will "substantially lower costs" of health care. "Reports of substantially lower costs for health care under HMO's is not supported by some who have dual choice arrangements available," he told his audience.

The executive also commented that many authorities on the proposed federal laws "do not expect any major legislation (to be) passed this year and probably not before 1975."

While Mr. McGee stated that he does not believe the structure and financing of medical care needs complete revision, he offered detailed suggestions for changes that would, in his words, strengthen and supplement the present private system. He recommended that employers and insurers:

- Support federal legislation to encourage establishment of health care centers;
- Support legislation which would fund new hospitals, HMO's and ambulatory care facilities;
- Support the removal of legal barriers to HMO's;
- Support state legislation to remove restrictive licensing which discourages use of paramedical personnel;
- Place more emphasis in employer-union insurance plans on preventive and ambulatory care;
- Support the concept of HMO's and out-patient clinics, including legislation under which low-cost government loans would be provided to operate these facilities.

"WE HAVE had too much insurance coverage that mandates hospitalization," Mr. McGee charged. "It would appear that Blue Shield and the medical profession's major responsibility within the very near future must be to . . . make the private system work" by returning the highest possible benefits on the patient care as well as in-patient services in insurance plans, and offering protection against bankruptcy due to long or unusual illnesses, Mr. McGee declared.

"In my opinion, Blue Shield is going to be required to play a more active role in policing the medical professions through more careful scrutiny of claims, to reduce instances of unnecessary treatment," he predicted. Blue Shield should encourage performance of minor surgery in doctors' offices, he added.

Major medical expense insurance "would go a long way toward emphasizing out-patient and preventive medical care," the Johns-Manville executive stated. "These plans should also provide benefits for progressive hospital care, treatment in extended-care facilities, preadmission testing and home health services when such programs become available," he exhorted Blue Shield.

HEALTH PLANS should also allow employes to make a choice of fee-for-service medical care or group care, when available, Mr. McGee believes.

He also strongly advocated state legislation which would require each health insurance policy written in a state to contain a non-duplication or coordination of benefits clause in order to discourage over-treatment "which might occur in a situation where the patient can make a profit."

In the course of his speech, Mr. McGee noted that he handles employe benefits for some 6,000 Johns-Manville employes in 100 locations around the U. S. under a Health Services Inc. contract, with local Blue Shield servicing.

He said that over the years, his company has experienced some difficulty with Blue Shield's non-uniform definition of benefits from location to location. "It is imperative that your people have uniformity in providing a given benefit and that your uniformity is communicated to those who are charged with responsibility of administering your plans," Mr. McGee told Blue Shield executives.

He went on to note many justifiable complaints about Blue Shield "center around your inability to process claims promptly and accurately," and said there are still instances in which claims are lost along with supporting data.

ALL LOCAL Blue Shield plans should have a uniform procedure for sending records of medical payments to hospitals and physicians to the individual subscribers, Mr. McGee suggested to his Blue Shield listeners.

Suggestions for improving administrative efficiency of Blue Shield included:

- Uniform use of social security numbers for subscriber identification (Mr. McGee noted that some local Blue Shield plans still do not use this accepted identification method.);
- Faster issuance of identification cards to employe-subscribers, which will help eliminate the lag of 60 to 90 days that often occurs;
- Adoption of uniform claim forms by all local Blue Shield plans.

Blue Shield lobbyists and administrators should be on the lookout for any problems or adverse legislative activity for insurers or clients, so that clients can take an active part in hearings, Mr. McGee urged, citing instances where the alert to legislation hasn't come until weeks after a bill has been acted upon. ■

The Prudential Insurance Company of America
is pleased to announce
the formation of a new subsidiary
for the writing of all forms of
property and casualty reinsurance.

Prudential Reinsurance Company
Post Office Box 908
745 Broad Street
Newark, New Jersey 07101
Telephone: (201) 643-6661
Telex: 13-8698

David J. Sherwood, President
LeRoy J. Simon, Senior Vice President

For information contact:
Ross C. Cowan, Vice President—Facultative
Paul B. Ingrey, Vice President—Treaty

Initial Capital	$ 2,500,000
Contributed Surplus	72,500,000
Total Capital and Surplus	$ 75,000,000

Prudential Reinsurance Company

subsidiary of
The Prudential Insurance Company of America

Prudential

States should adopt model work comp plan

AUSTIN, TX.—The states must press forward in workmen's compensation reform, by adopting the model interstate compact drafted by an industry-government committee and now under consideration in many states, an insurance industry official said.

F. David Rolwing, regional manager of the American Mutual Insurance Alliance, told a meeting of the Southwestern Insurance Information Service here that the model compact is the "only viable alternative" to the Javits bill (S. 2008) now in Congress.

The Javits bill, he contended, would result in federal takeover of all state workmen's compensation programs and "runaway escalations in cost."

The Javits bill purports to be a federal standards bill, but would trigger a complete federal takeover since a large number of states have constitutional prohibitions against compulsory workmen's compensation coverage, Mr. Rolwing asserted.

IN THE COST area, S. 2008 would "reopen hundreds of thousands of old claims and pay benefits at current levels . . . would allow the secretary of HEW to decide what new diseases are to be covered . . . with instructions that any injury shall be deemed to have arisen out of and in the course of employment if work-related factors were a contributing cause of injury," Mr. Rolwing said.

He went on to say the result of the Javits bill could be similar to the Coal Mine Safety and Health Act, under which payments have risen to a rate of $1 billion a year, or payments of $10.6 billion through 1981 for black lung. Coal mine operators will take over liability for all claims filed after Jan. 1, 1974, and the rates already filed for black lung exposure average about $25 for every $100 of payroll, according to social security administration reports, as cited by Mr. Rolwing.

He came out against the definition of job-related disability (any harmful change in the human organism) in the Javits bill as too broad, and which, he said, has been rejected by the medical profession itself as unscientific.

The AMIA has already endorsed the model interstate compact, and the American Insurance Assn. is now considering it, Mr. Rolwing said. ■

Chicago plays music while New York burns

CHICAGO—While the New York Philharmonic is still fiddling with an unfinished contract, the Chicago Symphony Orchestra has already begun its season to the tune of more pay and bigger benefits.

"The New York Philharmonic is saying we want a contact as good as Chicago's. They point to us as the pargaon," one Chicago Symphony spokesman said.

The Chicago Federation of Musicians agreed to a new three-year contract Saturday, Oct. 13. They voted to begin playing immediately, before the settlement was written up for an official signing.

According to Mike Greenfield, attorney for the musicians' union, there are two important employe benefits changes in this year's contract. The major medical policy limits have been boosted from $50,000 to $100,000. Also, maternity benefits will be supplemented with a $200 gratuity for each child born.

OTHER BENEFITS include an annual lifetime pension of $8,000 for musicians who retire at 60 with 30 years of employment. This is an increase of $2,000 over the last contract's provisions.

Base salary for all Chicago musicians will be $350 weekly this season, $360 in 1975 and $380 in 1976. Base pay on the previous contract was $320 a week.

Meanwhile in New York the musicians have remained adamant in their position that they will not return to work with a labor contract inferior to Chicago's. The Philharmonic management remains equally firm in its stand, saying no other orchestra will influence New York's contract negotiations.

The pension and major medical portions of Chicago's new contract may ossify the New York stalemate. Philharmonic musicians now receive a lifetime pension of $7,200 after 30 years.

Ralph Mendelson, a Philharmonic violinist and a member of the negotiating team, told *Business Insurance* the musicians now have a $10,000 maximum on their major medical coverage with an option to double that amount through their own contributions.

They want that limit raised significantly, Mr. Mendelson said.

On the wage side, the musicians have asked for minimum weekly increases of $25, $15 and $10 over the three years of the contract. When the strike began Philharmonic management offered increases of $10, $15 and $10 for the contract period. It has not officially offered anything higher since then.

Also at issue in New York are group life insurace benefits, Mr. Mendelson said. The union would like these benefits raised from $6,000 to $25,000. ■

Job safety, health laws explained

WASHINGTON—Industrial safety and health managers can now explain the responsibilities and rights of employers and employes under the Occupational Safety and Health Act of 1970 with the help of a 28-page booklet called "All About OSHA."

The Labor department has published the booklet to explain in broad terms the job safety and health laws that govern operations affecting 60 million workers in 5 million workplaces.

An initial press run of 2 million copies has been ordered, and single copies are available free from the 10 regional OSHA offices. Bulk orders should be sent to OSHA, Division of Communications Management (Processing), MNWA-Room 1170, U.S. Department of Labor, Washington, D.C., 20210. All requests should specify "OSHA publication 2056—All About OSHA."

OSHA regional offices are located in Boston, New York City, Philadelphia, Atlanta, Chicago, Dallas, Kansas City, Denver, San Francisco and Seattle. ■

Call or write

corporate systems corporation

We can show you how to reduce your losses

Computer Claims Control is designed to cut the cost of accidental loss. Many users have reported reductions of 15 to 20% and more. It's a risk management information system that continuously spotlights the internal and external factors affecting the costs of accidental loss. The system is independent of any carrier, and it provides loss and cost control information for all coverages and all carriers including insured, self-insured and non-insured areas. Presently over 600 major corporations are using our system either directly or through their agent or broker to control the costs of accidental loss.

Write on your letterhead for our cost control brochure.

Corporate Systems Corporation
Computer Claims Control Division
P. O. Box 2827
Amarillo, Texas 79105 806-376-4223

Big D comes to little W.

Ray Wallace, president of Dallas-based Trinity Industries, Inc., visits Wausau, Wisconsin, home of Employers Insurance of Wausau.

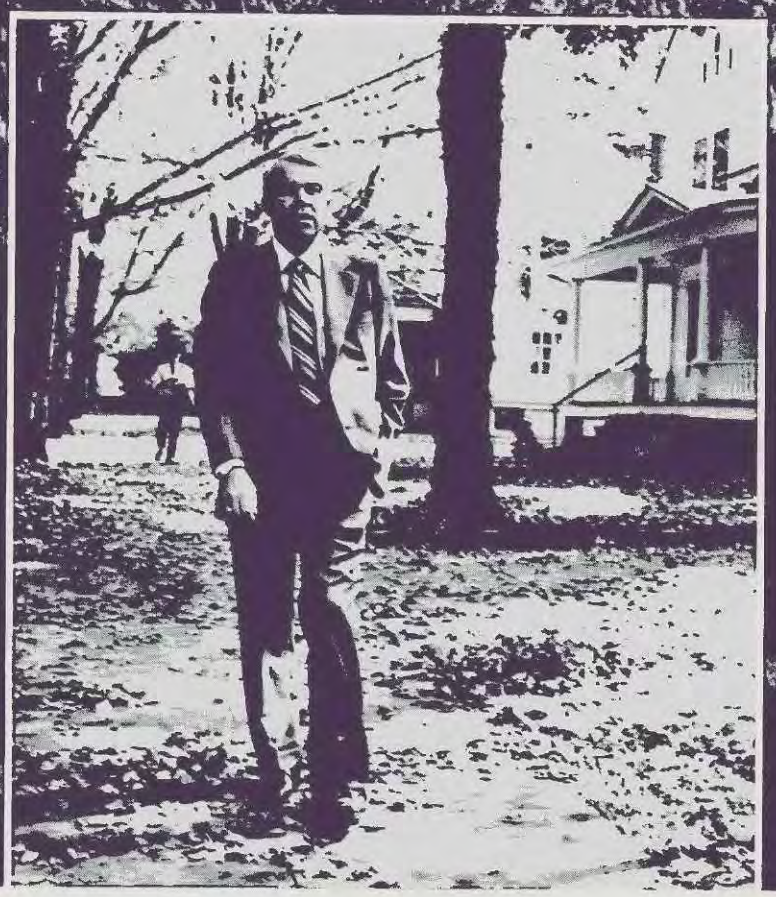
"I grew up in a small town and my Wausau visit reminded me of some of the good things I connect with that way of living. For one thing, it seems to foster an attitude of being helpful and useful that shapes your life in whatever you do later.

"Now, at Trinity, we don't believe in standing still. We're growing. Moving into new areas. Through it all, Employers of Wausau has worked closely with us in helping us to control our insurance costs. I'll tell you this, we've shared some stress together. It took faith on both sides to reach our goals.

"The people of Employers' Dallas office bring the Wausau Insurance spirit not only to the Southwest, but right into our various companies—by arranging for safety seminars, counseling with our own insurance specialists, and taking the extra time and effort to really understand our problems.

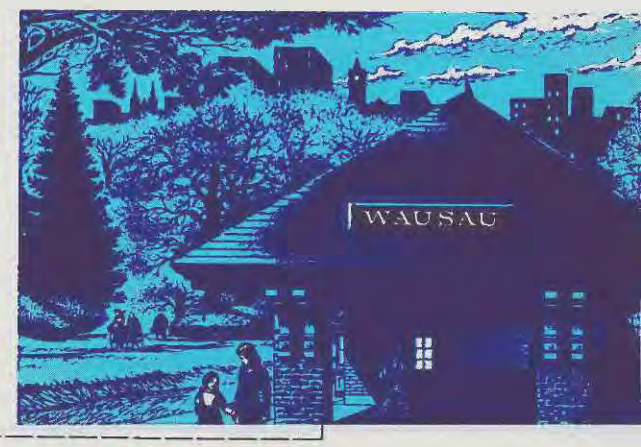
"So I'd say the Wausau people have that helpful characteristic in abundance—and I believe they come by it naturally."

At Employers of Wausau, our business is business insurance. And in 228 offices across the country, good people see to it that insurance works for a living. Isn't that what you expect of your business insurance?



Come to the source

Employers Insurance of Wausau
Wausau, Wisconsin



Cal. work comp upped

SACRAMENTO—Proponents of state reforms of workmen's compensation laws, in effect, won three and lost one here as Governor Ronald Reagan vetoed a legislative measure to extend such coverage to domestic and agricultural workers and newspaper carriers.

Opponents had told Gov. Reagan the proposal, adopted by the legislature, would drain the state's unemployment compensation fund of up to $35 million a year while supporters argued the state would save money by taking such workers off welfare.

GOV. REAGAN signed three legislative measures increasing workmen's compensation benefits beyond the current $105 a week benefit for temporary and permanent disability to $119 a week. This brings the top benefit to 77.7% of the current estimated average weekly wage of $180 paid in California.

Other measures approved by the governor will increase death benefits from the prior $25,000 to $40,000 for survivors without dependents and from the prior $28,000 for those with dependents to $45,000.

The new laws take effect next April 1, except for the change in death benefits which becomes effective Jan. 1.

The total increase in compensation costs will approximate 6.8% and will require that employers pay an additional $51 million-plus in higher annual premiums for workmen's compensation. ■

Specializing in multiple employer groups
and employers with multiple locations.

JOHN O. FELKER ADMINISTRATORS

LIFE HEALTH PENSIONS

J. O. Felker, CLU, CPCU; J. L. McKown, Jr.; William Togias; Charles Ambrosia
P.O. Box 8895, Jefferson Memorial Station, St. Louis, Mo. 63102
Phone: 314 621-0040 (telex # 044-7228)
Associated with Lawton-Byrne-Bruner

We'll wrap it up for you.

It's our business, providing complete insurance packages for offshore and land enterprises. We can tie down your casualty needs securely and safely, in the fields of construction, oil, industry, commerce and transportation.

We have the wrappings for workmen's compensation, employer's liability, general and excess liability, property, fire, and marine risks involving offshore platforms, drilling rigs, shipping, pipelines and ocean tows. We excel in special risks coverage and reinsurance.

Come to us for the big wrap-up. There's no extra charge for our delivery service.

HIGHLANDS INSURANCE COMPANIES

Cullen Center Bank Building Houston, Texas 77002
A HALLIBURTON Company

Atlanta / Austin / Corpus Christi / Dallas / London / Los Angeles / New Orleans
New York / San Antonio / San Francisco / Singapore

info for buyers

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

• **Project Health,** a new program advertised as the fifth fringe benefit, is being offered by Searle Educational Systems Inc. The booklet is designed to instruct employes about common health problems such as heart disease, cancer, alcoholism, drug abuse, and respiratory illness. For a copy write Ron Valentine, at the company, Searle Pkwy. Skokie, Il. 60676.

• The Insurance Buyers Council Inc. publishes a monthly digest of developments and ideas concerning employe benefits. As a special offer to *Business Insurance* readers, they will send to you the next 12 issues for $3.00, to cover the cost of mailing and handling. Send your name and address, along with a check, to the Council, 22 West Rd., Towson, Md. 21204.

• The **1973 Argus F.C.&S. Chart,** an annual statistical publication, is now being distributed by the National Underwriter Co. This year's chart has detailed exhibits of the financial and operating reports of 1,036 insurers of all types. Copies may be obtained for $4.95 per copy from the company, 420 East Fourth St., Cincinnati, Oh. 45202.

• **A Need . . . A Response . . . Metropolitan Life** discusses the insurance company's response to society's needs through equal employment opportunity practices, financial investments and contributions, community involvement and health education. A free copy of this fully illustrated, 20-page brochure is available by writing Metropolitan Life Insurance Co., Press Relations, Room 1204, One Madison Ave., New York, N.Y. 10010.

• **Interior and Fire Protection Equipment,** a 12-page booklet from Norris Industries, shows various extinguisher cabinet styles, valves, reels, racks, Siamese connections and roof manifords. The booklet features a guide for building codes and OSHA requirements and covers construction, type, door style and finish of cabinets. For free copies contact Roy Elder, Norris Industries, P.O. Box 2750, Newark, N.J. 07114.

• **Agency Supplies for All Special Risks,** a folder from John R. McDonald Co., contains a supply of proposals for unconventional and hard-to-place risks in special categories, including: Aviation, E & O, fire and allied lines, livestock, oil, professional liability, reinsurance, workmen's compensation and miscellaneous lines. For free copies write John R. McDonald Co. 3600 Wilshire Blvd. Los Angeles, Ca. 90010.

• **OSHA Made Clear,** produced by the Greater Los Angeles chapter of the National Safety Council, is a 20-minute audiovisual presentation explaining and updating OSHA regulations. For purchase or rental information write the film library, Greater Los Angeles Chapter, National Safety Council, 3388 W. 8th St., Los Angeles, Ca. 90005. The film library has also recently made available a new catalog of safety and training films.

• The Insurance Buyers' Council Inc. has prepared a booklet concerning a corporate medical reimbursement benefit for the use of executives and key employes.. It outlines the advantages of the benefit, implementation, and a prototype plan. Copies are available at $3.00 each from Insurance Buyers' Council Inc.; 22 West Rd., Baltimore, Md. 21204.

• **Architects & Engineers Errors and Omissions,** from Illinois R. B. Jones Inc., is an explanation as to why such coverage is needed and presents 21 important questions answered by architects and engineers with a further analysis of the policy insurance agreements, conditions and exclusions. For copies write Richard Oldani, Il. R. B. Jones Inc., 175 W. Jackson Blvd., Chicago, Il. 60604.

• Multra-Guard has released a booklet called **Top Security** describing their solid-state miniaturized electronic detection and monitoring system. It is available free by writing Lon Fugate, vp, National Sales, Multra-Guard Inc., 1930 East Pembroke Ave., Hampton, Va. 23363.

• **Detect Fires Fast,** a booklet available from Honeywell, discusses an ionizion smoke detection system that uses atomic particle radiation to detect fires as they start, or before. To order a free copy write R. D. Poey, Honeywell Commercial Div., 2701 4th Ave. S., Minneapolis, Mn. 55408.

• **The Best-of-Everything Fire Extinguisher,** a pamphlet prepared by the Ansul Co., explains the type of protection cartridge operated portable extinguishers can provide against high hazards/-high risk industrial fire hazards. For a free copy contact Phil Alman, The Ansul Co., One Stanton St., Marinette, Wi. 54143.

• **What's Happening in Employe Benefit Communication?,** an article written by Joyce A. Gildea and reprinted for wide circulation has been made available to *Business Insurance* readers by Towers, Perrin, Forster & Crosby. For your copy, without charge, write Joseph A. Banik, Principal, Towers, Perrin, Forster & Crosby, Three Penn Center Philadelphia, Pa. 19102.

• **UK Medical Plans—Group Cover for Employes** is available from Marsh & McLennan Benefits International. It describes and analyzes the present UK medical situation, including the reasons that many employes are now adopting private medical plans in the UK. For a free copy write the company at 1221 Avenue of the Americas, New York, N.Y. 10020.

• The Mission Equities Insurance Group has made available **Mission for the Seventies,** a brochure describing the company's corporate set-up coverages, offices and officers with an introduction by Mission's president. For a free copy write David L. Arrillaga, ass't. vp, Mission Equities Insurance Group (corporate communications) P.O. Box 60004,

Los Angeles, Ca. 90060.

• **An Implementation Guide to the Occupational Safety and Health Act** has been produced by Risk Treatment Services Co. Inc., 3200 Wilshire Blvd., Los Angeles Ca. 90010. The booklet, which can serve as a working guide for meeting OSHA requirements, discusses safety policy, procedures, factors reducing fines, employer's duties and the employe's rights and duties, as well as recordkeeping. For your free copy write the company.

• **Residual Markets and Fire Insurance Rating**, an article by Warren G. Brockmeier which originally appeared in CPCU Annals, has been made available by the risk management department of Ebasco Service Inc. The article discusses such topics as the public right to insurance, FAIR plans, federal involvement in insurance, causes of market restriction and recommendations for a new rating system. For your free copy write the company at 100 Church St., New York, N.Y. 10007.

• **16 Ways To Live Longer,** available from Royal-Globe Insurance Cos., is a concise, descriptive guide on safe driving. The booklet highlights the dangers of careless driving and contains artists' drawings for each of the 16 points which are examined. For free copies write Joseph A. Venturelli, Corporate Communications, Royal-Globe, 150 Williams St., New York, N.Y. 10038.

• The Wright Division of Acco has published a **Crane Inspection Report** form to be used as a guide in complying with OSHA inspection requirements. The two-page report form is a checklist designed to conform to OSHA requirements of section 1910.179 —overhead and gantry cranes— double girder top running type. Copies of the guide can be obtained by writing R. J. Rees, Wright Division of Acco, 1110 E. Princess St., York, Pa. 17403.

• Bankers Security Life Insurance Society has prepared **Major Decisions Management Must Face Sooner Or Later.** The booklet discusses whether a company should have a sick-pay plan, and if so, the type it might choose. For a free copy contact Von E. Wright, Bankers Security Life, 1701 Pennsylvania Ave. N.W., Washington, D.C. 20006.

• The Bankers Life & Casualty Co. is offering a free brochure, **Wife Insurance,** explaining how life coverage for under-insured wives can provide income for paying outside help and can be added to existing employe benefits plans at no extra cost. For copies contact Sherman Jenson, Bankers Life & Casualty, 4444 W. Lawrence Ave., Chicago, Il. 60630.

• The Humetrics Corp. has released a pamphlet, **A Proved Concept for the Mass Screening of Adults for Heart Disease.** The pamphlet includes a summary and description of an accurate and inexpensive technique for the early detection of heart disease via ECG screening. For copies contact Kenneth L. DuFour, Director of Marketing, Humetrics Corp., 6374 Arizona Circle, Los Angeles, Ca. 90045.

• The **1972-73 Source Book of Health Insurance Data** is available from the Health Insurance Institute. The book is a statistical report of the private health insurance business in the United States and provides recent information concerning the five major forms of health insurance; hospital, surgical, regular medical, major medical and disability (loss of income) insurance. Single copies of the Source Book are availabe without charge by writing to the Health Insurance Institute, 277 Park Ave., New York, N.Y. 10017.

• Homemakers Home and Health Care Services Inc. have released **How to Save Time and Money When Handling Medical Claims,** a packet of information describing the organization's services of providing comprehensive home health care in more than 100 American cities. Utilization of these services, according to the company, reduces the costs of claims by reducing the lengths of hospital stay, provides evaluation of the claimant and brings all home care services under one roof. For a free copy write Ronald Rosenberg, Homemakers Services Inc., Subsidiary The Upjohn Co., Kalamazoo, Mi. 49001.

STOP TRUCK THEFTS!

WARNING
OUR TRUCKS ARE UNDER
BABACO
PROTECTIVE SERVICE

·NATIONWIDE SERVICE·
·UNDERWRITER APPROVED·

-SELF-POWERED SIREN ALARMS-

call or write for free brochure!
BABACO ALARM SYSTEMS, Inc.
1775 Broadway
New York, N.Y. 10019
Tel. (212) 765-2550

7000 hour veteran. At seventeen, Emily Howell was still an aspiring stewardess who had yet to take her first airplane ride. So she bought a round trip ticket from Denver to Durango to see what flying was like. "On the return flight, I was the only passenger and they let me ride up front for awhile. That's when I fell in love with flying. I knew right then I wanted to be a pilot." Within the year, Emily had earned her private ticket and today she's a 7,000 hour veteran. More significantly, she's the first gal ever hired by a scheduled U. S. airline as a flight crew member. When she's not flying for Frontier, she likes to fly her own Cessna 182 for fun. She insures it with USAIG. Why USAIG? "It just seemed natural," she says. "I knew they were real pros because a lot of my friends insured with them. When my agent recommended USAIG, I felt like he was recommending an old friend."

USAIG UNITED STATES AIRCRAFT INSURANCE GROUP
NEW YORK ATLANTA CHICAGO DALLAS LOS ANGELES SAN FRANCISCO

washington watch

OPIC important foreign policy tool in developing countries, says Kissinger

WASHINGTON—As the Senate foreign relations subcommittee on multinational corporations readied its attack against the Overseas Private Investment Corp. (OPIC), the administration dipped into its own arsenal to find the makings of an appropriate defense.

The Senate subcommittee was making some strong charges, and OPIC needed an equally strong defense. What better rhetorical weapon than the administration's finest: Henry A. Kissinger, the new Secretary of State.

THE SENATE subcommittee charged OPIC's political risk insurance programs are little more than giveaways to large American multinational firms and that the current $9.1 billion in OPIC insurance exposures were not helping raise the living standards of citizens in 90 countries involved.

In part arguing that prudent risk management principles prevented OPIC from pouring money into the bad risks inherent in the least-developed nations, Mr. Kissinger strongly defended OPIC and said its termination—as proposed by the subcommittee—would not be in the national interest.

"Over the past several months, the department of State has been engaging in a comprehensive review of OPIC and other international economic programs," Mr. Kissinger said in a letter to subcommittee chairman Frank Church (D-Id.). "Our review thus far has reaffirmed our belief that private foreign investment contributes vitally to the international development process.

"I recognize," he said, "that the impact of foreign investment does not benefit all sectors and areas of a developing country equally and that it has its costs as well as its benefits. That, on balance, it is beneficial is attested to by the reception accorded to it by nearly all developing countries. The rapid growth of the economies of Korea, of Indonesia, of Brazil and many others, is associated with foreign investment."

Brazil?

The subcommittee based much of its OPIC-ain't-no-good-for the-little-guy argument on the testimony of Robert McNamara, president of the World Bank, who told the subcommittee of Brazil's high economic growth rate and low standard of living.

"IN THE LAST decade, Brazil's GNP per capita, in real terms, grew by 2.5% per year," Mr. McNamara testified. "And yet the share of national income received by the poorest 40% of the population declined from 10% in 1960 to 8% in 1970, whereas, the share of the richest 5% grew from 29% to 38% during the same period. In GNP terms, the country did well . . . But throughout the decade the poorest 40% of the population benefited only marginally."

"Significant investment, benefiting the United States as well as developing countries, might not go forward in the absence of OPIC programs," Mr. Kissinger said, "as they provide the kinds of insurance and financing that cannot be undertaken by private insurance and credit markets. They support our development program by encouraging the private sector to invest in those sectors which can attract private capital, freeing official aid resources for infrastructure and other sectors. It would not be in the national interest to terminate OPIC programs at this time."

The subcommittee report disagreed with the Secretary of State on the point that private insurers are not able to provide the kinds of coverages offered through OPIC.

"Testimony by several top insurance company executives plus the fact that Lloyd's of London has a substantial reinsurance contract with OPIC, demonstrates that private carriers are willing and able to enter the political risk insurance field," the report says. "Private writing of political risk insurance will dictate that insurance be granted for business reasons—not political— and that premiums sufficient to cover the costs of the program be charged."

"I AGREE entirely with the subcommittee's statement that OPIC should insure projects which are beneficial to the host country, and that its developmental criteria should be as rigorously defined as possible," Mr. Kissinger said.

"There is, however, an inconsistency built into the program between such public purposes and the commercial criteria which would govern a fully 'privatized' OPIC," he said.

"For example, OPIC has given a rigorous interpretation to its Congressional mandate for prudent risk management. This has had the necessary consequence of a concentration of its business in the most stable and most prosperous of the developing countries, rather than in the least developed countries in which its incentives might have the most stimulative effect, and the resulting investment the greatest developmental impact.

"Concepts of commercial risk management can militate against investments in high risk countries for purposes of opening new sources of raw materials. Full privatization would increase such tendencies, which run counter to the fulfillment of developmental and other important national objectives," Mr. Kissinger believes.

"The interaction of private foreign investment, development and the U.S. national policy is a dynamic process," the letter said. "Institutions like OPIC will have to grow and adapt as new lessons are learned. I recommend that the program be continued during a two-year period of experimentation and adaptation." ■

Introducing
AFCO's money machine

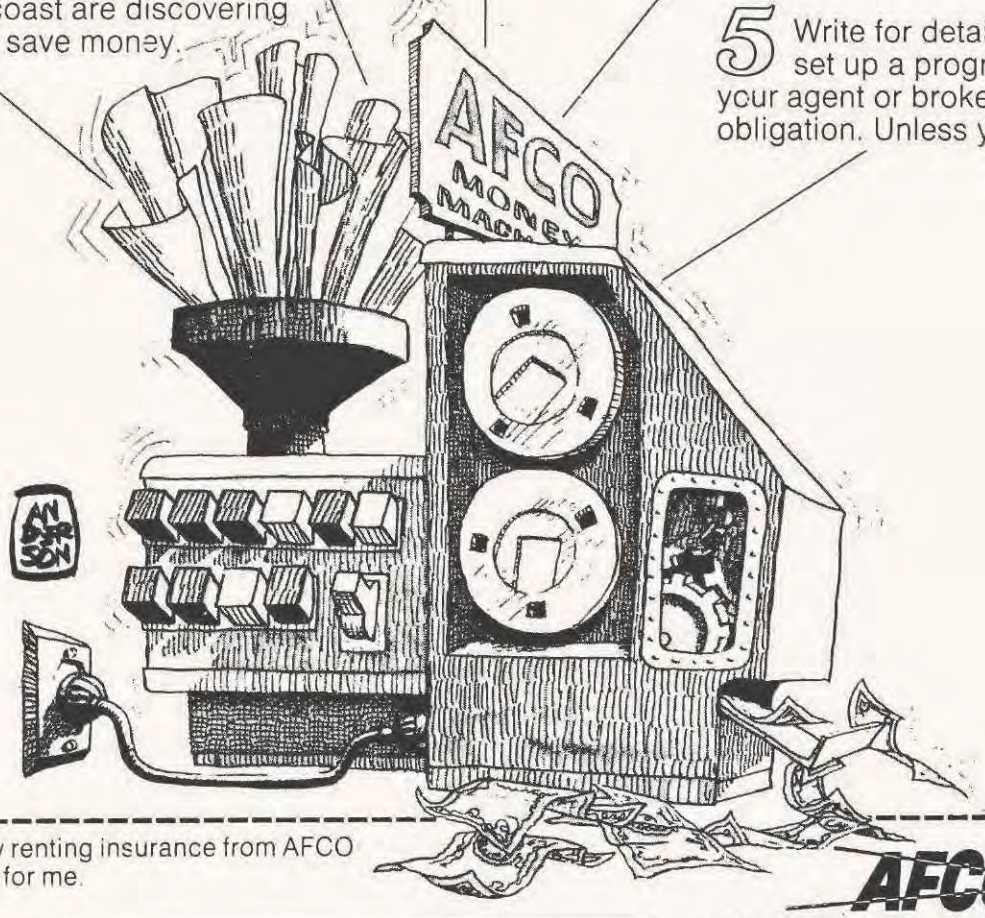
3 Because renting means you spread out your premiums instead of tying up corporate capital in a lump sum prepayment.

2 They're renting insurance. Just like they lease company cars or trucks or whatever.

4 Through AFCO's wide range of low-cost insurance premium financing plans.

1 Corporate risk managers coast to coast are discovering a new way to save money.

5 Write for details. Or let us set up a program through your agent or broker. No obligation. Unless you insist.



Show me how renting insurance from AFCO makes sense for me.

Name_____

Title_____

Firm_____

Street_____

City or Town_____

State_____ Zip_____

AFCO

The insurance rental experts.

NEW YORK: 108 JOHN STREET, NEW YORK 10038

ATLANTA BALTIMORE BOSTON CHICAGO
COLUMBUS, O. EAST ORANGE HEMPSTEAD, N.Y.
KANSAS CITY LOS ANGELES MIAMI
SAN DIEGO SAN FRANCISCO SEATTLE

IN CANADA: CAFO

HALIFAX MONTREAL TORONTO
EDMONTON VANCOUVER

Pipeline and insurance proposals nearing . . .

Continued from page 1

ronment, but I am most reluctant to discuss the project any further at present," he added.

A spokesman for Cravens, Dargan & Co., underwriting managers in the large oil insurance market, said that even though "to date we have not been asked to set up an insurance program for the pipeline, we'd certainly be more than happy to. We've been to Alaska, have seen the pipe and where it will run, and I don't think it would be too hard to work out a program of insurance," he said.

"THE PIPELINE is such a new thing that the hardest part will be to set rates and outline the policies," he added. "The good thing about it is that everything will no doubt be carefully engineered and very well-controlled, with a pump station either every 17 or 25 miles. There will be an automatic shutdown in the event of a fire or a malfunction, I'm sure," he noted.

Setting up a program of insurance would depend on how much the pipeline company would want to insure, the spokesman said. "Do they want earthquake, windstorm, and pollution insurance, for example?" he wondered.

Earthquake insurance premiums may be high, because the proposed pipeline route crosses the Denali Fault, where some of Alaska's major earthquakes are born.

Insurance against ecological risks and pollution damage is available, although at least initially those premiums will also be very expensive. One source suggested that the oil companies may decide to self-insure that type of exposure, rather than pay the high rates.

Environmentalists fear permanent damage to the permafrost surfaces of the tundra regions, because nearly half the pineline will run underground. The pipes will radiate heat, risking melting the permafrost and threatening its eventual collapse.

There is also the environmental danger that wildlife accustomed to roaming freely over the frontier may not be able to cross the pipeline where it is built above the ground, and Alyeska will risk a loss of balance in the species, another major oil insurer said.

The seven oil companies in Alyeska include Amerada Hess Corp., Arco Pipeline Co., Exxon Pipe Line Co., Mobil Pipe Line Co., Phillips Petroleum Co., Sohio Pipeline Co., and Union Oil Co. of California.

Pipelines in foreign countries have in the past been largely uninsurable because of the foreign risks, sources said. But since the proposed Alaskan pipeline is a uniquely U.S. project, expectations are that more of the property and possibly even the liability and casualty risks can be underwritten.

INSURANCE CARRIERS would probably have to be divided between property damage and the third-person liability coverages such as pollution insurance, another spokesman said. A spokesman at the Oil Insurance Assn., while "not permitted to give any information at this time," said the oil insurance pool would only cover property damage if it insures the pipeline at all.

As one source noted, "Everyone went nice and easy on this pipeline for such a long time, and only now, all of a sudden, are insurers getting down to the final figures." ■

Zapata oil rig insured

HOUSTON—A Zapata Corp. oil drilling rig that suffered substantial damage off the Louisiana coast is 15% self-insured with the rest of its property damage covered by Lloyd's of London, according to a Zapata spokesman.

One of the legs on the self-elevating mobile drilling platform named "Topper III" broke through a fault in the ocean floor substratum.

There were no available estimates on losses.

"We're still surveying the damages. No one was injured."

He added that the rig will not be usable for several months. Information on Zapata's business interruption insurance was unavailable.

Zapata Corp. owns a total of 14 oil drilling rigs. The Topper III is one of three rigs belonging to Crestwave Offshore Services Inc., recently bought by Zapata. ■

WERBEL'S ON APPROVAL—30 DAYS

GENERAL INSURANCE GUIDE

A 2,400 page, 2-volume, loose-leaf insurance encyclopedia covering virtually all forms of property and casualty insurance. Interpretation of contracts, court citations, loss procedures—A must for the desk of every corporate manager or insurance producer. Revised quarterly—always up to date!

One-third discount for B.I. readers who submit this ad with prepaid order, i.e., merely $18 (instead of $27) plus NY sales tax, if applicable.

WERBEL publishing co., inc. 595 old willets path, smithtown, ny 11787
516-234-1114 212-261-6222

Another kidnapping in S.A.; Amoco involved

CHICAGO—Amoco Argentina Oil Co.'s general manager, David B. Wilkie, was kidnapped from his car in Buenos Aires Oct. 23 and held for ransom.

This incident comes only about three months after Argentine terrorists won $3 million in the kidnapping of Firestone executive John R. Thompson.

A spokesman for Amoco International said that no information could be released on any insurance the company might have for its employes in Argentina.

"We did have telephone contact from the kidnappers . . . we do what we're told," is all the spokesman would tell *Business Insurance*.

MR. WILKIE, 48, has been with Amoco since 1960. He has a wife and five children.

A State Department source said that this brings the number of Americans kidnapped in Latin America this year to four. Since 1963 a total of 16 Americans, including businessmen, statesmen and military representatives, have been abducted in terrorist incidents. The peak year for kidnapping was 1970 when seven Americans were taken hostage. But the State Department source added that no Americans at all were kidnapped in 1970 and 1971.

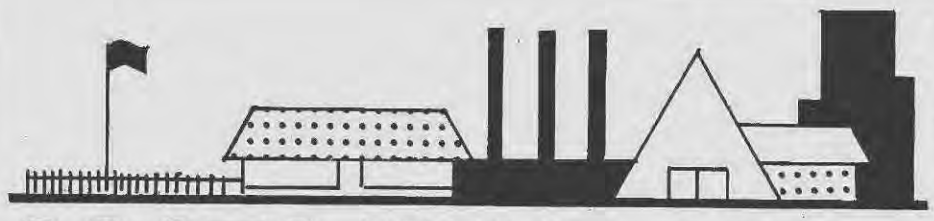
Americans do not appear to be the prime target of Latin American kidnappers. There are reports that more than 200 kidnappings have occurred during years in Argentina alone. The majority of these were politically-motivated, but foreign employes of ITT, Ford, Kodak, and other American businesses have also fallen victim to the terrorists.

ONE INSURANCE industry source said that American firms are not alone in the kidnapping spotlight.

"I don't think there's an attempt to direct these kidnappings at a particular country," he said. "The English people seem to be favored targets. I don't know why." ■

Self-insurers meet

The 59th annual meeting of the Self-Insurers Assn. is set for November 29 at the Hilton Inn here. The program is open to non-members and will feature a luncheon address on the National Workmen's Compensation Act by Eugene Mittleman, minority counsel of the Senate subcommittee on labor and public welfare. New York attorney Mortimer C. Shea will speak on malpractice, the last two



UP UP COSTS HAVE GONE UP!

Would your insurance cover only a fraction of your property's insurable value?
If there is any doubt in your mind, call the professionals.

INDUSTRIAL APPRAISAL COMPANY

NATIONWIDE SERVICE
HOME OFFICE: 222 BOULEVARD OF THE ALLIES, PITTSBURGH, PA. 15222
EXECUTIVE OFFICES: CHICAGO • NEW YORK • LOS ANGELES

Coverage Classics

All Quiet on the Western Front

While American Earthquake losses have been light this past year, broad D.I.C. including Earthquake and Flood should continue to be included in each of your clients' programs. Hundreds of millions of dollars in flood losses from Agnes and other freak happenings have again highlighted the importance of this coverage.

W&A's in-house D.I.C. facilities have continued to provide protection even in severely affected areas of the country. Our D.I.C. form is tailored to include such "frequency" perils as Water Damage and Crime in addition to the "severity" perils of Subsidence, Earthquake, Collapse, Flood, et cetera. "Faulty Materials & Workmanship" problems can be solved in broad All Risk for qualified Builders. Even the Seepage exclusion can sometimes be taken out for a price. Mortgage companies have shown a particular interest in providing our D.I.C. on a single or dual interest basis over their entire portfolios.

Call or write your local W&A Branch or contact Mr. Anthony C. Bova, Vice President—Marketing, at our New York Office and take advantage of the "QUIET."

Special Risks and Unusual Situations • Exclusively Through Agents and Brokers

Members of the Howden Swann Group

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

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

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

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

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

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

Correspondents In All Other States

Risk Management Reports

☐ **Yes, enroll me as a charter subscriber to Risk Management Reports. I understand that if I enclose payment and return by Nov. 30, the charter rate is $45 for the year, a $15 savings.**

☐ **Enroll me as a regular subscriber and bill me and my company $60 with the first report.**

Name: _____

Title: _____

Company: _____

Street: _____

City: _____ State: _____ Zip: _____

Return to: Business Insurance
740 Rush Street
Chicago, Il. 60611

(Checks should be made payable to Risk Management Reports)

Product safety official asks for information on defective goods

DALLAS—A Consumer Product Safety Commission official has urged the insurance industry to supply the commission with data on injuries caused by consumer products and use its clout to encourage product safety in the manufacturing community.

Speaking before a seminar on consumerism and the product hazard sponsored by the American Soceity of Insurance Management (ASIM) and its Dallas-Ft. Worth chapter in cooperation with the Insurance Information Institute, Michael A. Brown, the commission's general counsel, declared:

"The primary goal of this commission is to protect the public against the unreasonable risk of injury associated with consumer products. The commission also has the responsibility to assist consumers in evluating comparative safety of consumer products, to develop uniform safety standards, and to promote research and investigation into the causes and prevention of product-related deaths, illnesses and injuries."

Appealing to the audeince, Mr. Brown said there are several ways insurers and risk men can help the commission fulfill its responsibility.

THE FIRST and most obvious, he said, is to supply the commission with information detailing product injuries. He noted that the Consumer Product Safety Act provides that "parties who supply such information to the commission at its request are immune from civil liability to parties other than the United States and the commission."

Mr. Brown also urged the insurance industry to use its muscle to demand product safety of the manufacturing community.

"By setting rates and by examining and inspecting manufacturers and thereby adjusting rates, the insurance industry has an opportunity as a third party to help encourage product safety," he said.

"For example, you can spread the word to your insureds that one of the best ways to stay away from government regulation is to engage in voluntary efforts to make their products more safe.

"Therefore, you can encourage voluntary standardization and safety efforts as a first step."

CONTINUING, Mr. Brown told the audience he hopes the industry will encourage its clients to conduct what the commission calls a "safety audit."

"This means that besides committees to look at a product from a standpoint of its marketability or from the standpoint of its desirability or its appeal or its durability, they should have someone with the responsibility to look at the safety of each product.

"This means safety in the reasonably foreseeable abuse or misuse of a product. We believe that if the effort put into marketing a product were also put into review by a qualified individual of safety, many of the defects we see today would not be present."

The commission, activated in May of this year under the Consumer Product Safety Act of October 1972, is empowered to take all possible action to eliminate or sufficiently reduce unreasonable risks of injury associated with the estimated 10,000 consumer products it has the power to regulate.

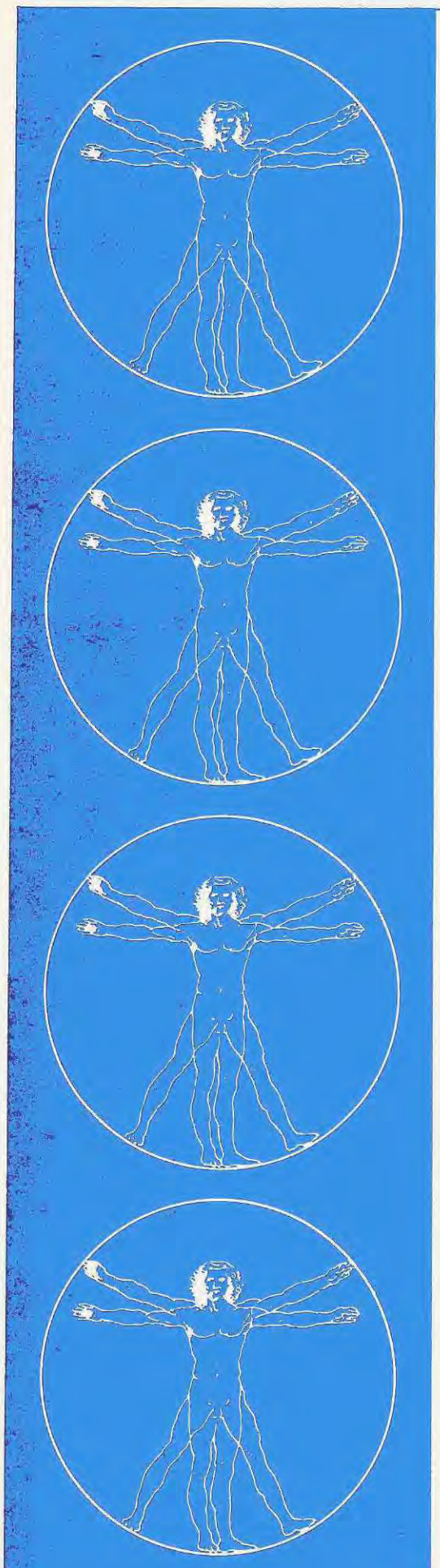
"THE POWER of the commission is far-reaching and broad. The commission, when confronted with an unreasonable risk of injury, may take action ranging anywhere from doing nothing to informing the public about the problem, to encouraging the establishment of voluntary standards, to initiating a mandatory standards development procedure, to initiating a procedure to develop a ban of the product or to immediately going to court and requesting that the product be removed from the shelves by recall, repair, refund or other action," he said.

"The commission has determined that there will be stringent enforcement of all rules" it issues, he asserted.

The Consumer Product Safety Act provides civil penalties at $2,000 a violation up to a total of $500,000, and criminal penalties of up to a $50,000 fine and/or one year in jail.

"It is our opinion that the Congress put these penalties there for a reason and that failure to use then by the commission would be an administrative amendment of the law.

"This does not mean, of course, the commission is anxious to use them; only that we will use these provisions if compliance with our regulations is not forthcoming," he told the insurers and risk men. ■



business insurance

employe benefits

Special Issue December 3, 1973

On December 3, the editors of Business Insurance will present their annual review of the trends and developments in employe benefits for the nearly 58,000 corporate risk management executives who are responsible for the benefits of over 43 million workers.

Topics to be covered will include • variable life insurance • group dental insurance • health maintenance organizations (HMO) • corporate life insurance packages—and their effect on personal lines life policies • medical rehabilitation as a group benefit • national health insurance • plus the late breaking news of importance to the buyers of employe, property and liability protection and financial services.

Truly an editorial package suited to the marketing of the insurance and employe benefits services of your company.

And, according to the national research firm of Erdos & Morgan, 80% of the buyers of commercial insurance who read Business Insurance review their companies' employe benefits programs either continually or annually and 81% take action concerning their programs, based on what they read in its advertising and editorial pages.*

To take advantage of this action-oriented audience, place your marketing message in the special Employe Benefits issue of Business Insurance.

Ad Closing Date: November 20, 1973

business insurance

NEW YORK	CHICAGO	LOS ANGELES
708 Third Avenue	740 Rush Street	6404 Wilshire Blvd.
New York, N.Y. 10017	Chgo., Ill. 60611	L.A., Calif. 90048
(212) 986-5050	(312) 337-5200	(213) 651-3710

*For more information ask your Business Insurance representative for a copy of "An Audience Profile of the Business Insurance Reader."

A 30% air bag discount available to car fleets

NORTHBROOK, IL.—All-state Insurance Co. said the 30% discount on medical and no-fault personal injury coverages for 1974 model passenger cars with federally-approved air bag safety systems will be available to most commercial passenger car fleets equipped with certified air bags.

Fleets with poor experience ratings may be refused the discount, a spokesman told *Business Insurance*.

"We will be adding at least 300 1974 Oldsmobiles with air bags to our company fleet to protect employes who drive these cars," noted Allstate Chairman Archie R. Boe.

"Fleets which are experience-rated will benefit to the degree their experience improves after the air bag system is installed," the spokesman said. He added that air bags, which will be offered as factory-installed options in the new passenger cars, will not be available to trucks or buses this year.

GENERAL MOTORS has been testing a fleet of 1,000 1973 air-bag-equipped Chevrolet Impalas, and Ford has had a test fleet of 831 air-bag-equipped 1972 Mercury Montereys on the road for more than 18 months. The combined mileage of these cars exceeds 36 million miles. A number of persons have already been involved in crashes where the air bags saved their lives, the spokesman said.

Allstate is participating in the field testing of both these fleets, with a total of 233 air bag cars being driven by its employes. "Our experience has been 100% successful," Mr. Boe stated.

General Motors said it will offer the air bag option on up to 50,000 vehicles in selected 1974 models of Oldsmobile, Buick and Cadillac cars.

The insurance premium savings will be greatest in no-fault states, such as Michigan, where the discount will average about $15 but could be as great as $50 a year for certain policy holders depending on the classification, use of car and driving experience.

IN STATES without no-fault insurance, savings will not be as large at first—$3 to $7 a year. As more cars install airbags and the lives saved and injuries prevented work into bodily-injury liability experience, rates for that coverage will eventually reflect lower costs. This is expected to be a long range result from implementation of Federal Standard 208 requiring totally passive restraints such as air bags in cars beginning with 1976 models. ■

Carrier now pays safety glass costs

SAN FRANCISCO—Business insurance policies issued in 28 states by Fireman's Fund American Insurance Companies now allow replacement of many damaged glass installations with new safety glazed material, at no added cost to the policy holders.

President Stuart D. Menist explained that, "if, for example, a sliding non-safety glass door is broken, Fireman's Fund will pay for a safety glazed replacement."

The program is effective in the 28 states which have enacted safety glazing laws and will apply to those glass installations covered by such laws.

Most installations in offices and business facilities, subject to human impact, are covered.

The carrier's procedure had been to pay for losses on the basis of replacement value of the damaged glass. If that amount was less than the cost of substituting safety glazed glass, the policy holder had to make up the difference.

"Non-safety glass," Mr. Menist said, "especially when it is located where people can run into it, represents a serious safety problem. Our liberalized policy interpretations can hasten the conversion to safer material." ■

CAN YOUR COMPANY USE THE CASH THAT YOU PAY IN PREMIUMS?

GROUP VII SERVICES

A Division of Adams, Scott & Conway, Inc.

Property & Casualty Self Insurance Administrators

127 John Street
New York, N.Y. 10038
(212) 248-1570

175 West Jackson Blvd.
Chicago, Ill. 60604
(312) 922-1400

3807 Wilshire Boulevard
Los Angeles, California 90010
(213) 380-1331

Ingot buggies.
The kitchen sink.
And everything else.

We designed an insurance policy for everything else.

Atlantic designed a personalized insurance policy for a steel company that covered everything but the kitchen sink and a few ingot buggies.

All told, we insured over 60 pieces of equipment of various types including cranes, hot metal cars, slag cars, bulldozers, air dump cars and locomotives. Each and every insurable situation had to be accurately evaluated. New equipment needed proper coverage. The replacement cost of older equipment had to be considered. No item could be overlooked. An Atlantic policy was the answer.

If your business is manufacturing, retailing or service, it's likely that you, too, could benefit from The Atlantic Companies' creative approach to solving insurance problems. Let us put our experience to work for you.

The Atlantic Companies

ATLANTIC MUTUAL INSURANCE COMPANY • CENTENNIAL INSURANCE COMPANY
45 Wall Street, New York, New York 10005 • Underwriters of property, casualty, marine insurance

editorial opinions

Rekindling the embers around D&O

A WYATT CO. survey on corporate attitudes toward, and experience with, directors and officers liability insurance (*Business Insurance*, Oct. 22) has produced some rather interesting conclusions that may rekindle the embers continuing to smolder around that controversial form of coverage.

The study, based on responses from 633 of the nation's top 6,000 corporations, found that 47% of these companies had bought the coverage, that most got limits of $5 million, and that 7% of the policyholders had filed claims under their policies during the past six years. Based on the loss experience data supplied Wyatt by the respondents, moreover, underwriters insuring that 7% had a rather profitable loss ratio of 22%. Which is another way of saying that for every dollar spent on premiums, relatively few cents was returned in benefits.

Okay, so what does all this mean?

To us it means, yes, directors and officers liability has been an extremely profitable line of insurance for those underwriters that have jumped in, despite what they tell you; that, maybe, the loss experience to date does not justify the popularity of the coverage; and that it's time, perhaps, to redebate the question, "Is D&O really a good buy for corporate consumers of insurance?"

Underwriters may scoff at all this, yet the fact remains that those writing D&O insurance to date have not presented evidence to the contrary, evidence that might give a more detailed picture of just what the loss experience on directors and officers liability has been. We do hear, for example, that D&O underwriters at Lloyd's of London are now telling clients their loss ratio has been running closer to 35%. Then, from another market (Excess Underwriters Inc., Chicago) we are told the loss ratio has been running less than 22%.

The Wyatt Co. study, despite the fact it has a rather narrow base, must for now become the most credible source of statistical information on D&O and what it's worth to corporate buyers. It was conducted by Warren G. Brockmeier, director of risk management services for the consulting and actuarial firm, and a man whose name commands considerable respect from corporate risk men. Mr. Brockmeier and his firm have no axes to grind. He says the study will be repeated next year, and he hopes that even more companies will respond.

We hope so too, for an ongoing study such as this could be just the thing risk men need to prove or disprove the worth of D&O.

Target on pensions and investments

A WEEK AGO, Crain Communications Inc., the publisher of *Business Insurance*, began publishing a new biweekly newsmagazine called *Pensions & Investments*. We'd like to tell *Business Insurance's* readers a little about the new magazine, for some of you—notably those with heavy responsibilities in the pension area of employe benefits—may have seen a copy or may want to hear more about it.

How, you ask, will pension news now being reported in *Business Insurance* differ from that news we will be reporting in *Pensions & Investments*?

Simply said, *Business Insurance* will continue to report pension news of interest to the employe benefit manager who has responsibilities in the area of determining benefit levels, who rides herd on the day-to-day administrative hassles connected with the administration of benefits to retirees and those soon to retire, and who even gets involved in selection of pension vehicles (an insured plan vs. a privately trusteed plan, let's say).

Beyond this, though, *Pensions & Investments* is directed at over 25,000 executives responsible for the management of $283 billion in retirement fund assets, as well as those persons responsible for the management of billions more in other tax-exempt funds.

The $283 billion now being held in trust for retirees and those who will retire is the largest pool of private capital in the world. The asset value of some funds, furthermore, is approaching the net worth of the corporations funding them. Crain Communications has become aware of the fact that more and more corporations are putting direct responsibility on one or more executive (and often a committee) for the management of these funds. These are the people *Pensions & Investments* will be edited for.

A paragraph or two from the editorial appearing in our first issue, off the presses last week, sums up the kind of news *P&I* will be chasing:

> "Reading through our first issue should give you a better idea of what to expect more of in the future. Our reporters dug behind the scenes to get the dramatic details of the city of Miami's exhaustive and unusual search for new pension fund managers. Surveying the nation's airlines for changes in their pension plans, we turned up an inside story on confidential Internal Revenue Service deliberations that could affect the entire pension fund industry. . . . We were in Sacramento when a state senator charged that many of California's pension funds are riddled with corruption. . . . Aware of the growing trend towards pension funds using 'discount' brokers, we went out and found the people who are getting up discount brokerage houses aound the country, and we tell you where to find them in a list accompanying the story."

In short, *Business Insurance's* pension news coverage is for the person negotiating those benefits and determining what their levels will be. *Pensions & Investments*, on the other hand, is for the corporate executive who works with the dollars set aside for those benefits, whatever they may ultimately be, and attempts to get the maximum investment performance from his in-house or outside portfolio management services.

We're convinced it's a subject worth biweekly news coverage of its own.

letters

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

Seminar set

To the Editor: In the past, insurance and safety have often been regarded as uncontrollable expenses. Today we are well aware that this is not true, especially with the passage of the Consumer Product Safety Act and the Williams-Steiger Occupational Safety & Health Act. Any savings by the risk management department directly affect the bottom line of the p & l.

Because insurance and safety should be primary concerns of a number of departments within the corporation, the local (Chicago) chapter of ASIN has organized a two-day seminar for Nov. 15 and 16 at the Playboy Towers Hotel to discuss the "team effort" required to accomplish the maximization of profits.

We urge corporate managers in the financial, purchasing, insurance, legal, safety and production areas to take this opportunity to examine risk management concepts and see how proper insurance and safety coordination can create substantial additional profits.

To this end, we have gathered experts in such as Phillip H. Corboy, president of the Chicago Bar Assn., Michael Kriborian, president of the American Society of Safety Engineers, David H. Roenisch, director of A. S. Hansen Co., Marshall W. Reavis III, professor of business administration at Governor's State Univ., and many risk managers for leading corporations, along with insurance commissioners from four states.

Arnold J. Saret

Apeco Corp., Evanston, Il.

Appreciation

To the Editor: I would like to express my appreciation for the excellent journalism reflected in the article which appeared in your September 10 edition ("Self-insured plan transition can be smoothed"). I have, from time to time, had articles appear in various publications which have been considerably less than satisfactory to me because of errors and misinterpretations. In your case, however, the reporting was most excellent.

Richard N. Blomquist

R. N. Blomquist & Co., Oak Brook, Il.

business insurance

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

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

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

Advertising

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

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

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

BPA Member of Business Publications Audit of Circulation ☆ABP

A DEAD MIKE DOESN'T HAVE TO BE A DEAD LOSS.

Ask any radio or TV station operator who has depended on American Home over the years.

He'll tell you:

American Home's program of insurance protection is as advanced as the industry's own equipment.

It includes All Risks coverage against direct physical loss or damage of the station's building and tower. Its antennas. Its cameras. And all other operating equipment.

American Home also writes insurance protection that moves outside with the industry—covering mobile vans, portable sound systems, and other equipment used in remote broadcasts.

But that's not all:

American Home knows that damaged equipment is bad enough. Loss of air time is even worse. So we offer a Business Interruption policy that protects the station against loss of broadcast revenues in such cases.

We'll shape each policy to fit the station's own needs—with rates that reflect the individual exposure, and deductibles that make sense.

And we'll do one more thing:

Because our experience in protecting the communications industry goes back almost as far as KDKA, we can offer some practical engineering recommendations that will improve the risk, and may save you money.

Send the coupon today, and we'll tell you more.

American Home Assurance Company

Dept. BI 113, 102 Maiden Lane, New York, N.Y. 10005

Please send me more information about your Broadcast Equipment Floater coverage.

Name _____ (PLEASE PRINT)

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

A Member Company of American International Group

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

Gasoline pinch leaves dealers high and dry

CHICAGO—When the fuel gauge on a gas station's storage tank reads "empty," who does the owner turn to for insurance protection against business interruption? Nobody.

Worse than that, no one is prepared to assure him that his business won't literally dry up. The gas station owner stands on his own in a business that has too many risks and not enough protection.

"There's no insurance I know of that protects you against a loss of supply," said John M. Huemmerich, exec director of the National Congress of Petroleum Retailers. "If there was it'd probably cost a fortune. The owner's only alternative is to close up and get a job somewhere else."

IN EARLIER DAYS, the prospect of running out of gas seemed at least disputable. But now oil company spokesmen are reluctant to predict any increased supply. One optimistic source said that the industry envisioned a summer decrease of 7% to 8% in supply allocations compared to last year, then finished the season with only a two per cent drop.

"That's still about 10% less than what there should be," said Ed Bailey, president of the Illinois Gasoline Dealers Assn. He estimates demand has gone up 7% over the last year, and 3% during the summer alone. Meanwhile, fuel allocations to dealers have remained the same or gone down.

"It isn't going to get any better, either," Mr. Bailey said. "It's going to be worse and by next summer you're going to have rationing."

How much a station owner is protected against a loss of supply and consequent business interruption depends mainly on the cooperation he receives from his supplier. Some oil companies are exceedingly helpful. Others leave the owner high and, sometimes, dry.

Nothing can keep an oil company from giving fuel to his leased dealers while denying it to independent outlets, said a government spokesman in the Office of Emergency Preparedness. He noted that such discrimination is probably uncommon because most of the major oil companies have voluntarily agreed to follow the federal government's fuel allocation program.

UP TO NOW the Energy Policy Office has been busy forming mandatory guidelines for the sale of propane and middle distillates, or jet fuel. Priorities have been set in order to protect home owners and public institutions. But no directives have yet been set down for the allocation of gasoline.

"Gasoline hasn't been touched," the spokesman said. "That doesn't mean that plans aren't afoot. I really don't know what the chances are for a mandatory program."

A "voluntary petroleum allocation program" was begun late last spring with guidelines that requested oil companies to provide their dealers and wholesalers with fuel at the same rate as it was distributed during the previous 12 months.

A spokesman for the Marathon Oil Co. explained that all his company's station leasees are allocated the average of their monthly purchases for the previous year. Identical allocation rates have been established for independent dealers, with no discrimination. This policy was begun in June, the spokesman said, about the same time the government issued its voluntary guidelines.

AN AMOCO OIL Co. source said that his company also provides dealers with 100% of the fuel amounts they sold a year ago.

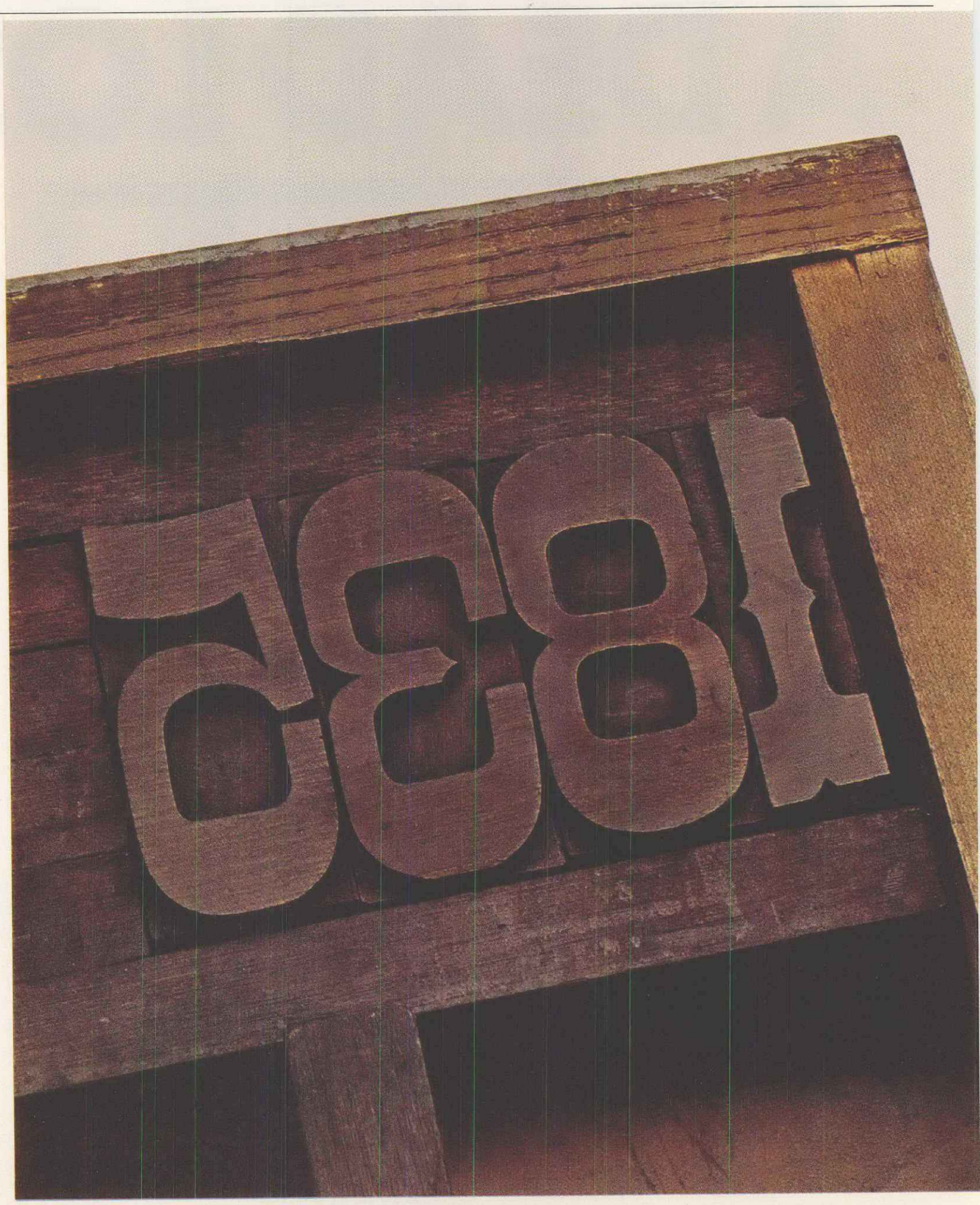
"It's whatever is available," he said. "And we have never sold to independents. You see we have to buy roughly 50% of our crude. As it stands now we can get what we need, but there's no excess crude right now."

Amoco is self-insured if a refinery breaks down and cuts short the supply of ready-to-use fuel, the source said. Although the chances of this happening are slim, there is no margin for comfort.

"They're on an all-out pace right now," he said.

Amoco has a National Dealer Advisory Council which organizes meetings every year between regional dealer representatives and Amoco's marketing executives. This year the company agreed to make a fire and casualty insurance program available to its dealers, an idea sponsored

Continued on page 21



Gas, light company pushes health plan

WASHINGTON—What do you do when your gas company is restricted from taking on new customers because of limited gas supplies?

You sell insurance.

The Washington Gas Light Co. is now offering its 370.000 residential customers in Maryland and the District of Columbia a supplemental group health insurance policy underwritten by Hartford Accident and Indemnity Co. and sold through International Group Plans Inc. of Washington.

The policy carries a variable monthly premium ranging from $1.80 for children to $19.95 for persons in their early 60s and provides direct payments of $20 to $60 a day during hospital stays. Any gas customer is eligible for the program if he enrolls prior to Oct. 31.

"Being in a no-growth situation, you look for other opportunities for growth," explained Richard Vierbuchen, the company official in charge of the insurance plan. "Insurance could well be one of them."

If only 4% of the firm's customers respond to its recent direct mail promotion of the supplemental policy, the company predicts it will take $100,000 in the first year of the plan's operation.

The gas company had originally intended to offer the coverage to its 130,000 Virginia customers, but the Virginia State Corporation Commission—the regulatory body which oversees utility operations—said such practices are prohibited by state law.

Gasoline pinch . . .

Continued from page 20

by the advisory council. Although it does not cover fuel shortage problem's, the policy offers protection to meet the minimum insurance requirements stipulated in each lessee's contract with Amoco. The coverage is carried by The Home Idemnity Co. of New York, and sold through Marsh & McLennan, brokers.

"WHERE GAS station leases have specific insurance requirements you normally will find a specific program offered," said Tom Maurey of Marsh & McLennan. Among the oil companies which make insurance programs available to their dealers are Gulf, Chevron, Union East, Marathon, Ashland, Sunoco, Arco, Sohio and Exxon.

The basic coverage offered through Marsh & McLennan insures the dealer for $4,000 business personal property, $100,000 single limit garage liability, $25,000 fire legal liability, $25,000 garage keeper's liability, and $500 for premises medical payments. Premium costs for the basic package range from $180 to about $330 a year, Mr. Maurey said. But for more coverage, like burglary, glass, workmen's compensation and robbery insurance, the cost climbs sharply. Average yearly premium costs nationwide are about $800, he said.

Mr. Maurey added that claims losses should drop as the fuel shortage takes its toll of independent or "marginal" stations. Ironically, while the business outlook is getting bleaker for independent dealers, insurance costs are improving for those already favored in the oil companies' allocations.

"Once the oil companies clean house they're going to close a lot of their marginal outlets," he explained. "Then we'll be writing a better risk."

MANY STATE gasoline dealers' associations have made group insurance programs available to independent and leased station dealers alike. But coverage varies from state to state. The National Congress of Petroleum Retailers offers an accidental death and dismemberment policy to its 54 member associations, said Mr. Huemmerick. Nine of them use the program, which is carried by The Boston Mutual Life Insurance Co. It covers the dealer and his wife for $5,000 up to the age of 70. Premium costs are paid out of association dues.

The gas station owner, an archetypical example of the American who is "his own boss," ultimately finds himself with very little protection in the battle between fuel's supply and demand.

"After all," one Texaco spokesman said, "they're independent businessmen. They don't work for Texaco. They buy gas from us. That's all." ■

Just because we're old timers in insurance don't think we're not young on ideas.

Some people might think that after 138 years of innovations in insurance, we'd have slowed down a bit.

Not in the least!

You don't keep policyholders an average of 35 years with stale ideas (not to mention become the world's largest mutual insurer of industrial property). Just as in the past, our energies at Allendale are devoted full time to Zachariah Allen's original concept of a mutual system of fire prevention engineering and property insurance. To updating that concept with new research methods, technology, and scientific standards.

New thinking on insurance. We're old timers at it! Allendale Mutual Insurance Company, Allendale Park, Johnston, Rhode Island 02919. Associates: New Providence Corporation, underwriting manager for Affiliated FM Insurance Company and Appalachian Insurance Company.

Factory Mutual System

Allendale Insurance

Union may offer group dental plan

MILWAUKEE—A group dental insurance plan for public school teachers here may be offered soon at a cost of about $4 per month for an individual and $14 a month for a family.

Wisconsin Dental Service offered such a plan to members of the Milwaukee Teachers' Education Assn. It was the lowest of three bidders on a contract with the MTEA.

The plan would go into effect after 30% of the public school system's nearly 6,000 teachers applied for coverage.

THE PLAN would pay 80% of the cost of fillings, extractions, work on roots and nerves, dentures, bridgework and other repair jobs. It would cover half the cost of gold fillings.

There might be a one year waiting period for eligibility in certain cases.

Although teachers joining the plan would pay the premiums, the union may attempt to negotiate payment by the board of education in future bargaining sessions, it was learned. ■

product liability?
INSURANCE PROBLEMS?

We have the staff; experience and expertise, to reduce your claims expense, and lower your premium.

Paris-O'Day and Reed, Inc.

1040 Lake Street, Oak Park, Ill.
(312) 379-7676

Only 10% of losses in Chelsea fire insured; FAIR plan has largest share

CHELSEA, MA.—As firemen extinguished the final smoldering remains of the massive fire which swept through this industrial suburb of Boston last month, the insurance industry reckoned its losses to be in the area of $10 million.

The total loss figure was estimated at about $100 million but the fact that only about 10% was insured seemed to surprise no one.

The Massachusetts Property Insurance Underwriting Assn., the Bay State's FAIR plan pool, will be responsible for close to half of the insured losses in the area.

"We figure our exposure is about $4 million," Eugene L. Lecomte, the association's general manager, told *Business Insurance*, adding that claims were coming in rather slowly. "That's about half the industrial losses."

FIRE OFFICIALS here indicated the largest percentage of the property lost to the fire was industrial—mainly warehouses, light manufacturing facilities and supply buildings. Many were vacant because much of the area was scheduled for urban redevelopment next year. Approximately 520 industrial or commercial buildings were damaged or destroyed by the blaze, along with about 280 housing structures.

Herbert C. Fothergil, Chelsea's fire chief, said he thought only about one building in five in the area would be covered by insurance. "And even those will only be half insured," he commented. "This is considered a very high risk area."

"Most of the buildings in the burnt-out area were 50 to 60 year-old frame structures," Mr. Lecomte noted. "There were a lot of paper and rag firms there but because of the urban redevelopment program coming up, most of the property had little insurable value."

A spokesman for the American Insurance Assn. concurred. "Most of the area just wasn't the kind of property that needed to be insured," he said.

The lack of coverage was made immediately apparent by the relative lack of adjusters dispatched to the scene. For example, the General Adjustment Bureau did not establish a catastrophe office here.

"We sent in some extra people to help out our Boston office personnel," a GAB spokesman noted, "but there weren't enough claims coming in for us to set up a catastrophe office."

THE FEDERAL government declared the charred city a disaster area, making available to residents and businesses the benefits under the 1970 Federal Disaster Relief Act.

The act will provide the 300 persons left homeless by the blaze and the additional 600 persons who are now without jobs low-interest long-term loans, rent and relocation assistance and surplus relief supplies as directed by the Office of Emergency Preparedness.

In addition, the persons whose jobs went up in smoke will be given unemployment compensation and reemployment asistance under the act's terms. Also available will be temporary housing for up to one year, housing mortgage or rental payments for up to one year, food coupons and special tax deductions for losses caused by the disaster.

Though the fire destroyed or damaged about one-tenth of the city, it was not the worst fire in the suburb's history. On Palm Sunday, 1908, a fire killed 19 persons, injured some 300 more and left 17,000 persons homeless. No one died in October's fire.

Many of the buildings destroyed last month were built after the 1908 fire. ■

You *can* insure through one of the world's largest brokers *and* benefit from an independent broker's genuine care. But only through Assurex International. Multicity, multinational service — through independents. *United* independents.

Assurex INTERNATIONAL

RISK MANAGEMENT, INSURANCE AND RELATED FINANCIAL SERVICES
THROUGH OFFICES IN PRINCIPAL CITIES EVERYWHERE

ALABAMA, Mobile; Thames & Batre
ARIZONA, Phoenix; National-Heard Insurance
ARKANSAS, Little Rock; Rector-Means and Rowland, Inc.
CALIFORNIA, Los Angeles; Kindler, Laucci & Day
San Francisco; Clifton & Company
CANADA, Manitoba, Winnipeg; Ryan Agency Limited
Ontario, Toronto; Tomenson, Sauncers Limited
Quebec, Montreal; E. A. Whitehead Ltd.
COLORADO, Denver; Warren & Sommer, Inc.
CONNECTICUT, Hartford; Allen, Russell & Allen, Inc.
DISTRICT OF COLUMBIA, Washington; Howard & Hoffman Inc.
FLORIDA, Miami; D. R. Mead & Company
GEORGIA, Savannah; Palmer & Cay, Inc.
HAWAII, Honolulu; American Mutual Underwriters, Limited
INDIANA, Indianapolis; Robert N. Bowen & Associates, Inc.
IOWA, Des Moines; LaMair-Mulock-Condon Co.
KENTUCKY, Louisville; Nahm, Turner, Vaughan & Landrum, Inc.
LOUISIANA, New Orleans; Gillis, Hulse & Colcock, Inc.
MAINE, Portland; Morse, Payson & Noyes
MARYLAND, Baltimore; Riggs, Counselman, Michaels & Downes, Inc.
MASSACHUSETTS, Lowell; Fred. C. Church, Inc.
MEXICO, Mexico; Kennedy & Hijo, A.P.
MICHIGAN, Detroit; General Underwriters, Inc.
MINNESOTA, Minneapolis; Brandow Howard Kohler & Rosenbloom, Inc.
MISSISSIPPI, Jackson; Fox-Everett, Inc.
MISSOURI, St. Louis; Lawton-Byrne-Bruner
NEW HAMPSHIRE, Rochester; Kendall Insurance, Inc.
NEW JERSEY, Millburn; Donnelly Brothers
NEW YORK, Buffalo; Laverack & Haines, Inc.
New York; John F. Curry Agency, Inc.
NORTH CAROLINA, Charlotte; James J. Harris & Company
Greensboro; The Furman Co.
OHIO, Cincinnati; A. W. Shell & Company
Cleveland; The W. F. Ryan Corporation
Columbus; The McElroy-Minister Company
OKLAHOMA, Oklahoma City; Ancel Earp, McEldowney & Associates, Inc.
OREGON, Portland, Jewett, Barton, Leavy & Kern
PENNSYLVANIA, Philadelphia; H. C. Knight & Company
SOUTH CAROLINA, Columbia - Greenville; The Furman Co.
TENNESSEE, Memphis; E. H. Crump & Company
TEXAS, Houston; Langham, Langston & Dyer
Dallas; Roach-Howard-Smith-Kemp & Hunter, Inc.
UTAH, Salt Lake City; Ed. D. Smith & Sons
VIRGINIA, Richmond; DeJarnette & Paul, Inc.
WASHINGTON, Seattle; LaBow, Haynes Company, Inc.
WEST VIRGINIA, Charleston;
McDonough-Caperton-Shepherd-Goldsmith
WISCONSIN, Milwaukee; The Laub Group Inc.

. . . . . .

ARGENTINA, AUSTRALIA, BELGIUM, ECUADOR, ENGLAND, FRANCE, GERMANY, IRELAND, ITALY, NETHERLANDS, NEW ZEALAND, PERU, PHILIPPINES, SWITZERLAND, VENEZUELA

State probes its insurance placements

PHOENIX—Arizona legislators launched an investigation into the $1 million-plus insurance business the state transacts under the guidance of a governor's advisory commission.

The probe was reportedly triggered by the Oct. 2 newspaper disclosure of possible conflicts of interest by two influential house Republican committee chairmen planning to do business with the state.

House minority leader Craig Davids debated earlier this year with one of the two committee chairmen, Rep. Ray Everett, about a senate bill giving what Rep. Davids called "carte blanche authority to the governor to peddle insurance business without public bidding."

The bill passed, prompting state Democrats to charge, "The governor may purchase such insurance coverage as he determines serves the best interests of this state, and may determine deductibles except that no deductible applicable to any one loss may exceed $100,000."

REP. DAVIDS disclosed state insurance premiums in fiscal 1974-75 totaled $1,284,000, with another $500,000 appropriated for a revolving fund to pay uninsured losses.

The investigation centers on Rep. Everett, chairman of the house government operations committee, and Rep. Jay C. Stuckey, chairman of the house commerce and industry committee, partners in an insurance business.

The investigation was begun following allegations that the two had formed Arizona Investment Managers, an insurance firm taking advantage of a 1972 state law they had co-sponsored.

They apparently found the venture unprofitable after attorney general Gary Nelson, chairman of the governor's insurance advisory committee, told them it would constitute an illegal conflict of interest.

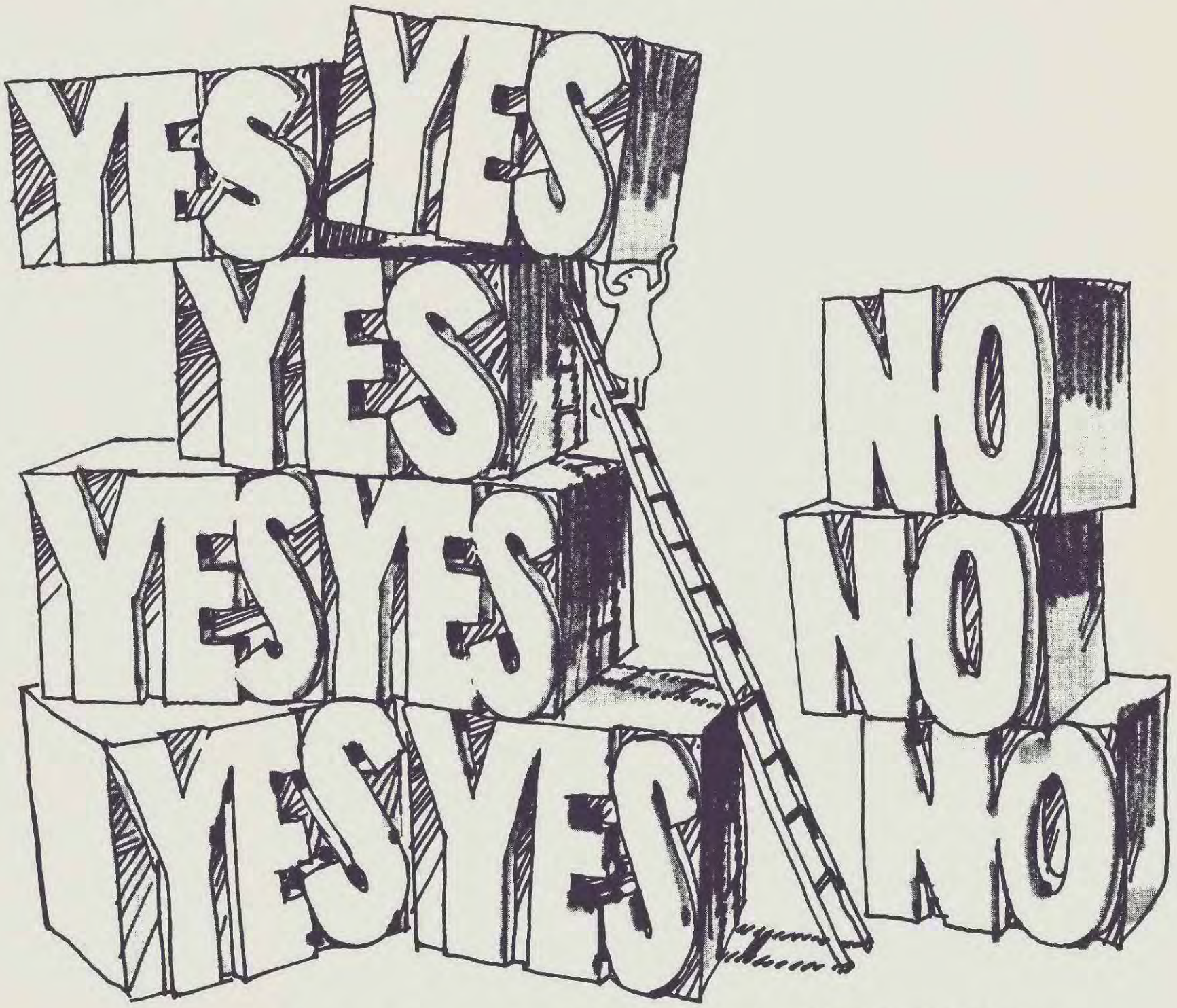
The insurance firm was then sold to Frank Middleton, a former GOP national committeeman from Phoenix, and John Howard, also of this city, president of Valley National Co., insurance.

Arizona Investment Managers was set up to handle tax-deferred retirement and disability compensation plans for state, county and city employes.

After the firm's sale, the governor's insurance advisory committee chose the company as exclusive agent for tax deferred retirement and disability compensation plans for state employes. ■

our offers are a well-accepted fact in the brokerage business.

brokers say yes to 7 out of 10



That's quite an underwriting record. But then, we're not exactly new to the business. North American Life and Casualty has been successfully serving brokers for more than twelve years, more than twice as long as 90% of our competitors. And we take great pride in our ability to provide fast, fair, knowledgeable answers to any questions that you may have about Liberal Substandard Underwriting practices. So call your local NALAC office. Or call us directly at (612) 377-5511. Chances are, you'll like what we have to offer.

north american
LIFE AND CASUALTY COMPANY
1750 Hennepin Avenue, Minneapolis, Minnesota 55403

Insurance regulators best equipped to consider prepaid legal plans

NEW YORK—As prepaid legal plans move from the research to the implementation stage, the best form of regulation for the new product is through state insurance departments, an attorney for a major insurer stated.

While contending that prepaid legal services may need no more regulation than what is already being applied to general business operations, William B. Pugh Jr., assistant general counsel of the INA Corp., told his audience at an American Management Assn. seminar that public attitudes and needs will probably bring about some form of extensive regulation.

"It should be noted in considering alternatives that state regulation of insurance is geared to handle problems of this sort," Mr. Pugh said. "Despite some shortcomings it is the most developed and experienced form of regulation in this consumer area. It has a far greater immediacy to the public than any comparable federal regulation."

HE POINTED OUT that about one-third of the state insurance commissioners have already assumed jurisdiction over prepaid legal services as a form of insurance. Another one-third of commissioners have taken the stance that the concept is not insurance. The final third have taken no action at all on the subject.

Later in his speech, Mr. Pugh indicated that the confusion surrounding how the legal plan was to be regulated was even further complicated by the fact that marketing was leaning towards group coverage.

"Treatment as casualty insurance, as is the case in most states to date acting positively, brings into play law in this field rather than flexible regulation of group life," he noted. "This creates additional problems although I take some pride in concluding that the problems of merchandising group fire and casualty insurance are considerably less than they used to be.

"Also," he added, "group marketing creates the likelihood of extensive multi-state operations complicated by varying and inconsistent state laws."

Mr. Pugh explained he is chairman of an advisory committee working with the National Assn. of Insurance Commissioners' property and liability committee, which has been directed to review and make recommendations on the subject.

THE COMMITTEE has so far approved a questionnaire to be sent to the various insurance commisioners in an effort to determine the current state of regulation and the attitudes regarding it, Mr. Pugh explained, and a number of studies of existing plans has begun.

He felt it would be inappropriate for him to point to possible conclusions at this early stage but said most members of his committee agreed that some form of regulation over prepaid legal services was in order.

"It should be emphasized that there is a clear and general recognition of a basic principle that the interest of the purchaser of coverage must come first," he said. "Obviously, a basic objective must be the financial security of the purchaser of the service and the need for him to be treated fairly from the standpoint of business practices, price, form of contract, etc."

Mr. Pugh said the average insurance code contained 300-400 pages of law "all turning basically for their application on the concept of insurance that the statutory definition of insurance is either somewhat vague or nonexistent."

The basic definition, he said, is indicated by the definition of insurance in Washington: "Insurance is a contract whereby one undertakes to indemnify another or to pay a specified amount on determinable contingencies."

THIS DEFINITION has been applied to give the states broad power to regulate in the public interest and whether or not prepaid legal service is considered an appropriate subject for regulation under it becomes an important basic question, according to Mr. Pugh.

"It does seem clear that, if the subject is considered insurance, the insurance codes of most states automatically trigger an overwhelming mass of regulation on an infant still struggling to emerge from the womb," he said. "There appears to be a possibility that some states are answering this aspect by concluding that regulation of this sort can be borne only by insurance companies—the only one capable of bearing up under the burden—and that such application would obviously be cruel and inhuman treatment for anyone else."

When one considered the complexities of the laws relating to financial requirements, taxes and fees, licensing and myriad other things, Mr. Pugh said there may be "a valid basis for limiting the application of the laws. However, it would seem important to apply such limitations on a firm basis rather than haphazardly or as influenced by a peculiar group with more political muscle than another."

Aside from the group insurance complication, Mr. Pugh said certain plans might also need supplementary forms of regulation. "The fact that the service is performed by an attorney is a complicating factor," he said.

"The Bar is understandably concerned with possible efforts to regulate that attorney-client relationship," he added. "Other ethical considerations, such as advertising, present problems." ■

If the insurance program is your assignment, the Michigan Mutual "Special Risk" team can be of help to you.

Corporate insurance buyers expect specialized know-how and service. (We know, because we've been a leading commercial insurance writer for over 60 years.) That's why, many years ago, Michigan Mutual Liability Company pioneered the "Special Risk" concept to work with corporate insurance administrators. Our staff members co-ordinate sales, underwriting, claims, rehabilitation, safety and other service activities as needed and where needed. And they're on the phone or in the office of our business insurance policyholders to follow up. Michigan Mutual's "Special Risk" service is just part of the policy behind our policies: That's to be the best in business insurance.

The policy behind our policies makes the difference.

Michigan Mutual Insurance Group

Michigan Mutual Liability Company

Associated General Insurance Company

Home Office: Mutual Building • Detroit, Michigan 48226
Regional Offices: Detroit, Grand Rapids, Indianapolis, New York, St. Louis, St. Petersburg

OK's benefit improvement

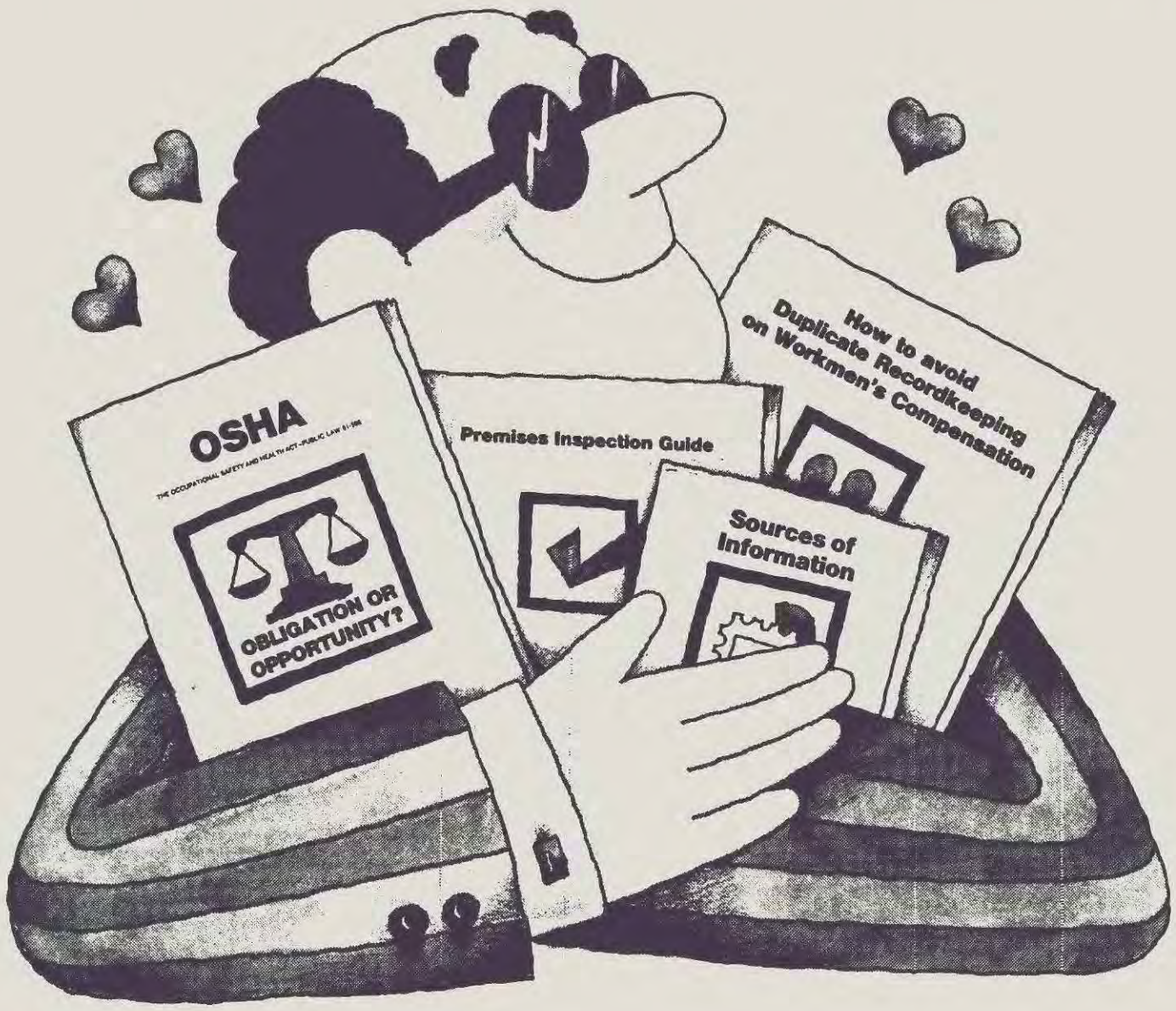
BOSTON—The Massachusetts senate has passed and sent to the house two measures granting major benefit increases to Bay Staters qualifying for workmen's compensation and unemployment compensation.

Maximum weekly benefits for temporary total, temporary partial and permanent total disability would increase by $10 a week for injuries occuring after Nov. 1 and by another $5 for those after Nov. 1, 1974.

Aggregate maximum benefits for those disability categories would increase over the present 250-week effective level from $2,500 to $22,400 for injuries after Nov. 1, and from $1,250 to $23,750 after Nov. 1, 1974. ■

OSHA.

Let Ætna show you the sunny side



Think positively about OSHA. You might find that it can help increase your efficiency and productivity.

When you have a workmen's compensation policy with us, Ætna can show you how you can make that happen. It's all in the specially-prepared OSHA Kit available through your Ætna agent. The kit should not only clear up most questions you still have, but will detail the tangible help we can give you to meet your OSHA obligations. *And just as important—how to capitalize on your OSHA-given opportunities.*

You'll also see that Ætna offers direct and active assistance. And lots of it. We can set up in-house OSHA programs for you. Simulate OSHA inspections. Run tests on noise, air contaminants and radiation levels. And check for chemical, mechanical or electrical hazards. To meet special needs, we also conduct seminars where problem areas can be discussed with our experts.

We think there are sound business reasons why you should take the same positive attitude toward OSHA that we do. It's just another way of showing that Ætna isn't your average insurance company.

You get *action* with Ætna

Ætna
LIFE & CASUALTY

Employe Benefits Communications Awards Competition

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

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

Name_____Title_____

Company_____

Address_____

City_____State_____Zip_____

Bell System companies file suit to stop job benefits to strikers

NEW YORK—Charging that a state law granting unemployment benefits to striking workers is unconstitutional, the New York Telephone Co. and three other Bell System companies filed suit in federal court here in an effort to overturn the statute.

The suit, aside from contending the law is unconstitutional, says that employers are, in effect, compelled to subsidize strikes against themselves because of it.

The complaint, filed late last month, also looks to clear New York Telephone's $43 million account with the State Unemployment Insurance Fund. That amount was charged against the telephone company for unemployment payments made to more than 30,000 striking employes during a seven-month strike in 1971-72.

More than 4,800 employes of the Western Electric Co., the long lines department of the American Telephone & Telegraph Co. and the Empire City Subway Co., a wholly-owned subsidiary of New York Telephone, joined in the lengthy strike and their employers are also attempting to clear their accounts of the $5.6 million paid out during the dispute.

THE SUIT contends the payment of unemployment benefits to the strikers actually prolonged the bitter strike and added the benefits constituted a type of state subsidy to the strikers, a violation of National Labor Relations Act. The act guarantees that collective bargaining will be carried out without state subsidization or interference.

Under New York's experience rating system, employers are assessed higher taxes as their unemployment rate goes up.

New York Telephone said its unemployment tax assessment was increased to $9.7 million in 1972 (a jump of $6.3 million) because of payments made during the strike.

This year's assessment will be $11.3 million and the company said the assessment will continue to go up for many years. The other companies involved also had marked assessment hikes.

UNDER THE law here—Rhode Island is the only other state which pays striking workers unemployment benefits—strikers receive $75 a week in benefits but they are not eligible for payments until the strike reaches its seventh week.

The suit to overturn the law follows efforts by many business groups, such as the New York Chamber of Commerce and Industry, to have the law repealed. The business groups feel the law encourages lengthy strikes, destroys a favorable business climate and goes against the idea of the government keeping its hands off labor disputes.

However, the business groups have been out-lobbied in the state legislature by organized labor, which has been very active in keeping the law on the books. ■

James Loss Control.

The firm foundation to protect your people, property and profit.

Insurance? Of course we've been selling it for 115 years. But at the base of successful risk management, you'll find effective loss control. The kind provided by **James Technical Services**—a well coordinated, highly professional staff strategically located in major cities.

We set high standards, because loss control today is a sophisticated, professional discipline. Our staff works through all the phases, from on-site surveys of risk to computer-assisted analysis and research. From property engineering to casualty loss prevention to plant security to industrial hygiene. From training company management in loss control to counseling management on which risks to assume, which to insure and which to self-insure. And this service is available on a fee basis. The results? Easier-to-place coverage and a reduction in total risk management cost.

Consider the outstanding response of **James Technical Services** to OSHA—the Federal Occupational Safety and Health Act. We've developed an excellent film on the purpose, scope and requirements of the law as they apply to your business. We offer a first-rate training course for company management. And we've established an OSHA Information Center to answer questions from concerned companies. Whether they are clients or not.

James loss control. To put a firm foundation under the three big assets any company has. People, property and profit. If this can help your company tomorrow, contact James today. 230 W. Monroe, Chicago 60606.

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

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

Continental policy to cover blast

NEW YORK—The estimated $10,000 property damage to the Central Savings Bank here from a double-bomb explosion last month is covered by the Continental Insurance Cos., a bank spokesman said.

Continental may also cover personal injuries to the 10 or more bank customers hurt in the blasts, although a Continental spokesman said the liability would be a legal question.

"The courts would have to decide, but the bank had no control over the situation and no indication it would happen, so there is no negligence on the part of the bank," he said. "Of course, there is no liability on the part of the customers either," he added.

"It is like a case where someone is injured at someone else's home," he said, "because insurance might cover it even though there is no negligence on the part of those involved."

Police were continuing their investigation into the explosions but had not come up with a concrete motive for the crime.

The bombs, one six inches long and two inches in diameter, and the others, three inches long and two inches in diameter, had reportedly been placed in a black attache case propped between an artificial plant and a chair several feet inside the bank. The New York City police arson squad and the Federal Bureau of Investigation are working on the case. ■

When catastrophe closes your doors, we help you hold on to your customers.

The St Paul

If disaster strikes your business, your customers have two choices. They can either wait for you to reopen. Or they can take their business elsewhere.

It's The St. Paul's goal to make sure your customers stay your customers. Our new Blanket Earnings and Extra Expenses coverage not only covers lost earnings but also pays extra expenses of operating from a temporary location so you can continue to serve your customers.

Until now, it's been necessary for you to purchase two separate policies and set limits of protection for each kind of loss and for each location where you do business. The St. Paul combined Business Interruption and Extra Expenses into one simplified policy which means separate policies and individual limits are no longer necessary.

All you do is select your limit and deductible. If a loss occurs, we'll pay the claim right up to the limit without regard to whether it's lost earnings or extra expenses.

We believe this new blanket coverage will give you more for your premium dollar. For example, The St. Paul will continue to make up lost earnings until you reach your previous level. Up to 120 days if necessary — at no extra charge.

Blanket Earnings and Extra Expenses — another example of the kind of innovative insurance that's made us a leader for over a century.

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

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

THE ST. PAUL COMPANIES
St. Paul, Minnesota 55102

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

london line

Thus far, no major war risk claims in first stages of Middle East war

LONDON—Lloyd's is waiting, in its normal way, for signs of any major war-risk claims from the Middle East conflict. Marine and other insurers, have noted that no substantial claims have come to light in the first intensive stages of the war.

War risk rates rose rapidly in the U.K. market soon after the conflict began, but even then proved to be lower than at the height of the historic Six-Day War, when they shot up to two dollars per $100 for sailings covered by the marine market.

For the present conflict, in the vulnerable zones around Eastern Mediterranean and Israeli ports, rates of one dollar per $100 have been recommended by the war risks rating committee. The committee is comprised of representatives from Lloyd's and the U.K. company market.

The rates are much lower than those during the Indo-Pakistan war, which at times reached five dollars per $100. Underwriters however, are entitled to assess each world conflict in their own way, and they chose one percent as the rate applicable to ships and cargoes this time, despite the obvious severity of the conflict.

A London source close to the war-risk market told *Business Insurance:* "There is no single or simple explanation for the rate being as low as it is. Obviously many factors have to be taken into account by the market in advocating rates."

The rates, set by the war risks rating committee in London, are the minimum rates applicable to war-risk cover for the areas involved.

Underwriters however, at their own discretion can charge higher premiums for any special voyages or cargos which are offered to them if they feel there ought to be substantial variation from the agreed figures.

The London market agrees on its war-risk rates for Lloyd's and more than a hundred other companies, but they are not compulsory on the American market, where they are merely passed on for guidance by the English market to the American Institute of Marine Underwriters. So the Lloyds' rate does not necessarily apply to American merchantmen in the trouble zones.

Since London sets the pace for a large part of the world marine market, however, its views do not go unnoticed. For various reasons there were no U.K. war-risk rates specially set for the Vietnam conflict, so there is no direct comparison with that war, in which U.S. insurers were more closely involved.

A number of merchant ships, including two from Greece and Japan, have been hit during the Arab-Israeli war while in local ports, together with an off-shore oil rig. But there are no reports yet of major casualties.

* * *

FIRST MOVES by the big British insurance industry to hit back at Labor party plans to nationalize insurance (*Business Insurance* Sept. 24) are now slowly beginning to emerge. Insurance groups appear to be undecided how to treat the threat.

Lloyd's, of course, is not included in the plan to take over leading insurance companies, as even the Labor party admits Lloyd's is unique in its structure and should be left untouched.

Ron Peet, chief executive of the legal and general insurance group, criticized the plan, asserting: "If nationalisation is carried out it can have a disastrous effect on overseas earnings which play a large part in the country's invisible exports. Should the industry ever become state-owned, it will detract from the standing of London as the world's major insurance market. The proposals are hastily thought out, and many vital aspects covering insurance are not properly dealt with."

The Labor party gave sweeping support for a wide range of public ownership proposals, including many in the financial field, at its fall conference. So the priority which it will give, if elected to power, towards public control of insurance must depend, to some extent, on massive demands for state control of ports, shipbuilding, aircraft production, and many other sections of the nation's economy which conference delegates also want.

* * *

HELEN EVANS, the 21-year-old English student who was mugged during a coach tour of the U.S., is filing a million-dollar lawsuit against the Greyhound Bus Co.

She charged that she has lost her memory and that her appearance has been affected, and wants compensation for plastic and dental surgery that will be needed to correct her severe facial injuries.

Power plant superintendent Jack Evans, her father, says: "With mugging such a frequent crime in the U.S., the bus company should have taken more security precautions at its coach station.

"We have briefed an American lawyer to bring the case, not just for the financial recompense, but to spotlight what we consider to be inadequate safety precautions."

Helen Evans was beaten up at a bus station in Miami, and was in a coma for a month before her parents brought her back to Britain. She had hoped to attend an English university this fall, but may now have to wait two years before her memory is right again.

* * *

SECURITY EXPERTS in a U.K. firm linked with Brinks of Chicago have developed a $70,000 armored truck for hauling bullion. The truck is claimed to be the toughest of its kind in Europe.

It can travel more than six hundred miles without refueling, and its three-man operating crew has bunks and living accommodations adequate for four day

Continued on page 31

BERTON WETTERHAHN'S $5000 IDEA.

Green Giant covered for Canada plant loss

LE SUEUR, MN.—Green Giant Co. is fully insured for the loss of a Tecumseh, Ontario plant and warehouse last month *Business Insurance* learned.

Fire nearly destroyed a 50,000 square foot can manufacturing plant and a 55,000 square foot warehouse containing "considerable stocks," but left adjacent vegetable freezing, canning, and packaging operations intact, the company said.

Early estimates of a $10 million loss were said by the company to be considerably high, although Hugh Boren, director of insurance, declined to say what he thought losses approximated.

Sources outside the company, but close to the situation, said damage would probably run $5 million or a bit higher, depending on final determinations of smoke damage to cold storage facilities and the stocks there.

Cause of the fire was unknown. There were no injuries.

GREEN GIANT has property/casualty coverage with two carriers. Lansing B. Warner of Chicago is the principal carrier, and Appalachian Insurance Co., one of the Factory Mutuals, is minority carrier. Mr. Boren said there is a $10,000 deductible for property damage, and a $10,000 deductible for business interruption.

Mr. Boren declined to disclose the limits of the coverage for the Tecumseh location, but said he doesn't feel the limits will pose any problems in this situation. "We have blanket coverage for everything," he noted.

Employment at the Tecumseh facility totals 150, considerably lower than during the peak canning season. The company said freezing and packaging operations were expected to be resumed in only a matter of days. Committments for cans from an outside supplier were quickly made.

Employes were reassigned to other duties elsewhere in the plant.

Mr. Boren said he does not expect Green Giant's property insurance premiums to increase because of this fire, even though it is the largest loss the company has ever sustained. "We've had some pretty low loss records," he stated. It has been more than 15 years since Green Giant had a major plant loss similar to this, he added. ■

Grant helps merchants buy security systems

NEW YORK—A $1.75 million system of surveillance cameras and holdup alarms is being installed without cost in 3,600 stores throughout New York City as a result of a combined grant from federal and city governments.

The grant of $1.5 million from the New York City crime prevention unit budget and $250,000 from the federal law enforcement administration allows the New York City police department to select stores for participation in the merchants security program, as the system is called. Each storeowner pays only a monthly maintenance fee of $8 for the camera and $6 for the alarm. Normally cost would run $400 to $500 if the storeowner installed the equipment himself, police estimated.

The security program, already in operation at 225 stores in five of the city's 71 police precincts, includes a timed-release camera like those used by banks, and a silent alarm linked to a central station for police alert via the 911 emergency number here.

DECALS ON store windows warn that detective devices are working. Only one robbery has been reported since the first devices were installed last July, police noted. The usual statistic for the six-month period in the city is 30 robberies.

Installations are continuing at the rate of about 30 stores each week, sources said. Canvassing by the crime prevention unit of other prospective participants in eight other precincts is continuing as well.

Police are reportedly trying to compact the program by selecting solid rows of shops. They hope to zero in on avenues or streets which form a traditional business district in communities within the city.

A police spokesman said the crime prevention unit sees the security program as part of its responsibility to protect business establishments in the city. ■

Berton D. Wetterhahn of Canoga Park, California, had a better idea.

An imaginative new way we at The Maryland could use our computers to provide better service to agents, brokers, and customers.

In the opinion of our judges, it was the number one idea in The Maryland's Great Ideas Contest.

Berton Wetterhahn beams at the $5000 check he received as a winner of The Maryland's Great Ideas contest. George T. Howard, Jr., Resident Vice President of The Maryland's Los Angeles office made the presentation.

Mr. Wetterhahn has already received our check for $5000 along with our heartfelt thanks. He and the hundreds of other agents who submitted ideas have helped us to keep an important promise. Our pledge to develop a level of service and responsiveness that is unequaled in the insurance industry.

We believe this award and the 25 runner-up awards go a long way toward proving the sincerity of our commitment to be the people who get things done.

The Maryland

People who get things done.

Maryland Casualty Companies, Baltimore. Members of the American General Group

London line...

Continued from page 30

periods inside the truck.

Armored areas of the truck include portholes for guns which the crew can use for self-defense if attacked by hijackers. Payloads of gold or other valuables as high as $80 million can be transported in the vehicle.

* * *

PLANT WORKERS in the asbestos industry have been supplied with special government leaflets advising them how to protect themselves from cancer.

T. Lloyd Davies, the government's chief medical adviser in this field, prepared the leaflet with the reassuring message: "Don't get alarmed because you work in the asbestos industry. Workers in many industries handle potentially harmful substances safely."

He suggests that workers should quit smoking cigarets, or reduce the amount they smoke, and that they should make use of facilities for medical check-ups every two years.

Lead industry workers are also being given copies of a health code for their plants. ■

Wooley appointed new risk manager

ALAMEDA, CA.—Ralph B. Wooley was promoted to corporation director of insurance, safety and maintenance for Distribution Systems Inc.

The post is newly created.

Mr. Wooley was formerly assistant to the president of Shippers Imperial Inc., one of the five trucking companies owned by DSI. He will be responsible for furthering uniformity among the separate insurance programs for the five divisions, bringing more emphasis to the overall company insurance programs.

San Diego's new risk man: A first

By CHARLES WINGIS

SAN DIEGO—After years of insurance administration by committee, the County of San Diego ushered in the age of the risk manager, and became the first county in California to create such an office.

The job went to Richard McElligott, formerly "insurance officer" for the County of Riverside, and a 15-year veteran of the insurance and risk management fields.

Mr. McElligott was assigned the classic risk management responsibilities for the county, including "identification and measurement of risks, implementation of County policy on the purchase of insurance and retention of risks, administration of self-insurance funding, coordination of the loss control and other risk management efforts of all county departments, and communications to County administration of all aspects of the program."

"WHAT I'M REALLY excited about," he says, "is that San Diego County placed the risk management function in its fiscal agency. It's not being placed in personnel, purchasing or some far out department where the risk manager may never get to management to explain his programs and the potential savings involved."

No two public agencies view the risk managenent function in exactly the same way, said Mr. McElligott. "Some see the risk manager as being primarily safety-oriented, reducing risks to bring down accident costs. At Riverside County insurance was a separate division attached to the personnel department, so there was a tendency to regard risk management in terms of medical health standards, group life insurance and that type of thing.

"There's also the danger of being placed in the purchasing department where emphasis is on buying of insurance, reducing costs and strengthening your bids. But obviously the total risk management picture involves all these aspects and more," said Mr. McElligott of the job he assumed in mid-September.

AN ANNOUNCEMENT of his newly created post within the fiscal agency described the move as an attempt "to exert more control over its insurance and risk control techniques . . . to minimize County risks of loss and risk costs through use of deductibles and self-insurance where this can be done without jeopardizing financial stability."

Dick McElligott has a game plan designed to get the job done. "Right now," he explained, "we're working hard to evaluate and establish a maximum probable loss level for the $80 million worth of real estate owned by San Diego County. I think about $15 million worth of liability coverage would be adequate and help us beat the high premium costs we're now paying for our $80 million cover.

"We had a very good loss experience until our big forest fire in 1970 when we lost two bridges, a bulldozer and other equipment which totaled $120,000. At re-

Richard McElligott

newal time our premium jumped from $20,000 per year to $60,000, and for the first time we were put on a $50,000 deductible. All of a sudden our insurance picture had changed," said Mr. McElligott.

"WE HAVEN'T had any bad losses since then, but we're still paying a big $60,000 premium every year," he continued.

Already established is a $250,000 self-insurance program, with $10 million excess coverage, for workmen's compensation. This program, said Mr. McElligott, has proved very successful. He is seriously considering the same for the county's liability cover.

Decision-making power over the county's insurance needs was formerly vested in an insurance standards committee. After determining the type of policy required, the committee would authorize the purchasing agent to buy the insurance from a broker. This arrangement did little to enhance the county's risk profile among prospective carriers, the new risk manager is convinced.

"Insurance markets for public entities are naturally limited," said Mr. McElligott. "About two years ago, the carriers backed off and didn't want to give riot or civil commotion coverage. Of course we also need errors and omissions covers for elected officials, and adequate protection for false arrest condemnation proceedings, civil liberty suits and any number of other risks peculiar to a public entity," he said.

To help underwriters better understand the county's risks and to open up new markets, Mr. McElligott developed a corporate risk profile for San Diego County.

"WE WANT TO show the underwriters just how good we really are," Mr. McElligott said. "We have an excellent building security program, a great safety program with five men operating in this area, and we have a fine drivers' program.

"It's like anything else," he said. "We want to make ourselves look attractive, instead of sitting back and saying, 'Here are our insurance specifications. Now, what can you do for us?' Including our self-insurance costs for workmen's compensation, we spend about $1.5 million for insurance every year, We want to explore as many markets as possible to get as much as we can for our money."

The McElligott game plan includes interviewing brokers, underwriters and claims adjusters, with the goal of selecting a single insurance broker under a controlled bidding process, with remuneration by negotiated fees rather than commissions.

Continued on page 33

Are you aware we're way out front in underwriting?

"We're a step ahead."

Our own Agency Round Table talks and our Agency Visitation program revealed that people had good feelings about us. Then, an unsolicited survey among agents confirmed it: the Francis D. Barrett, Jr. & Associates Study.*

Of the country's top 20 stock agency companies, Reliance rated #2 in commercial casualty. We were #3 in commercial property. And #1 in fidelity and surety. More than 2,000 agents participated in the survey.

It's a great feeling to know the people you work with think you're a step ahead. And we want to keep it that way. Think you'd like to know more about us? Call us and let's talk. Today.

Reliance. We're the performance people. And we can prove it.

RELIANCE

RELIANCE • UNITED PACIFIC • RELIANCE STANDARD LIFE INSURANCE COMPANIES

RELIANCE INSURANCE COMPANIES, PHILADELPHIA, PENNSYLVANIA 19103

*Study headed up by one of the nation's foremost research and marketing consultants to the insurance community, Francis D. Barrett, Jr. Mr. Barrett, president of his firm, Francis D. Barrett, Jr. & Associates, has held top positions in the Underwriting, Marketing and Research Departments of some of America's top insurance firms.

New electronic device for aircraft is pushed as result of Delta crash

WASHINGTON—The recent crash of a Delta Airlines DC-9 at Logan International Airport in Boston has prompted a push for requiring another electronic device aboard commercial jet aircraft.

The National Transportation Safety Board (NTSB) renewed its effort to have the Federal Aviation Administration (FAA) require ground proximity warning devices on commercial aircraft after the Boston crash, claiming such a device would have warned the flight crew of the aircraft's low altitude despite foggy conditions. *Business Insurance* reported the controversy surrounding the devices in its special Oct. 8 Safety/Security issue.

Now, a California Congressman, citing the same crash, has introduced legislation that would require all aircraft—both civilian and commercial—to be equipped with Emergency Locator Transmitters (ELTs), devices that would pinpoint the location of wreckages and thereby aid in rescue efforts.

SUCH DEVICES are now required by the FAA for non-jet-powered aircraft, including planes used as air taxis and in charter operations. Regular commercial airliners, training planes flown not more than 20 miles from their bases and crop-dusting planes are now exempt from the standard.

Rep. Jerry L. Pettis (R-Ca.), a former commercial pilot, said he was introducing the legislation in response to "numerous" letters from members of the Airline Pilots Assn. detailing accidents and near-accidents which, he said, "might have been averted all together if the planes had carried ELTs."

An ELT, he said, would have told the air controllers at Logan that the DC-9 had crashed. Because they were unaware of the crash due to heavy fog, the tragedy could have been worse, he said.

"Only luck prevented three planes from piling up on the runway at Logan," he said. "The first aircraft, the Delta DC-9, had crashed in the fog. Since the plane had no ELT, air controllers were unaware of the crash and the tower then cleared the two airliners in back of the DC-9 to land on the same runway. One tragedy could have become three."

Rep. Pettis also said the absence of an ELT delayed emergency equipment from reaching the wreckage site for almost eight minutes.

"Who knows how many lives might have been saved if an emergency locator signal had been received by the tower as soon as the crash occured?" he said.

He recommended also that locators be installed in a crash-safe area of planes, perhaps as part of the flight and voice recording equipment. Such devices, he said, should be designed to be self-ejecting and capable of floating.

CONGRESSIONAL interest in ELT's first began in the late 1960s, after a light plane carrying an official of the Lovelace Foundation crashed in the desert and its inhabitants died of exposure before the plane's wreckage could be located.

The original legislation creating the ELT requirement for non-jet-powered aircraft was passed as a rider to the Occupational Safety and Health Act of 1970. The provision amended the Federal Aviation Act of 1958 and was introduced by Sen. Peter H. Dominick (R-Co.).

An FAA source said it has received recommendations that ELTs be required on all aircraft, as well as suggestions that more types of aircraft be exempted from the present regulation.

"Most of the complaints about the present regulation have come from amateur pilots who build their own aircraft in their back yards and rarely fly more than 50 miles from home," he said. "They do not want to be bothered with the expense of an ELT. The cost ranges anywhere from $100 to $500 or more, and that's quite a chunk of money for a guy whose been saving all his life to build a plane."

The FAA, he said, has granted no exemptions from present ELT requirements. ■

Risk man . . .

Continued from page 32

"One of the first jobs I completed," he said, "was an insurance survey of public agencies in California. On the basis of about 25 returned questionnaires, I found that San Diego County has probably one of the lowest excess insurance coverages, $5 million, in the state. Even little cities have that much, and the majority of large municipalities are from $10 million to $25 million. Our coverage is inadequate for a county this size."

PROPERTY LEASES are tremendously important here in San Diego County," said Mr. McElligott. "For example, we have eight leased airports and we've got to know the exact limits of the insurance they carry. If it's only $500,000 and they're having an airshow, you've got to be prepared. The suits coming out of the ice cream parlor plane crash in Sacramento total somewhere around $30 million!"

The ultimate objective of the McElligott plan is better insurance coverage at lower costs. "We hope to set up a risk management program similar to an outside corporation, although we won't be as concerned with the cash flow picture as a merchandising operation might be.

"We're going to eliminate some policies, but that's not necessarily a total cost reduction because I'm sure we will still have some losses in these areas that we'll have to pick up. I also expect that we would go to a big deductible or self-insurance of our liability," Mr. McElligott detailed.

"We're going to eliminate most of the policies covering the small stuff. We'll try to eliminate our fire and theft policy covering our vehicles and incorporate our vehicle fire into our blanket fire policy." ■

CPCU to hold seminar

A seminar entitled "Will Mass Merchandising Drive the Independent Agent Out of Business?" is scheduled for Nov. 13 at Chicago's LaSalle Hotel, sponsored by the local CPCU chapter. A 66-page report done by the mass merchandising committee of the National Assn. of Insurance Agents will be discussed at the meeting.

You can't tell
a bad egg by its shell—

and it is not just with eggs that appearances are deceptive. As many companies have learned through disastrous losses, it is often the most innocent-looking employee that turns out to be the biggest thief. New and improved controls can lessen the risk, but the fact is that corporate stealing is increasing at an alarming rate. Only adequate insurance guarantees a company against critical financial loss. Our dishonesty bonds are exceptionally broad in coverage. The form, which provides money and forgery coverage, not just dishonesty coverage, is brief and clear. To provide this much needed protection we offer expert fidelity underwriters to analyze your needs, and a staff of commercial fidelity claimsmen whose sole area of responsibility is crime claims from commercial assureds. Before you are faced with a catastrophe, call a Chubb agent or broker and find out what you can do now to avoid it.

CHUBB

CHUBB/PACIFIC INDEMNITY GROUP
Subsidiaries of The Chubb Corporation, 100 William St., New York, N.Y. 10038

CHUBB & SON INC., *Manager*: Federal Insurance Company + Vigilant Insurance Company + Great Northern Insurance Company + The Sea Insurance Company Limited + The London Assurance + Alliance Assurance Company Limited + Sun Insurance Office Limited + The Sumitomo Marine and Fire Insurance Company, Limited • Affiliated through THE CHUBB CORPORATION: Pacific Indemnity Group + The Colonial Life Insurance Company of America + United Life and Accident Insurance Company
Aviation Insurance through Associated Aviation Underwriters.

ADT risk man prefers employe benefits role

By PATRICK THOMAS

NEW YORK—Arthur H. Seitter, insurance manager for American District Telegraph Co., is something of a rarity these days: he's responsible for the company's employe benefits program and its property/casualty plans.

But he prefers working on the employe benefits side. And he has plenty to work with. ADT, one of the nation's leading manufacturers of security devices, will spend some $2 million this year for life and health coverage on 5,800 employes around the country.

Mr. Seitter and his boss, vp-finance W. F. Halpin, are proud of the company's health insurance program, written by Blue Cross and Provident Life & Casualty Insurance Co., Chattanooga, Tn. Broker for the health insurance program is Fred. S. James & Co.

Arthur H. Seitter

The Blue Cross portion of the coverage on ADT employes provides a wide range of hospital, maternity and other benefits, Mr. Seitter explained. Hospitalization benefits are paid in full by Blue Cross on a basis of 365 days per disability. ADT employes and dependents pay no deductible on this coverage.

Surgical expenses are paid on a schedule to a maximum of $500 per disability. The plan pays diagnostic lab and x-ray costs to a maximum $100 per person in any 12 consecutive months for illnesses and $100 per accident.

ADT pays the entire cost of the plan for employes. Coverage for dependents is contributory.

The major medical portion of the plan, written by Provident, is optional. Employes pay the entire premium cost. The plan will pay 80% of all covered expenses to a lifetime maximum of $25,000 per person. Employes and dependents must satisfy a $100 yearly deductible before major medical benefits become available.

"WE USED TO have many different Blue Cross plans covering our employes in different parts of the country," he said, describing old plans as a hodge-podge. "This single consolidated national plan is, perhaps, a bit more expensive but we felt our employes should have the best protection available."

Life insurance benefits of $2,500 are provided without cost to the employe after two years of continuous service. On a contributory basis, employes may choose to insure for one and one-half times salary. This becomes available after one month of employment. The employe contribution to this plan is 43 cents per month for each $1,000 coverage.

Non-contributory accidental death and dismemberment coverage is given employes after two continuous years of service. Death benefits total $2,500, as do payments for loss of both hands, both feet or sight in both eyes or any combination of foot, hand or eye injuries.

ADT ALSO offers its employes generous sick leave, ranging from 52 weeks at full pay for an employe with 25 or more years of service to four weeks at full pay and nine more weeks at half pay for employes with two to five years on the job.

Employes wishing to further their education can benefit from the company's tuition refund plan, which reimburses tuition and normal registration fees to a maximum of $500 a year.

ADT contributed $4.6 million to employe pension plans last year, based on the formula of average earnings for the past five years times 1% for each year of service.

Under the four types of pension plans ADT offers, employes may choose to receive their pension at age 55 after 20 years of service; at age 50 after 25 years with the company; or after 30 years of service regardless of age. Employes are eligible for disability pension after 15 years with ADT, regardless of age.

corporate profile

ADT has self-insured its workmen's compensation program for as long as Mr. Seitter can remember. The reason: ADT doesn't have a concentration of employes in any one location, thus limiting the chances of a catastrophe, Mr. Seitter reasons.

"I feel that the main advantage of ADT's self-insurance program is substantially lowered costs," Mr. Seitter said. "Included in every premium dollar is roughly 20% for acquisition cost, taxes, etc., none of which is of any value to the employer. Approximately 20% of the expense is eliminated under a self-insured workmen's comp program.

"Of still more importance is the fact that the 20% self-insurance savings does not include the use of this money available as working capital for management," he continued. "Capital is tied up needlessly under an insured program."

The company does, however, carry an excess workmen's compensation policy with a $50,000 self-retention in case of that remote catastrophe. "We've never had to use it," Mr. Seitter pointed out.

The company could be considered a dream client to its property/casualty insurers.

"We use our own fire protection equipment in our offices and plants," Mr. Seitter explained, "and we haven't had a fire loss in 20 or 30 years."

THE HOME Insurance Co. writes a $25 million blanket fire insurance policy on much of ADT's property through Marsh & McLennan. The coverage comes first dollar. However, all ADT products in a subscriber's facilities, such as alarms and sophisticated protection devices, are not covered by the blanket fire policy.

Continued on page 35

$100,000
CAPAC
FIRE &
Capacity, Capacity, Capacity . . .
Devonshire underwriters really underwrite. Devonshire engineers really engineer.
Devonshire production people really produce. Devonshire claims people really know what claims are all about.
Our underwriters don't rely on manuals, but use a creative approach to large lines; they look for solutions to problems, not just problems.
If you really want action on large
Devonshire man a call!!!
DEVONSHIRE COVER
Los Angeles
Jan Krajewski, President
630 S. Shatto Place
Los Angeles, California 90005
(213) 380-6151

ADT plans . . .

Continued from page 34

However, all ADT property, including that on the subscriber's premises, is covered by a difference in conditions policy written by the St. Paul Insurance Cos. through A. L. Carr, Centerport, N.Y. It carries a $250,000 limit with a $10,000 deductible.

"We were paying a $4,000 annual premium to Employers' Surplus Lines insurance Co.," Mr. Seitter recalls, "and had never used the DIC policy when Hurricane Agnes hit. We took a loss and Employers' cancelled within a few days."

HE SAID the company spends between $400,000 and $500,000 a year on its property/casualty coverages, "a large part of that on auto."

General Accident Fire & Life Assurance Corp. writes the coverage on ADT's 750-car fleet, as well as coverage on autos owned by some 1,200 employes who use them full time. Though Marsh & McLennan, General Accident writes a $5 million combined single limit policy ADT self-insures collision coverage.

ADT's corporate belief that each of its divisions around the country should be a separate profit center makes Mr. Seitter's job easier, in terms of workmen's compensation and property/casualty insurance.

"Because of this," he said, "the managers in all the offices are extremely worried about costs, which makes them extremely safety-conscious. Someone in each office is responsible for OSHA, rather than someone far away. They are safety-conscious and they aren't going to pass along bad claims in the workmen's comp area."

The $10 million comprehensive general liability policy on ADT is handled by both Marsh & McLennan and Frank B. Hall & Co. The first $1 million layer, after a $50,000 self-retention, is written by The Home Insurance Co. The second layer, $4 million, is written by Buffalo Insurance Co. Home picks up the top $5 million layer.

"THE LIABILITY policy is something we have because we should have it, even though we have had very few losses in this area," Mr. Seitter noted.

He claims ADT is not liable if its equipment fails to protect a customer, because "it's our philosophy than anything made by man can be circumvented by man. We have all the advantages on our side when it comes to devising sophisticated security equipment but there is always the possibility that a system can be circumvented.

"For this reason," he said, "our salesmen will never guarantee that an alarm can't be circumvented. We will sell what we think is the best piece of equipment available but we won't guarantee that a robbery won't take place."

The company's employes are all bonded for $5 million each, Mr. Seitter pointed out, as well as being extensively screend prior to employment. The crime bond, written by the Insurance Co. of North America through Fred S. James, covers dishonest acts of ADT employes.

The liability policy and the crime bond also apply to ADT subsidiaries and branches in Canada, England and continental Europe. Foreign operations handle their own coverages except for these two.

Directors and officers of the company are protected by a D & O policy written by American Employers' Insurance Co. through Johnson & Higgins. ADT carries a $7,500 per loss, not to exceed a $25,000 aggregate. self-retention on the coverage and a limit of $5 million.

"This policy you only see every third year, when it comes up for renewal," Mr. Seitter said of D & O. "You buy it and stick it in a drawer but the company feels obligated to buy it because of all the suits lately."

Acknowledging the expense of the coverage, Mr. Seitter said ADT paid a $45,000 premium for a three-year D & O policy. The directors and officers pay a portion of the premium themselves. ■

0,000.00

TY FOR

& SMP

The Devonshire Secret is PEOPLE

There are no written rules for engineering at Devonshire; our engineers study a risk from an asset protection standpoint.

Our production people have authority in the field; they know their business; they help the broker prepare the risk for acceptance, not rejection.

When our claims people handle a claim, they handle it for the client and the broker. What ever the claim, they've been there before.

Fire and SMP coverage, give your

RAGE CORPORATION

New York
Henry Dunn, Vice President
Suite 2500
116 John St.
New York, New York 10036
(212) 964-1900

Chicago
James Carroll, General Manager
102 E. Chestnut
Chicago, Ill. 60611
(312) 944-4012

Claims on ship collision apportioned

VANCOUVER, B.C.—Liability positions are beginning to emerge here in the wake of a 1970 marine collision in Active Pass involving the Soviet frieghter Sergei Yesenin and the British Columbia Ferry Authority ship, Queen of Victoria.

The owner of the Soviet freighter, the Far Eastern Steamship Co. of Vladivostok, has agreed to accept 60% of the ferry's liability claims for the Aug. 2, 1970 accident in which three ferry passengers died. It also took responsibility for third-party claims and all its won damages. But attorneys for both sides have been unable to reach an agreement concerning the precise amount of the damages. A Federal court hearing is being scheduled here to take up the matter of damages.

In an affidavit filed a year ago, the B.C. Ferry Authority claimed $732,952 in damages for structural repairs, loss of earnings and third-party claims.

A Federal court official said that eight or nine separate third-party cases were not included. They are waiting for a disposition of the main suit. ■

Council given nod on free training plan

WASHINGTON—The U.S. Department of Labor has awarded a two-year $3 million contract to the National Safety Council for providing free job safety and health education training to employers and employes of small- and medium-sized businesses.

Secretary of Labor Peter J. Brennan said the cost-reimbursed contract is the largest of its type ever granted by the Occupational Safety and Health Administration.

THE NATIONAL Safety Council will subcontract about 50 of its 80 accredited local safety councils under the nationwide training program. OSHA will train a "lead instructor" for each local council, and will provide instructor lesson plans and visual aids.

Job safety and health instruction will be presented in one of four course outlines, depending on the size and type of business. The main program is a week-long voluntary compliance course designed to train employers and employes to recognize and reduce or eliminate job safety and health hazards. Other one-day sessions will concentrate on legal rights and responsibilities of employers and employes, organized approaches to solving safety and health problems and a special course on job construction hazards. ■

Insured values are up but premiums holding steady at United Airlines

By STEPHEN GOOD

CHICAGO—United Airlines expected its property and liability insurance premiums to rise this year, due to a 12% rate of growth and the crash of one jet at Chicago's Midway Airport last December.

But the premiums didn't go up.

United found itself paying $5 million less than was budgeted, making Waller Smith a cheerful risk manager.

"I'd like to say that it was because I'm a brilliant negotiator, but that's not true," Mr. Smith told *Business Insurance* during an interview. Competition has driven down the market prices in a rate-bargaining atmosphere far-removed from the crunch years of 1968-69.

Not even the Midway crash, famous now because E. Howard Hunt's wife was aboard, had any effect on the airline's rates, although loss claims for that accident are "nudging up towards $20 million," according to United's risk man.

"The unit cost of insurance is cheaper now than it's ever been before," he pointed out. With three major underwriting sources competing for the aviation market, "there's now an oversupply of insurance."

Mr. Smith works with the London market, U.S. Aircraft Insurance Group. and the Associated Aviation Underwriters. These are the three major insurance pools for airline property and liability coverage.

In the annual renewal negotiations, "I either earn my pay or blow it," he said. "We operate on a pretty stringent budget."

IN THE LAST few years Mr. Smith has had some help from the carriers. They have proven to be flexible and accommodating in their coverage of ultra-high risks.

"It's a hell of a tribute to the industry," Mr. Smith declared, that the airlines never had to lose a day for lack of insurance when the 747's arrived.

"We doubled our demands on the market overnight," he said.

Before 1968 insurers were facing a maximum of $200,000 in individual loss claims, and a plane load capacity of 175 passengers. But with the advent of "jumbo jets," the passenger capacity has climbed to a maximum of 350 persons. Individual loss claims have also risen to about $250,000 per passenger.

ONE FLIGHT'S losses today might run as high as $90 million, Mr. Smith noted.

Fortunately, he added, premium costs have been held down because of improved air safety as well as competition among the carriers. Not one 747 flight has yet been lost. And in 1970 there were no fatalities reported on scheduled domestic airline flights.

United still pays out a ballpark estimate of $20 million in premiums for property and liability coverage. This includes insurance on $2 billion worth of aircraft, Mr. Smith said.

There are 364 aircraft in United's fleet. Eighteen of these are 747's, valued at about $25 million each.

Mr. Smith explained that United calculates the actual value of its equipment on a utility scale. The cost of equipment when it is bought, the replacement cost, the selling price, and the availability of a replacement are all considered.

UNITED'S DC8'S originally cost $5 million each, but are insured for $3 million. Some of the first 747's cost only $22 million, but they are valued at $25 million because there are none available today at the old price.

On all its property and liability coverage United has an annual aggregate deductible of about $10 million. One year it reached more than $16 million, "and that's a lot of self-insurance." Mr. Smith said. Beyond the deductible United works under a retrospective rating plan.

Risk managers in general "are getting a lot smarter about self-insurance," he added, learning about its advantages in all areas of coverage.

"We're working not only to understand it but to control it. We've wound up deeply involved in self insurance and seen the insurance companies become more service-oriented. Insurers are now selling services apart from the insurance function."

UNITED ALREADY handles its workman's compensation programs with self-insurance coverage in 17 states, Mr. Smith said.

"Risk management has grown," he added. "Broker expertise has expanded fantastically. There's been an upgrading of personnel in the insurance companies. We've been part of a knowledge explosion. And we've run to keep up with this parade."

A new challenge to the airlines will be the impending fuel shortage. Mandatory allocations, equal to 100% of 1972 monthly fuel purchases, begin Nov. 1.

"If the cutbacks get very acute we could wind up finding ourselves in trouble with volume projections which no longer work," Mr. Smith said.

But if the airlines readjust service to carry more passengers at less expense, he added, "maybe this could turn out to be a blessing."

Mr. Smith should know. At the age of 62, with 26 years of risk management experience, he is an expert in the field. This year, in recognition of his accomplishments, Mr. Smith was awarded the 1973 President's Award from the American Society of Insurance Management. ■

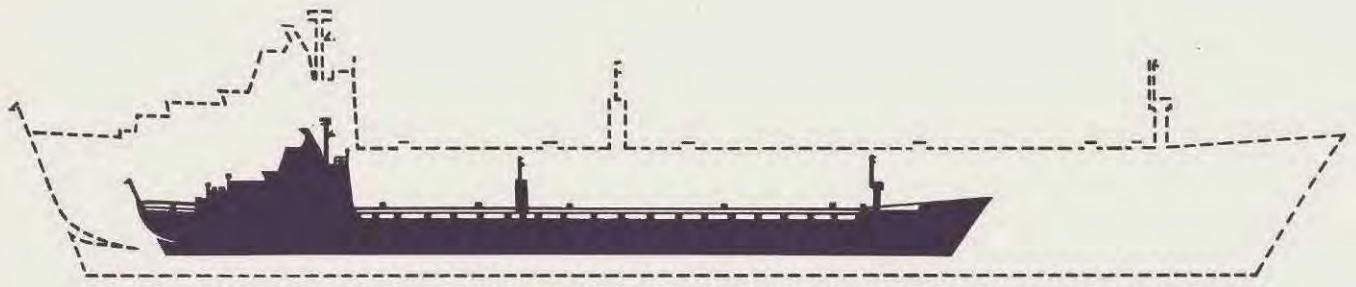
'Watchdog' not needed

LONDON—Proposals for an insurance commissioner to be appointed as "watchdog" for the insurance industry have been turned down by British government.

Labor Party members of Parliament urged this step in order to protect policyholders from fraudulent firms.

But Geoffrey Howe, the Conservative minister for trade and consumer affairs, replied that there was enough power in existing government departments to enable fraud to be detected, especially under new laws which will be brought in later this year.

Roger Moate, a Lloyd's broker, agreed with this view, especially as the new laws will have considerable powers to forestall the collapse of an insurance company and prevent blatant fraud. ■



The weight-gain you can feel good about.

Heavy isn't always bad.
Sometimes it can mean prosperity and well-being.
Take, for example, the VLCC's (Very Large Crude Carriers) that bring us our petroleum fuels. The ones over 300,000 tons.
The newest ones are tipping the scales with an additional 100,000 tons and more. Enough to put them in a new class by themselves. ULCC. (Ultra Large Crude Carrier). The largest vessels ever built.
Two of these giants will be in service by the end of 1973. Each close to a quarter-mile from bow to stern. And each capable of bringing us 150 million gallons of the fuel we need.
All that extra tonnage presents some weighty insurance problems. That's why we were hired to arrange the risk coverage.
We're Marsh & McLennan. We've been arranging ironclad marine insurance since hulls were wood. And what we've learned in the past hundred years or so has helped us solve, and even avoid, big risk problems concerning hulls, cargoes and crews for some of the hugest ships in the world today.
And if we can solve heavy insurance problems like that, maybe there's something we can do for you.
Call us with your problem. Wherever you are.
And in case you've been worrying about where your next tank of gas is coming from, just remember there are more and more VLCC's and ULCC's being built all the time. To help bring you more fuel, faster.
That ought to take a big load off your mind.

MARSH & McLENNAN
The Knowledge Broker

Our Unwritten Policy for New York Producers.

Writing property liability business in New York isn't the same as it is in the rest of the country.

With all our rambling apartment complexes, mushrooming fast-food industry, new beauty shops, taverns, independent grocers, and who-knows-what-else, you've got to be able to handle some pretty specialized policies if you're going to make out in this growth.

And that's what our Unwritten Policy is all about.

In most cases, it lets us put together the specific coverage package that's perfect for each of your clients. Whatever the individual needs are.

You just furnish us with the pertinent data, and we'll come right back to you with a package to present to the client.

Take our new Service Station Package. An enterprising producer queried us on a unique coverage idea he had for some local stations in his area. We put it all together for him (adding some unique ideas of our own) and now it's ready and waiting for you.

It's that simple.

It's the way we've been doing business in this state for over 40 years.

In New York call Sy Endlich at 212/643-8717.

Or fill out and mail the coupon. We'll get in touch.

Consolidated Mutual Insurance Company
345 Adams Street, Brooklyn, N.Y. 11201

When you need a company. Not just a policy.

I am interested in writing the following business(es). Can you help me out?

Category of business

Location of business

Coverage needed

Additional information

Producer's name

Business or trade affiliation

Address Phone

City State Zip

Mr. Sy Endlich
Consolidated Mutual Insurance Company
345 Adams Street, Brooklyn, New York 11201

BI

Fairness doctrine invoked, charge Dr. Welby 'political propagandist'

WASHINGTON—Dr. Marcus Welby has been dragged into the great debate over national health insurance.

The committee for National Health Insurance has demanded equal time under the Federal Communications Commissions' "political and legislative viewpoints" it charges have been injected into the ABC television program's scripts.

"The result is that Dr. Welby is becoming a prime-time propaganda outlet for the more conservative elements in medicine," the committee said. "Dr. Welby is aiding and abetting organized medicine's fight in Washington against national health security legislation and against reforms in the health care system."

Strongly back by organized labor and chaired by United Auto Worker's union president Leonard Woodcock, the committee specifically criticized the Marcus Welby script "For Services Rendered" aired Sept. 26.

THE SHOW revolved around a typical Dr. Welby scenario: the Pulaskis, a naturalized Polish couple who for years have operated a neighborhood laundry in hopes of some day buying a small ranch have their life-long dream shattered when Mr. Pulaski suffers chest pains. Dr. Welby refers him to a specialist, and he recommends open-heart surgery that will cost between $15,000 and $20,000.

Mr. Pulaski, as you might have guessed by now, had no private health insurance and was ineligible for Medicaid. In a moment of stoic courage, he refused to consent to the operation.

"The 'happy ending' to this story," the committee said, "is that Dr. Welby, kindly but firmly, informs the Pulaskis that they shouldn't sell the business. The surgery is performed, Mrs. Pulaski goes back to work in the shop while Mr. Pulaski recuperates and the couple happily makes plans for $50-a-week payments to meet the hospital and medical bills. Nowhere is there any indication there might be a better way to handle this problem."

The committee also strongly protested that a scene originally included in the script was cut from the television show.

The next-to-the-last scenes were to have included the following dialogue between Dr. Welby and Dr. Jelliff (the heart specialist) about another heart patient:

"DR. JELLIFF: I've got one scheduled tomorrow morning . . . where there's no financial problem for the patient. Eighty percent of the costs are being paid by his group medical insurance.

"Dr. Welby—Isn't that true of most of your cases?"

"Dr. Jelliff—No, I'm sorry to say that many of these who need insurance don't have it."

"According to the producers," the committee said, " 'certain changes were made in (these) scenes during the editing.'

"This kind of editing," the committee said in a letter to ABC president Leonard Goldenson, "is consistent with Welby's apparent inclination to leave criticism of the existing system on the cutting room floor and to promote the status quo."

The group—which strongly supports the $80 billion health care plan proposed by Sen. Edward Kennedy—said the 40 million viewers of the ABC show "are made to feel that all doctors know best about how medical care should be provided, how much the patient should pay for care and under what arrangements they should pay."

The committee also pointed out that NBC-TV recently granted the American Medical Assn. 15 minutes on the "Today" program to respond to remarks made in the network's documentary "What Price Health?" It suggested the AMA now join in petitioning ABC-TV to offer equal time to Dr. Welby's critics.

The AMA maintains a special 15-member advisory committee in Hollywood, known as "The Physicians Advisory Committee on Television, Radio and Motion Pictures," to offer technical assistance to producers of medical dramas. The American Academy of Family Practice also has a committee that checks scripts for the Marcus Welby program. ■

When it comes to workmen's comp in California, it pays to talk with us.

At California Casualty, we've been providing California business and industry with workmen's compensation insurance for over 60 years. In fact, we're the oldest, private California workmen's comp carrier still writing policies *exclusively within the state borders*. This unique one-state concentration plus our many years of experience gives us a thorough, in-depth knowledge of conditions in the complex California market. This specialized knowledge and experience translates into a set of benefits that make it pay to talk to us when you want workmen's comp in California.

- **Dividends**—California Casualty's dividends average the highest of all private carriers operating in California.
- **Promptness of First Indemnity Payments**—California Casualty has consistently maintained the most outstanding record in the state of California for prompt payment of indemnity benefits.
- **Open Case Reserves**—California Casualty maintains open case reserves which compare quite favorably with patterns exhibited by other underwriters operating in California.
- **Experience Modification**—On the average, California Casualty policyholders benefit from consistent credits averaging better than 10% of Manual rates—an outstanding record within our industry.
- **Average Cost Per Claim**—The state-wide 10 year average claim cost is 32.3% *higher* than California Casualty's.

Call or write today

California Casualty

a tradition of quality and integrity in workmen's compensation insurance since 1914.

1900 Alameda de las Pulgas
San Mateo, California 94403
(415) 574-4000

One Wilshire Boulevard
Los Angeles, California 90017
(213) 625-7272

Calif. assoc. offers plan to retailers

SAN FRANCISCO—Northern California appliance dealers, estimated to generate approximately $500 each in workmen's compensation insurance premiums each year, are now participating in a new balanced financial plan investment program developed by the Electric & Gas Industries Assn.

Dealers who join the program, according to R. P. (Tony) Burns, executive manager of the association, will achieve group rates and the association will take no profit.

All of the association's programs, Mr. Burns said, are "tailored" to the individual appliance store needs, with the medical plan, for instance, geared to the specific needs of the store and its employes.

THE SO-CALLED balanced financial plan permits two different types of investments for appliance dealers and their employes; a fixed and guaranteed return plan through North American Life and Casualty Co. and an equity investment plan with variable returns through the Dreyfus Fund Inc.

Participation costs a minimum of $5 per person per week.

The appliance dealers' workmen's compensation insurance plan is administered by State Fund Insurance, which also will provide a regular on-premises safety engineering service to help reduce frequency and severity of accidents among retail appliance personnel.

The association's major medical and disability program will be underwritten by American Fidelity Assurance Co. It has a limit of $15,000 per illness.

In addition, the program will provide up to 60% of monthly salaries to $1,250 under the disability income portion and low cost life insurance of $5,000 to age 65.

The appliance dealer liability insurance will be handled by Reserve Insurance Co., through Bayly, Martin & Fay Inc. ■

Merrill Lynch clients get new Aetna cover

NEW YORK—Merrill Lynch, Pierce, Fenner & Smith Inc., one of the nation's leading brokerage firms and custodian for about $20 billion in securities, has added a new $250,000 layer of insurance to protect securities in customer accounts up to $300,000.

Aetna Life & Casualty, underwriters of the new policy, said it will offer the investor security on a selective basis to other "financially-secure brokerage houses" although Merrill Lynch is the first and so far the only broker covered.

The $250,000 layer which Merrill Lynch purchased through its insurance broker Marsh & McLennan, Inc., is a surety bond to protect the securities should Merrill Lynch go bankrupt.

An Aetna spokesman said, "We do not expect Merrill Lynch to run into any financial difficulties, of course," and noted that only securities would be insured.

"If someone were foolish enough to put cash on deposit with the stockbroker without investing in securities that would not be insured," he added.

A Merrill Lynch spokesman noted that "market losses are of course not insured."

The new policy is in addition to the $50,000 policy limit of the Securities Investor Protection Corp. coverage which has been available to Merrill Lynch customers since 1970.

SIPC is a non-profit corporation founded by Congress and funded by the securities industry.

LIKE THE SIPC insurance, the Aetna policy is a free service to Merrill Lynch's clients and has a first-dollar deductible. A spokesman for Merrill Lynch declined to state the cost of the premium, however.

Donald T. Regan, chairman of Merrill Lynch, and George L. Shinn, president, jointly announced the new financial protection earlier this month, saying: "At times worry about conditions on Wall Street affects investment decisions that individuals make. Many investors have been overly fearful of entering the marketplace because of their concern about the financial health of the brokerage community."

"The new protection in such large amounts should eliminate all such concerns for Merrill Lynch customers. As a result we see an increasing demand by individuals for our financial services in the years ahead. We expect to expand and improve our services to meet that demand," they added.

Donald M. Johnson, president of Aetna Life & Casualty, said: "We are pleased to have been able to design a new bonding coverage which expresses to the investing public our confidence in the integrity and financial stability of Merrill Lynch." ■

Self-employed nurses exempt from wage limit

WASHINGTON—Health insurers may soon be paying more for the services of self-employed registered, practical and trained nurses as the Cost of Living Council (CLC) has exempted the group from the 2.5% annual wage increase ceiling imposed on non-institutional providers of health care.

The CLC said the ceiling "causes certain inequitable results" when applied to the independent nurses who charge for their services on a time-period basis.

"Because the fees of these nurses are strictly time-based and are integrally related to pay adjustments of similarly employed personnel in the larger labor market, the Council believes it to be more equitable to regulate the fees charged by these nurses under the regulations governing pay adjustments in the health industry rather than as prices charged by non-institutional providers of health services under the price regulations," the CLC ruling said.

The new stipulation will also apply, the council said, to fees established by a central registry or association of private-duty nurses.

Like the institutional elements of the health care industry, the private nurses are still subject to the 5.5% wage and salary ceiling imposed by Phase II last January. ■

Oil-spill law in Florida is discussed

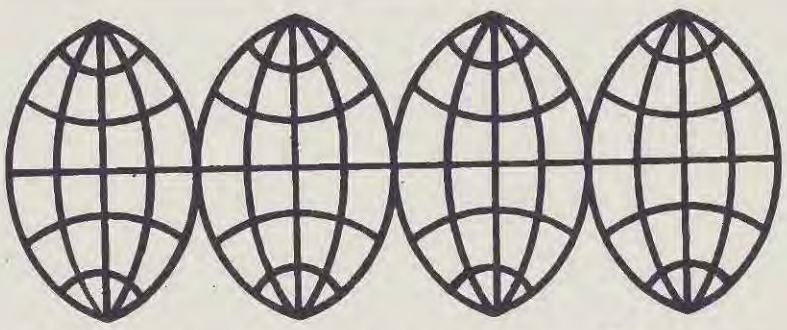
VENICE—Problems arising from anti-pollution laws in the U.S., particularly in Florida, were outlined to the International Union of Marine Insurance conference recently.

G.V.S. Pepperell, of the American Institute of Marine Underwriters, claimed that the oil-spill law, adopted in 1970 in Florida, had virtually unlimited provisions for liability, but the Supreme Court had ruled it to be technically sound.

Mr. Pepperell told the conference, "There appears to be no difficulty in obtaining insurance to cover liability up to the extent of the federal limits. Some steamship companies routinely post certificates and go about business as usual. But other owners refuse to send ships into Florida waters, being uncertain as to the Florida attorney-general's intentions which may be to sue for unlimited damages presumably caused by an oil spill.

"AS OF JULY the London protection and indemnity associations and the Water Quality Insurance Syndicate will not provide the necessary certificates of financial responsibility under the Florida act. It is understood from the P. and I. associations that the limit of coverage now applicable for legal liability arising out of any one spill under the U.S. federal act will also be available for liability under the Florida act, though in no event will the P. and I. clubs respond for claims arising out of any one spill in excess of the limit provided under current entry terms.

"The great concern in the U.S. is with the potential profileration of state laws involving various degrees of liability, and the failure of Congress to pre-empt authority in this area. However, one pending New York statute over forfeiting a vessel was vetoed." ■



Every day we're closer to your world-wide risk problems

Your multinational insurance problems are dynamic, complex, changing. To solve them requires a blend of expertise in foreign insurance underwriting, national laws and practices of many nations, engineering surveys, world-wide coverages, local loss control, and many other factors.

Every day Rollins Burdick Hunter's professional staff—here and abroad—is on the scene answering international insurance needs for leading multinational corporations.

We survey the client's total foreign insurance risks to determine the balance of centralized and local insurance placement that provides the soundest coverage and most effective loss control and claims service.

RBH evaluates the feasibility of a captive insurance company: possible conflicts of interest, tax considerations, reinsurance risks, cash flow projections.

RBH maintains foreign offices through its Rolibec subsidiary; it has long-established correspondent relationships with leading brokers in Europe, Africa, Latin America, Canada, Australia and the Far East.

RBH has continual contact with the various underwriters specializing in foreign insurance, and Lloyd's of London and other reinsurance markets.

RBH typically assigns responsibility for multinational insurance programs to an officer specializing in foreign insurance who is based in the U.S. and is supported by a selected group of insurance specialists and engineers both here and abroad.

Why not call RBH today to discuss your foreign insurance needs of tomorrow?

Rollins Burdick Hunter—Growing in *service*

RBH ROLLINS BURDICK HUNTER CO.

Multinational Insurance Brokers

Headquarters: 10 South Riverside Plaza, Chicago, Illinois 60606 (312) 454-1400

Zurich-American introduces ZIP.

Zurich Instant Prices on commercial multi-risk policies cut weeks of waiting down to minutes.

We've put our entire Top Security™ package into a computer program. Property coverage, liability, crime, the whole works.

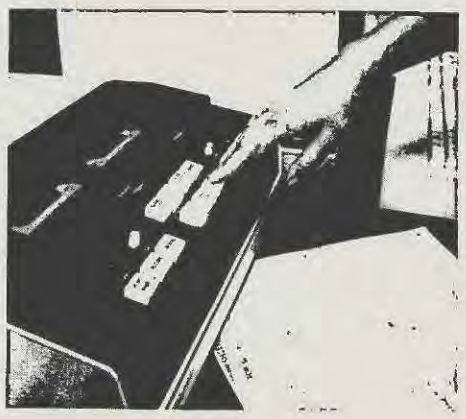
So what used to be a complicated job for a rate clerk juggling six different manuals—with 5000 pages of detailed tables—is now as simple as typing a short letter.

Not only fast, it's accurate, too.

You'd better believe it's accurate. Because we've spent months checking and double-checking the computer. Initial tests have proved that machine-issued quotations are more accurate and complete than those worked up by hand. In fact, the computer never forgets to ask the right question.

Through an ordinary typewriter keyboard, the operator "talks" to the computer.

Here's how it works. We call the computer on any standard telephone, then place the receiver on the back of the terminal. The operator "talks" (and questions) by typing words and symbols. The computer's answers fire back immediately—on both the electronic readout and a hard copy printout. A typical multi-peril quote, with a couple of options, usually takes less than half an hour from phone call to completed worksheet.



We'll have a terminal in every Z-A branch, plus lightweight portable units for use by our field managers.

We'll do most our quotes through the full size terminal installed at our branch offices. So you'll have your quote in a day or two. But let's say you need a particularly tough quote figured—fast. That's when a Z-A agent and our field man can bring this 22 pound terminal right to your office.

What agents who've seen it say about ZIP.

After recent demonstrations by our Chicago branch, we surveyed the agents who participated. Here's what they said:

"Our clients require immediate quotes. Now we can deliver these to them."

"It's really important as a timesaving tool. You can take the quote with you in the form of a printout. That sure is a good conversation opener."

"Now we can get a quote in an hour if we have all the information necessary."

"This is the first I've seen of anything like it. It will help Zurich-American agents tremendously."

"This machine will make fewer mistakes."

"I would want the Zurich-American manager to make calls with me on really big presentations. That's where this idea would be great."

"We're giving a lot of our business to Zurich-American now. They're doing a great job for us. They get 50% of our business . . . at least. We'll give them more now with this new system."

Talk to your independent agent.

We'll be installing computer terminals in our branches throughout the first quarter of 1974. Then portable units will follow shortly.

Find out for yourself how much time you can save.

ZURICH-AMERICAN INSURANCE COMPANIES

ZURICH INSURANCE COMPANY

AMERICAN GUARANTEE AND LIABILITY INSURANCE COMPANY

111 West Jackson Boulevard
Chicago, Illinois 60604

The plastics plight: what's going to happen?

CHICAGO—While the plastics industry waits, not knowing how to prepare for petroleum shortages ahead, an argument is raging in Washington over how serious the problem might become.

Whatever is decided on Capitol Hill one thing is sure—plastics manufacturers and their industrial clients will find it harder and harder to obtain raw materials for everything from aspirin to automobiles.

Depending on the extent of the fuel shortage, many companies may be forced to lay off workers or cut back production. Self-insurance reserves may be taxed heavily in the months ahead. And businesses who decide to store large quantities of fuel must consider the increases in their insurance risk.

"We're just checking it out now," said one spokesman for a sports equipment manufacturing firm. Most of the other companies surveyed said they knew the shortage would not improve, but were undecided about what to do.

"WE'RE NOT sure what we can anticipate, but we're not looking for good news," said John Lawrence, director of technical liaison for the Society of Plastics Industry, Inc. which represents about 80% of the plastics industry. He added that a 15% cutback in petrochemical supplies is "very likely to happen."

In addition to demands for heating fuel, plastics manufacturers need propane to make polyvinyl chlorine resin, used in automobile engine parts. Benzene, another ingredient in natural gas, is necessary for the manufacture of polystyrene, a plastic used in many children's toys. And ethylene, which comes from crude oil as well as natural gas, is used to make polyurethane.

The Office of Energy Policy, headed by John Love, former governor of Colorado, inaugurated a mandatory propane allocation program Oct. 2. Its guidelines established priorities for propane's use. Industry came last on the list, after allocations for residential use, agriculture, food processing, public transportation, health facilities and oil drilling.

Now the plastic industry worries that it will see priorities put on the usage of other fuel by-products as well.

"We feel that the pattern has already been set in propane allocation," Mr. Lawrence said. "It's likely to follow through. Governor Love is probably totally confused by the number of people who have been coming to him with their needs. It's difficult to decide who should get priorities."

If the plastics industry continues to be at the bottom of every priorities list, Mr. Lawrence noted, other companies dependent on plastics will also be affected.

"You'll see a domino effect starting with just a small cutback," he said. When homeowners burn fuel while the factories rest idle "we can sit home and warm our welfare checks, I suppose."

The Arab oil cut-off is going to hurt America, Mr. Lawrence pointed out, even if the administration claims we receive only six per cent of our oil from Arabian sources. With half of Europe's fuel sources plugged, the U.S. will soon watch much of its exported oil siphoned off to the Continent.

The petrochemicals used in plastic production amount to only about four per cent of the total fuel consumption per year in the U.S., Mr. Lawrence said.

But a small cutback in the "feed stock," or petrochemicals used for making plastics, could be devastating. A recent study conducted by the Arthur D. Little Inc. engineering and consulting firm of Cambridge, Ma. found that a 15% decrease in feed stock supplies could cause:

- 1.5 million workers to be laid off.
- $62 billion in losses due to production cutbacks.

Mr. Lawrence estimated that the plastics industry would suffer about one-third of this, with the rest shared by other large manufacturing industries.

"He's wrong somewhere along the way on several orders of magnitude," a source in the administration said.

Plastics manufacturers are afraid of a new set of priorities, the source added. Although new mandatory allocations will be imposed on petrochemicals by Congress, the plastics industry, "wouldn't necessarily be near the bottom of priorities."

THE ADMINISTRATION believes the shortage will continue "as long as there is a boom" the source said. During this shortage period the plastics industry has requested guaranteed petrochemical allocations.

Their plea in hearings conducted before the Office of Energy Policy this September was "Be nice to petrochemicals."

Meanwhile, manufacturing companies wonder what to do next. "From an insurance standpoint we have made no preparations," said one risk manager of a company that manufactures recreation equipment. "It's not critical at this particular point."

A spokesman for a Chicago paints and plastics producer said one of his manufacturing divisions has already had trouble obtaining raw materials.

"For a period there we were almost hand to mouth," he said.

"We're on an allocation program with our (petrochemical) suppliers. We've been buying enough raw material that we do have a little bit of clout. But in 1974 it may cause us to cut back in production."

A source from Borg-Warner Corp., which manufactures plastic parts for automobiles, telephones and air conditioners, said the situation is not yet "critical."

"Just about everything we use is a by-product of gas," he said. Now with the demand going up, by-products of gas are cut short.

"Our own demand has been up because we've had a successful year. We would have a much better year if we'd had more to work with."

Borg-Warner has been trying to buy "shiploads of benzene" in order to keep enough on supply, the source added.

"We might be able to insure storage and insure against business interruption if it was stolen or burned. But the inability to purchase it is pretty much a business risk.

"The fuel shortage is something that we in the insurance business haven't been able to do much about," he concluded. ■

Why settle for an ordinary adjuster when you can get an expert from UAC.

for the record

Reynolds offers two optional group plans

WINSTON-SALEM, N.C.—A new optional group life insurance program will be available next Jan. 1 for about 18,000 employes of R. J. Reynolds Industries Inc. here and three of its subsidiary companies.

The optional group term life coverage, written by the Equitable Life Assurance Society of the United States, will be offered to all regular, full-time employes of the firms under two basic plans. The plans will provide benefits in excess of the non-contributory life coverage Reynolds provides its employes. According to Bynum Tudor, corporate manager of employe benefits for Reynolds Industries, the companies' basic group life benefit is two times annual pay up to a maximum of $100,000.

Under the first of the new plans, employes will be entitled to life insurance equal to one times annual base pay, to the next higher $500, to a maximum of $50,000. Plan two will provide two times annual base pay, to the next higher $1,000, up to the same maximum.

Rates for the two plans range from 20 cents a month per $1,000 of insurance for employes under the age of 30 to $1.70 each month for employes between the ages of 60 and 64. Employes who choose either plan will pay low group insurance rates through payroll deductions.

The program also provides that, at age 60, the amounts of coverage will be one-half the amounts the employe has available under either of the two plans. Even if the employe should retire prior to age 65, the insurance can be continued until the retirement age is reached.

"We are now in the process of conducting 120 hour-long classes on the new coverage for the employes so they will be thoroughly familiar wtih it," Mr. Tudor commented. "At the end of each class, the employes are given cards to fill out if they want the coverage. Acceptance has been very good. So far, we have about 15% of the cards returned."

No medical examination will be required if employes sign up for the coverage during the enrollment period.

On another matter, Mr. Tudor reported Reynolds had also instituted a new long-term disability program. Open to the same employes as the optional group life, the LTD plan provides 50% of an employe's salary up to a maximum of $2,500 a month.

Industrial firms should beef up product safety

SAN FRANCISCO—A safety engineering specialist warned industrial firms and insurers here that they "cannot afford the luxury of waiting for experience to demonstrate product safety failures."

Arthur Spiegelman, vice president of engineering and safety service for the American Insurance Association, told the California safety congress that insurers should exert pressure for loss control measures and be selective in underwriting.

Liability suits have increased tenfold in the last decade, Spiegelman said, noting that an estimated 85% of the suit were generated by industrial rather than consumer products.

"Such industrial products will not come under the close scrutiny of the Consumer Product Safety Commission and only partially under OSHA," he stated. "This is an area where the insurance industry must work closely with existing loss control and standards organizations to protect the insured," he warned.

Work comp group set for claims arbitration

DETROIT—A new committee is being formed to arbitrate and settle workemen's compensation cases in this city under the Inter-Company Abritration Agreement. Detroit is the first city within the agreement framework to have such an arbitrating group, according to the Insurance Arbitration Committee.

With 21 representatives selected from candidates recommended by signatory companies, the arbitrators will be chosen on the basis of education and experience in handling workmen's compensation claims handling.

One of the prime criteria for selection to the committee, according to the insurance arbitration group, is experience in the disposition of apportionment matters arising from occupational disease claims.

The chairman of the committee is Vernon H. Francis, assistant claims manager of the Firemen's Fund American Insurance Cos. office in Southfield, Mi. Secretary for the group is Mrs. F. Jean Duffie, also of Southfield.

The Workmen's Compensation Inter-Company Agreement, under which the new Detroit committee will be formed, was begun on an industrywide basis April 1. Compulsory features include the binding of signatory companies to arbitrate intercompany controversies created by apportionment disputes arising in occupational disease cases.

N.Y. no-fault rules set for fleets, benefits

NEW YORK—Benjamin R. Schenck, New York State superintendent of insurance, detailed the first in a series of regulations implementing the state's no-fault automobile insurance law. No-fault goes into effect in New York on February 1.

Self-insured fleets of commercial buses, trucks, and cars will be required to provide the same mandatory benefits as privately-owned vehicles covered by insurance policies.

The first no-fault regulation itemizes the minimum benefits package required of insurance companies and self-insurers alike. The insurer in each case is responsible to pay for a package of up to $50,000 for medical expenses, loss of income and other expenses related to personal injury.

Loss of income payments will be 80% of salary, up to $1,000 a month for three years. An example of special expenses would be housekeeping services if a housewife were incapacitated.

The new regulation requires each insurance company to offer a choice between no-deductible and a $200 family deductible per

Continued on page 44

Suppose you're faced with an automobile fender-bender. Call UAC and we'll send an adjuster who's an automobile physical damage expert. With his training, he can write his own estimate. And because of his experience, he'll know if the damaged part can be repaired instead of replaced. And just how much the total cost should be.

What's more, he'll make sure you only pay for the damage caused by that accident.

Besides automobile specialists, we have adjusters who are experts in trucks. Others in heavy-duty equipment. Or mobile homes. Or motorcycles.

In fact, we have an entire division—Quality Adjustment Service—which handles nothing but physical damage claims.

Efficient physical damage claims service is only part of our story. There's a UAC adjuster who's trained to apply the same in-depth skills to practically any assignment you have. From property and liability claims to workmen's compensation.

And with 375 service locations across the country, our adjusters will get to the scene of an accident fast. And settle it fairly at a low cost to you.

Controlling claims costs is one big reason why over 850 insurance companies and self-insureds used UAC services last year. For more information—and more reasons—send the coupon. Or write our head office in Chicago.

UNDERWRITERS ADJUSTING COMPANY
224 S. Wacker Drive
Chicago, Illinois 60606

☐ Send me information on UAC and a directory of offices.
☐ Have a UAC account executive contact me.

Name _____
Company _____
Address _____
City _____ State _____ Zip _____

Continued from page 43

accident. In addition, the law allows the insurance companies to offer no-fault policies featuring a $100 deductible.

The regulation may be amended if further clarification is needed when the law goes into effect, a spokesman said.

Unions argue over state jobless pay bill

MADISON, WI.—The Wisconsin legislature's joint finance committee recommended passage of a costly, controversial bill which would revise the state unemployment compensation law.

Under the bill, payments by employers to the reserve fund would be sharply increased to cover the two year additional cost of $56 million.

The bill, however, has been the subject of argument between the state AFL-CIO leadership and the United Auto Workers. The chief issue is the UAW proposal to eliminate the one week waiting period before uenmployment benefits begin.

There are other issues, including coverage for public school systems and local units of government, which mean higher taxes.

Rep. Dennis Conta, co-chairman of the committee, said "a rather bitter stalemate had developed" between the UAW and state AFL-CIO leadership over the issues. The bill recommended by the committee was the only way of getting some action on the controversy, he said.

Rep. Carl Otte, principal author of the bill, admitted the measure faced a tough fight on the legislative floors but asserted it was a fair measure as far as the working man is concerned.

The UAW proposals provide benefits for persons laid off because of strikes, ever. though they may not be members of the striking union.

They also seek an increase in benefits to 66⅔% of wages, from 60%, immediately. The advisory committee had backed a proposal which would increase benefits to 63% at the outset and to 66⅔% later.

Employers pays record malpractice settlement

NEW YORK—Employers Insurance of Wausau will pay a $350,000 malpractice settlement stemming from a Staten Island woman's claim that her left leg was needlessly amputated in 1969.

Murray Kors, of the New York legal firm Arye & Kors, representing the plaintiff, said he believes the settlement is the largest ever negctiated through the medical malpractice mediation panel of the New York State supreme court. The case was presented to the panel just over a year ago, he said.

A spokesman for the insurance company confirmed that the three physicians involved have malpractice coverage through Employers Insurance of Wausau. Kors confirmed that the insurance company agreed to pay.

The defendants in the malpractice suit, Drs. David Bosworth, Henry Briggin and Alvin Hulnick, all of New York City, reportedly treated the plaintiff for a knee injury in 1969, which Dr. Bosworth diagnosed as a malignant growth. Dr. Bosworth, who has won international recognition as an orthopedic surgeon, then removed the limb at New York Polyclinic Hospital.

A post-operative pathologist's analysis, however, indicated that the injury was actually a benign aneurysmal bone cyst, according to sources close to the case.

The doctors were not available for comment. The plaintiff is a 24-year-old widow with two children.

Dealer self-bond bill vetoed; revival seen

SACRAMENTO—The automobile dealers self-indemnity measure, supported by the Independent Auto Dealers Association of California, was vetoed by Governor Ronald Regan.

Under the bill, adopted by the Legislature with practically no opposition, new and used car dealers would have had the opportunity to "bond themselves" under systems established by their own trade associations.

This "right" had been sought particularly by used car dealers, according to the IADAC's Kenneth Corkhill, "simply in order to free ourselves once and for all from the tyranny of the bonding companies, which far too often cancelled policies solely on whim."

It is expected the legislature, after reconvening Jan. 7 will either make an effort to override the veto or move to introduce a similar measure. ■

Insurer reps, OPIC talks begin soon

WASHINGTON — Representatives of the private casualty insurance sector and the Overseas Private Investment Corp. (OPIC) are expected to meet soon to hammer out details of a program allowing commercial companies to assume a sizeable portion of OPIC's present and future expropriation and inconvertibility risks.

Preliminary discussions of such a program have been under way for over a year between the government insurance corporation and a special insurance industry group. Those talks have culminated in the drafting of a joint program that centers on these five main points:

- The formation of an association or syndicate of all interested private insurers and OPIC to assume direct responsibility for existing and future inconvertibility and expropriation contracts;
- An initial minimum interest of 25% for the private sector—enough, the two groups say, to make the venture economically feasible and allow for expansion with increased private sector interest;
- OPIC becoming a reinsurer to provide any needed excess capacity in the event of catastrophic losses;
- OPIC retaining day-to-day administrative responsibility;
- Control of the association or syndicate being centered in a board of governors that would determine underwriting policies and procedures.

Yet to be determined are the details of division of income, the cost to the private sector for OPIC reinsurance and the best methods of retaining the "public purposes" of OPIC.

The special insurance industry Group is chaired by Lewis W. Niggeman, chairman of Fireman's Fund American Insurance Cos. group is chaired by Lewis W. K. Cox, president of the Insurance Co. of North America; F. Arthur Mayes, president of AFIA-Worldwide Insurance; and Donald E. Johnson, vp, Nationwide Insurance Co. ■

When you call Frank B. Hall & Co., for an employee benefits consultant you don't get just the local man.

You get the man plus the best ideas from around the country.

It's a general rule among employee benefits consultants that the quality of a client's service is limited by the talents of the office that controls the account. Which means whether you go to a big consulting firm or a small one, the kind of ideas you get depends on what's going on in town.

That's not the way it is at Frank B. Hall & Co. Our benefit consulting division is set up to provide a nationwide counselling service network. We've connected 24 of our offices with "Hotlines" so they can pool their knowledge and ideas to let you draw upon concepts and trends from around the country.

Everything from pension plans, profit sharing plans and group insurance to executive financial planning and mass marketing of personal coverage is evaluated with reference to all the alternatives.

And if your company has offices abroad, you can also take advantage of the experience we've had in designing benefit programs to fit in 80 foreign countries.

That's the kind of original thinking that's made Frank B. Hall & Co. the choice of many of the world's bigges- corporations.

So why settle for less than Frank B. Hall & Co.'s man in town with the nation at his fingertips?

Frank B. Hall & Co.
Benefit Consulting Division

Frank B. Hall keeps you in good company.

Insurance Brokers. Employee Benefits Consultants.
Offices in Adelaide, Anchorage, Atlanta, Boston, Brisbane, Caracas, Cedar Rapids, Chicago, Coral Gables, Dallas, Denver, Detroit, Hong Kong, Honolulu, Jacksonville, Los Angeles, London, Melbourne, Mexico City, Milwaukee, New Orleans, New York, Oakland, Orlando, Oslo, Perth, Philadelphia, Pittsburgh, Portland, Ore., Providence, Salinas, San Francisco, Seattle, St. Louis, Sydney, Tel Aviv, Washington, D.C.

Marine Slip business showing broad ascent

NEW YORK—All types of marine risks are being quoted to agents and brokers across the country by the recently-formed All American Marine Slip, according to John B. Ricker, chief executive at Marine Office-Appleton and Cox here.

At present, according to Mr. Ricker, the major portion of the AAMS business is builders risks, although the syndicate has been asked to quote on a broad range of maritime exposures ranging from an oceanographic research vessel to an offshore sulfur mining rig.

The All American Marine Slip is a syndicate formed by 22 American insurance companies last year to provide a larger American capacity for high-risk, high-value, or unusual marine exposures which, historically, had been written in markets elsewhere.

The first coverage written by AAMS, according to Mr. Ricker, was a $2 million share of the builders risk on an LNG carrier.

THE REACTION from risk managers has been favorable, he continued. "Many brokers have promised to go out of their way to place business with us. This is the kind of support the AAMS and the American market needs right now."

Listing $2.5 million in premiums in the first eight months of operation, the syndicate has written such coverages as those called for on deep sea platforms, offshore mooring systems, builders risks on VLCC's, LNGs and other vessel types, cost of control coverage, hull and machinery coverage for oceangoing fleets.

The syndicate has also put together hull and liability packages for major oil companies.

Originally, the AAMS syndicate had designated a $5.275 million limit per risk but, "we are already writing business beyond that," Mr. Ricker said, "and I would anticipate premium writings could reach $7.5 million over the next year."

MORE COMPANIES are being recruited to expand the Slip's underwriting capacity, and the AAMS is trying to meet future needs of risk managers by offering an ever-increasing share of marine coverage.

For many of the members, AAMS is the first opportunity they have been given to actively become involved in marine coverage, Mr. Ricker said.

MOAC is providing management and marine expertise, which has so far resulted in a low overhead cost to members. At the same time, members are treating the syndicate as a separate entity from MOAC. In order to do this, AAMS funds, premiums, losses, and expenses are independent from those of MOAC.

AAMS has already become highly visible in the international market, Mr. Ricker said. ■

8 Key questions about your

EMPLOYEE BENEFITS PROGRAM

(CPC's independent counsel can help you answer them)

- Does it have realistic benefit levels and costs?
- Have all financial aspects been completely evaluated?
- Have necessary changes in benefit levels been made?
- Do you have a continuing maintenance program to keep costs in line?
- Are costs presently competitive?
- Have you considered the cash flow and other implications of the following financial devices:
  - Self-Insurance
  - Minimum Premiums
  - Administrative Services Only Agreements
  - Captive Insurance Companies
  - Re-Insurance
  - Interim Accounting
  - 501 (C) 9 Trusts
- Have you made an annual review of financial results and renewing action?
- Are you aware of new developments such as:
  - Health Maintenance Organizations
  - Foreign Insurance
  - Mass Marketing
  - National Health Insurance
  - State and Federal Legislation

Let our successful experience help achieve your EMPLOYEE BENEFITS goals in '73

CPC 1898-1973 75th year

PHONE 312 - 372-8225

CORPORATE POLICYHOLDERS COUNSEL, INC.

20 North Wacker Drive
Chicago, Illinois 60606

•

Ask for Richard J. Burns
Write for Bulletin B-100

Credit life cuts ordered

PHOENIX—The Arizona insurance department has ordered premium cuts for various types of credit life insurance from 14.28% to 23.07% to reduce excessive profits to insurers, effective Jan. 1, 1974.

Millard Humphrey, state insurance director, said the reductions were ordered on credit life but no cuts are planned in premiums paid for credit disability.

Under the new schedule, debtors will pay premiums of 60¢ per $100 of indebtedness, compared to the current 70¢ per $100 for "advanced premium decreasing term" policies.

This type of credit life insurance accounted for $8,569,662 in earned premiums for insurers last year, Mr. Humphrey reported. This cut will save Arizona residents $1,223,747.

For "joint life, advance premium decreasing term" policies, the rate will be 90¢ per $100, up from $1.17. The rate for "advanced premium level term" credit life will drop to $1.12 from $1.34 per $100. ■

New from **business insurance...**

Risk Management Reports

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

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

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

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

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

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

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

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

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

Why you should subscribe to RISK MANAGEMENT REPORTS

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

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

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

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

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

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

NAME / TITLE

COMPANY

STREET

CITY, STATE, ZIP

Coleman Cable consolidation saves company 20% in insurance rates

By SUSAN ALT

CHICAGO—When Ted. E. Gaty took over Coleman Cable & Wire Co. in late 1972, it was a giant money-loser.

The company lost over $2 million in 1972 alone, on sales of $23.3 million.

Insurance was one of the major items in the ledgers to get a thorough review. "In fact, insurance reforms were some of the first cost saving efforts I got underway," says Mr. Gaty.

How did he happen to look at insurance first? "I had been involved in an insurance study with another company, and realized there were substantial savings to be had if coverage was combined with one carrier," Mr. Gaty told *Business Insurance*.

He is, needless to say, a firm believer that it is important for even the small company to consolidate insurance and become "a big customer" to its carrier.

COLEMAN'S insurance study, conducted in part by Don Kamm Insurance Agency, disclosed that all six industrial divisions and subsidiaries had several different insurance programs, so that Coleman's coverage was split among as many as 12 insurers.

Coleman's divisions and subsidiaries include the Cable division and Acme Wire Products in Illinois, Mid-American Electronics Corp., in Indiana, Rowe Industries and Porcelain Products Co. in Ohio, and Electro-Cords division in California.

Result: Coleman now does business with Traveler's for all liability, property/casualty, workmen's compensation and business interruption.

The only Coleman policy not carried by Traveler's is employe health and life, with Connecticut General.

ANOTHER reason Mr. Gaty wanted Coleman's insurance programs shaped up: he intends to double within five years the firm's sales from $25 million a year currently.

Coleman negotiated more for less with Travelers, saving about 20% in annual premium costs despite higher limits of, for example, $5 million (from the previous $3 million) under the basic liability coverage.

With over 500 employes and some $16 million in assets, Coleman's total annual insurance premiums are in "the mid-six-figure range," according to Mr. Gaty.

He turned the company around, and named a new manager to keep those insurance costs under control. Gary Brookman, assistant controller, will also have responsibility for integrating the insurance programs of any Coleman acquisitions.

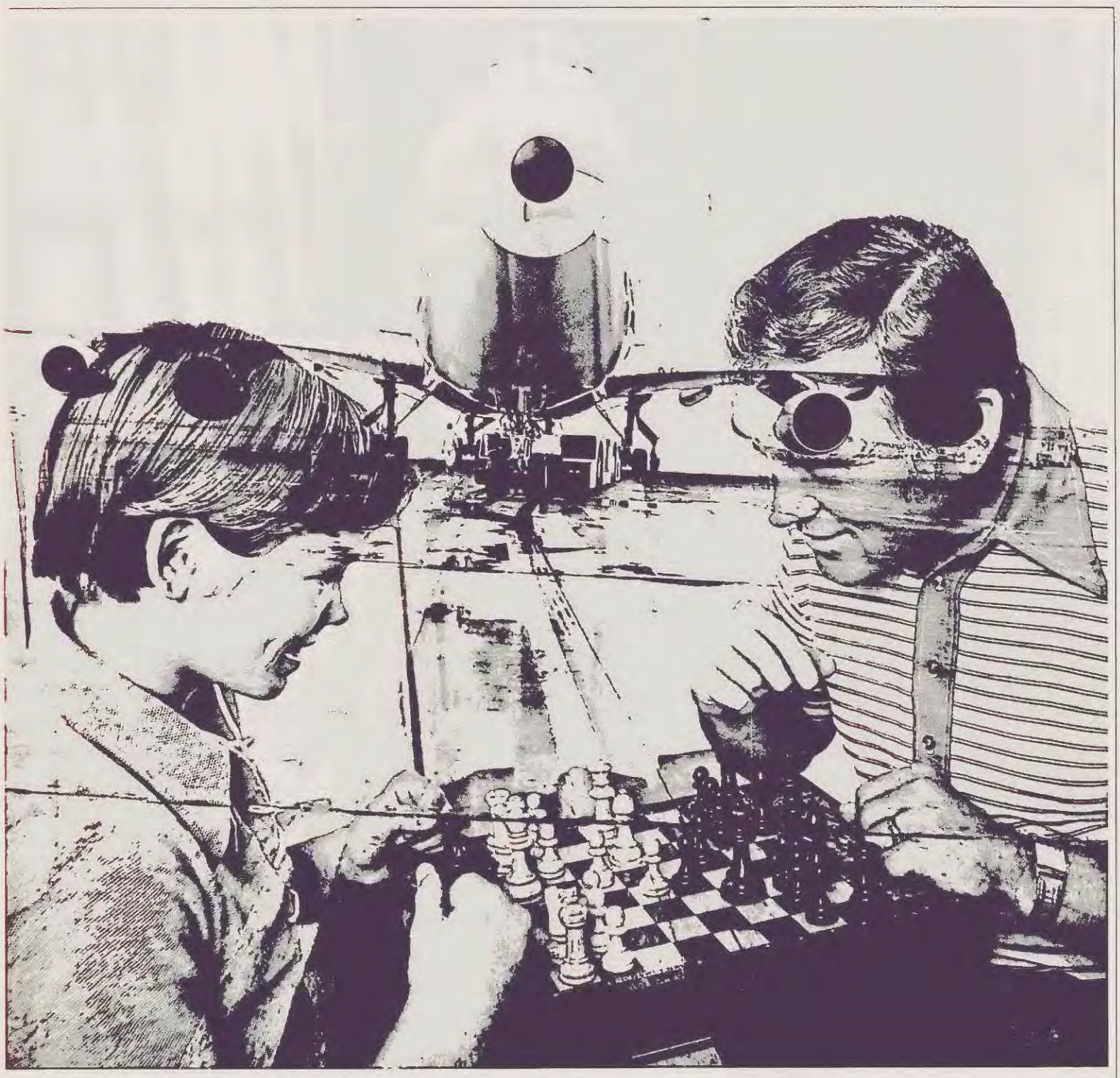
Under the general comprehensive liability coverage, Coleman has employe benefit liability, employe liability (a new cover, with employes included as additional insureds), host and liquor liability, general liability for anyone on Coleman premises, broad from victor coverage, incidental malpractice, auto liability, and "the usual umbrella liability coverage," in Mr. Brookman's words.

As part of its business interruption coverage, Coleman has coverage in the event of an explosion of a major boiler, in addition to coverage for other insurable perils, with limits established for each plant location.

"OUR CRIME coverage was very skimpy before. Now we have comprehensive coverage for each division, with six inclusions: employe dishonesty, depositors forgery, credit card forgery, open stock burglary, valuable papers and accounts receivable."

Coleman also now has transportation coverage in the event that something happens to a common carrier en route to a customer.

Mr. Brookman noted that when he first looked at overall casualty coverage for the company's divisions, four out of six locations had no business interruption coverage in the event of a major boiler explosion. ■



Our facultative underwriters don't just play the percentages. They innovate.

General Re facultative underwriters invented the concept of a viable American facultative market. They combine the wisdom of their highly specialized experience with their enthusiasm for innovation while dealing in the unusual.

They go beyond the basic commitments to family, friends and community. They are committed to excellence and integrity in all aspects of their lives.

Our facultative underwriters have helped to make us what we are today—the largest American owned and operated professional reinsurance company in the world.

General Reinsurance
People with more to give.
Home Office: 400 Park Avenue, New York, N.Y. 10022
Head Office for Canada: 44 King Street West, Toronto

Shortage of insurance in future: carrier

HAUPPAGE, N.Y.—Property and life insurance may soon be in short supply, due to "an orgy of price-cutting."

George McDonnell, president of the Zurich-American Insurance Cos., told the New York Downstate Insurance Agents Council last month that the insurance shortage will be a reality in the near future.

"As anyone familiar with cyclical industries knows, an orgy of price-cutting is followed not by good times for the consumer, but by a crisis in the supply of the product," Mr. McDonnell said.

INSURANCE companies experienced lucrative times in 1971 and 1972, but losses are now heavier and red ink "is beginning to ooze out of the financial statements of so many insurance companies," he added.

"With so many shortages developing in so many fields, we can expect that the economy is going to be operating at a point near its full capacity. And that brings with it higher claims because more workers are going to be on the job longer hours. Less experienced workers are going to be operating equipment. More, older unsafe equipment is going to be in use."

Consumerism may aggravate the upcoming shortages, Mr. McDonnell noted, with its overzealous criticism of the premium cost hikes now being considered by somes insurers.

STATE INSURANCE regulators could also make the situation worse by fighting the premium increases. "Instead of providing cheap insurance, that kind of regulation will result in less insurance, the effect that artificially low price controls have on the supply of any commodity," he said.

Among his recommendations for ways of riding out the shortage, Mr. McDonnell suggested that insurers practice mass merchandising to trade associations, a lucrative and growing market. He also recommended insuring companies that deal with well-defined market segments because their specialized commitments and expertise will help keep them stable in a changing economy. ■

LEVERAGE

Royal-Globe's 253 loss prevention and control representatives can help business owners and employers comply with OSHA standards. This is an extra advantage we call leverage.

The Federal Occupational Safety and Health Act is the law of the land and the burden of compliance falls upon your company.

Royal-Globe's loss prevention and control representatives try to look at the work environment of plant and business premises as if through the eyes of an OSHA compliance officer. They are trained to note most conditions that might fall short of OSHA standards or that might lead to worker injury or health impairment. The loss prevention and control procedures they recommend will help your company achieve OSHA compliance and may also reduce your insurance premiums.

Our LP&C service is another of the extra advantages that Royal-Globe provides the business owner or employer.

If you want to know more about how Royal-Globe's leverage can work for you, ask your agent or broker.

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

YOUR Independent Insurance AGENT SERVES YOU FIRST

ROYAL-GLOBE KNOWN ROUND THE WORLD INSURANCE

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

Comparing noise levels with OSHA standards

Conference delegates declare battle against ever increasing cargo thefts

VENICE—Cargo insurers are turning to widespread use of secret agents in the Philippines, anti-theft devices in the U.S. and liaisons with port police in Canada and Finland in the worldwide battle against steadily mounting cargo thefts.

These were only a few of the tools discussed here recently by delegates to the International Union of Marine Insurance concerned that sea, air, road and rail cargo thefts are continuing to increase.

Insurers gathered here generally felt that by pooling their knowledge criminals will be less likely to successfully get away with their stolen cargoes.

Henrik Schaumberg, chairman of the cargo loss prevention committee of the I.U.M.I., told delegates that loss prevention techniques are proving worthwhile. "Salutary effects are obtained where underwriters' representatives are present at cargo handling points," he noted.

Mr. Schaumberg went on to say that authorities are being assigned to watch cargo handling points in several countries, including the Philippines where secret agents are employed. "The obvious presence of a surveyor is thought to be of value," Mr. Schaumberg stated.

Programs adopted in other countries include an Egyptian plan to report lost goods to port police for tracing; distribution of unclaimed cargo lists by port authorities in Helsinki and Dublin, with underwriters getting the lists; circulation of unclaimed goods lists to Australian underwriters, from that country's customs department; and joint efforts by U.S. underwriters and port authorities.

MR. SCHAUMBERG cited the case of a southern California importer who alerted his regional cargo protection council to all expected cargo shipments from July, 1972. This shipper has been able to achieve a record of more than 200 shipments, valued at $8 million, without a single theft or claim as a result of this cooperative program with port authorities.

Insurers are also demanding that thefts be prevented by tighter receipting procedures on inland shipments, Mr. Schaumberg said.

Air cargo theft problems, particularly in the U.S., are still thorny, Mr. Schaumberg noted. Delegates at the I.U.M.I. felt that criminal elements have "uncomfortably infiltrated" delivery systems.

The only solution to this problem would be to confine transit documents to key personnel as a safety factor, delegates concluded.

Further, the I.U.M.I. is building up a checklist of the safety of international airports and will discuss possible remedies with the security director of the International Air Transport Association.

Conference delegates also discussed the looming problems of insuring nuclear power generating plants.

Delegates were told there is a possibility of future construction of nuclear plants to generate electricity for pollution-free compact automobiles.

So insurers must be ready, delegates were told, to meet cover for nuclear installations. Conventions to ratify safety laws for nuclear energy are being scheduled in many countries.

R. W. S. BRADLEY, who acts the I.U.M.I.'s nuclear observer, told the symposium here:

"The American market continues to be aware of the failure to bring into being international treaties and agreements which will facilitate the international insurance of nuclear risks in the areas of hull insurance and the transport of fissionable commodities. The insurance of fissionable materials carried through the territorial jurisdiction of other countries is embarrassed by this lack of treaty structure."

Generally in world insurance for nuclear cargoes there has been a tendency to continually shave the marine and liability premium rates, Mr. Bradley reported.

"This is quite nonsensical since the net rates are low enough already and there should be no competition necessary as the insured limits are quite large enough to share around on a net-retained line basis," he claimed.

The conference was told that heads of nuclear insurance pools, who met earlier this year in London, were very concerned about the Price Anderson Act.

Its conference report on nuclear risks stated: "This Act gives a U.S. Federal Government financial back-up facility of up to $460 million per incident over and above pool insurance limits of up to $100 million per incident.

"Certain American utilities are tacit towards its renewal in 1977. One large contractor does not want it extended, while the other two largest contractors want it extended and state they will not manufacture without its coverage.

"Critics of the Act say it is unconstitutional and does not afford the coverage one thinks one has under it. They say that once the limit has been reached, victims of a nuclear accident may no longer sue to recover their losses.

"It would seem that our non-marine insurance colleagues have a serious problem on their hands, which may spill over on to us." ■

A pre-packaged Group Pension Plan really doesn't have all the answers.

"Will we be able to install a plan for our salaried employees only?"

"What will be the effect on comparability of benefits for our bargaining unit?"

"How shall we handle voluntary employee contributions?"

"What about protecting the rights of participants in our former plan?"

"What vesting provision is necessary?"

"Can it be made compatible with our profit-sharing plan?"

Why not let a Mutual Benefit Life Group Pension Specialist answer the questions you might have about your pension situation. He doesn't believe that your plan should just come right off the shelf. He'll also give you a free copy of "Developing the Company's Retirement Plan," an easy-to-read booklet that takes much of the mystery out of Group Pensions. Address your inquiries to: Director of Group Pension Sales, Mutual Benefit Life, 520 Broad Street, Newark, N.J. 07101.

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

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

$650,000 settlement for worker

CHICAGO—One of the largest disability settlements in Illinois history, $650,000, was paid to a 29-year-old Indiana construction worker as the result of his being paralyzed from a fall at the giant Standard Oil center being built here.

The worker, LeRoy Hill, had been struck in the chest by a swinging steel truss in October, 1971. The blow knocked him two floors to a landing.

At the time, the victim was employed by Turner Construction Co., New York, whose general liability carrier as well as workmen's compensation carrier for the project, was Continental Insurance Co., according to a Turner spokesman.

The damage suit, which originally had sought $750,000, also named both Standard Oil of Indiana and the architectural firm of Perkins and Will as defendants.

Spokesmen for Standard Oil and Perkins and Will declined comment on the settlement and would not acknowledge their carriers or respectives shares in the suit's settlement. ■

Bill would compensate respiratory disease victims

WASHINGTON—Sen. Hubert H. Humphrey (D-Mn) has introduced a bill that would force operators of hazardous-health industries to compensate workers totally disabled by respiratory disease and dependents of workers killed by such diseases.

The bill also would establish a National Register of Employe Exposure to gather data about each worker's exposure to potential respiratory disease risks, including type of toxic agent, length of exposure and intensity of exposure. The register will also detail job changes, and the information it contains will only be made available to workers, retired workers and their physicians.

"State workmen's compensation laws, with few exceptions, restrict coverage for respiratory disease," Mr. Humphrey said in introducing the bill. "Federal benefits have been approved only for coal miners who suffer in an astonishing degree from black lung disease. All the workers in other production industries—the 3.5 million asbestos workers, 900,000 textile workers, 770,000 workers exposed to bagasse fibers, the 600,000 workers exposed to silicon dust, the 715,000 cosmetic workers, paintmakers, papermakers and talcum powdermakers bear the burden of diease and the medical expenses alone.

"IT IS TIME," the Senator said, "for employers and compensation agencies—state and federal and American consumers to share the risks as they have shared them for black lung and for industrial accidents under workmen's compensation."

The proposed law would provide benefits beginning in 1975 at a rate not less than two-thirds of the worker's average weekly wage and not more than 100% of the state-wide average weekly wage on Jan. 1, 1974.

Maximum weekly benefits increase in 1976 to 133 ⅓% of the state-wide average weekly wage as of Jan. 1, 1975; in 1977 to 166-⅔% of the state rate of Jan. 1, 1976; and, finally in 1978, to 200% of the state rate as of the first of the preceeding year.

The benefit rates contained in the bill, its authors told *Business Insurance*, were "borrowed" from the benefit levels contained in the minimum federal workmen's compensation standards bill recently introduced by Senators Harrison Williams (D-N.J.) and Jacob Javits (R-N.Y.).

UNDER THE terms of Sen. Humphrey's bill, a worker will be considered totally disabled "when a respiratory disease prevents him from engaging in gainful employment requiring skills and abilities comparable to those utilized by him in any employment in the health-hazard industry giving rise to such diseases in which he previously engaged with some regularity and over a substantial period of time."

The bill also states "if a worker who is suffering or suffered from a respiratory disease was employed for 10 years or more in an industry, there shall be a rebuttable presumption that such disease arose out of his employment in such industry."

Benefits paid under the proposed legislation would be reduced by the amount collected by workers or their dependents from workmen's compensation, unemployment compensation or the disability insurance laws of the state of residence.

Only claims filed before June 30, 1975 will be considered, the bill says, and only if a claim has also been filed under any applicable state workmen's compensation system.

THE BILL also would have the health, education and welfare department monitor state workmen's compensation programs and publish a list of those states which cover respiratory diseases claims and provide benefits at least equivalent to those contained in the bill.

The bill stipulates that no federal benefits shall be paid after Dec. 31, 1976 when the responsibility for compensating respiratory disabilities shifts to state workmen's compensation laws. If employers in the hazardous industries are operating within a state that has not meet the standards of the HEW department, he then becomes directly liable for benefits.

An employer's liability will also be reduced by the amount of any compensation being received by his former employe through federal or state workmen's compensation channels.

The bill would require such employers to either self-insure their benefit liabilities or obtain an adequate amount of workmen's compensation insurance through commercial insurers. Any such insurance contract must allow for the benefit levels requires by this bill, without regard to any lesser benefits provided for under state law. The contract must also state that bankruptcy shall not relieve the carrier from his benefit liability.

If an employer does not obtain such insurance, the government, the bill says, will pay qualified benefit claims and later recover the amount paid through civil action.

The bill also would authorize HEW to spend $10 million for the construction, purchase and operation of fixed-site and mobile clinics to provide examination for and treatment of respiratory disease.

THE BILL covers the following respiratory diseases and related industries; silicosis (foundry, stone-cutting, clay products, glass products, sandblasting, mining of lead, copper, silver or gold), asbestosis (manufacture, handling or processing of asbestos), berylliosis (manufacture, processing of beryllium), byssinosis (cotton fabric and flax products industries), bagassosis (insulating materials, paper, fertilizer, explosives, animal feed and brick industries), diatomite pneumoconiosis (manufacturers of filters, insulators, absorbents, or polishes) talcosis (industries involved with cosmetics, paints, paper, rubber or talc products), Shaver's disease (industries utilizing electric furnaces in the manufacture of corundum) and siderosis (welding, cutting, burning or grinding of iron or steel).

The bill also would protect workers from lung cancer at "a place of work in which such worker is or was employed for a period of not less than five years if the incedence of lung cancer among employes and former employes of such plant is at least three times as great as the incidence of lung cancer among the general population." ■

Gallagher adds new words to self insurance.

Gallagher-assisted self insurance lets you avoid puzzling problems and offers you these significant extra benefits:

- A program that is geared to your own organization's specific requirements.
- Tailored computerized claims control—with O.S.H.A. compliance inspections and complete safety engineering.
- Nationwide, on-the-spot, local service.
- Coverage for *all* exposures: property, automobile, general liability, product liability, dishonesty—and workmen's compensation of course.

You get a basically better insurance program with better service, yet *you* keep those premium dollars.

And the resultant brighter cash flow situation is something our clients, major corporate and institutional self-insurers, are enjoying every day.

Last year we handled more than 21,000 losses and claims and administered client funds exceeding $10,500,000.

We will gladly provide a competitive comparison of your present program, at no cost or obligation. Simply contact us.

ARTHUR J. GALLAGHER & CO.

1 E. Wacker Drive, Chicago, Illinois 60601 · Phone 312/321-1700

- A Nationwide Organization Providing Excess Coverages and All Related Services for Self Insurers
- Brokers for Commercial, Industrial, and Institutional Insurance Programs

Hearings on Gulf-CNA merger months away

CHICAGO—Public hearings on Gulf Oil Co.'s proposed acquisition of the CNA Financial Corp. may not be held for many months, the Illinois insurance commissioner said recently.

"It's a minimum of four to five months away," Fred Mauck told *Business Insurance*. "And that's only a guess."

When the two companies finally submit their written proposal to shareholders Mr. Mauck said that the acquisition agreement would be given close scrutiny by his own department.

"We're not going to roll over and play dead on this thing," he said.

Acquisition of CNA, a large holding company with interests in insurance, real estate and other financial service companies by the Gulf Oil Co., third largest producer of crude oil, would be one of the largest in corporate history.

Gulf Oil had a net income of $447 million on $6.24 billion gross operating revenues in 1972.

CNA Financial Corp. had earnings of $98.7 million on $1.6 billion total revenues in 1972.

Among its insurance subsidiaries are the wholly-owned Continental Casualty Co., and Continental Assurance Co.

Mr. Mauck said that the Gulf-CNA plan caught his department by surprise.

"I was alarmed that it was necessary for me to first learn of the planned acquisition in the pages of a newspaper rather than by direct contact from CNA as the statutes of the state of Illinois require in such cases," he said.

"I am also very concerned about the concentration of economic power which is certain to come about if Gulf Oil acquires CNA Financial Corp., and what would happen in such a merger."

Although Mr. Mauck has met with CNA about providing his department with information on the acquisition, neither of the companies have released any detailed plans yet. But claims that no written agreement has been made must be "taken with a grain of salt," he said.

At this time it is impossible to say what effect the merger will have on CNA insurance policy holders, Mr. Mauck said. But the establishment of a gigantic holding company poses "a real problem for regulators" because of the complexities of its financial arrangements.

Corporate decisions made by top management in a holding company may be detrimental its insurance clients, Mr. Mauck explained, because the directors might be unfamiliar with all the complicated responsibilities of the insurance business.

"That can be the insidious part of a holding company arrangement," he said. ■

OSHA compliance costs and fines soaring

SAN MATEO, CA.—The National Federation of Independent Business disclosed in a national survey that Occupational Safety and Health Act inspections have been heaviest in the eastern and south central states, and that fines and costs of complying with OSHA are zooming.

The national survey showed four percent of all service businesses have been inspected for OSHA violations by labor department agents.

Some 28% of all the businesses inspected were found in violation of one or more OSHA regulations, double the previous rate.

Federal fines and compliance costs averaged $7,666 per establishment, up 50% since the second quarter of 1973, the NFIB said.

Businesses located in eastern and south central states reported the heaviest inspection activity. Some 59% of all companies inspected in those regions were charged with violations, and incurred an average compliance cost of $3,565.

IN WESTERN and north central states, 30% of the firms inspected were cited with violations. Costs of compliance jumped to an average $7,604.

In the mid-Atlantic states, 41% of all the companies inspected were charged with violations of OSHA. They reported an average compliance cost of $9,936. ■

Cost of living adjustments switch eyed

OTTAWA—Cost of living adjustments on pensions going to the elderly and retired in this country were proposed in the Commons earlier this month and were expected to pass without a great deal of difficulty.

One of two bills introduced by the Liberals would provide cost of living adjustments to old-age pensions every three months rather than annually as is the case at present.

The other bill would amend supplementary retirement benefits legislation by eliminating a ceiling of 2% a year on cost of living increases in Canada Pension Plan benefits. The bill would also lower the age limit to qualify for additional benefits.

The bills were introduced in order to keep pension benefits in line with the inevitable increases in living costs but the pensioners' legislation contains a provision which would prohibit a decrease in the amount of benefits if the cost of living index should actually decline. A clause in the bill states the pension cannot be reduced lower than the amount payable for a month in any earlier period.

THE AMENDMENTS to the Supplementary Retirement Benefits Act, which will be effective Jan. 1, 1974, if passed, lay the burden of assuming the cost of removing the 2% ceiling for those persons who retired prior to 1970 on the federal government. The government would pick up "a portion" of the tab on other retirees.

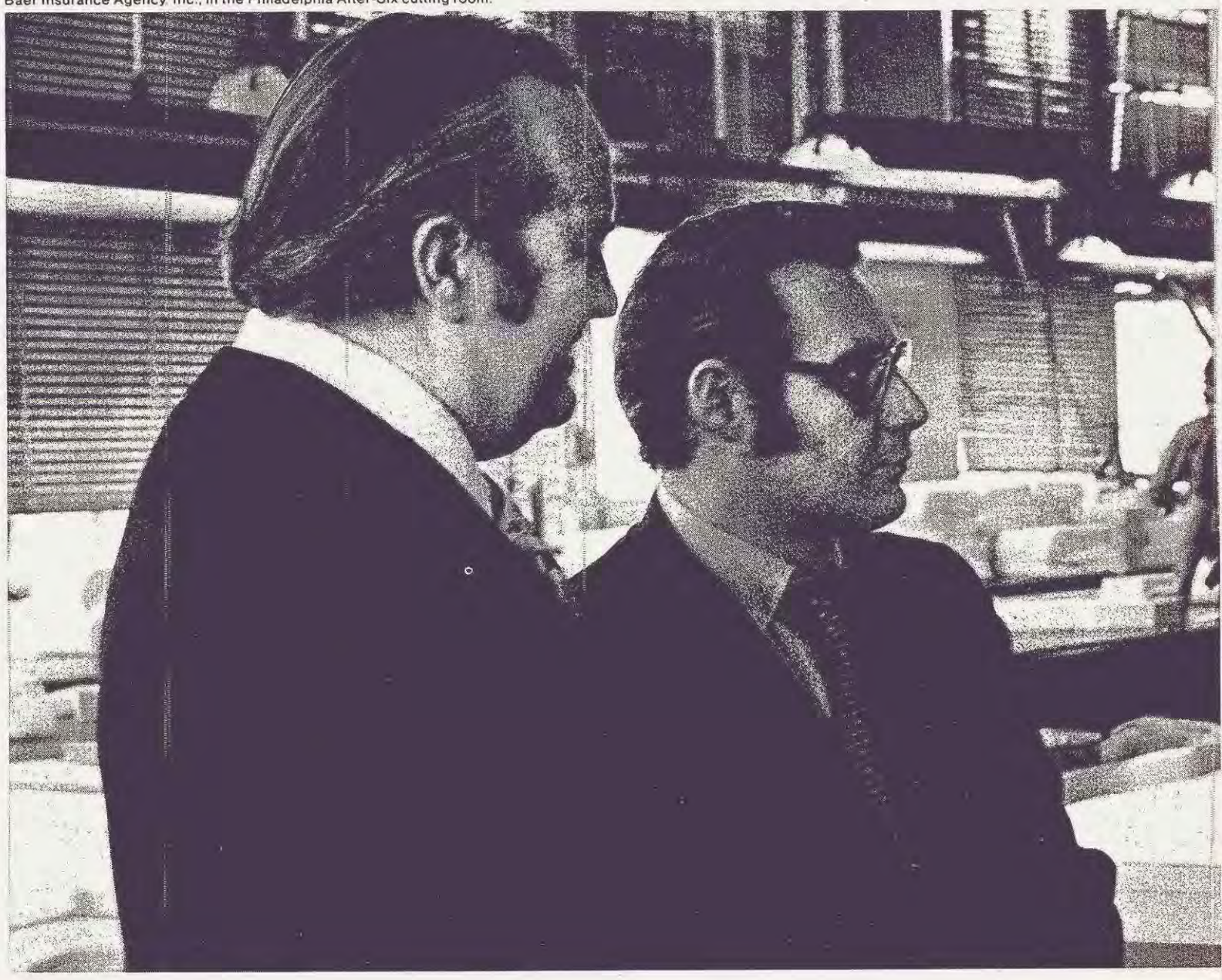
Old age pensions would rise from $100 a month to $105 immediately if the bills pass. At the same time, the supplementary benefits would go from $170 to $179.

Pensions for diplomats, public servants, members of Parliament, servicemen and Royal Canadian Mounted Policemen would be amended along with the other pension changes. ■

All Workmen's Comp policies are not the same.

The difference is people like Jerry Mulhall.

Jerry Mulhall discusses the Workmen's Comp program with Wesley Le Blanc (left), insurance manager of After-Six, Inc., and Agent Ed Johnson, Vice President of Baer Insurance Agency, Inc., in the Philadelphia After-Six cutting room.



Louisville policemen eye appeal in CLC pension hike turndown

LOUISVILLE—This city's 745 police oficers are considering an appeal of a recent Cost of Living Council ruling which eliminated "significant increases" in the policemen's pension plan.

The regulatory arm of the Nixon administration's economic stabilization program allowed pay increases of $500 or more for each of the officers annually, but policemen were denied pension improvements which would have cost the city an estimated 35 cents per hour.

UNDER THE pension plan's operating procedures, the city's policemen voluntarily contribute 6.5% of their salary to the pension fund, and the city kicks in all other monies needed to meet the plan's costs. The plan allows retirement at age 55 and pays annuities equal to 40% of salary.

The new proposal was to have become effective July 1 and called for an increase in officer contributions to 6.5% and an increase in the city's contributions to the level needed to meet the proposed higher benefits. The proposed changes would have allowed retirement after 20 years' service regardless of age and would have increased benefits from the current level of 40% of average highest salary paid over five years to 50% of average highest salary paid over three years.

The policemen's pension fund is managed by an eight-member board comprised of four police officers elected at large by the entire force, one member appointed by the mayor, one member chosen by the city's board of aldermen and the city's safety and finance directors.

IF THE LOUISVILLE policemen are unable to obtain some satisfaction through the administration, they might get at least some tax relief from Congress. Three bills have been introduced in the House this year all of which ask for exemptions from income tax on pension benefits paid to retired policemen and firemen or their survivors.

All that legislation is now buried somewhere in the backlog of bills awaiting the scrutiny of the House ways and means committee.

One bill introduced by Rep. Fernand J. St. Germain (D-R.I.) asks for the tax break simply as a way of providing the police and firemen with pension benefit increases.

"The police and firemen deserve an increase," Mr. St. Germain said in introducing his bill. "Making their pensions tax-exempt is a way of raising pension income significantly without placing a heavy financial burden on local communities.

"My bill would offer some relief from the continuing inflation that is eating into retirement incomes," he said. "At the same time it would be a measure of reward to our police and firemen who have had to accomplish an increasingly difficult and dangerous job in recent years." ■

What do you look for in a Workmen's Compensation program once you've selected an agent or broker? Probably the Company, its service and people.

And the service provided by Jerry Mulhall, Assistant Vice President of The Home, and his staff of experts is second to none in the business. This means expert on-site analysis. Superior safety engineering. Trained technical representatives. And, prompt fair claim service.

Add to that a wide range of participating and retro-rating plans and you have all the reasons in the world to choose The Home.

Contact your agent or broker or look for your local Home agent in the Yellow Pages.

INSURANCE HOME COMPANIES

Home Insurance Companies

People make the difference.

Connecticut General to buy agency

SAN FRANCISCO—Connecticut General Insurance Corp. said it reached an agreement early this month to acquire Cravens, Dargan & Co., Pacific Coast, the managing general agency here, for common shares worth about $15 million.

Under the terms of the agreement, Cravens, Dargan will become part of the West Coast operation of Aetna Insurance Co., Connecticut General's property-casualty subsidiary. According to Aetna president Frederick Watkins, the acquisition will double the insurer's Pacific Coast sales, currently about 4% of total sales.

Cravens, Dargan, with 260 employes and seven principal and service offices, is one of the major managing agencies on the west coast. The company, according to a Connecticut General spokesman, specializes in aviation, lumber, oil and heavy property risks and surplus lines.

The firm created both the Brush Pool and the Watts Pool, which provided coverage for California homeowners in high risk areas and the Los Angeles ghetto, respectively. Both programs have since been replaced by the California FAIR Plan.

THE AGENCY wrote more than $40 million in premium volume last year, about 10% of Aetna's $410 million, and the figure is expected to grow, the CG spokesman noted.

Cravens, Dargan president Malcolm Cravens will become general manager of Aetna's Pacific Coast operations. "The principal objective of both firms during the negotiations was to be assured that this association would provide independent agents a broader base of multiple-line facilities, backed up by the combined expertise of the two organizations. We believe this association meets the test of these criteria," he said.

The acquisition, the CG spokesman pointed out, will be effective Jan. 1, subject to the approval of stockholders, who will meet Dec. 13 for the purpose of increasing the authorized number of share of common stock, some of which will be used for the acquisition. ■

U.S. Steel self-insured

MOUNT WRIGHT, QUE.—U.S. Steel was self-insured against two fires that raged through a Quebec Cartier Mining Co. campsite where workmen are building a $300 million iron ore concentrator.

At least 20 trailer dormitories and a cafeteria were destroyed. Estimates are lacking on the cost of the damages, but a spokesman for U.S. Steel said the fires would cause a two or three week delay in construction.

The body of one workmen has been recovered from the debris. Five more persons were injured as they escaped from their dormitories. About 1900 other workers were moved to temporary housing and eating facilities nearby to await reconstruction of the campsite.

Quebec Cartier Mining Co., a subsidiary of U.S. Steel, is still scheduled to begin using the iron ore concentrator in mid-1975. ■

Barn fire claims 54 horses; low coverage

HARDING TOWNSHIP, N.J.—A $50,000 insurance package seems mighty small when Clarence Nagro compares it with his estimated loss of over $500,000 after a fire engulfed the Hilltop Stables here in the early morning hours of Oct. 4.

But $50,000 was all the coverage he could get, he was quoted as saying as he watched stablemen remove the carcasses of 54 horses from the leveled barn later that day. In addition to the $50,000 loss to the barn and equipment, the dead horses were reportedly valued at between $2,000 and $15,000 each.

According to this attorney, Robert Del Tufo of Morristown, coverage of "the large, well-maintained barn" was underwritten by several carriers through Marsh & McLennan. Although the attorney, the broker, and a spokesman for Mr. Nagro declined to name the insurance companies involved "while negotiations are still underway", a source indicated the insurance package partially covered the stable, hay and liability.

A SPOKESMAN for the Harding Township police said that because of its size the fire is still being investigated in conjunction with the state police arson squad.

"The fire is suspicious, but we have no definite conclusions yet," he said. A spokesman at the arson squad's Trenton headquarters said laboratory tests seemed to indicate that the fire started in the first floor area, although arson tests had so far proved negative. Laboratory tests are continuing, however, he noted.

Mr. Del Tufo said no claims had yet been filed by the owners of a number of horses which had been boarded at the stable, and died in the fire. The animals included show horses, jumpers and hunters, a source said. The attorney indicated he did not know whether any of the owners carried fire protection for their prize horses.

Mr. Nagro could not be reached for comment on the loss of the horses and the 120-by-100 foot stable, a principal structure of the 20-acre training and boarding farm he started about 25 years ago. ■

Agent collects on own hole-in-one insurance

CLEVELAND—With the odds set at 20,000 to one that a golfer will hit a hole-in-one, chances are pretty slim that an agent who sells hole-in-one insurance will ever collect on one of his own policies.

But it happened in Cleveland.

Dave Dickenson, who sells insurance and loves to play golf, sold a specific policy for the annual member-guest tournament at the Kirkland Country Club June 23. Coverage was restricted to the sixth hole, a 155-yard shot from the tee.

"It was just incredible," Mr. Dickenson said. "I literally fell over backward when I saw the ball go into the cup."

For his lucky shot Mr. Dickenson received $4,000 from the Progressive Insurance Co. of Florida, who carried the policy. The original prize offer was a 1973 Pontiac Le Mans, but since Mr. Dickenson already had a new car he opted for the cash equivalent.

BROUGHT UP on a golf course in New Jersey, Mr. Dickenson has whittled down his handicap to "between 9 and 11."

"But tennis is my real sport," the 33-year old agent said.

Due to the publicity the club and insurance company have received since Mr. Dickenson's feat, the hole-in-one policy will probably be an annual tradition at the Cleveland Club.

"We're going to do it every year, I hope," Mr. Dickenson said. "I don't know if the premium is going to be the same, though."

Hole-in-one insurance is classified as a "prize indemnity coverage," explained Bob Shipyor, senior commercial underwriter for the Interstate National Corp. in Chicago. Policies are usually handled by Lloyd's of London through American insurance brokers.

"We used to do a ton of it," Mr. Shipyor said. "But then the Illinois Dept. of Insurance declared it illegal. We still write it for other states, but in Illinois it's a no-no."

Illinois considers prize indemnification coverage to be a form of gambling, Mr. Shipyor said. Some of the more bizarre policies included coverage for professional baseball teams which gave prizes to players who could hit the scoreboard, and club contests where fishermen tried to catch marked fish. (*Business Insurance* Jan. 18, 1971).

The rates are variable, depending on the difficulty of the contest feat and the skill of the contestants. A hole-in-one policy might cost $200 in premiums and pay a claim prize of $4,000. Mr. Shipyor added that none of the policies he has sold ever paid a claim.

"The odds are really with you," he said. ■

Continental.
We add assurance to life in an unsure world

. . . by making pension and profit sharing plans available faster and at less cost. The need for employee incentive programs is a fact of business life. But the expense and delays in developing tax-qualified retirement plans often discourages their consideration by small corporations.

A relatively simple solution is Continental's ANSWER, a series of Master Plans and Prototypes already approved by the I.R.S. A variety of funding methods and a wide range of flexible plan provisions permit smaller companies to tailor ANSWER plans to precise needs.

Red tape is dramatically reduced. With ANSWER it's possible to introduce employees to new benefit plans in a few weeks . . . not months.

Ask your Independent Agent or a Continental pension specialist.

CONTINENTAL life ASSURANCE Co.
A PART OF CNA FINANCIAL CORPORATION

Hi-rise sprinkler bill opposed

MADISON, Wi.—A bill that would require automatic fire sprinklers in high-rise buildings open to the public has been opposed at a hearing before the senate governmental and veterans affairs committee.

Anthony H. Driessen, lobbyist for the Building Owners and Managers Assn. of Milwaukee, argued that the bill would impose hardships in many cases.

The bill would require existing buildings over 72 feet high to be equipped with automatic fire protection or suppression devices by June 30, 1977. The state department of industry, labor and human relations would review the plans for fire protection devices to be installed in new buildings.

Mr. Driessen said: "We are most afraid of what the department would come out with." He added that it would be costly for building owners to comply with the bill. ■

labor beat

AFL-CIO hits comp, safety, health insurance, group legal at meeting

BAL HARBOUR, FL.—Aside from pointed and direct criticism of Nixon administration policies overall, the AFL-CIO convention here last month produced strong positions on workmen's compensation, occupational safety and health, national health insurance, pre-paid group legal plans and pension reform legislation.

The union's executive committee report reaffirms its earlier stand that passage of federal workmen's compensation minimum standards—as proposed in a bill introduced in June by Senators Harrison Williams (D-N.J.) and Jacob Javits (R-N.Y.)—remains one of the AFL-CIO's "major goals in the 93rd Congress."

"Experience has shown an unwillingness, lack of concern or complete inability on the part of the states to modernize their workmen's compensation programs," the report charged.

"The fundamental objective of workmen's compensation was to restore to injured workers at least two-thirds of the wages lost to industrial injuries. The gap between this objective and what state programs actually provide is one of the most serious inadequacies of our present system."

THE REPORT points to major technological and industrial gains as reflections of a "steady and upward" economic advance, but then charges the workmen's compensation system "has remained at the horse and buggy stage of its development."

"The states have done an excellent job of protecting employers and industry, but an extremely poor job of protecting injured workers, their families and the public," the council said.

Efforts to date to pass the enabling legislation needed for state enforcement of OSHA regulations have shown, the executive council report says, "the states are not concerned with standards equal or exceeding the protections for workers found in the federal act."

The union further charged the Nixon administration has consistently tried to kill the effectiveness of OSHA enforcement by killing the appropriations needed to retain active enforcement.

IN ADDITION to calling for more funds to fuel present enforcement activities, the executive council recommended additional funds be generated to add 1,500 more OSHA inspectors.

The council also called for an end to exemptions of small employers and extension of OSHA protection to employes of federal, state and local governments.

The AFL-CIO also suggests any state seeking a federal okay for OSHA enforcement be required to submit five-year budgets and manpower plans in addition to enabling legislation. The state program option should be phased out entirely by July 1, 1975, the council said, "thus terminating any further state participation in standards and enforcement of the federal act."

In the area of national health insurance, the council again criticized the Nixon administration for "inaction and retrenchment."

The AFL-CIO strongly backs the National Health Security bill sponsored by Sen. Edward Kennedy (D-Ma.), and the council pledged "to expose the fallacies and deficiencies of the alternative so-called national health insurance bills."

"The bills sponsored by the Amreican Hospital Assn. (The National Health Care Services Reorganization and Financing Act), the American Medical Assn. (Medicredit) and the insurance industry (The National Health Care Act) are primarily designed," the council said, "to protect the interests of the sponsors and only secondarily to provide health protection to the American people."

The union said it could not support any federal health care plan that did not include universal coverage, comprehensive benefits without deductibles and co-insurance, incentives for restructuring the health care delivery system, quality and cost controls and consumer representation on policy boards.

"All alternative proposals (to the Kennedy-sponsored bill) rely on industry," the union said. "Its on the private health insurance record has been one of close collaboration with the providers of care and adverse to the interests of their consumer subscribers."

THE COUNCIL said it strongly supports legislation pushing the Health Maintenance Organization (HMO) concept of health care delivery.

Initial legislative efforts, the union said, "received only lackluster support by the White House with the predictable result that no new legislation was passed in the 92nd Congress," but the union is pledged to strongly support HMO proposals now being considered by the 93rd Congress.

Terming pre-paid group legal services "an important new fringe benefit," the council recommended such plans "be incorporated into the collective bargaining programs of all affiliated national and international unions."

"In the development of such programs," the union told its members, "legal services for union members and their families can best be provided through union or community-sponsored prepaid group legal service plans. The alternative, open-ended fee-for-service arrangements permit no effective cost escalation and would lead to the same kind of runaway cost escalation many unions have suffered in fee-for-service medical programs."

THE COUNCIL further recommended that affiliates consult with the National Consumer Center for Legal Services in developing a prepaid plan. The organization is funded in part by the AFL-CIO to coordinate consumer and union activities in the new fringe area.

The council treaded lightly in commenting on current pension reform efforts in Congress, un-

Continued on page 54

It takes one to know one

To prevent an accident, you have to know where it's hiding. And to know **that**, you have to know almost as much about a lathe and machining as the operator.

That's why we hire only experienced loss prevention men. They provide professional, imaginative, effective loss control programs to limit our losses and give you the collateral benefit of actual, measured, lower net cost.

They not only design safety programs that work, they know how to make them work. The result: 8 consecutive years of underwriting profit for us and enthusiastic support by our producers and insureds because of lower loss ratios, reduced experience mods, and improved dividend potential.

Our men can apply the same expertise to the Occupational Safety and Health Act (OSHA).

We're specialists, not only in workmen's comp, but in surplus lines, commercial property and surety.

We're the uncommon carrier.
Have your broker call us today.

MISSION EQUITIES CORPORATION
Better At What We Do

California's Largest Publicly Owned, Independently Operated Property & Casualty Carrier. Headquarters: Los Angeles. San Francisco, Fresno, Seattle, Portland, Denver, New Orleans, Houston, Phoenix, San Diego, Little Rock, Atlanta, Cincinnati.

MISSION INSURANCE CO. • SAYRE AND TOSO, INC. • HOLLAND-AMERICA INSURANCE CO. • GEORGE S. KAUSLER, LTD. • DATA TECH CORP.

'Tis season for safety

'Consumer deputies' sought by agency

WASHINGTON—The Consumer Product Safety Commission (CPSC) is now recruiting "consumer deputies" to help the federal agency police retail stores for banned products.

Commission regional office staffs in 14 cities are now training volunteers to canvass stores "to insure that products which appear on the CPSC banned product list are not being sold."

The initial policing effort, the agency says, will concentrate on banned toys and will be incorporated into the commission's holiday season "Toy Safety" campaign.

Some 1,500 toys have been determined to be "extremely dangerous" under the terms of the Federal Hazardous Substances Act as amended by the Child Protection and Toy Safety Act.

Created a little more than a year ago, the commission has regulatory power over some 10,000 consumer products and can impose both civil and criminal penalties on producers of products found to cause injuries or death to consumers.

THE COMMISSION points out that persons who volunteer as deputies are not official employes of the commission. The deputies, the agency says, will simply check retail outlets for banned products and, if any are discovered, ask the shopkeeper to remove the products from the shelves and to check with the suppliers to ascertain whether, in fact, they are on the listing of banned toys.

In instances where retailers are "uncooperative," the CPSC says, the stores will be visited by commission inspectors.

After the holiday season, the deputies will be asked to check compliance with safety regulations covered by the Flammable Fabrics Act, the Poison Prevention Packaging Act and the Refrigerator Door Safety Act.

The 14 cities participating in the deputy program include: Atlanta, Boston, Chicago, Cleveland, Dallas, Denver, Kansas City, Los Angeles, Minneapolis, New Orleans, New York, Philadelphia, San Francisco and Seattle. ■

Insurance bid laws are sought in California

SACRAMENTO—Legislation creating a new commission to review all insurance contracts entered into by state agencies will be sought by the assembly committee on efficiency and cost control when the California legislature reconvenes here next Jan. 7.

"Present laws on insurance contracts are grossly inadequate," the assembly was told by Mike Cullen, the committee chairman. "Greater controls are necessary" Mr. Cullen said, "to guarantee that California gains adequate protection at the best price."

The recommendation for a review board results from a lengthy investigation by Mr. Cullen's committee into the award last spring of an earthquake-flood insurance bid to Central National Insurance Co., Omaha.

The award was made by the California department of veterans affairs for coverage of as much as $20 million for major catastrophe with damages in excess of $1 million to homes and farms financed under the state's Cal-Vet loan program.

Mr. Cullen and his committee described as "too costly" the premiums of $274,000 a year charged by Central National.

"THE FACT is," Mr. Cullen said, "there is no coverage for the kind of disaster that would drain California's disaster indemnity fund but which might not reach the $1 million mark. The state agency's award was made without proper evaluation of alternatives available to the state."

The committee report contends California has never suffered a $1 million Cal-Vet claim, the largest ever having been for $440,000 following the southern California earthquake.

The committee also charged that the state agency, "by bidding through a designated joint broker, effectively limited the market of companies bidding for the huge insurance policy. The result was not in the best interest of either veterans or the taxpayers." ■

Labor beat . . .

Continued from page 53

like its Building and Construction Trades Department which weeks earlier strongly criticized the vesting, funding and termination insurance provisions of the bill unanimously passed by the Senate.

The executive council, while not throwing its support behind any one proposal now before Congress, urged Congress to enact "reasonable" fiduciary standards provisions and "minimum" vesting and funding standards.

While supporting the concept of termination insurance, the council recommended that any pension legislation "should take into account the legitimate difference between single and multi-employer plans and should establish different minimum standards for each type of plan."

In general, the council urged all AFL-CIO affiliates to continue to expand health and welfare benefits, pointing specifically to dental care, mental health services, vision care and prescription drug programs as possible areas of concentration. Day care centers and college scholarship funds have also been negotiated by some AFL-CIO affiliates. ■

1973 dividends rise

According to the American Mutual Insurance Co. of Boston, rate reductions under the state no-fault auto insurance plan have substantially lowered premiums for compulsory bodily injury coverage. A 10% dividend has been declared for policyholders of the coverage in 1972. American Mutual also declared a 15% dividend on the same coverage for 1973. The 1972 dividend checks were mailed Oct. 23. Checks for 1973 dividends will be sent to policyholders early next year.

Time for action.

A construction site collapse. Workers and bystanders are injured. Property damage is extensive. A time for decisive action. Medical help arrives. And the GAB adjuster goes into action. He, too, is decisive. And sensit ve. **1.** Sensitive to the anxieties of the injured. Your GAB man makes certain that the injured party and his family feel he is being treated fairly with minimum fuss. **2.** Sensitive to the employer's or the insured's position. Your GAB man makes contact immediately. And he keeps the client informed. **3.** Your GAB man takes control and works quickly toward a reasonable conclusion.

Handling casualty adjustments and workmen's compensation claims is a difficult, sensitive skill that GAB performs in a meticulous, friendly manner. When your GAB man is on the scene, you can expect fast, professional attention to your claims. GAB, property and casualty adjusters. In action. Everywhere. For your local GAB office, look under Adjusters in your Yellow Pages. Or write to: GAB, 123 William Street, New York, N. Y. 10038. (212) 964-3300.

GAB

Decisive. Sensitive.

Giles on the law

Federal laws preempt local laws on labels of hazardous substances

By JOHN W. GILES
Attorney at law

WASHINGTON—Federal regulation under the Hazardous Substances Act are superior to attempts by local governments to impose, not only cautionary labeling requirements, but labeling of ingredients as well.

The U.S. court of appeals for the fifth circuit has ruled that the federal act preempts a Dade County ordinance requiring detergents and synthetic detergent p oducts to bear a label listing the ingredients of the products in descending order of importance. The federal act expressly declares that state or local attempts to provide for "precautionary labeling" are preempted.

The question to be decided was whether the meaning of the term "precautionary labeling" is broad enough to encompass the Dade County ordinance. The court quoted from *Chemical Specialties* v. *Lowery,* 452 Fed. 2nd 451, and found that it was. Restricting the express preemption provision to cautionary labeling requirements only and sanctioning a proliferation of local requirements for ingredient labeling would impede, rather than promote, the Congressional concern for protecting the free flow of interstate commerce.

In view of the desirability of a uniform federal standard, the precautionary labeling preemption must apply to all labeling of hazardous substances covered by the act. (*Chemical Specialties* v. *Clark,* July, 1973—U.S. Ct. Appeals for the 5th Circuit.)

* * *

THE SOUTH DAKOTA supreme court has adopted the strict liability in tort doctrine in a widow's action to recover against an automobile manufacturer for the wrongful death of her husband.

The deceased's car was only two weeks old when one of the seat-belt straps broke in a one-car accident and he was thrown from the car and killed. Expert testimony showed that the reason the seat belt severed was because it had been rubbing on the frame of the seat, causing the belt to give way under the pressure of the force of the accident. Testimony also showed that the fatal injury occurred outside of the car and that the injuries would only have been minor if the seat-belt strap had not broken and kept the decedent in the car.

The supreme court pointed out that the restatement of torts is designed to protect the public and insure that damages resulting from defective products are borne by those who market the product. This does not make the manufacturer an absolute insurer against any injuries caused by its product; it merely relieves the plaintiff of the burden of proving negligence by the manufacturer.

The plaintiff, said the court, must prove that the product was in a dangerous and defective condition when it left the manufacturer. (*Engberg* v. *Ford Motor Co.*, March 1973—Supreme Court, South Dakota.)

* * *

IS A BACKHOE, even after being made stationary by lowering of hydraulic braces and front buckets to the ground, a "land vehicle"" within the meaning of a policy insuring against direct loss resulting from land vehicles?

This was a suit by the insureds against the insurer for benefits under a policy covering, inter alia, direct loss resulting from "land vehicles." In this instance the bucket of a backhoe engaged in digging operations came in contact with an underground electrical conduit, causing a short circuit which damaged electrical wiring in insureds' apartment units.

The jury entered judgment for the insureds and the insurer appealed. On the appeal the court held that the evidence supported the jury's findings that the insurer had unconditionally denied the insureds claim within 91 days of the loss, that a backhoe was a land vehicle within the meaning of the phrase as used in the policy and that the jury's assessment of damages was not excessive. On the question of whether or not a backhoe is a "land vehicle" within the language of the policy, the court said that the controlling consideration is determined by the use of the vehicle at the time of the accident.

Although, said the court, we would agree that this may be true in cases where the instrumentality involved is not ordinarily used as a means of transportation on land, we do not think that "use" is controlling in this case in which the machine had all the characteristics of a "land vehicle" except for its use at the time of the incident. The court cited *Weissberg Corp.* v. *New York Under. Ins. Co.* 272 At. 2nd 366 and *Rullman* v. *State Farm Mutual Ins. Co.* 87 Ca. Rptr. 551 in defense of its position.

The court said that it was unaware of any Texas case which decides the question of whether a tractor, which might ordinarily be thought of as a land vehicle when travelling on the open road, ceases to be such when it becomes stationary for a short period of time while engaged in an activity quite removed from the transportation of persons or property on land. In the Texas cases which were found, the vehicles involved were moving over the ground at the time of the incident. (*North River Insurance Co.* v. *Pomerantz,*--492 S.W. 2nd 312.)

* * *

IT IS DANGEROUS not to look into the past criminal records of your employes.

While the plaintiff was waiting on the premises of the defendant corporation to keep a business appointment, he was injured in an unprovoked attack by one of the defendant's employes. The plaintiff claimed the defendant was negligent in employing or retaining the employe, either knowing or failing to be reasonably diligent in ascertaining the employe's vicious and murderous propensities. The jury decided for the plaintiff. The court of appeals reversed.

The supreme court of Michigan held that the trial judge had acted properly in submitting the question of the defendant's negligence to the jury, on the question of the

Continued on page 58

We'd like to be known by the company we keep.

We're the National Loss Control Service Corporation (NATLSCO), a problem-solving firm operating in the risk management and related service fields.

Our staff includes professional engineers and consultants, industrial hygienists; and we call upon the expertise of hundreds of loss control representatives countrywide.

Since our incorporation in 1968, we've provided a wide variety of services to over a hundred U.S. companies and government agencies. Just a few of these services and clients are shown in the box below.

Our success lies in our ability to solve clients' problems and satisfy their service needs by individually tailoring loss control programs to their specific needs.

Write NATLSCO for a description of our problem-solving capabilities and a quote on your operation. For advice you can act on ...ASK NATLSCO.

western union — Fire Protection Services for Western Union.

UNITED STATES GYPSUM — Industrial Hygiene Services for the U.S. Gypsum Corporation.

UNION CARBIDE — Safety and Claim Management Services for the Union Carbide Corporation.

Johnson & Johnson — Air Pollution Consulting Services for Johnson and Johnson.

Mechanical Apparatus Inspections & Services for the Tennessee Valley Authority.

Municipal Fire Protection Services for the City of Chicago.

NATLSCO

Long Grove, Illinois 60049
Telephone: (312) 540-2400

High-rise fire safety precautions scheduled for Canada building code

OTTAWA—The fire insurance business in Canada is hailing a movement now underway to mandate more rigid fire safety precautions in high rise buildings across the country.

The National Research Council of Canada has prepared building regulations to make high rise offices and apartments safer from fire. The move was prompted by a number of disastrous fires that have occurred of late in high rise structures in the U.S. and other countries.

The new safety precautions will hike the construction costs of high rise buildings, Don Chutter, general manager of the Canadian Construction Assn. said. These higher costs will be passed along to tenants, he expects.

Mr. Chutter estimated that the program could result in cost boosts of as much as 12% on new buildings requiring major design modifications.

IT WAS REPORTED that millions of dollars of building designs now on the drawing boards will have to be altered to accommodate the new safety features. But once the new provisions become routine, they can be handled on a mass production basis and this should bring prices down again, it was said.

Scheduled to be written into the national building code soon, the regulations for new construction are designed to reduce the dangers of smoke asphyxiation during high rise fires. Stairs and elevator shafts are to be separated at the ground floor to prevent smoke from a basement fire rising through the shafts.

Ducting systems with fans and vents to blow smoke outside or contain it in a small area also are required. Safety or refuge rooms that are made smoke-proof with fans and vents must be provided throughout each building.

These regulations would not require a builder to provide all these safety features, it was pointed out by Murdock Galbreath, a National Research Council senior research officer.

Mr. Galbreath said, for example, provision for balconies just five feet from the wall and other basic safety features are all that are required in high rise residences under 120 feet.

Builders also would have the option of providing a sprinkler system in lieu of other safety measures, or could construct twin towers joined by bridges at varying heights so residents could flee from one tower to another in event of a fire.

Mr. Galbreath stated that regulations are required because high rise buildings cannot be evacuated quickly and some residents have to remain inside until the fire is extinguished. Because smoke tends to rise, asphyxiation, not the fire itself, is the major danger.

IN AUGUST, the Canadian Assn. of Fire Chiefs passed a resolution calling for mandatory fire-sprinkler systems in all high rises. But this was rejected because of the high cost, said Mr. Galbreath.

Costing 50 cents to $1 a square foot to install, the sprinkler systems are considered the safest protection against fire. Some companies have installed them voluntarily, including the Canadian Imperial Bank of Commerce in its Commerce Court building in Toronto.

JEAN-EUDES DUBE, Canada's Public Works Minister, announced in September that all government high rise buildings now being designed and, where possible, those under construction, will be equipped with sprinkler systems.

The national building code of Canada was amended in 1970 to require buildings to have a firefighters' elevator which could be controlled to stop only at certain floors. Code amendments also mandated two-way intercom systems, improved fire resistant building materials, larger venting systems and an emergency power supply.

It was pointed out that the building code is not uniformly imposed across Canada. While some provinces have legislation making the code standard, cities and towns in other provinces usually adopt the code or use it as a guide with small changes adopted to their own needs and interpretations. ■

The bigger the risks, the rougher the game.

Anyone who loves the sporting life knows there's a world of difference between professional and nonprofessional football.

And anyone who knows the corporate insurance business, knows there's more to risk management than insurance.

That's why your risk manager needs the help of professionals . . . Ebasco's Risk Management team. They are objective consultants who do not sell insurance.

Ebasco's record is one of the best in the business. Over 65 years of experience in all areas of risk management from loss prevention to employee benefits. Serving industry, institutions and government on a world-wide scale.

If your game is going the wrong way, maybe it's time you had some professionals on your side.

Write Dept. R for our BIG E brochure. We play to help you win.

EBASCO RISK MANAGEMENT CONSULTANTS, INC.
A Subsidiary of Ebasco Services Incorporated
100 Church Street, New York, N.Y. 10007 • (212) 344-4400
A HALLIBURTON Company

Giles . . .

Continued from page 57

proper inquiry it should have made into the criminal tendencies of the employe. The court did note that there was some evidence that the defendant corporation was aware of the employe's past convictions for manslaughter, but stated that the question of the employer's negligence in employing or retaining the employe was so close as to call for a determination by the jury, rather than by the trial court. (*Hersh* v. *Kentfield Builders,*—189 N.W. 2nd 286.)

* * *

THE FOLLOWING CASE involved a dog collar which had a defective ring. The dog was tied up with a chain attached to the ring, he escaped when the ring broke, and jumped upon a lady and held her captive, but did not bite her. The Pennsylvania court said neither the dog's owner or the manufacturer of the defective ring was liable.

The strong dissenting opinion, while it held the owner not liable, voiced the opinion that in a trespass action, the absolute liability of the supplier of a defective product is not limited to any particular scope of horizontal privity, but extends to all harm proximately caused by the defect in the product supplied, regardless of what relationship the injured person occupied either to the seller or to the purchaser. Stated in another way, the absolute liability in trespass of a vendor for a defective product supplied by it is not restricted to any particular class of persons but is restricted by the manner of injury, there being no liability unless the defect was a proximate cause of the injury.

The liability of the seller of the dog collar is tested not by the rules of negligence but in accordance with the strict liability of Section 402A, which has been adopted and broadened by the various opinions of the Supreme Court and of this court. The concern of both S402A and warranty law is with the fitness of the product, not the conduct of the producer as measured by due care. (*Ohler* v. *Davis*, 1972—298 At. 2nd 895.) ■

Industrial fires cause $2.93 billion in property damage during 1972

BOSTON—The National Fire Protection Assn. announced last month that destructive fires during 1972 claimed $2.93 billion in property.

The largest property-loss followed the $8 million blaze which destroyed two livestock buildings at the Ohio State fairgrounds in Columbus (*Business Insurance*, Oct. 23, 1972). An explosion in the freight classification yard of the Alton and Southern Railway in East St. Louis, Il. cost $7.5 million, and there was a $6.5 million explosion at the Scattergood electric-generating plant at Playa del Rey, Ca. Eight other fires of 1972 each cost at least $3 million, according to the NFPA survey.

THE 1972 property loss total was 6.7% higher than the 1971 total of $2.74 billion. Despite the variety of commercial fire prevention materials available, there were 210,900 industrial, commercial and institutional fires in 1972, with a property loss of $1.6 billion.

"Just because the equipment is available doesn't assure that companies will buy it and use it," a spokesman for the NFPA said. "Obviously the preventive materials we suggest are not being used."

Industrial plant fires soared last year to 48,000, a whopping 14% higher than in 1971, causing losses to climb more than 20% to some $470.6 million, the report showed.

Store and office fires claimed $377,700,000 in 76,900 fires in 1972, compared with $332,200,000 in 71,000 fires the previous year.

Schools and colleges, both major targets of incendiaries according to the NFPA, also experienced more fires and greater losses last year. In 1972, there were 17,200 fires in public and private schools, costing $76.1 million, plus 5,200 fires in colleges and other institutions, costing $14.8 million. Comparable figures for 1971 were 15,700 fires in schools with losses of $72.5 million, and 4,800 college fires costing $14.5 million.

Church fires also showed a marked increase, from 3,400 fires costing $23.3 million in 1971 to 4,300 fires costing $28.1 million in 1972, NFPA reported.

Hospitals, nursing homes and and other institutional structures which sustained a sharp rise in fires and fire losses between 1970 and 1971, were hit with 21,200 fires and losses totaling $24.8 million. Comparable figures for 1971 were 18,200 fires and $22.4 million in losses.

THE NUMBER of hotel and motel fires amounted also from 15,200 in 1971 to 16,400 in 1972, with losses increasing from $37.9 million to $43.6 million. Restaurant fires rose slightly, with 21,700 fires costing $54.3 million in 1972, compared with 1971 losses of $50.9 million in 18,200 fires.

Principal causes of building fires in 1972, the NFPA survey indicates, were defective and misused electrical equipment, defective and overheated cooking equipment and the careless use of smoking materials.

"Carelessness is a big cause of fires, and so is a lack of preventive measures," said Marion Stone, an NFPA spokesman. "One preventive measure we suggest is a sprinkler system, because these systems have proven about 90% successful since the 1960s," she added.

About 50 of the NFPA consensus standards for fire prevention and protection have been adopted into the Occupational Safety and Health Administration's code. OSHA has enforcement powers for the standards, which is something NFPA never has had.

"We are hopeful OSHA inspections will make a dent in the statistics this year, although we have not made any prediction," she said. ■

CUSTOMS & CARNET BONDS

RA Roanoke Agency, Inc.
P.O. Box 66021
Chicago, Illinois
60666
(312) 593/0500

ECA East Coast Agency, Inc.
160 Broadway
New York,
New York 10038
(212) 732/9783

NY disability benefits continue on upswing

NEW YORK—The average cost of claims under the New York Disability Benefits Law increased during 1972, according to figures released by the New York State insurance department earlier this month.

At the same time, however, the figures showed the frequency of claims and duration of disability decreased during last year.

The average weekly payment increased from $54.67 in 1971 to $57.15 last year. During the same period, the average length of disability dropped from the 1971 figure of 7.82 weeks to 7.66 weeks in 1972. For each 100 insured employes, 5.61 received benefits last year compared to 5.65 in 1971.

THE INSURANCE department noted combined experience under the law showed insurance companies covered for the minimum benefits 3,635,066 employes last year, down from 1971's figure of 3,644,170. However, the amount of covered payroll increased over the year from just under $11 billion in 1971 to more than $14 billion.

While the total number of weeks paid and the number of initial claims allowed dropped between 1971 and 1972, the dollar amount of losses paid increased from slightly more than $88 million in 1971 to over $89 million last year.

The average claim cost per insured employe also increased during the period, from $24.18 in 1971 to $24.57. The average fost per claim also jumped to $437.77 last year from $427.64 the year before.

A SUBSTANTIAL decrease was shown in the annual claim cost as a percentage of covered payroll—from .81% in 1971 to .63% last year. The department explained, however, this figure was lower because the definition of payroll had ben changed to the first $4,200 of earnings of each employe in 1972. In all previous years, the payroll amount had been the first $3,000 of each employe's earnings.

Looking farther into the past, the department said the maximum benefit period and the maximum weekly rate for disability benefits had increased substantially since the law was adopted in 1950.

For example, the maximum weekly benefit rate in 1950 was $26. By mid-1960, that figure had increased to $50 a week and was up to $75 a week by the end of last year. When the law went into effect, the maximum benefit period was 13 weeks. The benefit period went to 20 weeks in 1956 and was raised again in 1958 to 26 weeks, where it remains.

An insurance department spokesman stressed these figures pertained only to those persons covered by statutory minimum benefits. All other employes in the state who received "more generous" benefits were not reflected in the department tables. ■

Nurse fired for pregnancy gets reprieve

MADISON—The Wisconsin industry, labor and human relations commission has ordered Maplewood Nursing Home, Sauk City, to reinstate Mrs. Patricia Travis, a nurse's aide who was fired in 1971 after taking a pregnancy leave.

The order requires the reinstatement of Mrs. Travis without loss of employe benefits.

At the time of Mrs. Travis' dismissal, the nursing home required pregnant employes to begin maternity leaves at the end of the fifth month of pregnancy.

Mrs. Travis remained on the job until her seventh month of pregnancy and was fired after she took her leave.

The commission ruled the policy was discriminatory in that other employes with foreseeable temporary medical disabilities were not required to take leaves in advance of the disabilities.

The nursing home has since changed its leave policy. ■

Bud Wiggins on AAU:

"We know we're covered from the ground up"...

...And Wiggins Airways, Inc. of Norwood, Massachusetts has a lot of ground to cover. The nation's oldest Piper distributor, since 1932, serves Piper customers in New York and New England. In 1947 Wiggins pioneered helicopter charter service and now has six Bell helicopters in its 27-plane operating fleet.

As Bud Wiggins, Vice President, puts it: "Our diversified operations require AAU's flexible approach to our insurance problems... and we're particularly impressed with their personal attention and rapid claim procedures. They're always right here when we need help."

You can have this same caliber of service backed by AAU's 43 years experience when you insure, through your own agent, with the nation's number one aviation underwriter.

ASSOCIATED AVIATION Underwriters

90 John St., New York, N.Y.

Atlanta • Chicago • Dallas • Denver • Detroit • Kansas City • Los Angeles • San Francisco

Constructional safety campaign in Quebec

MONTREAL—The Quebec Workmen's Compensation Board has launched an ambitious campaign to reverse the trend of high accident rates and death tolls in the construction industry.

WCB member Jean-Marc Jodoin outlined a four-point program which includes tighter safety regulations, instruction for construction foremen and supervisors, an intensive publicity campaign to encourage safety consciousness, and the continuing safety search, when he addressed the Industrial Accident Prevention Assn. here at their annual convention.

IAPA is an employers' group that up to now has been responsible for promoting construction safety. Although Mr. Jodoin stressed that WCB's entry into the construction safety field should not be considered a criticism of the role of IAPA, he added that industry's safety records are clearly "unacceptable."

"We had 41 deaths on the construction sites last year and 48 in 1971," he said. The accident rate is accelerating, even though the number of construction workers is on the decline, he added.

STATISTICS show that in 1972, with 83,000 workers active, there were 10,213 accidents reported, compared with 9,049 accidents in 1969 when 127,000 men worked in construction. Quebec's severe climate and the rapid turnover in construction firms contribute to safety problems, Mr. Jodoin added.

IAPA officials reportedly listened calmly to Mr. Jodoin even though the program will mean a $100,000 cut in its annual $500,000 grant from WCB. One member told reporters that IAPA already has its hands full promoting other kinds of industrial safety.

MR. JODOIN SAID WCB will enlist the aid of IAPA, the Labor Department, the Construction Industry Commission and employer and union groups in implementing the program. The campaign began as part of a consultants recommendation for improving the effectiveness of the provincial WCB. The WCB hopes to cut the average delay between notification of an accident and payment of benefits from 50 days to five or even less, he added. ■

Cement product policy available in Georgia

ATLANTA—A new product liability coverage, written as a policy rider and designed for concrete suppliers and concrete firms, has been developed by Wesley H. Heston and Co., an affiliate of the Crump Cos.

Indemnification will include expenses involved when a company's product fails to perform in accordance with warranted standards.

"WHAT WE are talking about is the expense of moving mix concrete, concrete block or prestressed concrete beams from a construction job when that product has been determined to be defective," Wesley H. Heston, firm president, said.

"Bear in mind," he cautioned, "no accident has occurred, no one has been injured, and no property has been damaged."

CALLED "Ripping and Tearing," the rider will provide coverage excluded under 1973 policy revisions of product liability insurance. The intent, according to Mr. Heston, is to indemnify the concrete supplier for the expense involved in the destruction and removal of the defective product. The rider will also indemnify the cement firm for its legal liability for the expenses of replacing forms, reinforcements, piping, and wiring, which could be destroyed if concrete products were removed and for the costs to return the structure to the condition it was in before the defective concrete product was installed.

The policy is being underwritten by Transit Casualty Co., part of Beneficial Standard Corp., Los Angeles. Excess limits will be available above the limits provided by Transit, according to Mr. Heston.

The coverage was four years in its development by the Heston firm and was designed at the request of the Georgia Concrete and Products Assn. Initial filings of forms and rates are in process in 11 Southeastern states.

In Georgia, which was the first state to grant approval, the coverage is available now, according to Mr. Heston. ■

Senate okay for Mays; heads OPIC

WASHINGTON—The Presidential nomination of Marshall T. Mays to succeed Bradford Mills as president of the Overseas Private Investment Corp. (OPIC) has been confirmed by the Senate.

Mr. Mays has served with the federal insurance corporation since it began in January of 1971, first as a vp for insurance and later as vp and general counsel. His career as a federal employe began in 1969 as a deputy director of the insurance division of the Office of Private Resources of the Agency for International Development, the body which formerly administered many of the programs now operated by OPIC.

MR. MILLS, the first president of OPIC, has now become president and chief executive officer of Specialized Services Inc., an Atlanta-based trucking firm, and also chairman of F. Eberstadt International Inc. of New York City, a newly-formed subsidiary of the Investment banking firm of F. Eberstadt & Co. In addition, he has become a director and senior executive of American European Associates and a director of Massachusetts Mutual Corporate Investors.

The Senate also confirmed the nominations of Daniel S. Parker to succeed Dr. John A. Hannah as administrator of OPIC's Agency for International Development and chairman of the OPIC board and Herbert Salzman as a board member.

Mr. Parker has been a board member since 1971 and is chairman of the Parker Pen Co. of Janesville, Wi. Mr. Salzman is a former OPIC executive vp. ■

Alpha 3000. The risk manager's right hand (that knows what the left hand is doing).

It makes fewer men more effective. Reduces the risks you assume and cuts protection costs.

Alpha 3000 integrates all electronic life and property protection devices into a single, manageable system. Enables one man to monitor and control all fire and security systems. For one building or many.

Alpha can monitor smoke and fire detectors and supervise extinguishing systems. It is U.L. listed as a fire signaling system under NFPA standards 72A, B, C and D.

It can monitor intrusion alarms, control access to sensitive areas, record guard patrols. You can include voice communicat on and TV surveillance.

At the push of a button, the guard can open and close doors, activate and deactivate systems, test and reset fire alarm systems, command informational summaries.

When an alarm is signal ed, Alpha responds fast. Tells your guard what's wrong, where and what to do. Without confusion.

We can analyze your needs and recommend the most effective system to meet them. We'll show what it will cost—and what it will save.

Send for details: Honeywell Commercial Division, Dept. G2246, Minneapolis, MN 55408.

Your right hand should know what your left hand is doing.

Honeywell

With a model plant you should have a model protection program.

First of all, it comes in a package. All risks covered by one insurance company. That way there are no gaps, less overlapping. The package is designed specifically to the client's needs, not pulled off the shelf.

This model program is backed up by an insurance company that operates on a regional basis, with decisions made in the field, not funneled back to headquarters. Service is rendered by personnel who demonstrate a positive, professional attitude towards their work, who understand how to work as a team.

This model has a complete on-going loss prevention program. That means not just inspections and training, but aggressive research into solving any unique risk problems the firm might have.

There are more features—appraisals, automatic coverage, custom design, a stable financial record, strong markets for all coverages.

Let us build your firm's model protection program.

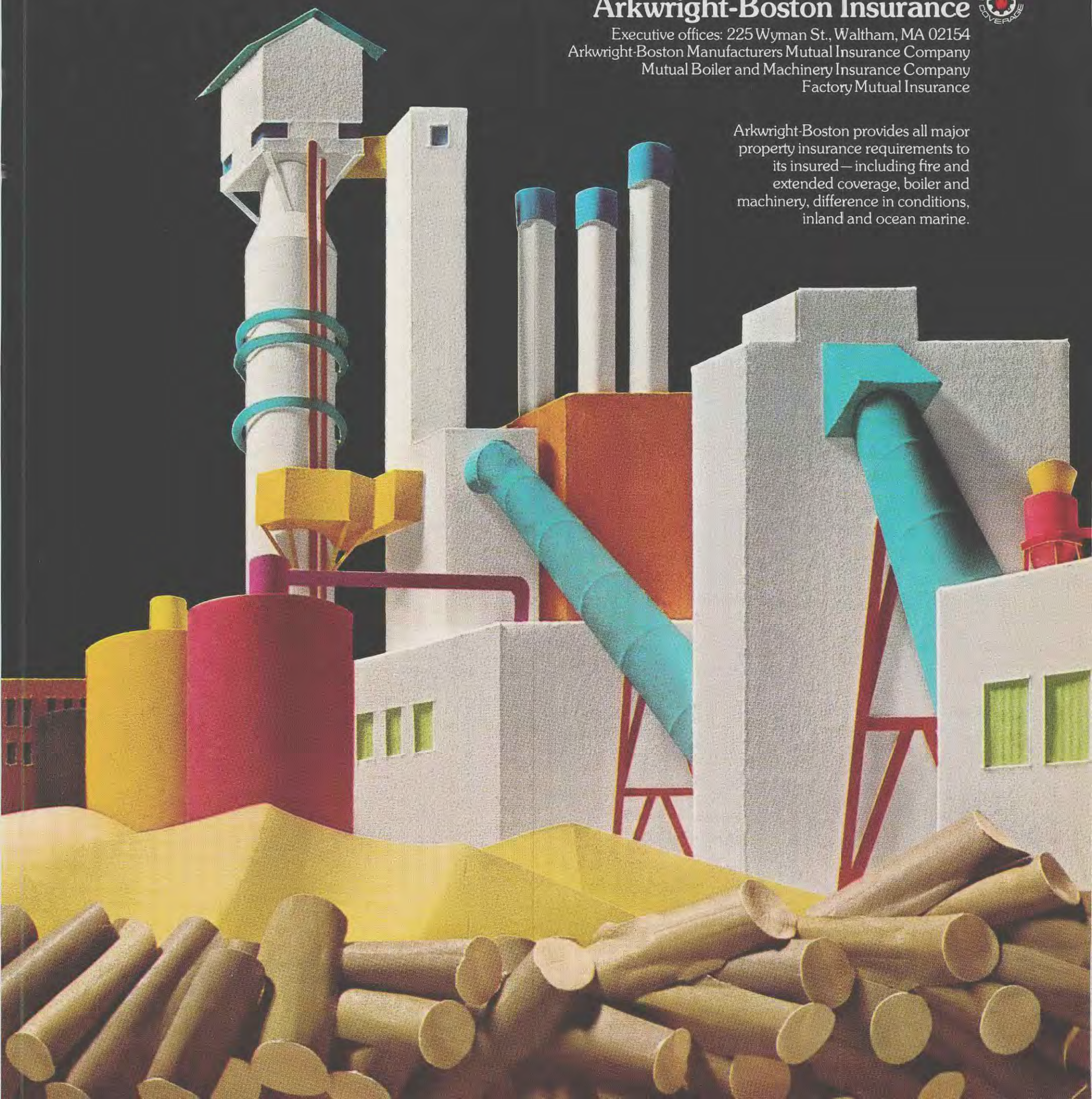
Arkwright-Boston: When you're serious about protecting your assets.

Arkwright-Boston Insurance

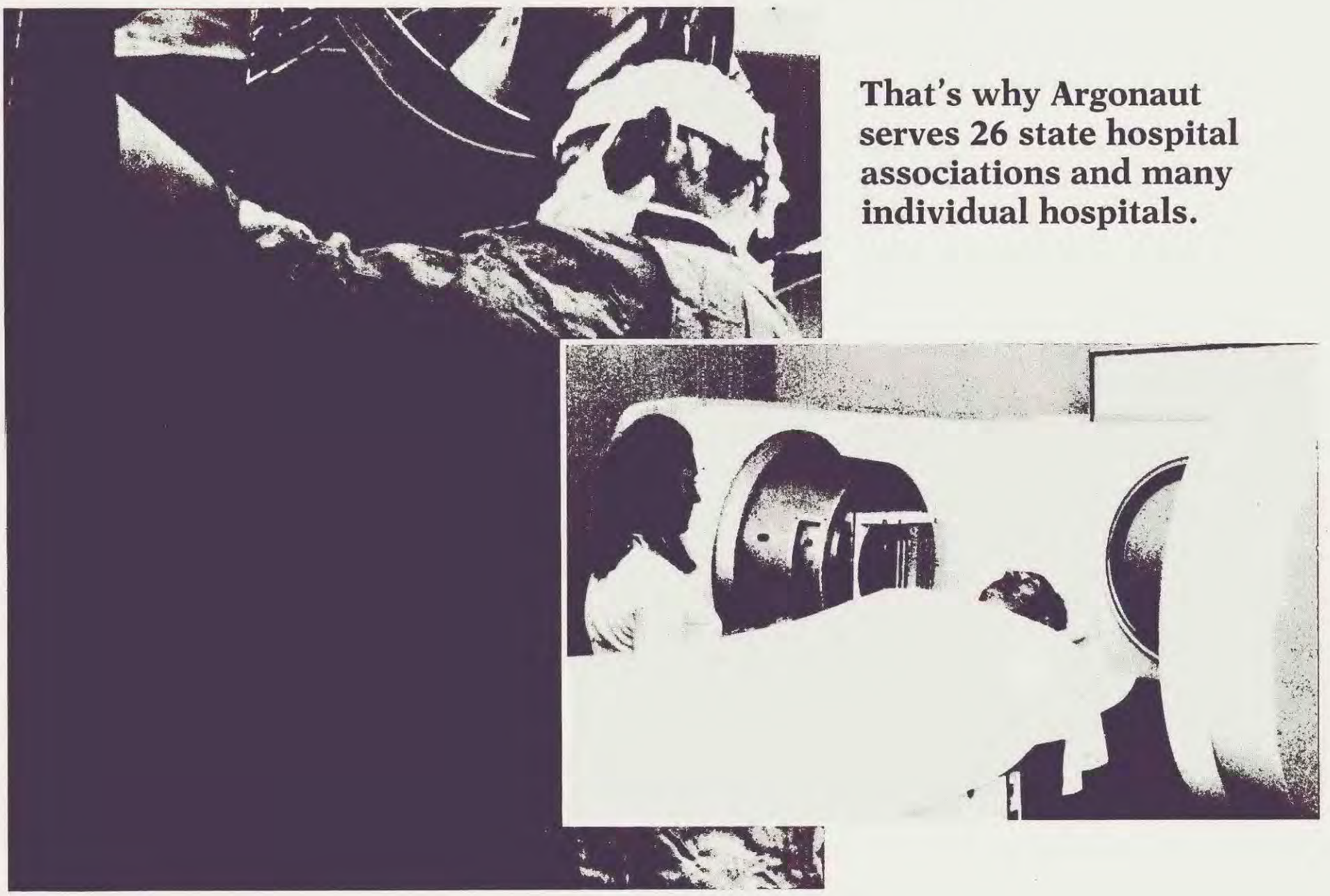
COMPLETE COVERAGE

Executive offices: 225 Wyman St., Waltham, MA 02154
Arkwright-Boston Manufacturers Mutual Insurance Company
Mutual Boiler and Machinery Insurance Company
Factory Mutual Insurance

Arkwright-Boston provides all major property insurance requirements to its insured—including fire and extended coverage, boiler and machinery, difference in conditions, inland and ocean marine.



Hospital Administrators demand a Professional Approach to their Safety and Insurance Requirements.



That's why Argonaut serves 26 state hospital associations and many individual hospitals.

Among the hospitals that have taken the "Argonaut Approach" is Chicago's Northwestern Memorial. A consolidation of Chicago's Wesley and Passavant Memorial Hospitals, it is the largest private hospital in the state of Illinois.

With the complex operational problems of a modern hospital, a 24-hour a day, 365 days a year safety program is essential for maximum results.

With the Argonaut Approach all physical aspects of the individual hospital are taken into consideration. For example, its size, location and special hazards. Argonaut specialists are trained to recognize safety and claims problems of the hospital and to work with management and safety committees to organize safety programs to include and educate all personnel, encouraging willing participation by everyone.

The result of this cooperation is to provide a safer environment for hospital staff, patients and the visiting public.

Why Argonaut?

"The handling of workmen's compensation, liability and malpractice claims against a hospital requires unique skill on the part of the insurance company claims department," says Northwestern Memorial's Administrative Vice President, Donald Bloom. "The individuals assigned to this work must understand how the hospital is organized and functions to perform satisfactorily.

"The claims handling by Argonaut has been consistently good and their Safety Engineering service has been valuable to the hospital."

Take the Argonaut Approach to positive safety engineering and prompt handling of claims.

Ask your agent or broker.

CELEBRATING A QUARTER CENTURY OF SERVICE AND GROWTH

Argonaut Insurance Companies

Home Office: Menlo Park, California

Principal Offices: Atlanta • Boise • Boston • Chicago • Cranford, N. J. • Dallas • Detroit • Honolulu • Kansas City, Mo. • Los Angeles • Miami • Minneapolis • New Orleans • New York • Philadelphia • Portland • San Francisco.

business insurance PERSPECTIVE

Watch out: There may be some holes in your umbrella

"Umbrella policies are not standard. That is, they are not prescribed by bureaus. Each insurance company is free to design its own policy, making it important, for each policy to be examined for undesirable exclusions."

BY WILLIAM H. RODDA
President,
Marine Insurance Handbook, Inc.
Chicago, Il.

AN "UMBRELLA" insurance policy is intended to provide high limits of liability above other insurance policies and for exposures not covered by other insurance. It is not an all-claim policy; like all insurance coverages it has some exclusions. The policyholder must relate exclusions to liabilities not likely to affect him.

Umbrella policies are not standard. That is, they are not prescribed by bureaus. Each insurance company is free to design its own policy, making it important for each policy to be examined for undesirable exclusions.

A commercial umbrella policy typically requires that the insured carry underlying policies in the amounts of $300,000 for a combined single limit general liability, with a property damage limit of $50,000, and an automobile coverage of $300,000 to $500,000. The umbrella coverage begins when a claim exceeds the amount of the underlying coverage.

A DESIRABLE feature of the umbrella policy is that it covers a host of liabilities that are excluded under most basic liability policies. For example, it can cover personal injuries that do not involve bodily injury; it can cover property in the care, custody or control of the insured; it can cover advertising liabilities. These exposures not otherwise insured are subject to a retention by the insured. The retention may be compared to a deductible. The insured pays the amount of this retention on such a claim before the umbrella insurer makes any payment. The retention under a commercial umbrella may be $25,000 or more, depending upon negotiations between insurer and Insured.

This brings us to the question of holes that may exist in the umbrella. What are the exclusions that an insurer may put into the policy? What restrictions are commonly found?

Some umbrellas apply only to occurrences within the United States. An insured that operates in foreign trade obviously needs worldwide coverage. Even the company that operates solely in the domestic market might be involved in an occurrence elsewhere. Travelers carry a firm's products all over the world. There are tricky questions whether the Commonwealth of Puerto Rico, or some of the mandated islands of the Pacific, are within the United States. The preferable wording is to have the coverage apply to "occurrences that happen anywhere during the policy period."

THERE MAY BE a question in some cases whether coverage should apply to occurrences within the policy period or to claims made within the policy period. Some business operations may be such that the claim for an alleged negligent action would be delayed months or even years after the occurrence from which it arises. This possibility should be examined by any policyholder who may be subject to delayed claims.

The definition of "personal injury" as covered by the umbrella policy may follow the definition in the basic general liability policy. Does the insured have other exposures to claims excluded by this limited definition of personal injury? The question of advertising liability is important. The definition of personal injury in the usual basic liability policy as it applies to libel and slander excludes occurrences arising out of advertising activities. Most insureds advertise in some way, if not extensively. There could be a claim for libel, slander or invasion of privacy as a result of advertising material. Untoward remarks of a radio disc jockey in making a spot advertising announcement might involve the sponsor in a suit.

ONE OF THE better known advertising liability cases resulted from the refusal of an insurance company to defend the insured on the ground that liability arose from an attempt at a dirty joke in advertising material. An advertising presentation made in an effort to get the Suzuki motorcycle account included a photograph of two female models seated on a Suzuki motorcycle with the caption, "You Get More Nookie on a Suzuki." The models sued the advertising agency on the ground that the presentation injured their reputations and was an invasion of privacy.

Alledged slander or invasion of privacy might be the result of action by an advertising agency without the insured's active knowledge. Does the policy cover advertising liability that arises because of the acts of others who are in the insured's employ or who are under contract to the insured?

Another point to be examined is whether there are exclusions that could be used

Continued on following page

Hospitals must assume greater liability for doctor, staff actions

"The complexity of relationships between a voluntary teaching hospital and its medical staff is so confusing that it encourages litigation . . ."

Hoffman

Greenfield

BY LAWRENCE GREENFIELD
and NORMAN HOFFMAN
Vice Presidents,
Walter Kaye Associates, Inc.,
New York, N. Y.

THE AVERAGE consumer price index for all goods and services has increased 50% and the cost of medical services almost 75% in the last five years. The cost of professional liability (malpractice) insurance for some physicians and hospitals has increased 200%, 300% or even 400% in the same period. By contrast, costs of other forms of insurance have remained stable or decreased substantially.

By examining one of the elements which have contributed to this geometric rise in the cost of professional liability insurance, the relationship of a hospital to its professional staff, it may become possible to better understand the reasons for these spiralling costs.

THE PHILOSOPHY governing the treatment of liability claims by hospital personnel or professionals has been one in which the individual's act was separated from the institution's responsibility. The insurance industry, in selling its products and in defending it insureds, has served to exacerbate the differences of the parties involved and thereby helped establish a climate favorable to plaintiffs.

With the federal and state governments sharing a larger burden of medical costs, and with consumer groups endeavoring to secure more value for their money, the cost of out-of-court settlements, judgments rendered and insurance premiums becomes of greater interest to everyone. Patients now sue hospitals for improper management which they allege results in higher daily rates (see the case of the Sibley Memorial Hospital reported by the Washington Post and Hospitals Magazine issue of March 16th, 1973).

The complexity of relationships between a voluntary teaching hospital and its medical staff is so confusing that it encourages litigation; the judgments resulting from ensuing lawsuits are of little value in determining future rules of action since each case differs in detail from another.

Medical staff personnel at voluntary teaching hospitals may be categorized by method of remuneration and time spent in the hospital's employment, for example.

If a physician is not an employe, is he a staff member who serves the hospital on a fee basis, on a per-visit basis or is he an independent contractor? Is his relationship to the hospital defined by written contract, or is it oral? Does he use his own assistants and technicians or those supplied by the hospital?

WHAT IS THE hospital's responsibility for the acts of interns? An intern, a professional hospital employe, may be a graduate from a medical school in the United States or elsewhere, may take a state's qualifying examination either upon graduation from the medical school or after he completes his internship, so that interns practice with and without state licenses.

Most teaching hospitals require interns to "float" or rotate among hospital departments in order to give broad exposure to medical and surgical problems. The hospital's chief of services generally has responsibility for interns. This training period may be the only time in a physician's career that he will be working in the high malpractice risk areas of medicine such as neurology or orthopedics.

When an intern treats a patient—prescribing drugs including narcotics, examining patients, performing surgery, providing post-operative care, signing death certificates and acting in emergen-

Continued on following page

business insurance

PERSPECTIVE

Umbrella . . .

Continued from page 63

by an insurer to avoid its obligation to defend and to pay judgments. Advertising liability coverage of an umbrella policy frequently excludes copyright or trademark infringement. Also frequently excluded are claims arising from incorrect description of a product or a mistake in advertised price. All exclusions relating to advertising should be examined carefully to see whether they exclude some liability that is likely to occur in the insured's operations.

SPECIAL HAZARDS such as professional liability, malpractice, and errors and omissions liability are excluded unless the insured asks for and negotiates that particular coverage. There is also a tricky provision that applies to these hazards and also to boats and aircraft. These hazards may not be excluded specifically but may be subject to a provision that they are covered only if there is underlying insurance for them.

There are two kinds of provisions relating to the absence of underlying insurance. The provision relating to general liability and automobile insurance is that the umbrella policy covers big claims (above the required amount of the underlying insurance) if the underlying insurance is not bought or is allowed to expire. That is, the insured must pay any judgment or settlement that would have been covered by the underlying insurance, and he must also provide his own defense for such amounts. However, he still has the umbrella coverage for the claims that go above the required underlying insurance.

A different situation applies to those special hazards of professional liability, malpractice, errors and omissions, boats and aircraft. There is no coverage of any kind for these extra hazards if the underlying insurance for them is not bought or is allowed to expire.

Property in the care, custody or control of the insured is excluded by most general liability policies. The umbrella policy can be arranged to cover such property. This is particularly important relating to liability for damage by fire. An insured might be considered to have custody of an entire building if he is making repairs or an extensive installation of equipment, or if he is a tenant in the building. The umbrella should cover this possibility of a large claim.

Pollution claims and water damage claims may be subject to restrictions in general liability policies. The umbrella policy should be examined to see whether it carries forward the restrictions of the underlying policies. This would be undesirable if the insured has a potential liability of this nature. He may need the high limit coverage of the umbrella policy even if he can afford to accept the restrictions in his underlying policies.

NUCLEAR LIABILITY usually is excluded from the umbrella policy. This is usually reasonable because the practice is to put all nuclear exposures into the special groups or pools of insurance companies organized for this purpose. However, there can be special situations where the insured would need a high limit liability coverage for some nuclear exposure. This potential should be examined and negotiated with the insurer.

The insurer's obligation to defend the insured should be examined. Does the insurer agree to defend the insured against any claim covered by the umbrella but not covered by underlying insurance? The obligation to defend the insured for his full expenses for defense is an important obligation. Any restriction or requirement for prorating expenses with the insured may be unacceptable.

There are two customary provisions regarding defense. First, the insurer takes over the defense when a claim goes above the limits of the underlying policies. Second, the insurer provides the complete defense for liabilities covered by the umbrella but not covered by underlying insurance. The award or settlement is subject to the insured's retention, but the insurer pays the full amount of the expenses.

Does the policy have an aggregate limit of liability beyond which the insurer will not defend and will not pay claims? This provision is likely to be found in policies that cover pollution exposures, professional malpractice or errors and omissions. Insurers may want to protect themselves from a long series of claims that could result from such occurrences. The insured may have to accept such a restriction in order to get coverage for certain exposures, but it is preferable to have the policy cover all occurrences with no aggregate limit and no deduction in the amount of insurance because of claims.

MOST LIABILITY policies (other than certain professional malpractice coverages) give the insurance company the complete right to settle or compromise claims. This is a customary provision of umbrella policies. There may be circumstances under which an insured will want to reserve to himself the right to determine whether a claim should be compromised or settled. This would be important where the claim involved malpractice or a professional liability. Settlement options should be examined to make certain that they meet the insured's needs.

Suits by employes against fellow workmen and against executives of corporations have become increasingly frequent as injured employes seek means of getting around the limited benefits of workmen's compensation laws. The umbrella policy should cover any suits that are brought by employes against the insured. Consideration should also be given to protecting executives and directors against employe suits. There may also be circumstances where the insured will wish to protect employes against suits by fellow employes. This could be a fringe labor benefit.

Other provisions that should be examined to see that they fit the insured's needs are those relating to liquor law liability, contractual liability, and charges of racial or other discrimination. The advantages of a negotiable insurance contract to the insured are that he can get the coverage to fit his exact needs if he can find the right insurer and is willing to pay the price. The disadvantages are that each insurance policy must be examined in detail to see that it does actually provide the coverage expected by the insured. Nowhere is this more true than with an umbrella policy. Every one is a special case and should be so treated. ■

"Property in the care, custody or control of the insured is excluded by most general liability policies. The umbrella policy can be arranged to cover such property."

Hospitals . . .

Continued from page 63

cies—he must exercise skill and judgment and render treatment in conformity with recognized medical practice. The degree of control exercised by others over the intern is immaterial in fixing his legal liability; he is deemed to know the limits of his professional capabilities and may be held fully responsible for his actions. If a "control" physician asks him to act beyond his present capabilities he is required to advise the doctor of this fact and, failing to do so, will not be able to use as a defense the fact that he was instructed to perform the action. The fact he is still in the learning process and may be considered a student is no longer considered a valid defense as human life is involved and he is not granted any legal opportunity to err in his learning process. The fact he is employed by the hospital and is supervised by a licensed practitioner only means the plaintiff has additional defendants to sue.

RESIDENTS, physicians who have completed their internship and have been licensed by the state, are generally full-time hospital employes, although they may enjoy fringe benefits and private practice privileges. Recently there has been a tendency to rename interns "first year residents" so that lines of demarcation and responsibility become even less clear to the public.

In addition to physicians employed by hospitals, voluntary hospitals are staffed by attending, visiting and volunteer physicians who may be active, inactive, honorary or emeritus. When these physicians perform acts for which they and the hospitals are sued, it becomes even more difficult to pinpoint responsibility, for they may be serving private or service patients. A staff (not employed by the hospital) physician's responsibility toward a private patient may differ from his responsibility toward a service patient.

Likewise, the legal responsibility of the hospital toward different categories of patients varies. A private patient is one admitted at the request of a physician responsible for supervising care and billing the patient on a direct basis for professional services. A service or hospital patient is one generally admitted to the hospital by a governmental or out-patient clinic or community health program, and not under the personal supervision of a referring doctor. The hospital bill for this patient's professional services may be paid by a government agency or medicare-medicaid type reimbursement program.

Of late, physicians treating service patients in hospitals have begun billing them directly, even though reimbursement will come from medicare-medicaid programs. This adds a new element of confusion since the patient is then both a service patient and a private patient. Some physicians have joined partnerships or formed corporations which now bill service patients and which create additional legal entities exposed to malpractice claims and requiring malpractice insurance protection.

A HOSPITAL MUST consider the exposures created by this variety of staff-patient relationships and determine whether its liability policy should be extended to provide coverage for the exposures inherent in them. Frequently, the medical staff will insist upon protection and the hospital may assume it by employment contract. It is important that the hospital's insurance policy be written to clearly define these extensions of coverage since they may not be included in a standard policy.

Other exposures which should be considered include private patient privileges of a full-time staff physician. This should properly be added to the institution's coverage, because the cost of securing a separate policy for the physician is generally inequitable and unrelated to the extent of his private practice. Generally such an arrangement is part and parcel of the physician's employment contract and may include his rights to have visits on the hospital premises, treatment with hospital facilities, the use of other hospital services, etc.

Teaching program participants, using hospital facilities, should be insured as a part of the hospital's program and should not rely upon the insurance coverage possibly provided by the teaching physician.

THE PRIVATE practices of interns and residents, while normally prohibited by employment contracts, are a fact of life and are commonly referred to as moonlighting. Many young doctors limit their outside practices to treatment of family and friends, or as volunteers in local community health programs. The hospital should make every endeavor to apprise itself of such activities and include them under its policy. An additional premium may be charged for this additional exposure, but to require the physician to secure coverage elsewhere would be prohibitive in cost to him, to require him to conduct this practice without insurance would be socially unacceptable, and to prohibit him from performing such services is impractical.

Insurance for services provided by volunteers should be included under the hospital's policy. To do otherwise would be to discourage volunteers from serving.

New professional corporations and partnerships should be recognized and covered where the individuals comprising these entities are insured. Many hospitals now contract with corporations or partnerships rather than individuals for professional services.

Other professional hospital services which could prompt professional liability claims include barber shops, beauty parlors, architects and engineers and the legal staff. Specific errors and omissions (malpractice) insurance for each of these services should be included under the institution's insurance policy.

Many hospitals work jointly with other hospitals, governmental or social service agencies, exchanging the use of facilities and personnel. Such inter-relationships should be recognized, described to the insurance company and specifically included under an institution's policy.

THERE ARE OCCASIONS when a patient may protest the hospital's charges. Failing to receive payment for its bill, the hospital may then threaten a lawsuit for collection, following which the patient will bring a countersuit against the hospital for malpractice. The questions then arise: should the hospital continue its pursuit for payment of its bill and allow the patient to institute a malpractice claim which is covered by insurance or should the hospital request the insurance company to pay its bill and possibly eliminate an insured claim. There have been instances where hospitals have expended large sums of money for services rendered to patients in order to avoid potential malpractice claims. These "claims prevention" costs may exceed $100,000. A hospital should determine in advance whether these are insurable losses.

Major insurers of physician's liability insurance have refused to write hospital liability insurance. This has contributed to increased costs of malpractice insurance. An estimated 70% of the physicians' malpractice claims also involve hospitals. Where the physician is insured by one insurer and the hospital by another, the plaintiff may profit from the conflict. A unified defense for all defendants (doctors, nurses, hospitals, etc.) would enable the facts to be established and a settlement reached with the plaintiff without reference to the degree of responsibility of each defendant, which could then be determined as a separate issue. ■

Mr. Greenfield is a graduate electrical engineer from the University of Wisconsin. He is an executive vp, Walter Kaye Assoc. Inc., and specializes in servicing the firm's multi-location industrial and philanthropic organizations. Mr. Hoffman is vp of client services for Walter Kaye Associates. He was previously the insurance manager for National Industries Inc., Louisville.

Frank B. Hall's original view of risk management. What's in it for you?

Today's rapidly changing business conditions demand original approaches in meeting risk coverage responsibilities.

The need for original thinking will be even more crucial in the years ahead, as product and other liabilities escalate, as the scope of employee benefits broadens, as domestic corporations expand internationally, as laws change, and as yet unforeseen technological achievements become realities.

For an imaginative approach to solving these business problems, send for our new brochure. "An Original View of Insurance". You'll read about a new philosophy. One that steers away from the traditional emphasis on sales or production, and stresses the broker's role as a member of your financial team.

You'll find out about the risk management services offered by Frank B. Hall. And about our staff of experienced counsellors who can help you make the decisions that can affect your company's profit margins, earnings per share and cash flow.

So if you're a corporate executive concerned with risk management and insurance, send for this free brochure today, and find out what Hall's innovative insurance programs can mean to you.

Att: Dept. M
Frank B. Hall & Company, Inc.
83 Pine Street, New York, N.Y. 10005
Dear Sirs:
Please send me your free brochure
"An Original View of Insurance".

Name_____

Title_____

Company Name_____

Address_____

City_____ State_____ Zip Code_____

An original view of insurance: Frank B. Hall & Co., Inc.

Employe Benefits Communications Awards Competition

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

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

Name_____Title_____

Company_____

Address_____

City_____State_____Zip_____

Design is most important product safety and liability factor: attorney

DALLAS—"The truth, unvarnished and brutal as it may be, is that you cannot in this day of consumerism, in a claims conscious society, stay out of court.

"I think it is also fair to say that there is no product which is wholly and completely immune from some kind of products liability claim."

While gloomy words, to be sure, the Dallas attorney who spoke them to a seminar on the Consumer Product Safety Act here followed through by saying there is now some base of experience in product liability litigation to suggest some guidelines for avoiding suits of this nature.

Robert B. Cousins, partner in the Dallas firm of Thompson, Coe, Cousins, Irons & Porter, told risk men and insurers that the first, and "without doubt," most important aspect of product safety is design. "Sometimes," he said, "economy of manufacture is allowed to outweigh safety."

CITING ONE case he is familiar with, Mr. Cousins said that he thought the case of an injury caused by the collapse of too light a metal frame used in a dunebuggy was due to the fact the designer "was trying to be competitive in relationship to cost and price and just allowed that consideration to outweigh his concern for the safety of the user."

Another source of court case woes for manufacturers, he said, is the inadequate labeling of products.

"In my experience," he said, "there is nothing more crucial to avoiding a products liability claim than adequate labels or warnings of foreseen and foreseeable dangers.

"In short, the law clearly is that if a label or warning does not adequately apprise the user of reasonable hazards which he faces in the use of the product, the product is defective," he said.

REFERRING to compromises made in order to limit the size or attractiveness of a label, Mr. Cousins said: "If compromise is in order and there be inherent danger in your product, I would recommend that you will stay out of court more frequently if you say a word or two too much rather thn a word or two too few.

"There are cases decided before the Consumer Product Safety Act was passed," the attorney said, "which hold that if a label contains language conforming to the industry standard and conforms to any regulation, then complaint may not be made of a claimed inadequacy on the part of that label or warning.

Noting that the act specifically states, "Compliance with consumer products safety rules or other rules or orders under this chapter shall not relieve any person from liability at common law or under state statutory law to any other person," Mr. Cousins said:

"While I would not want to make a firm prediction, I suspect that a court is going to say that in normal circumstances, any rule promulgated by the commission is a minimum standard and for *the* standard and if the commission and the manufacturer have overlooked some hazard, the consumer will still be able to pursue his claim and recover his judgement if the hazard is, in the opinion of some jury and court, foreseeable.

"THIS MAY very well put us in the position of hindsight analysis and at the mercy of the vagaries of juries," he said.

Mr. Cousins did have one suggestion relating to the handling of product liability claims. He urged that speedy investigations be made in all cases.

"In my experince," he said, "the first time an injured person tells his story, that story is much more likely to be accurate and without self-serving ideas outweighing the statement of facts."

This remains true, he added, whether corporate risk managers with their claims departments are responsible for the immediate investigation of claims, or whether those claims are turned over to the insurance companies for attention. ■

Any national health plan to force total upgrading

CHICAGO—Any national health insurance program proposed by the American Medical Assn., will be accompanied by "a general upgrading of health insurance policies," said a member of the Senate Finance Committee.

Sen. Clifford P. Hansen (R.-Wyo.). in a speech at the annual Blue Shield Program Conference, strongly endorsed the AMA's national health insurance proposal, and noted this general upgrading of all other health insurance policies which would accompany any national program.

The national health insurance bill recently introduced by Sen. Russell Long, and cosponsored by Sen. Hansen, has some meritorious points, but one major drawback, Sen. Hansen asserted. "We will have to work on it a little to see that the deductible of 60 days hospital care of $2,000 in medical bills is not in itself a catastrophe for a low income person . . . or for any person if he does not have health insurance," Sen. Hansen explained.

He alluded to a possible opposition to the AMA Medicredit program from House ways and means committee chairman Wilbur Mills, who, "it has been said . . . is opposed to the tax credit approach." The Medicredit plan relies on the tax credit method of financing.

On the other hand, Sen. Hansen claimed the AMA Medicredit plan has more sponsors in Congress than any other national health insurance bill.

Sen. Hansen posed the possibility that if the AMA proposal goes into effect, all qualified health insurance carriers would be asked to form statewide or area wide pools to expedite administration and control the costs involved in providing health care for the non-income-earning people whose costs would be fully paid by the government under the AMA's plan.

"I would hope . . . that large numbers of these people (the poor, unemployed, disabled) would be enrolled on a group basis in order to reduce administrative costs," Sen. Hansen told his Blue Shield audience. ■

USLIFE acquisition

The New York headquartered USLIFE Corp. will acquire All American Life & Financial Corp. on the basis of 0.55 of a share of USLIFE stock for each outstanding share of All American common stock. The transaction involves about 3.3 million shares of USLIFE common stock with an approximate value of $126 million. All American conducts casualty, life and accident and health insurance business through two subsidiaries—All American Life & Casualty Co. and General United Life Insurance Co. The plan is subject to the approval of a majority of shareholders.

First State
Insurance Company

Wears well

First State is the largest and oldest domestic company formed to write Surplus Lines, Special-Purpose and Reinsurance Business.

And through the years we've created problem-solving insurance and reinsurance programs for businesses of every description — including over 500 of the world's major corporations. We've also provided them with continuity. Many have been clients since our beginning — many, many more for over twenty years.

***First State* . . . we're here now and shall be here in the future . . . call us, we're ready to listen, ready to create and assist in areas of common interest to agents, brokers and their insureds.**

MULTINATIONAL
PROPERTY and LIABILITY
MULTIPLE LINE THROUGH
AGENTS AND BROKERS

A+:AAAAA, Alfred M. Best, Inc.

FIRST STATE
INSURANCE COMPANY

(a CAMERON and COLBY activity)

60 Batterymarch St., Boston, Mass. 02110 • Telephone 617/357-8400

Official asks review, rules on growing private quasi-police guards, agencies

TORONTO—As the private security business has boomed in this province, so has the need to review the legislation governing the ever-increasing number of firms engaged in the quasi-police work, according to a provincial official.

Speaking at the University of Toronto Centre of Criminology, Ontario Deputy Solicitor-General R. Michael Warren noted that the number of private security agencies registered in the province had climbed to 201 from only 113 in 1966. At the same time, the number of agents employed by these firms nearly tripled, to almost 15,000 from 5,000.

That number becomes even larger, Mr. Warren said, if in-house security agents, such as used in department stores, are included. In that instance, the number of private security agents is between 25,000 and 30,000, which works out to two private security agents for every one policeman.

Mr. Warren said in-house security forces were not presently required to register with the province but that the situation was being reviewed and the possibility existed that in-house forces would be included in any new legislation.

"There is no doubt that in the performance of his job, the in-house security guard or investigator is often faced with situations which have the potential for interference with the individual's privacy and freedom," he said.

HE SAID proposed legislative changes in the province included the expansion of laws to cover the activities of alarm agencies and agents; broadening the category of private investigators to permit them to carry out some of their guard functions while out of uniform; and requiring agencies to carry liability insurance.

The government also plans to increase the number of inspections and spot checks on licensed agencies in an effort to better enforce the Private Investigators Act, which was last amended in 1945 to include security guards.

"These requirements," Mr. Warren commented, will be directed toward the protection of the public in the sense that they should help provide clearer distinctions in appearance between public police officers and those employed in the private security field."

The government may also become involved in an area of rather great concern in Canada and the United States—minimum standards for persons employed in the private security business.

Pointing to a number of surveys conducted in the province and the U.S. on the subject of standards, Mr. Warren said, "The absensce of mandatory minimum training standards obviously stands out."

One of those surveys indicated that the average security employe was either ill-advised or ignorant of his powers when it came to the use of force, detention, search or the arrest of suspects. ■

Electrocution responsibility goes to city

TACOMA, WA.—A Pierce County Superior Court jury awarded a total of $353,000 last month to the family of a Bellevue. Wa. woman who was electrocuted while trying to save her son from an electrically-charged creek near their home.

The city of Bellevue was found responsible for building code violations which caused the incident. Bellevue's insurance carrier is the Great American Insurance Co. in Seattle.

Mrs. Barbara Jean Campbell, 31, was killed in August, 1971, while pulling her son Eric, 6, from Kelsey Creek.

The jury found that the city of Bellevue violated the state electrical code and its own city code in allowing defects in landscape wiring to remain uncorrected.

Police reports indicated that wiring from the home of George Schafer ran through the creek. Mr. Schafer was found guilty of manslaughter and given a two-year deferred sentence.

James Streubing, his caretaker, was also found guilty of manslaughter and placed on probation. He stated that the wiring had been turned off, but that he had inadvertently flipped the switch on again. ■

Computer protection is urged

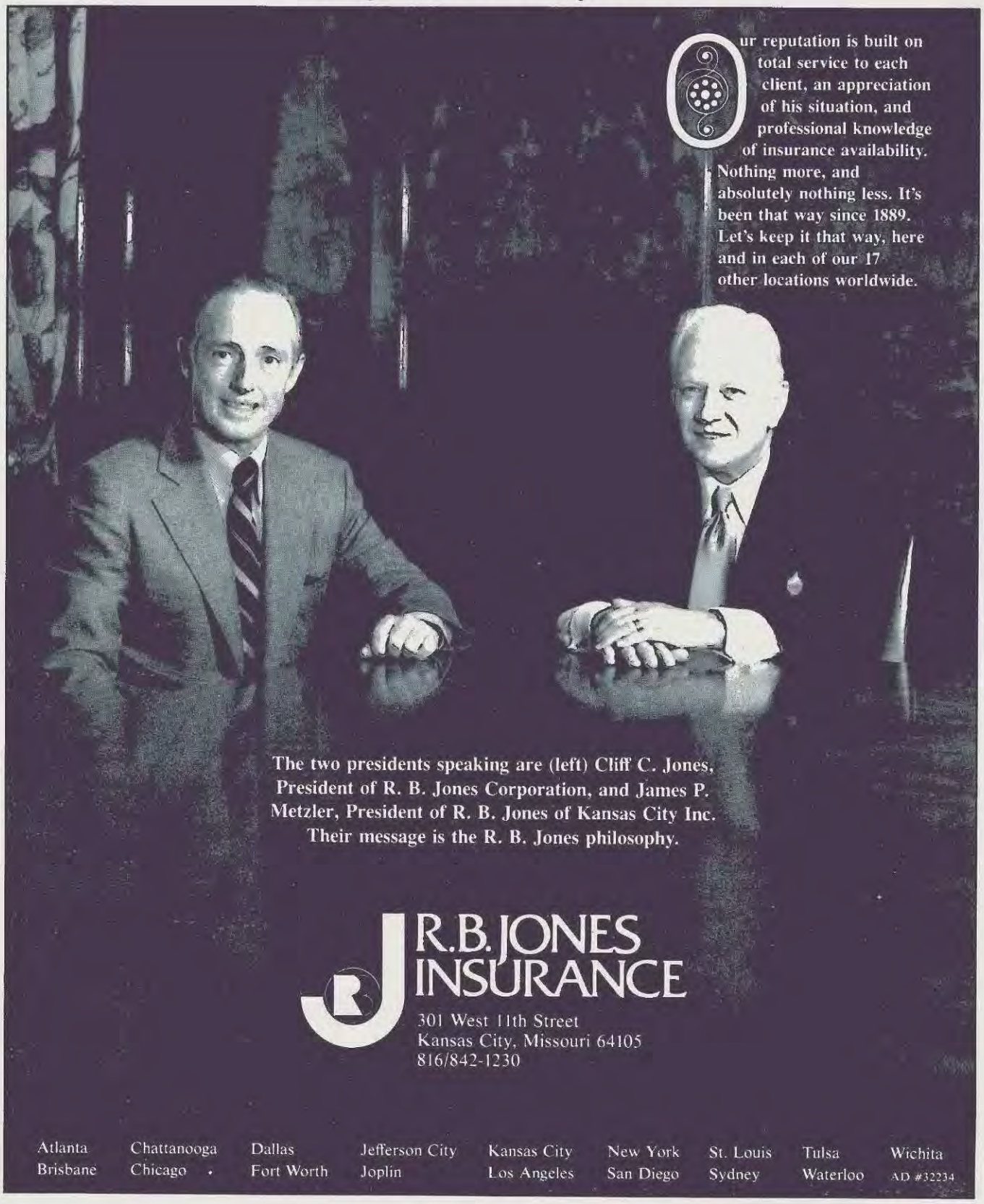
LONDON—Computer systems are not yet fully protected against fire risks, according to the Fire Protection Assn. of U.K., which represents leading insurance and fire authorities in Britain.

It comments in its journal Fire Prevention: "Many computer installations lack essential precautions, and there is clearly need for further discussions between manufacturers, installers, fire engineering firms, and insurers.

"They need to lay down a minimum acceptable standard of protection. Otherwise a loss of serious magnitude is inevitable. The longer we wait, the worse will be the disaster.

"Many people still do not feel that the risk of a computer fire justifies the expense of protection. But business interruption losses can run into millions." ■

A MESSAGE FROM THE PRESIDENTS



Our reputation is built on total service to each client, an appreciation of his situation, and professional knowledge of insurance availability. Nothing more, and absolutely nothing less. It's been that way since 1889. Let's keep it that way, here and in each of our 17 other locations worldwide.

The two presidents speaking are (left) Cliff C. Jones, President of R. B. Jones Corporation, and James P. Metzler, President of R. B. Jones of Kansas City Inc. Their message is the R. B. Jones philosophy.

R.B. JONES INSURANCE
301 West 11th Street
Kansas City, Missouri 64105
816/842-1230

Atlanta Brisbane Chattanooga Chicago Dallas Fort Worth Jefferson City Joplin Kansas City Los Angeles New York San Diego St. Louis Sydney Tulsa Waterloo Wichita

AD #32234

HMO bills pass, but events may force compromise delay to 1974

WASHINGTON—The remaining conferences called to work out some of the major differences between the health maintenance organization (HMO) bills passed by the House and the Senate have been called off following the recent series of bizarre political events.

Two meetings have already been held and three others were scheduled, but were later cancelled with the eruption of new fighting in the Middle East. No new meetings have been scheduled, and some conferees do not expect the issues being discussed to be resolved this year.

The Senate passed a bill authorizing $805 million in grants over three years for HMO development. The House, still not convinced that the HMO concept of health care delivery has been proven sound, passed a bill authorizing $240 million to be used over five years in funding a "limited demonstration program."

Some major concessions will have to be made, both sides agree, to assure that the compromise will not be vetoed by President Nixon. The President has already said the funding levels of the Senate bill go "far beyond what is needed or what we can afford," while pledging his support for the House measure.

"THERE'S NO question," one Senate conferee told *Business Insurance*, "that the Senate will be forced to fold on a lot of important issues and that the final bill will look a hell of a lot like the House version."

Many issues, he said have already been resolved, but others, which he termed "the most important" are yet to be worked out.

"We've got really four major issues left to resolve: pre-emption of state laws, open enrollment, the amount of operating subsidies that will be made available and quality control elements," he said. "The House bill has no provision for pre-emption, while the Senate version does. The Senate bill contains a provision under open-enrollment that sets a quota for service provided to low-income persons. The House has no such quota. The biggest issue, I suppose, will be operating subsidies. The Senate wants to provide HMOs with start up and operating subsidies, and the House is very strongly opposed to this. It still wants this thing to be a demonstration program. The Senate feels the concept has been proved and wants to go ahead and do it right."

Some issues, he said, have already been resolved, although he declined to outline which way the discussion has gone.

IT IS BELIEVED, however, that the Senate has agreed to eliminate prescription drug payments from HMO benefits. The House has criticized the inclusion of a drug program as burdensome. The Senate had proposed a system of surveillance of drug use patterns requiring records of what drugs are consumed by each HMO subscriber.

It is believed the Senate made some substantial concessions in the area of eye care. Its bill had included services for all eye care, with the exception of eyeglasses, while the House bill only called for eye care for children.

Physical therapy services also may have been trimmed from the Senate bill as well as some of its broad provisions for mental health care. The House bill contained no provisions for either subject.

The Senate has won some battles though. The House reportedly has agreed to some form of coverage for limited treatment of alcoholism and drug abuse. The original House bill did not deal with either subject. The compromise is believed to allow HMOs to provide short-term treatment and referrals for longer-term care.

IN OTHER HMO-related developments, the House passed by a wide margin a bill that will allow dependents of active duty and retired military personnel to utilize HMOs as an alternative to health care now provided through the civilian health and medical programs of the uniform services (CHAMPUS). The bill stipulates that the Defense department is prohibited from entering into a contract with an HMO which would result in more expensive care than is now provided through CHAMPUS.

The bill would introduce flexibility into military medical programs and free badly-needed military hospital space, its sponsors claimed. ■

Let's hope there's enough insurance. The building will probably burn down.

The man grabbing the extinguisher doesn't know it, but he's about to tackle a fire that requires two men to put it out. Two *trained* men.

He simply can't put this fire out alone.

That's why it makes good insurance sense to match each fire hazard with the right equipment . . . and then take another look at your insurance costs.

Proper fire protection could mean lower insurance premium costs because the risk of fire is reduced. Not to mention the possible difference between a quickly extinguished fire and a business disaster.

Your Ansul Man will be glad to analyze your fire hazards. He can spot your problems. He can recommend solutions. He even knows how to train your people to fight fires.

Best of all, he can suggest a fire protection program that might save you some premium dollars. And make your company a safer place to work at the same time. You'll find your Ansul Man in the Yellow Pages.

The Ansul Company, Marinette, Wisconsin 54143

Ansul Solves Fire Protection Problems

Coverage shared in TV tower crash

CEDAR RAPIDS, IA.—Investigators are still trying to determine what caused a 2,000 foot-high TV tower to fall here Oct. 3, killing five persons and injuring three others.

The Cedar Rapids Television Co., a wholly-owned subsidiary of The Gazette Co. of Cedar Rapids, had property and liability coverage on the tower. It was reported that the INA Life Insurance Co., Iowa National Mutual Insurance Co. and The Travelers Insurance Co. carried the policies. No suits have been filed.

The Gunnar Olsen Corp. of Port Washington, New York was also reported to be covered by The Travelers Insurance Co. with a builder's risk policy. The Gunnar Olsen Corp. had been contracted to do construction work on the TV tower.

According to a Gazette Co. spokesman, faulty guy wires or excavation work at the base of the tower may have caused its collapse. The tower, valued at more than $500,000, fell onto the transmitter building, killing one worker on the ground and four others who had been working at a height of 700 feet. ■

We think there's more to tailoring group coverage than setting the policy limits.

At Kemper Insurance, we don't have a *standard* group plan. That means each group policy we write is a little bit different.

We do that for a very good reason—to provide us with the flexibility to meet your group insurance needs, exactly.

Before we write any group policy, we completely review your company's needs, and the limits of coverage you wish to provide.

Following that review, we create a group plan to fulfill your requirements, and no one else's.

There are no catch-all approaches, or umbrella formats.

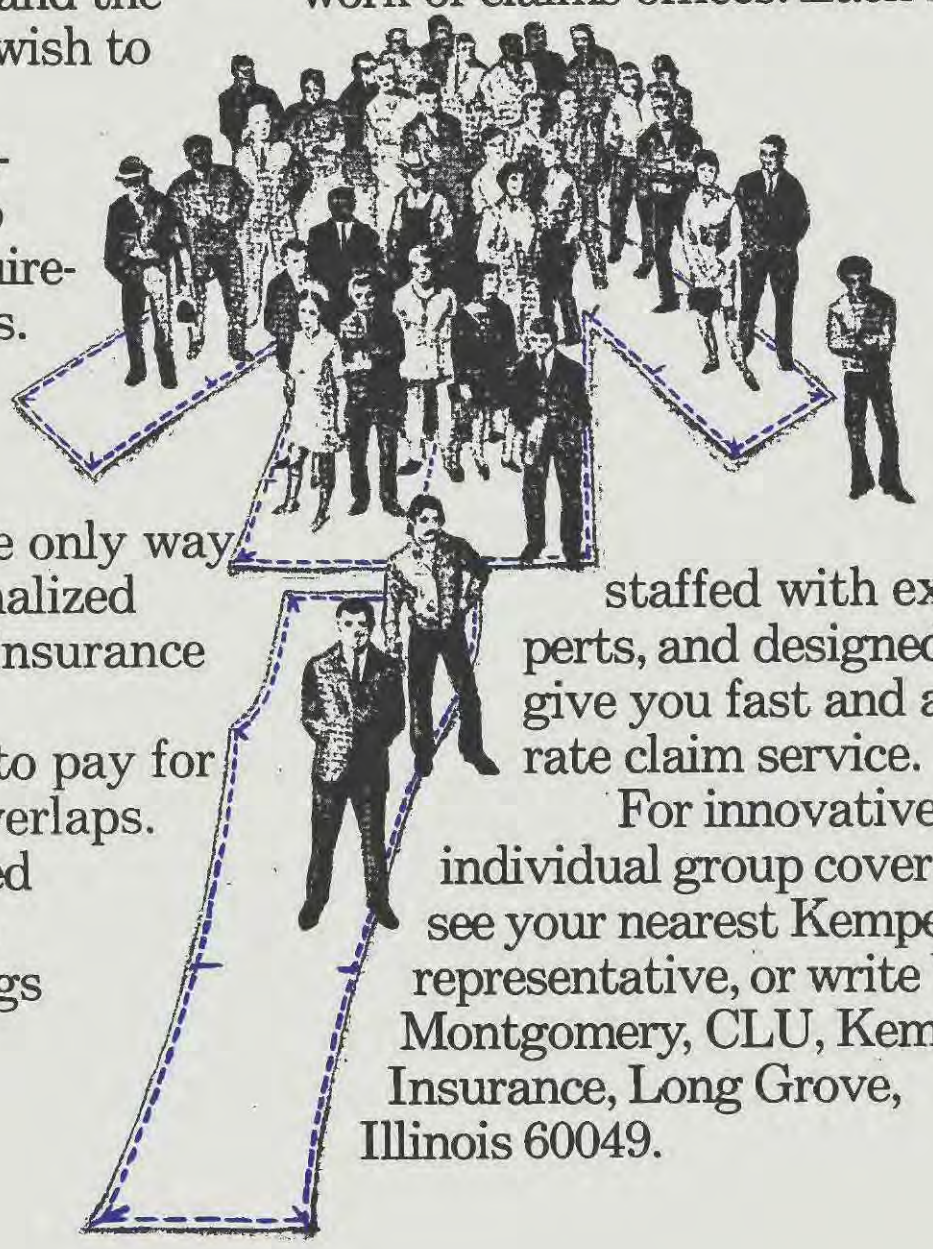
We feel that's the only way to give you the personalized coverage good group insurance requires.

You won't have to pay for insurance gaps and overlaps.

And our improved dividend formulas can mean a valuable savings on your premium costs.

Depending on your needs, we can offer you term and permanent life insurance, comprehensive and supplemental major medical coverage, long and short term income protection, and much more.

And every policy we write is backed by our nationwide network of claims offices. Each is staffed with experts, and designed to give you fast and accurate claim service.



For innovative and individual group coverage, see your nearest Kemper representative, or write W. P. Montgomery, CLU, Kemper Insurance, Long Grove, Illinois 60049.

Kemper

INSURANCE

small enough . . . big enough for every size insurance need

Lumbermens Mutual Casualty Company, American Motorists Insurance Company, American Manufacturers Mutual Insurance Company, Federal Mutual Insurance Company, Fidelity Life Association, Federal Kemper Life Assurance Company.

Product risks depend on maker's safety policy

DALLAS—Manufacturing companies should now have a "company policy" that makes the safety of the consumer "the paramount consideration in every step of the process that brings a product to market."

This was the word from an insurance executive to risk managers and others attending a seminar here late last month.

"From the insurance standpoint," said Fernando S. Mostero, senior vp of the Home Insurance Co., New York, "such a company policy could be a key factor in determining the insurability of the product.

"By requiring such a company policy—as a condition for product liability insurance—the insurer is not only helping the company president and other officials to protect themselves against the personal penalites of the law but is also fulfilling its (the insurers) own role of serving the public interest by helping its policyholder," he asserted.

MR. MOSTERO made the remarks to a seminar sponsored by the American Society of Insurance Management's Dallas-Ft. Worth chapter in cooperation with the Insurance Information Institute.

Pointing out that traditionally the insurance industry has been involved in eliminating hazards that may harm people and property, Mr. Mostero admitted that it is "unfortunately true" that this function of the industry has not been well-known or understood by many of their legislative representatives.

He cited fire prevention programs—"a major factor in improved building codes and fire protection devices"—and other loss prevention progams instituted by the insurance industry as a whole as examples of the industry's past response to consumer demands.

However, he said, the insurance industry must now begin "to strengthen its future role in the field of product safety in general and consumer product safety in particular.

"WHILE IT IS true that the (Consumer Product Safety) act does not apply to insurers, it seems appropriate to us that the insurer, as a good corporate citizen, has an obligation to provide insurance to those producers of consumer products that clearly demonstrate they are making a total effort to comply with the law," he said.

"No doubt there will be problems during the transition period in which the act will take effect," he added, but "given the support of the consumer product industry and the insurance industry working together it should, in the long term, produce results that are beneficial to both the public and the two industries most directly affected."

Another speaker at the seminar, Bryant Balcom, secretary of Royal-Globe Insurance Cos., outlined four areas in which insurers can be most effective in assisting corporate product liability policyholders establish product safety practices:

- General consultation to the insured on the conduct (or absence) of his quality control programs can be applied, he said, without reference to the specific products being produced, but rather along the broad lines of good quality control practices;

- Review of product design, utilizing system safety engineering techniques;

- Assistance to the insureds in preparing their own product safety specifications, especially where no governmental standards yet exist; and

- Coordination with testing laboratories to enable the insured to test his products against the standards which are likely to bear upon the question of accident and liability.

MR. BALCOM said it will be many years before governmental standards are issued covering any substantial numbers of products covered by insurers, but, meanwhile, insurers can assist their clients in formulating safety standards or specifications which they can apply on a voluntary basis to their own products.

Emphasizing the need for management control of product liability exposures, the Royal-Globe executive said:

"This is where the main battle is fought—within your own corporate walls. . . . Unfortunately, alone, without the insured's management's active participation, (the value of insurance company services) approaches zero.

"The aggressive and alert risk manager in a company with an enlightened management will find that he can make good use of his insurance company's product safety services." ■

No-fault ceiling rates take effect on Feb. 1

NEW YORK—The State Insurance Department here finalized its maximum rate regulations for the no-fault insurance law which goes into effect February 1.

Benjamin R. Schenck, superintendent of insurance, formally set forth the regulations which implement the no-fault program following a public hearing on October 5.

The maximum rates will be divided into two types, one for privately-owned passenger cars and the other, for vehicles including commercial fleets of cars, trucks and buses. Each division will be rated individually, but although the insurance department will allow a choice of rating procedures, the maximum rate will apply uniformly to all vehicles in each part. Thus, all private cars will use the same rates and commercial vehicles will also have a uniform rate, although the two rates may differ.

INSURERS WILL choose one of three methods to calculate the maximum premium: to rate each car 16% lower than the January 1, 1973 rates; to rate the cars on an average maximum premium at least 16% lower than either January 31, 1974 or where there has not been a rate change, January 1, 1973; or to rate each car at least 5% lower than the January 1, 1973 or January 31, 1974 maximum premium, providing the weighted average is at least 19% lower.

THE MAXIMUM premium charged by the insurer will be further reduced, according to the new regulations, by 5% if the person elects to purchase a $200 deductible family policy or by 3% if the person chooses a $100 deductible family policy.

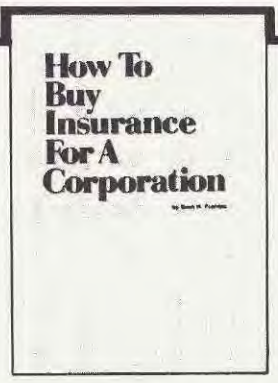
The new rates were to be filed with the State Insurance Department by November 1, but late in October a spokesman for the department said that no rates had yet been finalized. Stanley Dorf, supervising actuary, noted, however, that several insurance companies had drawn up tentative plans. ■

FREE INSTRUCTIONS ON HOW TO ASSEMBLE A FRELINGHUYSEN

For best results, begin by making direct contact with J. S. Frelinghuysen. A simple telephone call or letter will set things in motion. You've now assembled the talents of one of the most active insurance brokers in the country, geared to serve the large as well as the smaller corporation. Our capabilities range from utilizing international marketing facilities to bringing a unique and expert approach to self-insurance. Along with providing comprehensive supporting services, our experienced staff has a reputation for innovative solutions to the insurance problems and needs of clients. It's no wonder that J. S. Frelinghuysen has been called upon to serve as broker and advisor to some of the largest and most active corporations around the world.

Wherever you are located, if you are considering an insurance broker or consultant for an account review, or a specific quotation, call or write Earle S. Rynston, Executive V.P., today. When it comes to insurance, assemble a Frelinghuysen. It works—For *you!*

J. S. Frelinghuysen Corporation
20 Vesey Street, New York, New York 10007 (212) 349-2112
A Fidelity Company



How To Buy Insurance For A Corporation

by Bion H. Francis

As the insurance manager's function becomes more complex, and responsibilities increase, the need for informed decisions becomes extremely important. In response to this, BUSINESS INSURANCE has published a series of articles by Bion H. Francis which will help you deal effectively and confidently with a variety of insurance problems.

Bion Francis brings to the subject of insurance buying and risk management a wide range of practical experience in the field. He is presently an insurance consultant in Milford, Connecticut and a frequent contributor to BUSINESS INSURANCE.

In this booklet, a reprint of a recent series in BUSINESS INSURANCE, Mr. Francis discusses such topics as competitive bidders as opposed to negotiations, methods of selecting bidders, the self-insurance alternative, the role of management, tips for the risk man when handling catastrophe situations, and others. This booklet should be part of the background of anyone who buys insurance or manages risks for a corporation.

Please send me _____ copies
of How To Buy Insurance For A Corporation
Single copy price . . . . . $3.50 101 to 300 copies $3.00
11 to 100 copies . . . . . $3.25 Over 300 copies $2.75
Check for $_____ enclosed. Illinois residents please add 5% sales tax.
Name _____ Title _____
Company _____
Address _____
City _____ State _____ Zip _____
SEND TO: Circulation Department, Business Insurance
740 Rush St., Chicago, Illinois 60611

Illinois insurers to be audited more frequently

CHICAGO—A new plan to revamp the Illinois insurance dept.'s procedure for auditing insurance companies was proposed last month by Fred A. Mauck, the state insurance director.

"We are moving towards a much more modern system," Mr. Mauck told the Society of Chartered Property and Casualty Underwriters' Central Illinois chapter. "It will be based on annual audits of the insurance companies under our jurisdiction performed by professional independent auditing firms. It will focus on both the balance sheet and income statement of the companies, instead of the present archaic method of looking only at the balance sheet."

The present system of conducting examinations every three years cannot monitor financial activities of insurance companies effectively, Mr. Mauck said. And fraudulent dealings, like the Equity Funding scandal, are not caught soon enough with triennial audits.

"I HONESTLY do not know of anybody—state insurance department regulators, company officials, or National Assn. of Insurance Commissioners (NAIC) executives—who will defend the present examination system. It is the traditional way things have been done. But tradition itself is no guard against such unpleasant business proclivities as fraud."

Mr. Mauck pointed out that even close scrutiny of the insurance industry won't totally eliminate fraud. But the magnitude of occasional scandals may be checked by a vigorous system of financial examination.

"I have said time and time again following the Equity Funding matter than honest men have no defense against fraud," he said.

"The swindlers can get away with it, sometimes. The triennial examination system did not catch the Equity Funding fraud, and I doubt that the annual audit program would have—in any one year.

"But it had been four years since the last complete examination of Equity Funding. Four annual audits would have been made of the firm in the same period of time—and one or another of them may well have picked up evidence that something was wrong. Then our examiners would have come in and taken apart the books. And we would have found the fraud."

THE ANNUAL auditing plan will be submitted to the NAIC next June, Mr. Mauck said. Approval of the new system is expected without much controversy. Adoption of the new system by other states, he added, would help create a uniform regulation of insurers country-wide, and keep federal insurance laws at bay.

"If the states do not start doing a better job, federal regulation, whether better or worse than present state actions, is inevitable."

I believe that many states are now doing a better job overall than the federal government in discharging their respective responsibilities," he stated.

"The SEC dropped the ball on Equity Funding. With exactly the same information at hand that caused me to send in examiners on an emergency basis, the SEC did nothing.

"Equity stockholders lost as much as $500 million as a result."

MR. MAUCK also said a change is needed in Illinois' system of taxing domestic and foreign insurance companies. Insurers based in other states now pay an annual two percent premium tax while domestic insurers pay nothing. Both kinds of companies should be taxed the same flat rate, he said.

Commenting on other state legislation, Mr. Mauck oultined his department's plans for health and benefits programs to be considered by the legislature next year.

"Our department will promote . . . strengthened authority to deal with the confusing countless chaos of private pension funds. Also, we need real legal authority to control health maintenance organizations over which we have little statutory authority at the present time.

Holding companies and prepaid legal services plans also warrant closer inspection and tighter controls, Mr. Mauck said.

ILLINOIS WILL continue its work on a no-fault automobile insurance plan, he noted, "that is at least as good as the ones they have in Massachusetts, Connecticut, New York, and several other states."

He added that the recently-vetoed no-fault bill would not have met minimum requirements of the proposed federal plan.

"And I am not at all sure that it is inappropriate to have a federal no-fault law. When we drive, we tend to cross state lines with impunity. Uniformity as to treatment and remedy, regardless of which state the accident victim happens to be in, would be a highly desirable objective." ■

ASK YOUR AGENT TO GET A QUOTE FROM AOA

Insurance for every category of aviation including a complete Helicopter program

AOA

AVIATION OFFICE OF AMERICA
INCORPORATED
JACK G. FOLMAR
PRESIDENT

7025 EASTEX FREEWAY/BEAUMONT, TEXAS 77708/ TELEPHONE (713) 892-7025/CABLE FOLMAIRNS/TELEX 779-411

TOMENSON, SAUNDERS Limited
and E. A. WHITEHEAD Limited
announce the merger of their operations to form
TOMENSON SAUNDERS WHITEHEAD LIMITED

Both companies bring to the merger years of insurance experience. Tomenson, Saunders having been formed in 1927 in Toronto, and E. A. Whitehead in 1892 in Montreal. They offer broad facilities for General Insurance, Life and Pension and Group Benefits, Actuarial Studies and consulting services for industry and the individual, including the latest techniques in Risk Management, funding for self-insurance and Loss control Engineering.

The T.S.W. group which includes Macaulay Nicolls Maitland Insurance, Tomenson-Alexander Limited and Benefacts Limited have nine offices across Canada: Montreal, Toronto, Hamilton, Sudbury, Calgary, Edmonton, Vancouver, Prince George and Whitehorse. To these can be added the growing international facilities with wholly-owned subsidiaries in Bermuda and Bahamas.

OFFICERS AND DIRECTORS

Chairman of the Board Walter S. Tomenson
President William E. Toyne

DIRECTORS

George W. Akehurst
Harold B. Bennett
Donald I. Brown
Ralph R. Brown
Jay S. Cameron
James K. Cramb
Kenneth M. Elliott
David B. Gossage
Michael A. Hogan
Thomas E. Ladner
Douglas M. Lindsay
Herbert E. McArthur
Robert A. McFarlane
J. Douglas Maitland
Fernand L. Sorel
Walter P. Thomson
F. Rogers Tomenson
Edward A. Whitehead

TOMENSON SAUNDERS WHITEHEAD LIMITED
Growing with Canada Internationally

Revised U.S. plan would insure more groups

WASHINGTON—The health, education and welfare department's latest rewrite of the Nixon administration's national health insurance proposal has been transmitted to the White House and is awaiting final revision before being sent to Congress.

The new program retains many of the underlying principles contained in the National Health Insurance Partnership Act introduced by the administration in the last Congress, including mixed public and private financing and administration, restrictions on federal intervention "to areas where private decision-making has not worked well," and provision for "evolutionary changes in delivery systems" in both private and public insurance.

The new bill also includes some basic changes from the highly-criticized format it took last year when Congress refused to consider the proposal. The new bill reportedly extends coverage to low-income single persons and couples. Coverage would also be provided to unemployed persons and early retirees who do not qualify under "low-income" standards, but who cannot obtain private health insurance because they are considered bad risks. None of these classes of individuals would have been coverd under the original bill.

THE NEW BILL also would provide the same services under both its publically and privately-financed programs. The only difference between the two programs is a provision which allows for a lower amount of cost-sharing for low-income persons covered by the government-paid program. The payments required from low-income persons will be partially subsidized "to ensure both that they do not face excessive deductibles and coinsurance and that an employed person is not worse off than an unemployed person at the same income level."

The new bill broadens the benefits provided for under last year's proposal, but also asks for a higher deductible than asked for then. "We view broad coverage with increased cost sharing as preferable to narrow coverage with lower cost sharing," a summary of the proposal says.

THE DETAILS OF the HEW revision were made public by Sen. Edward Kennedy (D-Ma.), the principle sponsor of a broader and more expensive health bill, The National Health Security Act. The Senator obtained a copy of an HEW summary of the administration bill's provisions and inserted it in the Congressional Record "for general discussion by those interested in health care in our nation."

As previously reported (*Business Insurance*, Sept. 10), the Nixon proposal will contain two programs, the Standard Employer Plan (SEP) and the Government Assured Program (GAP). The employer plan would require employers to offer full-time employes a standard yet-to-be-specified benefit package and to pay a fixed percentage of the premiums. The administration has previouly suggested a 65% level during the first two and one-half years of the program and 75% thereafter. The bill would also require employers to offer membership in a Health Maintenance Organization (HMO) if one exists in the workplace area.

As transmitted to the White House the bill provides for coverage of the following services: hospital services; physician services, except that preventative services would be limited to family planning, maternity and "well child" care; services covered under Medicare, except chiropractic services; out-patient and in-patient drugs; eye examinations and eyeglasses; hearing aids; dental services for children through age 12; mental illness limited to 30 hospital days and 15 out-patient visits and unlimited partial hospitalization and out-patient services provided by "organized community settings;" and nursing home benefits as now provided for in Medicare.

AN ANNUAL per-person deductible of $150 is now envisioned with a maximum family liability of three deductibles and coinsurance of 25% for costs above the deductible. A $1,500 limit on out-of-pocket expenses, including deductible and coinsurance payments, is also planned. Deductibles might also be waived, the memo states, for preventative services such as family planning and eye hearing and dental care for children.

Persons of low-income status or considered by private insurers to be bad health risks would be provided coverage under the GAP. The federal government would contract with private insurers to provide coverage to anyone seeking it, and premiums, deductibles and cost-snaring structures would be tied to income.

The SEP plan would be used to cover state and local government employes, and the bill provides for a longer phase-in time on employer contributions to allow governments to adjust to the new demands. Federal benefits would also be adjusted to provide the basic benefits of the bill, but the federal government's present 10% contribution level would not be changed.

Insurance carriers operating under both programs would be required to provide enrollees with a "Health Card" similar in form to a standard credit card. Payments for all benefits would be made by the carrier, who would bill the enrollees directly for cost-sharing payments.

The HEW memo says the credit card concept would assure health services providers of payment, help in quality and cost control efforts by having all bills flow through the carriers, and reduce the administrative burden for both the patient and the provider.

How the proposed legislation is to be funded remains a mystery. The HEW memo outlines provisions for making employer contributions for group health insurance taxable become for employes and eliminating the present medical tax deductions. These tax changes, the HEW estimates, would generate almost $7 billion in 1975 and could be used to finance a substantial portion of the program.

HEW SECRETARY Casper Weinberger, however, recently told newsmen the Nixon health plan would "not touch the medical deductions in any way."

While saying "it would be premature to criticize it in any detail," Sen. Kennedy said the proposal, as outlined by the HEW memo, "will create a windfall of billions of dollars for the health insurance industry in this country, while proposing only minimal regulations and controls of this industry.

"In addition," he said, "the proposal would pour billions of dollars into health care in our nation while creating little or no incentives for increased efficiency and economy and minimal controls on health care costs." ■

dates for buyers

November 8-9, Independent Mutual Agents of New England, 31st Annual Convention, Sheraton-Boston Hotel, Boston, Ma. For more information write IMANE, number one Ash St., Hopkinton, Ma. 10748.

November 11-12, Chamber of Commerce of the United States, 14th Hemispheric Insurance Conference, Buenos Aires, Argentina. For more information write the International Insurance Advisory Council, Executive Secretary Ronald Shelp, 1615 H St., N.W., Washington, D.C. 20006.

November 12-14, American Management Assn., Annual Insurance and Employe Benefits Conference, Statler Hilton, New York, N.Y. For more information write AMA, 135 West 50th St., New York, N.Y. 10020.

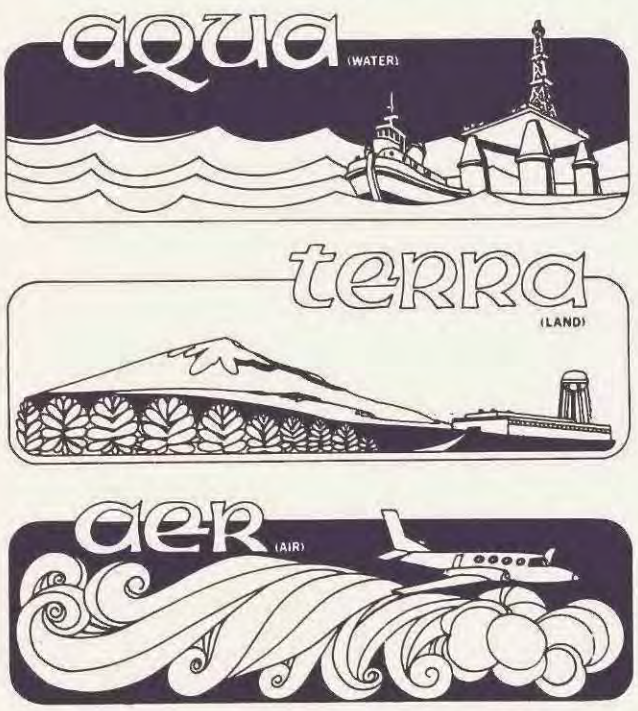
November 16, the Society of Chartered Property and Casualty Underwriters, the Rocky Mountain Chapter's 18th annual All Industry Day, Cosmopolitan Hotel, Denver, Co. For more information write Paul M. Barbour, c/o INA, P.O. 1800, Denver, Co. 80201.

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

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

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

Name your Element
where coverage is needed



Southern Marine is there with skill, resources and the ability to meet unusual risks!

SOUTHERN MARINE & AVIATION
UNDERWRITERS, INC.

610 POYDRAS ST., (504) 524-4131, NEW ORLEANS 70130
Branch Offices in LOS ANGELES / HOUSTON / ATLANTA / TULSA
Serving insurance agents and brokers only — no direct business

insurance appraisals.... count the ways you save.

FIRST, a professionally prepared insurance appraisal provides the information you need to obtain proper coverage at the most favorable premium.

SECOND, up-to-date values make it easy to comply with co-insurance requirements.

THIRD. At time of loss, valuations prepared by American Appraisal have proven to be consistently supportable.

More information? Write for Brochure 14, or call Mr. Worth at **800-558-9833.**

The American Appraisal Company, Inc.
525 E. Michigan St., Milwaukee, WI 53201
Offices in 21 principal cities

AMERICAN APPRAISAL®

Florida warming to idea of federal crime cover

TALLAHASSEE—Federal crime insurance may come to Florida this winter.

State businessmen here are warming up to the new rates and relaxed restrictions now being offered, said Tom O'Mally, state insurance commissioner. After a survey of businesses all over the state, Mr. O'Mally requested that Florida be designated eligible for the federal crime insurance.

Until the insurance plan was loosened and broadened early in 1973, Mr. O'Mally said, "the federal program was found to be restrictive in safeguard devices required of a business, and in price.

"However, recent changes in the federal crime insurance program, under a general revision, has made this type of crime insurance available at a price the small businessman and citizen can afford."

The federal crime insurance plan was originally established under Title VI of the Housing and Urban Development Act of 1970.

"The federal crime coverage up to now has been kind of slow in gaining popularity," an insurance commission spokesman said. "But with these revisions things could pick up."

No percentage estimates of rate changes were available, but the spokesman claimed that "a sizeable reduction" could be expected in the crime insurance costs for some businesses.

ANOTHER CHANGE in the coverage allows a businessman to choose whether or not he wants robbery and burglary insurance together. In the past they were only available in one package. But now they can be taken separately.

Safeguard device requirements for small businesses were often prohibitively expensive before they were dropped, the spokesman noted. Ground floor stores had to have alarms or bars over windows, and certain types of locks on the doors to make them "like little forts."

So far there has been no reaction from private insurance carriers, he added. But there is no way of knowing how popular the federal coverage will be when it's in open competition with private carriers offering the same lines. ■

D&O cover probably not a factor in Avon lawsuit

NEW YORK—Twenty-four officers and directors of Avon Products Inc., the cosmetics company, were accused in a derivative class action suit of having sold or aquiesced in the sale of Avon stock on the basis of inside information.

Although an Avon spokesman said, "The company believes there is no merit to the suit," she declined to elaborate on the case. She also declined to name the carrier for Avon's directors and officers liability insurance policy, although a specialist in the d & o field indicated that defendants could not expect their insurance company to pay the damages if the court finds them at fault.

"The directors and officers would have had to be acting in good faith in their official capacity at the corporation," he said.

The suit, filed by an Avon stockholder in state supreme court, asks the court to determine the full extent of the damages for return to the company. Records on file with the Securities and Exchange Commission here reportedly show that company insiders sold $10 million of Avon stock during the first eight months of 1973.

AMONG THOSE named in the suit were David Mitchell, president; Wayne Hicklin, chairman; and Frederick Fusee, chief executive officer and vice chairman. They were among 16 officers and directors accused of having sold Avon stock.

Eight others who had not sold any shares were charged with reckless violation of their fiduciary obligations to the company "by approving, acquiescing and ratifying the wrongful transactions alleged."

Benjamin Katz, plaintiff in the suit, who owns 60 shares of Avon stock and is represented by Stuart D. Wechsler of the New York firm of Kass, Goodkind, Wechsler & Gerstein, charged that the insider sales were so widely publicized as to have a harmful effect on the "prestige and good will of the company" as well as on the "reputation and integrity of its management."

The complaint alleges that as a result, Avon has suffered and will continue to suffer monetary damage as well as "irreparable damage" for which it deserves compensation by the defendants.

In addition, the complaint maintains that inside information caused unknown persons, called "tippees" in the suit, to sell at substantial profits. The suit names these "tippees" John Doe 1 to 100. ■

AIR CARGO INSURANCE

For more than thirty years we have specialized in air cargo insurance providing bill of lading liability coverage for carriers and cargo insurance for shippers around the world. As a pioneer in this field, we have developed a knowledgeable staff that can offer the most comprehensive coverage available. If you have an air cargo problem "ASK McGEE"!

WM. H. McGEE & Co., Inc.
MARINE UNDERWRITERS
SINCE 1887
111 John Street, New York, N. Y. 10038

Offices in Principal Cities
Throughout the United States & Canada

In the Mountain states ... it's All-Star

All-Star Insurance Corporation is an expert at tailoring excess/surplus coverages to fit the risks working through an experienced corps of general agents who understand All-Star's professional standards.

All-Star is a growth company with a tradition of service and skilled underwriting to meet today's rapidly changing social and economic conditions.

If you are in the mountain states or anywhere in the United States, All-Star is ready to serve your needs. Contact All-Star today for information on coverages and representatives in your area.

ALL-STAR INSURANCE CORPORATION
The domestic company that specializes in excess/surplus risks.
5401 N. 76th Street P.O. Box 2917 Milwaukee, Wis. 53218
(414) 466-8300 CABLE: ALLSTARWIS MILW TELEX: 2-6879

a Post Corporation company

Blue Shield urged to push health care reforms

CHICAGO—Employe benefit trustees expect Blue Shield plans to take an active role in changing the nation's health care system, warned a man very close to these labor-management representatives.

Carlton R. Sickles, president-elect of the International Federation of Employe Benefit Plans, said trustees feel the pressure from employes to use their powers to control health care costs and insure quality care. He spoke at the annual Blue Shield program conference here.

A growing number of trustees would like to see Blue Shield "bite the bullet," Mr. Sickles said, and take action in four major areas:

- regulate physician's fees;
- promote non-profit health service centers;
- make surgical screening programs part of uniform procedures.
- continue to work with health maintenance organizations (HMO's) to insure they get a fair test.

A FUNDAMENTAL question was raised by Mr. Sickles about whether Blue Shield is able to make this committment to action because of little or no community representation in the Blue Shield ranks. A basic issue on which Blue Shield should act—regulation of physicians' fees—is hampered by the fact Blue Shield controlling boards are often made up of physicians, Mr. Sickles asserted. He urged Blue Shield plans tc "evaluate your ability to perform a public role without participation by the community in the decision-making process."

Many trustees would like to see Blue Shield develop fixed fee schedules to which physicians agree, without an add-on fee to the patient, regardless of income, Mr. Sickles stated.

He suggested that such a schedule could have special provisions for unusual cases and could be subject to periodic revisions, "but the revisions would be on a community basis rather than on an individual selection basis with its lack of restraints."

BLUE SHIELD can encourage the establishment of non-profit regional health service centers to handle routine shots and other routine matters under the direction of a physician, but with full paramedical personnel and resultant reduction in costs to the patient," he encouraged.

He urged Blue Shield to likewise discourage private excursions by physicians into business schemes to deliver specialized health care services. He also encouraged Blue Shield to expand into multi-phasic screening.

"Trust experiments with presurgery screening of patients by trust-selected physicians has resulted in substantial savings to trust funds," Mr. Sickles stated. The trustees would prefer, however, that this task be taken over by the physicians themselves or by Blue Shield as a "routine approach" to surgery, he added.

Mr. Sickles expressed the concern of trustees that HMO's will not get a fair trial, partially as a result of opposition from the American Medical Assn.

He called on Blue Shield to insure the fair trial of the HMO's by continuing to provide administrative services to HMO's.

The first legislation on the issue of national health insurance will be "of relative insignificance," Mr. Sickles believes, although it will almost certainly lead to further legislation. ■

P&B

PRITCHARD & BAIRD, INC.

REINSURANCE

FACULTATIVE AND TREATY

299 MADISON AVE., MORRISTOWN, N.J. 07960

3550 WILSHIRE BLVD., LOS ANGELES, CA. 90010

WARREN, McVEIGH, GRIFFIN & HUNTINGTON
Risk Management Consultants

announce publication of

"PRACTICAL RISK MANAGEMENT"

a monthly guide for the active (full or part-time) risk manager

1. Timely and practical information on innovative ideas in risk management.
2. A basic reference. Each issue treats one topic in depth.
3. Consulting service for your specific questions as they arise in daily work.

In addition to being designed for the practicing risk manager, three points distinguish this publication from others:

1. Clarity and conciseness are emphasized. The goal is to include all important facts and ideas while minimizing verbiage.
2. It is designed for permanent reference. As each subject is treated, it will be indexed. When changes are needed, replacement, rather than supplemental, pages will be issued. Thus, the ultimate size will be limited.
3. It provides a reader service — replies to specific questions that can be answered without special research — up to four per year.

Topics to be covered include:

A. ADMINISTRATION

Functions of the Risk Manager
Record Keeping — Losses
Record Keeping — General
Broker Selection
Property Valuation
Guide to Publications and Reference
Direct Writing Insurance Companies
Automatic Sprinklers — yes or no
The Corporate Risk Management Staff
Communications Up and Down
Risk Retention
Insurance Manuals and Corporate Policy
Workmen's Compensation Self-Insurance
Safety Administration and OSHA
Fire Protection
Security and Economics
Certificates of Insurance
Risk Finance
State Insurance Regulation
Captive Insurance Companies
Use of Consultants
Foreign Insurance
Taxes
Workmen's Compensation

B. PROPERTY

Property Loss Adjusting
Fidelity
HPR Risks
Boiler and Machinery
Surplus Lines
Data Processing Risks
Earthquake
Marine
Time Element Risks
Reinsurance
Vehicles and Aircraft
Flood

C. LIABILITY

Structuring Primary Liability
Aviation Liability
Liability Loss Adjusting
Directors and Officers
Contractual Liability and Hold Harmless Agreements
Personal Injury Liability
Liability for Property in Custody
Umbrella Excess Liability
Automobile Insurance
Professional Liability
Retrospective Rating Plans
Products Liability

Yearly subscriptions, beginning January 1974, include:

a. 12 monthly issues;
b. Hard-cover binder;
c. Yearly reference index; plus
d. IMMEDIATE REPLIES TO SPECIFIC RISK MANAGEMENT QUESTIONS

Yearly subscription: $75.00
Before January 1, 1974: $65.00

Money refundable if, after 4 issues, the publication does not meet your expectations.

Practical Risk Management
P.O. Box 3998, B
San Francisco, California 94119

Send a subscription to:

Name

Company

Street City State Zip Code

☐ Check enclosed ☐ Please bill me

Check payable to: PRACTICAL RISK MANAGEMENT

classified advertising

OKLAHOMA
Oklahoma Agency seeks product to Sell & Service in Oklahoma. Product should be different or competitively priced.

Write:
FIRST OKLAHOMA INSURANCE AGENCY
501 First National Center
Oklahoma City 73102

GET RESULTS HERE

Chief Account — Financial Manager
HAMILTON BERMUDA
will be the headquarters for the individual we are seeking, but successful applicant must be willing to travel.
GROWTH SITUATION
makes this an attractive position for a person with heavy accounting, Treasury and Banking knowledge and experience. Prefer someone with experience concentrated in the property and casualty insurance fields.
THE COMPANY
is one of our wholly owned subsidiaries, engaged in the property and casualty insurance business.
POSITION OFFERS
opportunity for professional growth and experiences as well as an attractive starting salary.
Interested Parties
Mail Resume to Ronnie Combs:
Ocean Drilling & Exploration Company
P.O. Box 61780
New Orleans, Louisiana 70161
An Equal Opportunity Employer

INSURANCE ANALYST
Large International Oil Company seeking individual to work on insurance staff in Corporate Headquarters in Stamford, Connecticut. College degree required. Experience in Property and Casualty insurance helpful. Excellent advancement opportunity. Send complete resume and salary history to

Personnel Department
Continental Oil Company
High Ridge Park
Stamford, Connecticut 06904

An Equal Opportunity Employer

CORPORATE SAFETY ENGINEER

Responsible for implementing Corporate safety policy and accident control program for the Company's 30+ manufacturing facilities. A staff position, reporting to Staff Vice President, Manufacturing, this person will advise division heads on methods of attaining OSHA compliance as well as accident cost reduction. Travel medium to heavy. Chicago based.

The person we want should have a minimum of 5 years manufacturing experience. Degree preferred, but not required.

Send resume with salary history to:

Box 402, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611
An Equal Opportunity Employer

WANT AD ORDER BLANK

RATES AND CLOSING TIME: $2.25 per line, minimum charge $9.00. **Cash with order.** Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of $19.50 per column inch, and card discounts on size and frequency.
Mail ads to Business Insurance, 740 N. Rush St., Chicago, Illinois 60611.

Number of Insertions: _____ Amount Enclosed $_____

Issue dates: _____

Name: _____

Company: _____

Address: _____

Clip and Mail This Form To:
WANT AD DEPARTMENT
business insurance
740 Rush St., Chicago, Ill. 60611

Marriage on the Rocks

It began as a normal lunch date with his insurance broker, but before it was over the risk manager knew that their long term relationship was headed for disaster.

The reason for the breakup was really quite simple... the broker was no longer doing his job. He was taking shortcuts—not taking time to do all those little extras that characterize a truly professional brokerage service. Like communicating with the client; learning his business and his attendant insurance needs. Like being attuned to changing exposures in certain areas and revising coverages accordingly. Like studying the reports of loss control specialists and taking action to improve safety practices where needed. Like assisting the client in obtaining prompt claims settlements.

It doesn't take long for the signs of a slipshod performance to show, and when they do it's only a matter of time until a client/broker marriage ends in divorce.

Corroon & Black keeps these thoughts uppermost in our minds when dealing with our clients. Each of our account executives knows he has just one job—client service. Prompt, courteous, professional attention to a client's needs. It's been a Corroon & Black trademark since 1905 and it's one more reason why we continue to be one of the largest, most knowledgeable and innovative brokers in the business.

CORROON & BLACK

We make it our business to understand your business.

"Loss runs could help my company more if they'd point out which locations are having which types of losses. How would Allstate handle that?"

We'll give you accident reports, by type, for each of your locations, if that's what you need.

Next time an Allstate Account Executive calls on you, make sure you talk to him. He's experienced and can tell you about the innovations we're bringing to commercial insurance.

Like Allstate's computerized operation and advanced way of doing things, they usually mean better, faster service to our customers. That's often how we get them as customers in the first place.

Insurance is as competitive as your business, so we capitalize on our advantages.

Extra hustle. An aggressive, just-let-us-quote attitude. A management that thinks an insurance company's service should bend to suit the customer. And the largest full-time staff of claims specialists in the business.

And the price? That's right—very competitive.

But don't take our word for all this. When our Account Executive shows up, put him to the test.

Ask him to quote.

Allstate®
BUSINESS INSURANCE

Available in most states.