



## BI's awards and workshop stories

The *Business Insurance* product liability and employe benefits communication workshops were held late last month at the Regency Hyatt O'Hare, Chicago. At a banquet given, as part of the later session, *Business Insurance* presented benefits communication awards to U.S. corporations that have effectively told their benefits stories to their employes. A story on the award winners is on page three.

Top winners in the benefits communication contest were: Dun & Bradstreet, for letters and other special printed material; Delta Air Lines, for computerized benefits statements and booklets; Security Pacific National Bank for an employe publication; and Northwest Bancorporation and Nationwide Insurance Cos., who tied for first place in the audio-visual category.

Coverage of both workshops starts on page 52.

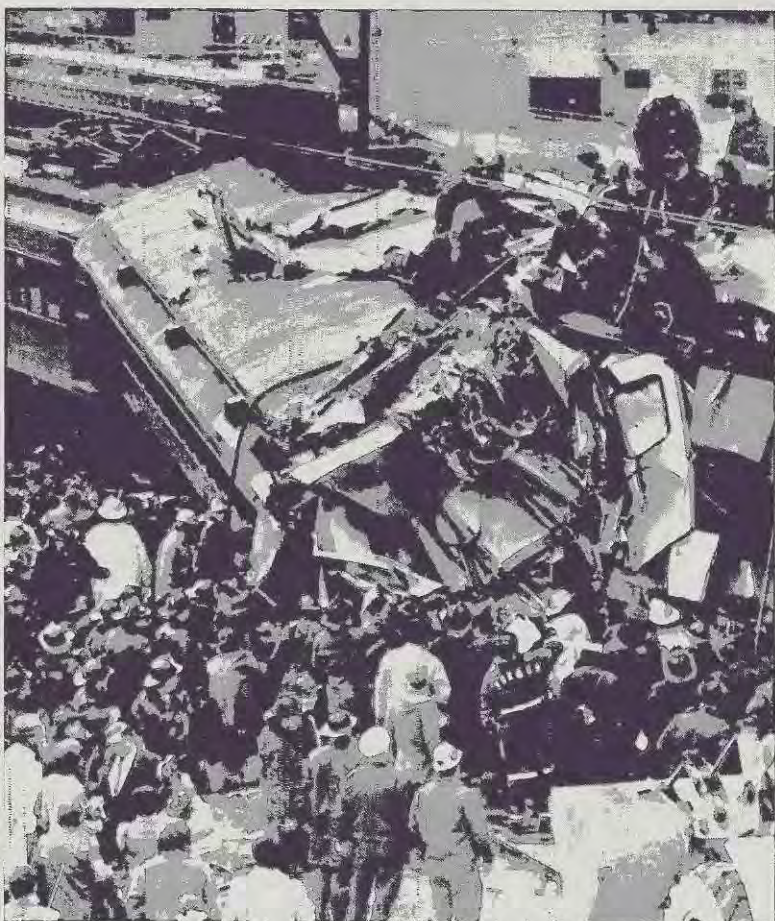
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# business insurance

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



The National Transportation Safety Board and a coroner's jury will investigate causes of last week's rail disaster. —Wide World photo

## Lloyd's involved in property, liability cover on IC rail crash

CHICAGO—Property and liability coverage on the Illinois Central Railroad commuter train disaster last week is "carried on both sides of the pond and widely spread," according to a spokesman at Rollins, Burdick Hunter Co., broker for the railroad here. Lloyd's, he noted, figures prominently.

The crash, in which 44 people were killed and 316 injured, occurred when a morning rush-hour express train smashed into the rear of a local double-decker that had overshot the station and backed up to board passengers. Authorities have stated that the number of deaths might well have been higher if the crash had not occurred within walking distance of Chicago's Michael Reese Hospital.

"Obviously this is largely a liability loss," the broker commented. "The property side is not nearly as significant."

ONE INSURANCE source speculated that the railroad is probably self-insured for liability to \$1 million, while a railroad risk manager estimated the IC's liability self-insurance at \$2 million, noting that the Illinois Central has been running in the black.

A spokesman in the Chicago office of Toplis & Harding Inc., property damage adjusters, said at midweek that his firm had "not started adjusting yet because we are not sure the loss will exceed the deductible." He stressed that Toplis & Harding was not involved in bodily injury claims.

The National Transportation Safety Board has begun an investigation into the tragedy to be headed by Thomas De W. Styles, chief investigator for the board. Much of the investigation, according to John H. Reed, board chairman, will center on the structural strength of the new double-decker, or highliner, cars manufactured by the St. Louis Car division of General Steel Industries Corp.

MOST fatalities occurred within the first car of the second train, made up of older and heavier cars, and the last car of the highliner train. The older car telescoped at least half-way into the highliner, ripping through the middle of the newer car.

Thomas R. Remington, vp for General Steel, claimed that the highliner cars, now in use by a number of commuter railroads, had been extensively tested un-

der procedures developed by the American Assn. of Railroads and met Interstate Commerce Commission standards approved by the Department of Transportation. Highliner cars such as the IC's weigh 132,000 pounds as opposed to the older car of the express train which weighs approximately 142,000 pounds.

"Obviously the integrity and structural ability of the new cars do not measure up with the old equipment," Mr. Reed asserted.

Other issues to be scrutinized will be the competence of Illinois Central personnel, the adequacy of its signals and other equipment and the railroad's "operational ability."

In other developments, the engineer of the first IC train has claimed that an unreliable braking system caused him to overshoot the station and subsequently back the train up. This, too, will undoubtedly come under scrutiny from federal investigators.

## FDA reacting rapidly to product safety law

By JOHN REVETT

WASHINGTON—Manufacturers and insurers are wondering what's in store for them now that the product safety bill has been signed by President Nixon and gears have started turning—some of them rapidly.

Less than two days after presidential approval of the bill, which creates an agency with unprecedented regulatory reach in the world of product manufacturing, an announcement—apparently coincidental—came from the Food & Drug Administration. It raised eyebrows among business lobbyists who had expected a long gradual organization.

The "National Electronic Surveillance System," said the FDA, has been put into service. The system, connecting 119 hospital emergency rooms in 30 states with a computer in Washington, will provide "a daily nationwide summary of household accidents." FDA commissioner Charles C. Edwards called the system "a solid new resource" for getting information on household accidents and unsafe products "and computing this information rapidly into effective remedial action."

THOUGH THE FDA didn't say so in its announcement, the system will be run by the new product safety agency when it is formed early next year. It will come under the agency's administration along with other functions of the FDA's bureau of product safety, which has been regulating the safety of toys, flammable and poisonous liquids and a few other items under existing law.

BPS will form the nucleus of the new agency and already has a fair idea of what product areas

can expect close scrutiny that could lead to regulatory action via a standard-setting procedure or by recall if existing law permits. An initial tryout of the system turned up high "severity" rankings for injuries stemming from use of gas stoves, power mowers, power saws, electric dryers, electric frypans, pressure cookers, aerosol containers, drain

Continued on page 2

## Committee membership?

## ASIM angry at NAIC

CHICAGO—The American Society of Insurance Management, though pleased with the findings of the National Commission on State Workmen's Compensation Laws, has expressed considerable displeasure with the National Assn. of Insurance Commissioners and with insurance industry associations.

ASIM officially endorsed the national commission's report at a press conference held here late last month following its fall board of directors meeting. In a resolution passed by the board, the society urged state legislatures to pass legislation upgrading workmen's compensation laws in compliance with guidelines proposed by the commission.

At the same time, however, ASIM executive committee members outlined their "frustrations" in dealing with NAIC. According to James E. Bailey, counsel to ASIM, the group has received no response whatsoever in answer to a letter sent by ASIM to NAIC president Russell Van Hooser of Michigan, with copies sent to the NAIC executive committee. The letter requested that ASIM be represented on the consumer advisory committee of NAIC.

In his letter, Mr. Bailey pointed out that ASIM "is the largest organized group of consumers in the United States, possibly the world, on a premium basis."

One member of the ASIM executive board, when questioned as to possible reasons for lack of NAIC response, mentioned "an oversight in the national (NAIC) office" as a likely cause. Mr. Bailey stated, "We're somewhat surprised," and further noted that no more effort would be made to contact NAIC. "Let them call us, was his comment."

Currently, the letter is the only official overture made by ASIM regarding its credentials for NAIC consumers advisory committee membership and expressing its eagerness to participate on that board. Some "informal contacts" have been made, however.

BRUCE W. Clements, counsel to NAIC, told *Business Insurance* that the only NAIC action so far has been a directive from the executive committee to the consumer participation subcommittee, headed by Florida's Thomas O'Malley, to recommend possible consumer committee representa-

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## Government may pay recall costs

WASHINGTON—A pesticides bill signed by President Nixon includes a product recall first: a provision for compensation of a manufacturer if his product is found unsafe and consequently removed from the market.

Food & Drug Administration officials who will be involved in formation of the new product safety agency say this could lead to similar provisions in future product regulation laws. But they note that compensation, as understood in the pesticides bill, would be made "only in cases where the product or ingredient causing recall had been acceptable for years, then is found to be dangerous because of new data." If a manufacturer hit by a regulatory move under the pesticides measure "had good reason to know one of the ingredients was hazardous, there wouldn't be compensation," the FDA spokesman said.

## ASIM . . .

Continued from page 1  
tives for approval at NAIC's December meeting.

Although personally not familiar with the ASIM letter, Mr. Clements did note that "ASIM is certainly in the forefront of those to be considered, though no decision has been reached."

He continued, "Just getting names of consumer organizations is a big job. About 350 different groups have been identified so far, and NAIC would not release information on ASIM's nomination before releasing the names of other recommended groups." Mr. Clements commented that any such action would not take place before sometime this month.

ASIM's ire has also been raised by the issue of its non-inclusion, in at least an advisory capacity, in formulating a new comprehensive general liability form expected to be released soon after the first of the year.

Another ASIM executive board member commented, "The new standard comprehensive liability policy is definitely on its way. In

this age of consumerism, with insurance companies providing consumer hotlines and the like, we (ASIM) have been unable to get down to talking with anyone about this. Our influence will be strictly after the fact," he continued, "and yet, we should at least be allowed to offer suggestions."

Offered as "pure speculation" by the same risk manager was the notion that perhaps ASIM is being excluded because of its criticisms, in a book entitled "Customer Analysis of the CGL Policy," of the last revised form. Another executive board member, however, countered by saying that it was "reasonably understood" after publication of the critique that ASIM would indeed be participants in suggesting improvements the next time the form came up for revision.

A number of executive committee members present were quick to point out, however, that liaison work which had been done, usually on an informal basis, with individual insurers, collective groups of insurance companies, namely the associations, tended to shy away from genuine dialogue. "ASIM," admitted one prominent risk manager, "is generally ignored in certain areas."

## Products . . .

Continued from page 1

cleaners, and other household items. The rankings don't necessarily mean the products were at fault, but they indicate priorities for investigations by the new agency, and there's a certain uneasiness mixed with general approval of safety goals in some quarters of industry. In effect, the product safety agency is already off and running with long lists of products linked with injury.

There is uncertainty regarding coverage for damage that could be sustained by a company. This could range anywhere from adverse publicity, which the BPS nucleus promises to use if it can't recall a product it considers dangerous, to the setting of standards that could require a manufacturer to re-tool.

WHERE RECALL is involved, Lloyds, Firemen's Fund, American Manufacturer's Mutual, Lumberman's Mutual and a few other

insurance companies have offered coverage for several years. However, it is understood that in most cases claims are paid off only where there is an action that the insurer decides is a full-fledged government order. Soft drink companies with recall coverage when the cyclamate ban hit, for instance, were not successful in their claims and have been trying to get Congress to compensate them for losses.

WHETHER a demand for coverage extending beyond the bounds of recall will develop and thus prompt more insurers to consider entering a broadened field of coverage is a question being tossed about by insurer and manufacturer representatives. But so far, as one said, it is only "an intriguing idea." Said another: "If this product safety agency becomes a big thing, a lot of people will start writing some form of coverage."

Most government and business sources agree that medium-size and small manufacturers face the most risk if the product safety

agency, in developing into a tough and active government arm, should broadly interpret the kinds of products that must be acted against to insure total safety. Large national manufacturers "can usually absorb whatever losses they might take from a run-in with the government," an insurance source noted. There is general agreement on one point—that despite the apparent quick start of the product safety agency nucleus, the direction the unit finally takes will depend on who is appointed to the five-member commission by the White House.

SO FAR, those being considered for chairman reportedly include Malcolm Jensen, now BPS director; Richard Simpson, now with the commerce department's science and technology unit; presidential consumer affairs advisor Virginia Knauer and Henry Hill, a Massachusetts chemical manufacturer. Mr. Hill served on the national commission on product safety that investigated product-related injuries.

# INA partially covers \$8 million loss from oil barge blast in New Jersey

CARTERET, N.J.—Interstate Oil Transportation Co., Philadelphia, owners of a barge that blew up here late last month, is at least partially insured for an estimated \$8 million loss under primary coverage written the the Insurance Co. of North America, *Business Insurance* has learned.

According to a source at Johnson & Higgins, Interstate's broker, "six or seven" major insurers were trying to sort out their roles in the loss last week.

Also involved in the loss, although it was not certain just what liability—if any—the company would bear, was the General American Transportation Corp. of Chicago (GATX). At the time of the blast, the 80,000-barrel capacity barge was being loaded with fuel from a storage complex owned by GATX here.

WHILE INA carries Interstate Oil's primary coverage on the barge itself, it was also determined that the Marine Office-Appleton & Cox Corp., New York, is a reinsurer on the loss. The U.S. Salvage Assn., independent investigators for underwriters, is preparing a report for insurers involved. In addition, "a following interest" was admitted by marine underwriters Talbot, Bird & Co., New York, who shared a portion of the risk for Interstate.

A Talbot, Bird & Co. representative said the company wrote an excess charterer's liability policy, but did not expect a major claim to be presented to them.

An additional part of the risk was shared by the Mutual Marine Office, a New York management

group, which handled three policies in connection with Ocean 80—a portion of the hull and machinery coverage, a charterer's liability policy and excess legal liability.

Explosions and fire tore into the barge as it was loading at a GATX fuel storage complex.

GATX has a liability policy with the Travelers Insurance Co., and a Travelers representative said policy limits were \$2 million, plus 10% of the next \$15 million.

Two groups usually associated with such marine exposures as Ocean 80 told *Business Insurance* that this time, they had nothing to do with the case. A representative from the Water Quality Insurance Syndicate said that WQLS did not underwrite even a portion of the potential pollution risk. Similarly, an American Hull Insurance Syndicate man reported that none of AHIS subscribers were presented with claims.

The blow-up and fire sent a burning oil slick almost a mile up the Arthur Kill, the commercial waterway separating New Jersey and Staten Island, N. Y. Ensuing damage included a ruptured hull for the sunken barge, destruction of the Carteret dock, a rash of broken windows in the business district of the small N. J. community, extensive damage to the GATX complex on shore, and minor damage to a dock owned by the Phillip's Petroleum Co. In addition, 340 megawatts of the 840 megawatt capacity of a Consolidated Edison plant were forced to shut down when oil-fed flames were sucked into the plant's cooling system.

A bi-state firefighting team labored for over seven hours before they could quell the blaze. They said a more serious disaster was averted because high winds directed the flames away from a "farm" of oil tanks onshore.

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## Risk manager builds control chart of firm's insurance and safety basics

By PATRICK THOMAS

NEW YORK—Walking into Joseph Holwerda's office is something like walking into the war room at the Pentagon during one crisis or another. Everything appears calm and normal but there's this thing on the wall that you can't take your eyes off.

The thing in Mr. Holwerda's office is not a world map detailing troop movements but to him, as Colt Industries' risk manager, it is every bit as important and useful as the general's illuminated map system is to him.

Mr. Holwerda calls it a control chart and, since it is his invention, he can call it anything he wants. What it does is give him the insurance and safety basics of all of Colt's 56 locations. If he needs to know, for example, the insured value and the rate he is paying for protection on a plant in Holland, all he has to do is look over his shoulder.

"THE CHART only contains the basics," he emphasized. "If I need small details, I have to get out the policies and take a close look at them but the chart is usually good for answering questions that may come in from one of the plants. For instance, one of the plant managers may want to know if he is covered for a mishap. I just look at the chart and it tells me everything that particular location is covered for. From there on, it's my job anyway, the plant manager just wants to know immediately if he is covered."

Mr. Holwerda said he for-

mulated the idea and gathered the information he needed for the chart for about 18 months. He has been with Colt for two years.

"When I got here," Mr. Holwerda told *Business Insurance*. "I asked what the insurance program was and nobody could tell me. I got answers like 'We have a lot of coverages with a lot of insurance companies.'

"I don't really have an insurance background," he continued, pointing out that his training was in engineering. "The chart, I guess, is an engineers' way of handling insurance problems."

The control chart on Joe Holwerda's wall must be seen to be fully appreciated but a brief description is in order. It is made of plastic, or something similar, peg-board and is about six feet in length.

ON THE LEFT of the chart are cards listing all 56 locations with the name, address and telephone number of the person in charge of risk management at that site. "These are usually personnel or accounting people," Mr. Holwerda noted.

Then, moving to the right of the chart in a straight line from the location card are just about all the values, rates and other pertinent information for any particular plant or office site. The insurer of each plant is listed along with the physical damage and business interruption insured values and rates charged. The insurers handling Colt Industries' employee benefit plans are also listed.

Under a section headed work-

men's compensation, the chart shows which plants are covered, and by which insurer, and which are self-insured. It shows the number of employee at each site (Colt now employs more than 24,000 persons) and the frequency and severity rates for workmen's compensation claims at each location. Mr. Holwerda updates the frequency and severity columns monthly and sends a report on the subject to each location.

The chart encompasses the Occupational Safety and Health Act by showing which plants have been inspected, which have been cited and which have been penalized under OSHA's provisions.

WHETHER each of the 56 locations is leased or owned is visualized by the chart as are the deductible on the major coverages and the expiration dates on many of the company's policies.

Mr. Holwerda explained that the board was put together to his specifications by T.P. Visual Systems of Latham, N.Y., and that once he had the actual board, it was just a matter of time getting all the information on it.

"I stayed two hours a night after work for two or three weeks," he recalled, "just standing in front of the board and sticking in letters and numbers. Totally, it cost about \$850 exclusive of labor—my labor."

Once the chart was ready, Mr. Holwerda discovered that he had a problem. His telephone cord was too short. "I'd get a call and look at the chart across the room and I'd have to take off my glasses."

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Joseph Holwerda, risk manager of Colt Industries, built a control chart of the company's insurance and safety basics—taking almost 18 months to gather the information he needed for the chart.

## Winners picked in benefits communication contest

CHICAGO—In a ceremony at the Regency Hyatt O'Hare hotel here, the winners of the *Business Insurance* employee benefits communication competition received awards for doing well what is sometimes done haphazardly—getting the employee benefits message across to those who participate in the plans.

The top winners in the five categories were Delta Air Lines, Security Pacific National Bank, Dun & Bradstreet, Northwest Bancorporation and Nationwide Insurance Cos.

Delta Air Lines, by winning in two of the five categories with one entry, set precedent for future competitions of this sort. The growing air carrier received awards for the best employee benefits booklet and the best computerized benefits statement. It was one entry since the booklet was a loose leaf binder which contained the benefits statement as well as the booklet material.

The Delta entry covered the entire range of the company's benefits. The booklet was broken down into sections covering illness, disability, retirement, survivor benefits, savings plans and "other" benefits.

Separate computerized statements were included for each area of coverage, including the number of vacation passes and annual flying mileage allotted to each employee. Following the benefits statements in the binder was general information regarding that benefit and a question-and-answer section which explained virtually everything conceivable.

The Delta booklet and statements were prepared by Hazlehurst & Associates, Inc.

RECEIVING runner-up awards in the booklets category were Bell Telephone of Pennsylvania and Western Pennsylvania National Bank. The second and third spots in the computerized benefits statement category went to the American Medical Assn and Harris Trust & Savings.

The employee publications category was won by Security Pacific National Bank, which also submitted a loose leaf binder. Entitled "You Are the Bank," the publication was broken down into 10 sections.

The binder contained a history of the bank, a section which was really a dictionary of banking terms, a section giving tips on how to deal with customers and a description of the bank's services as well as descriptions of the group insurance and other more standard benefits. Included was an explanation of how to file a grievance.

SECOND PLACE in this category went to Deferred Compensation Administrators and the third place award was given to General Electric.

The winner in the category called, "Letters and Other Special Printed Material," was Dun & Bradstreet with a folder which contained highlights of the company's benefits programs.

Each benefit was described briefly on a separate sheet of colored paper, each sheet cut a dif-

ferent size enabling the entire program to be at the employee's fingertips in file form. The folder also contained an information request card with which an employee could send for more detailed information about the plans.

The entry was prepared for Dun & Bradstreet by Towers, Perrin, Forster & Crosby, Inc.

ILLINOIS BELL won the second place award in this category, followed by General Mills in third place.

The audio-visual competition ended in a first place tie between Northwest Bancorporation and Nationwide Insurance Cos. Both were audio tape and slide presentations to be used in conjunction with employee handbooks. The two presentations, however, were vastly different.

The Northwest Bancorporation entry utilized line drawings washed with color to coordinate with the colors dividing the sections of the employee handbook. It used montages to introduce the various topics to be covered and explained the plans simply and gave reasons for the way things were being done.

It was prepared for Northwest Bancorporation by Empire Photo-sound.

THE NATIONWIDE entry used a cast of hand puppet characters and a choir to get its message across. It moved at a furious pace, due to a limited amount of time, and only briefly explained the benefits program. The presentation was decidedly off-beat with

many of the benefits plan provisions were sung by the choir to well-known tunes.

The Nationwide spokesman at the ceremony said that the presentation had generated "favorable feedback" among employees.

The Warner P. Simpson Printing Co. prepared the entry.

Elizabeth Arden Inc. took second in audio-visual and Green Giant Co. received third.

The winners in all the categories were chosen from over 120 entries by a panel of judges representing opinion from management to employee and from typography to planning.



Charles J. Wiegus (left), vp of personnel, Dun & Bradstreet, accepts the first place award in the letters and other special printed material category from Alfred Malecki, publisher of *Business Insurance*.

## Voting machine insurance becomes an issue, creates competitive market

NEW YORK—Presidential election. Millions of voters across the nation step inside curtained booths. They pull levers that push parties in and out of power. Few give a second thought to the mechanical voting machines that tally their choices, good or bad, for the next four years.

But voting machines, and voting machine insurance, odd commodities though they seem, are becoming big issues. Some 228,000 strong, voting machines represent high values and formidable exposures that are creating competitive markets for insurers, and headaches for municipalities.

While no statistics are currently available on the size of the national market or the premium vol-

ume of voting machine insurance, industry sources told *Business Insurance* that most of the larger insurance companies are handling voting machine insurance on a "highly competitive" basis. One source, lamenting a profitable account his company was unable to land, complained that voting machine insurance accounts are frequently acquired by companies that have considerable political pull, even though competitive bidding is a growing force in city insurance buying.

With the exception of voting machines that are covered on blanket policies that protect all county properties, most voting machines are covered in floaters to inland marine policies with all-

risk clauses. In Illinois' Cook County, for example, coverage is written by Centennial Insurance Co. on a marine form which insures for a \$5.394 million aggregate, all-risk perils. And Yonkers, N.Y. has an all-risk policy with limits of \$300,000 written by Federal Insurance Co., of New York, a subsidiary of Chubb & Son Inc.

**WHAT ABOUT** premium rates for voting machines? Mr. Frank Long of the Centennial Insurance Co. said that premiums for voting machines are "not generally high." Basically, he noted, the primary charges are determined by the fire rating method of the insurer, dependent on the type of storage building the machines are

housed in. Secondary rates for the coverage of voting machines in transit to and from the polls are based on all-risk provisions of property policies.

Mr. Harry Ihnem of the inland marine division of Chubb & Son reaffirmed this information. He said that voting machine premium rates were determined by a number of considerations, notably the fire rating method, the kind of storage space used, and whether water damage would be imminent.

Ransom Shoup, owner of one of the largest voting machine manufacturing plants in the country, told *Business Insurance* that a voting machine has an expected life span of about 20 years. Most insurers, he noted, reduce the premiums on the devices by about 1/20 every year, based on devaluation rates for 20 years.

A typical mechanical voting machine will probably have been manufactured by either of the two largest manufacturers in the

field—the Ransom F. Shoup Co. of Philadelphia, which supplies about 88,000 machines nationwide, or the Automatic Voting Machine Corp., of Jamestown, N.Y., supplying about 140,000 devices. It will weigh in at about 700 pounds, and be worth anywhere from \$1,700 to \$2,500, depending on the model and year of manufacture.

**STORAGE** and transit problems pose the greatest risks and exposures to the insured voting machine. Most municipalities that use voting machines stock large numbers of them for use on a "one-shot" basis a year. Smaller communities usually keep anywhere from 300 to 3,000 machines, and large cities have even bigger stores. (New York City, for example, has about 6,900 voting machines in its inventories).

When not in use, which is most of the time, the voting machines are usually stored in large numbers in just a few key storage areas in each city. Because they are kept together, any hazard would endanger the lot of them, resulting in what Robert Bieber, safety and insurance administrator of Yonkers, N.Y. called "a fantastic exposure." Any fire or water damage near the storage building could mean "colossal losses" for a municipality, an industry source commented.

Obviously, insurance is called for. For many municipalities, though, self-insurance is out of the question because of the possible high amounts of loss involved. Despite high risks, the price tag prevents some cities from covering their voting machines at all.

New York City is a glaring example. A Board of Elections official, Carmine DeCarlo, said that the city does not insure any of its 6,900 machines, which have a total worth of about \$12 million.

**ABOUT SIX** warehouses are used to store the machines. That means each place of storage houses machines valued at about \$2 million. Any fire or flood would probably result in great losses, yet the city remains uncovered.

The Automatic Voting Machine Corp. has storage insurance on its voting machines placed with a number of carriers. The broker on the account, Boit, Dalton, Church of Boston indicated that the largest carrier was the Factory Insurance Assn. in Hartford, Ct. The primary policy is written on an all-risk basis, covering transit as well as property damage.

Transportation of the voting machines to and from the polls is the second greatest exposure they face. Even New York City, which does not insure voting machines in storage, does put bonds on the truckers who move the machines.

Mr. Bieber of Yonkers stressed that dangers in transit were great, because if a machine were dropped, it could be rendered worthless—the delicate mechanisms thrown off balance.

Another insurance exposure follows voting machines in transit. Mrs. Robbins, owner of Union Voting Machine Co., N.Y., which rents machines to private institutions, said of a voting machine being moved: "It could kill someone if it fell on them." Mrs. Robbins insures her machines against these dangers with the DeGrace Affiliates of Queens, N.Y.

Vandalism at the polls is one problem neither the insurers, the manufacturers, nor municipality officials seem to worry about. Tight security measures taken by police at polling and storage places have prevented vandals from striking so far, they con-

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# Fleet losses get shirtsleeve attention of Yonkers, N.Y., insurance manager

(This is the second of two articles on how the city of Yonkers, N.Y., population 230,000, has helped cut municipal wastes by initiating a few basic risk management procedures. The first ran in the Oct. 23 issue—Ed.)

By MARIE KRAKOWIECKI

YONKERS, N.Y.—As part of an overall program to cut back wasteful spending through the use of professionals in municipal government, the winning risk-managed insurance program here is getting results, and fast. But not by remote control. The loss control procedures initiated by insurance and safety administrator Robert Bieber are of the roll-up-your-sleeves-and-pitch-in va-

riety. And Mr. Bieber's sleeves were the first to go up.

The red-haired insurance manager, for example, could be found perched in a city street sweeper during part of his kick-off of an extensive auto safety campaign last February.

He began intensifying the loss control auto safety program after a risk evaluation he conducted proved that the 500-unit city fleet incurred high risks over a five-year period. The risk exposures were so high, he found, that through 1971, Yonkers automobile insurance costs exploded 58.2% as a direct result of the high accident rate chalked up by the fleet.

Within eight months, Mr. Bieber's program had cut the fre-

quency of city accident losses by 42%. And, according to plan, the accidents are continuing their downward spiral.

How? The Yonkers man offered solutions that were common-sensical, positively oriented, and energetically administered. He got into the street sweeper as part of an investigative campaign to ferret out hazards faced by city drivers. And he found some classics.

**THE SWEEPER**, for example, had such a serious blind spot that with its big brushes in a "down" position, it could almost pulverize a small car parked at the curb, before the sweeper driver would even realize it.

Determined to rout such problems, Mr. Bieber contacted the Elgin Co., manufacturers of the sweepers, and requested that a man from the company come to Yonkers to properly train city drivers how to safely operate the vehicle in both normal and emergency situations. The sweeper company begged off, but Mr. Bieber found other ways to cut down accidents.

**HE BEGAN** an incentive reward program for safe drivers to spur city workers on to cooperate with the projected cut-back of accidents. Each year, drivers of city vehicles who have acquired excellent traffic and safety records are awarded certificates of merit signed by the mayor. They are honored at a public ceremony, and receive coverage from the local news media. Mr. Bieber said that city drivers are responding favorably because of the prestige involved. And their active coop-

eration is evident from the decreased number of automotive accidents in Yonkers involving city-owned vehicles.

With the help of public works commissioner Raymond O. Miller, Mr. Bieber also beefed up the loss control program in Yonkers by enlarging the responsibility of city accident review boards.

Under the insurance administrator's watchful eye, the accident review boards began examining all accidents incurred by city drivers. Avoiding negative approaches like firing or punishments, the boards work with the drivers to find out why they had accidents, and what can be done to avoid them in future. They administer a series of written and even physical tests to the drivers to pinpoint driving weaknesses. The physical tests include one for visual acuity, so that afflictions such as color-blindness can be discovered and dealt with.

**THE REVIEW** boards also screen prospective city drivers by studying their motor vehicle safety records, and administering the tests to help sharpen their awareness of city driving hazards.

Preventive safety plays a large role in Mr. Bieber's loss control program. To help cut down on the number of fire exposures on city buildings, for instance, the insurance administrator is insisting that more fire retardant materials and insulation be installed while a building is being constructed.

"Why wait until a place burns down before doing something about fire control?" he asked. With new precautions being taken at the very time of construction, Mr. Bieber expects that city fire risks can be cut back considerably.

Mr. Bieber, who is a licensed Red Cross first aid instructor, has jumped ahead of Occupational Safety and Health Act requirements by teaching first aid classes at night to key personnel in the Yonkers municipal government. Although OSHA requirements are not mandatory for cities, Mr. Bieber feels that first aid precautions are a valuable asset to his extensive loss control program.

The first aid class he teaches shows the Yonkers staff how to deal with medical emergencies until a doctor arrives. Started late in October, the first aid classes are already popular with the Yonkers employes. Mr. Bieber said additional equipment like artificial respiration dummies would soon be included to expand the program. ■

## Consider the Captive Insurance Company

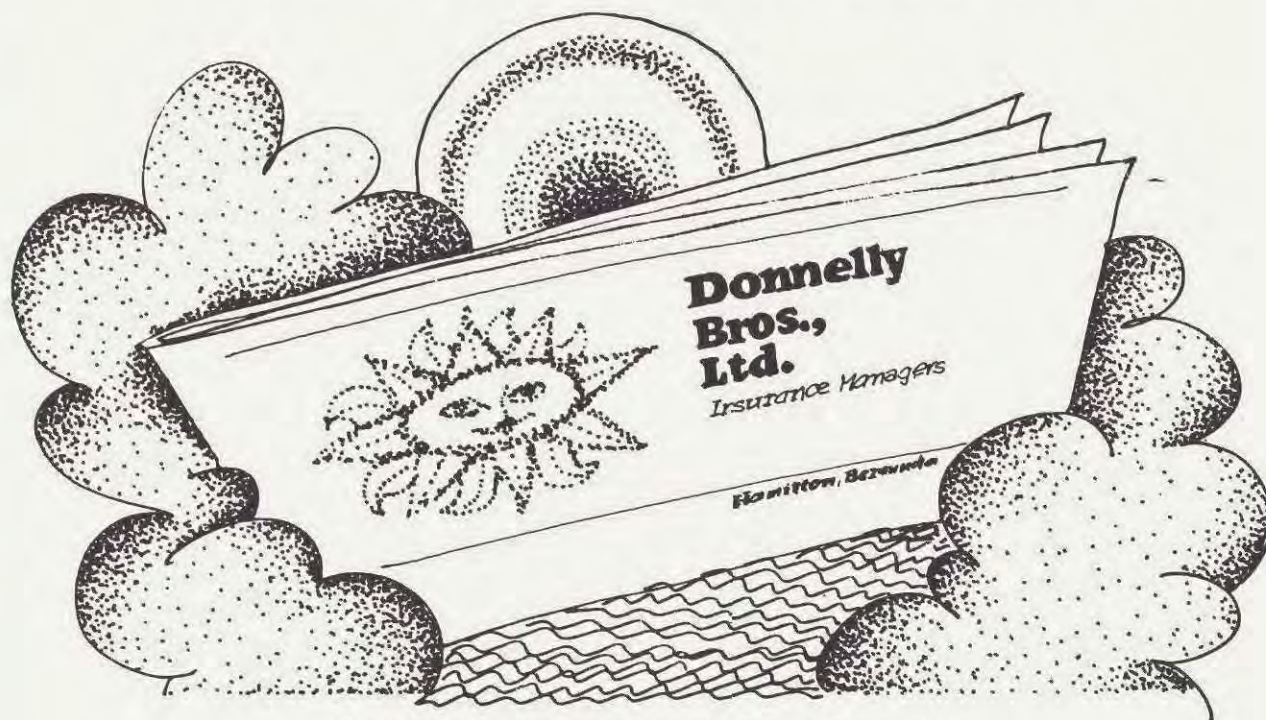
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## Differences in two laws eliminated

HARRISBURG, Pa.—Gov. Milton J. Shapp has signed legislation designed to eliminate discrepancies between claims filed under the state's workmen's compensation and occupational disease laws.

Under previous law, claims filed under workmen's comp for bodily harm could entitle a beneficiary for up to \$95 a week while a disability resulting from poisoning could produce a maximum of \$60 a week under the disease law.

The new law extends the definition of work-related injury to:

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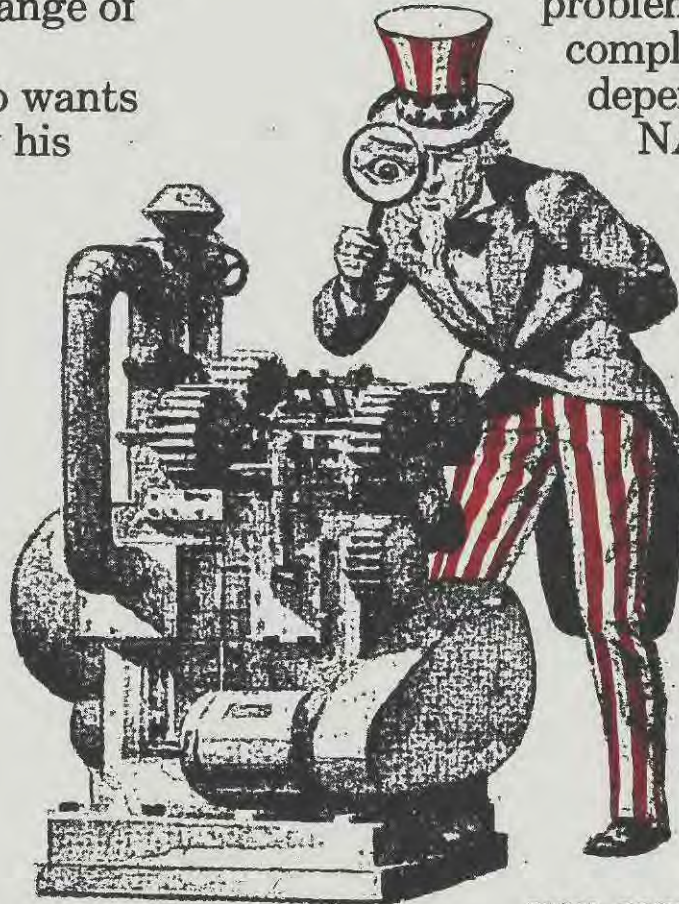
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• Huggins & Company has made available to readers of *Business Insurance* a company bulletin featuring a discussion of **Health Maintenance Organizations**. The bulletin also updates a summary of integration rules for tax-qualified retirement plans under revenue ruling 71-446. Copies may be obtained by writing Huggins & Company Inc., 1401 Walnut St., Philadelphia, Pa. 19102.

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

• 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 form can be obtained by writing Raymond J. Rees, Wright Division of Acco, 1110 E. Princess St., York, Pa. 17403.

• The 1972 edition of **Insurance Facts**, an 80-page book published by the Insurance Information Institute, contains statistics and information concerning the property and liability insurance business in the United States. The 1972 edition contains six new sections on subjects ranging from boating accidents to bombing incidents. Copies are available from the institute, 110 William St., New York, N.Y. 10038.

• **Small Talk** a pamphlet prepared by State Mutual Life Assurance Co. of America describes the company's new group master pension plan. The plan is designed to meet the needs of the small employer group market and provides for three coverage options. For a free copy of the pamphlet write the Group Marketing Div., State Mutual of America, 440 Lincoln St., Worcester, Ma. 01605.

• A glossary of terms, phrases and abbreviations commonly used in fire, liability and life insurance and bonding has been issued by the Hartford Insurance Group. The pamphlet provides a general understanding of insurance technology and is available by writing the Hartford Insurance Group, Hartford Plaza, Hartford, Ct. 06115.

• Insurance Co. of North America has published its ninth edition of **Ports of the World**, which describes port conditions, facilities and cargo loss control methods at 174 world ports. Copies of

the 70-page book are available by writing Communications Services, Insurance Co. of North America, 8th floor, 1600 Arch St., Philadelphia, Pa. 19101.

• The Machinery and Allied Products Institute, 1200 18th St., Washington, D. C. 20036, has made available copies of Memorandum G-56, **The Organization Content and Administration of Company Products Liability Programs—A MAPI Survey**. The results of the survey can serve as a guide for companies in devising and administering programs to circumvent some of the effects of product liability claims. Copies are \$1 for MAPI members, \$2 for nonmembers and available by writing MAPI.

• **Recommended Safety Requirements for Shoring Concrete Formwork**, prepared by the Scaffolding & Shoring Institute, includes definitions and general safety requirements for shoring. Copies of the booklet may be obtained from the institute, 2130 Keith Bldg., Cleveland, Oh. 44115.

### Info for Buyers Issue

*Business Insurance's* annual Info for Buyers Issue to be published Jan. 1, 1973 will carry hundreds of items of interest to buyers of corporate insurance, employee benefits and related items, including safety and security systems.

An annual feature, last year's info issue drew over 30,000 requests for individual items.

If you wish to submit material for the 1973 Info for Buyers Issue fill out the coupon on page 16 and mail to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Il. 60611.

• **COPE, Combined Overseas Protection for Executives**, details coverages in a new plan including personal property and personal effects, comprehensive personal liability, personal excess and catastrophe liability and credit card liability. The booklet outlines coverage, various options and costs, eligibility requirements and other data. Write COPE, St. Paul Mercury Insurance Co., 18th floor, 110 William St., New York, N.Y. 10038.

• Towers, Perrin, Forster & Crosby has made available an article by Bruce A. Searle entitled **Is My Transfer a Promotion, Demotion or Lateral Move?** The article discusses the need for a common salary grading system in the multinational firm and how to proceed in establishing such a scale. For a free copy write Joseph A. Banik, TPF/C Inc., Three Pann Center, Philadelphia, Pa. 19102.

• **The Balance Sheet Approach to Catastrophe Protection for Banks** is the topic of an address delivered by Bernard J. Daenzer, CPCU, before the annual meeting of the National Assn. of Insurance Agents. The speech suggests a synopsis of all bank exposures

and methods of safeguarding against catastrophic loss. Reprints are available without charge by writing Wohlreich & Anderson Ltd., 55 John St., New York, N.Y. 10038.

• **The Character of Lloyd's** contains a nutshell history, anecdotes and a description of the workings of the world's oldest insurance organization. For your free copy write Wohlreich & Anderson Ltd., 55 John St., New York, N.Y. 10038.

• **Personal Insurance For The Expatriate Employee**, a reprint from the International Insurance Monitor by George C. Byrne, personal lines manager—international division, Chubb & Son, is available by writing the international division, Chubb & Son Inc., 90 John St., New York, N.Y. 10038.

• The publication and education division of American Appraisal Co. Inc. has made available its **Commercial Building Cost Guide**, including instructions, cost estimating forms and simplified cost tables. For price information, including bulk rates, write the company at 525 E. Michigan St., Milwaukee, Wi. 53201.

• The Ansul Co. has released **Fire Protection Capabilities**, a graphic and written presentation of the fire protection capabilities of the company, including a description of manufacturing, research, development, fire test station, international fire school and government activities. For a free copy contact Phil Alman, The Ansul Co., One Stanton St., Marinette, Wi. 54143.

• The 1972 edition of **Analysis of Workmen's Compensation Laws** has been released by the United States. The 48-page book details workmen's compensation laws in the 50 states, District of Columbia, Guam, Puerto Rico and Canada. Copies are \$1.50 and can be obtained from the Chamber of Commerce of the United States, 1615 H St., N.W., Washington, D.C. 20006. Quantity rates are available.

• **Executive Equity** is a pamphlet describing a new program of retirement benefits designed by Compensation Planning Corp. for key executives already receiving group insurance in excess of \$50,000. For your free copy write Ned A. Miller, exec vp, Compensation Planning Corp., 666 Fifth Ave., New York, N.Y. 10019.

• **Family Financial Planning with Mutual Funds**, a booklet explaining in everyday language what mutual funds are and how they fit into a family's financial program, has been made available by Fund/Aids Inc. The brochure includes information on dollar-cost averaging, the mutual fund prospectus, investment plans and a checklist for buyers. Sample copies are available for 25¢. For further information and quantity prices write the company at 1007 Fifth Ave., San Diego, Ca. 92101.

• **Will You Be Ready When This Man Knocks on Your Door?** is a new booklet describing the OSHA record keeping service offered by Harlan Inc. The automated service provides an employer with a monthly log of injuries and illnesses plus an annual summary, with an employer's workmen's compensation or other accident report used as input data. For your free copy, write Optiscan Computing Inc., OSHA Recordkeeping, P.O. Box 52650, Houston, Tx. 77052.

## ASIM Midwest seminar

# Panelists urge halt of risk dollar drain

CHICAGO—"Idea blitz" may be the best term to describe a panel discussion on risk management financial techniques featured at the American Society of Insurance Management's Midwest regional seminar held here last month.

Stopping the risk dollar drain and increasing cash flow were the main topics of discussion, with a number of suggestions emerging from lively interchanges between panelists and seminar participants.

Sheldon H. Staubitz, manager of corporate insurance for Chemetron Corp., urged risk managers to be more aware of cash flow management by watching insurance dollar inflow and outflow and reporting this to the company

treasurer "whether it's required or not." He further advised his audience to "let your brokers know that you're concerned about fast cash flow." Mr. Staubitz, who stated that "insurance companies are holding a lot of our money—and maybe they shouldn't," complained that far too small a percentage of the premium dollar is actually going for insurance and asserted that risk managers have a right to know how much of their premium dollar is spent for various administrative costs.

**HE MENTIONED** self-insurance and captives as two alternatives for saving risk dollars and further suggested that company's be allowed to self-assume while

purchasing a higher insured layer on an annual aggregate basis. Mr. Staubitz stressed, too, that corporations be given more credit by insurers for their deductibles.

Nalco Chemical Co.'s John Ross advised the group that "Although captives may seem to be a dead issue right now (if it's fitted your needs you probably already have one) don't drop the subject just yet." He reminded risk managers that captives could still retain a profit role as well as a self-insurance role.

In discussing the Colorado captive law, he asserted that the intent of the law was to encourage favorable conditions for establishing captives, and that, so far, the Colorado insurance depart-

ment was indeed amendable to most proposed captive set-ups. Four parts of the act, said Mr. Ross, are especially "encouraging."

- A bank letter of credit satisfies surplus requirements.
- Captive companies do not have to take part in assigned risk pools.
- Premium taxes are 3% lower than in Bermuda.
- State regulation is available, thus making reinsurance easier to obtain.

**ONE RISK** manager at the meeting warned his colleagues that "the captive may be dead. The word is out that IRS has

*Continued on page 10*

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# Canadian employers spend 29% of total payroll on fringe benefits

TORONTO—Canadian employers now spend from one-fifth to one-third of total payroll costs on fringe benefits. Data from "Fringe Benefit Costs in Canada 1971," published by Thorne Group Ltd., a Toronto-based management consultant, reveals that the 1971 Canadian national average was 29.04% of total payroll, or \$2,468 per employee.

The Canadian figures parallel those for U.S. fringe benefit costs gathered by the U.S. Chamber of Commerce, which show U.S. benefit costs amounting to 30.8% of payroll, or \$2,544 annually per employee.

The recent Canadian sample also shows that fringe benefit costs to employers have nearly doubled during the last 20 years,

and that close to half that cost rise appears to have come in the last four to six years.

The survey, which is based on findings from 106 firms employing 436,580 workers, enumerates benefits including vacations and other paid time-off, pensions, insurance and medical plans and a variety of other items, ranging from company discounts to educational grants.

**THE MOST** expensive fringe benefit is the cost of paid time-off, including vacations, statutory holidays, coffee breaks and other rest periods. In 1971 this averaged \$1,101 annually per employee. Vacation pay averaged \$468 and accounted for 5.49% of payroll.

Close behind the vacation pay

is what the study calls welfare, which encompasses medical, hospital and sick benefit plans. In 1971 Canadian health plans averaged 5.42% of total payroll, or \$466. Charts show a sharp increase in health costs particularly in the food and beverage and chemical industries. Food and beverage employers reported welfare was costing 8.61% of total payroll in 1971 as opposed to 5.58% in 1969 and 3.2% in 1967. The chemical industry has had its welfare costs rise from 3.38% of payroll in 1967 to 6.01% in 1971.

All but six of the 106 companies surveyed had contributory welfare programs. On the average, the employers bear more of the shared costs than the employees. The ratio is 3 to 1.

Pension costs examined were nearly all shared plans. Only 14 of the 106 employers paid the full amount for pensions. The chemical industry showed a relatively generous ratio of three-to-one in paying premium costs.

Some other conclusions from the Thorne study are:

- There has been a significant increase in the number of employers giving severance and termination pay. Some 67% of the employers offered this benefit, up from 58% of the sample two years ago.

- The proportion of employers offering educational benefits has risen to 97% of the sample from 90% two years earlier.

Although most fringe benefit spending is up, the survey also revealed several benefits which appeared to be of decreasing prevalence: profit sharing, free meals, savings plans, transportation and parking, safety clothing and equipment, Christmas gifts and company discounts. ■

## Panelists...

*Continued from page 9*

ruled that for a captive to receive tax exemptions, it must deal with third party risks." He stated that "two or three" rulings were involved, and concluded that "as a self-insurance funding vehicle, the captive appears to be on the way out."

Mr. Ross added that Bermuda's negative notoreity as a tax-dodge situation "may still adversely affect the Colorado situation" and agreed that the main role of captives would eventually be as profit centers.

Arthur P. Bostwick of Sunbeam Corp. advised those risk managers assembled to "make yourself known as a profit center." He said that "too often we (risk managers) are looked upon by financial departments and upper management as an expense center. Yet we freed around \$250,000 one year by self-insuring."

**SELF-INSURANCE** has the advantage of giving a company the use of its own money, the Sunbeam risk man said, but he noted that "nobody's big enough to accept catastrophic losses. You have to consider excess cover." A key factor in obtaining excess, he pointed out, is the quality of a risk manager's self-insurance service company "Excess underwriters need to be confident in your service organization."

Others who need convincing, according to Mr. Bostwick, are finance people within a risk manager's own company on the matter of how many cents per share should be allotted for self-insurance.

"Who holds onto the money is really the name of the game," he continued, mentioning a negotiated lag in premium payments as one feasible cash flow tool. Mr. Bostwick also cited the possibility of an insurer paying an agreed percentage of uncontested loss within a specified number of days as having a considerable cash flow function as well.

"If self-insurers got the same tax treatment that carriers do, we'd all be ahead of the game," was his comment. A hearty round of applause followed. ■

## Chart...

*Continued from page 3*

ses and squint. Now have a longer cord and I can get up and walk over to the chart with the phone in my hand."

And that has been the only problem.

Mr. Holwerda, whose title is actually manager of safety and loss prevention, joined Colt after serving a stint as an engineer at Celanese Corp., where he was much concerned with safety. "I guess Colt decided they wanted an engineer they could teach insurance to rather than the other way around," he said.

**HE SPENDS** about half his time away from the office, explaining, "You can't do this job from behind a desk. You have to get out and visit your plants, find out their problems first hand."

But the other half of the time, he said he used the chart seven or eight times a day. "It's invaluable to me. Most of the information is in my head but when I need the basics, there they are."

Mr. Holwerda is justifiably proud of his control chart and you can see it when he talks about his accomplishment. "I've never seen anything else like it," he noted, adding that there was always room for expansion. "I've been thinking about adding pollution control to the chart. I think that will be next." ■

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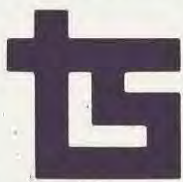
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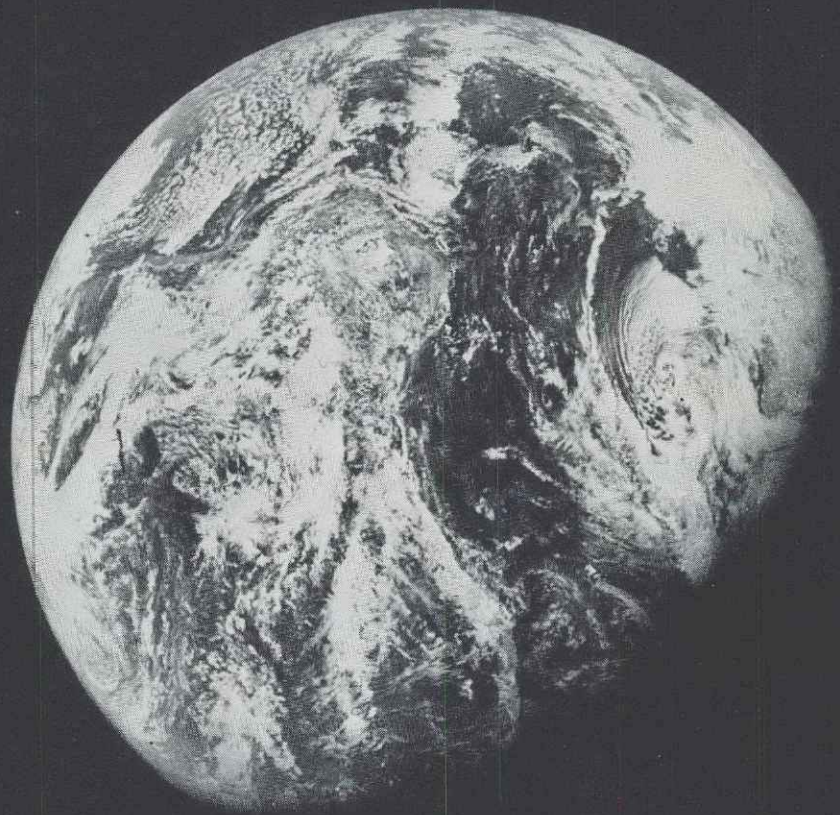
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# Risk manager and broker should work as a team to assure success

BERKELEY, CA.—The basic objectives of risk managers and brokers are "so essentially similar" that both should work as a team to assure success in achieving comparable goals, according to Robert M. Levison.

Mr. Levison, partner in Dinner Levison Co., San Francisco, urged the concept of "partnership" in an address to the regular monthly meeting of the northern California chapter, American Society of Insurance Management.

The meeting was opened by chapter president Norman S. Wintemute, Bank of America, who introduced Mr. Levison as a member and former president of the Society of Insurance Brokers of San Francisco, the National Assn. of Insurance Brokers and

the Stanford Alumni Assn.

Mr. Levison said "the broker as well as the risk manager has the basic objective of providing the best possible insurance protection for client or company.

"UNFORTUNATELY," he added, "the relationship between the two often is a somewhat tenuous one. What fits for one does not always work for another. Both are needed, however, to properly serve society's constantly expanding industry."

"The disadvantage in this," Mr. Levison explained, "is that far too often the risk manager is not at the top of the business management team and is not sufficiently close to the decision-makers.

"Conversely, the broker more

often is in this position and as an outside-the-company-expert can influence those decision makers. This is an advantage of great value to the risk manager willing to accept the broker as a member of his team."

Mr. Levison added his conviction that "the function of the risk manager often is much bigger than his budget or staff. Most risk managers have too much to do. They can profit by sharing their burden with the broker."

HE ALSO cited the Bay Area Rapid Transit System, now partially in operation, as what he considers a good example of the broker becoming, in effect, the risk manager.

"In the large industries and

companies," he said, "the brokers work with the risk manager. With the smaller firms, the broker is in actuality the risk manager."

He insisted that risk managers "should use brokers when brokers can help" and that "brokers should be needed, if necessary, to provide such help. After all, brokers should earn their keep."

He touched only briefly on broker charges and costs, asserting that "even the brokers themselves do not actually know what their true costs are. In spite of this, risk managers should not hesitate to ask what a broker will charge for helpful services."

THE "SINGLE broker concept," Mr. Levison told the ASIM, "has by now become pretty well accepted, although some companies, as they grow make the mistake of using a number of brokers when they really should rely, essentially, on one principal broker."

He also said that the insurance

market has changed rapidly in the area of pricing, producing what he described as the "I can buy it for less" philosophy among risk managers.

"It is a mistake," Mr. Levison said, "for the risk manager to permit this to become his first aim. The cost of insurance should always be secondary to the philosophy of service and risk managers as well as their top management should realize that all the brains are not in just one area."

"The broker alone," he also pointed out, "has very little political clout. Combined with the risk manager and the abilities of the risk managers' company or industry, the two can become mighty effective in marshalling forces for legislation beneficial to the insurance industry as well as to the public.

"Unfortunately," Mr. Levison continued, "insurance companies, as such, and insurance brokers, as individuals, are not well received or listened to by legislators." ■

## Is your umbrella big enough?



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## Fight over payments

LONDON—Fierce controversy is blowing-up in Britain over the scale of payments to thalidomide children who suffered severely from the drug which their mothers took during pregnancy eleven years ago.

Many of them are now growing up with lifelong loss of limbs or other permanent deformities. Legal battles are still in process to settle how much compensation many of them should get.

Distillers Biochemicals, part of the big Distillers group, agreed four years ago to settle part of their claims if allegations of negligence were withdrawn, and have lately offered to set up a trust fund of between \$8 million and \$9 million to help children so far unprovided for. (*Business Insurance*, May 22).

But there is a mounting storm of criticism that this is not high enough in the light of the children's needs and growing inflation, since it would only provide an average of \$25,000 or so for each of 370 children involved. ■

## Change in speakers

NEW YORK—In its Sept. 11, issue *Business Insurance* reported on a speech delivered at the Product Liability Prevention conference at the Newark College of Engineering which attacked both industry and the federal government for apparent laxity in the product safety area. The speech was attributed to William Schwartz, general director of the American Trial Lawyers Assn.

The remarks, however, were made by Edward Swartz, Boston attorney and author of "Toys That Don't Care," and were attributed to Mr. Schwartz through a name mix-up.

Mr. Schwartz, the conference's keynote speaker, gave an address entitled, "Product Liability: Consumerism in the Courts," which encompassed many aspects of the product liability problem including its development from "Let the Buyer Beware" to "Let the Seller Beware."

His address emphasized the importance of prevention and the movement of the courts to the doctrine of strict liability. The thrust of his remarks could be summed up by a phrase he used twice during his time at the podium, "It is better to build a fence around the edge of a cliff than to station an ambulance in the valley below." ■



# london line

## Government moves to supervise insurance industry more closely

LONDON—Moves to supervise the British insurance industry more rigorously after the \$50 million Vehicle and General Insurance Co. crash (*Business Insurance*, July 3) have taken new shape with a government decision to appoint a management specialist to its regulatory set-up.

He is Robert E. Beard, general manager of the Pearl Assurance Group, who will join the insurance section of Britain's Trade and Industry Office on loan this fall, with a two-year term of office in prospect.

During the public probe of the company's collapse, the trade and industry department was criticized for being staffed by civil servants alone. The office had no corporate insurance officer directly able to advise them on the intricacies of financial solvency and other matters.

It was accepted that the British Insurance Assn., which represents all major U.K. insurance corporates, might be consulted from time to time in a general sense. But it has no statutory power to control the industry, and has never sought to take on such duties.

Prime Minister Edward Heath told Parliament this year that, in fact, the British Insurance Assn. had "declined any responsibility for the supervision of insurance companies."

But the government tribunal which probed the crash reported that there were fundamental problems to be resolved. It also said it was essential to decide whether the staff of the trade and industry office is adequate in numbers, training, qualifications and capacity to deal with the insurance industry.

Mr. Beard will now supply advice on solvency problems and other matters, using experience gained from more than forty years in the industry.

Two detectives from London's fraud squad have been instructed to check if there was criminal negligence by any Vehicle and General executives before the company collapsed with heavy debts.

**DOCTORS IN** Britain are warned that the cost of medical negligence is rising, with examples from the U.S. to show the perils of lawsuits for professional liability.

The dangers were spelled out by John Stallworthy, president of the Medical Protection Society, when he told members at its annual meeting: "In some states of the U.S., litigation has reached

### Child labor laws

The Washington supreme court ruled that violation of child labor laws can make an employer responsible for an accident his employee has on the way home. In a unanimous decision, the court linked fatigue of a youth who worked two shifts with a free-way accident that left the 17-year-old permanently disabled. Marriage of a minor does not remove the person from provisions of the law and the fact that an employer did not realize his employee was under 18 is no defense, the court held.

such proportions that medical men are ceasing to practice because they cannot afford the premium necessary to safeguard them against the heavy damages which the courts award."

Because the Medical Protection Society, which now looks after more than 50,000 doctors and dentists in the event of negligence

claims, has found that damages in Britain trebled in the past four years, it has been forced to hike its subscriptions.

Mr. Stallworthy declared: "If the day comes when a doctor cannot be protected against claims for negligence, he must cease practice or risk professional ruin and bankruptcy."

"Accidents can happen anywhere, but when they are excessive in number or gravity there are factors other than personal suffering to consider. Insurance companies raise their premiums or even go bankrupt; reinsurance becomes more difficult, more expensive, or even impossible; and the relevant markets suffer accordingly, whether these involve big business or professional men and women."

The Medical Protection Society is a kind of "captive" for the medical profession. It provides both legal defenses against lawsuits, and pays the damages if its members lose out in court awards for treatment of patients.

\* \* \*

**NEGOTIATIONS** have been completed with a group of Lloyd's and company underwriters to un-

derwrite as a specific class of business high risk employers' and public liability insurance.

Cover will be available to such trades as demolition contractors, steeplejacks, scaffolders, underwater contractors and explosive experts.

The employers' liability cover is in accordance with the needs of new legislation, and provides cover to the limit of \$5 million for any one occurrence, unlimited in any one year. Territorial limits are the U. K., excluding Northern Ireland, and policies are for a maximum period of 18 months, with a minimum premium for any one risk of \$600.

Public liability cover provides an indemnity limit of \$1.2 million, and products liability will be considered as an incidental extension to such a policy. ■

## Executive runs afoul of O.S.H.A.

Photo © 1972 Dave Phillips



The sudden and unexpected resignation of J. Claudius Witherspoon as General Manager of Galactic Industries' Wombat Division sent shock waves reverberating through the world of commerce.

Widely regarded as an exemplary executive, Witherspoon was marked by some as an eventual successor to the firm's revered founder, Julius Galactic, himself. Although tight-lipped company officials grimly refused comment on the shocking termination of a promising career, it was whispered throughout the far-flung Galactic empire that Witherspoon had run afoul of the new Occupational Safety and Health Act.

### Done in by Fire Protection

His singular lack of knowledge and concern for the problems of fire protection represented a grievous and as it turned out, fatal executive flaw.

O.S.H.A. served to bring his inadequacy into sharp focus.

Selection and placement of portable fire extinguishers baffled him. Required inspection and maintenance procedures left him in utter confusion. Finally his failure to provide special extinguishing systems for the protection of his new, sophisticated Wombat production line, set tongues to wagging. A series of small but troublesome fires and a mounting number of O.S.H.A. citations culminated in Witherspoon's disgrace and dismissal.

### Wherein we dwell on what might have been

Alas, had he only acquainted himself with the unique products and services of The Ansul Company, Witherspoon's executive star might still be in ascendancy. Ansul is engaged in the business of solving fire protection problems. There are

presently many firms trafficking in fire extinguishing hardware, but few who wish to become involved in such matters as the interpretation of codes, standards and regulations, hazard analysis, employee training and the like. Ansul does these things as well as provide a broad line of precision engineered fire extinguishing equipment and a nationwide service network of reputable distributors.

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## Canadian bar unit will look at prepaid legal

VANCOUVER—Members of the British Columbia branch of the Canadian Bar Assn. see a widespread and unanswered need in Canada for some kind of prepaid legal service using the insurance principle similar to group medical insurance, and have formed a special committee to examine the feasibility of such a plan. A detailed proposal will be presented at the next annual branch meeting in June.

If such a proposal is adopted it would be the first prepaid legal service plan in Canada.

The kind and extent of services to be offered are the areas yet to be thoroughly explored, but the present consensus among lawyers is that the prepaid service would

best suit lower-income groups and those somewhat beyond, which have not had much contact with lawyers—and which are reluctant to use legal services because of cost, psychological reasons—or ignorance.

ON THE OTHER hand, the lack of exposure of the average person to legal actions has been cited by the president of the Toronto & District Labor Council, Donald Montgomery, as a reason why a group legal plan would be of little interest to union members.

Sholto Heberton, chairman of the investigative committee, has countered that argument, however, by pointing at pioneer legal care plans in the U.S. which in-

volve group insurance plans with unions.

Mr. Heberton has looked to two U.S. programs—one in California and the other in Washington. In each case the state bar association established a non-profit legal care corporation which would act as middleman. On the one hand it will sign contracts with groups such as teachers, unions or other institutions to provide the legal service. On the other side it will enter into contracts with lawyers to provide the called-for service to individuals within the group.

THERE IS also a provision for transferring to a different lawyer if service is inadequate, or other problems arise. In both states the initial eligible services include help with ownership of home or car, drawing up of wills, general advice and perhaps defense help on certain criminal charges.

John McAlpine, vp of the B.C. branch of the Canadian bar, has advised that the use of para-legal personnel will be very important in determining the costs of the plan. The Canadian lawyers also realize that any plan will have to comply with existing insurance and tax laws and must avoid any conflict with legal professional ethical laws. ■

## Safety bill introduced in legislature

HARRISBURG, PA.—Pennsylvania's version of the 1970 federal Occupational Safety and Health Act has been introduced in the state house of representatives.

The bill sets up a departmental adjudicatory board to "determine the disposition of challenges to citations, notifications that no citation will be issued, proposed penalties and periods of abatement, and such other proceedings as may be determined."

The board, which is the state counterpart of the federal Occupational Safety and Health Review Commission, would also hear applications for variances from safety standards.

It would consist of five members—three to be appointed by the state labor and industry secretary and two by the state environmental resources secretary. Board members could not be employees of the labor and industry department.

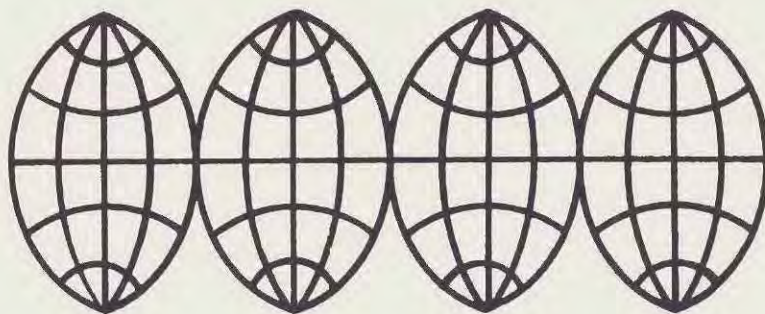
THE PENNSYLVANIA Chamber of Commerce said the legislation "raises several disturbing points for the employer."

The chamber singled out the provision that in assessing penalties the board must consider the size of the business, the gravity of the violation and the history of previous violations.

"The notable deficiency is that no consideration is given to the good faith of the employer in attempting to comply with the safety standards," the chamber said. "This factor is found in the federal act and is taken into consideration by federal area directors."

The chamber also took issue with a section of the proposal requiring employe medical examinations to be made available at the employer's cost and that examination results be furnished only to the employe or his physician and appropriate state officials.

The proposal is expected to go to public hearings late this year and then be considered by the 1973 general assembly. ■



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He got the business. Now a lot of other producers are using that same program.

The same thing happened again last year. A producer needed a package to cover a bunch of fast-food restaurants. We put all the ingredients together and served up a delicious solution to his problem.

Our point is this: If we can write a package that will help you, it will help us, too.

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City \_\_\_\_\_

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## editorial opinions

# An opportunity for risk management

ELSEWHERE IN THIS issue is the second of two articles that detail how the city of Yonkers, N.Y., is fighting municipal waste and trimming the fat that resulted in a \$16 million budget deficit a few years ago. The first article ran in *Business Insurance* Oct. 23.

We find Yonkers—a city of 230,000 that sits on the northern fringe of Manhattan—an interesting case for risk management people to ponder.

Yonkers, N.Y., faced up to its financial problems by adopting an approach to government that uses professionals to administer the city, much the same way an efficient corporation is run. Among other things it hired an insurance and safety administrator from the ranks of private industry and gave him the go-ahead to identify and treat risk exposures that could result in financial loss to the city. Robert M. Bieber, former assistant insurance manager of Schlumberger Ltd., New York specialists in oil well services, took the job. Mr. Bieber and his broker, Marsh & McLennan, have been at work on Yonkers' risk problems for some time now. The fruits of their labors are beginning to tell.

Our reasons for looking at Yonkers are several.

First of all, it is always nice to relate success stories, and in this particular case it is especially refreshing because a few weeks ago we ran a story about a New Jersey county where wide-scale insurance buying abuses were uncovered (*Business Insurance*, Sept. 11). Lawn mowers, for example, were insured in Atlantic County, N.J., under county motor vehicle insurance policies that had \$50 deductibles—and at the expense, of course, of the taxpaying residents of the county.

Second, we feel that many municipal insurance programs have been and continue to be poorly managed and tied to

political strings. How many votes, for example, can an insurance agent or broker deliver per \$1,000 of a town or city's insurance budget. Too often, we suspect, that is the major question when addressing a town or city's risk problems.

Third, we see a tremendous opportunity for the risk management profession here. Our reasoning goes something like this: Risk management is becoming more and more sophisticated, there is no doubt about that. An increasing number of U.S. corporations are recognizing the value of having a key executive—a vp, say—charged exclusively with conserving a corporation's assets by properly managing its risks. In the future, therefore, there is going to be an even greater demand for risk management professionals (the old law of supply and demand). That can indeed be an exciting possibility.

Beyond that, though, there is the opportunity for those still studying risk management to get into the field on their own local level. We've said this before, of course, but it bears repeating: Why shouldn't an insurance manager promote good risk management in his own community? A good place to start is by asking a few questions at local budget hearings.

Perhaps, also, it is a good time for an organization such as the American Society of Insurance Management to get into the act. The society is moving, it has established some educational goals and is working toward them. However, we have seen ASIM do little in the area of municipal or governmental insurance management. The firm establishment of the risk management concept on the governmental level, we feel, would go a long way toward promoting the overall goals of the society and, most importantly, its members.

Perhaps now is the time for ASIM's leadership to cast an eye in that direction.

## ASIM hesitant about exerting force

THE AMERICAN Society of Insurance Management's handling of its current "frustrations" with the National Assn. of Insurance Commissioners and insurance industry groups (see story elsewhere in issue) leaves us a bit puzzled. It appears that ASIM remains hesitant about exerting its full force as the organization representing the largest group of insurance consumers in the country.

We wonder why ASIM refuses to press any further than by way of one letter and a "few informal contacts" in seeking nomination to NAIC's consumer advisory committee. ASIM certainly showed no compunctions in calling a press conference to air its feelings, but how much actual behind-the-scenes effort has been made by the association to establish a dialogue on that matter with the NAIC?

An editor of this magazine phoned NAIC headquarters and, within minutes, was informed about the status of the nominees, the problems involved in amassing potential consumer committee members, the name and phone number of the nominating subcommittee chairman and even given

a statement that "ASIM is certainly in the forefront of those to be considered." Surely a duly-delegated ASIM representative could not only have received the same information just as easily, but articulate in a personal way to the right people precisely why ASIM should be represented on the consumer panel. Not receiving a reply to one lone letter—for whatever reason—provides no justification for bemoaning a cause not yet lost.

A more complex situation arises from ASIM's exclusion from consideration on comprehensive general liability form revisions. A number of those present at the ASIM press conference asserted, quite forcefully, that more blame for this lay with carrier associations than with insurers.

Perhaps there's a lesson in that for ASIM itself—namely, fight solidarity with equal solidarity. We wonder if the reaction would move in a more positive direction if ASIM presented a concerted lobbying effort of its own, bluntly emphasizing just how many premium dollars it aggregately spends.

## letters

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

### Professional liability

To the Editor: We were interested in the article on professional liability which appeared in the Sept. 25 issue of *Business Insurance*.

Our interest stems from our experience with the subject matter which is significant to us in that we set up a department in 1969 for the sole purpose of administering to the insurance needs of architects and engineers in Canada.

The fact that many insurers have withdrawn from the Canadian market is not new as our professional liability division owes its' existence to this fact. Since its' inception, and our prior development of markets in anticipation of the market shortage, our program has been broadened by way of coverage and rates have improved substantially. This is contrary to the statement made by the underwriter quoted in your article.

We believe the reason for the experience of our program running contrary to the general trend is that our plan is geared solely to Canadian experience.

Our program embraces deductibles as low as \$5,000; however, the larger the firm, the larger the deductible. The scale for deductibles is in relation to the size of the professional firm and imposes no undue hardships on them.

Our program has been successful to date due to the support of leading architectural and engineering firms and we are constantly endeavoring to improve our product. The success of our program in the long run, however, will depend on the continuing support and cooperation of the Canadian architects and engineers.

Donald I. Brown

Vice president and director,  
E. A. Whitehead Inc., Toronto,  
Ontario, Canada

### Aviation insurance

To the Editor: On the front page of *Business Insurance* dated Oct. 9, you had an article entitled "Air disaster is insured under \$2 million policy." In the body of the article you stated that "aviation insurance industry sources revealed that the rebuilt F-86 fighter plane, owned by Spectrum Air Inc. of Novato, Ca., was covered by a policy written by Crump Excess in London."

I was in Los Angeles at the time of this disaster and was told that this rumor had spread throughout the aviation insurance industry both in San Francisco and Los Angeles. I assume the reason for this rumor is the fact that we do write a large volume of aviation business and for years have written specialty coverages such as cropdusters, flying clubs, old aircraft, etc. However, to set the record straight, we did not write the coverage mentioned in your article.

Earl R. Lanning

Executive vp, Crump Aviation Underwriters, Memphis, Tn.

Editor's note: Mr. Lanning is indeed correct. The coverage was written by Lloyd's of London through a Los Angeles broker, Crump Aviation Underwriters, Memphis, was not involved.

## business insurance

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# Different slant to international benefits programs

BOSTON—Many of the large life insurance companies have, it appears, seen the need to provide employe benefits programs for multi-national corporations at all their branches in many different countries. Most of them solve the problem by signing an agreement with a big overseas insurance company which has offices in vital cities.

The John Hancock Mutual Life Insurance Co., however, has gone at the problem from a slightly different angle. Instead of signing with one huge foreign insurer,

John Hancock now has agreements with 22 different insurance companies around the world. Each of the companies has a separate agreement with John Hancock and each associate insurer participates in the program only where its head office and principal branches are located.

The plan, called the International Group Program, was specifically designed to meet the worldwide group insurance and pension needs of multi-national corporations and, according to Victor Lutnicki, John Hancock's

executive vp, "The program can give an American company the kind of first-class insurance service it expects in any country in which it does business."

MR. LUTNICKI further explained, "Say you have an American insurance manager whose company has branches in eight foreign countries. Through the plan, we can show him a run-down of benefits which reflect competitive needs and the local customs of the country where the branch is located. We can quote rates immediately and guarantee him that his foreign plant will get all the competitive advantages. And, because of the greater spread of risk, we can pay him his dividend right here in the U.S."

Under the program, premiums are paid to the associate insurer in local currency and are charged at customary local rates. The as-

sociate insurer pays all claims in local currency and the local dividend, which is based on pooled claim experience, is paid regardless of the actual international claims level.

Other features of the IGP, which Mr. Lutnicki described as strongly, broker-oriented, include:

- Free transfer of pension reserves from one IGP plan to another for any employee whose permanent location is changed.

- Maximum amounts of non-medical group life insurance in each country that are a function of the worldwide volume of coverage in IGP (subject to legal limitations (in some countries) are offered.

- Continuous local service coordination in Europe through the facilities of John Hancock International Services, S.A.

Mr. Lutnicki said that the IGP network covered 128 branch of-

fices of large corporations around the world and had \$600,000 million in force, which he predicted would double within the next two years. The program was established in 1967.

"ONE OF THE beauties of this plan is that it works both ways," Mr. Lutnicki told *Business Insurance*. "In other words, it doesn't benefit American companies alone. If a German firm with a branch in the Netherlands needs a plan designed, IGP will also work for him."

He pointed out that the companies associated with IGP have meetings "about every year-and-a-half" where sales, actuarial and underwriting personnel from the insurers get together with brokers, consultants and customers to discuss their problems.

Mr. Lutnicki said that the insurance network covered all countries in the western world and Japan signed last. ■

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## Massachusetts Blue Cross will pay legal costs for over charged

BOSTON—Massachusetts Blue Cross will pay legal expenses for subscribers sued by hospitals for refusing to pay charges in addition to their regular Blue Cross coverage, according to a spokesman for the health plan organization.

Blue Cross offered legal assistance after a number of Bay State hospitals reportedly decided to bill patients for the difference between the amount collected from Blue Cross—under terms of an on-going, state imposed freeze—and the new, higher hospital rates that would have become effective Oct. 1.

Fred P. Chapman, a Blue Cross vp, said:

"Our position is that they shouldn't have to pay (additional bills) at all. We have told them not to pay these bills, and we would be interested in knowing about any specific cases in which a subscriber received a bill on top

of what the hospital had already received from Blue Cross."

Mr. Chapman said that Blue Cross hoped that the Massachusetts Consumers Council and state attorney general Robert H. Quinn would support its defense of the 3.1 million Blue Cross subscribers against additional hospital billing.

The Blue Cross offer of legal assistance, he said, was applicable only to subscribers with coverage for the full cost of semi-private rooms, and not to those with indemnity contracts, which normally picks up the tab for a portion of hospital charges.

THE EFFECT of additional billing would be to circumvent a freeze on what Blue Cross would pay on behalf of subscribers.

Blue Cross insisted that a new state law, activated when its contract with hospitals expired Sept. 30, froze what it must pay hospitals for subscriber care at the

level in effect at that time.

Most Bay State hospitals had planned to boost rates Oct. 1 (which begins their fiscal year). Rates, in fact, did rise Oct. 1, but the level of Blue Cross reimbursement continued at the same level.

HOSPITAL interpretation of the new state law—initially proposed by the Massachusetts Hospital Assn.—was said to markedly differ with that of Blue Cross and the state.

MHA vp Patrick R. Carroll remarked: "We do not believe it freezes charges, and certainly not costs. The law calls for payment of 'reasonable costs' and we do not believe that frozen costs can be considered reasonable."

Understandably, the absence of a Blue Cross agreement with hospitals across the state has provoked both administrative woes and considerable legal deliberations. ■

## Canadian pension plan

VICTORIA, British Columbia—The province of British Columbia is anxious to find out how much of the province's proposed \$200 guaranteed monthly income for old age pensioners will be provided by the federal government.

The federal government will have to make "some adjustments" in the Canada Assistance Plan, said Norman Levi, British Columbia's rehabilitation minister. Mr. Levi said he wants a statement in writing from federal health minister John Moore, detailing how the federal government will take part in the program.

Norman Cragg, director of the Canada Assistance Plan, met here with Mr. Levi along with several other federal officials for a discussion of the provincial plan. Following the session, Mr. Cragg said some phases of the British Columbia plan meet the guidelines of the Canada Assistance Plan but some do not.

Cragg commented: "What we have to do now is examine them in greater detail to determine to what extent they do meet the conditions and, if they don't, what steps need to be taken." ■



# Newsletter



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## Agent/Broker Directory Available Now

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

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## More rules proposed for state insurance ads

MADISON, WI.—The prohibition of testimonials in accident and health insurance ads—such as those featuring television personality Art Linkletter—was proposed by Stanley C. DuRose, state insurance commissioner. The proposed rules also would restrict the use of such advertising claims as "cash income" and "extra cash."

Six months in preparation, the 23-page code "would revolutionize the merchandising of accident and sickness insurance, particularly in the area of mail order insurance," Mr. DuRose said.

Mr. DuRose scheduled a public hearing on the tough set of regulations for Nov. 17 in the state capitol. He said restrictions were

needed because much advertising, while not untruthful, is highly misleading and confusing.

Mr. DuRose said the proposed curbs were the most significant new regulations in the health and accident field since 1961 when Wisconsin enacted a law preventing unlicensed companies from doing mail order business in the state.

**AFTER THE** Nov. 17 hearing, Mr. DuRose is to review and possibly rewrite the proposed rules before putting them into effect.

The restrictions would ban the use of numerous terms unless they were literally true. That would include such slogans as "fills the gaps in Medicare," "safe-

guards your standard of living" and "guarantees your income."

The rules would require that policies be identified as belonging to one of six basic types, for which minimum coverage standards would be prescribed. A policy failing to meet the minimum standards could be advertised but must bear a designation that it doesn't come up to standards.

The rules also specify that all ads must contain a brief summary of benefits, set apart from the text of the ad; that no ads would be permitted which claim that buyers would be uniquely eligible for some special policy; that statements to the effect that a company is licensed to do business in Wisconsin must carry a notice saying that such a situation is not to be construed as an endorsement by the state; and that agents are prohibited from recommending accident and health insurance without reason to believe that the policy would be suited to the buyer's needs. ■

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## Rate cut by California FAIR Plan

LOS ANGELES—California's FAIR Plan Assn. has announced a rate reduction of up to 50%, as of Oct. 15, for policies under their commercial crime insurance plan.

These rate reductions, according to Charles R. Ford, chairman of the plan's governing committee, are being made to encourage agents and brokers to market the policies more actively to small businessmen who have been unable to obtain coverage in the insurance market.

The small businessmen who previously had to pay higher rates under the plan's commercial crime rating system—because their annual gross receipts exceeded \$25,000 per year—are now eligible for the lower rate if their total receipts do not exceed \$100,000.

Lesser rate reductions were instituted for businesses with gross receipts of between \$100,000 and \$1 million annually.

**MR. FORD** gave us an example, a grocer in a high risk area such as Los Angeles or Oakland, with gross receipts of just under \$100,000. The grocer would have paid \$140 for \$2,000 of robbery coverage, \$120 for \$2,000 of burglary coverage, or \$234 for both under a package policy. Under the new rates, he pointed out, the policies would cost \$70, \$60 and \$117 respectively—exactly one-half of the old rates.

This rate reduction for the California plan is in line with the rate revision offered by the federal government in states that have federally run crime insurance programs. ■

## New insurance firm

Land Stability Insurance Co., San Francisco, has been capitalized to the amount required by California law and the firm has applied to the state insurance commission for authorization to conduct business within California. The company will insure homes and home sites in new developments against land failure, including landslides, mudslides, subsidence, buckling and heaving. Such coverage has not been available in the insurance market since 1957 when conventional underwriters experienced severe financial losses.

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# Whirlpool, union disagree over noise problems, OSHA is caught in middle

ST. JOSEPH, MI.—Federal inspectors found 38 violations of OSHA's 90 decibel noise limit in Whirlpool's washing machine plant here last year.

The union that represents many of the plant's workers, the International Assn. of Machinists, has expressed its disapproval of company action (or lack of it) in cutting down plant noise.

Whirlpool, however, claims it is doing all it can to protect the ears of its employees.

It was one year ago that local 1918 of the IAM filed a complaint with the U.S. labor department because of what they claimed was excessive noise inside the washing machine plant. Federal inspectors found noise limit viola-

tions and also cited the company for 21 housekeeping errors.

A Whirlpool spokesman said, however, that most of the housekeeping citations were for minor violations, such as placement of posters on bulletin boards. The union has admitted that all of the housekeeping hazards have been cleaned up.

But, in its weekly publication, the union proclaimed: "But most of the noise problems are continuing. If the company has its way, they will continue to threaten worker's hearing for years to come."

Angelo Cefalo, IAM's safety representative in Washington, reported in the newspaper that Whirlpool's first progress report

to the area director of OSHA in Detroit cited these improvements:

- Noise coming from a sheet lifting machine was cut from 103 to 75 decibels, but background noise raised what the machine's operator heard to 93 decibels.

- Whirlpool designed and built its own conveyor feeder to replace bowl feeders, resulting in a drop from 101 to 91 decibels.

In spite of Whirlpool's improvements, Ed Kepp, representative for local 1918, claims the progress is inaudible to workers.

MR. KEPP said the biggest noise problem in the plant are punch presses, which are as noisy as ever. Whirlpool's report to OSHA set the date for abatement

of punch press noise at December 1973.

In Whirlpool's defense, a company spokesman said the biggest problem in lessening plant noise levels is getting new machines that are designed to meet OSHA regulations. He said such machines are being built, but that every plant needs them and long periods of waiting for delivery are common.

"Whenever we buy new equipment . . . we also look for those with lower noise levels," he explained. But he added that every other company must also meet OSHA's rules and the machinery just isn't available in large enough quantities to effect a quick and complete turnaround of noise levels.

THEY'RE strict; and I'm not saying they're wrong," said the spokesman of OSHA standards. "But when the government came out with this (OSHA), you just couldn't get the equipment."

He did, however, question the union's noise level figures, explaining that silent stock tubes, sound absorbing shields and blocks and mufflers have been installed throughout the plant.

He also questioned what the union has said is a 1974 date for Whirlpool's start of a plant-wide noise study. Such a study is continuous, he explained, though he did agree with the union—which stated in its publication—that Whirlpool could resolve its noise problems by December 1975.

The spokesman said a hearing conservation program has been going on since early 1971, and a date in 1975 for solution of the problem is realistic.

BUT AGAIN, the union disagreed, and stated: "The Whirlpool report is a classic example of foot dragging." Mr. Kepp noted that OSHA officials think that much of the Whirlpool noise abatement program is too stretched out. He added, "OSHA isn't doing much about it except writing letters."

According to the union newspaper, an OSHA letter to Whirlpool labeled many parts of the company's program "unacceptable," primarily because of timing. In the letter, Whirlpool was asked to furnish noise levels, number of employees affected and their exposure time and target dates for ending high noise levels.

Mr. Kepp's last word was: "If OSHA is really concerned about time, then let's stop writing letters and get on with the job of eliminating the noise on these jobs."

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## \$200,000 awarded to U.K. student

LONDON—Blinded British student Merry Hamp, 18, who is enrolling in a Houston university, has won damages of nearly \$200,000 from a lawsuit over her injuries.

She was at a convent college run by the Sisters of St. Joseph in Cheshire County seven years ago when her sight was impaired in a laboratory blast.

Now she has recovered it slightly after a series of operations in Houston. The British high court ruled she was entitled to this highest-ever award for a woman in Britain because of pain and suffering and loss of amenities.

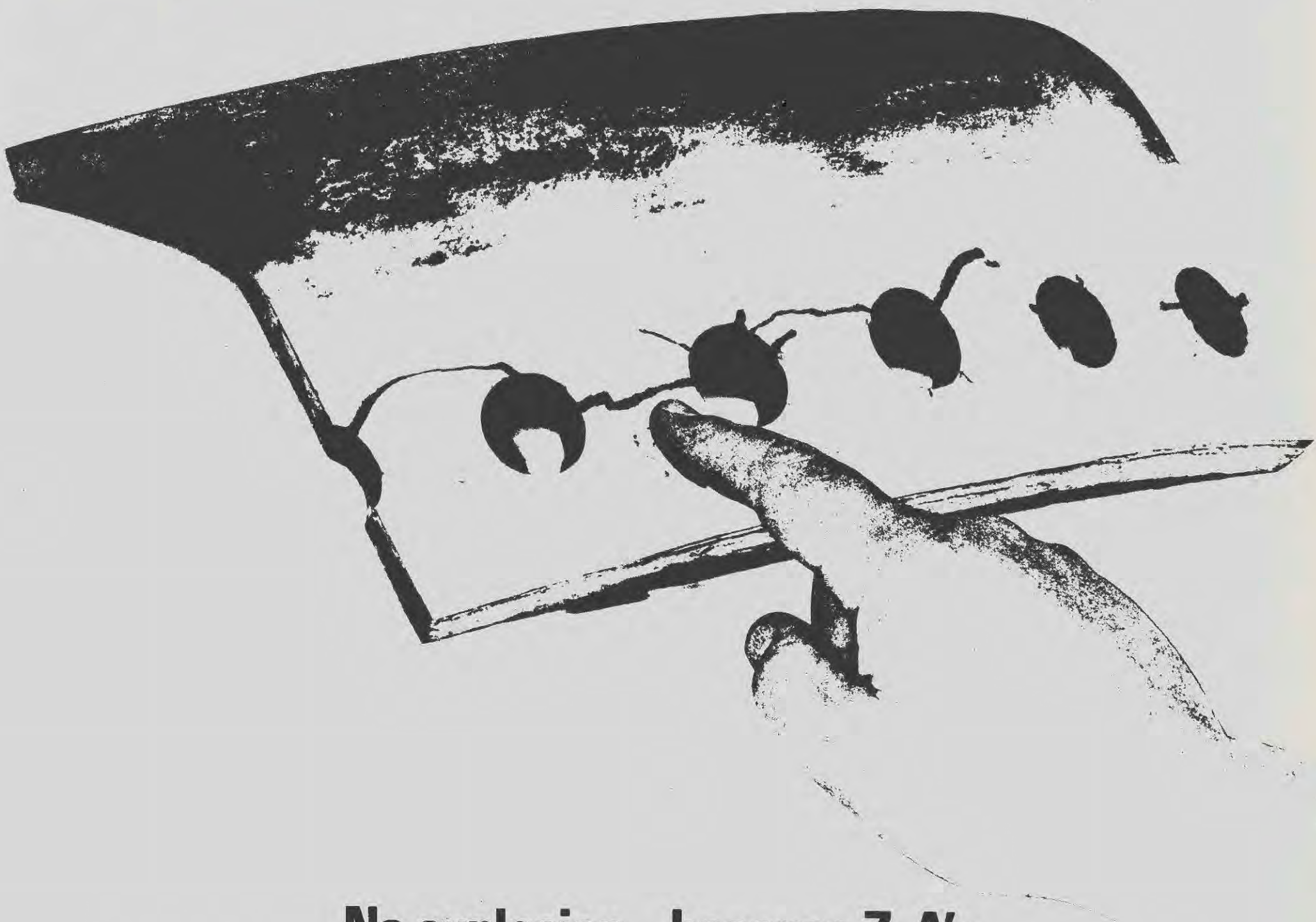
She returned to the U.K. to fight the lawsuit, which her father, a London television executive, helped to bring because of her ordeal in combating her disablement.

THE AWARD includes damages for loss of future earnings, and for medical expenses, and will bring a shock demand to the convent, which is not insured beyond \$60,000.

Britain's department of education is advising all schools and colleges throughout the country to review their insurance cover because of this lawsuit award, which is notably high by British standards.

Previous top damages for a woman were \$145,000 paid last March to Polly Harris, 17, who suffered brain injuries in an auto crash. The largest award on record in British courts is just over \$200,000, or about \$8,000 more than Miss Hamp got, for David Butterworth, 22, who was robbed of his speech and other faculties in an auto crash.

The convent is appealing against the award to Miss Hamp, but it will take several months for the case to be heard.



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# Good, bad points of closed circuit tv discussed at security conference

By JOHN REVETT

WASHINGTON — To people afraid of being mugged in the hallway; real estate companies with multi-apartment complexes to cover; retail chains with millions of items that might be lifted, and to warehouse or plant managers hit by thefts; there's no question about the value and desirability of closed circuit television security systems.

The intruder or mugger is instantly spotted, and, provided someone is watching at the other end, quick action is possible. The cameras can intimidate shoplifters or catch them in the act. They can discourage workers who might be tempted to steal from their employers. They can also help cut down on insurance rates—though proof of loss reduction, not just their presence, would be the determining factor.

But gratefulness or a warm sense of security is not the only feeling that accompanies the advent of CCTV as one of the star items of the mushrooming "security industry." There's also mild-to-extreme irritation—in some quarters indignation. Not every couple returning from a date, for instance, might like being checked out by the "electronic doorman." And looking up from the tie rack in a department store to see the camera's eye at nearly point-blank range can leave the potential buyer with a chill that might not help sales.

**MAKERS OF CCTV** systems know there are troublesome side effects. One, discussing the industry's growing pains at a recent international security conference in Washington, noted that some employers have had difficulty keeping all of their CCTV cameras in repair in work areas—not because of defects in the cameras but because employees

sometimes "bump into them accidentally on purpose" with carts and fork-lifts.

Whether incidents like these were caused by anger at the implication of the cameras—no management trust in employees—or the inconvenience to employees who would steal, is not clear. But CCTV system makers say that, in any case, damage to the cameras diminishes the longer they are in a work area, with employees gradually accepting them as a part of life.

The industry contends that the public in general has also come to accept surveillance as a necessary protective step against crime in urban and suburban areas. According to Ar. Lilien-

thal, coordinator of the Washington conference, the public has not only subdued whatever adverse feelings it may have had about being watched by "Big Brother" but now views CCTV and other security systems as "friends" because of concern about crime.

**AGREEING** with this assessment and welcoming the expansion of the private security industry is the justice department. The department's law enforcement assistance administration has set up a "Private Security Advisory Council" to aid it in deciding how and where federal funds should be allocated to states to improve law enforcement procedures.

There are four committees in the council—on alarms, armored cars, guards and investigations, and manufacturing—and they're due to report to the council and the assistance administration soon on what their areas' main needs are and what directions they should take.

**THE REPORTS** should be interesting—particularly if detailed regarding manufacturing. They could, for instance, give the manufacturer's view on how the CCTV security industry should evolve. Should systems remain visible? With cameras out in the open where people can see them as they watch? Or should they recede into secrecy in the manner of one company's attraction at the Washington conference and show: a "chrome dome" fixture designed to look like a ceiling light but containing hidden cameras that "observe without intimidation."

However the justice department reacts to the committee's findings and the council's recommendations, both the private security business and the industry's tie with government are going to be watched in coming months. The Senate subcommittee on constitutional rights, chaired by Sen. Sam Ervin (D.-S.C.), who is highly sensitive to infringement, "will probably be getting into this (private security) area fairly soon," a staff source said. He indicated that hearings similar to those held by the subcommittee on alleged government violations of privacy may be in the works because of the proliferation of listening and viewing devices.

Concern about widespread, and possibly unconstitutional, use of the devices is said to have been "simmering" in the subcommittee since former attorney general John Mitchell called for growth in the private security industry more than a year ago. ■

## Soviet airline insurance

LONDON—Inquiries by *Business Insurance* suggest that the world's worst air disaster, in which 172 people died in a Soviet airline crash, will be wholly covered by the airline's own funds—if any claims are made.

Several westerners, including Chileans and Peruvians, were on the Ilyushin jet airliner of Interflot, the Soviet state airline, when it crashed near Moscow as it was about to land from Paris on Oct. 13.

Sources in London say no reinsurance claims have been made on Lloyd's or the company markets, and it is generally assumed that Interflot therefore has placed no risk cover in commercial markets. It will doubtless be able to draw on state funds if it has to pay out any compensation to the victims' relatives, but there has been secrecy over the crash, so that the amount of compensation payable is unknown. ■

## Western expansion

Industrial Indemnity Co. has expanded in the west again, forming a new insurance company—Industrial Indemnity Co. of Alaska. Industrial Indemnity had assumed operating and management direction of Crum & Forster Insurance Cos. in the western states earlier this year.



Marine Office-Appleton & Cox Corp., 80 Maiden Lane, New York, N.Y. 10038. Other offices in: Atlanta, Baltimore, Boston, Calgary (Alberta), Chicago, Cleveland, Columbus, Corpus Christi, Dallas, Detroit, Glens Falls, Greensboro (N.C.), Houston, Indianapolis, Kansas City (Mo.), Little Rock, Los Angeles, Louisville, Milwaukee, Minneapolis, Montreal, New Orleans, Philadelphia, Pittsburgh, Portland (Ore.), Richmond,

# Committee recommends compulsory auto coverage

MADISON, WI.—Compulsory coverage has been recommended by a special governor's committee named to write a no-fault auto insurance law for introduction in the 1973 legislature.

The committee, headed by Stanley C. DuRose, state insurance commissioner, decided that no auto should be registered unless covered by no-fault insurance. The present law does not require insurance.

The committee also agreed that a no-fault system should cover both property damage and bodily injury; that auto insurance should be the primary coverage, eliminating duplicate benefits from other policies; and that the state should require premium reductions for other policies, such as accident and health, to reflect the elimination of auto accidents as an insured risk.

The requirement that auto insurance be primary provoked the most discussion among members of the committee—lawyers, legislators and insurance industry representatives—who were named by Gov. Patrick J. Lucey in response to a court study which called for the removal of some auto injury disputes from the court system.

**SOME MEMBERS** of the no-fault committee argued that if a motorist wanted to hold several insurance policies he should be allowed to receive duplicate benefits.

State Rep. Paul E. Sicula said the committee should not outlaw duplicate benefits because it had no estimates of the savings that could be realized from such a step.

He was seconded by State Rep. Dennis Conta who said that except for the possible savings, which have not been documented, "I see no reason for eliminating other coverages."

Mr. DuRose, however, favored elimination of the duplicate benefits. He said, "It's a question of whether you should make money because you've had a claim."

Mr. DuRose and other committee members emphasized that the measures they had recommended were tentative and that they could be revised later.

**A SPOKESMAN** for the state transportation department said about 12% of the auto accidents in Wisconsin involved uninsured motorists. He added that in states which require auto insurance, about 7% of accidents involve

uninsured motorists driving illegally.

A no-fault system without compulsory coverage for every auto could not be operated successfully, according to State Rep. Edward Nager.

**MR. DUROSE**, in an earlier appearance at the sixth annual Milwaukee Insurance Conference, predicted that the 1973 session of the legislature would adopt a no-fault system.

Victor Fanikos, counsel for the Massachusetts insurance department, told the 300 agents, executives and policyholders attending the Milwaukee conference that the no-fault law in Massachusetts was a political compromise which has worked well but needs revision.

He said the law has reduced minor personal injury claims by

50% but that it had the disadvantage of barring claims for pain and suffering when medical expenses are less than \$500.

He added, however, that the overall benefits of no-fault insurance overcame the deficiency by making payments of small claims within 15 days.

Mr. Fanikos also said despite the premium reductions for bodily injury coverage, the increased rates for such coverage as medical payments, property damage and collision have offset much of the reduced costs for Massachusetts motorists.

Sen. William Proxmire of Wisconsin, told the conference he opposed federal intervention in the no-fault question. There are too many federal regulations now, he said, and the states are capable of handling their own auto repair systems. ■

## Suit charges state with sex bias

SAN FRANCISCO—A federal court suit has been filed here by local 48 of the waitresses' union and restaurant waitresses Carolyn Aiello and Jacqueline Jaramillo, charging that California's unemployment compensation insurance law discriminates against women in refusing to provide disability insurance benefits for pregnancy.

The California action followed a similar move by the Connecticut Education Assn. to guarantee disability pay for teachers who take pregnancy leave.

Under section 2626 of the California unemployment insurance code, women cannot collect disability insurance benefits during the term of their pregnancy, or for 28 days thereafter. The labor union and the waitresses contend in their suit that the section is a discriminatory practice by the state and that they have paid into disability insurance funds and should be entitled to benefits during pregnancy.

Mrs. Aiello said she was seriously ill and unable to work due to complications arising from her pregnancy. Mrs. Jaramillo said she plans to work at her job up to the time of delivery.

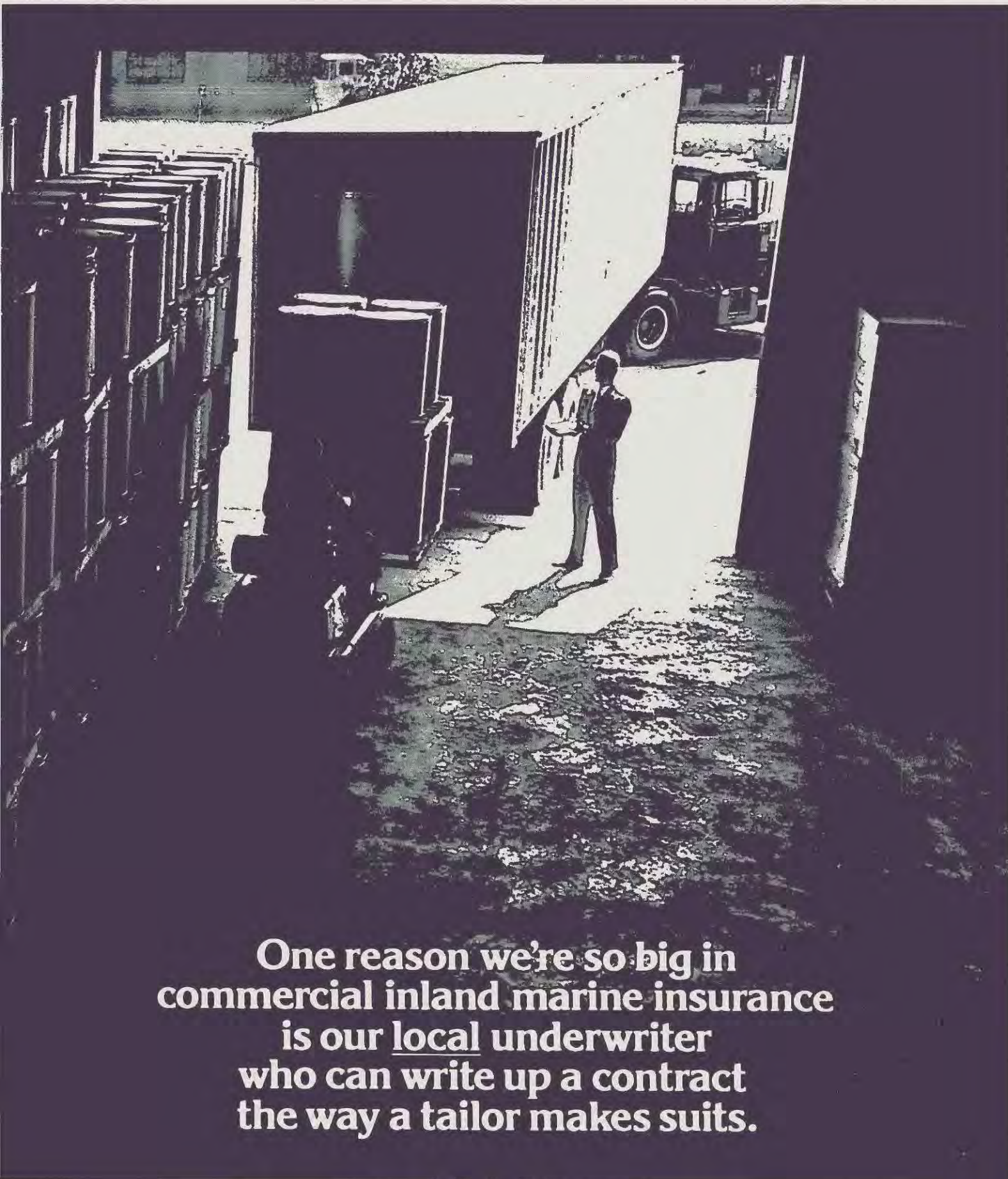
**PREGNANCY**, the suit claims, is the only "medical disability" for which California does not pay insurance benefits and that "men can collect disability insurance as the result of male ailments such as prostate or hernia operations, even for circumcision."

State senator George Moscone has introduced a bill, senate bill 419 now before the senate finance committee, which would provide for disability insurance payments for complications arising from abnormal pregnancies. Nothing would be paid, under Mr. Moscone's bill, for normal pregnancies.

In the Connecticut case, the education association is proposing that pregnancy be classified as a "temporary disability" subject to payment of the same benefits provided for other disabilities. ■

## FAIR Plan chairman

Charles R. Ford, assistant vp, Fireman's Fund American Insurance Cos., has been elected chairman of the governing committee of the California FAIR Plan Assn.



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## Pilot HMO plan offered to elderly in six small Arizona communities

PHOENIX—A pilot HMO program aimed at the elderly began offering services to residents of six small Arizona communities Nov. 1. Enrollment is limited to residents of six communities near Phoenix.

Enrollees pay a set monthly fee to get coverage designed to meet nearly all their medical needs on a 24-hour basis. Cost for the coverage is \$27 per month per person for non-Medicare recipients and \$12 a month for Medicare enrollees.

Arizona Blue Cross, operating the program with Internal Medicine Associates, a physicians' group, is enrolling participants in the experimental prepayment, capitation health plan.

Under the capitation payments

system, doctors are paid a fixed sum based on the number of patients enrolled and not on how many visits those patients make to doctors.

**BLUE CROSS** spokesmen said the system will act as an incentive for the doctors to emphasize preventive health education. They expect 8,500 persons to be participating within a year and plan to offer a similar program in other Arizona communities.

There will be no physical examination or health statement required of persons who enroll during the opening phase—though Dec. 31—and persons of all ages are eligible, the spokesmen said.

But the cost of the program is

likely to limit enrollees to those older than 50—persons whose health costs are high—said Richard P. Krecker, an assistant executive director in data processing for Blue Cross.

The program offers "the highest level of benefits we have offered to people over 65," he added, and equals "even the most extensive packages we have offered" to those under 65.

**PERSONS** older than 65 tend to have high health expenses and generally are not offered as wide a range of coverage as those less than 65. But this new program offers the same benefits regardless of age, according to Mr. Krecker.

The new program will provide

most medical services but dental care, said Dennis K. Burge, market research manager and program developer for Blue Cross.

Surgical costs, emergency first-aid, injections, psychiatric services and both prescription drugs and optical lenses are covered. But patients must pay the first \$2 for an office visit, the first \$5 for a home call, the first \$1 on drugs and the first \$5 on lenses—limited to one pair every two years.

**NO BENEFITS** are provided for private nurse services, custodial or rest care, services as a blood donor, services as a result of war or services outside of designated hospitals, except in an emergency.

Patients will choose from among 21 participating physicians. The doctor then will refer patients to one of two hospitals.

The U.S. Department of Health, Education and Welfare has approved the plan and will direct

Medicare funds for physician payment through the program.

Mr. Burge said the government will reimburse Blue Cross on a cost-for-service basis and the Blues will pay the doctors involved on the capitation basis.

**THE NEW** program is known as "ABC-HMO" with HMO standing for health maintenance organization.

Maricopa Community Health Network, Connecticut General Life Insurance Co., Pima County Health Planning Agency and Maricopa County Medical Society all are operating or planning programs that offer health services on a repayment basis in Arizona. The health network, Connecticut General and the medical society have expressed interest in being designated HMOs, it was noted. ■

## Insurance news, good and bad

HOUSTON—Employees at the University of Houston got some good, and some bad, insurance news.

After getting a reduction in the cost of disability insurance premiums in September, they were then advised of about a 16% increase in the cost of Blue Cross-Blue Shield.

Paul W. Yoder, manager, employee benefits, said the increase in rates follows an expansion of Blue Cross hospitalization coverage on Nov. 1, 1970 to meet the increased cost of medical care. An anticipated rate increase followed the added coverage.

However, the added coverage produced an unanticipated, but significant increase in the utilization of the improved benefits, Mr. Yoder said. Therefore, a deficit between premiums paid by the employees and the claims paid by the company followed, he said.

**OUT OF** about \$755,000 in premiums paid by participants between May 1, 1971 and July 31, 1972, there was a balance of \$3,490 after Blue Cross paid all claims, Mr. Yoder added.

Dwight Dorough, chairman of the ad hoc committee on faculty benefits, said: "Rather than to ask the committee on fringe benefits to engage in hours of futile discussion, I have invited the office of personnel services to bring the problem before the faculty senate, so the faculty may begin to realize that this situation will get worse every year and that our profession, united, must begin some position planning toward playing a more competitive role in society—to protect our interest here and in other areas where we are concerned."

Under one of the Blue Cross-Blue Shield plans, coverage for one person went from \$9.44 to \$12.04. And in this same plan, the family coverage increased from \$36.62 to \$43.73. By comparison, another plan for the individual increased from \$2.02 to \$3.22 while this same plan for the family increased from \$15.69 to \$18.9%. ■

### Loss ratios for theft

Lost ratios for theft and burglary are increasing in many European countries, according to a survey by the Reinsurance Offices Assn. The survey takes the view that the general deterioration reflects the increasing crime rate, which seems to be a phenomenon "that goes parallel with industrialization."

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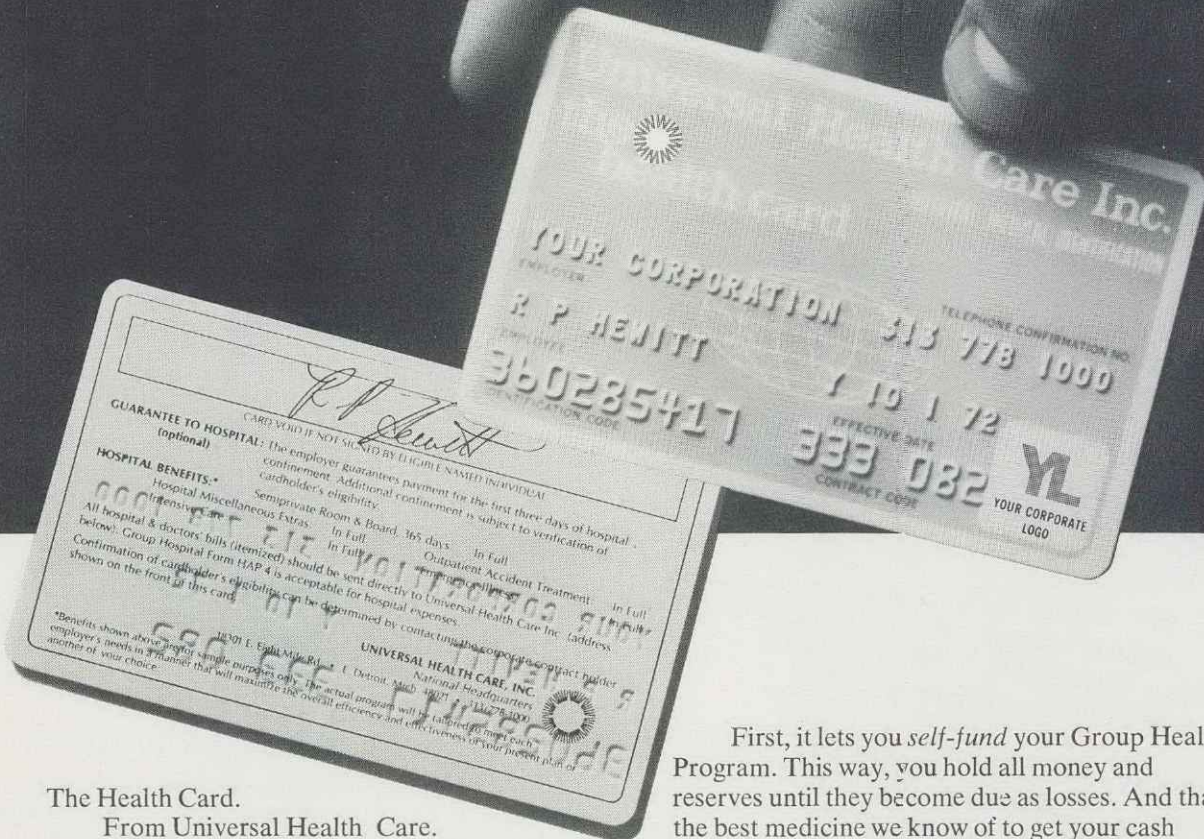


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# Massachusetts to look at pension regulation?

BOSTON—The Massachusetts state legislature will soon turn attention to proposed measures that would tighten loopholes in private pensions.

House Speaker David M. Bartley, Holyoke Democrat, and a member of the house committee on commerce-labor, is predicting "a very good chance" for passage of a comprehensive bill in the upcoming legislative session.

This one would establish mandatory vesting—or guaranteeing—requirements for pension funds operated within the Bay State. Employees covered under pension plans would be assured of legal rights to a pension after a 15-year period of employment.

Another requirement envisioned is that all pension trusts be insured, in effect serving to guarantee that a pension is available

to an employee at time of retirement.

A third requirement would include a comprehensive disclosure provision, requiring employers to "spell out" to employees the nature of the plan and just where the pension fund money has been invested.

Similar law-making moves on a federal level have been sidetracked in the past, with one stumbling block apparently being the markedly varying statutes applicable on a multi-state or single-state basis.

**BUT FRANK** Cummings, a former aide to U.S. Senator Jacob K. Javits, New York Republican, holds to the theory that passage of a pension control measure in a major industrial state such as Massachusetts "might well pro-

vide just the impetus needed for quick level at the federal level."

Almost every major piece of labor legislation in Washington, he comments, is preceded by a state law on the same subject, he remarks.

**ON AN EMPLOYER** level, it is the view of the Associated Industries of Massachusetts that minimum vesting requirements or pension insurance proposals should be opposed.

Walter Muther, legislative counsel for the state industry group, believes that state legislative action would be "over-regulation," and, moreover, would reduce the very economical competitiveness of the Bay State.

"It is safe to assume that 60% to 70% of the companies in the state would already have com-

plied with the proposals," says Peter Kenney, a staff member in the office of the commerce-labor committee chairman Anthony J. Scalli, Charlestown Democrat.

A pension plan, he says, is a deferred wage "and there should be a mandatory insurance provision so that employers can't simply say they are in financial difficulty and not come through with benefits."

**AT THE SAME** time, the state health, welfare and retirement trust funds board has noted that during fiscal 1972 some 1,000 violation and criminal complaints have been investigated, settled or criminally prosecuted.

A state law, which dates back to July, 1971, allows an aggrieved party to seek intervention by the

board in his behalf for pension rights.

At present, some 1.1 million employees participate in Massachusetts health, welfare and retirement plans. Employers in fiscal 1972 contributed \$4.6 billion and employees \$1.3 billion to the plans, which paid out \$3.9 billion in benefits last year. ■

## Company appeals liability case

BUFFALO, N.Y.—An unusual accident involving a snowmobile on industrial property which resulted in a legal judgment against the company is now being appealed.

Kerr-Addison Lines Ltd. was saddled with a \$29,537 judgment growing out of court action by a snowmobiler injured March 17, 1970, on the firm's property near Kirkland Lake, Ontario.

The snowmobile operator, Pete Veinot, was injured when he ran his machine into a steel pipe forming a gate on the industrial property.

After a jury trial in Ontario, Justice Lloyd Houlden awarded Veinot \$29,537. But the Ontario court of appeal has now allowed an appeal by the company.

**IN ALLOWING** the appeal against the snowmobiler, Justice John Arnup pointed out that about 20 years prior to the accident, Kerr-Addison Mines erected a gate consisting of two-inch iron pipe 45 inches from the ground across a private road on its property.

Court testimony showed that Mr. Veinot was seriously injured when he hit the pipe while the snowmobile was moving at about 15 miles-an-hour.

It was the contention of Kerr-Addison Mines that there was no evidence supporting the theory that the gate or pipe was a concealed or hidden danger or trap.

**THERE WAS** considerable evidence, said Justice Arnup, that snowmobile operators had been using the firm's private road to the property to go west.

Said the jurist: "To hold that knowledge of a few isolated and recent instances of trespass by snowmobilers on private property was sufficient to create on the part of the occupier an obligation to ensure that his property was safe from concealed dangers to snowmobilers would be a very far reaching result indeed and one which I have no hesitation in rejecting." ■

## British social security

Social security benefits are being used to finance several industrial disputes in Britain, including major strikes by coalminers and dockers in 1972. The miners' strike early this year cost the country \$15 million in social security claims, because their families were entitled to supplementary help from public funds. The dispute at leading seaports cost another \$1 million. Hardship aid is paid to wives and children if no money is coming into their homes, but many politicians now feel that the system is being abused by trade unions so as to prolong strikes unnecessarily.

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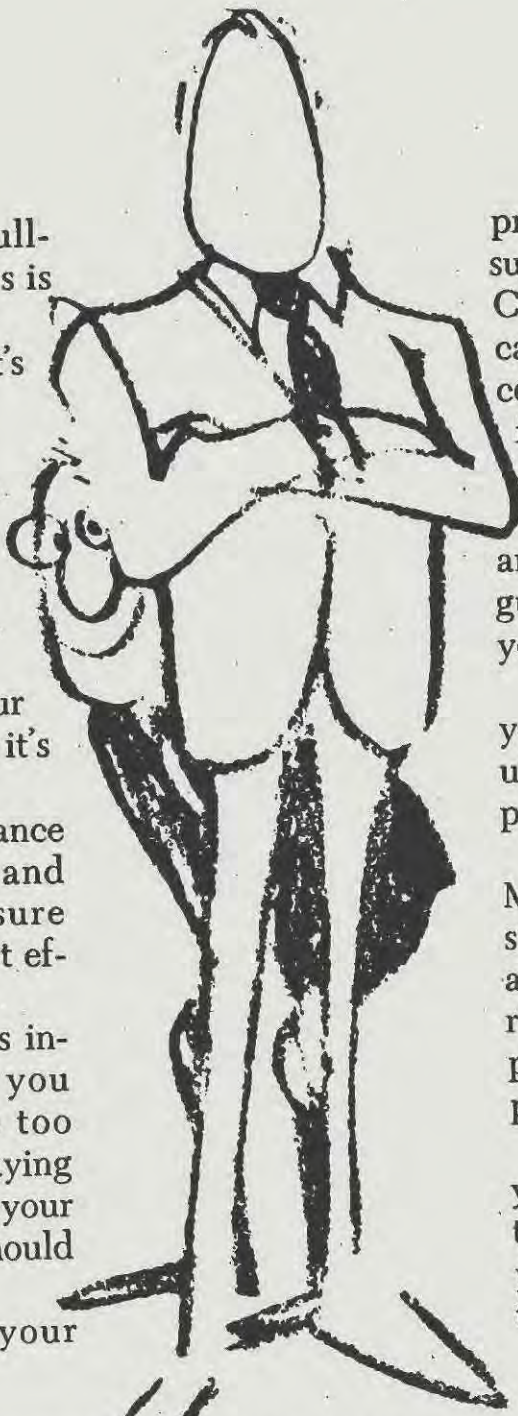
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California supreme court

# Decisions termed product liability landmarks

SAN FRANCISCO—Two California supreme court product liability decisions handed down here last month have been described as "the most important landmark decisions of this century" in the product liability area.

The two decisions, according to San Francisco attorney Robert Cartwright, "will require U.S. manufacturers to use the most advanced engineering and scientific technology to make their products safe for American consumers."

One case involved, indirectly, General Motors Corp., manufacturer of a one-ton Chevrolet stepvan used by William Cronin, a route sales man for the Gravem-Inglis Bakery Co., Stockton, Ca. Also involved was Chase Chevrolet Co., Stockton dealer for G.M. and the J.B.E. Olson Corp., sales agent for the assembled bakery truck. G.M. was voluntarily dismissed from the action by Mr. Cronin and his attorney prior to trial.

The second case arose after Celestino Luque of Millbrae, Ca., purchased, from Rhoads Hardware Co., a rotary power lawn mower made by Air Capital Manufacturing Co. of Mississippi.

MR. CRONIN was seriously injured when a metal safety hasp broke as his Chevrolet truck rolled off the highway in an accident. Loaded bread trays came loose and crashed into his back. Mr. Luque's hand was severely mangled when he slipped and fell while mowing a neighbor's lawn. His left hand was caught in an unguarded hole directly behind the rotary blades of the power lawn mower.

The unanimous decisions were both written by Associate Justice Raymond L. Sullivan.

"The rulings in both cases," explained Mr. Cartwright, whose San Francisco firm of Cartwright, Saroyan, Martin & Sucherman Inc. specialize in such cases, "have removed the two greatest obstacles to the successful prosecution on behalf of consumers of product liability suits.

"What the decisions accomplish," he pointed out, "is to impose much tougher requirements on manufacturers whose products are sold throughout California, and to strengthen protection of consumers injured by defects in such products."

IN THE CASE of Mr. Cronin, the bakery driver, the court removed an earlier requirement of California law that before an injured party could recover, "the product must have a defect which is unreasonably dangerous to user

or consumer". In such a lawsuit, previously, a jury must be convinced that a defect exists but there is no requirement that the defect be "inherently dangerous".

Mr. Cronin will be permitted to retain the \$45,000 awarded him by a Stockton jury. The request of the Olson Corp. for a new trial was denied.

In the lawn mower case, Mr. Luque had lost his San Mateo County superior court claim when the judge ruled that an injured person must prove he did not know of the defective condition.

The supreme court decision removes from California law the requirement that the user must be unaware of the dangerous condition of a product. The jury ver-

dict thus was reversed and Mr. Luque was granted a new trial.

Mr. Cartwright, who argued both cases before the supreme court, said the decisions "will prove a great impetus to providing consumers with safe products. The onus now is on the manufacturer to avoid defects in the products sold in this state."

IN THE Oct. 3, 1966 accident involving Mr. Cronin, a collision forced his Chevrolet truck into a ditch, throwing him through the windshield and onto the ground. The impact broke an aluminum safety hasp just behind the driver's seat, designed to hold bread trays in place. The loaded trays, driven forward by the abrupt

stop and impact, struck Mr. Cronin with sufficient force to drive his body through the windshield.

The truck was one of several sold to the Stockton bakery by the Chase dealership which purchased the trucks from the Olson Corp. which acted as sales agent for the chassis, body and the bread racks, all manufactured by three subcontractors.

In his original suit, Mr. Cronin charged that the truck was unsafe for its intended use because of defects in its manufacture, in that the metal hasp was "exceedingly porous, contained holes, pits and voids, and lacked sufficient tensile strength to withstand the impact." The defendants denied these charges and accused Mr.

Cronin of contributory negligence.

During the trial, experts for the plaintiff testified that the metal hasp broke "because it was extremely porous and had a significantly lower tolerance to force than a non-flawed aluminum hasp would have had."

The trial jury found against the Olson Corp. and awarded Cronin \$45,000 while returning a verdict which, in effect, exonerated the Chevrolet dealership. It was the Olson Corp. which appealed to the supreme court. The trial jury also unanimously agreed that Gravem-Inglis Bakery Co. was not aware of any defect in the

Continued on page 34

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## Study of industrial safety literature prepared as a 'safety survey' in U.K.

LONDON—Risk management and many other corporate officers are expected to benefit from a massive "safety survey" produced by research experts for the British government.

From a study of more than 350 books and documents on accident prevention which have been published in the last thirty years, the authors have recorded a fascinating series of theories and packed them into one single volume.

They have prepared them on behalf of the official British committee on safety and health in industry which has set itself the target of reducing factory injuries in many directions.

*Business Insurance* is able to publish some extracts from the book, but for readers concerned

with the full concept of accident prevention, the 80-page volume is available under the title "A Review of Industrial Accident Research Literature," by A. R. Hale and M. Hale, from the British Government Stationery Office.

**THE TWO** authors, who work for the National Institute of Industrial Psychology, make these comments: "Much of modern industry is highly complex and many jobs require close co-operation among a group of workers to achieve a successful outcome. Breakdown in this co-operation is likely to lead to accident situations.

"From the research evidence it appears that there is a lower accident rate in some groups with

good cohesion than in groups with internal dissension, and that workers who have good relations with their fellows suffer fewer accidents than those with bad.

"One explanation of this is that communications are better under these conditions, and hence people are working with a better knowledge of their situation."

**THEY RELATE** the story of a research campaign conducted during World War Two to find why some air combat units had greater losses of aircraft and lives than other units. One unit with high losses had several groups of pilots who did not mix with each other, or chose to fly if possible with pilots outside their own unit at times. But in a unit with low

losses there were no "cliques," and the pilots were happy to fly within the unit.

So after certain selective tests had been made, unpopular officers in the high loss unit were replaced—and the number of losses dropped considerably.

But this is only one example of the vast range of accident research in the book, which studies such industrial factors as age, intelligence, damage control, safety organization, social integration, and emotional attitudes in risk prevention.

It includes a survey on sex, with the comments: "In one research study, it was found that women taking oral contraceptives had a lower and non-fluctuating accident rate. But men and women in industry rarely do the same work, so that it would require much research to clarify the reasons for any difference in accident rates between the sexes."

On other aspects of casualty

prevention, it states: "Some training programs have no effect on accidents because the material included in them is not relevant to the normal work situation and inadequate training methods and instructors are responsible for other training failures.

**"RESEARCH** into the causes of accidents should pay much more attention to the situational variables such as machinery, tools, methods of work, physical and social environment, and not concentrate only on the people who have accidents.

"Far more research is required into the effectiveness of preventive measures.

"Existing campaigns need to be validated, and information about them disseminated widely. New methods of prevention need to be developed from the knowledge acquired through accident research."

*(Editor's note: The British Government Stationery Office operates a special facility for its material that is bought in the U.S.: Pendragon House, Inc., 899 Broadway Ave., Redwood City, Ca. 94063.)*

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## Insurance industry lax

PALM SPRINGS, CA.—The president of Fireman's Fund American Insurance Cos. told a convention of agents that the insurance industry has been lax in meeting the needs of women, youth and minorities.

Speaking before the Independent Insurance Agents Assn. of California, Stuart D. Menist urged his listeners to try to serve a wider variety of customers.

**HE STRESSED** that women, young people and minorities have been ignored too often by the industry, despite their tremendous purchasing power and their need for insurance.

"Some agencies have added minority persons to their staffs and profited in many ways as a result," he said, "but most of us could try much harder to reach these prospects."

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## Decisions...

Continued from page 32

bread racks prior to the accident and hence was not guilty of contributory negligence.

In a footnote to his decision Justice Sullivan pointed out "it was this finding that had the effect of allowing Gravem's insurance carrier, the State Compensation Insurance Fund, to file a lien covering compensation insurance benefits paid Mr. Cronin.

"Contrary to claim of the Olson Corp.," Justice Sullivan wrote, "the evidence supporting the implied finding of a defect in the hasp also supports the finding that Gravem, the bakery firm, was not negligent."

**CLARENCE KNUTSEN**, Stockton attorney for the Olson Corp., contended that Mr. Cronin had "failed to show the defective hasp to be the same one originally sup-

plied by the manufacturer."

Mr. Cronin admitted the racks had been modified by addition of reinforcement bars welded onto a hinge mechanism which the hasp fastened in a closed position to hold the bread trays in place.

Justice Sullivan, however, ruled "that admission does not derogate from the implied finding that the hasp itself was the original one supplied by the manufacturer . . . with no indication of any repair to the hasp itself. When there is sufficient evidence to support a factual finding," Justice Sullivan wrote, "it is not within the province of an appellate court to re-examine or re-weigh it."

Justice Sullivan added a denial of "merit" to the argument by Olson's attorney that defectiveness cannot be properly determined without proof of some standard set by knowledgeable individuals for the manufacture and use of a particular part under scrutiny.

In denying that this argument holds up, Justice Sullivan wrote, "Gravem purchased the van and its bread racks from the Chase Chevrolet dealership as a unit.

"Since there were no standard bread racks available," the judge pointed out, "Chase in turn ordered them from Olson according to Olson's blueprint and left to Olson the manufacture of a safe set of bread racks.

"Olson admitted through testimony of its vice president that the purpose of the locking device on the bread rack, of which the hasp was a part, was to hold the bread trays in place and that it knew that the truck was to be driven on public highways.

"In short," Justice Sullivan declared, "evidence shows that the intended purpose of the locking device was to keep the bread trays from moving forward into the driver's compartment as a result of any foreseeable move-

ments of the van in highway travel. The record shows that the hasp, because it was defective, did not fulfill this purpose. The flaws were in the metal itself and resulted in the hasp's lowered tolerance to force, a condition not attributed to prolonged use.

"**WE AGREE**," Justice Sullivan said, "that strict liability should not be imposed upon a manufacturer when injury results from a use of its product that is not reasonably foreseeable. Although a collision may not be the normal or intended use of a motor vehicle, vehicle manufacturers must take accidents into consideration as reasonably foreseeable occurrences involving their products.

"The design and manufacture of products," Justice Sullivan warned, "should not be carried out in an industrial vacuum but with recognition of the realities of their every day use." The supreme court decision also added a

phrase with ominous overtones to car and truck manufacturers and to their dealers as well.

"Despite its claim that Gravem used the van beyond its life span," Justice Sullivan wrote, "Olson did not show that the van was delivered with any warning that it would not remain safe after seven or eight years. Nor did it show that by reason of age the van was obviously dangerous."

Another argument presented by the Olson defense was that the hasp was not intended to be used without inspection and repair. Justice Sullivan, however, pointed out that "expert testimony established that the hasp failed because of internal holes, cracks and voids not visible to the naked eye. The mere failure to discover defects in the product," Justice Sullivan stressed, "is not a defense in a strict liability case."

**THE SUPREME** court ruling dismissed the defense argument that "the hasp did not cause the accident" with the comment "the fragility of the hasp had a direct rather than a remote connection with the injuries."

The decision also probed deeply into the essential elements of products liability and agreed that prior supreme court decisions relative to jury instructions on the doctrine of strict liability "has apparently given rise to some confusion."

"The history of strict liability in California," Justice Sullivan wrote, "indicates that the requirement that the defect made the product unreasonably dangerous crept into our jurisprudence without fanfare in 1965." Strict liability for defective products, the decision pointed out, was, in effect, imposed by extension of the warranty doctrine.

"As early as 1944," Justice Sullivan noted, "Associate Justice Traynor, concurring in the case of *Escola vs. Coca Cola Bottling Co.*, urged this court to dispense with negligence as the basis of recovery in defective products cases, to discard the fictions of warranty, and to replace them with absolute liability. Public policy demands that responsibility be fixed wherever it will most effectively reduce the hazards to life and health inherent in defective products that reach the market."

**ENUNCIATION** of such a rule came in a unanimous 1963 decision that "a manufacturer is strictly liable in tort when an article he places on the market, knowing that it is to be used without inspection for defects, proves to have a defect that causes injury to a human being."

The liability, Justice Traynor wrote in the 1963 decision "is not one governed by the law of contract warranties buy by the law of strict liability in tort."

To establish the manufacturer's liability in that case it was sufficient to prove an injury occurred while using a product in a way it was intended to be used as a result of a defect in design and manufacture of which the user was not aware that made the product unsafe for its intended use.

During the following decade, Justice Sullivan pointed out, that rule has been made applicable to retailers, bailors and lessors, wholesalers and distributors and sellers of mass produced homes and its protection has been extended to bystanders.

In no case until now, Justice Sullivan emphasized, did the decision turn on whether the jury must decide that injuries were caused by a "defective" product or by a product in a "defective condition unreasonably dangerous."

Continued on page 43

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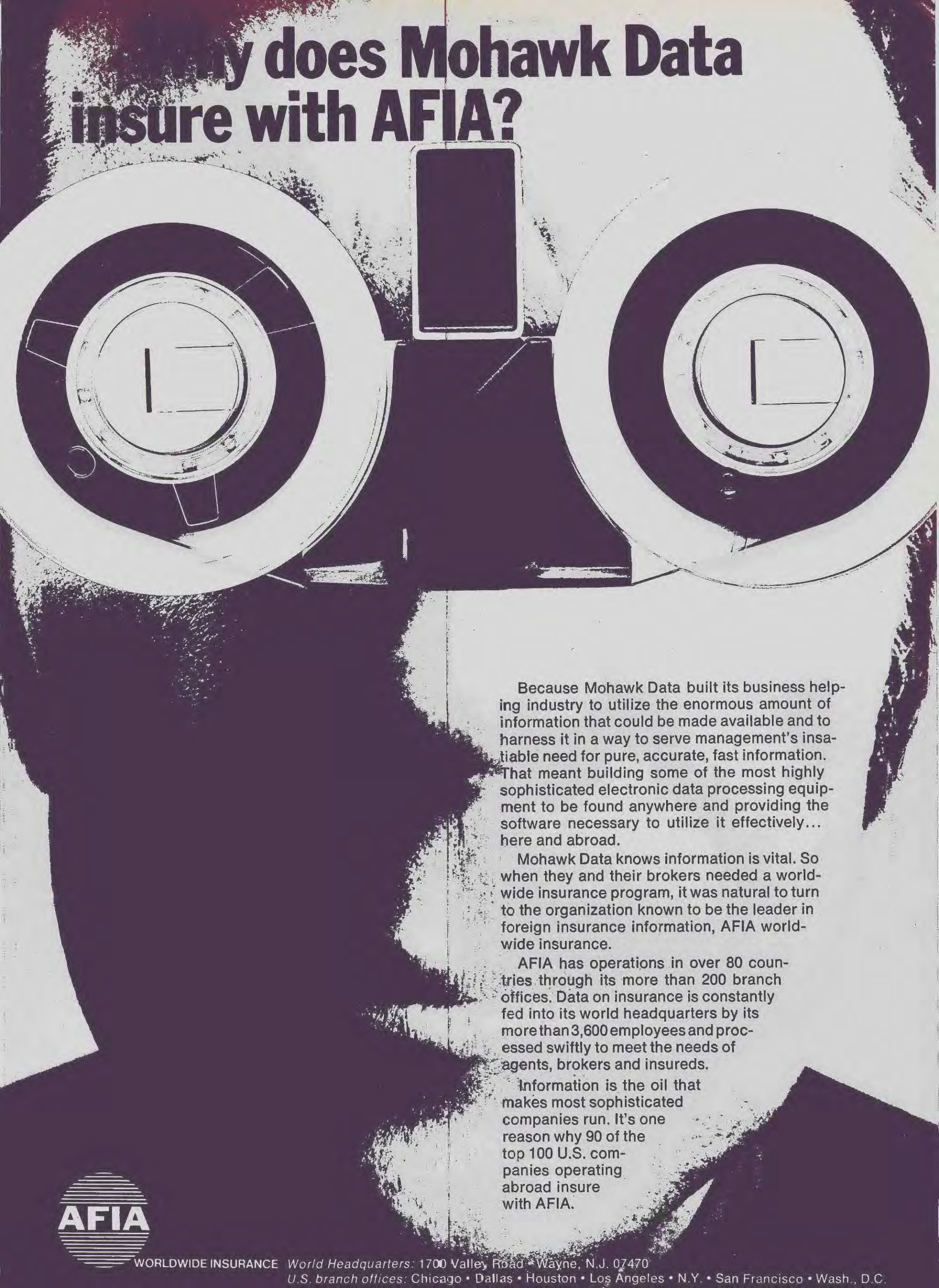
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# 'A sheep in a lion's den' criticizes health care industry and society

The 26th annual Conference on Employe Benefits was held at the Hilton Hotel in New York Oct. 19 and 20. Employe benefits managers from all over the country discussed topics which spanned the benefits area from labor problems to early retirement to mergers. Other stories from the conference appear on pages 37, 38 and 39.

NEW YORK—Aptly describing himself as "a sheep in a lion's den," Irving Bluestone, vp, director-international union, United Auto Workers, addressed an afternoon session of the Conference on Employe Benefits here on the subject of "Labor Looks at Employe Benefits."

However, he may have surprised many members of the audience, most of whom were corporate employe benefits managers, in that he did not go out of his way to criticize management. This time, Mr. Bluestone reserved his criticism for society as a whole and for the health care industry.

He began by pointing out that today there was "too great a strain on collective bargaining for employe benefits. Benefits have become burdensome to labor in that they now have equal weight with wages and working conditions and they have become burdensome to the corporation because of the great financial weight it has to carry."

He felt that the reason for this was that "there is something wrong with public policy in this country." He explained that in many other nations, it was considered sound public policy that the people have sound health care coverage, that wage replacement was a matter of public policy, as were vacations with pay and other items that must be bargained for in the United States.

"**WE HAVE** failed as a society in finding an across the board method of handling unemployment," he continued in the same vein. "Because we haven't taken care of our citizenry, the burden has fallen on the private corporation. And this is something the

nation should do."

He predicted that early retirement would grow rapidly in popularity "because the worker today just wants to get out. No one has the right to tell a man all his options. The decision to work until he dies on the job or gets out as soon as possible should be left to the worker."

Humanizing the workplace could be the answer to keeping productive people on the job was Mr. Bluestone's opinion. "If the worker can participate in the decision making as to the things that pertain to his particular job, if he can exert some control over his own situation, if he does not consider himself a robot, he will enjoy his work more and stay at it for a longer period of time," he said.

**BUT OF ALL** the problems facing both labor and management, Mr. Bluestone felt that health care was the largest. After noting that the Kennedy-Griffiths

national health insurance bill would substantially reduce the costs of health care, Mr. Bluestone asked, "Why should a non-union worker have to settle for less than the union-represented worker? He is the same human being but the nation has failed to establish health care as a matter of right.

He felt that health care cost control was of mutual concern to labor and management and proposed that they work together to hold down rapidly rising prices.

"Labor and management should enter jointly into a discussion with doctors and hospitals in an effort to get them to hold down costs on their own," he commented. "We should make it known that we will do all we can to help them.

"Labor and management must do this because the insurance carriers certainly are not doing it, the Blues are not doing the job, the states are not doing it," he continued. "Doctors and hospitals should not be untouchable. They are causing a great deal of heartache at the bargaining table and heartache in corporate treasuries."

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## Malpractice cases mount in Canada

TORONTO—Practicing medicine in Canada is becoming a more hazardous profession all the time from the standpoint of exposure to legal action by patients.

The Canadian Medical Protective Assn. reports that within the last two years the number of malpractice writs issued against Canadian doctors has doubled. The association said the trend is "disturbing."

The number of such writs jumped to 131 in 1971. Up until 1969, the number of writs was averaging about 65 a year, climbing to 80 in 1970.

It was pointed out, however, that the membership of the association mounted to 24,000 from 18,000 during this period.

Records show that in only slightly less than half the cases in which writs are issued and served do the disputes progress to court, trial, decision or settlement.

**THE REPORT** comments: "These qualifications, nevertheless, cannot wholly allay the apprehension that follows knowledge of the increase in the number of writs."

Doctors are advised about many complaints made by patients through the association secretariat. Advice about 118 such threatening complaints was given to medics by the secretariat in 1969, increasing to 120 in 1970, but declining to 85 in 1971.

Threats considered likely to proceed to legal action are referred by the association secretariat to its legal counsel. The number of such complaints jumped to 103 in 1971 in contrast to the 40 or 50 referred to counsel in former years.

When a doctor gets a threat or a complaint, he is advised to refer it promptly to the association.

**DESCRIBED** in the association report were a number of cases in recent years against doctors "for whom legal counsel was found impossible."

The report by the association urged physicians to keep very precise clinical records, especially in emergency departments because the number of patients handled makes it difficult for doctors to recall individual cases. ■

# New York's 'early out' pension plan attacked

NEW YORK—Otto Kinzel, chairman of the New York state pension commission, has a lot to say when it comes to the impact of public "early out" retirement plans. And he said a lot of it at the 26th annual conference of the Council on Employee Benefits.

Mr. Kinzel blasted many of the wasteful aspects of the New York public pension plan, which in 1971 supported 1 million people at a cost to taxpayers of \$1.4 billion. The chairman leveled his major criticism at the pension fund's practice of paying full benefits, irrespective of age requirements, to employes who have given relatively short service. These employes, Mr. Kinzel maintains, are not ready to retire, but do so because of the financial incentive. In many cases, they take on other full-time jobs while they are receiving public pensions.

At present, the commission is reviewing all aspects of the pension muddle in New York. It will make appropriate recommendations based on its findings. However, the commission is a solely advisory body, and may meet with resistance to any pension changes proposed.

Mr. Kinzel recounted how the New York legislature had criticized the public pension system, and recommended that plans be closed. But when the pension commission asked the legislature to close its own retirement plan, which comes to 40% of its budget, the legislature flatly refused.

**THE CONFERENCE** members to whom Mr. Kinzel was speaking represented employe benefits managers for private industry. An audible shock went through the audience when Mr. Kinzel pointed out that in contrast to private industry's pension plans which absorb about 5% to 8% of the operating budget, New York's public pensions cost anywhere from 15% to 40% of the payroll.

"There is no way private firms could compete with public pensions," the commission chairman emphasized. "It would spell bankruptcy for them."

Mr. Kinzel noted that a career public employe receiving payments from the public retirement plan, which is both tax-exempt and noncontributory, could retire with more than 100% of his

earned salary. And in New York City, he continued, the computation of pension payments is based not on the average salary of the last five years of work (as computed in private industry), but on the salary of the last day of work.

**IN THE PAST**, Mr. Kinzel pointed out, government jobs paid less than jobs in private industry, and high public pensions were necessary. But now, government pay scales are rising faster than their private competition, and over-blown pension payments are no longer justified.

Mr. Kinzel warned that overly liberal public retirement plans could be disastrous to city and state budgets.



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# City workers angered over pension fund

GALVESTON, TX.—City employes staged a "sick-out" here to protest a change in the operation of the city's pension fund.

The city proposed it take over all contributions now made by employes into the pension plan and give a 1.75% pay raise. It claims this means more take home pay than a 5% hike would bring.

Vernon Yates, business agent for members of the State, County and Municipal Employes Union, local 656, AFL-CIO, called the action a "sick out," and "the employes are sick over changes in the city retirement program."

City manager John Unverferth said several hundred employes were off the job during the sick out, but employes began returning to work after being out several days when they were told their jobs would be filled.

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# Large companies implement early retirement plans for old workers

NEW YORK—Special separation and early retirement programs are being implemented by some large companies on a temporary basis as inducements for large numbers of older workers to leave their positions prior to the regular retirement plans.

At the 26th annual conference of the Council on Employee Benefits held last month, Robert Kopf of International Paper Co., and Russell F. Schuck of the International Business Machine Corp., described the early retirement programs that had been temporarily implemented at their companies.

Mr. Kopf, IPC's director of personnel administration, said the early retirement program was

available to salaried employees who were not members of a bargaining unit, and who were at least 62 years old, with 20 years of service to the company.

The plan, which is to be discontinued in January 1973, follows a "one for three" formula: Eligible members can receive one month's pay for every three full months remaining until the employee turns 65. Mr. Kopf said that the formula will allow IPC to keep early retirees retained on the payroll at full pay with all benefits, including accrued pension payments, in force.

**THE EMPLOYEE** must apply in writing to receive the plan, pending approval of IPC. Over

200 employees were eligible when the program began, and 75% have chosen it.

Another portion of IPC's temporary early retirement plan would allow employees with 20 years of service to retire at age 55, with their pensions being discounted using artificial reduction factors.

Mr. Kopf lauded the temporary early retirement plan for giving IPC an economic boost by allowing the company to replace older workers with "younger, more productive employees." In some cases, he said, jobs were combined, and fewer employees were needed to replace those who had retired. Despite the program's success, however, Mr. Kopf said

he did not expect that it would be continued beyond January.

Russell Schuck, IBM's manager of employee benefits planning, outlined the salient features of the early retirement plan IBM offered to some 6,800 eligible workers.

The IBM plan has already ended. It ran from August to December 1971, and was available to all employees with 25 years of service to the company, with no age limits applied.

**MR. SCHUCK** said the plan was implemented as a benefit for workers who had been shifted around extensively in a "manpower imbalance." Older workers at IBM had also written numerous letters requesting an early retirement plan, and the one implemented was designed to satisfy their requests as well.

The basic provision of the plan would provide employees with 25 years' service supplemental payments amounting to two full

years' pay. The payments would be spread over a 45 month period, with employees receiving 75% salary for the first six months, and 50% salary the remaining 39 months. When the employee reached age 65, the supplemental payments would cease, in favor of the regular company pension plan.

Hospital, major medical, and surgical benefits were included in the temporary early retirement plan, but no long term disability provisions were written. In case of death, the balance of supplemental payments would go to the employee's spouse or dependent children in addition to regular pension benefits.

**IBM EMPLOYEES**, 2,300 of them, took advantage of the early retirement plan while it was offered. Mr. Schuck said that the only common denominator among those who elected the plan was age, not salary. Most of the early retirees were over age 55, with age 62 being the most universally popular, due to the tie-in with early social security payments.

Like IPC's representative, the IBM man did not anticipate that the temporary plan would be repeated, despite its apparent popularity. Both company men indicated that they faced some morale problems from employees who had missed being eligible for the early retirement plans by a narrow age or time margin.

## Insurance firm sold in Wisconsin

MILWAUKEE—Time Holdings Inc., the holding company for Time Insurance Co., has acquired Financial Marketing Services Inc., and Financial Marketing Insurance Co. of Pensacola, Fl.

The purchase was made through the exchange of 150,000 shares of Time Holdings stock for all outstanding shares of the Florida firms, according to Frank W. Norris, president of Time Holdings. He estimated the value of the transaction at \$4 million, based on current stock prices.

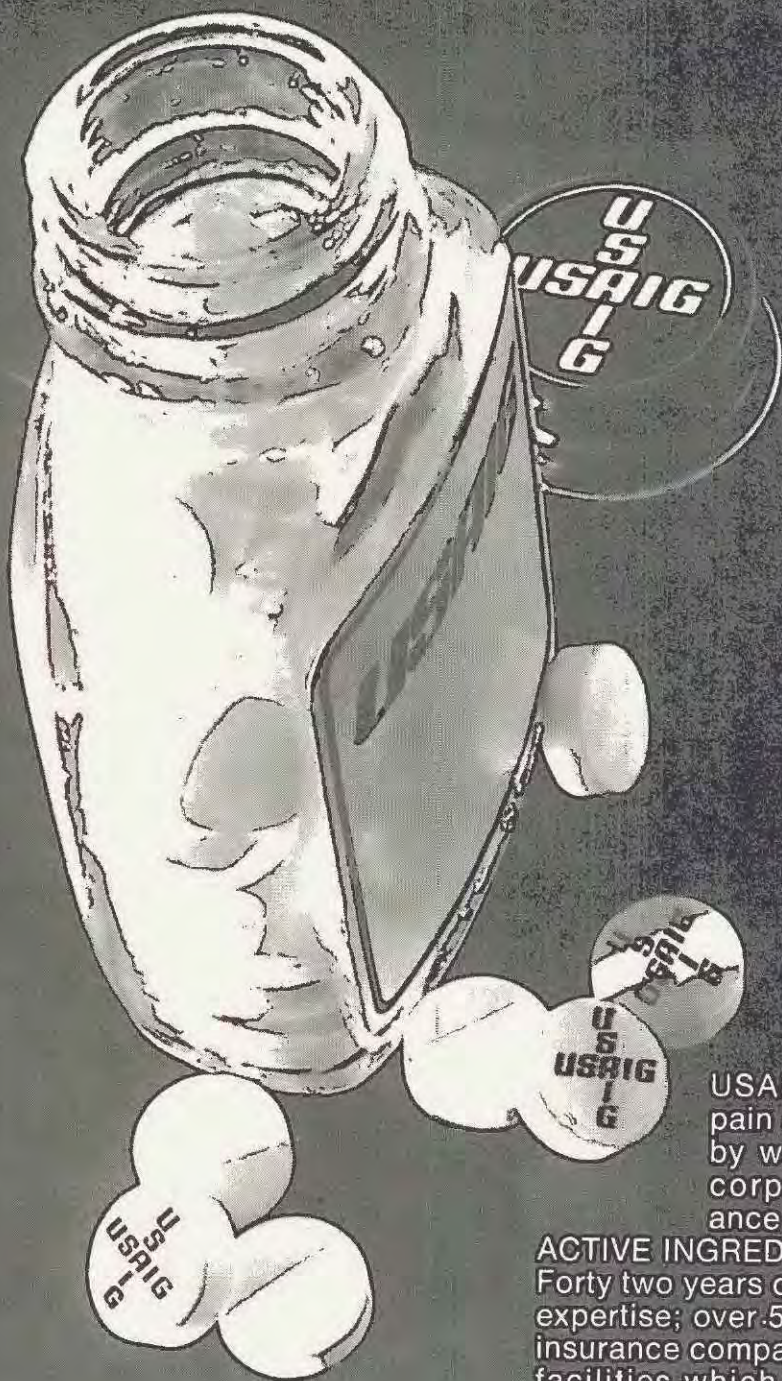
Financial Marketing Services is engaged mainly in mobile home financing. Mr. Norris said the acquisition would complement the operations of IIC Inc., a Jacksonville, Fl. Time Holdings subsidiary which sells customized insurance packages to mobile home dealers and lending institutions. IIC is the former Investment Insurance Corp.

## Pension plan contributions

OTTAWA—The finance department of the federal government disclosed that more than \$224 million in contributions to the Canada Pension Plan during July, August and September have been invested in both federal and provincial government securities.

During the corresponding period of 1971, more than \$207 million was placed by governments in the same types of securities.

It was pointed out that contributions to the federal pension plan over and above what is needed to pay expenses and benefits for the following three months are invested in the federal and provincial securities. These securities pay rates of interest that compare favorably with interest paid on Canadian government bonds.



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It may be habit forming

## Conference advised to 'communicate' benefits

NEW YORK—If the advice given to a meeting of the 26th annual Conference on Employee Benefits here regarding benefits problems encountered during mergers, acquisitions and spin-offs could be summed up in one word, that word would be "communicate."

J. Michael Gwartney, employee benefits director of Boise Cascade Corp., a company which has probably done more than its share of merging, acquiring and spinning off over the past few years, told the gathering of benefits people that communicating with the employees of the new company was, perhaps, the most important aspect in getting them to feel at ease about the take-over.

He felt that there should always be a corporate policy to serve as a guide for the employee benefits manager in this area and that "you should always move quickly." By "quickly," he explained that "you should have your people in the acquired company within a few days and, right then, you should start holding communications meetings with the employees."

As an example of communication, Mr. Gwartney pointed out that Boise Cascade guarantees the new employees that their benefits plan will be equal to or better than the one they have had and the Boise Cascade actuary sends a letter to each new employee outlining the plan and showing the new one's strong points.

COMMUNICATION also works both ways, Mr. Gwartney indicated. "Check out everything they have available—benefits booklets, labor department forms, outside deals, employee contributions, pending changes, pension forms, everything," he said. "Then talk to their people to pick up the subtleties of their old plan and any small changes that may have been made."

"It is very important that you know how they feel about things," he continued. "There is always the possibility that the Christmas turkey means more to the employees than the extra \$50,000 in medical benefits you want to give them. And you have to avoid taking anything away."

Among other bits of advice, Mr. Gwartney urged his audience to consolidate the pension assets of the acquired company into three or four trusts and to immediately check the reserves the old insur-

ance company had set up. "Don't be afraid to challenge them if you think the reserves are inadequate," he said.

HE ALSO suggested that one plan be established to cover salaried personnel nationwide.

Mr. Gwartney pointed out that Boise Cascade's largest acquisition involved some 4,000 employees and that the smallest involved less than 25 but "size makes no difference, the problems are the same."

He closed by exhorting the audience to, when the situation hit their companies and the decisions were theirs, "move quickly, communicate, and, for heaven's sake, don't breakdown."

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## National health plan

MILWAUKEE—Gov. Patrick J. Lucey, speaking to the Wisconsin Nurses Assn. convention here, predicted the enactment of a comprehensive national health insurance program.

"I believe that the only way we can guarantee every American citizen what ought to be a basic human right—high quality medical care at a fair price—is through initiating some form of comprehensive national health insurance," he said.

"Medicare and Medicaid have filled important gaps in our medical care delivery system but far too many inequities remain.

"In particular, this means members of the middle class have had to shoulder most rising medical costs of the past two decades, with governmental help."

# Insurance firms fight Florida order to standardize policies by Jan. 1

TALLAHASSEE, Fl.—A potential court battle is shaping up in Florida over the state's order that insurance firms standardize all policies sold in the state after Jan. 1.

Insurers say they cannot comply with the new guidelines by then, and hint they will go into court if necessary to fight the order, which they say could force some smaller firms out of the market.

Florida insurance officials did, however, listen recently as company representatives outlined reasons why they cannot meet the Jan. 1 deadline.

But the state regulators gave no indication they would extend the deadline that was established

for insurers to come up with standardized, easy-to-understand policies.

**ONE SPOKESMAN** for insurance commissioner Tom O'Malley's office would concede only that the office might be willing to incorporate into its guidelines some minor suggestions voiced by the insurance men.

The spokesman called the meeting an effort "to get suggestions from the industry as to how we might improve our guidelines."

O'Malley's office has demanded that all policies issued after Jan. 1 spell out just what benefits and restrictions they include and that every policy return at least 65¢ of

each premium dollar in benefits to consumers.

"Consumers are not trained lawyers," said Mr. O'Malley. "They can't be expected to read and understand the fine print in policies. The consumer has a right to know what he's buying and not buying."

**JAMES FOGARTY**, head of the department's accident and health insurance section put it: "We don't want to give something to the people in the big print and take it away in the little print."

Insurance company officials who attended the meeting, however, argued that the new rules are so stringent, they could put some companies out of business.

"Your objectives are out of reach," George Lebens of Mutual of Omaha told deputy insurance commissioner Tom Brown. "With some 500 insurance companies doing business in this state, I don't see how there is any way you can voluntarily set such guidelines."

Insurance firms and Florida regulators agreed on only one thing—that there is a multitude of policies being marketed in the state.

Spokesmen for O'Malley's office say there are 50,000 different policies in the state. They insist the number be reduced to a few basic, standardized forms.

Mr. Lebens cited the host of policies as a reason why the firms couldn't make a Jan. 1 deadline.

"There are thousands of them," he said. "Our actuaries even have difficulty comparing policies. If your own experts have trouble distinguishing between them," Mr. Brown retorted, "think of

how the public must feel."

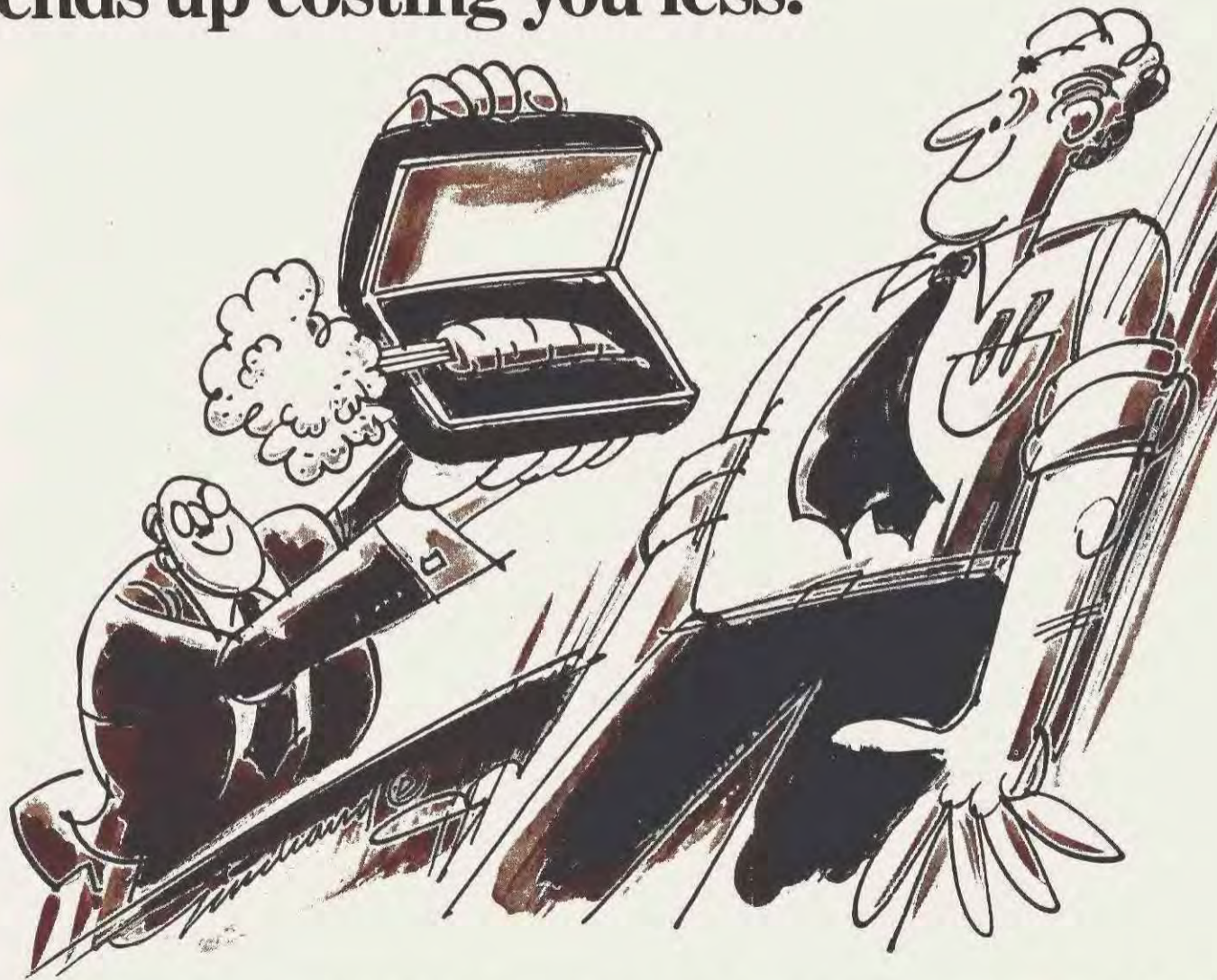
The executive director of the Florida Assn. of Life and Casualty Underwriters has warned that the guidelines could force some companies out of the state.

"**SOME OF** the smaller companies just cannot stand them," said Tom Waddell, who took the underwriters post after serving as a Florida insurance department attorney.

Mr. Waddell warned there is "a possibility" insurance firms will go to court if necessary to halt the guidelines.

Meanwhile, Mr. O'Malley's office has entered an order charging Prudential Insurance Co. with misrepresentation in its "Own a Piece of the Rock" television commercials. Mr. O'Malley ordered Prudential officials to appear at a Dec. 6 hearing in Tallahassee to show cause why the company should not be ordered to halt its "Piece of the Rock" ads in Florida.

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goodies. With permanent LifeVestor units that reflect the market progress of their investment fund. Not only that, but these units come complete with life insurance values, and cash and annuity values, too.

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**HE SAID** the ads "misrepresent to the viewers that policyholders of Prudential are entitled to act in a managerial capacity, overseeing the operations of the various enterprises which are 'a piece of the rock.'"

The ads, he contends, "strongly imply" that policy owners own a greater share of the company's investments than an amount proportionate to the face amounts of their policies."

In Newark, N.J., a company spokesman said Prudential "looks forward to attending the hearing so that we will have an opportunity to provide a detailed explanation of the integrity of our advertising."

"While it's true our 'Own a Piece of the Rock' campaign has a 'smile,' its whimsy should not be confused with deception." ■

## Big demand for actuaries is forecast

WASHINGTON—A labor department official told a meeting of the American Society of Pension Actuaries last month that any new pension legislation will virtually require that all pension plans have actuaries.

Deputy Assistant Labor Secretary Frank Kleiler told actuaries meeting here that the Williams-Javits pension reform measure would require that funds have actuaries. Moreover, he added, the Nixon Administration's proposals for fiduciary responsibility standards would make it difficult to administer pension plans without actuaries.

"While this administration's bill does not expressly require every pension plan to have an actuary, I think it would be difficult for a pension plan to provide meaningful information in these reporting items without an actuary," the labor department man said.

Mr. Kleiler added that it is not too soon for the actuarial society to begin formulating recommendations concerning whether there are enough actuaries in the U.S. to meet this increased demand or whether governmental education efforts are needed to help assure the availability of enough actuaries.

Two additional questions posed by Mr. Kleiler were whether the increased demand for actuaries will increase pension plan costs and whether the government should rely on professional organizations such as their own to certify actuaries. ■

# for the record

## Auto makers accused of sex discrimination

DETROIT—The United Auto Workers union has filed separate charges against each of the Big Three auto makers alleging discrimination because of sex. They state in the charges that their contracts provide shorter sickness and accident benefits for disabilities caused by pregnancy.

The charges, filed with the Equal Employment Opportunity Commission, state that union contracts with the companies provide up to 52 weeks of sickness and accident benefits for nonoccupational disabilities, except those related to pregnancies.

Pregnancy and its complications are covered by benefits lasting only six weeks, according to a union spokesman.

The UAW did say, however, that they and the auto companies acted in good faith in negotiating the contracts in 1970, but it believes the clause has been placed in question by "supervening EEOC regulations."

The union said it was "rebuffed" by the companies earlier when it asked to renegotiate the clause in light of the commission's regulations and rulings.

A General Motors Corp. spokesman said his firm doesn't believe its benefits plan for pregnancy and complications, "which are conditions unique to women," violates the 1964 Civil Rights Act—as the UAW has charged.

Federal guidelines on the matter are "neither binding upon us nor in accord with the law," according to a spokesman for Ford Motor Co. He added that there has not yet been a court review of the guidelines.

Chrysler Corp.'s spokesman said any action to change the clause would be "premature because of the lack of a court test to date."

earlier this year by Mr. Short (*Business Insurance*, July 17) after it failed to include Delaware as a state with a no-fault law in an opinionated advertisement in favor of such legislation.

The advertisement, called "The sorry state of no-fault insurance," showed license plates of each state divided into two groups—those which had no-fault laws and those which did not. Only Massachusetts and Florida were shown as having no-fault on

*Continued on page 42*

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### County workers split over retirement plan

GALVESTON, TX.—Employees of Galveston County are almost evenly divided in their expression of opinions for and against a proposal to merge the county's retirement program with the Texas county and district program.

A group of employees presented the Galveston County Commissioners Court a petition signed by 110 employees opposing the recent application for the merger and asked that it be reconsidered.

These employees said the 7% salary employee contributions are too high and that not enough facts were presented last December when county employees voted approval of the merger.

Counteracting the 110 names on the petition opposing the matter, letters from three county departments showed 108 employees favoring the merger. There are about 650 county employees.

### False advertising fine repealed in Delaware

DOVER, DE.—Fireman's Fund American Insurance Cos. are apparently off the hook in the false advertising hassle which resulted in a fine being levied against them by Insurance Commissioner Robert A. Short.

The insurer was fined \$3,000

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## Record . . .

Continued from page 41

the books though Delaware had passed a limited first-party benefit law. The Delaware law, however, does not eliminate the tort system.

Commissioner Short felt the exclusion of his state constituted false advertising and fined Fireman's Fund, as well as ordering it to rebate a proportionate share of the cost of the ad to its Delaware policyholders.

The insurer appealed and appears to have made its point. Fireman's Fund reported that Mr. Short rescinded his order against the company and quotes him as saying, "Despite our disagreement on the definition of no-fault, I am now satisfied that Fireman's Fund did not violate Delaware law and did not intend to deceive the public by the publication of the advertisement in question."

While granting the insurer the right to its own opinion, Mr. Short stuck steadfastly to the feeling that Delaware does, indeed, have a no-fault law.

### Agency acquired by Corroon & Black Corp.

MILWAUKEE—Roberts Co., one of Milwaukee's oldest insurance agency and brokerage firms, will be acquired by Corroon & Black Corp., a New York based international insurance brokerage, according to an agreement in principle reached by the two firms.

The combination will create the largest insurance brokerage and agency in Wisconsin, officials said.

No closing date was set for the transaction, which will involve the exchange of an undisclosed amount of Corroon & Black stock

from all outstanding shares of Roberts, which is owned by five investors. Roberts, founded in 1908, had gross revenues last year of more than \$500,000.

Corroon & Black has an office here, resulting from the acquisition in March of Carney-Rutter Inc. Combined gross revenues of the two firms here in 1971 exceeded \$1.7 million, according to Corroon & Black.

### N.J. FAIR Plan wants money from riot pool

TRENTON—After investment return, New Jersey's FAIR Plan, which calls itself the New Jersey Insurance Underwriting Assn., finds itself with a net loss of almost \$12 million, dating back to its start in 1968. A current bill, now before Insurance Commissioner Richard C. McDonough, calls for \$5.6 million from the state's riot pool to cover the FAIR

Plan losses for calendar years 1968, 1969 and 1970.

Subsequent losses, which would more than double the requested amount, are to be billed later once premiums are earned.

The bill before Mr. McDonough requests the \$5.6 million from the New Jersey Insurance Development Fund, which was created in 1968 as a backup for insurance losses from riot and civil disorder. The fund currently has assets of some \$10 million.

The association claims a precedent for payment, since by a state appellate division ruling in 1970, the insurance department has paid it \$33,000 in administrative expenses for the crime insurance it now provides.

The association, a syndicate of more than 250 casualty and liability insurance companies doing business in the state, provides fire and extended coverage on property in ghetto and substandard areas.

### College amends suit against investing firm

NEW YORK—Hanover College, Hanover, In., has dropped charges against the Wall Street investment banking firm of Donaldson, Lufkin & Jenrette Inc. for mismanagement of the school's endowment fund, as alleged in a lawsuit filed last December.

The withdrawal took the form of an amended complaint filed in a federal court in Indianapolis.

The suit, which accused the investment firm of making "speculative" and "unsuitable" investments, called Donaldson Lufkin responsible for the bulk of Hanover's losses.

As a result of the withdrawal of mismanagement charges, damages sought by Hanover have been reduced from \$3.9 million to \$931,000.

In the remaining charges of the suit, Hanover asserted that it lost \$825,000 as a result of investments made by Donaldson Lufkin without properly consulting or informing the college.

Hanover also charged that it lost \$106,000 because Donaldson Lufkin purchased 26,000 more shares of Equity Funding Corp. of America stock than it should have bought under certain limitations set forth in the investment advisory contract between the school and the investment firm.

### \$2.7 million court award is appealed

MILWAUKEE—Lear Siegler Inc., the Toledo, Oh. mercury vapor light manufacturer which was ordered to pay \$2.7 million to a paralyzed electrician, asked the federal court here to reduce the judgment to \$1.1 million. (*Business Insurance*, Oct. 9)

The award, believed to be the second largest production liability judgment ever handed down, went to Robert Rothman, 36, who suffered spinal damage in a 25-foot fall from a pole after receiving an electrical shock. He was installing a mercury vapor light and had just tested it when he came into contact with the bolt that attached the light to the pole with a grounding wire.

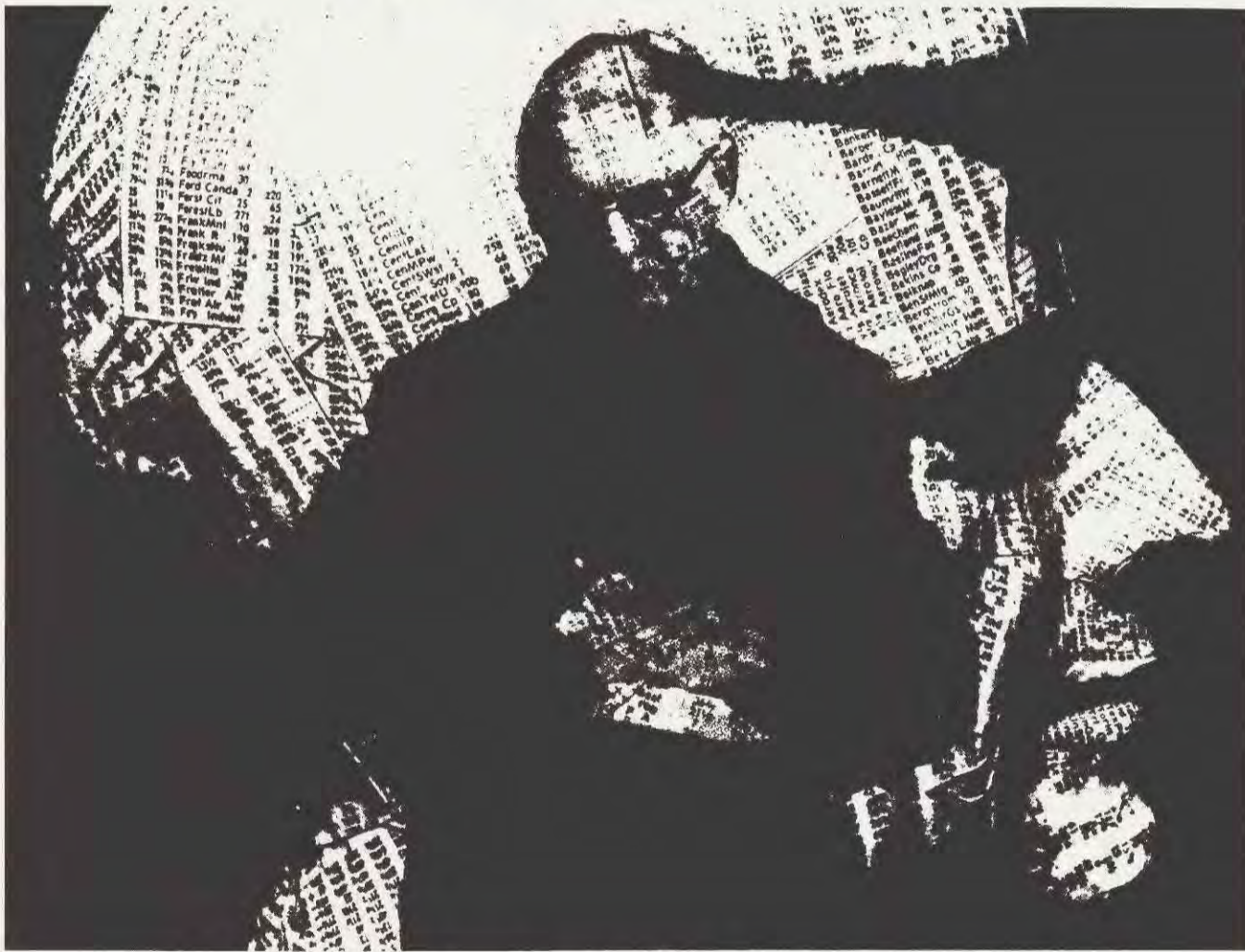
Lear Siegler admitted the unit was faulty in that a strand of wire was loose. But Hanlin Hayes, an attorney for Lear Siegler, said in his petition to the court, "A total of \$1.1 million will more than adequately compensate both plaintiffs (Mr. and Mrs. Rothman). By any analysis of the award, it is clear that the verdict is out of all reason, explainable only because of sympathy."

He pointed out that the Rothmans would receive \$66,000 a year if they placed the \$1.1 million in a bank at 6% interest.

A FEDERAL court jury awarded the \$2.7 million to the Rothmans Sept. 29. It is believed to be second in size only to the \$3.5 million awarded to a young Nevada workman who was injured when struck by a 1,130-pound electrical control cabinet which broke loose from a crane.

Lear Siegler, which also asked for a new trial in the Rothman case, is insured for product liability by Lumbermen's Mutual Casualty Co., Chicago; Commercial Union Insurance Group, Boston; and underwriters at Lloyd's. Under the terms of the policies, Lumbermen's would pay the first \$500,000, Commercial Union the second \$500,000 and Lloyd's the remainder.

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# Decisions...

Continued from page 34

Justice Sullivan commented that "such innocuous products as sugar and butter, unless contaminated, would not give rise to a strict liability claim merely because the former may be harmful to a diabetic or the latter may aggravate the blood cholesterol level of a person with heart disease. Presumably such dangers are squarely within the contemplation of the ordinary consumer," Justice Sullivan said. The result of the limitation of the "unreasonably dangerous" qualification, he asserted, "has not been merely to prevent the seller from becoming an insurer of his products with respect to all harm generated by their use.

"Rather," he continued, "it has burdened the injured plaintiff with proof of an element which rings of negligence. If the ordinary consumer would have expected the defective condition of a product, the seller is not strictly liable regardless of the expectations of the injured plaintiff.

"Yet the very purpose of our pioneering efforts in this field was to relieve the plaintiff from problems of proof inherent in pursuing negligence remedies and thereby to insure that the costs of injuries resulting from defective products are borne by the manufacturers.

"WE THINK, said the judge, "that a requirement that a plaintiff also prove that the defect made the product unreasonably dangerous places upon him a significantly increased burden and represents a step backward in the area pioneered by this court."

Justice Sullivan added, "although the seller should not be responsible for all injuries involving the use of its products, it should be liable for all injuries proximately caused by any of its products which are adjudged defective. A defect may emerge from the mind of the designer as well as from the hand of the workman. "Although it is easier to see the defect in a single, imperfectly fashioned product than in an entire line badly conceived, a distinction between manufacture and design defects is not tenable. It is difficult to prove that a product ultimately caused injury because a widget was poorly welded, a defect in manufacture, rather than because it was made of inexpensive metal difficult to weld, chosen by a designer concerned with economy, a defect in design.

"THE PROOF problem would be magnified," Justice Sullivan said, "when the article in question was either old or unique, with no easily available basis for comparison. We wish to avoid providing such a battle ground for clever counsel.

"Furthermore, we find no reason why a different standard, and one harder to meet, should apply to defects which plague entire

product lines. We recognize that it is more damaging to a manufacture to have an entire line condemned, so to speak, for a defect in design, than a single product for a defect in manufacture. But the potential economic loss to a manufacturer should not be reflected in a different standard of proof for an injured consumer."

Thus, in Mr. Cronin's case, the lower court judgment was upheld because Mr. Cronin was not required to establish that the defective condition of the hasp made it unreasonably dangerous to user.

In the case involving Mr. Lague, the judgment was reversed and another trial was ordered because the plaintiff had been required to establish not only that the lawnmower contained a defect which proximately caused his injuries but also that he was not aware of the defect at the time of the accident.

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### Industrial safety chief

Richard Wilkins, 55, southern California aerospace executive, has been appointed by Gov. Ronald Reagan as chief of the California division of industrial safety, a \$22,584 a year position. Mr. Wilkins succeeds Jack F. Hatton who resigned earlier this year in the aftermath of a tunnel explosion that killed 17 workers at Sylmar in the San Fernando Valley. Members of the legislature demanded an investigation of Mr. Hatton's division, claiming the disaster was due to lax enforcement practices by the division.

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# Split life insurance products are selling despite some drawbacks

CHICAGO—Variable life insurance products which combine savings and life insurance protection are growing in popularity, according to a Hartford Life Insurance Co. executive. Moreover, he said, the growth is continuing despite the lack of any real wide industry support.

Split life, in most cases, consists of annual renewable low-cost term life insurance plus a long-term annuity contract. Some companies are promoting the product on a group basis, or as a pension arrangement, although there is no real strong movement to the concept as a replacement for the more traditional benefits.

Speaking to the 23rd annual Conference of Actuaries meeting

here last month, Donald R. Sondergeld, vp and actuary, Hartford Life Insurance Co., said that "many of the advantages of permanent cash value ordinary life insurance and temporary term insurance are combined" with split life.

"The term policies are essentially permanent policies . . . renewable to age 95 or 100. When compared with other annuity contracts, the split life annuity contract contains relatively low cash values in the early years as the commission rate in the first year is relatively high."

**THE HARTFORD** Life Insurance Co. has been marketing such a product for some time now

and is still one of the relatively few firms offering such a product.

Mr. Sondergeld explained that under the Hartford's split life policy the amount of term insurance at any one time may be one hundred times the amount of the premium on the annuity.

For example, he said, if the purchaser pays \$1,000 a year under the annuity contract he may buy \$100,000 of term insurance and split it among any number of lives. Coverage of the term insurance may also be transferred from one or several persons to others.

Mr. Sondergeld's positive remarks about split life, however, did not go unchallenged. Said Robert D. Shapiro of Milliman

and Robertson Inc., Milwaukee consultants:

"Split life as it exists today is thought by many opponents to be more in the nature of a well-conceived marketing scheme than a long-term beneficial product innovation.

"The nature of the typical life sale," he added, "has led several states to essentially consider the term as 'increasing premium whole life insurance for the purpose of defining deficiency reserves.'"

Mr. Shapiro also charged that split life creates "administrative complications" which "have an adverse effect on the price of the split life product."

Noting that "split life insurance is being well—not generally—accepted, though it is growing," Edward D. Brown, a senior partner in the Atlanta actuarial consulting firm of Brown & Flott, said about 15 companies are now offering a split life product.

Pointing out that some state insurance commissioners have opposed the split life product on the grounds that it is a "simple, straight-forward contract," Mr. Brown also said that some commissioners have questioned whether the companies offering split life make full disclosure of the combined term insurance and annuity arrangement.

Said Mr. Sondergeld: "Some insurance companies and insurance departments get letters from policyholders and beneficiaries who want to know why the cash value was paid in addition to the face amount under an ordinary life contract."

Mr. Sondergeld also pointed out that under the split life concept a matured policy may be issued for retirement income while the life insurance protection is continued. "The pension and profit sharing market thus takes on a new dimension with this added flexibility," he said. ■

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## Precedent is set on negligence

TORONTO—The insurance industry in Canada is showing more than passing interest in a recent court decision here which established a legal precedent as far as the use of automobile seat belts is concerned.

The key question involved in the court action was whether failure to wear an available seat belt constituted negligent conduct.

The decision was rendered by a judge of the supreme court trial division. It resulted in reduction of the amount of damages awarded to a car accident victim because he neglected to wear a seat belt.

Insurance leaders believe the landmark decision will set the stage for more cases dealing with seat belts in Ontario. It was pointed out that all other seat belt cases were either outside Ontario or were tried in a lower court.

Mr. Justice J. H. Osler, in his precedent-making decision, declared the action of the victim-passenger is not wearing a seat belt did, in fact, constitute negligence, contributing to his injury.

**THE JURIST** imposed a 10% reduction in damage payments as a result of his finding.

Testimony during the trial showed that the plaintiff was leaning against the right hand front door and his injuries were suffered when he was thrown out of the car. The court was told the defendant driver probably dozed off while driving the plaintiff home from an all-night drive-in movie. The car left the road and the defendant suffered injuries when he hit the pavement.

It is the opinion of legal experts here that the court ruling may set an important precedent and could lay the groundwork for a new law making the failure to wear a seat belt an act of negligence. ■

## Payroll deduction law

Gov. Milton J. Shapp of Pennsylvania has signed into law a bill requiring employers to make payroll deductions within 10 days after fringe benefit payments are required. In the case of union dues, the employers are required to make the reduction within 30 days after the payments are required to be made to the union. Failure to meet the deadlines would subject employers to a fine of \$500.

**Giles on the law****Finance companies must insure principal debtor in giving a loan**By JOHN W. GILES  
Attorney at law

WASHINGTON—If you are a finance company, you must, when you make a loan, insure the principal debtor, not the co-signer of the note.

Here the action was by the finance company against the borrower to recover a balance due on a promissory note from the defendant. The lender here failed to take out disability insurance on the borrower as contemplated by the loan agreement, but instead, mistakenly took it out on borrower's mother, who was an endorser or accommodation maker of the note evidencing the loan.

The court held that the finance company, was barred from recovering the unpaid balance on the note from the borrower who had become disabled.

The court said that under the circumstances shown, it was apparent that the purpose of the life and disability insurance paid for by the borrower was to insure the payment of the debt to the finance company in the event of his death or disability. Although no specific conversations were had at the time of present loan, the borrower was entitled to rely upon the circumstances that the large premiums extracted from him as a condition for the loan were to be applied to buy the policy to protect him, as in the past.

Likewise, insurance agents or brokers have been held liable to a person relying on them to obtain insurance, when they have negligently failed to procure insurance as agreed; their liability being the amount which would have been due under the policy had it been obtained. Here the plaintiff, when he became disabled, was current in his payments, and the disability payments were sufficient to extinguish the debt, if the borrower had been insured by that coverage. (*Coverage Finance Co. Amite v. Buchanan*. Supreme

court of Louisiana, May 1972 - 261 So. 2nd 652)

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**ARE YOU LIABLE** if you give your minor guest too much to drink. "Yes," says the supreme court of Minnesota.

That court has recently ruled that the Dram Shop or Civil Damage Act imposes liability on social hosts as well as upon persons in the liquor business, for injury occurring to third persons as the result of the intoxication of the recipient of the liquor.

In this case liability was imposed upon the social host of a minor whose intoxication resulted in his death. The act, says the court, applies to those invited to wedding receptions and company picnics, as well as other gatherings where supervision may be onerous. The death of the minor in the case was caused when he was killed when his car left the road.

The court noted that the Civil Damage Act in Minnesota reveals that the legislature intended to create a new cause of action against every violator, whether in the liquor business or not. Where liquor is furnished in a purely social setting, ordinarily, it may be expected that the donor will take some precautions to determine the age of the recipient or his state of intoxication. Those who furnish liquor to others, even on social occasions, should be responsible for protecting innocent third persons from the potential dangers of indiscriminately furnishing such hospitality.

The court noted that the legislature may amend the Civil Damage Act to permit one who is not in the liquor business to assert the defense of due care. (*Ross v. Ross*. Supreme court of Minnesota - July 14, 1972.)

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**EXPLOSIONS** resulting in face disfigurements can be very expensive.

pensation but was entitled to bring the action in tort against the corporation.

The court further stated that an award of \$74,945.79 for pain and suffering was not excessive where a 50-year old plaintiff suffered not only soft tissue injury to his face resulting in facial scarring, but also fractures of every bone in his face, and other injuries resulting in surgical procedures over a period of many months, together with a permanent depression reaction and necessary social withdrawal. (*Duplechin v. Pittsburgh Plate Glass Co. et al.* Court of appeal of Louisiana, July 1972 - 265 So. 2nd 787)

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**THE INDIANA** supreme court has abrogated the doctrine of sovereign immunity of the state to the same extent that the doctrine has been previously abrogated with respect to municipal corporations and counties.

The court pointed out, however that the ruling did not mean that all governmental units could be held liable for any and all acts or omissions which might cause damage to persons. For example, one could not claim recovery because a city or state failed to provide adequate police protection to prevent crime.

In the case at bar, the occupants of an automobile sued the state for injuries received in a head-on collision allegedly resulting from the state's negligent failure to mark the highway with yellow line, where it was unsafe to pass and to install signs.

The court said that the elimination of sovereign immunity means a more equitable distribution of losses in society caused by the government unto the members of society, rather than forcing individuals to face the total loss of the injury. (*Campbell v. State*. Supreme court of Indiana, July 17, 1972 - 284 N.E. 2nd 733

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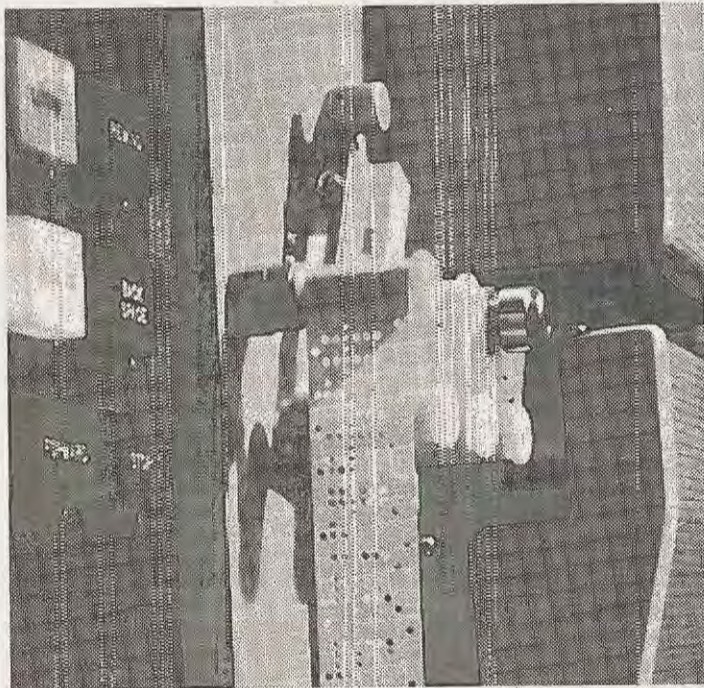


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# business insurance

# PERSPECTIVE



**BY THOMAS C. WATSON JR.**  
Vice president,  
Watson Insurance Agency  
Gastonia, N.C.

Business Insurance—perhaps deliberately—has never gotten into the relationship between agents, or producers, and their insurance company markets. To use an analogy, it would be like a law officer sent to quell a domestic quarrel. Our primary reader is the small, medium and large corporate insurance consumer—the guy paying the bill—and his life isn't threatened by the upstairs landlord's marital problems.

However, we are very much aware of the problems agents and insurers are having these days. Moreover, we are aware that the ultimate outcome of these quarrels today will have an effect on our readers' needs and how they are fulfilled in the future.

Once in a while an agent says a few things that reinforce our feelings that the nation's agency force will face up to the challenges and changes of the future. The following is an example. It was prepared and delivered by a young agent from Gastonia, N.C., at last month's annual convention of the National Assn. of Mutual Insurance Agents in New York, and has been edited slightly from the original.

I WAS CAUGHT up several years ago in the Chartered Property and Casualty Underwriter's theme of continuing education. At conferment ceremonies in New Orleans four years ago, the new designees were reminded that this very special honor should not be considered an end in itself. Rather, we were urged to continue our studies in other areas of interest to us. But "continuing" is the key word here.

At no point in our educational development can we call an end to this learning process. If we do, then we must be willing to accept the consequences, which, as I see them, are reflected in the eventual inability to offer our customers the best available insurance counsel and service.

By some standards, ours is a large agency. The company groups and syndicates we represent number something over 30. We are housed in our own modern building containing about 7,500 square feet of space. Our customers number approximately 12,000. We try to serve this group of insurance consumers with a staff presently numbering 31, eight men and 23 women. Four of our men are over 40 years of age, two are in their early 30's and two are less than 30 years old. Two of us are Chartered Property and Liability Under-

## 'Continuing' is the key word to agency's learning development

"Some time ago, we embarked on a positive program to encourage, and reward, the successful process of continuing education, both for our producers and also for our staff. I think we've been reasonably successful in our efforts, which have taken several directions."

writers, and two others are studying to take exams in December. Four of us are also studying toward a diploma in risk management.

OUR FEMALE STAFF is especially loyal and dedicated to our business. Oh, we have our share of turnover, but many on our staff have been with us a long time. Last year our senior commercial casualty woman retired after 37 years with Watson Insurance Agency. Two of our present female staffers have been with us for approximately 26 years, three others have more than 15 year's service, and several others have been with us about 10 years or longer.

Some time ago, we embarked on a positive program to encourage, and reward, the successful process of continuing education, both for our producers and also for our staff. I think we've been reasonably successful in our efforts, which have taken several directions. Let's explore a few of them.

A college education is a generally desirable requirement in today's business climate. Most of the clients our agency is trying to sell are owned and operated by knowledgeable men—college graduates—and we will communicate more effectively if we share common backgrounds. A college degree, supplemented perhaps with

graduate work, lays a good foundation for the acquisition of practical knowledge and business judgment, which requires somewhat more than classroom exposure to obtain. Seminars, conventions, association and company schools, and independent study toward CPCU or risk management diplomas provide excellent vehicles for continuing mental activity.

Each one of our eight men has the opportunity several times each year to attend informative meetings. The National Assn. of Mutual Insurance Agents annual and midyear conventions invariably provide much food for thought, as well as the opportunity to exchange ideas with each other on an informal level. Similar opportunities exist for most of us at our state association annual and mid-year meetings. In addition, regional meetings provide forums for candid discussions of our industry and common interests.

IN OUR OFFICE, continuing education is important, and our people are for it. We're going to have fewer people handling more business and making more money. We just paid a quarterly bonus based mainly on efficiency, but tempered with a little subjective judgement. Most employees in our office with a good attitude and proper initiative can potentially earn quarter bonuses as well as adjustments in salary.

My personal education, is I hope, off to a good start. I went to the University of North Carolina, where I majored in business with emphasis on insurance. Immediately following undergraduate work, I had the immense good fortune to attend the Wharton School of Finance and Commerce of the University of Pennsylvania, where I received a Masters of Business Administration in insurance. In 1968, I completed the requirements for the C.P.C.U. designation. Since 1968, I have passed one additional Insurance Institute of America examination in the risk management program. I plan to complete those requirements within the next two years.

At our office, we embrace the concept of continuing education. We also inquire as to our direction and progress periodically to assess the value of our program. We guard against an obsession with education, to the detriment of our common goals. We don't want to be caught short like a farmer I heard about near my home. Our new county agent approached this fellow in his field one day and was making a great attempt to sell the farmer a new service available through the university. Our man looked out over his field, then dismissed the young agent with "It'd be a waste of money son. I'm not farming half as well as I know how."

Well, we want to use it all. The whole thing. . . . We won't always have the ready answer. No one in our office is ashamed to say, "I don't know." But we know how and where to get answers to problems and questions pertaining to coverage, markets, and cost. As we become more knowledgeable, we become more professional. And we continue to be known to our clients as an agency with fresh ideas and the ability to implement them. Our customers benefit, and experience is proving that we do, too.

## Captive insurance company is vehicle for many different goals

"Certainly, there are many good reasons for existence of a captive insurance company, but in many cases, the captive concept has been overemphasized."

**BY DAVID WARREN**  
partner,  
Warren, McVeigh & Associates  
San Francisco—Los Angeles

A TREMENDOUS amount of interest has been shown recently on the subject of captive insurance companies, and one specialist has gone so far to say that all of the 500 largest corporations in the country will have at least one captive company before many more years are out. This statement seems a little overenthusiastic. Certainly, there are many good reasons for existence of a captive insurance company, but in many cases, the

captive concept has been overemphasized.

The captive company is just one tool of the risk manager to achieve his goal—long-term minimization of total risk management costs, which might be considered as the sum of: retained losses, loss prevention costs, claims adjusting expense, insurance premiums and administrative costs.

If a careful assessment of the captive shows that it will develop a lower total cost over a reasonable time period than any other program, then it should be employed. In many cases, however, the captive has been accepted without comparison of analogous non-captive techniques.

The captive is also a vehicle for tax and financial maneuvering, but when so used, all risk management implications must be brought out and measured. To the risk manager and his management, the captive company concept is seductive. It is stimulating to create a new company, heady for an insurance manager to become a chief executive officer, and rewarding for the insurance section of the corporation to become a profit center rather than a cost center. Last, and possibly not least, captive company domiciles, such as Bermuda, are pleasant places to visit.

Because of the imprecision of insurance rating and the almost infinite variety of

Continued on following page

## business insurance

## PERSPECTIVE

## Captives . . .

Continued from preceding page

plans which might be used, it is easy to create cost comparison charts showing the captive company to be the most economical. Several cases have occurred where the use of a captive has been compared to a program of full insurance, which of course is unrealistic since the captive is simply a formalized means of self-insurance and should be compared to comparable self-insurance plans.

To see whether or not a captive company can be of value, we should look at various benefits obtainable from, or which are claimed to have been available from, a captive insurance company.

#### Unavailability of conventional insurance a particular peril

A captive insurance company can be chartered to write any kind of insurance desired, though reinsurance for all perils may or may not be available. Some reinsurers will accept risks that primary underwriters avoid, but even when reinsurance cannot be obtained, the captive company can build reserves to handle a somewhat higher degree of self-assumption than would otherwise be possible.

One company to use a captive for this reason was Johnson & Johnson, a pharmaceutical manufacturer, who established the Middlesex Assurance Co., Ltd., to cover product liability, particularly for birth control pills, for which coverage was otherwise unavailable—at least on acceptable terms.

The major oil companies also needed specific peril coverage. Following the Torrey Canyon tanker disaster, pollution coverage was withdrawn by underwriters and the oil companies developed a pool through a captive company with the acronym TOVOLOP (Tanker owners voluntary agreement concerning liability for oil pollution). This company covered, up to \$10 million, claims by governments based on negligence. They then formed CRISTAL (Contract regarding an interim supplement to tanker liability for oil pollution) which raised the available limits to \$30 million and also covered claims by private persons and where no negligence was involved. The oil companies are now close to completing another captive, OIL (Oil insurance limited), which will raise limits to \$75 million and cover all risks of direct physical loss plus well control and pollution liability.

The peril of strikes has been insured against by a number of industries. The Associated General Contractors formed the Arch Insurance Company in Bermuda in 1969. Strike insurance through captives has also been achieved by airlines, shipping companies, newspapers and printing companies. Utility companies have also developed captive company approaches to perils of pollution, seepage, etc.

Other perils which may be difficult or impossible to insure in conventional markets and which may be covered by a captive include loss of trade secrets, confiscation, devaluation of currency, credit risks, and war risks.

The recital of these perils and difficulties of marketing should not create the assumption that all such coverage is unavailable through existing insurance markets. Before hope is abandoned, a thorough search of existing markets and methods of obtaining coverage should be made. Underwriting requirements are becoming less rigid than they have been previously, and it also may be that the proper approach has not yet been developed but could be with some additional thought.

#### Inadequacy of limits (capacity)

The inability of conventional insurance

markets to provide high enough indemnity for certain risks has led to creation of captive companies in order to pool the resources of a number of different organizations as well as to provide a means of building up reserve funds to pay losses.

A few years ago the airlines were concerned about the apparent inability of the insurance industry to provide sufficient limits to cover the possible loss from a 747 accident. So they created two captive companies. However, the insurance industry has, since then, been able to develop the needed capacity, largely through the use of Prudential Life Insurance Co. as a major source of reinsurance.

The Paint, Lacquer, and Varnish Assn. created a captive insurance company, VERLAN, to provide additional capacity for some of the high hazard plants. The first negotiations through a broker were unsuccessful in developing sufficient limits, but by direct negotiations they were able to obtain \$10 million limits. This development was aided by the use of a professional fire protection engineering firm, National Loss Control Service Corp. (a Kemper company).

It is said by some that the world insurance markets are easier to organize through reinsurance than through direct insurance because of the greater freedom from government regulation as well as the generally freer underwriting climate in which reinsurers operate.

#### Reduced premium costs

The first true captive insurance company with which I am acquainted was created by Youngstown Sheet & Tube Co. in 1935. Their Mahoning Insurance Co. gave

### "Other perils which may be difficult or impossible to insure in conventional markets and which may be covered by a captive include loss of trade secrets, confiscation, devaluation of currency, credit risks, and war risks."

them the vehicle to accept a \$100,000 per loss retention and to blanket all property coverages—fire, boiler, fidelity and ocean marine—into a single policy. In 1935, insurance markets were unable to provide such a program, so this was a tremendous advance for the time. This condition, however, no longer prevails, and the captive company would not be necessary for a similar program to be developed.

In 1962, General Mills created the Gold Medal Insurance Co. to cover property only. It was domiciled in Minnesota, which has relatively lenient investment restrictions. They found this was a means to reducing costs, simplifying forms, and enabling them to achieve the coverage desired by writing their own endorsements rather than spending months on discussions with underwriters.

The cost advantages of a captive company seem to derive from three sources: First, it by-passes the marketing and administrative expenses of primary insurance companies, which are considerably higher than those of reinsurers. Second, some peculiarities of the insurance marketplace play a role. Primary insurance companies do not like to go to their reinsurers on the facultative placements usually necessary in a captive operation. Third, reinsurance underwriters are accustomed to special rating and unusual conditions, whereas primary underwriters are trained more in the ordinary high volume business.

#### Source of tax-free overseas investment capital

As insurance premiums are fed into the captive operation, reserves are established which may then be invested. In addition to accumulated profits, reserves may be established for: 115% of estimated claims; losses incurred but not reported; and un-

earned premiums.

Insurance companies established in the United States have serious restrictions on how these reserves may be invested, but offshore companies have few or no restrictions. The reserves may therefore be invested in foreign operations or used to purchase equipment which is then leased to the parent. This may be done if the captive's gross income from this and other types of subpart 'F' income-producing activities is less than 30% of gross income. Tax is usually not paid until this money is brought back into the U. S.

#### Improved cash flow

Conventional insurance policies are paid one year in advance. With the captive company, these premiums may be paid monthly, even at the end of the month, to give the parent the use of the money for a longer period.

#### Tax leveling

The parent company may find that its own profitability fluctuates from year to year so tax liabilities will also fluctuate. Dividends from the captive company may be brought back into the United States at a time when the tax result would be most favorable.

#### Overcome underwriting restrictions

State regulations frequently inhibit the primary underwriters in developing exactly the program that is desired. An interesting example of how such restrictions were overcome is in the example of

the Belk Stores. This is a chain of about 400 stores, all of which are separate corporations located in 19 states and Puerto Rico. In total, they had about 10,000 insurance policies with local agents. Because of the rules of the local rating bureaus, these separate corporations could not get together to secure blanket coverage and discounts from the standard rates. In 1951 they established a reciprocal captive insurance company, owned by each of the 400 stores, to issue policies of fire and extended coverage at considerable savings.

Underwriting restrictions may be particularly severe in many foreign countries. In some cases, conventional property policies do not cover wind damage. In other cases, it may not cover fire following earthquake, and there are other limitations as compared to American coverages. The captive may broaden coverages to the conditions desired.

#### Better loss control

Some proponents of captive companies claim to achieve better control of losses, and this may be true as compared to an ordinary insurance program, but the captive technique as such has no particular advantage in this regard. It is the fact of risk retention (however obtained) that focuses management's attention toward loss control and encourages the use of professional loss prevention engineers.

#### Integrate foreign and domestic insurance

The rapid growth of American companies' foreign operations is shown by a commerce department estimate that American business investments abroad increased from \$54.7 billion in 1966 to \$78.1 billion at the beginning of 1971. The achievement of protection for overseas

operations comparable to that developed in the United States is therefore becoming more important than ever. The captive insurance company is able to issue identical contracts to all entities concerned, possibly acting as a difference-in-conditions cover to some foreign countries where mandatory local coverages must be purchased.

The fact that every foreign country has different insurance rules makes this a complicated subject. Some countries (Brazil, France, and Mexico) allow no non-admitted insurance. Some (such as Argentina) have compulsory reinsurance provisions. Other complicating factors may be that there are local insurance requirements in lease contracts. It is therefore necessary to thoroughly check each country where the captive must operate in order to make certain that all local conditions have been considered.

There are three ways by which a captive may be utilized in foreign operations. First, it may act as a non-admitted insurer where this is allowed. Second, it may be admitted to the country. Third, it may reinsure the local admitted companies, to help them achieve a lower net cost.

One example in this field is the Ford Motor Co. who, in January 1968, established Trans-Global Insurance Ltd. to, in the words of their insurance manager, "provide a closer check on insurance expense of foreign operations."

#### Financial manipulation

The word manipulation has unsavory overtones, but it is entirely legal and ethical for financial managers to use the captive company as a vehicle for legitimate financial transactions of considerable benefit. First of all, we mentioned the fact that payment of dividends from the captive to parent can be timed, for tax or other reasons.

In addition, many companies have exchange controls (especially when there is inflation or the local currency is weakening), but most countries exclude the payment of insurance premiums from such controls. By selectively increasing the premium (for example, pre-paying one or even three years in advance), some blocked funds may be extracted. Greater control can also be exercised over the generation of excess foreign tax credits.

#### Recapture Foreign Tax Credits

Income tax paid to foreign countries may be credited against U.S. taxes. However, the credit may not exceed the tax which would have been paid on the same income in the United States. Since, when computing this credit, all foreign operations may be considered as a unit if desired, it often develops that total taxes paid overseas are at a greater rate than the United States tax. Thus, the excess paid cannot receive credit. However, if foreign income is increased without proportional taxes, there will be a greater base in the United States against which the foreign tax may be measured. Thus, if a captive company develops income in Bermuda without any income tax, and there are unusual tax credits from other foreign operations, additional U.S. tax benefits may be achieved. Such credits can amount to a considerable sum and have proved to be the motivating factor in the formation of captive companies for at least two companies, including Celanese Corporation.

#### Deductibility of Reserves

It is well known that insurance premiums are a tax-deductible expense whereas reserves established for losses in a self-insurance program are not. The loss itself is deductible; however, the deduction may not exceed the book value of the asset. For a company which has a great deal of valuable old property which may have been written off the books, there

Continued on page 50

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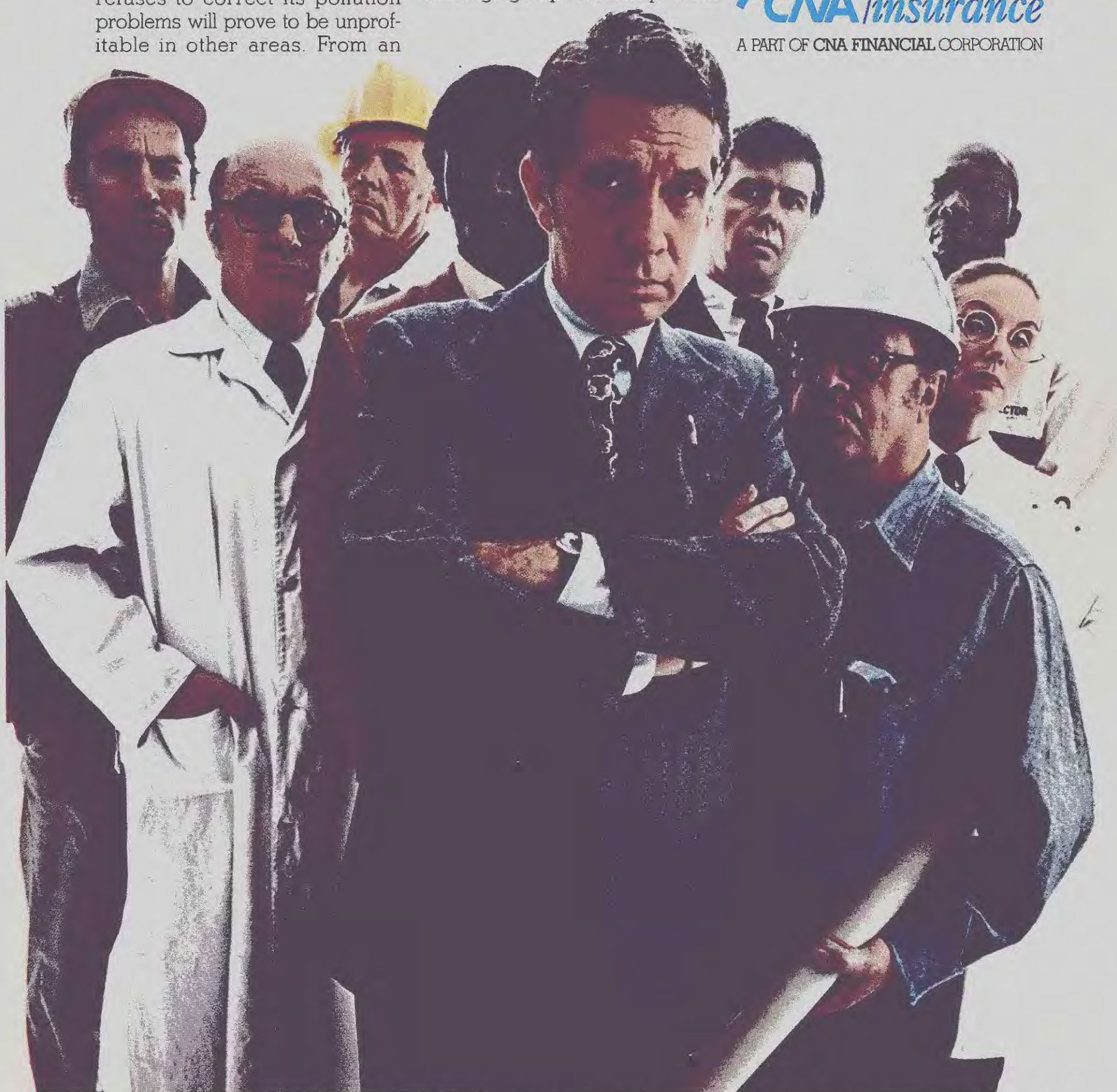
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## business insurance

## PERSPECTIVE

Continued from page 48

may be little or no tax deduction in the event of loss, whereas the insurance premium to cover the loss would be deductible. The captive company affords a vehicle for building up tax-free reserves using tax deductible premiums.

The above represent a number of reasons advanced for the use of captive insurance companies, but some cautions are in order. In 1968, estimates were that about 20 captive insurance companies had gone out of business. In addition, a number have encountered problems. Anderson, Clayton Co. had a captive insurance company which lost a considerable amount of money by writing reinsurance for others in the 1950's. Swift and Co. had a captive which caused them to dip into their own surplus to keep it afloat.

There are also a number of regulatory trends in motion today which could have a considerable impact on future captive companies. For example, the National Assn. of Insurance Commissioners is concerned. Joseph A. Humphreys, executive director of the NAIC non-admitted insurers information office, was quoted in the National Underwriter of Jan. 7, as citing "an increase in establishment of alien offshore insurers and in particular, those companies set up by large U.S. trade associations having numerous unsophisticated insurance buyers." He apparently has a legitimate concern for the captive company which bind together a number of smaller units rather than the large sophisticated corporation and its captive. However, they are also concerned about the escape of U.S. insurance company investment capital.

**THE U.S. JUSTICE** department has subpoenaed the records of several U.S. corporations with captive insurance operations in Bermuda. At least eight U.S. companies, including Tenneco Corp., Celanese Corp.,

Boise Cascade Corp. and El Paso Natural Gas Co. have been asked to furnish a federal grand jury for the southern district of New York with certain information regarding their operations on Bermuda. The justice department is also looking for the use of loopholes in foreign regulation. Insurance premiums paid to an offshore captive do not necessarily qualify as transfers of capital under foreign investment regulations, though this rule is being studied with a view toward change. Another interest of the justice department may be the use of the British method of accounting in setting up insurance reserves. This may allow companies to keep more tax-free profits in the foreign subsidiary than those required by regulators in the U.S., depending upon the timing of premium payments.

The Internal Revenue Service currently has several hundred investigators looking into the captive insurance company situation. The Wall Street Journal of Sept. 8, 1971 headlines: "Offshore insurers, subsidiaries of big U.S. multi-nationals, pique the Revenue Service." It further stated that the IRS would like to get a look at the books of the captive insurers but the Bermuda bankers and lawyers made it clear that that wasn't likely.

The hazards are further pointed out by the insurance manager of Armco Steel Corp., who established a Bermuda captive. He said, "do your homework before you charge into this business. We spent approximately one year developing our program and checking the various legal, tax and investment activities involved in a Bermuda company. We knew exactly what we wanted to do and how we were going to accomplish it before we started. Even so, we encountered certain tax and other restraints not originally anticipated. For example, we have had some difficulty getting a clear set of do's and don'ts in our international activities."

There is also the possibility of conflict of interest conditions. One American conglomerate owned a commercial insurance company who carried insurance on some of the other companies owned by the

conglomerate. A dispute arose over the subsidiary's property loss, the insurance company saying it was not covered and the insured saying it was. The dispute finally got to the president of the conglomerate, who settled it by making each carry a portion of the loss. However, the insurance company's reinsurers balked at this, and the insurer was forced to take a larger share of the loss than he wanted. It then decided to carry no more business of related companies.

**WE SHOULD** again add to be very sceptical of profit comparisons, because it is easy to manipulate the figures of a non-captive program to make it appear more costly. The only real comparison is to compare the captive to the best possible program that can be developed without the captive. Such programs may be developed, but to secure the best possible program of excess insurance or high deductible programs, it is usually necessary to have the insured, the broker and the underwriter, all sit down together and work out a specific program.

Some of the alternate plans which should be investigated before becoming committed to the captive company concept are:

- **Excess insurance:** Determination of the maximum acceptable loss can be made and coverage negotiated for limits in excess of this amount. This can be done either as a straight per-loss excess or an excess over an annual aggregate. With this program, it may also be necessary to contract for claims adjusting (if any workmen's compensation or public liability is involved) and for loss prevention work, particularly in fire lines.

- **Spread loss plan:** Many variations are possible of a spread loss, or chronological stabilization, plan, which charges an annual premium based on actuarial projection of total losses. The contract is for a five to ten year period, arranged so the underwriter pays all losses but is ultimately reimbursed, maintaining a small loading for acting as banker. The goal is simply that of leveling losses.

- **Retrospective rating plan:** The retro has been suggested as a possible option for a captive company, but in most cases it would not be competitive because of the expense loadings. In a retro plan, a conventional premium is paid but at the end of the policy period it is adjusted according to losses plus loss expenses, with a maximum and minimum premium. The loss expenses include costs not present in a self insured plan (brokerage, acquisition costs, premium taxes, etc.).

- **Account rating:** For a large account, especially when employe benefits are included, a plan which is essentially cost plus a relatively low fee may be developed. A number of possible formulas are available for relating future premiums to past experience.

- **Line of credit:** Bank lines of credit may be utilized under certain conditions, though this is not very widespread because the cost is generally high, sometimes about 0.5% of the amount of credit. However, when insurance is very high, as in the case with offshore drilling rigs having a rate of 9.75%, the line of credit may be a worthwhile alternate.

To conclude, the recommended sequence of action for those considering a captive company is:

- Assemble complete loss data for at least five years in all lines, broken down by year.

- Assembling underwriting data on all major locations in as complete a form as possible, including photographs and fire maps of principal locations with probable maximum loss estimates clearly shown.

- Market the non-captive plan which seems most appropriate by threeway conferences between the buyer, his broker, and the underwriter at the home office of the insurer.

- If the program obtained above does not completely satisfy the needs, or if such factors as foreign tax credits can be achieved only through the captive approach, then commission a captive study, using either in-house specialists in insurance, taxes, accounting, and legal, or the use of an outside consultant.

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## Transamerica sets up risk management dept.

SAN FRANCISCO—Transamerica Corp., with assets of \$4 billion and ownership of six insurance companies, had no risk management department up until nine months ago.

But the new risk management staff is changing the insurance

operations of the "multi-marketed service organization."

That description of Transamerica Corp. was given by Gary Bausom, newly selected risk management assistant. He explained that the corporation's insurance dealings were watched over by an

insurance manager until eight or nine months ago, when a staff of risk managers was brought in.

Mr. Bausom said Herb Cunningham, risk management supervisor, was brought in first. But it was soon discovered that Transamerica, which spends \$7 million to \$8 million on insurance yearly, needed two men.

He then clarified the office's responsibilities: "Both of us handle all aspects of risk management for Transamerica Corp., —worldwide.

"We are revamping—almost completely—the insurance program as it has existed in the past," he explained. "Our big job, up to now, has been to apply risk management principles to Transamerica Corp. and all its subsidiaries," he cited. Mr. Bausom further explained that this includes such principles as cost saving and self-insurance.

So far, he said, general liability and auto coverage has been revamped; the corporation is in the process of reworking its property coverage; and new fidelity cover has been instituted.

Mr. Bausom, who had served in the University of Wisconsin's risk management department, noted that Transamerica is also looking into self-insuring its workmen's compensation program.

With the revising of old systems and the setting up of new ones, Mr. Bausom said, "We try to broaden the scope of coverage and then apply the principles of risk management to them."

He also noted that his office is working to bring the company in compliance with OSHA regulations, and to bring risk management into the area of employe safety and health. The firm is investigating hiring professional consultants, Mr. Bausom said, as one approach to occupational health and safety problems.

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# dates for buyers

**November 8-10**, American Management Assn., orientation seminar, "Communicating employe benefits," AMA headquarters, 135 W. 50th St., New York, N.Y. 10020.

**November 9-10**, American Management Assn., annual national insurance conference and employe benefits conference, Drake Hotel, Chicago. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

**November 13-15**, National Assn. of Independent Insurers, annual meeting, Shamrock Hilton Hotel, Houston, Tx. For more information write Vestal Lemmon, NAIL, 2600 River Rd., Des Plaines, Il. 60018.

**November 20-22**, American Management Assn., orientation seminar, "Special risk underwriting and markets," AMA headquarters 135 W. 50th St., New York, N.Y. 10020.

**November 27-December 1**, American Management Assn., five-day course, "Fundamentals of employe benefit programs," Ambassador Hotel, Los Angeles. For more information write AMA headquarters.

**December 12**, Institute of Life Insurance, annual meeting, Waldorf-Astoria Hotel, New York. For more information write the Institute, 277 Park Ave., New York, N.Y. 10017.

## Risk men could boost their role

CHICAGO—Risk managers may be more prepared to play a meaningful role in the corporation of the future than other middle and upper management executives, James Chastain told the annual ASIM Midwest regional seminar held here last month. Mr. Chastain is alumni professor of insurance at Drake University in Des Moines, Ia.

He characterized tomorrow's company as one devoid of the usual pyramid, or vertical, bureaucratic structure, and noted that by 1990, many companies would be built instead on an organizational model based on systems theory and encompassing a horizontal, or diagonal, personnel pattern.

The new generation of organization men, the professor stated, will be "wearing a number of different hats, sometimes acting as leaders, sometimes as followers."

"Middle management will disappear," he predicted, "with decision making placed in fewer hands."

**REFERRING** to Allen Tofler's "Future Shock," Mr. Chastain noted that corporations would stress "adhocracy," emphasizing projects and "disposable division" rather than stable job positions. Here, Mr. Chastain asserted, is where most good risk managers are competent already, since even now they frequently deal with the operations and problems of a number of departments.

Furthermore, he pointed out, the risk manager is already familiar with quantitative analysis and probability theory, something he predicts will be of premium importance to future business. "Risk managers," he said, "will continue to measure the odds, only in the future they will be called upon more to establish probabilities on dynamic risks rather than static risks."

He also predicted, referring to the works of a variety of "future experts," that conglomerates would be doing more buying and selling of subsidiaries and at a faster rate. This too, he noted, will place the risk man in an important position in terms of handling dynamic risks.

Another area he keyed upon was the impact of the "knowledge explosion. Since no one can know it all," he said, "make sure your department knows it all. The risk manager of the future will have to make full use of more knowledge than he actually possesses." ■

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# Antagonist attorneys strike common ground



Leonard M. Ring

CHICAGO—Two old antagonists kicked off the *Business Insurance* product liability workshop at the Regency Hyatt O'Hare here by warning the attendees that product liability litigation was going nowhere but up and offering some advice on how their companies could defend themselves against product claims.

Leonard M. Ring, an attorney affiliated with the American Trial Lawyers Assn., and Michael Coccia, chairman of the Defense Research Institute's product liability committee, have opposed each other in the courtroom but their comments at an evening session complemented each other.

After briefly tracing the history of product liability litigation, Mr. Ring pointed out that the rule of strict liability was being upheld by the courts. In other words, all

the plaintiff's attorney has to prove is that the product was "unreasonably dangerous" (it acted in a manner different than it was expected to act), that the defendant is a dealer in the product and that the victim was injured by the unreasonably dangerous product. Negligence on the

part of the manufacturer need not be proven.

HE ALSO felt the courts had allowed a "relaxation in the area of proof." Circumstantial evidence, he said, is now being allowed in product liability cases. All that is needed in the court

room is the testimony of the plaintiff as to how the product acted and supporting testimony by an "expert."

Not only are those who deal in the product, from manufacturer to retailer, subject to liability in product cases, according to Mr. Ring, but so are the manufacturers of component parts of the product. He felt that it would be difficult for component part makers to escape liability because engineers could invariably find the exact defective part which caused an accident.

Component part manufacturers could also run into trouble because, if the product manufacturer was in any kind of financial difficulty, attorneys would look to other sources for redress. "We are practical guys on the plaintiff's side," he said. "We just find out



Michael Coccia

## business insurance workshop

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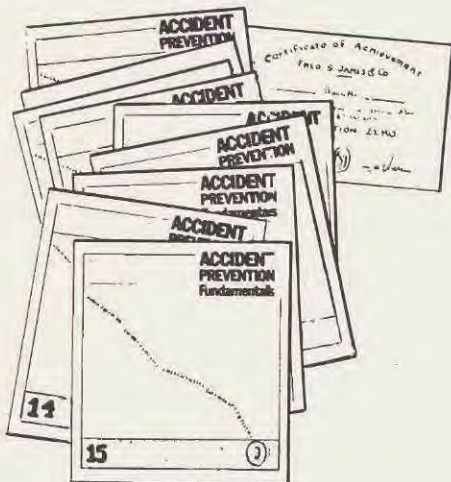


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who has the money."

Mr. Ring and Mr. Coccia agreed that providing warnings on products was tremendously important, as was providing proper instructions as to the product's use. Mr. Ring also expounded on the subject of defective design.

HE POINTED out that defective design would become a very popular vehicle for litigation because, in his opinion, the courts felt that the manufacturer should be held to the same standards as experts. This, he said, carried over into the manufacture of new products, which can cause problems because there is no history on them, how they act might not be known.

Referring to what he called "the state of the art," Mr. Ring said, "If the accident is caused by something you, as the manufacturer, should have known, you will be held liable."

Mr. Coccia, predictably, was less pessimistic. He began by saying, "Your product is defensible as long as you are interested in it," and added that strict liability was a good thing because it allowed the manufacturer to look hard at his product and gave him the chance to prove that it is not defective. "If the product is defective, pay the claim."

Pointing out that the courts seem to feel that the manufacturer is in the best position to indemnify an accident victim, he said that an effective defense must be built into the product. Manufacturers should be as concerned with the liability of a product as they are with its marketability and its life. "Design your products as though absolute idiots were going to use them," Mr. Coccia advised.

HE EMPHASIZED the importance of adequate labeling and warning on a product by spending a good deal of time on the subject. The manufacturer, when labeling and warning, should anticipate the misuse of a product as well as its intended uses. He listed eight steps to providing adequate warning:

- The warning must reach every consumer, no matter how remote—that one in a million could win a judgement.
- The warning must be communicated effectively.
- The warning must be specific—the courts mean very specific, he said. Saying, "Do not use near an open flame" is not enough anymore because the courts see nearness as a matter of degree.
- The warning must be calculated to reach the consumer without listing every single risk on the label.
- It must warn of the dangers of misuse as well as those of in-

Continued on following page

## Antagonist attorneys

Continued from preceding page tended use.

• The manufacturer should not rely on instructions and directions to convey warnings.

• Warning labels should be durable as well as accurate—for example, a warning could be stamped on a machine like a punch press.

• Any supplemental warnings, such as demonstrations, should be accurate, because the manufacturer is liable for what his agents say.

**TURNING TO** quality control, Mr. Coccia urged the manufacturers to be in a position to prove that the product was free from defect when it left their control. "Reasonable quality control is a defense against a negligence claim," he said, "but an unreasonable amount of testing and checking is needed to defend against strict liability."

He pointed out that quality control began with the arrival of the components parts and ended

when the product left the manufacturer's control. Quality control records should be kept through the entire life of the product because that product could be used in 25 years as well as immediately.

Manufacturers should respond to their consumer complaint file because it gives notice of any problems. He also urged that the manufacturers be highly careful with their service contracts. "Your machine may be perfect," he commented, "but the repairman you send may put in a defective switch."

He added that insurance companies were not "guarantors that your product is going to work. The insurer will defend you in case of trouble but our ability to defend is no stronger than your product is safe." ■

## State plan to pay big medical bills

PHOENIX—An insurance program that would pay medical bills in excess of \$2,000 for every person in Arizona would cost \$30 per person annually, the Arizona house interim health subcommittee was told.

Dr. Melvin Goodwin, director of the state Health Planning Authority, made that estimate at a meeting of the subcommittee that was convened to study the problem of catastrophic illness.

Mr. Goodwin also estimated that 1,270 Arizonans each year encounter illnesses that cost them more than \$9,000. Only 20% to 35% of all health costs are paid by insurance companies in Arizona, he asserted.

State Rep. Burton Barr, House majority leader and chairman of the subcommittee, said he and the other two members of the subcommittee were trying "to assure that health care is available to everybody and at a price they can afford."

**THE STATE** is studying ways to provide "some form of protection so that we can eliminate medical bankruptcy," said Mr. Barr. "Bankruptcy is on the rise; the hospitals are stuck with thousands of dollars of debt." ■

The legislators said they envisioned a program in which the state would work with private insurance companies to develop a catastrophic illness insurance plan administered by the private companies.

Under such a program, the state would contribute funds to help pay insurance premiums for those financially unable to do so, they stated. ■

## License suspended

Oregon Insurance Commissioner Lester Rawls has suspended the license of the Insurance Co. of Pennsylvania to do business in Oregon for 90 days for violations of state insurance rules. He said Oct. 16 the company was charged with not submitting advertisements for required approval; misrepresentations in ads; refusal to pay claims in a reasonable time and denying claims without basis.

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# Risk men attack the product liability problem

CHICAGO—As one answer to dealing with product liability exposures, Edward D. Hansen, risk manager and attorney, Trans Union Corp., has suggested a comprehensive seven-step corporate game plan that begins with commitment from top management to product safety.

Speaking on the risk managers panel at the *Business Insurance* product liability workshop held here, Mr. Hansen noted his plan was devised for a company with multiple divisions and a single corporate staff with divisions acting as profit centers.

After receiving high-level endorsement, the authority for a product liability prevention program should be delegated to some one at the corporate level, preferably the risk manager, who Mr. Hansen deemed "the logical choice. He is the one to whom ev-

eryone turns when product liability claims arise, and he is the one who generally must assess the cost of product liability."

Responsibility must also be established at the operating, or divisional level, he continued, with division managers designating themselves or someone else at that level to be product liability

## business insurance workshop

control manager to head a divisional product safety committee.

A complete product liability control program, Mr. Hansen said, would include:

- Reviewing product design to weed out potential hazards before production.
- Checking production for



Edward D. Hansen, Trans Union Corp.; R. E. Nilsson, Walgreen Drug Stores, and Sheldon H. Staubitz, Chemetron Corp., presented their companies' product liability tactics.

error-free workmanship.

- Making sure product inspection and testing is adequate.

- Instituting development of clear warnings, instructions and labeling.

- Checking claims and reviewing claims for failure analysis.

- Making sure legal and insurance department review all advertising for expressed or implicit warranty.

- Maintaining careful and complete records for legal defense purposes.

R. E. Nilsson, assistant treasurer for Walgreen Drug Stores, which distributes over 50,000 items and manufactures its own, as well, reported that he depends heavily on hold-harmless agreements as stipulated on purchase orders. "This is a good method," he noted, "when we deal with huge suppliers. Unfortunately, it's more difficult when we deal with small firms who find such arrangements financially difficult."

MR. NILSSON stressed the need for exhaustive product testing and record keeping, and warned other companies to "beware of 'odd ball' products from small manufacturers" who might not be as extensive in their testing.

Since Walgreens owns a line of discount stores in the Southwest, Mr. Nilsson commented that foreign imports can cause knotty product liability problems. "It's difficult to issue a purchase order that has any meaning in some foreign countries," he said, noting that "Walgreens double checks all imports for hazardous conditions."

Emphasizing loss prevention was the theme of Sheldon H. Staubitz, manager of corporate insurance, Chemetron Corp., who predicted a dismal product liability future for corporations because of the current legal environment.

The risk manager must know his company thoroughly, he commented, and "seek out those people who really know what's going on." He added that the risk manager "can't always be a nice guy because of pressures within the organization," and that the risk manager should at least point out the possibility of discontinuing unusually high-risk operations to top management. "Don't be shy about this," was his admonition.

Mr. Staubitz continued, "You have to be involved in an active review of all contractual agreements and documents" in looking for implied or hidden liabilities and suggested that the risk manager insist upon passing risks to other companies wherever possible. He condemned as "unconscionable" the number of giant corporations that could easily take on risks but that avoided

them instead. For those less-than-giants, he said "the worst thing you can do is assume responsibility you don't have to."

RALPH M. PARILLA, administrative coordinator for Pepsi-Cola General Bottlers Inc., noted that only a small percentage of his company's product liability claims, and then only the largest, are reported to the insurer. All small nuisance claims are self-insured, he said, and "we employ a public relations man whose only job is handling small product liability claims."

"We go to the insurance company only in case of bodily injury," he commented, "and the general manager should be, and indeed, is advised as to the progress of each and every suit."

The problem of indemnity from foreign suppliers was explored in greater depth during an afternoon mini-session in product liability risk management, conducted by Mr. Hansen. This seemed an area of great concern as many of the risk men in attendance volunteered horror stories of their own.

The consensus at the shirt-sleeve session was that that, yes, this is a bad problem, notably in the Orient, and, no, there aren't any stock solutions. One risk man said that his company was trying to put together an association of the foreign companies with which it did business. In this way, the U.S. corporation could purchase liability coverage and charge the members of the association.

The comprehensive general liability policy was mentioned as a solution but it was pointed out that while a \$50 million umbrella would cover the loss, any other insured under the policy would suffer because of it.

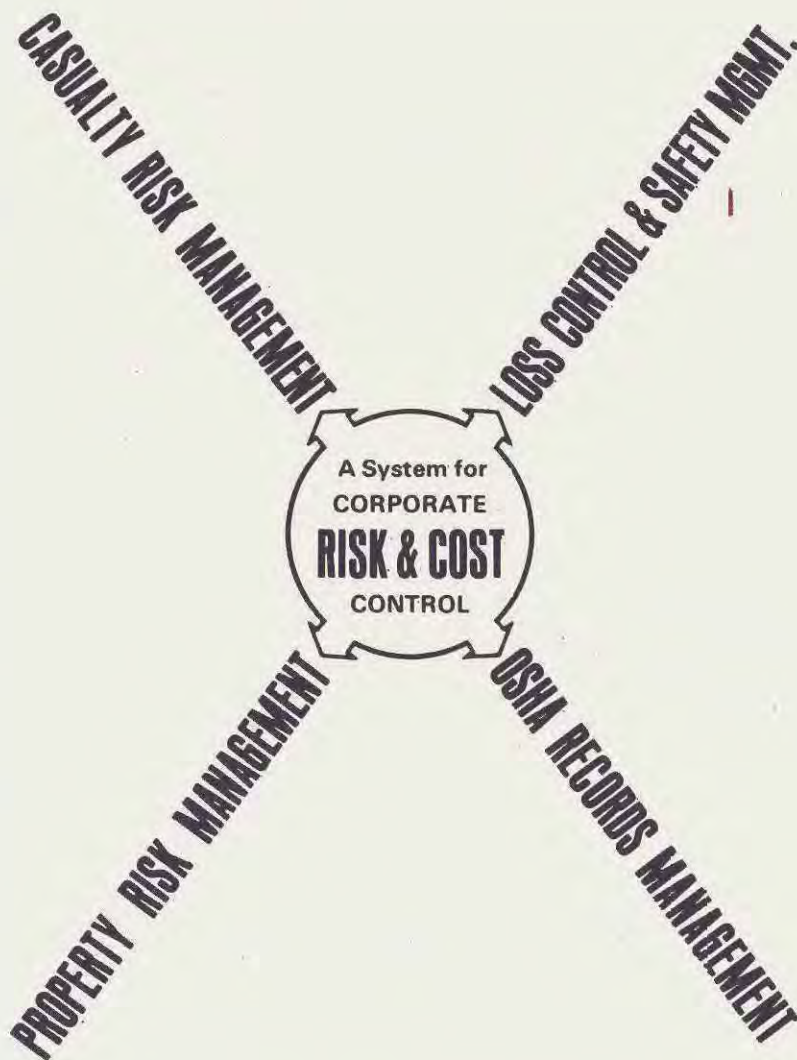
ANOTHER ASPECT of product liability that was considered a problem with no real answers was the education of top management to its dangers. Some of the risk men in attendance indicated that their management refused to hear anything about the subject. Proposals for solving the problem ranged from "just go in and tell him," to "having a big loss helps."

It was agreed that top management would probably perk up if product liability cases led to a derivative action. The provision in the Occupational Safety and Health Act under which management personnel are subject to jail sentences was also mentioned as an eye-opener.

Mr. Staubitz summed it up. "Do what you can," he said. "Get as close to the problem as possible and if management doesn't act, move on. You've got other problems."

The panel members and most of the others at the session agreed

Continued on page 59



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# Consumerism and affluence fan liability flame

CHICAGO—"It is apparent today that the greatest liability exposure for manufacturers, and everyone else in the chain of distribution, is in the product area. And anything that is a problem for the insured is a problem for those who provide the insurance coverage," said Robert Schaible, product manager—liability for Employers Insurance of Wausau at the *Business Insurance* product liability workshop here.

He pointed out that the number of product liability suits had jumped from 50,000 in 1960 to 500,000 in 1970 with nothing on the horizon but growth. As the number of suits has grown, he



Robert Schaible

said, so has the size of the awards granted by juries in product cases. As an example, he cited figures from Jury Verdict Research Inc. which showed that the average verdict in a household chemicals case was \$11,644 in 1964. That figure had increased to \$67,290 in 1969.

Mr. Schaible felt that product liability litigation was an outgrowth of consumerism, which he said was itself an outgrowth of an affluent society.

But whatever the reasons for the litigation, product liability was a major concern for insurance companies. He said that the

estimated premium income for all carriers of product liability insurance was \$25 million in 1950. In 1970, the premium income had grown to \$125 million.

**HE PREDICTED** massive rate increases if the trend did not change soon but said, "Rate increases on such a scale do not solve the problem. They only make it worse. They antagonize both customers and the public and soon turn the insurance relationship into a public spectacle and a battle of adversaries. Something, I can assure you, the insurance industry does not want."

He said that underwriting rules had changed over the past few years because the frequency and severity trend in product liability had advanced so rapidly that insurers really had no experience with which to guide themselves.

Because of this, "underwriters must obtain more detailed information from their customers and prospective customers than they did in the past in order to properly and adequately evaluate the products exposure," he commented.

"The underwriter wants a complete description of all products to be insured," he continued. "He wants to know how the product is used and who uses it so that he can judge the probable exposure to loss from a frequency and severity standpoint. He'll want to have some way of knowing about new products marketed by the presently insured manufacturer. The underwriter may also require notice of any material change in the composition of existing products."

Mr. Schaible felt the insurer would want to determine the average life of a product because the policy would cover accidents during the policy period without respect to when the product was sold and he would need to know the number of products in use to estimate the exposure.

The distribution of the product is another item in which the insurer is interested, according to Mr. Schaible. Among the questions to be answered in this area are: "Are sales direct to the pub-

lic or do they go through dealers? Are vendors to be included as insureds? Is the product under the insured's own label or someone else's?"

The insurer will want to know all the manufacturers of component parts in case a product suit is brought because of a defective part and an action can be brought against the maker of that part.

The manufacturer must be careful of his own sales and advertising departments and the insurer will look at all sales literature and instructions for the product's use. Terms like "absolutely safe" are considered danger signals by an insurer. Instruction manuals and labels will be checked by the insurer to determine whether the manufacturer "is satisfactorily meeting his duty to warn and his duty not to mislead."

**MANAGEMENT'S** attitude toward product safety is another consideration the insurer must look into. The underwriter wants

to know whether the manufacturer knows, cares and does something about product safety.

"Measures to improve product safety and diminish product loss and claim problems is the joint responsibility of the manufacturer and his insurer," Mr. Schaible said. "True, product liability insurance cannot insulate the manufacturer from all consequences of producing unsafe products nor diminish the concern of the man-

ufacturer for producing safe products. It is also true that an insurance company cannot prevent its policyholder's product liability losses anymore than it can handle his quality control, or his marketing or any other basic function.

"However, an insurer can counsel and assist in evaluating product liability problems and then assist in developing the necessary action plans. This is the insurer's proper role," he said. ■



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## Underwriters' vp: Safety cannot be played with

CHICAGO—"I feel like the anchor man at a wake," was the way the final speaker at the *Business Insurance* product liability workshop summed up the pessimism he had heard in the preceding speakers at the get-together here.

However, Donal Breting, vp, Underwriters' Laboratories, urged the members of his audience to hold their heads up and not slide into self-pity. "You and I both know you can do a better job," he said. "Just remember that quality control games can't be played anymore. Safety has become too important an ingredient to be toyed with."

"While skimping on quality control may save some money at first," he continued, "you still have to consider the costs of litigation, the huge expense involved in a massive product recall and the damage that can be done to your reputation if your product injures someone."

Mr. Breting, who told the workshop attendees that Underwriters' Laboratories had some 700 engineers constantly involved in the testing of products, felt

that there were four areas the manufacturer should consider when looking at product liability.

**THE FIRST** he mentioned was that of standards. Pointing out that there were many standards available for the manufacturer to use while making his product, Mr. Breting asked that the audience try for national standards rather than in-house ones.

"Your own manufacturing criteria can be used to develop your own standards but they will be suspect merely because you came up with them for your own product," he commented. "National standards are better."

The second area of concern was testing. "Once you have standards," Mr. Breting said, "your products should be tested to make sure they are in compliance."

"The safety consciousness should begin at the absolute beginning, in the think tank," he continued, "and everyone else along the line, from the design engineer to the men in the factory should be aware of the safety needs of the product."

Continued on page 56

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# McDermid, Peck discuss the fine art of listening and talking to employees

CHICAGO—"If you want to find out what your employees want," said Charles D. McDermid, president, Management Psychologists Inc., "ask them directly."

Addressing the *Business Insurance* employe benefits communication workshop, Mr. McDermid noted that an employer has available three main methods of listening to his employees which can be integrated as one comprehensive data input system.

An employe questionnaire, according to Mr. McDermid, should be pilot tested on a small representative group of employees to ascertain what they think each question means. Questionnaires should be geared to a fifth grade reading level and should avoid the possibility of a "no answer" response, he said.

"Guarantee to your people that

they will receive definite feedback," the psychologist commented, "and when you do announce the results be sure to not only say what will be done but why the things that won't be done can't be done."

Mr. McDermid also discussed

## business insurance workshop

the method of written comments as part of the system. "Strongly encourage your people to express themselves in written comments and you'll receive a good number of very worthwhile suggestions," he said, adding that comments should be written "right on the spot."

Although Mr. McDermid sug-

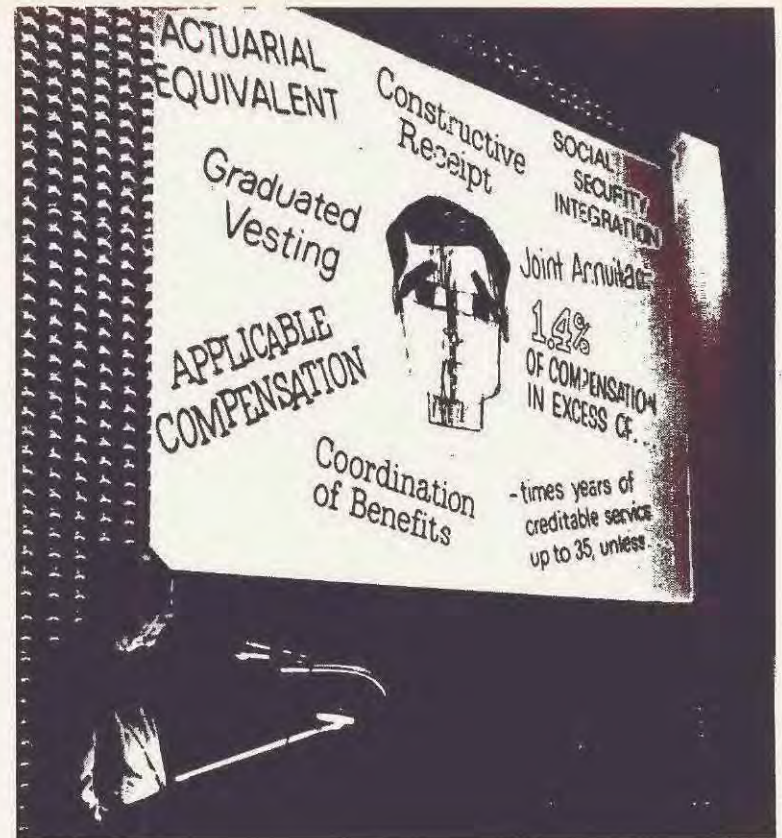
gested that employe commentary be guaranteed anonymity, particularly in unionized companies, he did note that anonymous and nonanonymous testing comparative studies have resulted in "surprisingly similar results." He cited a 75% average for those appending lengthy comments to their questionnaires.

Group interviews, Mr. McDermid pointed out, should be conducted in groups of six covering approximately 20% of a company's employees. An outside moderator should generate the discussion, he noted, and no tape recordings should be used as they are generally too inhibiting. He suggested long-hand note taking as the best alternative.

**INTERVIEWS** should be "non-structured and open-ended," Mr. McDermid said, noting that the group interview method usually resulted in greatly improved employe morale.

In analyzing data, key-line management, the employe relations division and independent outside counsel should each peruse the questionnaire and then consult together on action implementation, he advised.

Results of the survey should be passed back to the employees as soon as possible, for "the quicker the feedback, the better you've done your job." Mr. McDermid told his audience that one effective means of communicating management response to the employees' suggestions is for the chief executive officer of the company to make a videotape presentation of what action program is to be. Division chiefs and



Howard Peck, partner in Hewitt Associates, said benefits can be dissatisfying to employees if they develop "fuzzy expectations."

subchiefs should be present at showings of the tape, he noted, to answer any questions and further communicate management's reaction.

**HOWARD PECK**, a partner in Hewitt Associates of Deerfield, Ill., told the audience that "communicating the 'why' of benefits to employees is as important as communicating the 'how, who, what and when.' Give your employees the benefits facts, but also present them with the rational."

According to Mr. Peck, one method of presenting the 'why' is to explain the difference between pay for time worked, pay for time not worked and reserved pay, or "benefits" as most people know them, such as health and life insurance, disability cover and the like. He likened benefits to the keel of a boat—unseen but totally necessary to the compensation package.

However, he added, benefits do have negative aspects: they're hard to understand because of much of the jargon involved, considerably expensive for the employer and potentially dissatisfying if employees develop "fuzzy expectations."

**TO COMBAT** employe misconceptions, Mr. Peck said, employe benefit communications should be "planned, orderly and continuous," taking into account the various audiences to which the communications are being directed. "You're talking to a parade," Mr. Peck reminded his audience, noting that apart from the turnover problem people tend to have short memories and changing viewpoints depending on age and marital status. Not only must employees be considered as recipients of benefits information, Mr. Peck stated, but employees' families, prospective employees and the general public, particularly in small-town situations, must also be included in a total communications effort.

"Equally important is the use of appropriate media and communications methods," Mr. Peck said. He encouraged the use of audio-visual techniques coupled with good printed back-up literature and noted that "when you make an effort you're saying 'this is important.'" The message, he said, should be surrounded with effective packaging.

Legal disclosure requirements

proposed by the Department of Labor should be built into employe benefits communications right now, he cautioned, mentioning that "negative" communications, or pointing out the not-so-glowing aspects of benefit plans, will probably be included in whatever pension legislation eventually becomes law. He suggested that communicators review all materials with company attorneys and make every effort to make communications presentations clear and accurate. Mr. Peck cited computation of benefits, conditions for loss of vested benefits, effect of plan termination and the effect of suspending contributions as various "negative" topics that must be well-stated in communications materials.

## Safety . . .

Continued from page 55

He felt that actual testing should begin with prototypes or samples from pilot runs and the worst samples should be tested, not the best ones. He also asked that all of the standards be adhered to, not just sections with which the manufacturer happens to agree.

Inspections were the third area. Mr. Breting felt that inspections should be conducted on a day-to-day, shift-to-shift basis and that records from all the inspections should be kept.

**HE BROKE** the fourth category, warnings, further down into three basic areas:

- The signal that a hazard exists—danger, warning, and caution were the three signal words, listed in descending order of importance.

- Nature of the hazard—an affirmative statement, such as Flammable.

- How to avoid the hazard—another statement, like "Keep out of the reach of children."

Also on the subject of warnings, Mr. Breting said that there could be too much of a good thing. "Don't overdo it and clutter the product with superfluous warnings. Everyone knows a knife is sharp. The problem with too many warnings is that people get annoyed and then even the meaningful warnings are ignored."

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# Computerized benefits statements appraised

CHICAGO — Representatives from two leading benefits communication concerns told an audience at the *Business Insurance* employe benefits communication workshop here that the personal, computerized benefits statement was an aid to the employer as well as the employe.

Both Edward T. McCaffrey, manager of Halltech Associates, and Robert Eilertson, vp, Benefits Inc., indicated that the use of the statements was a good employe and public relations tool, in addition to helping the employe to understand his benefits.

Mr. McCaffrey emphasized the importance of impressing upon

complete and Mr. Eilertson carried this too into the employe relations area. Not only should the statements be complete and accurate, in his opinion, they should also project a company image.

Speaking about the statements themselves, Mr. McCaffrey repeated an idea that was touched upon by many of the workshop's speakers—keep it simple. "The whole idea of the benefits statement is to get the message across simply, avoiding terminology the employe won't understand," he stated.

Mr. Eilertson pointed out that preparing the benefits statement was both time-consuming and expensive but that the end product was worth it.



Edward T. McCaffrey, Halltech Associates, said computerized statements aid employers and employes.



Robert Eilertson

the employe how much the company is spending on him for his benefits and said that the computerized statement was a good way of getting this message across.

Mr. Eilertson, who had said that any company in America could do a benefits statement for its employes, agreed with the conclusion but felt that it could be, and frequently was, overdone. "Companies which do their own statements, rather than using a consultant, tend to emphasize the costs rather than the benefits," he said. And, it was generally agreed that this could cause problems in employe relations.

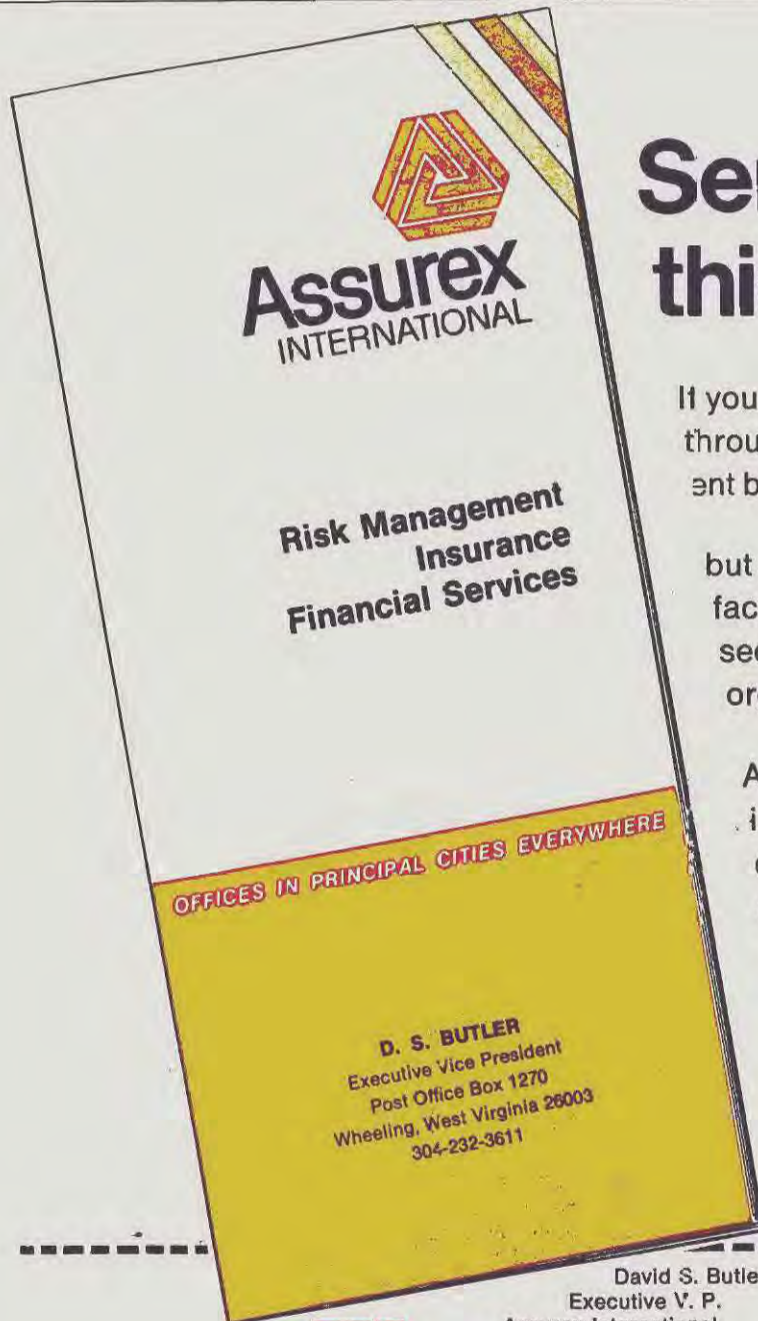
Both men felt that the statements should be accurate and

## Bjorklund forms firm

CHICAGO—Richard C. Bjorklund, former editor of *Business Insurance*, has organized a firm that will provide editorial services and communications counseling.

Included among the firm's services will be preparation of company newsletters and employe booklets, programming of seminars and workshops, and writing feature articles.

Richard Bjorklund & Assoc., 2959 Wilson Ave., Chicago, Ill. 60625, will also offer special consultant services to clients in the insurance field concerned with corporate risk management and the administration of employe benefits.

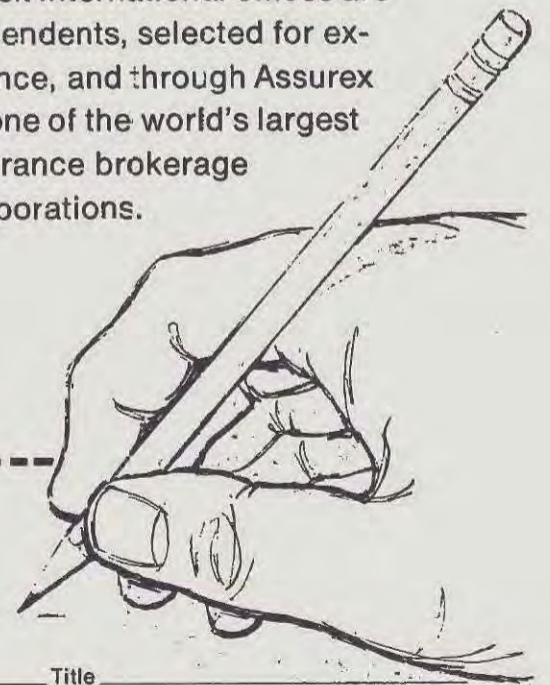


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# Lawyer warns that sloppy benefits communication could lead to court

CHICAGO—An attorney who deals exclusively with the legal aspects of employe benefits plans has warned a group of benefits managers that employes these days were taking their employers to court in ever-increasing numbers because employe benefits communication had been sloppy.

"If the employe doesn't get what he thought he was going to get, and if he feels he was misled, he can bring a suit claiming he was done financial wrong by his employer," Thomas F. Finch, partner in the Chicago law firm of McDermott, Will & Emery, told an audience at the *Business Insurance* employe benefits communication workshop here. "This kind of thing is happening with increasing regularity."

Mr. Finch cited some case histories, most of them from the 1960's, to dramatize his point. In one of these cases, the employer had explained that the employe had two options dealing with

death benefits in the firm's pension plan. He told the employe that the options had different death benefits but did not explain the difference. The employe made his choice but when he died, his survivors brought suit because the other option had greater death benefits and the employe had not known about them. The survivors won.

## business insurance workshop

He said that the courts had found contractual liability on the part of the employer in these cases and that contractual liability would be the foundation for most litigation in this area.

There was a psychological problem in many corporate offices today, according to Mr. Finch. "Some companies are ex-

tremely reluctant to disclose certain features of the employe benefit plan in the booklet (or any other form of communication). There are undoubtedly a number of reasons for this reluctance but I personally don't feel there is much of a basis for it.

"You have to remember that, to the employe, the benefit plan is what he is told, not what may be on a piece of paper in someone's desk," he continued. "If the booklet is incorrect, it is still the plan to the employe and this is where you can get into trouble."

He indicated that there were three ways to communicate the benefits plan to the employe:

- Publish both the summary of the plan and the actual plan together—bulky but would get the message across.

- Publish only the actual plan—could be a problem if it is too technical.

## Approves of Oregon's no-fault plan

PORTLAND—Oregon's new insurance commissioner, former Portland attorney Lester L. Rawls, told a civic group he is "enthusiastic about Oregon's approach to 'no-fault' insurance."

But he added it is too soon to tell what effect Oregon's new law, begun Jan. 1, will have on insurance premium rates.

He explained that the Oregon law is a "roll on" law, which allows insurance companies to choose the date during the year when they will make their policies conform. He said one large company began its program in July, and thus by next July he hopes to have some data based on their experience.

He told the Metro Women's Club there has been a lot of misleading information written about the Massachusetts 'no-fault' law and how there has been a large reduction in bodily injury claims paid. He noted the stories failed to point out that there has been an offsetting rise in property claims and that insurance premiums have gone up for the average coverage from \$523 in 1970 to \$550 in 1972.

MR. RAWLS said he feels the states are under the gun to update their automobile insurance laws and that if they don't, the federal government probably will enact federal legislation.

He said a number of large national companies are pushing for the national "no-fault" type of insurance which would allow them to standardize payments. He claimed that they have "the consumer protection people buffaloed into believing" that this is the panacea for all of the insurance ills of the nation.

Mr. Rawls also said he hopes the next legislature will make it mandatory for insurance companies to give the public the option to buy higher limits of uninsured motorist coverage.

In his new post since August 1, Mr. Rawls said he already has discovered a number of areas in Oregon's new insurance law that will need some adjustments.

The Metro Women's Club has a committee studying no-fault insurance and expects to make some recommendations. ■



Thomas F. Finch said benefits communication is "a continuing thing."

- Publish only the summary—however, the summary must tell the employe where, when and how he can get his hands on the actual plan if he wants to read it and the terms for his doing that must be reasonable.

AFTER THE plan had been communicated, Mr. Finch felt that the effort should still be expended. "Your employe benefits plan is a continuing, living thing," he said. "Once you've alerted the employe to where the plan is and how he can get to it, you can't just write everything off. You have to keep trying. Care and being exact will keep you out of trouble."

He pointed out that the Inter-

nal Revenue Service required that the employer provide at least a written summary of the plan to employes and this, alone, was good reason for diligence. He also mentioned various state disclosure laws in the benefits area but felt that "these laws do not help the employe materially."

Mr. Finch echoed an often-heard admonition—"Use understandable language in the plan. Communicating should be done in the plan itself. It should be readable and it shouldn't require a lawyer to read through it."

Simplicity, he said, was important in that the courts would take into consideration the competence of the employe when making decisions. ■

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Discussing mutual product liability woes during a BI workshop coffee break were (l-r) Sheldon H. Sraubitz, Chemetron Corp; Edward D. Hansen, Trans Union Corp; Mark B. Rosen, Rosen & Co. and Martin S. Hodes, Englehard Minerals & Chemicals Corp.



Benefits communicators discussed their strategies at the Business Insurance employe benefits communication workshop. They are (l-r) C. Burton Seeker, 3M Co.; Robert S. Hall, Allied Mills Inc.; Parker Lusk, Illinois Bell Telephone Co. and Raymond A. Orth, Motorola Inc.

## Four benefits communicators urge honesty, clarity and quick answers

CHICAGO—The way to get the most meaningful benefits playback from employees is to be absolutely honest in communicating with them, according to C. Burton Seeker, manager of branch communications for 3M Co.

Mr. Seeker was indeed honest with his *Business Insurance* employe benefits communication workshop audience in relating how a chain of "disastrous" communications attempts led to what is now a far-flung and thorough employe benefits communications effort. He cited communications failures as "the main impetus" for restructuring 3M's branch program, an overhaul that began with an evaluation of what the program's objectives were to be.

AN EMPLOYEE attitude survey was then conducted, he continued, which, when analyzed, pinpointed the need for fast benefits answers as one critical area of employe dissatisfaction. The time when an employe wants benefits communication is in a crisis or semi-crisis situation, Mr. Seeker said, noting that under the old communications program, employes frequently had to wait too long to receive answers from the centralized home office staff. 3M decided, he commented, that "communications should be a line responsibility, not a staff responsibility."

location managers designated benefits coordinators at different branches, with "every possible job category being represented," he noted.

Those benefits information coordinators selected were brought together for an initial two-day training program and issued a handbook with information on where in the company to get fast expertise on benefits questions. Presentation kits were also issued, which, according to Mr. Seeker, "are very versatile and can be utilized in whatever way the local representative thinks is most effective." The group now meets annually in a one-day session.

Line supervisors, he pointed out, were given quick reference, pocket-sized benefits booklets. "They're not comprehensive by any means," he said, "but they do answer the most obvious questions."

MR. SEEKER reported that location supervisors handle about 50% of benefits questions, benefits information coordinators about 40% and home office staff approximately 10%. "This leaves home office benefits people free to work on more difficult problems," he commented.

As to what is important, in general, in effectively handling employe benefits communications, he urged communicators to "resist the temptation to tell

employees how good they've got it," to avoid overselling or overstating benefits and to equally avoid comparing one company's benefit plan to another's—"you just can't win," said Mr. Seeker. He cautioned his audience to dis-

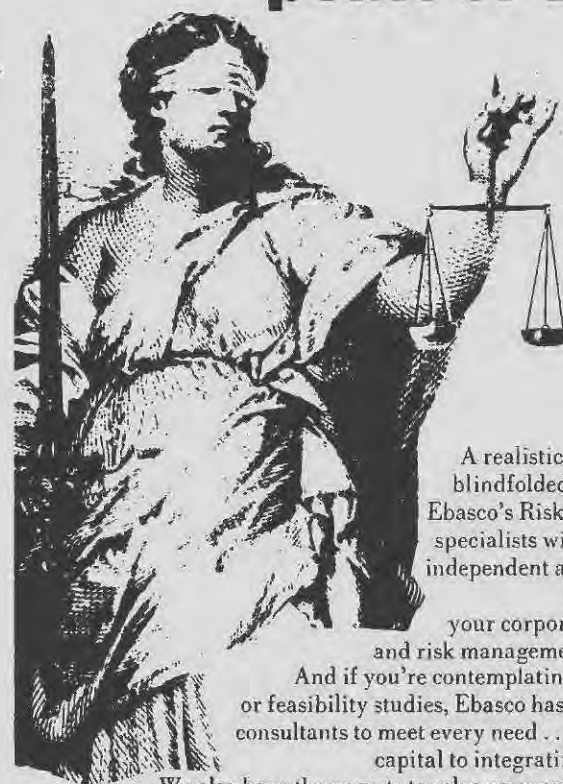
*Continued on page 60*

## Risk men...

*Continued from page 54*  
that insurance was not the answer to the product liability dilemma. Amid comments like, "Insurance carriers are like courts, sometimes tougher," the session progressed to a point where one risk manager said that the insured should have complete control over what cases go to litigation and which ones don't. He felt that if the carrier was in control, the wrong case could be brought

to court and a precedent set. Many of the risk men seemed to concur but said that the carrier would not give up his rights to sue under any circumstances. The group was divided in its feelings toward applying the no-fault concept to product liability. Those who opposed the idea agreed that jury awards were out of line but that an irresponsible company deserved to be punished. They also agreed that financial punishment made a stronger mark on corporations than other forms.

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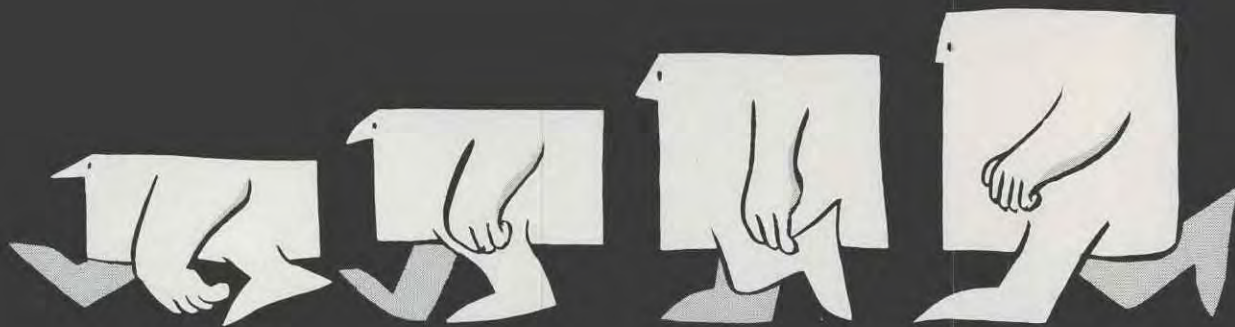


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