

Campus risk managers handle a bombing

Entire contents copyright 1971 by Crain Communications Inc.

See page 49

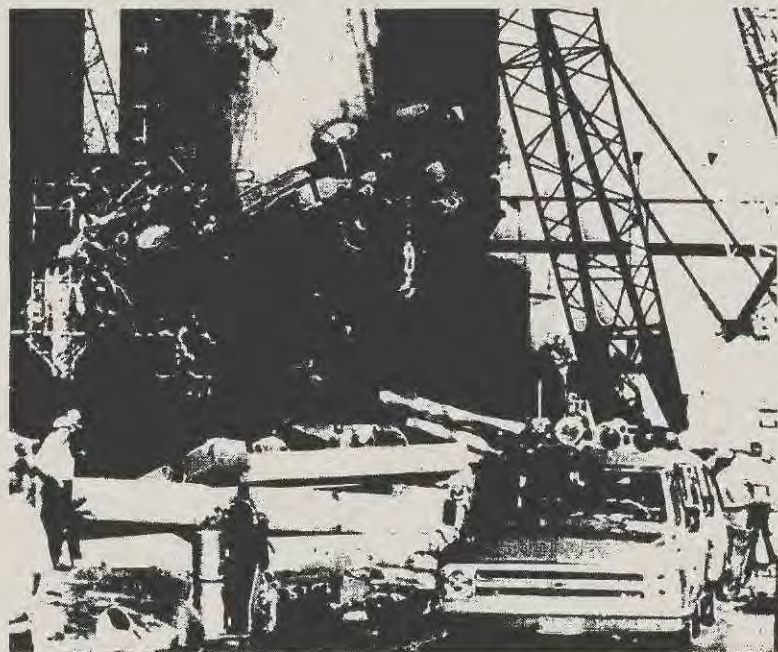
Work comp self-insurance	30
Police liability coverage	31
Prepaid group health plan	43
Probe Arkansas funds	54

45¢ a copy; \$10 a year

October 11, 1971

business insurance

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



Insurance liabilities are still being sorted out after a 1.1 million-gallon storage tank burst during construction of an International Paper Co. plant in Atlanta, Tex., according to J. L. Bacon, the company's treasurer. Six workers were killed and several injured when the 97-foot tank, which was being tested for strength, burst. "We'll be happy to give you more information when we have more details," Mr. Bacon told *Business Insurance*. —Wide World photo

U.S. grand jury probes captive insurers' financial operations

HAMILTON, Bermuda—Several U.S. corporations with captive insurance operations here have had their records subpoenaed in a Justice department inquiry. (See related stories on pages 61 and 63.)

At least eight U.S. companies—among them 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 this island.

The subpoenas apparently came from the U.S. attorney's office in New York, although it is known the entire matter is being engineered from Justice department headquarters in Washington.

NEWS OF THE subpoenas came several days before an American Management Assn. seminar on captive insurance operations convened at the Princess Hotel here. The meeting drew almost 300 registrants, a number that, according to an AMA spokesman, is "indicative of the interest this subject is generating these days."

Queried by *Business Insurance*, a Justice department official said he was not at liberty to discuss the substance of the investigation other than to confirm that one has been going on for some time, that it will continue and may involve other companies.

Those who have vested interests in the captive concept, including lawyers, brokers and captive management companies as well as the corporate buyers Bermuda captives service, are not terribly concerned with the Justice department inquiry—at least not in public. They describe the investigation as a "fishing expedition," for example, and express certainty that Justice will not hook anything.

One captive insurance consultant close to several of the subpoenaed U.S. corporations told this magazine that he had spoken with the Justice department official in charge of the investigation and had been told that the government was "primarily concerned with the possible violation of Department of Commerce regulations and, in particular, with the possible illegal movement of funds from the captives to Southern Rhodesia."

ACCORDING to the source, the Justice department official "indicated that he was an economist, not a lawyer, and they were in the very early stages of the inquiry. However," he added,

"the Justice official did note that there are facets to the investigation being considered by other Justice department officials and that he was not at liberty to discuss these."

As far as the use of a federal grand jury in New York is concerned, the consultant said that it is his understanding there is a permanent federal grand jury in New York that has been used to investigate numbered Swiss bank accounts—"that sort of thing"—and that it is this panel that is now looking into U.S.-run captives. "This is a rather sophisticated group and it is my understanding they are looking into this matter," he said.

It has also been suggested that the Justice department is looking for wide use of loopholes in foreign regulation. Insurance premiums paid to an offshore captive, for instance, do not necessarily qualify as "transfers of capital" under foreign investment regulations. Another interest of Justice may be the use of the British method of accounting in setting up insurance reserves. This allows companies to keep more tax-free profits in the foreign subsidiary than those required by regulators in the U.S. Moreover, the taxless situation in Bermuda allows a company to reinvest untaxed dollars rather than return profits to the U.S. where they would be taxable income.

"I know of no company that has violated any regulations. And if there are I don't know of any," one island captive manager said, adding that "Bermuda is a clean

island. True, the form of regulation is an informal one, but it is a very subtle one and the government process of screening individuals and companies wishing to set up captives is extremely strict."

AS FAR AS the Bermuda government is concerned, it is highly unlikely that the Justice department would ask for or receive cooperation from officials here. Bermuda does not now require detailed financial information from the captives and the government repeatedly gives assurances that it has no intentions of violating any confidences established between itself and the companies that contribute so heavily to the island's economy.

Asked what effect the U.S. inquiry might have on the captive industry there, Sir Henry Tucker, government leader, said: "Personally, I don't think it will have very much of an effect. We regard this, of course, as a domestic matter for the United States."

The U.S. corporations that have been subpoenaed operate at least five captive companies on the island. Celanese Corp. is the parent of a Bermuda captive called Elwood Insurance Co. that insures U.S. risks for the company. Boise Cascade Corp.'s Clearfield Insurance Co. Ltd. insures overseas risks for the parent. Tenneco operates two captives, one for international risks and the other for domestic operations, while El Paso Natural Gas operates Desert Inn Ltd. to insure risks of the parent as well as insure and reinsure risks not owned by the company.

Nader Raider sues for data on aircraft faults

WASHINGTON—A Ralph Nader group is going to court in an attempt to open up government files on daily problems and malfunctions of commercial aircraft.

In a complaint filed in U.S. district court here, Reuben B. Robertson of the Center for the Study of Responsive Law charges that the Federal Aviation Administration and the Air Transport Assn. of America prevented access to the information, the FAA allegedly doing so in violation of the Freedom of Information Act.

Specifically, the suit requests that the FAA be ordered to permit public inspection of Mechanical Reliability Reports (MRRs) and Systemworthiness Analysis Program Reports (SWAPs) compiled and distributed throughout the industry by the FAA.

Requests for the information

were made in connection with a study of airline safety being conducted by a student group under Mr. Robertson's supervision.

The suit said the FAA's administrator, John H. Shaffer, also listed as a defendant, had stated publicly that the reason for refusal was "that such inspection would be 'counterproductive'."

THE COMPLAINT contended that the ATA urged the FAA not to cooperate with the study and that ATA and FAA officials met "to plan their conduct in order to prevent access to requested information."

It is understood that the Nader group's interest in the data stems from concern about what the group feels is a "gray area" between what constitutes "incidents" such as those believed to be in the reports of accidents such as air crashes. Such information is made public through the National Transportation Safety Board. A source in the Nader group said the MRRs and SWAPs contain information on the performance of aircraft parts after a certain number of hours in service and also describe airframe, engine and other structural and mechanical failures that don't result in major damage or injury.

FAA legal officials said the complaint had not yet been reviewed. The agency has 60 days from Sept. 30 to reply.

Commission sets 3 hearing sites

WASHINGTON—The National Commission on State Workmen's Compensation Laws will hold hearings in Boston, Oct. 18 and 19; San Francisco, Nov. 15 and 16, and Atlanta, Jan. 10 and 11, 1972. Reports on hearings held by the commission in Washington and Chicago will be carried in the next issue of *Business Insurance*.

opinions

Page 24

After Nixon's 90 days

Merging insurance coverages



Page 52

Say Remington had no recall cover

BRIDGEPORT, Conn.—The Remington Electric Shaver division of Sperry Rand Corp. began a national recall advertising campaign in more than 300 newspapers when it discovered that some of its razors had been improperly assembled, making them potentially unsafe. Liberty Mutual Insurance Co. writes primary product liability for Remington. According to one source, the razor company has no recall insurance. It is believed that a multi-million excess policy is written in the London market.

A spokesman for Remington told *Business Insurance* there is no way to estimate how many razors are affected. "We only know it is a very small percentage of the model involved—the men's Remington 26 cord shaver," he said.

The company's ad describes the razor and tells owners to bring it to local Remington service stations or authorized service dealers, or else to mail it to the company's headquarters in Bridgeport, Conn. "Your shaver will be returned to you promptly or a new shaver will be sent to you," the ad promises.

"We could not possibly measure the cost to us at this point," said the Remington spokesman.

"We haven't even got an advertising budget. There are no limits there—we'll spend as much as we need to get the shavers back."

The spokesman said the problem first came up in August, when Remington began to receive letters from consumers. "They complained of a tingling sensation on the skin," according to the source. "We began our own investigation procedures and we decided to take action and place the ads around Sept. 24."

OSHA toll: 50 concerns

LOS ANGELES—Since the occupational safety and health act of 1970 became effective last April, more than 50 companies have been penalized for violations, according to a spokesman for Insurance Engineering & Inspection Co.

The spokesman said that the companies had been cited for violations under the act, fined and ordered to remove the hazard from the workplace. He pointed out that under the law fines could range anywhere from \$5,000 to \$20,000 and that a jail sentence of up to one year could be added.

INSURANCE Engineering, a safety engineering firm with headquarters here, has just completed an extensive study of the new law.

The spokesman said the government will spend 50 cents per employe nationally to enforce the law but that there was some doubt about who was to watch out for the employer.

"The Labor department is looking out for the employe, the insurance company inspector is protecting the interest of the insurer issuing the liability coverage, but no one is watching out for the employer," he stated. "That's really the responsibility of the employer's insurance agent or broker."

He pointed out that the services of safety engineering and insurance inspection firms are being used by a growing number of producers in reviewing their clients' exposures.

Grab of copper mines presses U.S. agency

WASHINGTON—Chilean president Salvador Allende's announcement that \$774 million in "excess profits" will be deducted from compensation for expropriation of U. S. copper mines has the insurer worried but not yet convinced that it could go broke. (See related stories on pages 62 and 66.)

The insurer is the U.S. government's Overseas Private Investment Corp., which has \$85 million in reserves and could receive claims of \$100 million, maybe more, as a result of Mr. Allende's deduction because the cut would amount to more than the estimated \$500 million to \$700 million book value of the Anaconda, Kennecott and Cerro holdings.

But according to Cecil Hunt, OPIC general counsel, all is not lost. "There is still an appeals procedure to go through, and some compensation may result," said Mr. Hunt, adding that the Chilean controller has not yet placed his official value on the mines.

"The entire compensation process will have to be completed before the question of our payment comes up," Mr. Hunt stated. "And when it does, I think you'll find our position won't be as bad as it looks."

He said much of the coverage involves debt investment (by the companies via loans to their Chilean partners), which will be affected by loans made by other foreign companies.

If worst comes to worst, OPIC has unallocated funds that could

be added to reserves—"upwards of \$15 million more." There is also the possibility of using some of OPIC's expected \$25 million in revenues this year, Mr. Hunt noted.

Bolt is manager

Ralph Bolt has been named manager for the new Oregon state-paid health insurance program for state employes, which goes into effect July 1, 1972. Mr. Bolt, 36, formerly was with Heyerhaeuser Co. and started his new duties with the executive department staff this September.

GUIDE TO FEATURES

Washington Watch	4
Info for Buyers	8-9
For the Record	17
London Line	22
Editorials	24
Giles on the Law	32
Dates for Buyers	41
Perspective	49-50
Following the Funds	64

Vol. 5 No. 21—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Chicago, Ill. Copyright 1971 by Grain Communications Inc.

the risk management manual is coming
october 25th issue

The Million Dollar Mistake



The day you should have stayed in bed . . . could be any day. A slight oversight on your property. Or a miscalculation behind the wheel. And suddenly you're faced with a catastrophic lawsuit.

That's the reason for Apex, a plan of personal umbrella liability insurance from Grain Dealers Mutual.

For as little as \$51 a year, it extends liability protection by one to five million dollars . . . far beyond basic policies . . . and even covers hazards they don't.

Apex covers an individual and his entire family. Yet cost is so low, the plan could be offered to key employees as a fringe benefit.

Write today for Grain Dealers' booklet explaining umbrella liability insurance and a folder describing Apex. Both are free.

Grain Dealers Mutual INSURANCE COMPANY

Indianapolis, Ind. 46202 Western Dept.: Omaha, Nebr. 68102
 Branch Offices: Greensboro, N.C., San Francisco, Cal.
 Member Company: Improved Risk Mutuals



PUSH TO OPERATE
 HAWS
 BERKELEY, CALIF.

Push for our special kind of sight insurance.

Damages and claims can shrink with a Haws sight saver on the job. It floods eyes and face instantly. Safely. Blinding and disfiguring caustics are flushed away. Injuries and claims go down. Morale and production go up. Push sight insurance with our special kind of sight savers, skin savers, and life savers, too. It's good insurance for everyone. Write for your catalog today. Free reprints of this advertisement, for mailing to your clients, are available.

**Haws Drinking Faucet Company, 1443 Fourth Street
 Berkeley, California 94710**

EMERGENCY EQUIPMENT

Haws Emergency Safety Equipment:
 Eye/Face-Wash Fountains • Drench Showers • Decontamination Stations • Laboratory Units • Freeze-Proof Units

Your 1972 issue promises hundreds of items

info for buyers

War on burglars is on

CHICAGO—Readers seeking facts, figures and insights will find such information in the annual Info for Buyers issue of *Business Insurance* to be published Jan. 3, 1972. This special issue will offer a potpourri of hundreds of published items useful to corporate executives responsible for risk management, employe benefits, financial services and pension investments.

A special service to readers, Info for Buyers has become one of the most popular features of this magazine over the past four years. The annual special Info for Buyers issue will include the most recent literature and other items offered by property-liability and life insurers, safety organizations, brokers, mutual funds and other financial services.

Those who wish to offer published and soon-to-be-published material in the special Jan. 3 issue will find a coupon on page 52 to be used to order forms to submit data for the Info for Buyers issue.

Among classifications to appear in the issue will be general information, commercial property-liability insurance, employe benefits (including financial services), pension and profit-sharing plans, Social Security, safety and workmen's compensation, security and foreign insurance and benefits.

FOR THIS SPECIAL Info for Buyers issue, *Business Insurance* has arranged to have the A. C. Nielsen inquiry service receive all requests for material. Readers will be able to request items from the issue by filling in a reader-service card which will expedite their receipt of Info for Buyers material.

Info for Buyers is read by more than 55,000 corporate executives responsible for employe, property and liability insurance programs, pension investments, financial services and the safety and security of their corporations' employes and assets.

In addition to this major group

ITT-Hartford deal gets approval

HARTFORD—A U.S. district court judge here has approved legal papers allowing the largest corporate merger in history, the purchase of Hartford Fire Insurance Co. by International Telephone & Telegraph Corp. (ITT). (See related stories on page 21.)

At the same time, Judge M. Joseph Blumenfeld signed approval of another final judgment requiring ITT to divest itself of the fire protection division of Grinnel Corp. within a two-year period.

Atty. Raymond Carlson of the U.S. Justice department said that Judge Blumenfeld's action caused simultaneous approval of a third government-ITT consent decree by a federal judge in Chicago. The federal judge had been awaiting Judge Blumenfeld's decision before allowing a compromise that would require ITT to divest itself of the Canteen Corp. within the same two-year period.

ITT must also sell its holdings in Avis Rent-a-Car, ITT Levitt and Sons Inc., ITT Hamilton Life and ITT Life Insurance of New York in order to gain control of Hartford Fire.

of readers, *Business Insurance* is read every other week by nearly 26,000 insurance agents and brokers serving commercial clients; 2,700 insurance company executives; 633 bankers, investors and financial advisors; 910 actuaries, attorneys, consultants, adjusters and appraisers, and 674 association, union, government and education executives.

Material of interest to any or all of these groups should be sent by Dec. 1, 1971, to Info for Buyers Issue, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

Material should be sent as early as possible to permit proper classification and appropriate list-

ings.

Last year's Info for Buyers issue produced a total of 28,000 requests for items.

Commercial property-liability insurance—7,483 responses
Employe benefits and financial services—4,737

Pension and profit-sharing plans and investments—4,351
Security—2,533

General educational—2,263
Foreign insurance—1,998
Safety—1,856

Group insurance—1,494
Workmen's compensation—1,262

EAST PALO ALTO, Cal.—This unincorporated suburb of San Francisco, with a population of 20,000, is fast becoming a "no-no" area to insurance companies providing property loss coverage.

"Skyrocketing insurance premium costs," according to Clarence A. Jackson Jr., municipal council vice chairman, "are forcing many of our business firms to simply close their doors in the face of property losses averaging \$28,000 a month."

Between May 1 and Sept. 1, according to Richard McKillip, sheriff's sergeant, there were 342 reported burglaries—"an astounding rate for a community as small as ours." Narcotics traffic, which police describe as "bumper to bumper," is largely blamed for the high burglary rate.

As a result, the council this

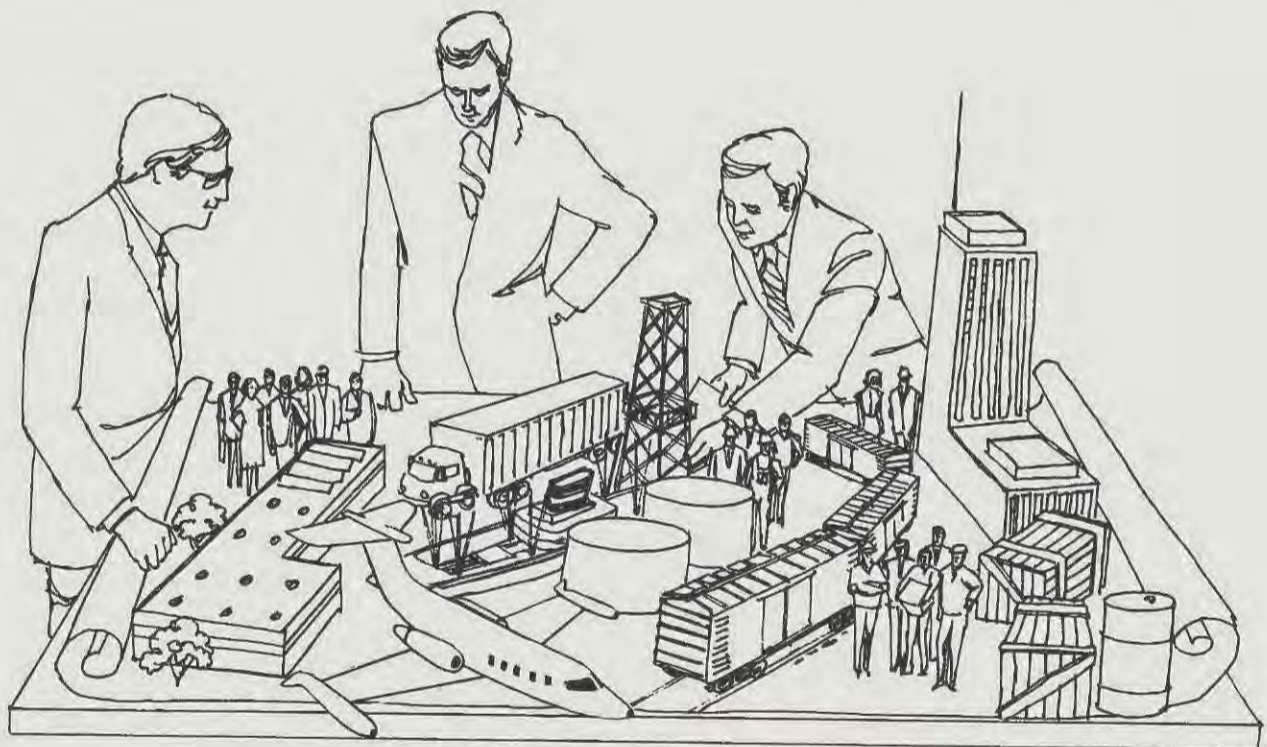
week declared "all-out war on burglars, dope pushers and muggers. The people are just fed up and have reached a breaking point."

Companies that install heavy wrought iron gates and fences "are doing a land office business," according to Clarence W. Burley Jr., municipal council chairman, and burglar alarm companies are "almost as busy as local glaziers."

"Plate glass window replacements," he added, "have cost many of our merchants and their insurance companies far more than the value of the merchandise stolen."

Community participation plans being developed by the municipal council call for establishment of an escort service for the elderly and a 24-hour hot line for citizens to report criminal activity.

RBH Means Excellence in Total Insurance Planning



"A man to carry on a successful business must have imagination. He must see things as in a vision, a dream of the whole thing."

—Charles M. Schwab

As a risk manager, you must balance the corporation's resources which are available for premium and loss control service costs against casualty, property, financial and special insurance risks, in the best

interests of employees, shareowners and the public. Nothing less than a creative, professional approach to risk analysis and insurance planning will do.

To our clients, and throughout world insurance markets, the initials RBH mean comprehensive analysis of risks, broad knowledge of corporate insurance requirements and costs, and soundly designed insurance programs. We stress

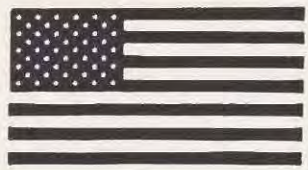
personal service, professional placement of insurance and extensive loss control and claims services, to which we attach the highest importance.

We will be pleased to send you a copy of our brochure, "Meeting Today's Risk Management Needs." Write: President's Office, Rollins Burdick Hunter Co., 231 South LaSalle Street, Chicago, Illinois 60604.



Rollins Burdick Hunter Co. insurance brokers/average adjusters

Principal Offices: U.S.A.: Chicago-Detroit-New York-St. Louis-Seattle
International, Rolibec: London-Tokyo-Yokohama-Seoul-Hong Kong-Bangkok
Sao Paulo-Rio de Janeiro-Caracas-Valencia-Bogota-Lima-Santiago



washington watch

Congress is speculating on federal health plan as an aid to no-fault

WASHINGTON—New possibilities are on the minds of federal no-fault insurance backers as activity for and against pending legislation intensifies.

One of the possibilities—big enough for a compact to have driven under without a no-fault accident, and perhaps therefore not discussed much previously—is that passage of proposed federal health insurance could solve one

main problem that has made no-fault an issue.

The problem is immediate coverage of medical costs for persons injured in auto accidents.

Speculation on the effectiveness of a federal health insurance program as the answer to this came in the past two weeks, a rough period for federal no-fault supporters.

After a month or so of growing

optimism about passage, they were hit with a hard drive by anti-no-fault groups led by the American Trial Lawyers Assn, which is pressing for a federal plan under which there would be immediate no-fault medical and wage loss payment but no limitation on suits for "general damages" such as pain and suffering and lost future earnings.

The trial lawyers plan is said to be considered by some legislators to be similar to no-fault bills in Congress—similar enough to be having an effect on the prospects of bills sponsored by Sens. Warren G. Magnuson (D.-Wash.) and Philip A. Hart (D.-Mich.) and Rep. Bob Eckhardt (D.-Tex.), both of which rule out compensation by lawsuit in most accident cases.

In the 18-member Senate commerce committee, where the Hart-Magnuson bill is under consideration, a vote shift is said to have taken place since Congress returned in mid-September. Whereas the lineup seemed to be in favor of the bill this summer, "at this juncture it appears we would lose if a vote were taken," a staffer who helped prepare the legislation said.

This has led to consideration of modifications, including legislation setting up federal no-fault standards and giving states three

years to enact laws in accordance with them.

IT HAS ALSO led to serious thought about how coverage of hospital and medical costs for injured persons is to be provided if no-fault is further bogged down by grappling among the factions. "We wouldn't feel so badly about not getting the exact no-fault coverage we're seeking if we had a strong federal health insurance plan," said another backer of the Hart-Magnuson bill.

Hearings on national health insurance legislation are scheduled to start before the House ways and means committee Oct. 18, with between 10 and 15 "major" bills (out of more than 100 that have been introduced) expected to get the most attention.

Out of the 10 or 15, two have been widely discussed, one a measure introduced by the Nixon Administration and the other put forward by Sen. Edward M. Kennedy (D.-Mass.) and in the House by Rep. Martha Griffiths (D.-Mich.). The Administration bill would set up a program under which employers would pay about 75% of mandatory hospital and medical coverage for each employe and the employe would pay the rest. There would also be a family health program for low income groups that would take the place of Medicaid.

The legislation sought by Sen. Kennedy and Rep. Griffiths would provide full government hospital and medical coverage similar to that of Great Britain, with payment from the public coming by way of income and employe payroll taxes.

REPORTEDLY, Rep. Wilbur D. Mills (D.-Ark.), ways and means committee chairman, plans to propose a national health bill himself. "He may have some surprises," said a source familiar with the chairman's thinking on the various measures. One possibility rumored is support from the chairman for a health program run by a national corporation.

There is some thought in Congressional circles that one effect of opposition to current no-fault motor vehicle bills will be to strengthen the support for the Kennedy-Griffiths health legislation. The reasoning: Backers of strict federal no-fault would see it as an answer to their demands for immediate hospital and medical payment for auto accident victims.

But this doesn't mean supporters of a tough federal no-fault law are giving up their battle. They feel their kind of legislation or something very similar to it will be needed in addition to whatever national health insurance program is enacted.

A Senate commerce spokesman put it this way:

"If every person in our society automatically has all medical care taken care of when they're in an accident, then you just can't have the system of auto insurance and litigation that we have today, with our courts filled up with every kind of accident case imaginable."

Communication gap proved costly

U.S. District Judge Alfred T. Goodwin in Portland, Ore., has ruled that an insurance company did not inform the gallery that its policy had been changed to exclude thefts of jewelry. The federal judge said the St. Paul Fire and Marine Insurance Co. could not rely on a revised policy issued in 1968 for the Contemporary Crafts Assn. Inc., Portland, in denying a claim for \$11,112.

107 Years* is a long time for any Big Company to stay Small.

When PAIGE was established, we were a small firm by any standard. But even in the beginning we were big . . . in ideas . . . and in our conviction that only through dedication to hard work, customer service and the highest standard of professional ethics could we fulfill our responsibilities to our clients and assure our own success.

Today we handle the insurance or self-insurance needs of many American corporations listed in the Fortune 500 Directory, plus many many more.

Yet, throughout our growth, we have never lost sight of those fundamental principles adopted when we were very small.

Another reason we'd like you to think of us as . . .

PAIGE. The big insurance broker who stayed small.

PAIGE

BOSTON / NEW YORK / PORTLAND, EASTPORT, HOULTON, and ROCKLAND, ME. / LOS ANGELES / ATLANTA / HARTFORD / MANCHESTER, N.H. / SAN FRANCISCO

*Oldest acquisition established 1864

Touchy Question #39

What happens when you have to tell 100,000 customers that their brakes may not work at 70 mph?

The PR department has a job.

They can talk about the fallibility of men. They can point out that it's a good thing this problem was aired before it was too late. And they can show their willingness to make repairs and adjustments.

In most cases, the customer remains loyal. But it's an expensive ordeal.

Products Recall Expense Insurance is a relatively new policy designed to fill this coverage gap. Our own version is hardly out of the egg as we write this.

We are not ready to offer this coverage to ship builders or to manufacturers of ethical drugs or pharmaceuticals, aircraft, or aircraft parts. And until enough experience has accumulated to provide credible guides, we are obliged to exercise a high degree of selection.

For obvious reasons, you must have your liability lines and some product lines with us. You must do at least \$5 million in annual sales. You are

expected to participate in 10% of the contract, with the minimum deductible set at \$10,000. And in some instances, we may insist that our Products Loss Control Program (see Touchy Question #34) be in effect.

We realize that our requirements are stringent. And in that sense, we have arrived at a touchy question ourselves.

How conservative or how speculative should we be with this new insurance?

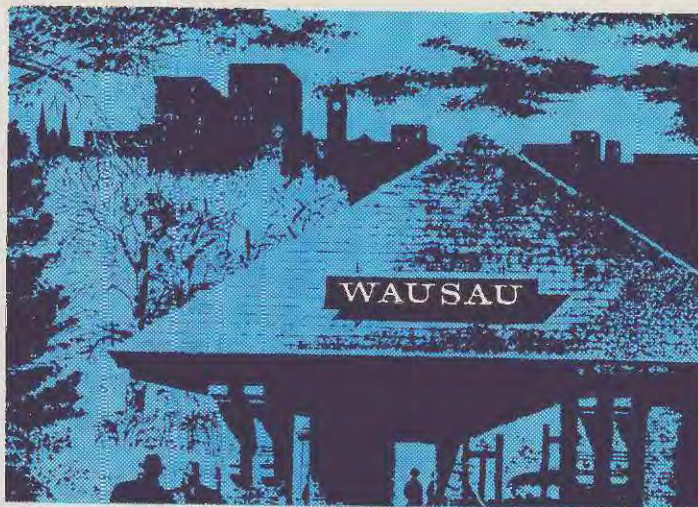
Of course we want to be flexible. But since Products Liability is not a well-seasoned insurance, we do not have the complete advantage of relying on pre-set generalizations. Instead, we

must get brand new answers that fit only your company.

That means the doors must open to let us work, to examine facts, and to discover attitudes.

A little touchy, we agree. But if we do our job right, then that leaves you free to do your job right.

That's the Wausau Story.



Employers Insurance of Wausau

**We think insurance
ought to work
for a living.**

Bid to omit health evidence from group life criticized at Canada meet

ST. JOHN'S, Newfoundland—It was suggested at the annual conference of the 10 provincial superintendents of insurance here that, perhaps, all group life insurance should be provided without evidence of health. The idea, needless to say, ran into a wall of criticism from, among others, insurance industry people.

The spark that set off the flurry of criticism was ignited by Leo Beaudry, superintendent of insurance for Saskatchewan, whose life insurance legislation committee was considering asking for legislation that would require all group life plans to be written without health conditions.

Mr. Beaudry said that he felt it

was in the public interest for group life to eventually be free from health restrictions.

UNDER THE present system, the following cases could require health examinations: a small number of employees; the amount of coverage for some group members being higher than for others; an employee who does not join the plan when he first becomes eligible but applies later.

The prospect of a rule change in those areas did not sit well with a good many persons.

The supervisor of benefits for Bell Canada of Montreal, Jean Carter, said that doing away with health conditions would reduce,

if not eliminate, coverage for smaller plans and would peril the existence of many plans. "The result of this change would be to increase costs for those who can secure the same total coverage under a group plan or privately," she stated.

She pointed out that groups with a great many members would be able to get supplemental coverage without evidence of health because of sheer numbers. Employees of smaller concerns would not be so fortunate. Thus, if evidence of health requirements were eliminated," she said, "it would create an unfair situation for our smaller Canadian employers."

MISS CARTER also commented on the problem of late entrance into a group. She said evidence of health was necessary to avoid groups made up of "sickly" people. "Th.s," she said, "is an uninsurable situation, which would result in a deterioration of the experience and increase the cost for all other participants."

A spokesman for Johnsons Ltd., a consulting and brokerage firm here, said that it was "unrealistic and unreasonable" to do away with evidence of health because it would place limitations on employees who were already receiving the cheapest form of life insurance possible. In his opinion, asking an insurer to take on a small group that included someone dying of cancer would be tantamount to "asking a fire insurer to take on a building already burning."

Mr. Beaudry said that his main concern was with the possibility of group contracts being can-

celled. "An employe can obtain too much group insurance, much to his detriment if he loses his insurance in his old age," he noted. "If the plan is terminated, he could wind up with no insurance at all."

He also maintained that the imposition of rules, and he stressed that the rules were necessary, was bound to have an adverse effect on someone.

In answer to the question of possible cancellations, a Toronto actuary said that they were a remote possibility in most cases. "Insurance companies very seldom take such action and policy holders very seldom cancel a contract unless it is replaced by another with a different insurance carrier," he said.

Mr. Beaudry said that his committee would make no specific recommendations at this time but that the health rule would definitely receive further study and consideration.

BUSINESS CAN BE A RISKY BUSINESS.

ONE RISK THAT NO COMPANY CAN AFFORD IS CATASTROPHIC LOSS. THAT'S WHY 1 IN 3 ON THE FORTUNE 500 LIST TURN TO THE HOME FOR EXCESS PROTECTION.

Big company... small company... every company runs the risk of catastrophe that extends beyond the limits of its primary protection. The Home's Commercial Excess Liability Policy is such an inexpensive way of avoiding the risk of business-shattering lawsuits—you can't afford not to consider it!

Of course, The Home is your logical source of primary commercial insurance, too. We offer the widest possible range of individual contracts to protect the needs of individual business. We don't just adapt a basic commercial policy to a firm—but have special policies for manufacturers, contractors, farms, motels, institutions—virtually every segment of business. And with Thico—The Home's budgeting facility—premiums can be paid monthly, quarterly—even seasonally.

Want information on Excess for all lines of insurance—or any of the many Home policies? Contact your broker. Or call your local Home agent—he's in the Yellow Pages.



THE HOME OF INSURANCE

THE HOME INSURANCE COMPANY
59 Maiden Lane, New York, N.Y. 10038
Affiliates: The Home Indemnity Company
City Insurance Company
Federal Life and Casualty Company
Peoples-Home Life Insurance Company of Indiana
Seaboard Surety Company



Plane rental cover goes to USAIG

NEW YORK—Lease-A-Plane International, a general aviation aircraft rental corporation with headquarters in Chicago, has placed all its aviation insurance with the United States Aircraft Insurance Group (USAIG).

Lease-A-Plane operates with 90 late-model aircraft under a system similar to that of automobile rental agencies. The planes, which are single engine or light multi-engine models, range in hull value from \$20,000 to \$100,000.

A spokesman for USAIG told *Business Insurance* that the liability coverage was written under a single blanket limit rather than varying with the size of the aircraft rented or other considerations. "The lessee is covered under the policy as well," he said, "and the limit shows up as part of the rental price."

THE BROKER on the deal was Burt Dickens & Co. of Northbrook, Ill.

The Lease-A-Plane system is set up so that private pilots, business pilots or corporations can rent the aircraft by the hour, day, week or month for rates starting somewhere around \$13 a day and 13 cents a mile. The company operates 18 centers in the U.S. and Canada from which the planes can be rented.

Regarding the loss experience of the rental concern, the USAIG spokesman said, "They have a good record of loss incidents per hours flown."

On the same subject, a source in the aviation business noted, "an outfit like Lease-A-Plan has to have losses. It's in the nature of what they do. Not large losses, but it's like the rent-a-car operations, people bang fenders."

Aside from providing the rental service, Lease-A-Plane operates FFA-certified flight training schools at its centers and gives lessees the option of using a Lease-A-Plane pilot along with the aircraft.

Hull rate worries

T.W. Haynes, chairman of the Dominion Insurance Co., London, has reported a profit on his group's latest aviation underwriting accounts. But he warns: "The aviation market has so successfully met the increased capacity for jumbo jets that I feel competition is now beginning to force hull rates below an economic level."

Wage freeze puts four-day week plans on ice

SAN ANTONIO, Tex.—The United Services Automobile Assn. would probably have been the largest company in the country working toward the adoption of the four-day week if President Nixon had not announced the freeze on wages and prices.

But now the nation's 14th largest automobile insurer will have to wait until after mid-November to gain the distinction. The company was to have moved 3,000 employees to a four-day, 38-hour week in early October.

A ruling from the Federal Office of Emergency Preparedness, however, said that reducing the work week from 40 hours to 38 hours "without a corresponding reduction in wages is prohibited."

ROBERT MCDERMOTT, president of the company, announced that pay cuts "are out of the question." He pointed out that the four-day, 40-hour week would be impractical for his firm because a good deal of the company's employees were women. Many of the women had children and the longer hours would make it difficult for mothers to get their children to and from nurseries and kindergartens.

United Services, which specializes in auto insurance for military and retired military personnel, would have tried the four-day week for a 90-day trial period. Employees would have been given the choice of the three work schedules: 7:30 am to 5:30 pm; 7:45 am to 5:45 pm, and 8 am to 6 pm. The office would have remained open Monday through Friday with 2,800 employees working Monday through Thursday and 200 Tuesday through Friday. A decision on whether to continue

would have been reached at the end of the test period.

When announcing that the company would experiment with the short work week, Mr. McDermott, a retired Air Force brigadier general, said, "My charge to the study group was that service to our policyholders must not be diminished; that individual productivity must be maintained at, or better than, the current level, and that any change in the work week must offer substantial benefits to both USAA and the majority of employees."

Under the new schedule, United Service employees would get an added four or five days off each year. ■

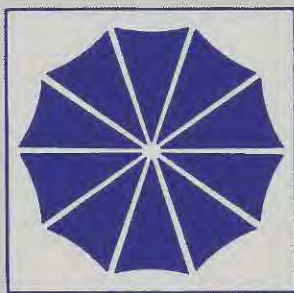


EST. 1899

DAVIS, DORLAND & CO. INSURANCE BROKERS

99 CHURCH ST., N.Y., N.Y. 10007

TEL: (212) 964-2500



IDEAS FROM A GROWING REINSURANCE MARKET

SKANDIA GROUP

Incentives for outpatient care needed

CHICAGO—Elliot L. Richardson, secretary of the Department of Health, Education and Welfare, told the annual meeting of the American Hospital Assn. that health insurance in the U.S. should be reorganized to provide incentives for outpatient care rather than hospitalization.

Noting that the Nixon Administration has "promoted to offer recommendations for regulating the health insurance industry soon," he said that "this is the time for those who provide care to explore alternative means of self-regulation. 'Leave no vacuum unfilled into which the federal government might otherwise rush' would be a useful motto."

He told the administrators that there are three ways to shift emphasis to outpatient care: close down facilities that are not effective or efficient; mothball parts of hospitals to avoid expensive maintenance; diversify services that are not utilized. In the category of diversified services Sec. Richardson suggested hospitals become more involved in care of drug abusers and alcoholics and devote a portion of their resources to low cost, extended care or rehabilitative care.

He added, however, that the last choice "would require better cost accounting in hospitals than generally exists, to avoid, for example, passing on part of the cost of an open heart surgery bed to an extended-care bed. ■

Memo
Re: Property Facultative
Casualty Facultative
New facilities now ready to go.
Writers. Call us. Use us!
- F. Philip Moskier, Mgr. Property
- Charles H. Jaeger, Jr., Mgr. Casualty

SKANDIA INSURANCE COMPANY LTD • United States Branch
HUDSON INSURANCE COMPANY

280 Park Avenue, New York 10017 • Telephone (212)490-0500

Reinsurance underwriting facilities on all forms of group and individual accident and sickness insurance



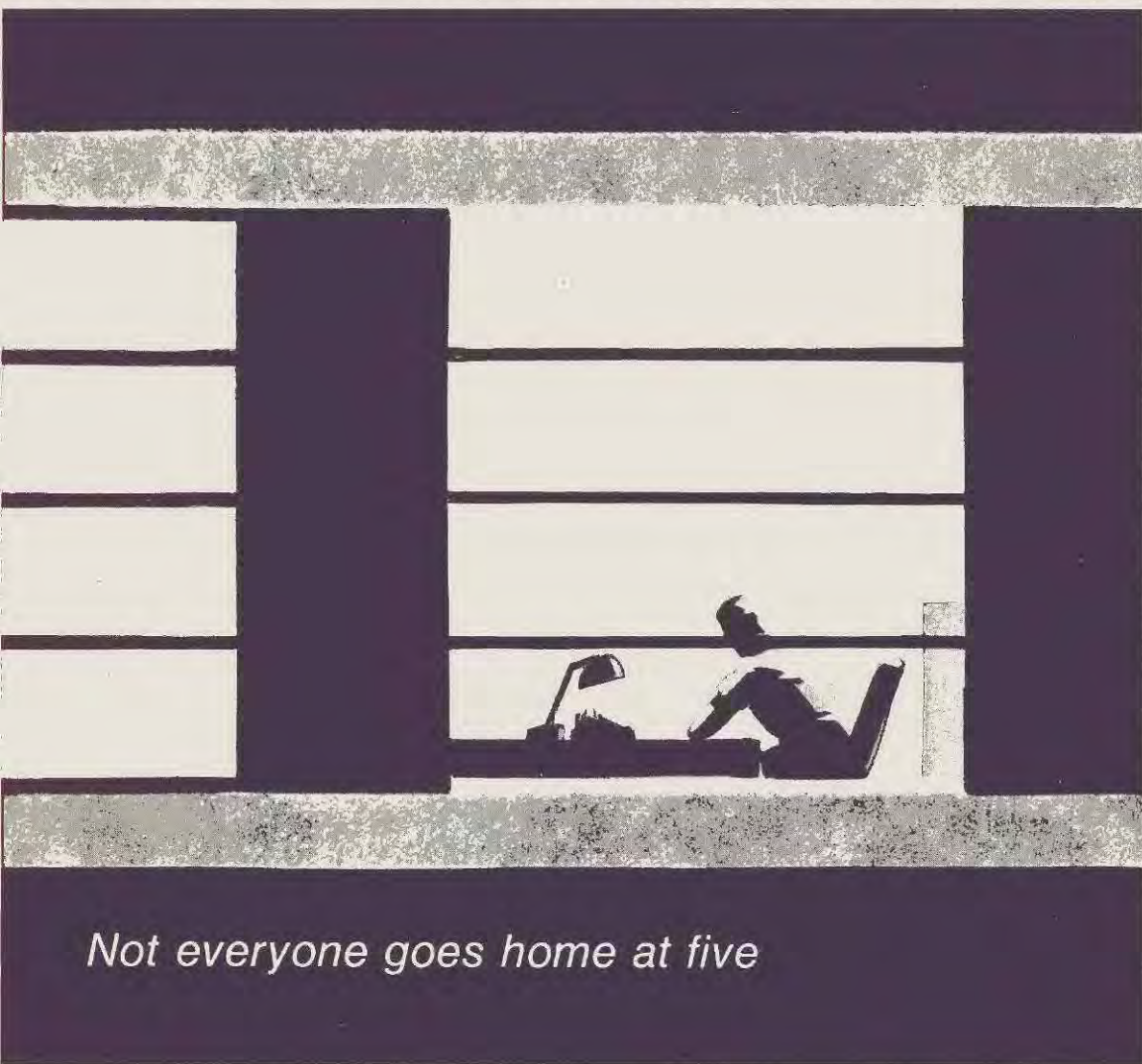
DUNCANSON & HOLT, INC.
Managers of the American Accident Reinsurance Group
99 JOHN STREET NEW YORK, N.Y. 10038 (212) 233-2016

AMERICAN ACCIDENT REINSURANCE GROUP

Aetna Life Insurance Co.
American General Life Insurance Co.
American Home Assurance Co.
American National Insurance Co.
Baltimore Life Insurance Co.
Bankers Life & Casualty Co.
Benefit Trust Life Insurance Co.
Celina Mutual Insurance Co.
Constellation Reinsurance Co.
Constitution Reinsurance Co.
Employers' Mutual Liability Insurance Co.
Equitable Life Assurance Society of the U.S.

Federal Insurance Co.
Fidelity Mutual Life Insurance Co.
Globe Life Insurance Co.
Great Southern Life Insurance Co.
Guardian Life Insurance Co. of America
Insurance Co. of North America
Inter-Ocean Insurance Co.
ITT Hamilton Life Insurance Co.
Life Insurance Co. of California
Metropolitan Life Insurance Co.
Monarch Insurance Co. of Ohio
Monarch Life Insurance Co.

Monumental Life Insurance Co.
National Indemnity Co.
Occidental Life Insurance Co. of California
Pacific Fidelity Life Insurance Co.
Paul Revere Life Insurance Co.
Provident Life & Accident Insurance Co.
Prudential Insurance Co. of America
SAFECO Life Insurance Co.
State Mutual Life Assurance Co. of America
Sun Life Insurance Co. of America
Travelers Insurance Co.
Unitac States Fidelity & Guaranty Co.



Not everyone goes home at five

That's why you get prompt action from IRM in an emergency — at any hour — any day!
When a serious loss occurs an insured wants fast service by experienced people. He needs advice on how to minimize his loss so that he may resume business as soon as possible — help in protecting his property from further damage — and a quick and equitable adjustment. IRM has built its reputation on 50 years of this kind of service. Why not contact a member company today?

IMPROVED RISK MUTUALS

15 NORTH BROADWAY • WHITE PLAINS, N.Y. 10601
Branch Offices: Atlanta • Chicago • Detroit • Los Angeles • San Francisco

CONTACT A MEMBER COMPANY
American Manufacturers Mutual Insurance Co.
Central Mutual Insurance Company
Employers Mutual Casualty Company
Grain Dealers Mutual Insurance Company
Indiana Lumbermens Mutual Insurance Co.
Iowa Kemper Mutual Insurance Company
Iowa National Mutual Insurance Company
Lumbermens Mutual Casualty Company
The Lumbermens Mutual Insurance Company
Merchants Mutual Insurance Company
Michigan Millers Mutual Insurance Company
Michigan Mutual Liability Company
The Millers Mutual Insurance Company
Pennsylvania Lumbermens Mutual Insurance Co.
Pennsylvania Millers Mutual Insurance Company
Unigard Mutual Insurance Company
Utica Mutual Insurance Company

info for buyers

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

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

• **Vanguard One** is a brochure offered by Bankers Security Life to explain the company's individual term life plan of special interest to inflation-conscious business executives. The plan was developed to provide benefits which increase automatically, according to the Consumer Price Index, during each four-year renewal period. A copy of the free brochure may be obtained by writing A. C. Fluke, Bankers Security Life Insurance Society, 1701 Pennsylvania Ave., N.W., Washington, D.C. 20006.

• The Insurors Press has recently published **No-Fault Insurance**, a 300-page, hard-covered book that provides a comprehensive analysis of the principles of no-fault auto insurance. Written by Dr. Willis Park Rokes of the University of Nebraska at Omaha, the book gives the history of auto reform plans based on no-fault and also presents the major arguments pro and con regarding the adoption of a no-fault program and abandonment of tort liability. An extensive comparison chart of currently prominent no-fault plans is also included. Copies are \$12.50 each and are available from the Insurors Press, Inc., 1631 18th St., Santa Monica, Cal. 90404.

• Marsh & McLennan International, 70 Pine St., New York, N.Y. 10005 has made available a speech by Don Boden, managing director of the company's Benefits International Ltd., London, entitled **European Employee Benefits**. The booklet deals with the current European situation and its problems, emphasizing (among other things) the functions of a global pension plan and organizational approaches in establishing international operation pension plans. The pamphlet includes charts, graphs and other explanatory aids and is available from the company at the New York address.

• **Complete Services for the Self Insurer** is a 26-page handbook describing the custom-designed programs for self-insurers from General Adjustment Bureau. Available free of charge, the handbook outlines the varieties of workmens compensation, safety engineering, auto fleet, property and transportation, liability and Occupational Safety & Health Act services offered by GAB. It also shows the EDP reporting systems available with sample print-outs. For a copy write General Adjustment Bureau, Inc., Marketing Division, 123 William St., New York, N.Y. 10038.

• Certified Portfolios, Inc., has made available a new photo report outlining its tax-sheltered, tax-qualified (approved by IRS) corporate pension and profit-

sharing plans. The report is free by writing on company letterhead to Roy Thon, Certified Portfolios, Inc., 500 Newport Center Dr., Newport Financial Plaza, Newport Beach, Cal. 92660.

• How do health insurance plans treat organ transplants? What can an employer expect as transplants become more frequent? **Organ Transplants: Another Challenge for Health Insurance** by Johnson & Higgins cites four possible types of claim situations, and offers three different answers to providing coverage for transplants. For a copy of the newsletter write Donald R. Marcy, Consultant, Johnson & Higgins, 95 Wall St., New York, N. Y. 10005.

• A full-service self-insurance program for the corporation that self insures, either totally or in part is being offered by Lawson, Stewart & McCarty Inc. **GROUP VII** is a booklet describing the concept of offering a well-managed, flexible and profitable program. Copies of the brochure may be obtained by writing Warwick Feldman, Coordinator, 3807 Wilshire Blvd., Los Angeles, Cal. 90005.

• Close Productions Inc., 2020 San Carlos Blvd., Ft. Myers Beach, Fla., offers a program to train clerks, cashiers, and other personnel in the methods thieves use to steal store merchandise and cash. The program consists of two tapes on **Stop the Short-Change Artist** and four tapes on **Stop the Shoplifter**. The tapes run from seven to 10 minutes each listening time on side #1. The reverse side has ten questions with multiple-choice answers which provide participation and self-testing on each subject. They can be played on any type of cassette tape player or recorder. The complete set of six tapes is priced at \$39 plus \$1 for postage and handling. A 10% discount is offered on quantity orders of five or more complete programs. For more information or to order the tapes write the company.

• A guaranteed renewable policy for life providing up to \$5200 for medical expenses in treatment of cancer, offered by Unity Mutual Life Ins. Co. of New York, is described in **Cancer Policy**. For information from the company or for a copy of the brochure write William R. Loehr, Mgr., Health Insurance Dept., Unity Mutual Life Insurance Co. of New York, 636 S. Warren St., Syracuse, N. Y. 13201.

• In conjunction with its entrance into the commercial umbrella field, Commerce and Industry Insurance Co.'s new brochure **Sorry, You're Not Covered** answers these important questions: Who needs commercial umbrella? How broad is the coverage? What does the coverage include? It is available free of charge to agents, brokers, and buyers by writing Commerce and Industry Insurance Co., Dept. A14, 102 Maiden Lane, New York, N. Y. 10005.

• **People and Profit Sharing** is a copy of a presentation by Roy G. Foltz, vp and director, Towers, Perrin, Forster & Crosby Inc., before the 23rd annual conference of the Council of Profit Sharing Industries. The presentation covers communication techniques, and the five basic motivation needs of an employe. For a copy write Jo-

Joseph A. Banik, Towers, Perrin, Forster & Crosby Inc., Three Penn Center, Philadelphia, Pa. 19102.

• The Identi-Logic Division of Eaton Yale & Towne has released a leaflet describing its Identi-Lock System. The system is available for multi-access installation or where there is a need to know what key was used, the location of entry, time and date. For more information or for a copy write the firm to the attention of John F. Regan, Marketing Manager, 3074 Miraloma Ave., Anaheim, Cal. 92806.

• **Low Light Level TV Camera** is a brochure describing low light level TV cameras that can see in the dark by Sylvania Electric Products Inc. It also shows a portable, hand held, night viewing device for night observation. The brochure describes the products, gives specifications, and includes photographs of scenes observed at night. For a copy write D. T. Heckel, Sylvania Electric Products Inc., Electro-Optics Organization, P. O. Box 188, Mt. View, Cal. 94040.

• The new **Difference in Conditions** 12-page explanatory brochure describes what the coverage provides, why it's important for commercial and industrial accounts, and the many special features the policy affords. The policy is written domestically by American Home Assurance Co., and overseas by American International Underwriters. For more information write American International Life, Dept. A 14, 102 Maiden Lane, New York, N. Y. 10005.

• The Hartford Steam Boiler Inspection and Insurance Co., Hartford, Conn. 06102, has made available to *Business Insurance* readers a copy of their **Engineering Bulletin No. 69** which describes the establishment and operation of an air condition and refrigeration log program and samples of their logs. The logs can help prevent breakdown by warning of impending trouble and by providing a data base necessary for maintenance programs and reduce the likelihood of an accident, which can be costly even if the equipment is insured. For more information about the loss prevention control method write the firm.

• A micro-history of employee benefits in the U.S. has been compiled by Hewitt Associates consulting firm. The pamphlet, in convenient chart form, summarizes important employee benefit developments during the past 200 years and includes a list of general trends in retirement, death, disability and medical care benefits. Copies are available without charge through Kenneth E. Feltman, Hewitt Associates, Libertyville, Ill. 60048.

• Two folders covering various phases of building security are available from Improved Risk Mutuals, 15 N. Broadway, White Plains, N. Y. 10601. The pamphlets describe various types of alarms, locks, fences, flood lighting and other deterrents, and are available without charge in single sets by writing the company.

• **Noise and the New Walsh-Healy Act, No. 500**, is a booklet consisting of three articles dealing with noise pollution, hearing conservation, and hearing protection and the Walsh-Healy Act. The reprinted articles are offered, free of charge to *Business Insurance* readers. Direct requests to Robert M. Paulson, Customer Relations Dept., Sigma Engineering Co.,

11320 Burbank Blvd., No. Hollywood, Cal. 91601.

• American Home Assurance Co.'s 12-page brochure on **Valued Form Business Interruption Insurance** illustrates the advantages of valued form over other business interruption plans. It explains how valued form coverage can be tailor-made to each individual need, and details the policy's important clauses. The booklet is free to agents, brokers and buyers by writing American Home Assurance Co., Dept. A 14, 102 Maiden Lane, New York, N. Y. 10005.

• The NAIA Management Service is a bi-monthly supplemented service which is designed to keep agency and brokerage managers up-to-date with new proven management ideas. The manual includes information on internal office management, advertising and public relations, money,

congeneric activities, legal problems, office manual, agency agreements and contracts, forms, purchases and mergers, research and development, educational opportunities—publications, new products, and personnel. The service is \$36 for the first year and \$25 per year thereafter. To order write directly to the National Assn. of Insurance Agents, 96 Fulton St., New York, N. Y. 10038.

• **The Mardix TC6 Series Television Cameras** is a brochure explaining its three-year guarantee, specifications and illustrations of the equipment. The camera was designed by Mardix Security Systems as an industrial quality camera for continuous-duty applications where reliable performance, long life and low down time are of prime importance. For more information, write R. C. Hix, Mardix Security Systems, 900 Stierlin Rd., Mt. View, Cal. 94040.

New lightweight life

NEW YORK—Weight Watchers International Inc. has come up with yet another carrot to dangle in front of its members—a life insurance policy under which premium reductions will be granted those hardy souls who trim off excess pounds.

The policies, which will be available to members of Weight Watchers and their immediate families only, will be written by American International Life Assurance Co. of New York and administered by Payroll Equity Plans Inc.

Members will be weighed at the start of the program and placed in one of six classifications based on height, weight, age and sex.

A 40-year-old man, standing 6 feet tall and weighing 250 pounds would pay a semi-annual premium of \$24.45 for a standard \$5,000 policy.

"As he loses weight," the spokesman said, "he will drop into other groups. When he reaches his ideal weight, which is the goal of the program and in this instance is 180 pounds, his premium would be reduced to \$15.53."

In explaining the workings of the policy, he pointed out, "There will be no exclusions for weight alone. But, realistically, if a man 6 feet tall weighing 350 pounds comes in there might be an exclusion. At that height and weight you can assume there is something else wrong, like blood pressure or heart. He would need a physical."



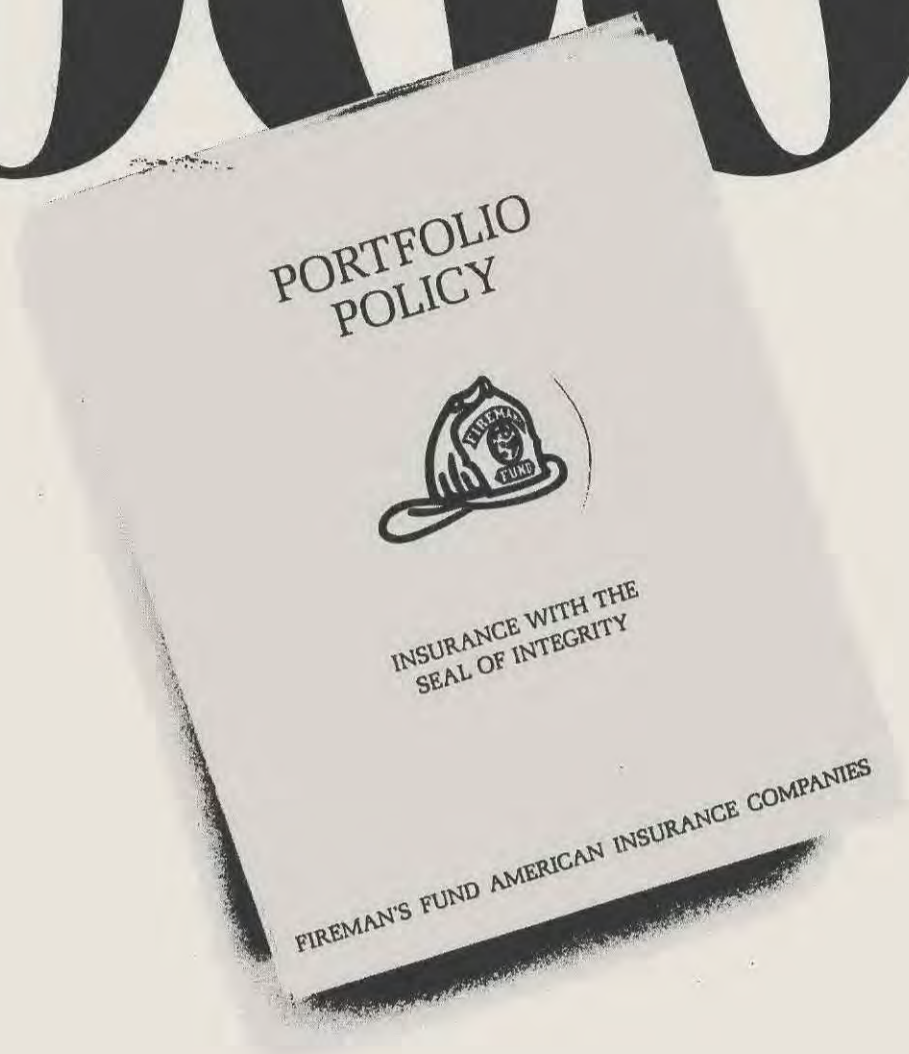
Aetna
LIFE & CASUALTY

OUR CONCERN IS PEOPLE

Savings



S b o o k .



If you asked us, we could write a book.
Called The Portfolio Policy.

Which takes most all your separate business policies and turns them into just one policy. Property, liability, casualty—the whole works. All in one policy—to help eliminate risky gaps and overlaps in protection!

Result: you save time. You save paperwork.

And, in most states, you save as much as 25% in premiums.

So ask us—by calling the independent agent who represents Fireman's Fund.

When it comes to being helpful, he wrote the book.

Checking package policies? Always check the hat!



Tell plans for BI workshop on product liability

Mail to: Product Liability Workshop
c/o Business Insurance, 740 Rush St.,
Chicago 60611

Yes, I would certainly make every effort to attend your proposed Product Liability Workshop. Please send me full details if you go ahead with it.

Name _____ Title _____

Company _____

Address _____

City _____ State _____ ZIP _____

CHICAGO—A workshop on product liability—one of the biggest business problems of the '70s—is being considered for early 1972 by the publishers of *Business Insurance*. The workshop would be a one-and-a-half day session held in Chicago, featuring:

- Analysis of various aspects of product liability claim prevention.
- Presentations on the legal defenses of product liability suits, goals of consumer advocates, government's role in product safety, and insurance against product liability suits and the costs of product withdrawal.
- Current case histories of product liability claim prevention and control by risk management experts.

Workshop sessions will be designed to cover product liability problems faced by corporate risk

and insurance managers, financial executives, advertising managers, advertising agency personnel and corporate legal counsel. All corporate executives would find the workshop useful in meeting the rising frequency of product claims from product defects, improper service or misrepresentation in advertising and labeling.

Insurance underwriters, brokers and insurance consultants, deeply involved in the product liability problem, would get a fresh view of how their policyholders handle the crisis in product liability, but the program will focus on problems of corporate insureds.

Faculty members of the workshop would include experts in major areas of product liability, including the defense bar, plaintiffs' bar, consumer advocates, insurers, corporate risk managers

and officials of government regulatory agencies. Also authorities on product safety and claims prevention will participate in roundtable discussion sessions.

Persons attending the workshop will be expected to involve themselves heavily in all discussions since the full program is devoted to give-and-take examination of strategies and techniques—as opposed to a series of speeches.

Registration for the day-and-a-half workshop program (including a get-acquainted cocktail party, dinner, breakfast, lunch and two coffee breaks, as well as a detailed notebook) would be \$135, with reduced rates for multiple registrants from the same company. The notebook will include reprints of articles on product liability claims control and insurance that have been published in *Business Insurance*.

If you are interested in protecting your company, policyholders or clients against costly product liability judgments and would like to attend the *Business Insurance* workshop, fill in the coupon on this page and mail it immediately for more information. ■

Pollution control: A corporate responsibility



Pollution and pollution abatement have become important aspects of every business. They affect budgets, profit and loss, position in the community, corporate image, even the price of stock in some cases.

Pollution is a now problem that is receiving now attention from astute businessmen. Water treatment plants, fume scrubbers and filtration systems, land reclamation, plant beautification, litter prevention, employee education programs, are all types of things industry is doing to help in the pollution fight.

But regardless what a businessman is doing today he must be considering pollution control efforts for tomorrow.

One thing he can do is write for a free booklet entitled "71 Things You Can Do To Stop Pollution." It doesn't have all the answers on pollution. But it might give a businessman a few ideas for both today and tomorrow.

People start pollution. People can stop it.

Schools can't self-insure

OLYMPIA, Wash.—The Washington attorney general's office has ruled that school districts are not authorized to self-insure under provisions of a 1971 law requiring certain liability coverage for school employees.

Asst. Atty. Gen. Richard M. Montecucco said the 1971 law requiring insurance for injuries or damage to persons by school employees maintaining order and discipline or protecting school personnel or property has no language to imply allowing self-insurance.

The opinion, asked by Michael G. Boivin, assistant executive secretary of the State School Directors' Assn., also defined several of the terms used in the law. ■

Court rules for pensions

SALEM, Ore.—The Oregon court of appeals has ruled that pension rights of 12 Portland police officers established before 1947 must be restored.

The officers began full-time work for the city as temporary members of the police force in 1943, 1944 and 1945. They finished their terms of temporary service in 1946 and 1947 and became permanent members of the force. They contributed to the police retirement fund even though they were temporary officers, it was reported.

In 1949 the city charter was amended to provide that pension benefits would accrue only during periods of active service, which was defined to not include temporary appointment. The city contended that it was proper to withdraw pension credit for temporary service on the theory that retirement benefits amount to a gift from the city. Multnomah County Circuit Judge Pro-Temp Loren Hicks agreed.

The court of appeals rejected the theory, however. The court held that retirement benefits, especially when supported by payments in the form of payroll deductions, represent a form of contract between the city and its employees and may not be destroyed without compensation. ■



Keep America Beautiful

advertising contributed for the public good



for the record

St. Paul, Liberty settle vasectomy death suit

MILWAUKEE, Wis.—Two insurance companies have agreed to pay a \$160,000 settlement in the death of a man who never regained consciousness after going on the operating table for a vasectomy.

Allan Knibb Jr., 30-year-old father of four, underwent a vasectomy at Columbia Hospital here in September, 1970. He remained unconscious for nearly a year, until his death Sept. 1.

According to court records, a loose bolt caused an anesthesia machine to release insufficient oxygen, drawing Mr. Knibb into the coma from which he never recovered. His widow filed a \$7 million suit against the hospital, doctors involved in the case and the manufacturer of the anesthesia machine, Ohio Medical Products Co.

St. Paul Fire & Marine Insurance Co., representing the hospital and its staff, and Liberty Mutual Insurance Co., representing Ohio Medical Products, agreed to the out-of-court settlement. It was approved by Circuit Judge John A. Decker.

Vasectomies, operations that render a man sterile, often are performed under local anesthetic in a doctor's office. The procedure usually takes no longer than 15 to 30 minutes.

Mr. Knibb, however, according to court records, was apprehensive about the operation and wanted it done under general anesthesia.

Pension thaw for Chicago teamsters

CHICAGO—The Office of Emergency Preparedness here has ruled that trucking firms in the area must pay \$80,000 more a week into teamsters union health and pension funds without raising rates to meet the cost.

The increased contributions average \$2 each for 40,000 union members. Eugene McCarron, general manager of the Illinois Motor Truck Operators Assn., estimated that payment would mean a 1% increase in the cost of wages. No recovery of the money can be made because the Interstate Commerce Commission and Illinois Commerce Commission have frozen all proposed tariff increases during the wage-price freeze, he said.

The ruling was based on an earlier OEP action that said that if pension payment increases were made before the freeze increased employer contributions to cover them could be made during the freeze.

California bombings prompt more security

SACRAMENTO, Cal.—More substantial security measures at state office buildings here have been prompted by three northern California bombings, including one at the Sacramento headquarters of the California department of corrections.

"Precautions are being taken," explained Lawrence Robinson, general services director, "although we cannot publicly reveal details because if we are to maintain security the measures for providing such security must remain secret."

Explosions damaged both the corrections department offices here and a branch office in San Francisco's famed Ferry Building. Additionally, a department of rehabilitation office at San Mateo was damaged.

Anonymous letters and phone calls linked the three bombings to the radical Weatherman group and one caller said that the explosion here, which caused \$50,000 damages, was "in defense of

Continued on page 26

Agents and brokers, this is for you.

Albert G. Ruben & Company, Inc., leading U.S. broker specializing in all coverages related to the entertainment industry, announces T.A.P., a new, complete program of protection against non-appearance risks.

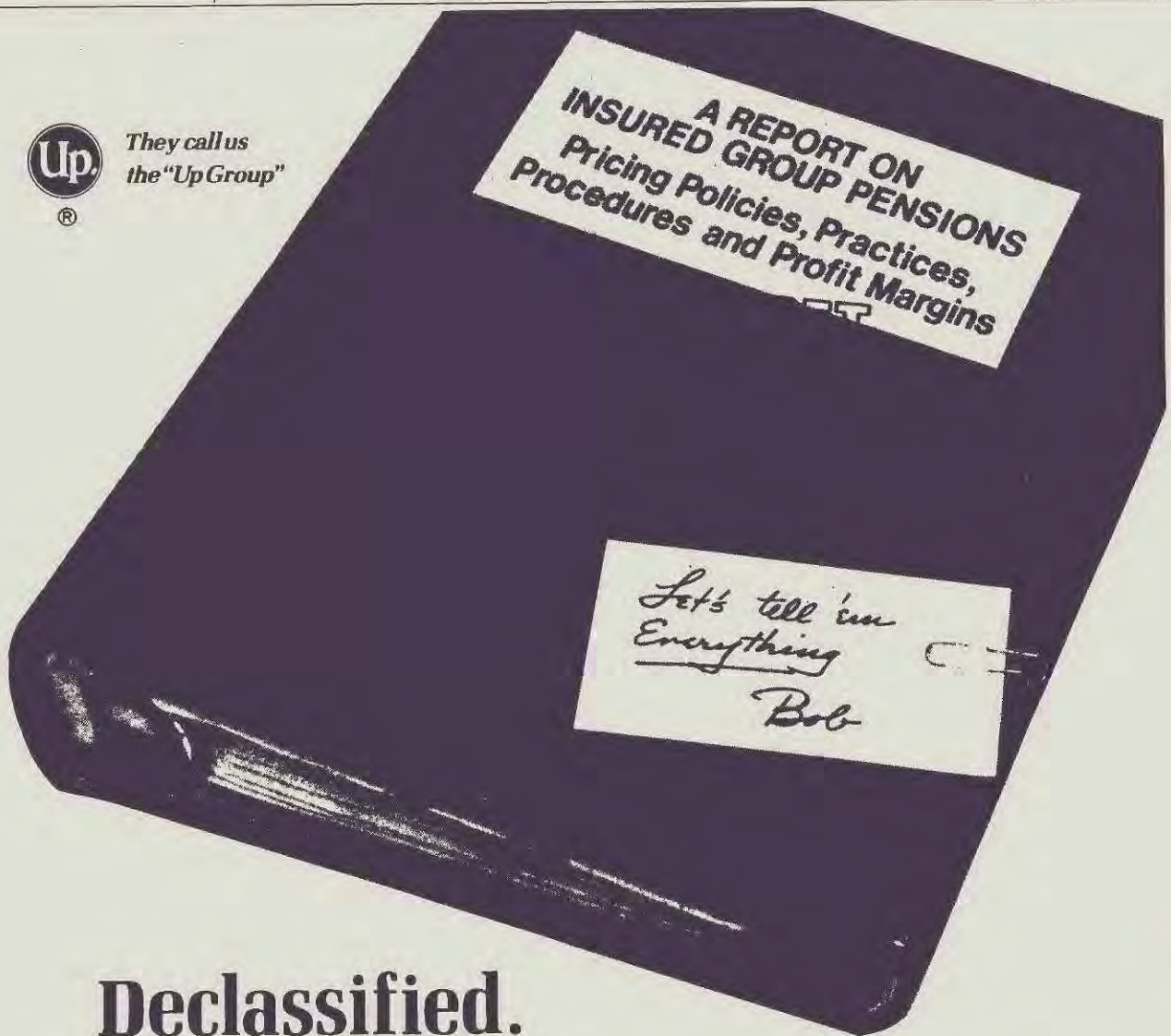
In addition to the T.A.P. Non-Appearance Program, Albert G. Ruben & Company, Inc. specializes in Cast Insurance (Film Producers Indemnity), and Pre-Production Cast Insurance; Props, Sets, Wardrobe and Miscellaneous Equipment ("All Risk"); Extra Expense; Third Party Property Damage; Negative Insurance; Faulty Stock; Camera and Processing; and Errors and Omissions (Producers Liability).


If you have entertainment clients, whether talent, agents or promoters, it will pay you to call us about the T.A.P. Non-Appearance Program, as well as other coverages.

In New York, call Bob Jellen, 212 755-9600; in Beverly Hills, call 213 273-1101, and talk with Scott Milne, Don Cass or Ernie Scanlon.

Albert G. Ruben & Company, Inc.

9601 Wilshire Boulevard, Suite 627
Beverly Hills, California 90210
112 East 61st Street, New York, N.Y. 10019
International service offices:
London, Mexico City, Rome & Jerusalem



 They call us the "Up Group"

Declassified.

Until the upstarts at Unionmutual turned the Group Pension Industry upside-down, it was hard for a company to find out what was happening to its Group Pension funds. Historically high interest rates were being earned, but after insurance company deductions for margins and expenses there wasn't always very much left.

We've changed all that. We designed a completely new product line. We rewrote the book on what insurance companies should charge and with our Unionmutual Spread Sheet we present everything with full disclosure.

If you're a broker or consultant, working with one of our spread sheets is like having privileged information. It gives you complete specifications and details exactly what your client pays in expenses and receives for his money. You promptly discover that with Unionmutual

there are no hidden charges or contingency margins.

And if you want to be known for coming up with the broadest transfer option ever, you'll be interested in the breakthrough we modestly call our Market Value Formula. It gives your client the right to change his mind without losing his shirt.

Low charges. Full disclosure. The Unionmutual Spread Sheet. The Market Value Formula. Four of the many reasons why the Goliaths of the pension industry know we're on the street. They call us the Up Group. They ought to call us Little David.

For the whole story, contact one of our field offices or write Bob Stevenson, V.P. (Group Marketing), Union Mutual Life Insurance Company, 2211 Congress Street, Portland, Maine 04112.



Unionmutual

Liberty Mutual cuts truckers' cargo losses 72%

BOSTON—A tractor trailer loaded with women's wearing apparel pulled from the yard of a trucking terminal in northern New Jersey's marshy flat lands one night a few months ago. As it roared through the chain link gate and onto the highway outside a uniformed guard threw the driver a wave and flashed a smile. The wave and the smile cost Liberty Mutual Insurance Co. \$187,000.

That was the value of the cargo driven casually from the trucker's New York area terminal that night. It was never seen again. Liberty Mutual insures the firm and it paid the loss; unhappily, of course, but it paid. However, the Boston-based insurer, one of the largest motor fleet underwriters in the nation, is paying fewer such losses these days. The com-

pany is getting tough with its insureds and, if you listen to assistant vps here, it is going to get even tougher.

"One of the first things they told us," said James McCormick, assistant vp of Liberty Mutual's loss prevention department, concerning the \$187,000 loss, "was that they had a uniformed guard on duty the night this truck was driven away. We checked it out and found they were right. But we also found out that the guard was under indictment for cargo hijacking at the time."

THE STORY is not as outrageous as it sounds. Mr. McCormick has more in his files and others have been related before Senate panels investigating cargo losses in recent months.

Liberty Mutual's loss ratio on

cargo business hit an astoundingly unprofitable 151% in 1969. Last year the company managed to cut it by more than half—to 69%. "It's just beginning to get profitable again," said Mr. McCormick, noting that the company hopes to get the figure down to 60% soon.

How did the company make such a dramatic turnabout? Essentially, Mr. McCormick said, it was through the application of loss prevention techniques coupled with some powerful persuasion in trucking company top management offices. The company no longer waits for a loss to occur before inquiring about a terminal guard's past, for example.

"This whole cargo loss situation went to hell in 1966. Until then insurance companies were mak-

ing money on the business. It was essentially an accommodation line at that time. If you wrote a company's motor fleet coverage you also took their cargo theft policy," Mr. McCormick told *Business Insurance* during an interview here. "Then it went bad and it wasn't long before it was discovered that no one really knew anything about the problem from a loss prevention point of view," he added.

SOME TIME ago the company gave Mr. McCormick's department the assignment to study the problem and come up with some solutions.

"We began by analyzing our entire book of business and we found that the majority of cargo losses occurred in a belt that runs from Baltimore to Boston. From

that point," the assistant vp went on, "we took each motor carrier with a bad loss ratio and sent in a team of men to analyze their losses, find out where security gaps did exist and draw up some recommendations to close these. From these, presentations were drawn up and taken to top managements. You have to get to the top management of a firm; that is essential," he said, noting that one of the biggest problems continues to be management apathy. In some cases, Mr. McCormick admitted, firms had to be threatened with cancellations before recommendations were heeded and in other cases compromises have been made.

"For example," Mr. McCormick related, "we recommended tighter terminal security to one carrier that had several locations and they (management) wouldn't go for it. We finally said, 'Ok, but we'll have to put a \$15,000 deductible on all terminal losses if that's the case.' The company finally did tighten security at all locations but one. That was in Baltimore. The firm said that the terminal was in a heavily traveled area, near a major highway, and that losses just couldn't occur there. They took their first \$15,000 deductible in Baltimore shortly after that," the Liberty Mutual man said while trying to suppress an I-told-you-so-smile.

Many of the loss prevention recommendations Liberty Mutual makes to motor carrier policyholders are really common sense items that should have been thought of by the trucking companies themselves, Mr. McCormick admits. These range from burglar alarms, escorts and guard dogs to check-in check-out systems, pin locks that prevent a trailer's wheels from rolling unless unlocked and employee security checks.

HOWEVER, he added, trucking firms have not used such loss prevention devices because of management apathy. "The trucking industry has long looked on insurers as 'hopeful yokels' who pay up when there's a claim. That may be true, but only up to a point," he said, noting that the point is reached when expenses exceed premium income.

Mr. McCormick also places some of the blame on the strength of unions in the industry. "Most of your common carriers have union contracts and if you hire a guy and have him on your payroll 30 days you're wedded to him. You just can't get rid of him. He may be clean as a whistle for the first 30 days but after that . . . well, carriers have been infiltrated by guys like this so security must be tightened from within," he said.

While the problem of cargo thefts continues to receive considerable discussion in places like Washington, Mr. McCormick feels now is the time for less talk and more action.

"I was at a meeting in Washington some time ago and when you get 35 organizations together you tend to get a little defensive. One guy from the trucking industry got up and said that railroad losses were \$135 million last year. The guy from the railroads almost had a stroke. He got up and said losses were only \$12.5 million. Neither of them had any documentation, of course. I said to myself, 'Yes, we know what the problem is. But how do we go about stopping it'. This is what we are working on here."

WHILE LIBERTY Mutual has
Continued on page 35

If your insurance broker isn't 100 years old, think of the experience you're missing.

Marsh & McLennan

Celebrating 100 years as industry's leading insurance brokers



FUTILITY



Bugle

ISSUED EVERY NOW AND THEN (WHEN THINGS GET QUIET AT MIDLAND INSURANCE CO.)

INSURANCE GAME RATTLES INSURANCE BIZ!!!



CHICAGO BROKER MAULED IN MARATHON

Chicago: It is reported that Broker, George E. Mildchap, will need several days of complete bed-rest to "unwind" from his fierce "FUTILITY" session. The six hour confrontation left the game little broker completely in knots. Except for sever-

al minor kinks, doctors expect him to fully recover in time for the next tournament. The spunky Mildchap was overheard to say on the way to the operating room, "Next time I'll even get past the rules! Today 'FUTILITY' tomorrow the World."



FUTILITY BREAKS RISK MGR.

New York: RISK MANAGER, Charles M. Goodfellow, breaks down after landing 27 times on space "You accept your association's invitation to speak on 'the changing role of the risk manager during a capacity crisis and his alternatives in self-insurance and captive carriers to meet

the challenge of the 70's and the even larger demands of inner and outer space that we must face if we are to support the concept that there can be a twenty-first century only if we attract new capital to our industry". Lose three turns while you try to be original".

FUTILITY CHAMP IS TOAST OF SECAUCUS JET SET !!!



Secaucus, N.J.: Ben Mongoose, All-Time "FUTILITY" champion player, is shown arriving for a 2-week sojourn in this picturesque village. He was awarded the all expense paid trip following his defeat of Tom the Turk in the "FUTILITY" Las Vegas Tournament. Many of the "smart money" boys consider Ben to be an outstanding contender for the "FUTILITY" Super-Bowl World Championship scheduled for February '72 at the ASIM Meeting in Montreal.

ALL KIDDING ASIDE-INSURANCE IS NOT OUR GAME.... IT'S OUR BUSINESS

All kidding aside, insurance is not our game - it's our business! And we're totally serious about it - all of us, Risk Manager, Broker and Midland.

Our aim is to keep on getting together with the corporate and brokerage people who are interested primarily in a "partnership" carrier - one that complements its partners strengths and avoids duplication of effort.

A "partnership" predicated upon the reasonable assumption that each party is entitled to a profit. That the participants are *not* competitors - they're partners whose basic responsibility is the protection of corporate assets by the most economical and efficient means possible.

And we all know the most "economical and efficient means" doesn't involve "buying insurance" from the ground up for every foreseeable loss. Today's Risk Management means a whole lot more than that.

Want to learn more about us - just call, we'll take it from there.

The game, "FUTILITY"??? Merely something we put together for your *amusement only* - to be played strictly at home in your spare (?) time.

If you're the only guy on your block who doesn't already have "FUTILITY, the Game of Buying and Selling Insurance - the Game Nobody Should Play" - complete and mail the coupon. We'll rush you a copy of our *only* amusement device.



GAME INVENTOR APPLIES GENIUS TO CHALLENGING NEW CAREER

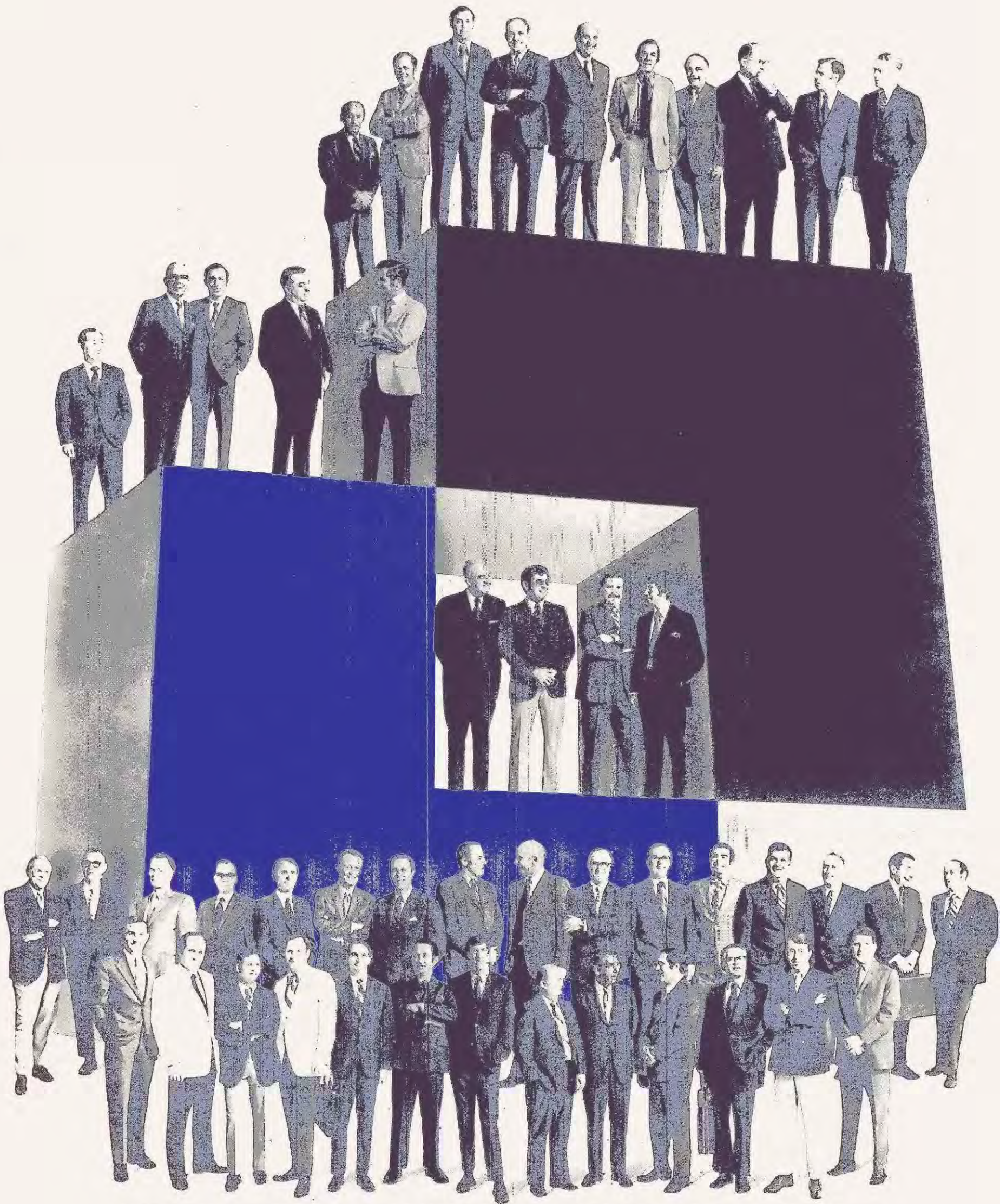
Hoboken, N.J.: Recent photo of Smedley Maelstrom, inventor of "FUTILITY" (the game nobody should play) hard at work at his newest endeavor.



MIDLAND
INSURANCE COMPANY
29 BROADWAY
NEW YORK, N.Y. 10006

O.K. MIDLAND - send me your silly game "FUTILITY".

Name _____ Zip _____
Company _____
Street _____
City _____ State _____



Top Row: Boris J. Todorovich, CLL; Emi A. Budnitz, Jr., CLU; William H. Dobbs; Brandt N. Earhart; Russell C. Crowell, CLU; Clifford H. Warrick, Jr.; H. Winston Noren, CLU; John B. Cadwell, CLU; John D. L. Beebe, CLU; Ronald F. Hanson, CLU. **Second Row:** Kenneth Ho; J. Donald Plunkett, CLU; Jack R. Mendelsohn, CLU; William J. Egan, Jr.; George Eckardt. **Third Row:** John E. Curley, CLU; Michael J. Krupin; G. Patrick Monaghan, Jr.; Samuel G. Wurtzel, CLU. **Fourth Row:** William R. Brush, CLU; Linder P. Petersen, CLU; Larry J. McClean, CLU; John W. Torrey, CLU; Donovan L. Jenkins, CLU; Joe D. Saitcn; Robert W. Maxwell, C.U.; John J. Cleary; Leonard "Babe" Ray, CLU; Clinton Campbell, CLU; Ted Troy; George L. Wladis; Nathan W. Harris, CLU; Frank McLister, CLU; James T. Kane, Jr., CLU; George H. Lubeck, CLU. **Fifth Row:** Harry R. Tyler; Robert O. Marshall; Lawton M. Nease, III, CLU; George R. Till; John C. Becker, CLU; James E. Landon; Robert E. Jones, CLU; William V. Templin, CLU; Henry R. Adelmann, CLU; Eugene F. Towers; Robert S. Albritton, CLU; Larry E. Mashburn, CLU; Charles W. Phillips, Jr., CLU.

The best way to introduce our new corporate symbol is through this group of leaders.

These are the members of Provident Mutual's Top 50 Club—the exclusive fraternity that outsold 85% of all the life insurance companies in America last year.

The colorful new corporate symbol on which these leaders stand is only as important as the principles for which they stand. Like the emblem, they symbolize their Company's strength, integrity, and professional competence in the field of financial planning.

Obviously, we're proud of them, as we are of the many other Provident Mutual agents ranked only a step behind, bordering on Top 50 Club membership themselves.

The new symbol is contemporary... because our 106-year-old company is contemporary... because in working year after year with agents like these, Provident Mutual has built an enviable reputation for sound, innovative ideas for problem-solving with life insurance.

Our new symbol... high level of competence... continuing service... a complete up-to-date portfolio for accomplishing multiple objectives. These are the signs to look for when selecting an agent or a company in which you can confide.



**PROVIDENT
MUTUAL**

LIFE INSURANCE COMPANY
OF PHILADELPHIA

Home Office, P.O. Box 7378, Phila., Pa. 19101

ITT, Hartford officials to be queried on merger

HARTFORD—Hartford County Superior Court Judge Thomas O'Sullivan ruled that attorneys for consumer advocate Ralph Nader could question state and corporate officials about just what happened when the merger of Hartford Fire Insurance Co. and International Telephone & Telegraph Corp. was approved in 1970.

Judge O'Sullivan's ruling, which compels officials to answer some 133 questions by Mr. Nader's attorneys, means that the earliest possible trial date for Mr. Nader's suit against former Connecticut state insurance commissioner William R. Cotter's ruling that approved the merger is at least several months away *Business Insurance* has learned.

The ruling came after Atty. Dwight O. Schweitzer, arguing for Mr. Nader, noted in court that Mr. Nader had responded promptly to questions posed by the state about a year ago.

Although there was no written memorandum explaining Judge O'Sullivan's reasons for his decision, it appeared that he was thinking that what is fair for one side is fair for the other.

Atty. Joseph Cooney, arguing for ITT, had contended that such questioning was out of order, since the suit is an administrative appeal rather than a civil suit.

Mr. Cooney charged then that the case was being delayed, tried in the newspapers, and the time had come for the Nader faction "to fish or cut bait." ■

ITT agreement

Insurance department has no legal objection

HARTFORD—The Connecticut state insurance department has found no legal objections to the proposed agreement of the U.S. justice department to permit ITT (International Telephone & Telegraph Corp.) to keep the Hartford Fire Insurance Co., commissioner Paul E. Altermatt has disclosed.

The deal in no way exempts ITT from the stipulations of its acquisitions of Hartford Fire set forth by past insurance commissioner William R. Cotter.

Despite absence of legal grounds to question the proposed justice department-ITT agreement, Mr. Altermatt said that his department feels there could be some problems presenting disadvantages to Hartford Fire.

IN A LETTER to Hartford Fire legal counsel Joseph P. Cooney, Mr. Altermatt remarked: "Before receiving copies (of the justice department agreement and stipu-

lations), I expressed the opinion that 'What makes an acceptable compromise for ITT and the justice department is not necessarily good for Connecticut.'

"What I had in mind was the possibility that a settlement deemed beneficial by the parent company and justice department could be detrimental to one of Connecticut's leading insurance companies," he continued.

"As an example, we have in this particular settlement a voluntary restriction of the statutory rights to acquire another insurance company. I assume that the board of directors of the Hartford Fire Insurance Co. considered whether the voluntary surrender of such rights might at some time place the company at a competitive disadvantage with other insurance companies.

"The insurance department will continue to watch very closely the developments of this agreement," he said. ■

Apollo fire death suit supported by engineer

NEW YORK—A \$10 million negligence and product liability suit against North American Rockwell Corp. (*Business Insurance*, Feb. 1, 1971) by Mrs. Betty Grissom, widow of astronaut Virgil I. Grissom, has been supported by a former engineer for the space agency.

Life Magazine reported that John Dietz had repeatedly warned of the danger from highly flammable material used in the Apollo 1 space capsule. The story said that Mr. Dietz had warned of the danger fully eight months before the fire that killed astronaut Grissom and two other space travelers in 1967.

Mr. Dietz, who now works for the General Electric Co., was part of the Apollo reliability, quality and test division at the Manned Spacecraft Center in Houston in 1966 and early 1967. The article pointed out that Mr. Dietz began to worry about the fire hazard when, in April, 1966, a blaze occurred during a test of an Apollo environmental control system.

AFTER SIX months of trying to obtain a complete listing of the flammable materials used in the

capsule, his efforts resulted in North American's offer to take the job of locating and identifying flammables for \$93,200, according to Life.

Though the money was not paid, testing by a North American subcontractor resulted in "at least one shocking piece of information," Life said. "It was discovered that a material widely used in the module, a spongy, flexible urethane foam designated 'Urethane 55-71,' could spontaneously ignite at less than 300 degrees F. In some areas temperatures would exceed 200 degrees."

According to the report, Mr. Dietz and another engineer sent the head of their section a memorandum which recommended replacement of a rubber overcoating for the foam in nine separate locations in the spacecraft and further study of 12 more locations. The memorandum, which was sent just 15 days before the fatal fire, also recommended an inspection trip to Cape Kennedy.

The memorandum ended, "Due to the extremely flammable nature of this material, the actions mentioned are considered mandatory." ■



london line

Businessman says commercial fraud increase makes it 'national disease'

LONDON—Businessman Martin Moir has complained that commercial fraud in Britain is rising at the "astronomical rate" of 13% every year.

This is more than twice the increase in muggings and other crimes of violence, which are on the upgrade in a major city like London at the rate of 6% so far

in 1971.

Figures are not fully available for commercial fraud, though it is reckoned to run into many millions of dollars every year. But Mr. Moir blames the rise on the apathy of the government's Department of Trade, which is supposed to protect investors and industrialists against confidence

tricksters and the like.

Scotland Yard has a small force of men who try to detect and convict fraudsters, but most police are engaged in protecting the public against other crimes, such as personal assaults and robberies, which are on the increase.

Mr. Moir said: "The Department of Trade must abandon its

complacent attitude towards fraudulent and Mafia-type operators in the corporate field, and start using its own investigative powers in earnest. It has been given increased powers by government to enforce the law, but there is the clearest possible evidence of a deteriorating situation. Fraud is becoming a national disease."

* * *

UNDERWRITERS have given a big boost to the project that Lloyd's has initiated for its own life assurance company (*Business Insurance*, Aug. 2).

It offered them the chance of buying stock in the new corporate, Lloyd's Life Assurance Ltd., to the value of \$4.8 million. But applications from underwriting agencies were received for double

the value of the stock offered. Shares will be allotted on a proportionate basis to applicants, who clearly conceive that it has a prosperous future.

Its principal executives are now completing plans to create business for the new company, which will operate initially in the U.K. market.

* * *

UNDERWRITERS discussed the value of exchanging ideas on loss prevention at the International Union of Marine Insurance annual convention in Brussels.

When they came to pool their suggestions, they found that there was merit in this approach to current insurance problems. For example, Swedish delegates fear modern thieves are getting wise to many tricks.

Inconspicuous shipping marks on cargo loads can become known to potential bandits at dockside wharves, so it pays to change such marks at frequent intervals one Gothenburg (Sweden) insurance man pointed out.

Japanese representatives reported steps to end the habit of labeling the outer covering of export cargoes with a clear indication of their contents, so as to make them less vulnerable to bandits.

COMMUNIST-BASED countries are also joining in moves to foil robbers, members of the Cargo Loss Prevention Committee told the convention. In Czechoslovakia, for example, there is close liaison between the state's insurance institute and export factories, so that skilled workers in their packing departments are trained in protective systems. And, in Russia insurance men are active in many phases of cargo handling at ports.

With these thoughts in mind, delegates moved on to consider trucking thefts, especially as they were told that these were becoming a serious national problem in the U.S.

The convention was told: "Comments in reports from insurers show that the problem is by no means limited to the U.S. It is generally thought that the remedy lies to some extent in the hands of the carrier.

"So both Italian and Swiss underwriters, as well as American, are urging that theft coverage should only be granted as a concession, and made conditional on various warranties, so as to influence carriers to be more careful.

"**GERMAN** underwriters have suggested a warranty that every truck is accompanied by two drivers. In the U.S. collusion with thieves is strongly suspected as a possible cause of hijacking, and Chicago police stress the need for shippers to use care in choice of trucking firms, and for trucking companies to upgrade strenuously the methods by which they select employees."

The convention admired the efforts of the U.S. Postal Department to reduce losses by installing new security measures at 36 major airports, and minimizing in-transit transfers by the use of non-stop flights and specially equipped postal vehicles. It was reported that there has been a notable drop in claims since these measures were first applied in September, 1970.

Airport security in many countries is now receiving encouraging attention, but there is still dismay over lack of cargo safety at sea ports in some underdeveloped countries, with the Caribbean area presenting special risks to some Canadian underwriters.

Blame for tanker losses was examined at the meeting by George N. Cushing, chairman of

Continued on page 52

Continental vs. Brand X life insurance. Who wins?

You do, because your independent insurance agent will choose the most inventive coverage available

Independent insurance agents work for you—not us. They look for more ways to make your business and personal insurance programs fit best. And, more often than not, they look to Continental Assurance to invent the new and different life, health, retirement and group insurance needed. For example, with our joint life plans your insurance man can protect two people at little more than half again the cost of a single policy. Insurance inventiveness—the reason insurance pros choose Continental Assurance over 1800 other life companies.



Continental Assurance

No. 1 choice of insurance pros



Multicover insures your business in one fell swoop!

The St. Paul Companies made it all possible when they invented the Multicover business insurance plan way back in 1962.

It's a nice neat package with maximum coverage for all aspects of your business. Conveniently wrapped up in *one* policy; handled by *one* agent.

You and your St. Paul agent tailor Multicover to fit your particular needs so you know what you're getting. (You also receive a loose-leaf bound copy of the policy for your own reference.) And you only have one premium to pay!

Under the Multicover Plan you'll be protected from all sorts of frightful things such as fire, damage, accidents, forgery, burglary, death and other possible catastrophes.

Best of all, The St. Paul includes their quiet, speedy and faithful service between the lines of the Multicover Policy.

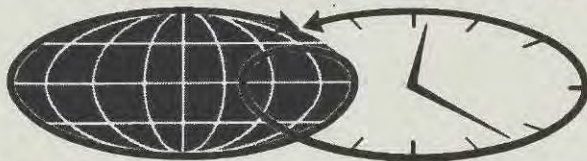
So you end up saving time—and maybe even money!

Let a St. Paul agent help you wrap up business insurance details with the Multicover Plan.

St. Paul agents are listed in the Yellow Pages. And they're ready to talk business . . . simply.

The St. Paul Companies Inc., recognized by quiet, distinguished service for 118 years.

**THE ST. PAUL
COMPANIES, INC.**



Serving you around the world . . . around the clock
St. Paul, Minnesota 55102

After Nixon's 90 days

THE NATION has managed to stumble through about 60 days of President Nixon's 90-day wage-price freeze without any clear guidelines on corporate property-liability insurance. Directives issued by the Office of Emergency Preparedness and the Cost of Living Council have made clear what principles apply to personal auto policies and homeowners coverage, but the jumbo risks that constitute about half of the property-liability insurance premium volume have not had the benefit of guidelines from the Administration.

But while uncertainty has hung over property-liability insurance for the past two months, the Administration's policy concerning insured fringe benefits has been painfully clear. As part of the wage freeze order, the Cost of Living Council has ruled that fringe benefits cannot be increased during the 90-day freeze period. This ruling has, in effect, shut down the group insurance sales operations of the nation's life and health insurers that provide group coverage and insure pension plans. New programs cannot be sold and those that exist cannot be increased in value or scope. Life insurers have been limited to selling only those group programs that are paid for by payroll deduction.

A *Business Insurance* reporter who talked to the White House about the problem described this situation to one of President Nixon's insurance aides. "Gee, did we do that?" the aide asked. Then, recovering his capacity for positive thinking, he added. "But life insurers can sell individual policies during the freeze." That's right, but most companies are so organized that group operations cannot quickly shift to individual sales.

It strikes us that the Administration's policy toward insured fringe benefits is at once an unreasonable limitation on one of the nation's important businesses and a step in the wrong direction for the economy.

We are concerned that even if Phase II of the wage-price freeze permits fringe benefit increases within a certain range, the 90-day ban on fringe benefit increases will have imposed a serious setback on the growth of group life insurance, health insurance, pensions, profit-sharing plans and other worth while benefits that are paid for in whole or in part by employers. Fringe benefits have been important ingredients in the economic well-being of American workers who have been provided with financial security that they could not afford to purchase individually.

We fear that the Administration has already dealt a serious blow to benefits by absolutely prohibiting increases for a three-month period.

A more serious consequence of the benefits freeze is that it has turned off the flow of dollars into a system that is basically anti-inflationary. The benefits freeze has stopped one of the factors in the economy that contributes importantly to the creation of investment capital that in turn creates new jobs.

In 1970, according to the Institute of Life Insurance, life insurers in the U.S. placed 66% of their new investments in corporate securities,

business insurance

for buyers of employe, property and liability protection,
pension investments, financial services

G. D. CRAIN, JR., Chairman
ALFRED MALECKI, Publisher

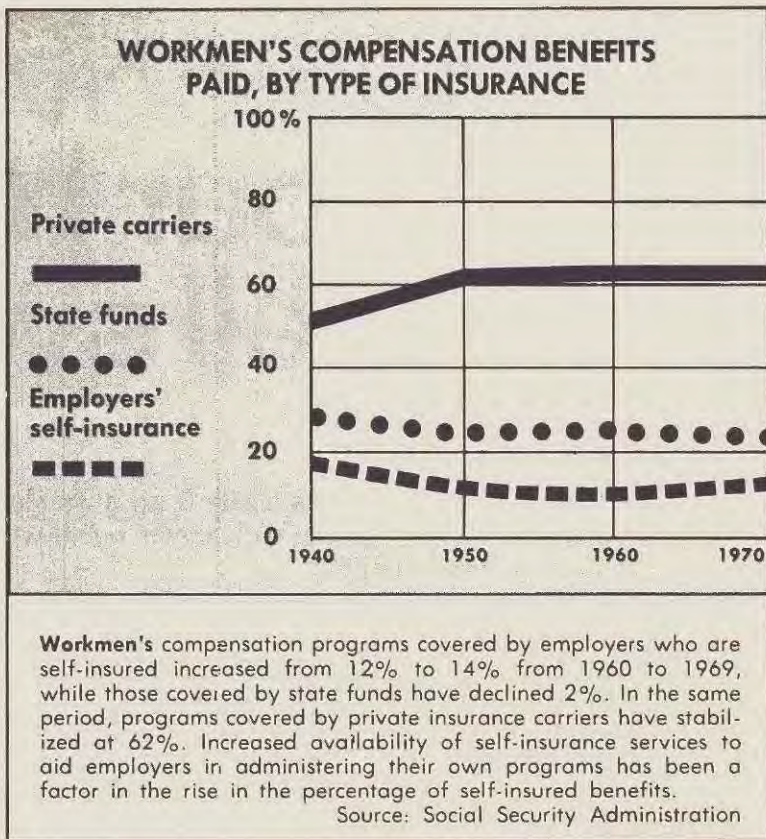
S. R. BERNSTEIN, President
RANCE CRAIN, Editorial Director

RICHARD C. BJORKLUND, Editor
Associates: Chicago—TERESA NORTON, New York—PATRICK A. THOMAS, ANNETTE DUFFY, Washington—JOHN REVETT, San Francisco—KENNETH R. MACDONALD, Hartford—ALLEN M. WIDEM, Minneapolis—ROBIN MENZ SUHRBIER, Editorial Assistant; Chicago—LESLIE MURRAY, Correspondents in all principal cities. JOE FARACI, Art Director.
Contributing Editors: ROBERT ABRAHAMSON, insurance manager, Control Data Corp., Minneapolis. J. E. BENOIT, J. E. Benoit & Assoc., St. Leonard, Quebec. DONALD BERRY, vice president, C. B. Lilly Inc., East Orange, N. J. WARREN G. BROCKMEIER, director-western region, risk management dept., Ebasco Services Inc., Chicago. HAROLD A. CLARK, manager-planning, employe benefits, Sperry Rand Corp., New York. BION H. FRANCIS, insurance consultant, Bridgeport, Conn. JOHN W. GILES, attorney-at-law, Washington, D. C. JOSEPH GULLO, vice president of insurance, D. H. Overmyer Co., New York. NORMAN HOFFMAN, corporate insurance director, National Industries Inc., Louisville, Ky. PAUL C. JOHNSON, insurance division, U. S. Maritime Administration Washington, D. C. WILLIAM J. JONES III, director, Ingram, Armistead, Wallace Group, New York. ROBERT J. KAMIN, partner, Gofen & Gossberg Investment Counselors, Chicago. CHARLES LEVINSON, director of insurance, United Brands Co., New York. NED MILLER, vice president, Compensation Planning Corp., New York. J. P. OLSEN, assistant counsel, Ingersoll-Rand Co., New York. M. REX PEARSON, insurance manager, Signal Cos., Los Angeles. HOWARD L. PECK, partner, Hewitt Assoc., Libertyville, Ill. WILLIAM H. RODDA, president, Marine Insurance Handbook Inc., Chicago.

Advertising
District managers: New York—CHARLES A. HORVATH, THOMAS J. O'MARA
Chicago—ROBERT L. NIESSE
Los Angeles—DENNIS KOCH
Southern representative—WILLIAM B. CARR,
2500 N. E. 48 Lane, Fort Lauderdale, Fla. 33308
Assistants: GIGI SIEGEL, RONNIE DRACHMAN
Production Manager: JOHN JAMKA

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

Published at 740 Rush St., Chicago 60611 (337-5200). Offices at 630 Third Ave., New York 10017 (YU 6-5050); National Press Bldg., Washington, D.C. 20004 (RE 7-7659); 965 E. Jefferson Ave., Detroit 48207 (963-9520); 6404 Wilshire Blvd., Los Angeles 90048 (OLive 1-3710); San Francisco (GR 4-8532); Fort Lauderdale (771-8242). 45 cents a copy, \$10 a year in U.S., Canada and Pan America. Elsewhere \$4 a year extra. WILLIAM STRONG, circulation director. ROGER DIGREGORIO, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, Business Insurance, 740 Rush Street, Chicago, Illinois 60611.



7% in stocks and 12% in mortgages. Thus, fully 85% of the new investments by life insurers went into job-creating channels. In 1970 alone life insurers put more than \$52 billion into such investments.

President Nixon, in announcing the wage-price freeze, emphasized that the new economic policy was aimed not only at slowing inflation but also at reducing unemployment. Yet by freezing fringe benefits Mr. Nixon not only slows the flow of funds for corporate capital improvements but also threatens the job security of thousands of persons whose livelihoods depend upon the sale and servicing of fringe benefits.

We think these arguments for fringe benefits should be taken into account by Administration officials charged with developing Phase II of the new economic game plan. We do not advocate complete lack of restraint on fringe benefits because that would invite employers to circumvent the wage freeze by unreasonably increasing fringe benefits that result in deferred compensation. But the Administration ought to recognize the anti-inflationary aspects of insured benefits by setting sensible, liberal guidelines that would permit continued growth of this vital form of employe compensation.

Adjusters v. the Constitution

IN OUR SEPTEMBER 13 Opinions column we ridiculed the proposal that the protection of homeowners insurance policies be denied those students who run for public office in the communities where they attend school. Our point was that students who are motivated to run for office are not going to be deterred by the threat of losing the scant protection of their parents' homeowners insurance policies. Anyway, most students don't even know that their personal property is covered by such policies.

We were willing to let the matter drop. But now comes the Chicago Tribune with an editorial titled "Students and insurance." Not content with denying the protection of homeowners policies to those students who run for public office, the Tribune wants that protection to be denied any students who register to vote. "But if a dorm resident thinks about forfeiting coverage under his parents' insurance policy," the Trib thunders, "he may think twice about declaring that his dorm is his legal residence."

What is most incredible about the Tribune editorial is that it bases its entire attack on students' civil rights on statements made at a meeting of the National Assn. of Independent Insurance Adjusters. We would remind our journalistic brothers that it is not the insurance adjusters but rather the courts of this country that ultimately decide whether insurance policy provisions are in force under given circumstances. Those who are frightened of the consequences of the 18-year-old vote can threaten economic reprisal to their hearts' content, but the civil rights of the students cannot be abridged by curbstone legal opinions unsupported by court decisions.

A spokesman for a major property-liability insurance association told *Business Insurance* that student losses under homeowners policies are negligible, that it amounts to "nickel and dime stuff" in his words. We suspected as much and said so in our previous editorial.

Since the losses are so small it seems all the more incredible that anyone associated with the insurance industry would relate homeowners policy provisions to the right of students to register, vote and hold office in their college communities. Have insurance people become so wrapped up in their own importance that they put "nickel and dime" losses ahead of rights guaranteed our young people by a recent Constitutional amendment?

Sometimes insurance policy makers are forced to defend property rights strongly against encroachments brought about by social disorder. In these instances they risk being labeled conservative to protect their companies against unreasonable losses. But pitting voting rights against the provisions of homeowners off-premises coverage is not conservative. It's just silly and downright un-American.

(This column is a readers' forum. Letters are welcome. Address: Letters to the Editor, Business Insurance, 740 Rush St., Chicago, Ill. 60611.)

Private pension facts

To the Editor: In the July 19 issue of *Business Insurance*, page 4, in the Washington Watch column you referred to the fact that Sen. Robert A. Taft (R-O.) included in a floor speech references to our company.

I am enclosing a copy of a letter dated July 7, that I directed to Sen. Taft. The letter is self-explanatory.

It seems to me that in discussing the need for the reform of private pension plans, all the facts should be presented.

Raymond M. Lyons

Vice President-Employe and Public Relations, Fruehauf Corp., Detroit, Mich.

The letter reads: I recently received and reviewed a copy of the Senate Congressional Record for June 15, which contains your statements relating to pension legislation being considered by Congress.

Included in your remarks were reprints of previously published articles that comment upon the pension status of former Fruehauf employes affected by the closing of our Avon Lake, trailer manufacturing plant in mid-1970.

Since your comments to the Senate concern legislative action regarding pension plans, I believe that you should be aware of some additional facts relating to the pension status of our former employes at the Avon Lake plant and to the pension plan in general which applied at that location.

The plan which covers hourly union personnel at Avon Lake provides 100% vesting at age 40 and after 10 years of credited service. As you may know, this is a reasonable vesting provision and means that any employe leaving our company from this plant who has attained age 40 and achieved 10 years of credited service in the plan is entitled to receive his full accrued pension at his normal retirement date. Additionally, any participant with at least 10 years of credited service who is age 55 or over at the time his seniority terminated may retire early should he so desire.

The plan is soundly funded and all earned benefits are, and will be, paid at 100% of the earned benefit.

The labor contract (and the pension plan) negotiated with the Allied Industrial Workers of America, Local 925, provided for a joint board of administration to administer provisions of the plan. The company and the union have no points of contention under the agreement relating to the pension plan or its administration. Further, a complete actuarial report on the plan and its funding status has been provided to the union on an annual basis each year since the inception of the plan.

It is of interest to note that although the Avon Lake plant did not come into existence until September, 1961, since that time the company has contributed \$1,402,828 to the funding of past and future service credits. (The plan is non-contributory and employes are not required to make a prerequisite to participation in the plan.) One hundred and forty (140) employes have retired and are receiving monthly benefits amounting to \$6,057.16. In addition, 521 former employes have a vested benefit under the provi-

Continued on page 56

There are two ways to find out if you have the right overseas contractors insurance. A disaster or a phone call.

NEW YORK (212) 344-9200
CHICAGO (312) 939-5858
DALLAS (214) 748-5551
DENVER (303) 825-9115
DISTRICT OF COLUMBIA (202) 737-6855
HOUSTON (713) 224-1736
LOS ANGELES (213) 385-5221
MIAMI (305) 448-1703
NEW ORLEANS (504) 529-2601
PITTSBURGH (412) 261-4955
PORTLAND (503) 228-0133
SAN FRANCISCO (415) 982-7200
SEATTLE (206) 622-4616
TULSA (918) 587-8481

Most overseas contractors take out overseas Contractors All Risk insurance.

But what they don't do is take the time to find out how complete it is.

As a result, many of them have to find out the hard way. Which is a shame.

Because with a simple phone call to his agent or broker, any contractor can find out the easy way. All he has to do is compare his current plan with the plan he can get from AIU.

A very tough comparison. But one that could save him a lot of money in the long run.

You see, for one thing, unlike other companies who handle C.A.R., the people at AIU are willing to discuss all types, sizes and varieties

of risks. In fact, we write risks that other people won't even consider. Like wet risks and petrochemical installations.

Furthermore, we can add to our basic policy a lot of things a lot of other companies won't. Such as inland and ocean marine. Installation floaters. And the very important Third Party Liability.

We'll even write contractors' policies in English or the local language. Or both. And in most cases we can settle claims in dollars or the local currency. Or both.

And we've got more experience writing overseas business for contractors than any other company. And we've got it in over 130 countries.

Another important feature is at AIU we even have our own staff of engineers all around the world, ready and able to come and talk directly to a contractor's engineers in their own language.

Now if you're a contractor, and your present coverage stacks up against what AIU can offer you, that's fine with us. But if it can't, ask for our new brochure and learn a little bit more about our coverage. Give us a phone call. Because that's all it will take today.

Tomorrow might be another story.

American International Underwriters

A member company of American International Group
Dept. A-14, 102 Maiden Lane, New York, N.Y. 10005

Record . . .

Continued from page 17
George Jackson" the Soledad Brother killed in a San Quentin escape effort.

The dollar amount of damage done by the explosions is expected to be small enough to be covered under the state's self-insurance program.

Braniff, Lockheed sue Alcoa over crash

DALLAS—Braniff International and Lockheed are suing Alcoa Aluminum in an attempt to reclaim \$16 million paid jointly by the two companies in out-of-court settlements to families of those killed in a May 3, 1968, Braniff Electra aircrash near Dawson, Tex. Joining the other two plaintiffs in the suit is Mrs. Donald Crossland, wife of the Braniff flight engineer killed in the accident.

The plaintiffs contend that the crash was caused by an improperly heat-treated panel on the right wing of the jet, and that Alcoa, as manufacturer of the panel, should be held responsible for all settlements.

Originally, Braniff had sued Lockheed for superstructure damages in an attempt to blame the tragedy on the plane rather than Braniff personnel. A National Transportation Safety Board investigation criticized the pilot for flying the craft into a thunderstorm after being warned of the storm by Fort Worth air traffic control.

However, the airline later alleged that the cause of the accident was the disintegration of the wing panel, which led Lockheed to claim that liability rested with the original metal manufacturer.

New health care plan formed in California

SAN FRANCISCO—Ten major unions here and one management group have joined to form a new health care plan with more consumers on its board than doctors.

The plan, Green Cross Health Plan, was founded four years ago as an eye-care plan. Now it has converted to a full medical program, headed by Pax Beale, administrator of Cathedral Hill Medical Center and the San Francisco Eye and Ear Hospital.

The board consists of one representative of every group involved in the plan, plus doctors from the Green Cross medical care center.

A variety of insurance carriers participating pay for a portion of visits to doctors or hospital care and the patient pays the balance, although Green Cross does not bill patients for the extra amounts for Medi-Cal. The plan manages to do this by cutting costs through group practice and single billing.

Mr. Beale said the group now plans to open two more health centers in the San Francisco area as well as others in the East Bay and all will be open for emergency service around the clock. ■

Political risk cover

Britain is planning to insure industrial corporates against the risk of political upheavals in newly-developed countries so as to encourage them to undertake business expansion in these areas. Protection against expropriation of their assets or similar problems will be provided at public expense, subject to a premium that still has to be decided. Businessmen will still be expected to make their own plans to insure ordinary commercial risks.

If you're happy with it's time to go with And vic

Different companies? Yes.
But different companies, no.
Because we've joined hands to make a
fist of total-insurance protection for you.
In every line.
And the same satisfaction you feel with

your Utica Mutual casualty and property
insurance is also yours with Security
Mutual's life, health and accident insurance.
And the other way around. With your
Security Mutual man flipping the coin of
coverage to the Utica Mutual side.



Utica Mutual Security Mutual. e-versa.

Giving you a combined coverage that meets *all* your needs. Personally and in your business.

So if you like the deal you got with Utica Mutual, try the Security Mutual brand of insurance in their specialty areas.

And—you guessed it—vice versa.
When you've got a good thing going—keep going.



\$15 million saving with bumper law

SAN FRANCISCO—California's new "bumper law" requiring stronger bumpers on automobiles sold within the state starting with 1974 models eventually will save California car owners at least \$15 million per year.

The saving could be twice that amount, according to the Insurance Information Institute, "depending on how much the car manufacturers increase their prices for building in the new bumpers."

Under the new law just adopted by the California legislature bumpers will have to withstand impact of a front- and rear-end crash into a barrier at five miles per hour without damage to the car.

THE LAW places California among four states which have adopted such legislation this year; others are Maryland, Florida and North Carolina. California's legislature adopted the law after the U.S. Department of Transportation issued a set of weaker standards dealing with only damage to car parts that affect human safety, such as brake lines and lights.

The institute estimate of the dollar saving was based only on insurance payments, losses that might be avoided by new bumpers, and does not measure personal injuries and medical expenses or losses not covered by insurance but paid directly by car owners.

CONGRESS was told earlier this year by Dr. William Hadden Jr., president Insurance Institute for Highway Safety, that "better bumpers need not cost consumers more. Manufacturers could reduce the initial price of the vehicle or, at worst, maintain existing price levels by simply doing away with snout configurations and fancy tinsel cosmetics."

In crash tests, the Institute contended, popularly priced 1971 cars cost an average of \$329.28 to repair after a five mile per hour front-end crash into a barrier, up from \$215.64 for the same crash test on 1970 models. ■

New earth movement insurer

SAN FRANCISCO—California Insurance Commissioner Richards D. Barger has issued a permit for the sale of securities by Land Stability Insurance Co., a newly established California corporation that proposes to write casualty coverage against earth movement of various types, chiefly for builders, lenders and engineers.

The carrier will be managed by Risk Analysis and Research Corp., a subsidiary of Alexander & Alexander, headed by president Edward B. Howell and vp Scott A. McKown.

The company intends reinsuring on a quota share basis 80% of its risk. Initially, American Reinsurance Co. will reinsure 35% with the balance provided by other reinsurers not yet named. They will be paid a pro-rata share of the premiums and in turn will cede a 25% commission to the company for all costs of policy issuance and administration. The company will also purchase catastrophe reinsurance. ■

Lloyd's adds D&O exclusion and some wonder what it all means

NEW YORK—Lloyd's of London has added yet another exclusion to directors and officers liability insurance.

Effective Sept. 1, all new and renewed policies make it explicit that directors and officers are not protected against suits as polluters of air and water. The four American insurers that write d&o—American Home Assurance Co., Liberty Mutual Insurance Co., Pacific Indemnity Co. and the St. Paul Insurance Cos.—are following Lloyd's lead, which is not surprising in view of the fact that the high-limit policies are heavily reinsured in the London market.

There appears to be some difference of opinion among brokers, lawyers and insurers as to wheth-

er pollution of the environment was ever covered by d&o liability policies, and as to the effect Lloyd's move will have on those policies not yet up for renewal.

AS A SOURCE at American Home explained it, pollution was not mentioned in the old d&o policy but would have been excluded anyway. "The policy does not cover company officers for actions bringing fines and penalties," he said. "Most pollution-type suits involve fines and penalties, and so would not have been covered. This exclusion isn't really new and different—it's just a clarification." The American Home spokesman noted that the exclusion was an outgrowth of

concern over pollution. "To my knowledge, there have been no pollution suits holding directors and officers liable," he said, "but with the current atmosphere it's entirely possible."

A New York broker disagreed with the American Home source. "The d&o contract made no reference to pollution," he said, "so it is conceivable that an offender would have been covered. Any corporate sin is covered except those excluded. As pollution was not specifically excluded, then it must have been covered." The broker also disagreed with the fines-and-penalties reasoning, saying that sometimes damages are remedial and not punitive. "In that case you don't have a

fine or penalty but a loss, which was covered. It all depends on what court you're in, and where."

As the broker pointed out, most liability contracts have excluded pollution ever since the Insurance Co. of North America announced two years ago that it would not sell liability coverage for oil spillage or deliberate pollution of air and water. "This d&o decision just tracks the older decision; d&o was one liability contract that had not specified a pollution exclusion. Now it does," he said.

A source at Johnson & Higgins said "apparently underwriters thought there must be some coverage or they wouldn't have made the exclusion." However, he did not seem to find the new exclusion earth shattering, or even mildly surprising. "We've known about this for a while now," he said. "We sent an internal memo around on it on Aug. 19."

"This has been under discussion for a year," said a d&o ex-

pert at Liberty Mutual. "Most carriers I know are adding the exclusion to their new and renewal business, but it's hard to say what it means for outstanding policies. I would have to beg the question of whether a company officer is covered for polluting under those policies. We don't consider that d&o covers pollution, but putting the exclusion on makes damn well sure. I wouldn't want to speculate on what would happen in a d&o pollution suit with an outstanding policy."

A spokesman for LeBoeuf Lamb Leiby & Mac Rae, Lloyd's New York attorneys, was of a different opinion from those who suggest Lloyd's may have been responsible for pollution offenses all along under d&o coverage. After a few minutes' search the LeBoeuf spokesman came up with a prepared statement that he dutifully read off. "It has never been the intention that Lloyd's directors and officers liability policy should cover pollution risks . . . underwriters have amended their wording to make this quite plain." Asked about the status of d&o policyholders whose contracts won't come up for renewal until long after the new exclusion's effective date, the attorney paused. "The exclusion goes in after Sept. 1," he noted, "but bear in mind what I said before. They never intended to cover pollution. This exclusion may actually be superfluous."

Have there been any pollution suits of late against company officers rather than against companies? "Anything is possible," he said, "but to the best of my knowledge this hasn't happened and isn't likely to."

Another attorney, counsel at a manufacturing firm, and admittedly an outspoken critic of the whole d&o concept, reacted with a laugh when he learned of the pollution exclusion; "d&o has always been semi-meaningless," he said. "This further limits a very highly limited coverage. It seems that when anybody dreams up any possible cause of a suit that wouldn't be indemnified by the officer's company anyway, then Lloyd's excludes it. What's the point?"

Fast, efficient handling of business insurance claims? Michigan Mutual delivers!

Michigan Mutual adjusters are experts in handling business



The policy behind our policies makes the difference.

insurance claims because business insurance is our business. To avoid red tape and get our people promptly on the scene to assist you, we process cases directly from our strategically located regional and branch offices.

It's all part of our special policy: *to be the very best in business insurance.*

Michigan Mutual Insurance Group

Michigan Mutual Liability Company
Associated General Insurance Company

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

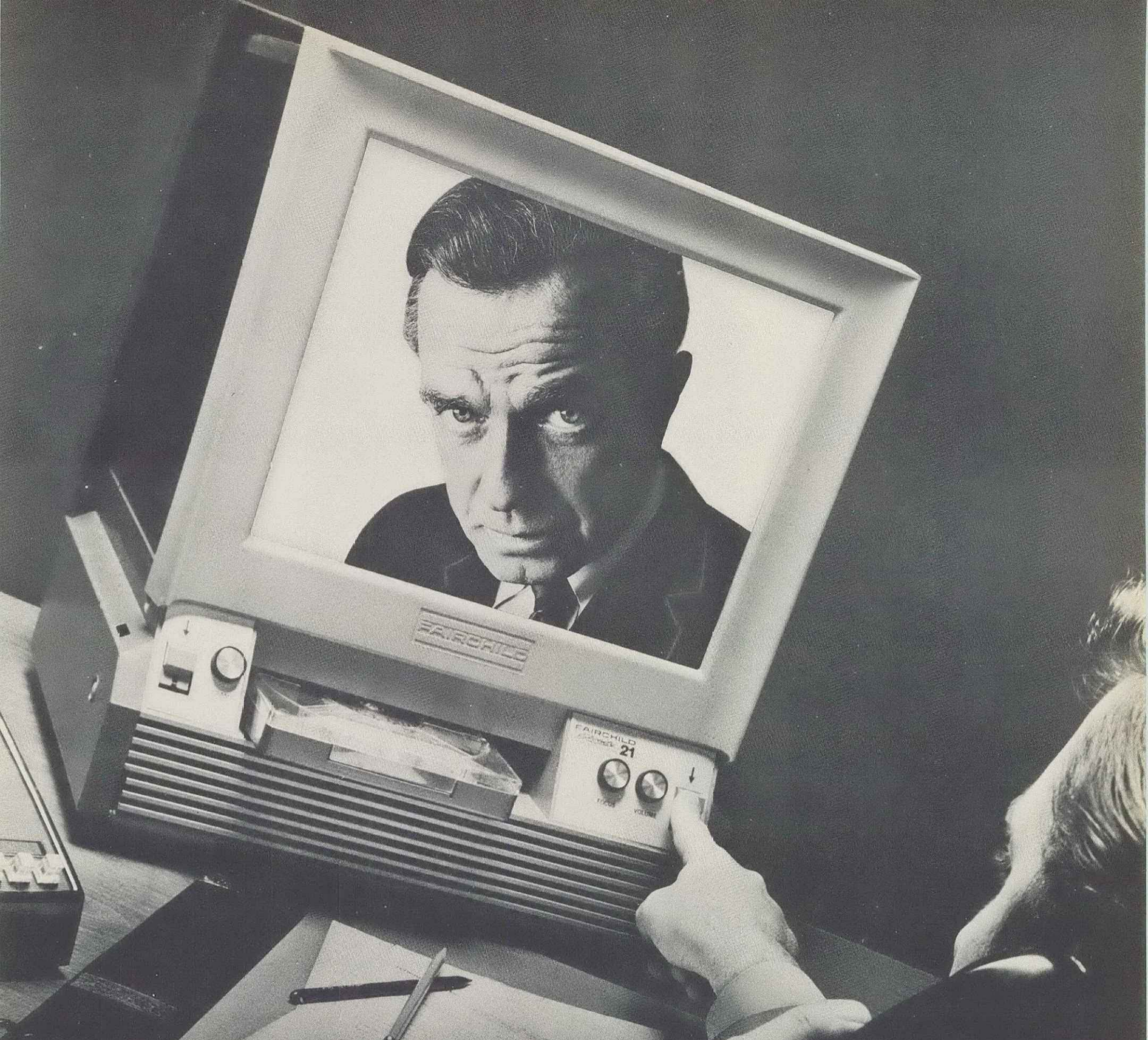
Owner wins cargo loss award

VANCOUVER—The supreme court here has ruled that negligence on the part of the captain of a vessel does not constitute negligence on the part of the vessel's owner in a suit brought against seven insurance companies.

Justice J.G. Ruttan has awarded \$65,000 to Coast Ferries Ltd. for the loss of the ferry "Brentwood" in October, 1969, near Point Atkinson in West Vancouver.

The suit, in which the captain was held negligent for allowing the vessel to be loaded in such a way that she became unseaworthy and capsized, was brought against Coast Ferries' insurers. The ferry company had charged the cargo was a total loss as a result of the accident, alleging captain and crew were negligent.

The court ruled that the captain, Kenneth Watt, was negligent in supervising the loading of the deck, but said he acted in the best tradition of seamanship when the danger became apparent. The judge noted that the top heaviness of the deck load pushed the stern down so low that a calm sea washed into the vessel causing her to capsize and lose her deck cargo. The vessel then righted itself and the crew beached it.



Why does Fairchild insure with AFIA?

Because Fairchild is a company that likes to stay ahead. Whether it's with their Super 8 movie projector or a host of other products that have made life easier and more profitable for salesmen and customers.

Today, there are few companies who don't know the value of film as a medium for selling and telling . . . or Fair-

child as the company that pioneered the concept. So when the company expanded its operations abroad, it was natural that Fairchild and its brokers looked to another pioneer and put AFIA into the picture. With more than 200 offices abroad and operations in 80 countries, there's hardly a place that AFIA isn't tuned in

on. We know the markets, the laws, the things you can do and can't do. And we know how to clear up a fuzzy insurance picture if you have one. It's one of the reasons why AFIA insures 87 of the top 100 U.S. companies operating abroad . . . companies that want a clear picture all the time . . . anywhere in the world.



WORLDWIDE INSURANCE *World Headquarters:* 110 William Street • New York, N.Y. 10038
U.S. branch offices: Chicago • Dallas • Houston • Los Angeles • San Francisco • Washington, D.C.

Work comp self-insurance requires group stability

By PATRICK THOMAS
 NEW YORK—To those relatively few persons directly involved with New York's program of group self-insurance for workmen's compensation, the program is heaven-sent, a wondrous bag full of great savings and greatly improved benefits. To those not among the chosen, and that's the overwhelming majority of employers here, the program is unknown or something that cannot be reached.

For all the flowery praise heaped on the program by its participants, and the plan seems worthy of the adoration, the fact remains that only two employer groups have taken advantage of the ruling that permitted group self-insurance since it was passed in 1966. There are those, however,

who have tried and failed. "This is not a widespread thing," said Bernard Chase, director of self-insurance for the New York State Workmen's Compensation Board. "It requires a financially stable organization of employers with similar businesses and interests."

"AN ASSOCIATION of employers must put up security with the workmen's compensation board," he continued. "Many groups have tried but they haven't been able to show us that they are all that stable financially. It can't be a loose association. They have to show us that they can pay. So far, only the electrical employers and the restaurant association have proven satisfactory."

Approximately 400 employers

in the electrical contracting field became the spearhead, though for a short spear, of the self-insurance program when, on Jan. 1, 1967, they formed the Electrical Employers' Self-insurance and Safety Plan

Administered by Henry Shemin, an ex-New York City labor commissioner and an old hand in such matters who now spends all his time with the plan, the electrical employers' program has resulted in both savings for the employers and increased benefits for injured electricians. The plan functions under the auspices of the joint industry board, which is comprised of both management and labor in electrical contracting.

"When this plan started," Mr. Shemin told *Business Insurance*

with some pride, "the maximum workmen's compensation disability benefit in New York was \$60 a week. That is the rate we started with. One year later, the state benefit was still \$60 a week but we were paying \$90 a week.

"NOW," he said, "the state's benefit has a \$95-a-week maximum. We pay \$130, which is about 37% more than the state."

While the benefits for workmen were being increased, both Mr. Shemin and Mr. Chase pointed out that premiums paid by employers had been reduced twice since the plan went into operation.

The 400 employers began paying to the plan premiums that were "the same as the rates charged by private carriers," Mr.

Shemin said. "Since then, we have reduced the premiums twice. The costs are about 2% of payroll outside the plan while our members pay a premium rate of 1.25%."

He pointed out that premium rates were examined quarterly "to make sure the proper rate is being charged."

THE ELECTRICAL Employers Self-insurance and Safety Plan, which covers about 12,000 workmen, has done more than increase the amount of benefits and reduce premiums, however.

Mr. Shemin reported that the plan offers additional and supplemental benefits "to prevent a premature return to work." The plan pays benefits weekly rather than every two weeks. The plan's 15-man staff works with hospitals and the central labor council in the rehabilitation area.

"The medical treatment of injured workers is reviewed by physicians," he noted. "The reviews have stopped a number of unnecessary operations."

"The importance of the plan," he went on, "is that we always think in terms of the individual. We do things like trying to get job assignments for the injured that are consistent with their ability during the recuperative period."

THE NEW YORK State Restaurant Assn., on the other hand, does not have a past to reflect upon but looks optimistically to the future. Their plan went into effect Jan. 1 of this year.

"We have faced start-up costs and things along that line so there haven't been any concrete savings as yet but savings are certainly expected," said Fred Sampson of the association.

He pointed out that the restaurant plan, which covers 4,000 outlets with "conservatively 150,000 employees," requires quarterly premium payments. The amount of payments varied, he said, but "we eliminate middle men and don't tie up dollars."

The restaurant association plan is administered by Robert F. Coleman Inc., an insurance services firm here. Coleman also handles the hearings and investigations for the electrical employers' plan.

"WE AVAILED ourselves of the law which permits this because we feel that a safety-conscious employer must segregate himself," Mr. Sampson continued. "He must set himself up with other safety-conscious employers."

"We are satisfied that we can improve the safety record of restaurants through this plan. That is the thrust and with that being the case, there are bound to be savings," he said.

Mr. Shemin agreed. "Safety, with an emphasis on accident prevention, is the key to the program," he stated. "Electrical contractors work in an industry with very high risks; a construction site is sometimes like a battlefield. The reduction and elimination of accidents is vital to the public interest. It's a moral responsibility, really."

He said that the plan held mandatory attendance safety meetings at which state department of labor safety specialists spoke to the employees. Through the meetings, and in other ways, such as seminars, the men have been alerted to the dangers of asbestos and high voltage and seen applications of new safety equipment.

"THE GREAT thing about the

Continued on page 41

The Advertising Council shakes up a lot of people. Thank God!

We shake 'em up with tough, factual, thought-provoking advertising on drug abuse. We jar 'em with picture-stories of drunks on the highways and what happens to some people who forget safety belts. We're tough where we have to be. Reassuring and gentle where we can be. We try desperately to make business alert and aware. Because we believe that businessmen who are aware are

better able to cope with the problems around them. Our product is action-oriented

advertising campaigns in the public interest, conducted by The Advertising Council for over twenty-nine years.

We get a lot of help in our job. Business people, advertising agencies and advertising media. People and companies who volunteer their space, time, talent and facilities, free! Last year, business publications donated thousands of advertisements for campaigns created in the public interest. Campaign subjects range from Drug Abuse Highway Safety Education Minority Business Enterprise The Handicapped United Funds to Jobs For Veterans.

We work together quietly, efficiently and effectively. It doesn't bother us at all that most of the people we help, don't even know our name!

Try this on.

A mask to make people think about what it means to be a member of a minority group in the world of business. One ad in the *Minority Business Enterprise* campaign.

Daddy, what did you do in the war against pollution?

People start pollution. People can stop it.

A highly emotional appeal aimed at broadening the Keep America Beautiful campaign, to include the overall environmental pollution situation.

A pictorially devastating graphic, this award-winning poster was created for the Drug Abuse Information campaign. Its message is clear!



Advertising Contributed For The Public Good

Police groups scurry for civil rights suit coverage

WASHINGTON—Expenses and possible awards stemming from suits charging police officers with civil rights violations are becoming a major concern of law enforcement organizations.

As a result, an insurance battle is shaping up over liability programs being offered by two major police groups, the 22,000-member National Sheriffs Assn. and the 8,600-member International Assn. of Chiefs of Police.

The sheriffs' organization has just adopted a new program under which its members will be offered civil rights or constitutional rights suit coverage as well as liability and personal protection against other injury or damage claims resulting from police action.

The coverage is up to \$100,000 per man, per suit, plus attorney and court costs, and will be carried, beginning Jan. 1, by Appalachian Insurance Co., Providence, R.I., through a program set up by Hunt-Everett & Associates, Miami insurance agent.

The sheriffs' group has no civil rights charge coverage under its current program which is underwritten by All-Star Insurance Co., Milwaukee.

THE MIAMI broker, which did its rights coverage groundwork in programs that have been used by Florida police units for the past five years, has been in contact with the police chiefs' organization, some of whose members are pressing for protection against what they say is a sharp increase in rights violation charges against officers.

At present, the IACP has a program under which its members can take out coverage of as much as \$500,000 for suits arising from riots or "civil disturbances," but not alleged civil rights violations.

According to IACP officials, civil rights violations are not included because the carrier, American Home Insurance Co., New York, is forbidden from writing it under New York state regulations.

"We're chiefly concerned with legal defense costs," said a lawyer on the IACP staff. "Members in small cities are having a particular problem. Often they don't have the expert legal people needed to handle these cases and they have to hire outside attorneys at high cost."

He said the increase in rights charges against policemen is in part the result of free legal service being offered to neighborhood minority groups by legal assistance organizations set up with funds from the Office of Economic Opportunity.

An OEO official said a \$60-million-a-year legal services program has indeed been started but that it "isn't specifically for suits against police." He said the program, operated through 260 local groups, primarily involves legal assistance for the poor in welfare and domestic legal problems. Cases against policemen or departments have involved individuals or groups alleging "patterns" of police violations or unconstitutional acts against individuals, the OEO official stated.

The IACP has been informed of the present program disagree search and seizure violations to "systematic harassment" of blacks and Puerto Ricans.

"Nearly all these cases have been dismissed so far," said the IACP legal officer. "But the trials can be a minimum of three weeks long and the cost can be

from \$100 to \$300 a day for lawyers."

WHILE THE present IACP program doesn't cover civil rights charges specifically, it does cover court, attorney and other costs for charges that the rights accusations usually stem from such as alleged assault, false arrest or violation of property rights.

On this point, those within the IACP who want additional coverage and the insurance handlers of the present program disagree sharply. Those taking a "more coverage" position, which reportedly will be brought before the IACP board before the end of the year—and could lead to a close look at the program of the sheriffs' group—say the legal costs of civil rights cases alone are

enough to require coverage.

Opponents of pressing the point see no need to review the program because of a type of complaint that has not yet been pinned down as to its significance—in numbers of cases—in the overall picture of police insurance protection.

One of these, not surprisingly, is James Jackson of James Jackson Associates, Silver Spring, Md., broker for the current program. Mr. Jackson, said to have support among board members who are not inclined toward changing a relatively new program, contends that the majority of complaints so far have come from false arrest and assault and battery charges not tied to civil rights.

"**WHEN YOU GET** to the spe-

cific actions like this," said Mr. Jackson, "they're covered under the program. I haven't heard of a case yet where the violation of civil rights charge wasn't covered" although not specifically covered in the policy. He contended that the difference on civil rights between the present IACP program and the newly adopted program of NSA is "semantics."

Both the insurance agents—Mssrs. Jackson and John Hunt of Hunt-Everett & Associates—helped pioneer the area of professional liability insurance for police, Mr. Jackson with his IACP program and Mr. Hunt with his policy structure for Florida police. The coverage was not in demand in large cities because of statutory immunity in

some and self-insurance in others, but a need for protection in small cities, towns and among state law enforcement units soon became apparent with the growth of legal awareness during the 1960s.

As one IACP man put it, "What had been accepted as proper was suddenly improper, and a lot of people—not just blacks or other minorities—saw their rights being violated in police activity."

American Home has insured some 1,000 police departments and units—down to two-man forces—since it started issuing policies under the IACP program in 1967. The sheriffs' association said it had no current figures on policies under the plan to be replaced Jan. 1.

If only you had
AFCO's extra line
of credit.

Then you wouldn't
have to tie up
all that cash
for insurance
premiums.

Borrow the premiums from Afco. (You'll love our low interest rates.) Pay us monthly or quarterly, out of current income. You don't need a compensating bank balance, you don't need to disturb your other lines of credit. And we're sure you'll be able to think up a way of using that extra working capital. Ask your insurance agent or broker about Afco. Now.

AFCO

NEW YORK: 108 JOHN STREET, NEW YORK 10038
ATLANTA BALTIMORE BOSTON CHICAGO
COLUMBUS, O. EAST ORANGE HEMPSTEAD, N. Y.
KANSAS CITY LOS ANGELES MIAMI
NEW YORK SAN FRANCISCO SEATTLE

CANADIAN AFFILIATE: CAFO

HALIFAX MONTREAL TORONTO
EDMONTON VANCOUVER

Giles on the law

Plaintiff's death while suit is pending cannot halt court action

By JOHN W. GILES
Attorney at law

WASHINGTON—If you are in the steamship business and one of your seamen sues you for injuries and then dies pending the suit, is that the end of the matter? The U.S. district court says "no". The court said that state statutes providing for the survival of actions have been upheld when applied to maritime causes, even though they are historically absent from the relief offered by admiralty court. In a U.S. Supreme Court case, the court applied the state survival statute of

Florida to the admiralty court action and said "it is not a principle of our maritime law that a court of admiralty must invariably refuse to recognize and enforce a liability which the state has established in dealing with a maritime subject. Here the plaintiff's widow was allowed to continue the action since both Michigan and Ontario have ceased to retain the strict common law rule against the survival of personal actions. The plaintiff was injured in a ship collision in waters of either Michigan or Ontario. Both of these states have survival of action statutes. (U.S.D.C., N.O.

8/19/71)

IN A RECENT action against a marine insurer to recover damages for grounding a vessel, the subject of "unseaworthiness" is discussed at length. The court of appeals held that where a shrimp-er manned by only two men ran aground when the captain was at the stern helping the crewman raise the boards, and if the captain had returned to the wheelhouse rather than assisted in raising the boards he would have risked injury to the crewman or damage to nets or the vessel, the failure to have a three-man crew

rendered the shrimp-er unseaworthy when she ran aground. The owner's breach of express warranty of seaworthiness here suspended coverage under the marine policy. The court observed that an inadequate crew, whether for the entire voyage or for a particular task on the voyage, is a classic example of an unseaworthy condition. That this condition is merely transitory is irrelevant with regard to the owner's liability for damage which occurs during its tenure. Here the insurer sustained its burden of proving that the vessel was unseaworthy at the time of the grounding, because of the insufficiency of the crew. (*Aquirre v. Citizens Casualty Co. of New York*, 441 Fed. 2nd 141, 1971.)

A RECENT NEW YORK case will remind you that the insurer's duty to defend does not depend on the actual cause of injuries, but on the allegations of the in-

jured party's complaint. Also, the language of the complaint need not state all the facts required to establish insurance coverage before the insurer is obligated to defend. Here the action was against the insurer to recover the expense of defense. The injured party alleged that while he was on the insured's premises the employee negligently cut the wire around a bundle of steel pipes on a tractor-trailer and the pipes became loose and crashed into him. Here, the liability insurer of the tractor was obligated to defend the insured, even though the complaint did not specifically state that the tractor-trailer was being unloaded and even though the injured party mistakenly drove his tractor-trailer into premises adjacent to the insured's premises where it was unloaded by the adjacent company's employees. The insurer's failure to defend entitled the insured to recover expenses incurred in defending the action. (*Commercial Pipe and Supply Corp. v. Allstate Insurance Company*, N.Y. Supreme Court App., 321 N.Y. S. 2nd 219.)

IN CALIFORNIA, under a statute, an automobile liability policy requires coverage of users of insured vehicles. The insurance covers the owner and the permissive users. The term "use of a vehicle" includes the operation of pick-up and delivery. In this case an employee of a trucking company, while moving a desk, slipped on an eraser on the floor of a shipper's loading dock and sustained personal injuries. The employee's suit against the shipper precipitated a dispute over the insurance coverage between the trucker's insurer and the shipper's carrier. Here the employee was moving the desk to the truck for loading, and under the "complete operations" rule, his action constituted part of the loading operation. He did not serve as agent or employee of the shipper.

The question here was whether the injury arose out of the use of the vehicle. Did the shipper become a "user" of the truck by reason of the fact that it maintained the loading dock.

In certain situations the courts have held that the shipper is user of the truck. This where the shipper's own employees participate in the loading or unloading or where the shipper's employees supervise the operation or again where the injury results from a defect in the shipper's equipment which is actively used in the loading and unloading operation. The California Court of Appeals has held that a passive, dangerous and defective condition of the premises upon which the automobile is parked, is not to be considered "active use of such automobile" although the New York courts have held that maintenance of a loading area transforms the shipper into a user of the vehicle, the majority of the decisions support the conclusion that the concept of the "use" of the vehicle cannot be stretched to such lengths. A holding here that the shipper is a "user" of the truck and that the trucker's carrier should meet the loss would free the dock owner from responsibility for the maintenance of its own premises, and fasten liability upon the insurance carrier whose insured was the least culpable. (*Calif. Sup. Crt. International Business Machine Corp v. Truck Insurance Exchange*, 8/7/70.)

DOES A COUNTY carry insurance, and is it liable if it negligently places a defendant child in a foster home where the child has been battered, bruised and forced to submit to physical and mental

Continued on page 44

For the self-insurer. The economies of professional claimsmanship.

With the speed and precision of computerized management reporting.

Introducing the total solution to claims adjusting for the self-insurer. A service so complete it works wonders at one location or hundreds. Handles workman's compensation, auto fleets, property and transportation and liability. Does it all with the sure hand that's made General Adjustment Bureau the first choice of insurers and business insurance brokers for years.

We'd like to send you our booklet. It tells you the details about our newest EDP breakthrough. One that gives self-insurers, large and small, the precision control to manage all types of insurance coverage in compliance with the Occupational Safety & Health Act of 1970. This revolutionary claims management reporting system opens up vast possibilities. Gives you information flexibility and a space-age jump on monitoring activities such as safety engineering with no increase in input effort.

Write for your copy of GAB's "Complete Services For The Self-Insurer." And see what a total solution can do for you.



I want to stay on top of things. Send me your booklet "Complete Services For The Self-Insurer."

I. R. Gray
General Adjustment Bureau
123 William Street
New York, N.Y. 10038



NAME _____

TITLE _____

FIRM _____

CITY OR TOWN _____

STATE _____ ZIP _____



Why our company seal is illegal.

We wanted to keep our faithful old MFB seal from unlawfully giving a wrong name. So July 1 we put it safely under guard, when we changed our name to Allendale Mutual Insurance Company.

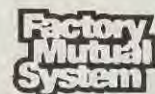
Only our old name and seal have been retired. We're still the largest mutual insurer of industrial prop-

erty in the world. We still combine standard and special "umbrella" coverages to provide total, tailored protection. We still help businesses and institutions operate uninterruptedly because we put loss prevention where it belongs - first!

We still sell value, not price.
Allendale Mutual Insurance Com-

pany, Providence, R.I. 02904.

Affiliates: New Providence Corporation, Underwriting Manager for Affiliated F M Insurance Company and Appalachian Insurance Company.



Allendale Insurance

What Guatemala air liability treaty means

WASHINGTON, D.C.—After years of international turmoil over airline liability limits on passenger injuries and deaths, a treaty was worked out in Guatemala City earlier this year and signed on March 8 by the U.S. and 20 other nations. It may be some time before the treaty, known as the Guatemala City Protocol, makes its way through the inevitable tortuous government channels and is ratified by Congress, but government, airlines and insurance sources are already making cautious statements about the agreement's possible effect on airline insurance rates and speculating on some of the obstacles that must be eliminated before it becomes international law.

The agreement amends the terms of the 1929 Warsaw Con-

vention and the 1955 Hague Protocol in some significant areas. Most obviously, Guatemala provides a limit of \$100,000 for injury or death of a passenger, where the Warsaw Convention set an \$8,300 limit and the Hague Protocol merely doubled that to \$16,600.

It has been clear for quite some time that the Warsaw and Hague limits are absurdly low, especially with regard to American passengers. Civil Aeronautics Board figures for domestic crashes show an average recovery of \$195,000 per passenger. And yet the same accident on an international flight with similar consequences for passengers and their heirs limits the injured parties to recovery of \$8,300. (The U.S. never did ratify the Hague Protocol because it considered even \$16,600 too low).

Nevertheless, many of the smaller nations that were party to the Warsaw Convention were quite happy with the old limit.

A FEW YEARS ago the U.S. presented what one airlines official described to *Business Insurance* as "a shotgun ultimatum." Frustrated with trying to get the Warsaw limit increased, the U.S. gave notice to the world's airlines that it would renounce Warsaw effective May 15, 1966, unless the ceiling was raised to \$100,000.

This caused an enormous stir among non-U.S. airlines, which could see themselves exposed to huge claims involving American passengers, and who were not anxious to have the major country in international air travel no longer governed by an international air agreement. Hoping to

avoid the chaos of an American withdrawal, the major airlines met in Montreal in February, 1966, and hammered out the so-called Montreal Agreement, which became effective in May of that year. Under its terms, 34 airlines that carry the great majority of U.S. passengers agreed to a liability limit of \$75,000 per passenger.

The Montreal Agreement is not an international convention, but a contract between the airlines and the U.S. Civil Aeronautics Board. The contract has clout, however, because the CAB can prevent an airline from flying into, stopping in, or flying out of the U.S.

The Guatemala City Protocol will succeed the Montreal Agreement and the Warsaw Convention if and when it is ratified by the governments of at least 30 coun-

tries, five of which carry not less than 40% of the world's air passenger traffic.

ASIDE FROM raising the liability limit, Guatemala also amends Warsaw by establishing an absolute liability for the carrier without various defenses allowed in the Warsaw Convention. Under Warsaw, the carrier is not liable if he can prove he has taken all necessary measures to avoid the damage, or that it was impossible to take such measures. Furthermore, if the carrier proves the damage was caused by or contributed to by the negligence of the injured person, the court may free the carrier in whole or in part from his liability.

Aside from these defenses, the Warsaw agreement states flatly that the carrier is liable for the death or injury of a passenger. This frees the passenger or his heirs from the need to prove negligence on the part of the carrier to collect up to the \$8,300 limit.

The Guatemala agreement also imposes liability on the carrier and saves the passenger from having to prove negligence on the carrier's part. But Guatemala does not allow the defenses which Warsaw provides—chiefly because, as reports go, the Guatemala delegates were determined to establish an absolute liability. The only defenses still open to the carrier are proving that a passenger's death was the result of his health rather than the result of an accident, or proving that the passenger contributed to or caused the damage.

However, in the face of the carrier's newly-established absolute liability, the Guatemala Protocol does not allow the \$100,000 limit to be set aside for any reason, while the limits of the Warsaw Convention, the Hague Protocol and the Montreal Agreement can be set aside if the carrier is guilty of "willful misconduct," among other reasons.

WITH MONTREAL'S relatively high \$75,000 ceiling there has been less need to try to prove willful misconduct in order to set the limit aside. Sources indicate that, in the U.S. especially, courts have often found willful misconduct by the carrier and opened the door to awards far higher than the \$8,300. Such legal gymnastics will not be necessary under the Guatemala agreement, where the limit simply cannot be set aside.

The ultimate complication arises at this point because the U.S. was not willing to accept that no one could ever collect more than \$100,000 on an international flight. The U.S. domestic average reparation of \$195,000 mentioned earlier indicates that even \$100,000 is not a realistic value for an American's life earnings. Consequently Guatemala does have an enabling clause allowing participating countries to provide a "domestic supplement" which would be entirely separate from the \$100,000 Guatemala limit.

Various legal task forces in the U.S. are now trying to work out suitable plans for providing such a supplement. A source at the Department of Transportation told *Business Insurance* that "the protocol won't be submitted to the Senate until the domestic supplement is ready. The details are simply not worked out yet—but the carriers and everyone else has ideas." He said the administration has no policy on the matter at this point, either. "We were hoping to have it worked out fairly quickly," he added, "but

Continued on page 46



NWNL gives you the "Group Grabbers"!

We make it as easy as possible for you to sell high potential group markets by giving you specialized coverages most companies just don't offer. We make it as profitable as possible for you, too, with generous commissions. For example:

PET PLAN. PET, short for Preferred Economy Term life insurance, is a mass-marketed individual NWNL policy plan without the usual employer contribution or participation requirements.

With PET you can make from \$5,000 up to \$100,000 of additional

coverage available on an employee pay-all basis... a worthwhile and substantial dimension to your client's established group and individual life programs.

GP-10/33 PLAN. Specially written for employee groups of 10 to 33 people. Includes life schedules up to \$100,000 or more. Up to \$1,000 monthly LTD benefits for groups down to 10 lives.

Comprehensive Major Med benefit of \$25,000 plus \$25,000 for organ transplant. Only life required; all other coverages optional so you can tailor a plan to the group.

We have special plans for other

market segments, too. For example: hospital and school employees, college students and faculties, unions and professional and trade associations. Return the coupon below for complete information on NWNL's Group Grabbers.

Northwestern National Life Insurance Co.
20 Washington Avenue South, Dept. BI-9
Minneapolis, Minnesota 55440

Name _____
Company _____
Address _____
City _____ State _____ Zip _____



NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

BOX 20 • MINNEAPOLIS, MINNESOTA 55440

Carrier tax argument in Wisconsin

MADISON, Wis.—Opposition to two measures aimed at revising the method of taxing insurance companies in Wisconsin was registered at a hearing held by the senate commerce, labor, taxation, insurance and banking committee here.

William Durkin of the Wisconsin Insurance Alliance said the bills were regressive and called on the committee to defer action pending a report of the budget conference committee, which has recommended that all domestic insurance companies, except life and fraternal firms, come under a corporate income tax. The committee took no action on the two measures.

THE FIRST would repeal insurance companies' exemption from the personal property tax and would provide that every insurance company in the state pay a premium tax of at least .5% of annual premiums. It would eliminate exemptions from taxation for mutual companies and those providing health care plans but would retain the exemption for town mutuals.

Mr. Durkin called the bill an "extension of a regressive method of taxation—the sales-tax-like premium tax—which is based on gross sales and bears no relationship whatever to a company's ability to pay." He said he favored a corporate income tax for fire and casualty companies and for plans such as Blue Cross-Blue Shield.

The second measure called for a 2% premium tax on the now exempt mutual insurance companies. That bill, authored by Edward Nager, Democratic representative from Madison, passed the assembly 68 to 26 earlier this year.

Mr. Durkin called the second measure even more regressive than the first. ■

Liberty . . .

Continued from page 18

put its finger on some of its insureds' problems it is not yet ready to share them with industry. The company, for instance, has developed a rather extensive data sheet on how to prevent cargo theft losses. The sheet, said Mr. McCormick, was worked up on computer after a Liberty Mutual loss prevention engineer spent six months observing operations in a Cambridge, Mass., trucking firm's yards. It covers practically every conceivable loss situation, he said.

"This cost us a great deal of money and we're still in a competitive business," Mr. McCormick replied when asked if Liberty Mutual had considered the possibility of releasing this information to the cargo transportation industry.

The Liberty Mutual program has not yet resulted in any significant premium savings for insureds, Mr. McCormick conceded with explanation.

"Most of the companies we insure are on some kind of rating plan. It may be a retrospective or an experience rated plan. It is still a little too early to draw any broad conclusions but the trend is very encouraging to us. Where deficiencies have been revealed to trucking company managements and where something has been done about these there will be improvements." ■

"When I was a kid,
my dog had measles."

"This year, we'll handle the insurance for 12 major pharmaceutical companies." Says Bob Hatcher, "I forget what weird concoction I gave that pup to get him well. But to make people well today, doctors and druggists need a whole industry. To plan the insurance, we have to know that industry."

Bob Hatcher is in charge of Johnson & Higgins' Richmond office. He's also one of the J&H specialists in insurance for pharmaceutical manufacturers. They need coverage on medicines as they're produced, stored and shipped. On special equipment. On the labs for research and quality control. "Prescribing for this industry," Bob says, "had better not be guesswork"

What's true in pharmaceuticals today is true in every other industry. Your own included. Johnson & Higgins has offices in major cities here and abroad. Call us. We'll make your insurance work for you.

Johnson & Higgins
the pharmaceutical industry's insurance broker

"W Presi Ca

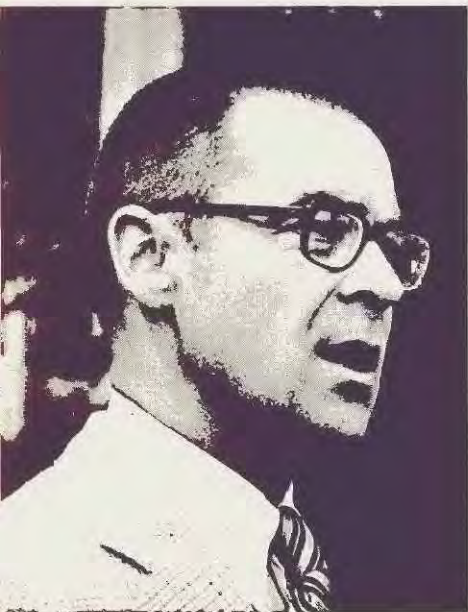
...their employee insurance is American

To the chief executive of any business, good employee relations — based largely on sound, comprehensive employee insurance benefits — is a top priority consideration today.

This is why so many of these decision makers have adopted American Mutual's Peopleprotection program of insurance.

Peopleprotection, with its solid Workmen's Compensation foundation, is the result of our unique method of blending insurance coverages. It can incorporate Medical Care, Disability Income, Pensions, Business Insurance and Group and Individual Life — including term-permanent life insurance that has cash values and loan options. It's a comprehensive program that's effective on and off the job 24 hours a day.

Read what Peopleprotection means to the chief executives below. Then investigate for yourself. Get in touch with your local American Mutual representative — or contact David E. Jeffery, Vice President, Sales, American Mutual Insurance Companies, Wakefield, Massachusetts 01880, telephone (617) 245-6000. You'll get the kind of no-nonsense facts presidents understand best.



JACK R. KURTZ, President
Kurtz Eros Concrete, Inc.
Ephrata, Pennsylvania
Division of Kurtz Materials Corporation

"Last December, Kurtz chose American Mutual to handle our entire insurance program. Their new concept in people protection is what sold me. Now I'm more certain than ever that it is the most efficient concept in insurance today."



WALTER F. SKILLIN, President
Union Manufacturing Company
Jew Britain, Connecticut

"Our biggest asset? People, of course. That's why we have our entire employee insurance program with American Mutual. They put the emphasis exactly where we want it: on people protection."



J.W. STACKHOUSE, President
Stackhouse, Incorporated
Goldsboro, North Carolina

"It's not just the coverages. It's the way American Mutual puts them all together to give us the service and protection we need for our people, our public and ourselves."



RAYMOND STEVENS, JR., President
Pratt & Lambert
Buffalo, New York

"Lots of reasons why! But most important is the way they handle our people coverages. Protection-wise, service-wise, cost-wise, we think American Mutual's hard to beat."

When decisions are...

Mutual's **Peopleprotection**™

American Mutual

Peopleprotection when a company cares



GEORGE C. SELLS, President
General Shale Products Corporation
Johnson City, Tennessee

"To be sure! But American Mutual has just what we want—a really personalized package of employee insurance. They call it their people protection program. It's well-named... it meets our needs."



WM. JOSHUA BARNEY, JR.
Chairman of the Board
W.J. Barney Corporation
New York, New York

"Right! Insurance policies are a lot alike. But American Mutual's people protection coverage idea adds up to a coordinated, personalized program for us. That's why we've stayed with them for 26 years."



WILLIAM J. FLYNN, JR., President
Ashworth Bros., Inc.
Fall River, Massachusetts

"Okay—but I'd talk to American Mutual first. Their people protection approach to business insurance is really something special—a personalized package of round-the-clock employee protection."



FRANK N. WILLIAMS, President
Federal Huber Company
Chicago, Illinois

"Just common sense. We like the way American Mutual's local people work with us and the way they handle our people protection coverages—workmen's compensation, group health and group life."

New programs to cut \$3 billion in Pennsylvania insurance costs

CHICAGO—Pennsylvania Insurance Commissioner Herbert S. Denenberg has come up with a program which, he says, will save insurance consumers in his state more than \$3 billion in the next four years.

The program, outlined in a speech delivered by videotape to a conference of life insurance executives sponsored by the CNA Insurance Cos., contains numerous important provisions of interest to the corporate insurance manager.

"We intend to bring about a system in which more of the premium dollar is returned to the policyholder and in which less is burned up by insurance company expenses," Mr. Denenberg told

the executives. "We are appalled at health insurance policies which burn up 50% or more of the premium dollar in expenses and profit. We view with favor an operation such as Blue Cross which can return 95% of the premium dollar in benefits.

"**WE HAVE** already moved our benchmark for return to the policyholder from 50% to 60% of the premium dollar on individual health insurance. We intend to keep moving this percentage up and our goal is 90% in the long pull."

He said that he was sympathetic to the needs of business but if he had to choose between the "public's right to a competitive

market and the insurance industry's claim to the competitive status quo," he would not hesitate to decide in the public's favor.

"We are opening up any and all opportunities for mass marketing of life, health and property-liability insurance," he noted.

"In the past, the Pennsylvania insurance department has rejected proposals involving mail-order sales of life insurance that slashed premiums. We have such proposals before us today. They will save the public from 15% to 20% and perhaps more. We will have no trouble approving them. We encourage them. Our only question is whether the premium savings of 15% to 20% are enough."

HE POINTED out that the market for franchise life insurance, individual policies at low premiums for members of associations, would be opened up and that regulations in that area would be forthcoming.

Pennsylvanians would be able to save \$75 million a year using these opportunities to cut life insurance premiums, according to Mr. Denenberg.

"We are also asking for legislation to cut down every barrier against group life and health insurance," the controversial commissioner continued. "We believe an insurance company should be able to write any size group, any kind of group, and any group regardless of percentage participation of the group."

"We have advocated and are now proposing that statutory limitations on the kinds of group that can be written and similar arbitrary limitations be put in the legislative junk heap.

"**AT THE SAME** time, we have proposed a no-fault law that transforms our present third-party liability system into something more closely resembling a first-party life and health system. This, too, will open up new opportunities for your companies, whether they write life, health or property-liability insurance."

Mr. Denenberg has well defined ideas as to what the role of the insurance company should be and he spelled some of them out to the life executives.

He told them of his efforts in getting the insurance companies to report on unsafe and hazardous products being manufactured by their insureds. He said that the department would also ask the companies to report on loss prevention and control programs. This request included life companies.

"This type of program illustrates what we believe is a sound approach for insurance and insurance regulation—that is, to use the leverage of insurance to solve broader social problems. To cite an example, we have called on Blue Cross and Blue Shield to lead the way in controlling hospital costs. We are also asking commercial insurance companies to do like-wise," he stated.

"**COMMERCIAL** health insurance companies have done little or nothing to control medical costs and improve the quality of medical services. Instead," he went on, "they have tended to undermine the efforts of others."

"They have emphasized hospital care rather than more economical alternatives such as outpatient care and extended care facilities. They have emphasized selling duplicate coverage and even brag in their advertisements that their coverage pays in addition to any other protection. Thus, they have contributed to over-insurance and have helped foster over-utilization."

Mr. Denenberg felt that his objectives could be achieved without harming the insurance industry, in fact his moves would be beneficial to the industry in general. Segments of the industry that were not prepared "for competitive change or meeting consumer demands" would be hindered by Pennsylvania's new programs.

"If you are a company that can meet consumer needs, that can meet competitive challenges, that can innovate, that can deliver a better insurance product at a lower price, you will find Pennsylvania an ideal place to do business," he said to the insurers. "If you need to rely on competitive barriers, you will find Pennsylvania insurance regulation to be inhospitable."

Does your company tie up sizable reserve funds to pay for possible major property losses?

A special kind of insurance from INA does it better. Protects you against catastrophic losses. Frees up your cash so you can put it to profitable work.

Some call it "excess insurance." INA calls it Capital Assets Protection, because that's what it is.

Acknowledged experts in this business, INA leads the pack with 20 years of Capital Assets Protection experience. We feel good about that. And so do many large—and not so large—companies all over the country, who put their cash back to work with INA help.

Big or small, you can get these benefits too. Our executive underwriting team can develop a Capital Assets Protection Program to meet *your* needs, your desires, your budget. To free up your reserve funds for more profitable use.

Ask your INA agent or your broker. Or send us the coupon now.



Insurance Company of North America / an INA CORPORATION company
16th and Parkway, Phila., Pa. 19101

Mr. Marvin DeHeus
Insurance Company of North America
16th and Parkway, Philadelphia, Pa. 19101
Please send me information on Capital Assets Protection Program.
Name _____
Address _____
City _____ State _____ Zip Code _____
My insurance agent or broker is _____
Address _____

Seven are fired for bad driving

EUGENE, Ore.—At the insistence of the Transit Casualty Co. of St. Louis, which provides liability coverage for bus operations of the Lane transit district, officials have given notice of dismissal to seven drivers with poor driving records.

Fred Dyer, the district's general manager, said the insurer indicated it would not continue providing insurance coverage unless the seven employees were dismissed.

Mr. Dyer said the company analyzed the driver records of the various drivers during the past several years and concluded the seven in question had been in too many accidents.



New York's College of Insurance got a double award from the New York chapter of the American Society of Insurance Management. Matthew Lenz Jr. (left), chairman of the college's property-liability insurance division, accepted a \$250 contribution to the college's general fund. Next to Mr. Lenz is Bernard M. Brown, a student at the college and an employe of American Reinsurance Co., who received a plaque and \$250 as the college's outstanding student. Making the awards are Fred Ing-ham, Johns-Manville Corp., education chairman of the ASIM chapter, and Richard Van Wagoner Jr., the Singer Co., president of the chapter.

HOW LONG HAS IT BEEN

SINCE you had an objective, independent audit of your Corporate Insurance Program?



Herbert L. Jamison & Co.

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

Ohio ups comp by about 33%

COLUMBUS, O.—The state adopted legislation here early this month that will boost workmen's compensation benefits by as much as 33%. Ohio is the only state in the nation that runs its own workmen's compensation system.

Adopted in both house and senate as emergency legislation, the act went into effect immediately after being signed.

Under the former workmen's compensation law, a disabled worker received benefits up to 66.6% of his average weekly wage at the time of the injury, providing the benefit did not exceed a maximum payment limit in each category of injury.

Under the new act, workers totally disabled for a temporary period of time qualify for a weekly maximum of \$84 (up from \$63 during the first 12 weeks) and \$70 maximum (up from \$56) during subsequent weeks. The total benefit, however, remains unchanged (\$10,750).

PERMANENTLY totally disabled workers will be allowed \$77 weekly under the new act. This is up from a \$56 maximum under the old workmen's compensation law.

Temporary partial disabilities qualify for maximum payments per week of \$70 (up from \$56) to a total benefit of \$12,500 (up from \$10,000). Permanent partial disabilities now qualify for maximum payments of \$56 weekly (up from \$52.50).

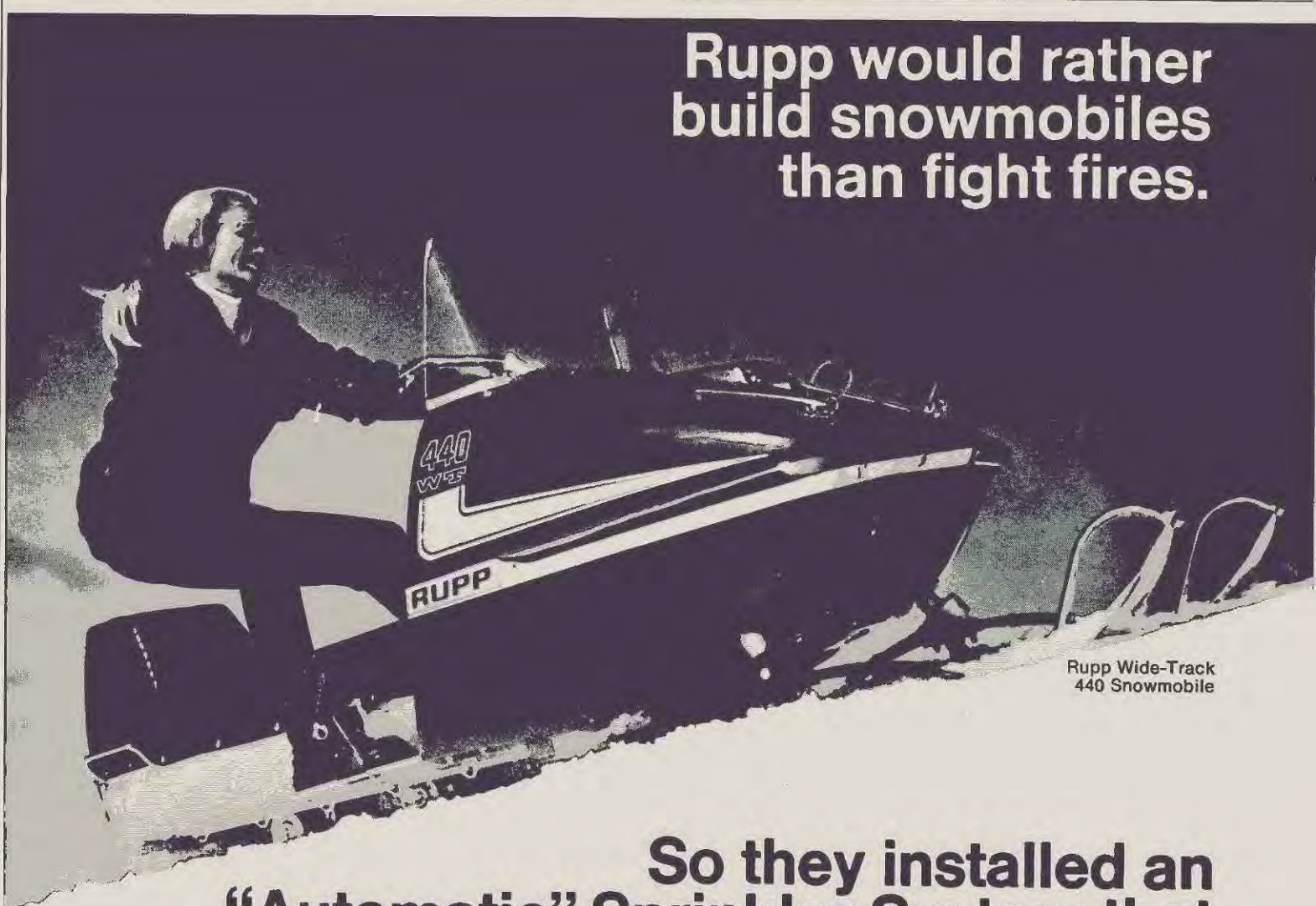
The new workmen's comp act also provides that any permanently and totally disabled worker will receive at least \$243 monthly in basic benefits, Social Security and supplementary workmen's relief payments.

Weekly death benefit payments to survivors who had been wholly or partially dependent on a workman would also be increased—to \$77 from a \$56 maximum—under the act. Wholly dependent persons could receive a total benefit settlement of \$21,000, up from \$17,000.

One significant change in the law is the addition of a cost-of-living factor that would adjust benefit levels annually in accordance with changes in the national Consumer Price Index.

Gets benefits post

Peter A. Sotter has been named manager, benefits administration, at the Royal Typewriter Co., Hartford, Conn.



Rupp Wide-Track 440 Snowmobile

Rupp would rather build snowmobiles than fight fires.

So they installed an "Automatic" Sprinkler System that cut their fire insurance costs over 80%!

Rupp Industries, Inc., Mansfield, Ohio prefers to concentrate their efforts (and money) on what they do best. Manufacturing a broad line of recreational fun machines. They left the fire protection to us, "Automatic" Sprinkler Corporation of America, because that's what we do best.

We can't guarantee an "Automatic" Sprinkler System will cut *your* fire insurance costs 80%, but insurance premium savings of 40% to 90% are common.

Our experience in installing sprinkler systems in existing buildings results in other savings too. Our expert installation teams know how to get the job done in minimum time, with virtually no interruption to your operations. Leasing or deferred payment plans are available, too.

Find out about your potential savings by calling R. L. Pardee, (216) 526-9900. Or, write "Automatic" Sprinkler Corporation of America, Box 180, Cleveland, Ohio 44147.

LOOK AT THE FACTS . . .

Capital investment, Sprinkler System	\$58,972
Annual fire insurance premium, before sprinklers	\$29,507
Annual fire insurance premium, after sprinklers	\$ 4,708
Gross Insurance premium savings	\$24,799
Cost of money per year	\$ 5,995
*Net savings on insurance per year	\$18,804
Annual pre-tax rate of return on investment (excluding effect of depreciation)	32%
Net pay-back period	3.14 years

*Part of savings was used to increase the company's fire insurance coverage.

 **"Automatic" Sprinkler**
CORPORATION OF AMERICA
Division of A-T-O Inc.

J. H. Blades explains 'the age of the captive'

HOUSTON—Joe H. Blades makes quite a case for captive insurance companies.

And at a time when the Justice department is investigating offshore insurance subsidiaries, Mr. Blades is pointing out why captive companies are being formed in Bermuda.

The head of J.H. Blades & Co. here and J.H. Blades Co. (International) Ltd. in Bermuda told of captive insurance companies at the American Society of Insurance Management's Southwest regional conference, sponsored by the Houston and Dallas-Fort Worth chapters. The registrants heard Mr. Blades list the stable government and economy, lack of a Bermuda income tax, reasonable regulations and a location favorable for both U.S. and foreign operations as reasons why

many companies are being formed in Bermuda.

WITH A CAPTIVE, Mr. Blades said U.S. property exposure that is a good risk can be reinsured with a foreign company. It may also be used for bad U.S. risks or large deductible coverage. Also, he said, it can help the uniformity of coverage worldwide.

In addition, Mr. Blades said that there are several reasons for a life captive. These include employe benefit programs that are ranging from 20% to 30% of total payroll and sometimes higher because benefit programs can be handled cheaper in a captive. There is also a need for a life captive to reinsure a percentage of group life premium for employes and retired employes, he said. "American business and indus-

try will tap this source of cash and cash flow through the use of captive insurance companies," he added.

Mr. Blades pointed out that captives are "a must for a regulated utility." His reasons were:

- A deductible or self-insurer, in effect, exposes stockholders' equity to a fortuitous loss.

- There is no need for a regulated utility with a monopolistic hold on its market to have stockholders' equity exposed on an insurable risk.

- This is particularly true when the rates established for a utility by regulatory bodies leave less of a return to equity holders than competitive industry is enjoying.

- A utility, by insuring first dollar, can place all cost of insurable risk on the consumer by in-

clusion in the cost of the product or service and thus leave the stockholder free for this encroachment on restricted earnings.

- It is the risk manager's job to protect the stockholders' earnings as a part of the corporate objective.

- For a utility in a very competitive market where cost of insurance may affect sales, there are sometimes conflicting considerations that must be evaluated.

- Where there is keen competition, a risk manager has an opportunity to use his knowledge and ingenuity on what to insure and not to insure, rather than administer a conventional insurance program.

Of this last item, Mr. Blades said this administration is an overhead cost factor that, by use

of a captive, can become a profit center.

THE INSURANCE executive pointed out that rates and premiums for captives "must be set on an arm's-length basis." This may be accomplished, he said, by charging rates set by state or regulating authorities, by following recognized leads on joint policies, by accepting reinsurance or by using sound and established underwriting practices.

"You must comply with various government regulations," Mr. Blades said. "You pay various taxes and operate as an insurance company while conforming with industry practices. If so, you are limited only by your own imagination and ingenuity."

Mr. Blades told the ASIM meeting, "The world needs more risk-bearing insurance companies. The industry needs new ideas and business methods to keep up with the computer age." He said his firm's main interest is "simply that the insurance industry needs additional capacity."

"We think the captive route is the way American industry will put its financial muscle into the insurance market. And we are prepared to work with captive companies, in the hope that we can play a small part on the major changes that are taking place in the insurance industry."

MR. BLADES predicts that "in the next few years most conglomerates or industry groups will own or control one or more insurance companies."

Commenting on those firms that have already set up captives he said, "The question to the rest of you is not 'Shall we?' but 'When do we, and how do we use it?'"

In outlining some of the basic reasons for captives, Mr. Blades cited the chronological stabilization of income, a new source of cash and cash flow, the lack of capacity in the conventional insurance market and the need of the facade of an insurance company.

Examples of chronological stabilization of income include control of retro returns, payment of premiums, payment of reinsurance premiums, payment of claims, captive company's investment program as well as dividend program and control of other unrelated factors based on need and industry. The need of the facade of an insurance company is to properly set aside reserves under current U.S. tax regulations, Mr. Blades said. It also meets the need to:

- Adjust third-party claims without damaging the parent company's name or sales.

- Open up new insurance markets that only deal on a reinsurance basis.

- Take advantage of the opportunity to participate as a reinsurer on your own account.

- Take advantage of certain favorable tax treatments in U.S. and overseas.

- Transfer funds and/or utilize funds between various countries.

- Trade insurance and reinsurance among countries. ■

Lost-time costs

The British Safety Council has reported that industrial accidents and illness cost the country more than 23 million working days each year. The cost to taxpayers in lost production, medical and material outlays, social benefits and hidden expenses was estimated to be \$1.44 billion.

When fire strikes, it goes to pieces... but doesn't lose its head.

It happens automatically whenever things get too hot.

And when it does, it releases a blaze-dousing spray to get the best of a fire, before it gets the best of a building.

At Factory Mutual, we've been in on the development of sprinklers since the early days of their use.

All in all, we believe we can give you more pointers on outfitting your plant with sprinklers than anyone else. So why chance it when you can play it safe? Let us help you put a damper on fires at your property.

Helping policyholders protect their business with sprinklers is only one aspect of the complete loss-prevention services the Factory Mutual Companies provide. For further information, contact your nearest Factory Mutual district office or write Factory Mutual System, Dept. C, Norwood, Mass. 02062.

**Factory
Mutual
System**

Allendale Insurance
Arkwright-Boston Insurance
Philadelphia Manufacturers Insurance
Protection Mutual Insurance
System Subsidiaries
FM Insurance Co. Ltd.
FM Engineering and Research



dates for buyers

October 13, American Management Assn. briefing, "The Occupational Safety and Health Act of 1970—Its Impact on Risk Management," AMA headquarters, New York. For more information write the AMA, 135 West 50th St., New York, N.Y. 10020.

October 15, American Management Assn. briefing, "The Occupational Safety and Health Act of 1970—Its Impact on Risk Management," AMA management center, Chicago. For more information write the AMA, 135 West 50th St., New York, N.Y. 10020.

October 27-30, Insurance Consultants' Society annual study conference, Doral Hotel, Miami Beach, Fla. For more information write Ted Siver, P. O. Box 12682, St. Petersburg, Fla.

November 8, 9, and 10, American Management Assn., National Insurance Conference, Drake Hotel, Chicago. For more information write the AMA, 135 West 50th St., New York, N.Y. 10020.

November 15-17, American Management Assn. orientation, "Mass Merchandising in the Insurance Industry," AMA headquarters, New York. For more information write AMA, 135 West 50th St., New York, N.Y. 10020.

December 10-15, National Foundation of Health, Welfare & Pension Plans, Inc., 17th annual educational conference, Fontainebleau Hotel, Miami Beach, Fla. For more information write the foundation, P.O. Box 69, Brookfield, Wis. 53005.

Group...

Continued from page 30

plan's safety service is that it gives the smaller employer a safety program he wouldn't have otherwise had," Mr. Shemin noted. "It's a vital service."

Mr. Sampson reported that the restaurant association would also hold a number of safety-oriented seminars. "Our safety committee," he said, "will be developing a history of accidents in the restaurant business. We will see where the most accidents are and find out why they occur. That way we'll know where to concentrate our efforts."

Both Mr. Shemin and Mr. Sampson agreed that the program was worthwhile. They also agreed on the reasons why, perhaps, the program was not more widespread.

"Not all the members of the restaurant association are participants in the plan," Mr. Sampson noted. "There are insurance company and broker relationships that really can't be broken. We aren't out to compete with insurance companies."

Mr. Shemin put it a bit more forcefully.

"There is a lot of nepotism and political influence in insurance. You know, your third cousin's a broker so he places your coverage for you."

Armond Vergara, president of Robert F. Coleman, felt that the program had had little publicity. "And you have to remember that it could be difficult to come up with a financial statement strong enough to satisfy the workmen's compensation board. There might even be difficulty in forming a group. The restaurant association and the electrical employers had strong leadership before they started programs."

Both he and Mr. Chase of the state workmen's compensation board pointed out that the concept had been more popular in the South. "Florida has been allowing this for many years," Mr. Chase said. "They have a different system but it's essentially the same thing."

So, whether the program grows here remains to be seen but the two groups participating now have nothing but praise for it.

"If fringe benefits have any validity, this program has validity," Mr. Shemin expressed. "It gives the man a sense of security. He knows he's a human being, not a button to be pushed." ■

Group life level grows

Phoenix Mutual Life Insurance Co.'s group life insurance in force reached the \$3 billion level in September.

EVERY COMPANY PAYS INSURANCE PREMIUMS: YES? NO!

A lot of companies pay these to themselves. Its called Self Insurance. Premiums on Workmen's Compensation and Public Liability can generate a flow of cash for your own use. Not somebody else's. There's no advance payment for primary losses



and your cash is used only when necessary. When you think about paying your next premium to someone else, think of yourself and have your insurance buyer or broker contact us right away for details.

ROBERT F. COLEMAN INC.

WORKMEN'S COMPENSATION • PUBLIC LIABILITY • ACCIDENT CONTROL SPECIALISTS SINCE 1923
SEND FOR OUR BROCHURE • 120 East 23rd St., New York, N.Y. 212-777-4210

Fits like an Argonaut.



A workmen's comp program as individual as your client.

The Argonaut fit can't be stamped out of standard formulas. We hand-tailor workmen's compensation programs one at a time. Since the shape of a particular business is unique, we plan a unified program of coverages and service to match.

We do it with specialists. Underwriters, safety engineers, claims men, and auditors who concentrate on one type of business. They know the exposures peculiar to your client. Which safety measures and loss control methods have proved most effective. How proper payroll auditing keeps premiums at a legal minimum.

It's designed to fit your client's needs like a glove. No gaps. No bulges. No loose ends. But still flexible enough to give as changes occur.

If you're sizing up a major comp client, call Argonaut. We can make the difference.



Argonaut Insurance Companies

Home Office: Menlo Park, California

Principal Offices: San Francisco, Los Angeles, Portland, Boise, Dallas, New Orleans, Chicago, Minneapolis, Atlanta, Philadelphia, New York and other major cities.

Overseas: Saigon, Vietnam; Bangkok, Thailand.

Wrap-up plan covers Capitol subway project

By JOHN REVETT

WASHINGTON—The Washington Metropolitan Area Transit Authority hopes that by coordinating construction insurance coverage for the nation's capitol subway system it will, among other things, cut down on injury and damage claims that seven years of tunneling may cause.

WMATA started the planned 98-mile subway in 1969, and initial work, including 7.3 miles now under construction in downtown Washington, has not been coordinated. Contractors have been buying their own insurance and including the cost of it in their bids.

But with the prospect of more and more contractors entering the picture as construction gets into full swing there was growing concern about the possibility of safety and claims confusion, administrative overlap and general inefficiency.

So WMATA has decided to start handling the insurance program itself through a special unit, WMATA Insurance Administrators. "We've provided office space for them and they'll be here at all times throughout construction," said Delmer Ison, WMATA secretary-treasurer.

"WE'RE GOING to make sure that everyone follows the safety rules and that claims are settled promptly," he added. "The public relations aspect of this project is taken seriously."

The administrators' group is headed by Earl Adams, Charles H. Beall and Henry Huber of Johnson & Higgins insurance brokers, New York, which won the insurance contract over eight other bidders, including Marsh & McLennan, Alexander & Alexander and several broker combines. Lumbermens Mutual Casualty Co. has been named to carry workmen's compensation and comprehensive general liability for the project and National Loss Control Service Corp. has been retained on a fee basis to provide engineering and claims services. The coordinated coverage starts officially on Oct. 12 with the awarding of contracts for another stretch of tunnel.

Both insurance companies are members of the Kemper group. According to Mr. Beall, all large insurance carriers were contacted for proposals. "Kemper's was the least expensive and it provided what we wanted," he stated.

The premium estimate for the first three years is \$40 million—about \$25 million for workmen's compensation and the rest for comprehensive liability. Premiums could be lower, depending on the project's safety record.

THIS IS WHERE Mr. Huber takes over. As safety administrator he will oversee the safety programs and safety supervisors of all prime contractors and many subcontractors on the subway project. In coming months this could mean keeping watch over more than 30 contractors engaged in everything from burrowing under the Potomac River to putting up a WMATA office building.

"We'll have one of the best safety programs available," said Mr. Huber, who will be assisted by NATLSCO safety engineers and the safety personnel of consulting engineering companies. One of their main duties will be to inspect existing structures along the subway route.

Asked what safety regulations

the program will follow, Mr. Huber plopped down an armload of booklets—federal construction regulations, Maryland safety regulations, Virginia's, the District of Columbia's, and WMATA's. "There's overlap," he said, "but it's not a problem. The contractors will have to comply with whichever is most stringent."

The administrators seem especially conscious of the paths the various branches of the subway system will take through the district with its many national, institutional and private buildings and concentrations of office personnel. While the system won't pass under the Capitol or the White House, tunnels will be dug very close to, if not directly beneath, the Federal Trade Commission, National Archives, Na-

tional Postal Building, and several national museums and other federal buildings.

"THERE'S A lot of valuable property here, and a lot of people," said Mr. Beall, adding that the administrative group is considering additional general liability limits. At the start of the coordinated coverage the limit will be \$20 million, with Lumbermens writing the first \$5 million and Home Insurance Co. carrying the excess.

The administrators say they had an advantage in putting together their coordinated program. They could observe San Francisco's as it functioned. The San Francisco Bay Area subway project, covering a few less miles than are proposed for the D.C.

system (which in turn will be less than a third the size of New York's system), used a coordinated program, and according to Mr. Huber, dispensed with relatively few claims efficiently and saved considerably on man hours lost.

"Most major construction projects are using this kind of program now," said Mr. Huber. "It's easier for the contractors and it's more economical and efficient for us."

Added Mr. Beall: "The more you concentrate on safety and control and servicing your losses, the less the premium."

While the administrators had no specific criticism of the individual contractor coverage that has been in effect up until now, they spoke of once-a-month safety checks, high contractor expen-

ses, and insurance carriers who would "all point at one another" in complex claims situations.

There were objections to consolidation from contractor insurance brokers who will no longer be servicing the project, but WMATA's position was that the reasons for coordinating outweighed any losses to agents. J. Blaise de Sibour Co., Brail-Mick Agency, B. F. Saul Co. and McFarlin Insurance all of the D.C. area, didn't lose out. They are assisting J&H. ■

Limits liability

The Massachusetts state legislature has passed a measure establishing limited liability in damage suits for charitable institutions.



You sold the order, got it crated and on board, and left the insurance to your customer.

He could just as easily have forgotten that insurance entirely. But, in this instance, he had your cargo covered for only a fraction of its value just to save on premiums. And now that your goods are sitting on the bottom, he won't get enough money to purchase a replacement.

A losing cause. Entrusting your cargo to someone other than yourself is an invitation to trouble. To most shippers, the problems are unseen. But they're there—

just waiting to surface. And in every instance where something goes wrong, you're the one that gets it. Right in the bank balance.

The odds against you. Let's say the country to which you're shipping suddenly depreciates the currency. If your shipment is lost or damaged en route, your buyer's loss payment will be worth substantially less. What's more, because the exchange controls of some foreign countries prohibit payment prior to clearance by customs, any damage or loss prior to that point could

Prepaid group health to be available in Chicago area from eight clinics

CHICAGO—A prepaid group health plan for the Chicago-northern Indiana metropolitan area will be available after Jan. 1 from Intergroup Prepaid Health Services Inc. here. The group is a non-profit corporation backed by CNA Financial Corp. and is currently negotiating contracts with eight group practices.

The president of the new group is Elmer Rasmussen, also a vp of Continental Casualty Co., who said, "Right now we're talking about groups of more than 50 lives, but we will consider smaller numbers." Eventually, he added, it is hoped that individuals will be able to purchase the plan and that Intergroup will expand to the rest of the U.S.

The annual cost of the service is \$15 per person, \$50 per family and \$3 per clinic visit. Prescription drugs will be available to members of Intergroup at no charge and the semi-private room and board rate, all ancillary services during hospitalization and major medical will be paid. Organ transplants and kidney dialysis will be paid up to \$50,000 on an 80% coinsurance basis. Open heart surgery is paid on the same basis up to \$20,000.

OTHER BENEFITS under the Intergroup plan include diagnostic laboratory and X-ray examination, injected medicines, and physical therapy. For obstetrical care, including pre- and post-natal

care, the member would pay \$100 per pregnancy.

The hospital plan will be flexible according to the group that signs up for it, Mr. Rasmussen said, and there will probably be a small deductible at first. Programs such as this are experience rated, he explained, so the premium rate will vary but the amount of money received by each clinic is a set fee.

Participating groups do not have to take the hospitalization part of the Intergroup plan, he added, but can buy only the outpatient service, for a lower rate, if so desired. He said that he did not think this idea would be economical in the long run and doesn't expect much demand for



Prescription drugs will be available to all members of Intergroup Prepaid Health Services Inc., at no charge. This pharmacy is at the Hammond Clinic, one of eight group practices providing service.

the outpatient plan alone.

Members of a participating group health program will have the choice of staying with their present insurance plan or joining the Intergroup prepaid plan. Intergroup members may select any

of the participating clinics to visit, choose their own physician from any of the doctors in that health center and change clinics once a month, if they wish. People who did not elect Intergroup initially may join upon renewal of the contract.

THE PROGRAM also includes provisions to reimburse members who require medical care while they are away from the Chicago area.

Mervin Shalowitz, M.D., medical director of Intergroup, noted that participating clinics will be allowed to continue their existing fee-for-service practices but that the number of prepaid patients they will be allowed to contract for will never exceed the number they can physically handle. In discussing the locations of the clinics, he said:

"In many prepaid group practice plans centralized locations have been established where people from an entire metropolitan region must come for consultation or care. We think this is a mistake. We believe we must bring medical care to the people."

Mr. Rasmussen said that the insurance company's role in Intergroup is to provide actuarial services, marketing services, administration and reinsurance against catastrophic illness on the part of plan members—and, the capital to get the program off the ground.

The break-even point on the number of subscribers for the plan is 1,500 the first year; 5,000 the second year and 8,000 the third year. ■

Coverage is frozen

WEST HARTFORD, Conn.—Redevelopment Agency employees in this Hartford suburb will have to wait for major medical insurance until federal officials decide who should pay for it.

The employees at present have no major medical coverage through the agency, according to executive director Prentiss L. Peterson.

They were to become insured, but the federal price-wage freeze also froze benefits, Mr. Peterson said, and it is his understanding that insurance of this type is also affected.

Employees agreed to pay for their own insurance during the freeze, with the understanding that the government would pick up the tab at termination of the freeze.

FEDERAL officials, however, have notified the agency that legal staffs did not feel the freeze would affect the insurance benefits. They said they would be willing to pay for the coverage during and after the freeze. Town officials are not convinced, however, that the insurance benefits would be exempt. ■

You won't know it till tomorrow, but your overseas customer insured only half the shipment.

prevent your customer from collecting anything at all.

But that's only the beginning. Your buyer may be uncertain about his loss liability and not authorize payment of drafts on lost or damaged goods. He may not be able to obtain "all-risks" or even warehouse-to-warehouse coverage. And should he happen to get into financial difficulty while your shipment suffers physical harm, he gets the insurance money.

And you end up just another creditor.

Put yourself in charge. It's all a matter

of control. For only when you control your own cargo insurance can you control your own fate. At MOAC, we've been writing cargo insurance for years. And because we write it for you instead of your customer, you know you'll get what's coming in case anything goes amiss. For more information, write Manager of Marketing Services, Marine Office • Appleton & Cox

MOAC

Corporation, 123 William Street, New York, New York 10038. Aviation insurance through Associated Aviation Underwriters.

Marine Office • Appleton & Cox Corp.

Giles...

Continued from page 32

atrocities? The California court says the county is liable, and that there is no statutory immunity, or should there be. (*Elton v. County of Orange*, 84 Cal. Reporter 27.)

* * *

IF YOU transport your employees a distance of 50 miles from an inland water drilling operation, and one is injured in the course of the trip, is such injury within the purview of the Jones Act? The court of appeals of the fifth circuit says "yes." This is certainly a land-based injury but the court observes that the men physically had to leave the rig daily, and for continuity in the work force, that meant that the men (or replacements) had to return to the rig daily. In all of this, the employer had a most vital interest. With the land leg

amounting to 120 miles at least three days a week, any employer hoping for a stabilized labor force would have to reckon with what this distance and the expense of travel would mean in recruiting and maintaining a steady, dependable work force. Not out of heartfelt charity, but from the most worldly self-interest, the employer here supplies free transportation for he knows the employees know that such economic cost must be borne by someone, somehow. If the employee is to bear it, wages must be increased, or job attractiveness will be diminished. And to these employer interests may be added the convenience and reliability flowing from each tour's departing at predetermined locations and times. Both from the "nature of the service" as well as its relationship to the operation of the rig, these direct employer interests in this arrangement make out an occurrence "in the service of the ship."

(C.A. 5, *Vincent v. Harvey Well Service*, 4/8/71.)

* * *

IF YOU ARE a truck driver you may get a verdict for \$50,000 against a manufacturer of a truck for an alleged defective steering column, but that may well be reversed, as it was in this case. Here the truck was in a broadside collision with a tractor-trailer. He sued the manufacturer on the theory that the truck had been advertised as having a telescoping steering column, and that the manufacturer was liable because, as a result of the accident, he struck the steering wheel, which had not telescoped, with his head and chest and sustained permanent injuries. The manufacturer claimed that it was not under a duty to produce vehicles which would be safe to collide or which are accident proof or incapable of injurious misuse. In reversing the jury verdict, the supreme court of Mississippi said

that an automobile manufacturer is not liable for injury arising from defects on the automobile which *did not cause* or contribute to the cause of the accident.

The evidence in the case did disclose that the steering column was in fact telescopic, and it would have collapsed as advertised, in the event of a head-on collision. This was not a head-on collision. The sole cause of the accident here was the failure of the tractor-trailer to obey a traffic signal requiring it to stop. (*General Motors v. Howard*, Supreme Crt. of Miss., 2/22/71.)

* * *

AS A GENERAL proposition, hearsay evidence has been held admissible in administrative workmen's compensation proceedings in Alaska, Arizona, California, Colorado, Kansas, Maryland, Montana, New York, Ohio, Pennsylvania, Utah, Virginia, Washington, and West Virginia. This comment covers only cases in

which questions concerning hearsay evidence arose in a workmen's compensation proceeding commenced in an administrative agency, as distinguished from a "court" in the proper technical meaning of that term; that is a court which is part of the judicial, as distinguished from the executive, branch of the government.

* * *

COLORADO has abolished the doctrine of sovereign immunity, but she is not entirely alone in this forward step. Colorado has been preceded in varying degree by the appellate courts of Arizona, Arkansas, California, Florida, Idaho, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Nebraska, Nevada, New Jersey, Rhode Island, and Wisconsin.

In the case, the plaintiff alleged that while en route to jury duty, she sustained a personal injury as the result of carelessness on the part of the county commissioners in permitting the concrete steps at the El Paso County Court House to deteriorate and constitute a dangerous hazard. The action was allowed. The court recognized that to give the rule of this opinion immediate effect would constitute a disservice to government entities which would not be able to include in their budgets premiums for liability insurance coverage until a future time. So except as to the parties in this case, the ruling here shall be prospective only, and shall be effective only as to cause of action arising after June 30, 1972. The court did say that if the legislature wishes to restore sovereign immunity and governmental immunity in whole or in part, it has the authority to do so. If the legislature does not completely restore these immunities, then undoubtedly it will wish to place limitations upon the actions which may be brought against the state and its subdivisions. This, too, it has full authority to accomplish (*Vivian Evans v. The Board of County Commissioners of the County of El Paso*, Colorado Supreme Crt. 3/22/70.) ■



Complying with the new Occupational Safety & Health Act isn't as hard as it looks.

A NATLSCO in-depth survey will help determine exactly what your company must do.

Many companies will be overwhelmed just trying to figure out what they must do to comply with the new Occupational Safety & Health Act. And if your company is engaged in interstate commerce, you must comply with the several thousand requirements spelled out in the law's 1,750 pages.

The National Loss Control Service Corporation (NATLSCO) can simplify the task for you. One of our three-man survey teams will help you to evaluate your facilities and operations in relation to the new law. Each survey team member concentrates in the area of his professional specialty—industrial hygiene, fire protection, industrial safety.

They'll provide you with a written point-by-point comparison of how they feel your company measures up to the new law. Recommendations which will help you to bring your facilities and operations into compliance—at the least cost—will be included.

NATLSCO's new survey service can also include assistance in establishing or revising your record-keeping systems in the area of accidents and illnesses to meet the federal requirements expected to be established in these areas.

For more information about these new services of NATLSCO, an affiliate of Kemper Insurance, please return the coupon.

Gerald L. Maatman, President
National Loss Control Service Corporation
4750 Sheridan Road
Chicago, Illinois 60640

Please send more complete information about your new NATLSCO OSHA Survey Service.

NAME _____

COMPANY _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____



Rail inquiry suggests

coalition rule

OTTAWA—An inquiry into railway safety in Canada ended last month with the general consensus that responsibility for safety regulation be removed from the railroads themselves and given instead to a tripartite body of labor, rail management and government.

The Canadian Transport Commission's railway transport committee heard Canadian Railway Labor Assn. representative Jack Walter say that the railways had abdicated their responsibility for the safety of the public and employees. Mr. Walter, who spoke to the commission's final hearings, said, "The railways have been a self-policing industry and a change in this regard is long overdue."

He added that Canadian railroads have traditionally accepted standards issued by the Assn. of American Railroads when it came to safety. However, he added, the AAR is a commercial organization set up to facilitate inter-line operations and its equipment specifications do not adequately consider safety.

No final action on the formation of a tripartite regulatory body has been taken by the commission. ■

No-fault concept called 'threat' to common law

LONDON—Lawyers discussed the no-fault concept of insurance at the American Bar Assn.'s sessions during its special congress in Britain.

Solly Robins, a St. Paul, Minn., attorney, told the congress: "I can think of no greater threat to our Anglo-Saxon common law legal system than this no-fault concept.

"The fault system places responsibility on the wrongdoer, and requires full and adequate compensation of his wrongs. But what motive can there be for a manufacturer to make a safer product if the amount of damages recoverable from him by a person injured by his product is limited to economic loss?"

In his opinion manufacturers would soon realize the advantage of producing shoddy merchandise and curtailing resources devoted to testing.

MR. ROBINS gave the example of steam vaporizers in children's bedrooms, which gave rise to 15,000 injuries a year until the manufacturers fought, and lost, a claim for \$150,000 damages.

After that event adequate safety precautions were introduced, but no-fault would have given the injured little girl only medical and hospital expenses, since there was no economic loss in the sense of loss of wages.

Edmond Rondepierre, of the Insurance Co. of North America, told British and U.S. lawyers at an insurance session:

"Americans look to the insurance system rather than the tort system for a remedy when they are injured in an auto accident. To get adequate protection at present both liability and personal accident insurance are necessary, but the cost of the two together has become too high."

Bill asks coverage for fishermen

WASHINGTON—Sen. Mike Gravel (D-Alaska) has introduced legislation which would set up a federal fishing insurance program similar to the existing agricultural insurance plan.

The proposal calls for the creation of a federal insurance corporation to protect fishermen and fish dealers against losses arising from health authority actions that would prevent fish that have been contaminated by mercury or any other environmental pollutants from being sold.

"There is no reason why one segment of our society—the fishermen—should have to bear the consequences of several generations of environmental carelessness," the senator said.

Under the bill, fishermen would be eligible for subsidies if subjected to a loss of livelihood. Sen. Gravel said the subsidies could amount to as much as 70% of the previous year's gross earnings. Another provision in the bill would provide funds to reimburse fishermen for obsolete boats and equipment. Money would also be provided for direct grants to companies holding impounded fish.

The Senator pointed out that the impounding of mercury contaminated swordfish "has virtually wiped out the swordfish industry in this country."

He also noted that speculation had arisen about other foreseeable contaminants, notably cadmium, arsenic and selenium. ■

He said he felt the courts could modify the tort system if they wished by holding that the operation of an automobile was an ultra-hazardous activity, supporting strict liability to innocent victims. They had refrained from doing so probably because they saw that the primary object of reform efforts was the insurance system, which would need legislation.

British attorney J. C. Griffiths told delegates that most complaints about the present system of liability in Britain related to auto accidents, and not to product liability, social welfare payments and other benefits in industry aided plant workers if they were hurt at their jobs on the factory floor. ■

LIFE · HEALTH · FINANCIAL SERVICES SPECIAL ISSUE

DECEMBER 6—AD CLOSING: NOVEMBER 23

business insurance
newsmagazine

NEW YORK:
630 Third Ave. (212) 986-5050

CHICAGO:
740 Rush St. (312) 337-5200

LOS ANGELES:
6404 Wilshire Blvd. (213) 651-3710



New risk reducer.

Now there's a manageable way to protect physical assets against loss. And Honeywell has it in a new master protection center!

We analyze your *total* protection needs. Then, develop a unique, *cost-effective* solution to reduce your assumed risks.

As systems people, with no vested interest in any specific types of devices, we range freely over *all* the options. Fire, security, patrol tour, intercom, card readers, critical equipment monitoring, CCTV.

Pick just the equipment you need, no more. Then, put it all together in our new

Alpha 3000... a master protection system that can grow as you grow. Change as you change.

Alpha uses a single transmission cable and can tie all your buildings together via leased lines.

With a single reporting format and command keyboard that give your security personnel instant information they can see, hear, understand, and act upon.

One-source responsibility, too!... from Honeywell, G5246, Minneapolis, Minn. 55408

Honeywell
The Automation Company

Air liability . .

Continued from page 34
there's a lot of work to be done and it could be a long time—no one knows."

Another spokesman at DOT said that the carriers would not be responsible for funding the supplement, but would probably have to administer it. He said the funding could be provided by an additional charge on the passenger's ticket of, perhaps, \$3, although he also mentioned the possibility of a government-funded supplement. This man's opinion was that "hopefully it will be worked out in one or two years."

A SPOKESMAN for the Civil Aeronautics Board commented that most other countries will not ratify the Protocol until the U.S. does. He also pointed out that the American Trial Lawyers Assn. is likely to work against the bill. "This agreement establishes the principle of absolute liability for a small segment of society," he

noted, "and you can expect the trial lawyers to dislike that idea." Asked if their opposition could be effective, the CAB source chortled and said, "They do have their supporters here and there in the Senate."

Both the Air Transport Assn., representing the carriers, and the Aerospace Industries Assn., representing the manufacturers of airplane components, have submitted various domestic supplement plans to the government. An ATA spokesman told *Business Insurance*, "We were asked, among others, to submit alternative ideas, and we've done so. Until we receive further word from the government we won't be in a position to state an industry position. In the forthcoming weeks we hope to get some crystallization."

Commenting on the Guatemala agreement as a whole, the ATA source said "We're pleased with it overall, although some things were hard to swallow. On balance it's a remarkable document. The no-fault principle will result in the majority of cases never coming to court, and then for damages only. The passenger or his heirs will get their money a great deal sooner and without having to pay huge attorneys' fees. It's in the nature of things that lawyers would prefer to litigate liability, just as airlines would prefer a limit to their liability. The clause may be a pill for airlines to swallow, but the fact that the \$100,000 limit is unbreakable helps the pill go down. The question of being able to break the limit under the Warsaw Convention left airlines in never-never-land. So, seeing it as a total package, I'd say this agreement is a step forward."

The Aerospace Industries Assn. has submitted a domestic supplement plan to the State Depart-

ment that would, naturally enough, protect manufacturers, who are not included in the body of the treaty. "Under the Montreal Agreement," said an AIA source, "the money recouped from a carrier was then used, in many cases, to file suit against the manufacturers involved. We think the manufacturer should be inaccessible to the public. Airlines could still turn to their manufacturers for recovery." The AIA source said his group would like to see the federal government step in to indemnify everyone involved when claims reached a certain level (to be set by the Secretary of Transportation). "You can see the huge claims possible if a DC-10 or a 747 went down fully loaded," he said.

INSURANCE INDUSTRY

sources say there are three general schools of thought on the limits of the domestic supplement. A low ceiling of perhaps \$100,000 is favored by a few; a relatively high limit of, perhaps, \$400,000 has been mentioned by a greater number of those involved, and an unlimited supplement is being pushed by those who argue that it would be more in line with American doctrines of law if the injured party could recover full damages. One man pointed out, however, that insurance rates could be set more easily if there were a definite limit, be it low or high.

As for the Protocol's possible effect on airline insurance rates, few people were willing to comment on what appears to be a contingency. However, a spokesman for United Air Lines said, "The immediate impact will be on international carriers. United's rate changes should be inappreciable because we do so little non-domestic flying. But for an airline

like Pan Am the immediate effect might be a modest rate increase due to the raising of the limit from \$75,000 to \$100,000. Because that \$100,000 is an unbreakable ceiling, however, the Protocol should have a long-run money saving effect." As a man at New York brokerage Parker & Co., International Inc. pointed out, "Guatemala's absolute liability of \$100,000 is better for the airlines than the Montreal Agreement's \$75,000 limit-with-loopholes."

Insurers say the cost of the supplement is likely to be high because the new protocol, like the old ones, does not require a passenger or his heirs to prove negligence by the carrier. The supplement however, as has been pointed out, will not be funded by the airlines, so this is one less headache for international carriers.

The Guatemala City Protocol has an inflation provision for an automatic \$12,500 increase to the \$100,000 limit at the end of the fifth and tenth years after the agreement comes into force. ■



E. W. Altstaetter II, director of insurance and risk management for North American Rockwell Corp., will present the viewpoint of the consumer at a seminar on no-fault auto insurance sponsored by the Allegheny chapter of the Society of Chartered Property and Casualty Underwriters. The seminar will be held Wednesday, Nov. 10, in Chatham center, Pittsburgh. Mr. Altstaetter, who is vp-education of the American Society of Insurance Management, will be joined by spokesmen for insurance agents, attorneys and the auto insurance industry. Reservations for the no-fault insurance seminar may be made through Robert J. Carr, Nationwide Insurance Co., Box 511, Butler, Pa. 16001. The luncheon program will include the awarding of CPCU diplomas.

Urges no-fault law

The Intercity Bus Assn. of New York state, which represents most of the city-to-city regular route and charter carriers in the state, has urged the New York state legislature to pass a no-fault automobile insurance law at the 1972 session. The association reviewed the Massachusetts experience and decided to take action. In letters to the governor, the state department of insurance and the state department of transportation, the association suggested a coordinated effort to secure passage of the law and offered help to that end.

independent
CONSULTANTS...

insurance and employee benefits
complete analysis
we do not sell or
place insurance



Since 1938

CORPORATE
POLICYHOLDERS
COUNSEL, inc.

20 North Wacker Drive
Chicago, Illinois 60606
Phone: 312-372-8225

Employers Reinsurance Corporation

The people to see for excess coverage.

Our service in the areas of Libel, Workmen's Compensation, Commercial Automobile and Umbrella Liability is pretty difficult to match... for a number of reasons.

First, we have a large staff of experts who understand their highly technical fields as well as (or better than) any other group in the world.

Second, we have these experts in strategic spots, so that they're instantly available for consultation.

Third, we've been at it for a long time (since 1914) and the body of

information we've acquired is priceless.

All three of these are factors you must consider when you require excess coverage. Write or call collect, and let's talk it over.

Maybe we can convince you that we really are the people to see for excess coverage.

We also have Errors and Omissions policies for Brokers and Insurance Agencies and Professional Liability for Lawyers and Adjustors.

Employers Reinsurance Corporation

21 West 10th Street, Kansas City, Missouri 64105 • Atlanta, Chicago, New York, San Francisco, Toronto, Montreal, Zurich

Xerox to give leave for social work with full salary, employe benefits

STAMFORD, Conn.—Beginning next January a select number of Xerox Corp. employes will be able to take time off from their corporate duties to devote themselves to social welfare projects—and they won't forfeit job, title, pay or employe benefits in the process. The one possible exception, looked into by Xerox officials after a *Business Insurance* inquiry, is travel accident insurance.

This huge copier and computer company said its "social service leave program" will grant employes up to a year's leave at full salary to pursue a self-chosen volunteer project. All employes who have been with the company for three years, no matter what their job status, are eligible. This means about 28,500 of Xerox's approximately 38,000 domestic employes are eligible to participate if they wish.

As the program is planned, 20 people could participate if each were granted a year's leave, or 40 could be chosen if each needed only six months. Although Xerox did not disclose the cost, other sources estimated it at about \$500,000 a year.

APPLICANTS may propose almost any social service activity in almost any location, and the activity does not have to be related

'Blacklisted' fishermen sue insurer

BOSTON—An unusual case involving fisherman's insurance rights in three Massachusetts municipalities has been filed in U.S. district court here.

The Professional Maritime Insurance Co. of London brought the action against Boston lawyers and some 50 fishermen, seeking a declaratory judgment that it had the right to refuse to insure fishermen who brought damage suits against boat owners.

Attorneys David Kaplan and Michael B. Latti, who are among the defendants, charged in an answer filed in court that the insurance firm has, in reality, established a "black list" which violates the fishermen's constitutional rights.

The fishermen had complained to the attorneys that they were refused employment on fishing boats after they had filed damage suits in court upon sustaining injuries aboard fishing craft.

IT WAS CHARGED that Professional Maritime notified boat owners that coverage would not be extended to fishermen filing suits against the latter.

In a counterclaim, attorneys Kaplan and Latti seek damages of \$2.5 million from Professional Maritime, plus damages of \$15,000 each for the 50 fishermen represented. ■

Compensation rate cut

Approval of a rate filing by the 225 insurers that write workmen's compensation in Kansas has resulted in an average 2.5% compensation premium decrease. The rate cut will save \$800,000 in premiums. The contracting industry benefited the most from the filing, with an average decrease of 8.2%. The reduced rates become effective Sept. 1.

to the job or skill used at Xerox. Those chosen will be guaranteed the same or equal jobs with the same salary, responsibility, status and opportunity for advancement on their return to Xerox.

"Essentially the service volunteers will continue to be company employes," James M. Wainger, Xerox corporate vp of personnel, told *Business Insurance*. "They will be covered as usual under group health and life. Length of service will continue to accrue for all those things it counts for. If the volunteer's agency or project pays them something, we'll pay the difference between that and the employe's regular salary. Otherwise we'll pay the volun-

teer's full, regular salary."

Interestingly, Mr. Wainger, who is one of the seven people on the evaluation committee to select those granted leaves, once left Xerox himself for three years to teach and write plays.

Asked if the social service volunteers would be covered by travel-accident insurance while on leave next year, Mr. Wainger said he was not sure. "This is an experimental program," he said, "and we haven't anticipated each problem that could arise despite our basic philosophy of regarding these volunteers exactly as regular employes." He said he would alert Philip Canfield, Xerox's manager of employe benefits, to

the question.

"Yes, we've talked about it," Mr. Canfield said the next day. "This is the kind of nitty-gritty that comes out of any grandiose plan. You have to figure out how to live with daily details." According to Mr. Canfield, Xerox's travel-accident insurance policy comes up for renewal early next year, just after the social service program goes into effect. "So it's not a problem affecting our current policy," he said. "We'll probably put something about it into our specifications for renewal."

However, the chances of the volunteers' inclusion one way or the other "are a bit like Russian roulette," the benefits manager pointed out. "You know how insurance can be," he said.

Mr. Canfield commented that he "would like to see the volunteers covered on travel—that would be our intent. Chances are 99% sure that they will all be working in America. But it would

be a problem if someone were working, say, in Africa. Not too many insurers would be pleased at the prospect of an insured hopping around on a one-lung African airline. And it would be impractical for us to get a separate Lloyd's policy for 20 people."

Xerox's basic intent, however, is to treat their social service volunteers exactly as if they were still on company business. "We may run into a few problems," said Mr. Canfield, "but our attitude is clear."

At the time of its announcement, Xerox's president, C. Peter McCollough, said that he sees the program as "a logical extension of our corporate commitment to involvement in the problems of society." The "critical lack" he said, isn't always money, but human resources. "So, in an effort to put something back into society, we are giving the most important asset we have—the time of our people." ■

Why some insurance companies get big & fat.

There's nothing wrong with size. We think big is good. But better is better.

That's why we're not likely to be smug about being the largest independently owned property and casualty insurer in California.

Energy. Brains. Time. Talent. That's what we demand more of from our people, because that's what our industry needs. It's what you need, re-

gardless of your business or policy interests.

And it's not what fat is made of.

Whether yours is a big company or small—whether you need workmen's compensation, general liability or surplus lines—investigate the specialist: Mission Equities Corporation. Call or write your insurance broker, today.

We're lean and aggressive enough to run faster for your business.



California's Largest Publicly Owned, Independently Operated Property & Casualty Carrier. San Francisco, Seattle, Portland, Denver, Houston, Dallas, Phoenix. Headquarters: Los Angeles.



MISSION INSURANCE CO. • SAYRE AND TOSO, INC. • HOLLAND-AMERICA INSURANCE CO. • PACIFIC REINSURANCE MANAGEMENT CORP. • DATA TECH CORP.

help your employees save themselves!

Saving money is hard work. Most people can't seem to manage it by themselves. That's why our Group Department offers The Travelers Employee Savings & Investment Program... to help you help your people save money.

You get a new, attractive and competitive employee benefit program at a low and predictable cost to your company.

Your employees get a convenient way of saving money, as well as an attractive investment program, with important tax advantages.

Employee acceptance is high. And our computer-accurate reports to employees reinforce their acceptance and emphasize your support of the plan.

Find out more about this new Travelers benefit program. Call your Travelers Group man today.



THE TRAVELERS

The Travelers Insurance Companies
Hartford, Connecticut

business insurance/perspective

Here's how risk men handled the University of Wisconsin bombing

Timetable

3:42 a.m., Aug 24, 1970—An explosion rocks Sterling Hall on the University of Wisconsin Madison campus.

5:55 a.m.—Bill Hustedt of the university's risk management department receives a call from the safety department as part of pre-established procedure.

6:10 a.m.—Gary Bausom, of the university risk management department, receives news of the explosion on the radio. Mr. Hustedt is already on way to scene.

6:42 a.m.—A visual inspection is made of the bombed area by Mr. Hustedt and Mr. Bausom.

7:32 a.m.—The risk managers meet in their office and initial thoughts center on what procedures can be taken to minimize any further damage.

8:02 a.m.—Phone calls begin flooding in from various university departments describing the damage.

9:07 a.m.—The loss is reported to the Wisconsin state insurance fund after an initial determination of the cause of the loss and an estimate of the scope of the damage.

by Dan R. Anderson,
Assistant Professor,
Risk Management and Insurance,
University of Wisconsin
and Gary J. Bausom,
Insurance Administrator,
Allis-Chalmers, Milwaukee, Wis.



WAS THIS the beginning of a typical day in the risk management office at the University of Wisconsin? Hardly! It was the beginning of the most complex problem which ever confronted the university risk management department. The ramifications of the explosion (which included the loss of a human life) still reverberate today, and will probably do so for many years to come.

A deliberate bombing, of the magnitude that rocked Sterling Hall, and "razed the Army math research center," is not normally contemplated by a risk manager when he is identifying potential risk situations. Consequently, there was no completely prepared plan of action for such an event. Attempts were made to construct a rough course of action, but these proved futile at first since so many other immediate tasks demanded time. The first of these tasks involved the receiving and cataloging of reports of the damage.

An August 25 lead story in the Wisconsin State Journal read: "A powerful, pre-dawn explosion ripped through the Army mathematics research center at the University of Wisconsin Monday, killing a 33-year-old researcher and injuring four other persons. Police believe the blast originated in a small van truck parked at a loading ramp adjoining the center's south wall. The truck disintegrated into small pieces . . ." Although the bombing has been identified with Sterling Hall and the Army math research center, some 30 buildings were in fact damaged by the blast. Some of these were as far away as

one-half mile. Since many departments often occupy a single building, just organizing the initial damage reports posed a considerable burden.

ANOTHER immediate consideration involved relaying the information of the damage reports to the manager of the state insurance fund, the primary insurer of university buildings. One can imagine his consternation when initial radio and newspaper reports indicated that the total amount of damage, \$6 million, exceeded the surplus of the fund.

It became apparent that a memo explaining claims procedures would have to be immediately sent to the various departments. This was necessary because most departments were unfamiliar with what actions to take and also because the state insurance fund had laid down a number of strict requirements.

Adjusters from the General Adjustment Bureau (GAB) were involved from nearly the very beginning. During the initial meeting, the risk management department familiarized GAB with the university layout, particularly the site of the bombing; brought the agency up to date on what steps and measures had been taken, and accompanied them on a brief visual inspection of the area.

It finally appeared as if some order was beginning to be established from the initial chaos which followed the bombing. Seventytwo hours after the explosion, the university risk management department had collected information on the extent of

the damage; made a preliminary report to the state insurance fund on the scope of the damage; written a memo on the claim procedures to be followed; within 72 hours, met with the General Adjustment Bureau, and prepared a rough list of the damaged property in order to approximate relative severity. But there was much more to be done.

AT THE REQUEST of the chancellor's office, a plan for action originated from a meeting of department chairmen and representatives from the planning and construction, physical plant and risk management departments. A planning and construction representative was designated as coordinator and concerned with funding sources.

Other parties included: a structural engineer from the physical plant, a state architect from the bureau of engineering involved with planning of extensive repairs, a member of the industrial commission concerned with the possible hazards to workers due to unusual and dangerous conditions originating from the bomb blast, an official from the space management department involved with the relocation of various departments on a temporary and/or permanent basis, an officer from the chancellor's office needed to keep management informed as to the direction and progress of the restoration project, the chairman or his representative from the departments hardest hit, including physics and pharmacy and the risk management department which was responsible for the

valuation, adjustment, settlement and other related problems.

One of the first proposals at this meeting was that a priority list be drawn up in order to concentrate in those areas that had received the most damage or had to be back in operating condition first. A priority list was essential in light of the fact that there was less than one month before the start of the fall semester. It was obvious that in so short a time period only a limited amount of the damage could be repaired. The laboratories and most classroom areas were given top priority. Laboratories were especially crucial as they required equipment as well as a place to meet in order for classes to be held. There were no alternative lab spaces available. It was determined that the laboratories in the pharmacy building had to be placed at the top of the priority list. The physics laboratories in Sterling Hall received next priority. Classrooms in Birge and Van Vleck Halls rounded out those areas that would receive maximum attention in the first month. At the same time, the extent of structural damage to Sterling Hall would be determined with provisions made for the temporary support of the building.

Although funding the rebuilding would become a major difficulty, it was decided to defer this problem until later. An initial appropriation of \$600,000 was made from an emergency fund in order that work could begin immediately.

A plan was drawn up whereby various

Continued on following page

Here...

Continued from preceding page

responsibilities and problem areas were assigned to the different departments that were present at the meeting. It was hoped that by coordinating the varied functions necessary for restoration from the start that overall effectiveness would be improved.

RECEIVING AND cataloging damage reports from the various departments went on for many days following the bombing. In those areas where total damage was incurred, it was often difficult to recreate just what property, materials and equipment had been present before the blast. This was especially the case in the physics and pharmaceutical laboratories that were closest to the point of explosion.

Given these rough damage reports as a basis from which to start, the risk management department and GAB with others made a complete room-by-room inspection of every major damaged building. This had to be done rapidly so as not to hold up any of the repair work that the craftsmen were geared up to begin.

To aid in obtaining a complete inventory list of the items in each of the buildings affected by the explosion, a request was made to the inventory office to obtain complete inventory printouts. The inventory office also made a room by room inspection and determined from inventory numbers what had been damaged or destroyed.

Itemizing the damaged property was complicated by the fact that not all of the damage was readily apparent. Van Vleck Hall is a good example. This particular building is a tower structure built on a pedestal which stands on concrete stilts. It is located in close proximity to the center of the blast. The engineers were concerned that this structure might have been shifted by the blast.

The state industrial commission safety engineers were asked to examine various elevators in buildings near Sterling Hall. There were two primary reasons for carefully checking the elevators. First, it was thought that these elevators might not be safe for general use. Second, plumb lines in the elevator shafts would give indications as to whether the buildings had shifted on their foundations.

A THIRD EXAMPLE involved the condition of underground steam pipes. There was concern that the shock effects of the blast might have loosened the seals and unions in the steam pipe system. The situation was further complicated by the fact that any such potential damage would not become apparent until cold weather set in and the heating system was put under some stress.

Some of the basic determinations of loss were made based on visual inspection. For example, the east wing of the basement and first floor of Sterling Hall losses could readily be agreed to be 100%. However, determining actual cash value became a horrendous problem.

The university had a policy of carrying all inventory on an original cost basis. Juxtaposed on this system was a crude depreciation schedule that had been used for years. Basically, it called for a 10-year expected life for all equipment which contained movable components and a 20-year life for all items with basically nonmovable parts such as furniture. At the end of the stated period (10 or 20 years) the residual values scheduled at 20% of original cost, were carried for an additional 10 years. Standard procedures in the past also called for claims being adjusted on an original cost minus depreciation basis.

Since losses in the past had been small and infrequent, with relatively minor financial consequences, the risk management department had been unsuccessful in getting the procedure changed. But when one sustains a loss the magnitude of the Sterling Hall bombing, adjusting values on an original cost minus depreciation basis would substantially reduce available replacement funds. With these facts and the influence of GAB, a procedure has now been accepted whereby adjustments will be on an actual cash value basis. For

instance, capital contents have been adjusted for inflation by the use of a "composite" index, based on Marshall and Stevens' content index reports.

A CDC 3600 computer, located on the third floor of Sterling Hall, proved to be the major adjustment problem. This computer had not been used for approximately five months before the explosion, as it had been phased out of the university's operations and was up for sale. This made its value subject to bids or qualified estimates. Therefore, the university had on hand bid values at the time of the loss. In addition, Control Data Corporation was called in for valuation. The General Adjustment Bureau also contacted computing consultants to obtain their estimates of the cost to repair the CDC 3600. After preliminary estimates, it was obvious that considerable differences existed. A meeting of all parties failed to resolve the differences. Other attempts have also proven unsuccessful; consequently, the final determination still remains an open issue.

There was a large amount of specially constructed equipment that was damaged or destroyed in the blast. This presented another valuation problem. Much of this specially constructed equipment was built and modified by professors and assistants over a long period of time. In many cases, the equipment was unique, essentially the only one of its kind. This made normal replacement procedures inapplicable. The picture was complicated further by the fact that most of this equipment was kept in good working condition by constant maintenance and replacement of old parts. The standard depreciation schedules would

contractors.

When a loss of catastrophic proportions strikes, it is necessary to have funds available so that emergency and temporary repairs can be made. In the risk management department there exists such a fund—Fund 999. This fund can be written into the "red" based upon the judgment of the risk management department. Expenditures charged to this fund are based on a probable insurance claim. By having such a fund the various departments did not have to wait while the claim was finalized and a proof of loss processed in order to have funds available for repairs and purchases.

Some special problems arose concerning the state insurance fund, the primary insurance funding agency for all state property. Since the state insurance fund is a unique funding device at the state level, it might prove useful to digress for a moment to describe its structure and experience.

The state insurance fund was established by the Wisconsin legislature in 1903 to provide insurance coverage for all state property on a mandatory basis. Later coverage became also available to counties, cities, towns, villages, and school districts on an elective basis. For several years, the rates have been held to 50% of those published by the first insurance rating bureau. This alternative of insuring with the state insurance fund has proved to be quite an attractive alternative for many local governing bodies.

THE STATE INSURANCE fund continued to grow and to acquire a sizable surplus. In the 1950s and 1960s with mount-

'It became apparent that many weak points relating to risk situations existed in the university structure.'

have reduced much of the component parts of the equipment to residual values which would have been totally inappropriate. Then there is the question of the value of time and supplies which also went into the equipment.

What is the value of a professor's life long research? This question was vividly illustrated by the ion research laboratory complex, essentially a unique instrument. The ion source itself had many thousands of parts which had been modified over the years. To compute its value would be like taking a computer one piece at a time and determining the actual cash value of each transistor, resistor and inductor. And how does one value a completely destroyed doctoral dissertation, one month away from completion? These kinds of questions constantly plagued the risk management department throughout the valuation process.

Another problem which needed to be worked out with the adjustors was a more expedient method of determining the value of damaged equipment. It would have been a time consuming process for everyone involved to get actual estimates of repairs on each one of the items. In addition, some of the damaged and destroyed items were no longer needed for future research so there was no need to replace or repair them. The magnitude of this claim necessitated the valuation of damaged equipment on a percentage basis. More specifically, after numerous inspections of the damaged property, a percentage figure was assigned in relation to the actual cash value to determine the amount of loss on items valued at less than \$2,000 acquisition cost. For items valued at more than \$2,000 there was an actual repair estimate made.

IT MUST be remembered there were several constraints; there were literally tens of thousands of items involved, the fall semester was less than a month away, and research people did not want to lose any more time than was absolutely necessary. This meant that an equitable solution for adjustment of the various and sundry losses from everyone's point of view had to be found quickly.

Building damage was assigned to physical plant for emergency repairs and those that could be done over a year or two, with the rest let out for bids to private

ing fiscal problems in Wisconsin, the legislature was prompted to take a series of actions. On three occasions funds were transferred from the state insurance fund surplus to the general fund. These transfers represent nonreturnable loans to the state. In 1955, \$5 million was so transferred, in 1963 \$3.5 million, and in 1967 \$3 million. In 1961 it was decided that when the surplus of the state insurance fund exceeded \$5 million, premiums on state property would no longer be required. This amount was lowered to \$2 million in 1963. This has resulted in the state not paying any premiums on its property since 1961.

The result of these transfers and the absence of state premiums left the surplus of the state insurance fund at \$2,529,134 beginning the year 1970. Given past experience, this amount seemed adequate as the worst prior year had been 1965 when total losses incurred for all state and non-state property was \$673,324. But alas, past experience is not necessarily a good barometer for the future.

The initial radio and newspaper estimates of the damage to university property from the bombing were about \$6 million, more than twice the size of the state insurance fund's surplus. As the various groups coordinated their efforts, these newspaper estimates were later scaled down to below \$3 million, and at present stand around \$2.2 million. The fact that the state insurance fund might become insolvent (in which case the remaining losses would be covered out of general revenues) constituted only part of the problem. At the very least, the surplus was going to slip below the \$2 million mark, which meant that state property would again be assessed premiums. This raised certain political problems, since all state property would be assessed for large losses that were limited to two specific areas, the bombing, subject of this report, and a loss at another state university campus. There were also some questions raised concerning the \$11.5 million in transfers out of the state insurance fund over the past 15 years. Had these funds remained in the state insurance fund, there would have been no financial problem.

Unusual circumstances produced difficulties in the area of reinsurance for the state insurance fund. Prior to the bombing

only about 75% to 80% of the reinsurance had been provided. After the bombing, a reinsurance representative made a trip to London to try and complete the reinsurance transactions. The reinsurance agreement set forth a \$5 million deductible which the total loss seemed to have exceeded based on news media estimates. This was a most unfortunate occurrence as such information obviously hampered reinsurance negotiations. At this date final reinsurance arrangements have yet to be completed.

BY UTILIZING the services of various state departments, a great deal more money was saved than if the normal insurance and adjustment channels had been solicited. For example, the state building commission stood ready to temporarily appropriate funds to the university if and when they were needed. The bureau of engineering sent some of its engineers to work with university physical plant engineers in arranging for repairing and restoring the damaged and torn buildings. The bureau of engineering drew up plans and worked closely in preparing bid specifications and working with outside contractors.

There are no completely foolproof human or electronic security systems. This was evidenced by the fact that a security guard was in Sterling Hall when the bomb was placed and went off. The level of security, in addition, is constrained by the amount of funds available. Briefly there has been increased control on the hours that buildings can be used, improved lighting systems throughout the campus, and an augmented university-city security police force. Some of these additional efforts have been concentrated on the higher priority building such as computer center, the heating plant, and the new chemistry building.

The entire process of getting the university back on an even keel following the bombing produced countless problems, many of which have been described. In working through these problems, it became apparent that many weak points relating to risk situations existed in the university structure. Future changes should shore up many of these weak points. Hopefully, a more comprehensive and effective total risk management program will result.

For instance, improvements are being made in inventory systems. More complete and accessible (via the computer) records are being kept of materials, equipment, and assorted contents.

Alterations will be implemented in valuation procedures. A more realistic and flexible schedule is being constructed. Valuation procedures, which result in less differences between collectible insurance claims and replacement costs, are being considered and implemented.

MORE ATTENTION will be given to duplication of original research data. Although duplication of records is a technique commonly employed by businessmen, university professors have been somewhat neglect in protecting their accumulation of valuable information.

The havoc which the bombing raised with the state insurance fund has raised some proposals for alternative means of financing such losses in the future. Two noted insurance academicians have proposed the establishment of an educational insurance fund to cover costs of campus disruptions that would be financed by compulsory student contributions.

Hopefully, some of these recommended changes will improve the handling of only normal risk situations and will never again have to be employed to deal more effectively with an infamous occurrence as the Sterling Hall bombing. ■

Dan R. Anderson, who received his bachelor's degree at Yale University, holds a master's degree and a doctorate from the University of Wisconsin, where he is serving his second year on the faculty of the school of business. Gary J. Bausom, now an insurance administrator for Allis Chalmers in Milwaukee, received his bachelor's degree in risk management and insurance from the University of Wisconsin. During his student days, Mr. Bausom had the challenging experience of working in the university's risk management department when Sterling Hall was bombed.

The Rolly Coaster.

Self-insurance can be great. Until he strikes.
One month you have relatively few claims to pay.
The next month, a lot.
Up-down. Up-down. Down-up.
He can really put the pressure on a company's
cash flow.



Flatten it.

With a CNA/insurance Claims Service Program.

It lets you budget those rough months.

Then your overall claims payout can be evened out.

And no more Rolly Coaster.

He's just one way self-insurance can lag behind your business.

And just one of the Insurance Lags we can help you beat.

Contact your CNA agent. Or write us.

CNA/insurance

Your way to beat the Lags

British Leyland Motors wraps up insurance cover following mergers

LEONIA, N.J.—British Leyland Motors Inc., the importer of foreign automobiles that grew from the merger of several English car companies in the 1960s, has finished merging its insurance coverages by tying things up under one corporate insurance program.

For Allan E. Diussa, insurance manager, however, it is merely the completion of one assignment begun when he joined the company about 18 months ago. Now he plans to move on to more sophisticated things—risk management and, more precisely, the financial management of risks.

Mr. Diussa, for example, is the first to admit that while British Leyland is now insured adequately it is perhaps not getting the most for its insurance dollar. That is why he now intends to turn his attention to things such as the use of higher deductibles, self-insurance of some lines and maybe even a captive insurance company. The British Leyland organiza-

tion resulted from a series of mergers that began in 1961 when Standard-Triumph International, maker of the Triumph line of cars, was acquired by the Leyland Group. It was the first automotive venture for Leyland, a heavy truck and bus manufacturer.

In 1966 Leyland acquired a second car subsidiary when it took over the Rover Co. and two years later it acquired British Motor Holdings, which had been created in 1966 when the British Motor Corp. (BMC), then the largest auto manufacturer in England, merged with Jaguar Cars Ltd.

The largest auto manufacturer in England, British Leyland Motor Corp., the parent, stands second only to Volkswagen among auto makers outside the U.S. and its exports reach well over 100 countries. British Leyland Motors Inc., headquartered here, is the importing subsidiary for the U.S.

When Mr. Diussa joined the firm, British Leyland had almost as many insurance programs as it did imports (Austin, Jaguar, MG, Rover, Land Rover and Triumph cars).

"EACH OF THE companies," Mr. Diussa said of the separate importers before the merger, "had their own insurance programs and I suspect these were set up by insurance brokers in coordination with the financial officers or treasurers."

Prior to joining British Leyland, the 33-year-old insurance manager had been an insurance

analyst in Metropolitan Life Insurance Co.'s casualty department, which purchased casualty coverage for the huge life insurer. He joined the Met from the J. B. Williams Co. where he was corporate insurance director. His insurance career, however, actually began as a special agent with the Insurance Co. of North America after he graduated from Brown University with an economics degree in 1960.

Mr. Diussa now reports directly to the vp and treasurer of British Leyland and his responsibilities include all corporate insurance and employee benefits. British Leyland's broker is Marsh & McLennan, New York, whom the insurance manager credits with considerable assistance in setting up the new insurance program.

"Since I came here," Mr. Diussa told *Business Insurance*, "the whole insurance program has been in a state of flux." He noted that some old policies, written on individual importers before the merger, only recently came up for renewal and it wasn't until then that the entire insurance program could be written under one corporate policy.

"MY BIG problem is that no detailed records were kept on the number of losses and amounts of losses. We are now keeping accurate records so that we may soon start analyzing our experience and perhaps find some alternatives."

"You and I both know that a \$100 or \$250 deductible on a fleet of 200 company cars is not the best way for a company to insure these things. This is an area where self-insurance may be considered in the future," he added.

Mr. Diussa is also looking at the company's product liability coverage and exposures. That line, he noted, is the most important in the program and he admits that the company may be underinsured for the exposure it has. British Leyland imported about 75,000 automobiles last year.

The auto importer's present product liability policy has a primary limit of \$1.5 million with an excess layer of several million more dollars above that. It is written by the Employers Commercial Union Cos. (which also writes the London parent's products) through Reed, Shaw & Osler, Toronto brokers. It is the only line that Marsh & McLennan does not place. "Reed, Shaw & Osler placed it for Triumph before the merger and had found a market for it so we didn't see any reason to disturb that relationship," Mr.

Line . . .

Continued from page 22
the Liverpool Underwriters' Assn. He claimed that there were four countries, namely Greece, Lebanon, Liberia and Panama, whose registration flags accounted for a total loss ratio well above world average.

But the U.S., Japan, Britain and Russia had losses below world average.

Ocean hull business was reviewed by the American Institute of Marine Underwriters, which stated; "Tanker explosions have been a particularly vexing phenomenon, and our market has gone to some length to forcefully express to government, owners and public that the causes of these explosions must be uncovered and eliminated quickly." ■



This \$8,000, 12-cylinder Jaguar V-12 is part of a stock of \$12 million to \$14 million of imports British Leyland Motors Inc. has on hand in any one month. It's protected by a policy by CNA, British Leyland's major insurer.

Diussa explained, noting that the company will be shopping for additional excess layers in the near future.

"PRODUCT liability suits are something we are going to see more and more of in the future," the insurance manager noted without hiding the anguish of most risk managers these days.

The company, which employs slightly more than 500 persons in this country and pays insurance and employee benefit premiums of more than \$1 million annually, also has a large vehicle property exposure. In an average month \$12 million to \$14 million worth of automobiles may be in its custody. This property coverage, as is its comprehensive general liability, is written by CNA. The company has first-dollar protection on physical damage to its stock. (Ocean marine coverage, which insures the vehicles from factory to port of entry, is placed in London by the parent company.)

In addition to its headquarters here and two dealership locations it owns in New York City, British Leyland also owns properties in

Carlstadt and Paramus, N.J., Detroit and Los Angeles. These, for the most part, are warehouses for the storage of spare parts. The Leonia headquarters building is valued at about \$300,000 and is insured by Allendale Mutual Insurance Co. (formerly MFB). The property and contents policy has a \$5,000 deductible. Business interruption is not insured per se, Mr. Diussa noted, but this exposure is covered by insuring vehicle stock and parts at the company's selling price. If a loss occurs profits are therefore guaranteed.

The company's fleet of 200 cars, most of them for demonstration and display purposes, are also insured by CNA. An interesting feature of this policy, and one that brings British Leyland lower premiums, is that property damage is insured exclusive of parts. If a loss occurs, in other words, CNA pays a claim on the basis of labor cost to repair the damage. British Leyland supplies parts.

THE AUTO importer's workmen's compensation is also written by CNA. Employee benefits, with the exception of an insured

Continued on page 54

the risk management manual is coming
october 25th issue

Where insurance is more than capacity[®]

It's creativity, action, stability, continuity. Or to put it another way, it is people . . . knowledgeable people who realize that dollars aren't the only answer to insurance problems.

First State Insurance Company is an organization of such people, working through Agents and Brokers in behalf of insurance buyers in need of

special purpose INSURANCE

And, yes, First State does have capacity! More than enough for its unique specialization — plus close rapport with open-minded reinsurers.

Use **special purpose** insurance for risks without precedent, unusual risks, to simplify complicated risks, to supplement basic coverages.

FIRST STATE INSURANCE COMPANY



AN OPEN CIRCLE COMPANY

60 Batterymarch Street Boston, Massachusetts 02110 • 617/357-8400

How to Submit Literature for Business Insurance's Annual Info for Buyers Issue

If you have not yet submitted data or literature for publication in the **January 3, 1972 Info for Buyers Issue**, please return the coupon below for forms and instructions. All material for publication must be in the hands of the editors no later than **December 1, 1971**

INFO FOR BUYERS,
Business Insurance,
740 Rush Street, Chicago, Ill. 60611

Please rush forms and instructions for submitting data for publication in your **January 3, 1972 Info for Buyers Issue**. I understand that there is no obligation on your part to publish the items submitted, nor is there any cost or obligation to my firm, if published.

Name: _____
Title: _____
Company Name: _____
Address: _____
City: _____ State: _____ Zip: _____
Date: _____

Denenberg is asking insurance firms to rat on their insureds?

HARRISBURG, Pa.—In a move paralleling his work last year on the President's National Commission on Product Safety, Pennsylvania Insurance Commissioner Herbert S. Denenberg has issued a bulletin to all insurance companies doing business in his state that will require them to report on the unsafe and unreasonably damageable products that they discover. The bulletin has been greeted with something less than enthusiasm by insurance companies.

The first report will be due Jan. 1, 1972, with updated reports due semi-annually thereafter.

In an interview with *Business Insurance*, Commissioner Denenberg said that "the insurance industry has a gold mine of information on unsafe and fragile products but has never made this information public. Under our bulletin, the companies will report these products to us, and we will in turn make the information available to the public."

MR. DENENBERG referred to a study he did for the presidential commission last year, saying that it "documented the fact that the insurance industry continually identifies dangerous products but fails to warn the public. It's time this life-saving information was made available." The bulletin will also require insurance companies to report each year on their efforts and programs to prevent accidents and minimize their damage.

Asked how he intends to police insurance company response, the commissioner said that "this will be self-policing because the public will want to know what insurance companies are doing. If companies don't produce it puts them in a bad light. When the companies came around to me hemming and hawing, I just said 'the public's going to want to know what you're doing in the insurance business at all if you don't come through on this.'

"There's no question about it," Mr. Denenberg continued, "this information is there in their files, it's easily extracted and it will save lives. Insurance companies have an army of engineering experts, underwriters, claims people—all kinds of experts who examine safe and unsafe products every day. If they can't give the safety picture to the public there's something wrong with them."

The commissioner noted that last year's national study turned up such hazards as television receivers that were causing fires, hand power tool equipment with poor electrical shock control, cases of salmonellosis in human beings transferred by pet turtles, and deaths and illness caused by a hair spray with a dangerous element.

"**WE'RE AT** least going to get this thing started," said Mr. Denenberg. "Then we'll see what happens. If the companies don't come through on their own we'll do something about it then. But we should get started saving life and property right now."

An officer at one of Pennsylvania's largest insurance companies was not quite as sanguine about Mr. Denenberg's plan. "Insurance company files are not all that good a place to do your witch-hunting," he told *Business Insurance*, "especially if you've got a fixation on brand names and model numbers. A company contracts with an insured to de-

fend him. The insured's private revelations are privileged information. It's like the attorney-client relationship."

The insurance spokesman said he was in basic agreement with what the commissioner wants to do. "We told Herb as much," he said, "but we can't agree with the way he wants to do it. We'd much rather limit our revelations to the types of products causing trouble, and let the government go straight to manufacturers and subpoena their records. In that case you're not forcing someone to reveal what's privileged."

This brought up another criticism, however. "A state insurance

commissioner does not have the muscle to go after manufacturers, who are out of state more often than not. It was different with the president's national commission, which had special powers. Furthermore," the insurance man continued, "why must the Pennsylvania insurance commissioner do what's been done before. This is really a repeat of the national study, minus the clout. We could find absolutely nothing new in the bulletin. It's obvious that insurance companies have done a lot—what's the sense in duplicating what's already being done. When we look at this bulletin we just see an enormous amount of

wheel spinning, paper shuffling and file stuffing.

ANY disagreements between the commissioner and the insurance companies seems rather vague and founded more on lack of understanding than anything else. Mr. Denenberg made a point of saying that "to the extent that my request violates their privileged relationship to insureds and might cause libel and slander suits, I certainly won't demand revelations."

An interesting final point was made by the insurance source, who noted that "the very companies responsible enough to get product liability coverage are the ones exposing themselves in this situation. The fly-by-night company producing unsafe things in a garage someplace will never even make it to insurance files with any danger of public revelation." ■

Suit could get their goat

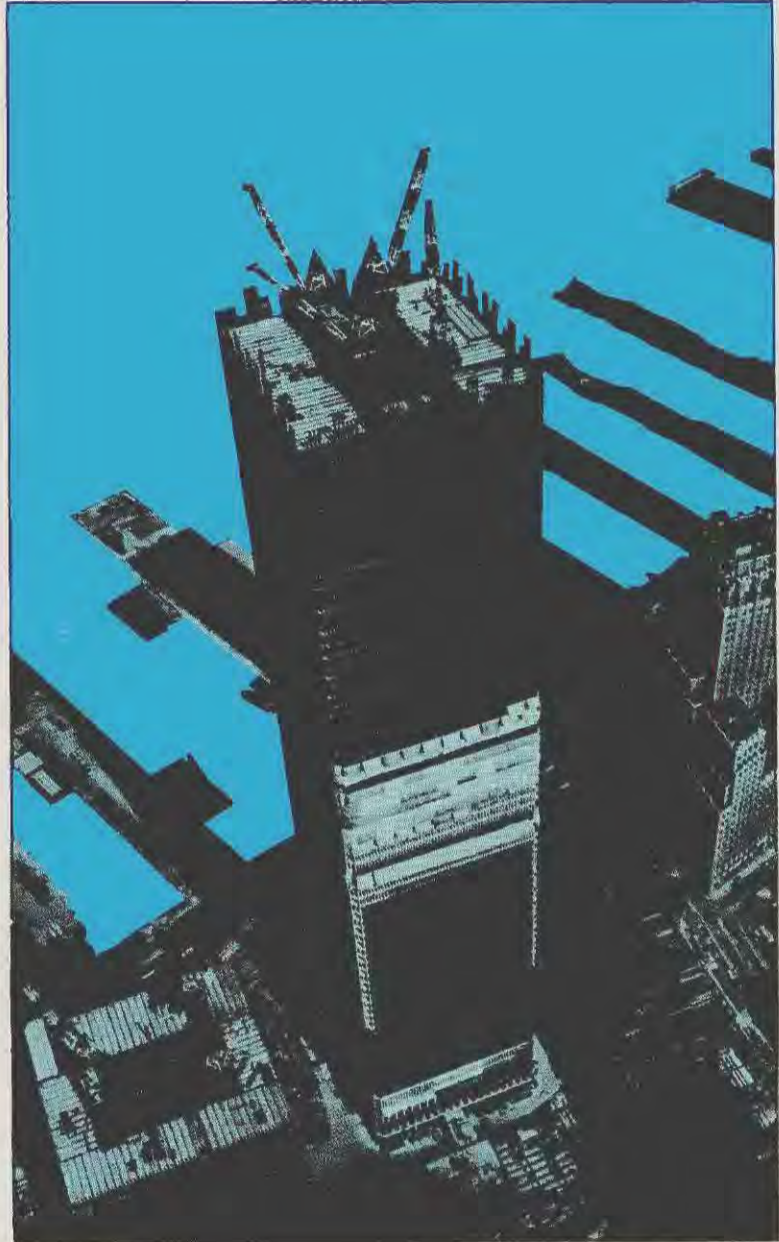
BRADLEY, Ill.—Ada & Ed's Tap had a drawing last spring and gave away a goat. A pretty expensive goat. It may end up costing them \$25,000.

It all happened when the winner of the goat decided he didn't really want it. He brought it back to the tavern and tied it to a barstool.

A singer at another Bradley night spot sat on the bar stool; the goat became frightened and pulled the stool out from under her. The victim is now suing Ada and Ed Klonowski for \$25,000 for internal and external injuries.

We're helping New York improve its skyline When something real

big looms on the horizon, chances are it's backed up by a Chubb surety bond. One of our bonds is guaranteeing the erection of the steelwork in New York's World Trade Center—90,000 tons in each of its twin 110-story towers. This important addition to New York's skyline, which rises 1,350 feet, occupies a 16-acre site in lower Manhattan. The bonding of major construction projects throughout the world is an important phase of our business.



CHUBB/PACIFIC INDEMNITY GROUP

Subsidiary of The Chubb Corporation, 90 John Street, New York, N.Y. 10038

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

Handling of \$200 million in state's retirement funds under investigation

LITTLE ROCK, Ark.—A special committee of the Arkansas general assembly has begun an investigation of the state's four retirement investment funds, in which non-professional management, excessive brokerage fees and over-priced stocks have seriously hampered returns on the funds' \$200 million.

"If we can upgrade it by 1% for 20 years, we increase the benefits by 25% or cut down the cost by that amount," said David R. Kane, state representative from Little Rock and an investment counselor and chairman of the special legislative committee.

The committee met in August and made it clear in this hearing that the funds were handled in-

adequately. The funds are in the Public Employees Retirement System, Teachers Retirement System, Highway Department Employees System and State Police Retirement System. All systems are handled separately.

DR. MAX MILAM, director of the Arkansas department of finance and administration, has told the committee that the funds' managers are inadequately trained for their jobs. The director is a member of the board of trustees of the Public Employees System and State Police Retirement System.

Allegedly, the retirement systems have been refuges for former or retired state employees and polit-

ical patronage jobs for years.

The committee will meet in mid-October to hear in-depth reports of the four funds' last 10 years of investment history. "The main thing is that we don't think there is a fair yield on the investments," Mr. Kane said. "We don't know this for sure, but we strongly suspect it. And we're looking for excessive charges by suppliers as one of the reasons that the yield isn't as high as it could be."

As far back as 1967, an investment firm's study of the retirement funds revealed that other investment firms were selling bonds and other securities to the funds with a markup of one or two points above the actual mar-

ket price. Certain brokerage firms have a history of excessive commission rates in dealing with the funds. The investment firms also received the profits on the marked-up securities when they sold them to the retirement funds.

THERE IS HEAVY favoritism shown to three Little Rock investment firms, which handle more than 90% of the funds' business. Ninetyfive percent of the Teachers Retirement System's mortgage investments were bought through a Pine Bluff, Ark., firm.

The funds utilize Moody's Investment Service for advice, but unfortunately they don't always take it, Mr. Kane said.

Until the legislature changed it a few years ago, the funds were required to invest in fixed-income properties, mostly corporate bonds and mortgages. Most bond purchases were from out-of-state corporations. Two Arkansas utili-

ties—Arkansas Louisiana Gas Co. and Arkansas Power and Light Co. have received benefits from the four funds through stock and bond purchases.

"There are some individual stock purchases, like Arkansas Louisiana Gas Co., that I'm sure Moody's didn't recommend," one investment man said.

While not severely criticizing the funds' managers, Mr. Kane noted that none of them were qualified in security analysis and for years no one was concerned by loss through inflation.

"THERE'S NOT one chartered analyst that's the equivalent to a certified public accountant handling any of the state's funds and we've got over \$200 million in state retirement funds," Mr. Kane said. "I think professional management is what we are looking for."

"There are dedicated people who have been working for the state for many, many years but they haven't updated their skills.

In bygone days, he says the fund managers and the legislature weren't aware of the erosion of funds through inflation. "They weren't concerned enough about inflation, then they got the concern about inflation, but in giving them the power to buy stocks we didn't give them the tools to do the job," Mr. Kane said. ■

Leyland . . .

Continued from page 52
pension plan with Mutual Benefit Life Insurance Co., are written by New York Life Insurance Co.

Life insurance paid entirely by the employer, is two times annual salary. Health and major medical coverage, also fully paid by British Leyland, includes a semi-private hospitalization plan with the typical 20% co-insurance feature. Also available to employees, on a contributory basis, is a long-term disability plan. The pension plan is currently the subject of management discussion ("A touchy subject in many places these days," said Mr. Diussa) and some improvements are expected to be made.

One of Mr. Diussa's favorite gripes: Insurance companies, naturally. He said he finds that many large insurance companies are loaded with middle management people who can't make a decision—or, more specifically, are not allowed to make a decision without going through a bureaucratic process.

While wrapping up the present insurance program he ran into another problem he didn't entirely expect: "We found that we had to educate underwriters to the nature of our business and its scope. There was a tendency for underwriters to think that we were some small local dealer selling MGs and Triumphs over in Jersey," he said.

"This is where Marsh & McLennan did a good job," he said.

Where does he go from here? Now that British Leyland has a "coordinated insurance program" under its belt Mr. Diussa said he hopes to turn from an insurance manager role to more of a financial risk management role. "I hate to spend money for insurance," he said candidly. "Yes, there is some waste and now I'll be able to look at ways to get around some of this."

Self-insurance and higher deductibles are possible cost-trimming devices, he said, as is the concept of the captive insurance company. While British Leyland is far from being close to going the captive route, Mr. Diussa noted that he is boning up on the subject. "It seems to me," he said, "that our ocean marine coverage worldwide would be a natural for a captive setup," he said. ■



WOHLREICH & ANDERSON, LTD.

Cable: WANDATATE
Telex-Int'l: 620269
Telex-Domestic: 12-5583

55 John Street, New York, N.Y. 10038
Telephone (212) 349-3020

To The Professionally Oriented Agent:

Our Newest Expansion - Life

We have established in W&A a Life Division to do the same unusual kinds of things we do in property and casualty. It has been our economic role in the insurance business to meet such needs as special coverage - unique situation - capacity - the non-standard risk.

David Gillies who is in charge of this new division has had a long career in underwriting and has a close personal relationship with important life markets. You will find his know-how as an underwriter's underwriter extremely valuable. From his experience he can suggest a variety of approaches for difficult or unusual classes of life business.

From time to time, as we have done in the property-casualty field, we will offer special products. It is sometimes felt that the life industry has not been as innovative as it could be. We are willing to put in all the time necessary for the creation of a new product and also develop stimulating selling ideas to generate attention and create a demand for proper spread.

The non-standard life risk requires careful handling by someone who is highly knowledgeable in the medical field. Certain problem risks do not fit the book of an ordinary company. When you want a substantial general agent who can promptly handle difficult cases and assure completion, contact the W&A Life Division.

Yours very truly,

B.J. Daenzer, CPCU
President



A MEMBER OF THE HOWDEN SWANN GROUP

\$1,000 scholarship awarded by New Jersey ASIM chapter

UNION, N.J.—The New Jersey Chapter American Society of Insurance Management has awarded a \$1,000 scholarship to a graduate student at the Wharton School, University of Pennsylvania. The stipend is described as the largest yet to be given by an ASIM chapter, according to the society's national headquarters.

The recipient of the award is William Rowe III, 24, of Chapel Hill, N.C. Mr. Rowe, an MBA candidate scheduled to graduate next year, did his undergraduate work at the University of North Carolina. At Wharton he is majoring in insurance and information systems.

According to D.C. Gray, insurance manager at Becton, Dickinson & Co., Rutherford, N.J., and secretary of the New Jersey ASIM chapter, the award will be given on an annual basis to a deserving Wharton student. The selection of the student to receive the award, Mr. Gray added, has been left entirely to a scholarship committee at Wharton.

THE NEW JERSEY chapter has about 50 corporations represented in its membership. Among them are Warner-Lambert Pharmaceutical Co., Rutgers State University, Boy Scouts of America, British Leyland Motors Inc. and the J.M. Huber Corp.

Mr. Rowe, who is married, told *Business Insurance* he does not have any definite plans after graduation as yet. "I plan to begin setting up interviews in about two weeks," he said after being presented the check at the chapter's monthly meeting here the other afternoon. "I am leaving myself wide open but my inclination is to go into corporate insurance management or reinsurance. They appeal to me most."

Speaking to the chapter meeting at which the scholarship was awarded was one of Mr. Rowe's instructors, Dr. Douglas Olson, an assistant professor of insurance at Wharton.

Dr. Olson outlined the history of insurance education in this country, noting that it began in the early 1900s at the University of Pennsylvania, and discussed some of the risk management programs being offered by the insurance department at the Philadelphia university.

"WHARTON WAS not one of the pioneers in risk manage-

ment," he said, distinguishing between the purely academic insurance courses that had been offered by the university for years and the concept of risk management training as it is known today. However, he added, the subject has become of more importance to the school's insurance curriculum in recent years and, somewhat ironically, because of the Philadelphia institution's own risk management problems.

THE UNIVERSITY, he said, is the second largest employer in the Pennsylvania city. Until the Wharton School's insurance department was given the job of

evaluating its insurance program it had been insuring \$500 million worth of property with a \$5,000 deductible, he said, noting the risk management absurdity of such an insurance program. The university has since revamped its program to a \$100,000 deductible with a \$3 million stopgap.

Dr. Olson noted that it was risk management problems such as this that are the most valuable instruments of instruction for students and appealed to companies in the Philadelphia area with risk management problems to perhaps give some thought to letting his students take a wack at coming up with some solutions. ■

Lower your insurance rates.

Reduce your insurance and operating costs. Latham-Stevens offers clients an Engineering Service that helps minimize premium costs through preventive measures and risk management improvement. This separate department is one more improvement that allows Latham-Stevens to give the best values for your insurance dollar. Call the Man from Latham-Stevens for more information on loss prevention, and all your insurance needs.



LS **Latham-Stevens Company**
Harrisburg, Pa. (717) 232-6661

Buyers of Insurance for Commerce, Industry and The Family.

"To err is human"

Accidents will happen . . . that's why you carry insurance. But not all accidents are inevitable . . . and not all of them have to be so serious. Employers-Commercial Union has proved it time and again, with a loss control program that helps minimize both the frequency and severity of accidents. Our engineers examine and analyze your operation.

Because of their broad experience, they recognize hazards you may not

even be aware of.

Their finished study will present you with a series of ideas, and recommendations for improving systems, procedures, even equipment . . . for training your people to better safety practices. Because Employers-Commercial Union offers a full line of such services to some of the biggest companies in the country, they have a lot more to offer smaller ones as well. Why not talk with your ECU agent about first aid for your safety program.



Costly fire protection for university

SAN FRANCISCO—The University of California's board of regents has voted to appropriate \$1 million of its own funds to guarantee fire safety measures at dormitories on the nine campuses throughout the state.

The regents also voted to ask Gov. Ronald Reagan and the state legislature for an emergency appropriation of an additional \$4.2 million to finance similar precautionary installations in the various academic buildings of the university.

Charles J. Hitch, university president, in a report on fire protection, recommended that "a strong new policy be adopted to minimize the risk of injury to persons and damage to property."

Full
Spectrum
covers the
whole business of
commercial
risk

Employers-Commercial Union Companies

110 MILK STREET, BOSTON, MASSACHUSETTS 02107

FULL SPECTRUM FINANCIAL SERVICE

letters

Continued from page 24

sions of the plan.
 Sen. Taft, we at Fruehauf believe that some of the pension plans which cover American workers in this country should be a matter of concern for business and labor. Certainly, however, where the plan at issue had been agreed upon by the interested parties through free collective bargaining processes, where the funding is sound and includes 100% of the vested interest of all participants, and where full financial disclosures under actuarial certification have been provided annually to the representatives of our employees, we believe the representations set forth and reprinted in the Congressional Record at your request are inappropriate to the real issues and concerns in pension plans and

funding provisions.
 For example, one comment appearing in the Congressional Record is as follows:
 The first problem relates to the stringent vesting provisions of many pension plans. When the Fruehauf Trailer plant in Avon Lake, O., closed its doors, many workers who had been with the company as long as 11 years found that they had no vested pension benefits whatever.
 In our opinion, and in the opinion of our actuaries, a vesting provision based on 10 years of credited service, with age 40 as a reasonable one.
 I am enclosing a copy of the pension plan and supplemental agreements concerning administration which I referred to above and respectfully direct your attention to Article II, Section 1 of the plan concerning credited service.
 As indicated, all of an employee's service is credited except

in those cases (1) where an employee has accrued more than 30 years' service the last 30 years' limitation is imposed and (2) when an employee terminates service with a vested pension benefit (as contrasted to a normal retirement benefit) the vested pension benefit is paid for each year of credited service from the end of the calendar year in which the employee reached his 35th birthday to the date his break in seniority occurs.
 In conclusion, I would like to point out that the trustees of our pension plan for hourly rated employees who are members of a union is Manufacturers National Bank of Detroit, a highly respected member of the banking community. In addition, at no time have we directed the trustee to make, or to refrain from making, any investments on behalf of the fund. The decisions in this area have been the complete responsibility of the trustee.

Group life and law

To the Editor: On page 8 of the Aug. 30 issue of *Business Insurance* there is an article entitled "Denenberg cuts group life minimum." Either Dr. Denenberg or your reporter erred in the comment that "the new law will also favor Pennsylvania companies, because several states (New York, Ohio and Maine) force their insurance companies to charge arbitrary, specified rates. This will mean Pennsylvania companies should be able to win in competition for new group cases."
 Having participated in a hearing in Dr. Denenberg's office on this matter, I know that he knows better than to make that statement as he knows it does not apply to any Pennsylvania companies doing business in the state of New York. As you may know, New York minimum rate regulation is extra-territorial and all

"New York companies" doing business in Pennsylvania must charge the minimum New York rate. On the other hand, certain Pennsylvania companies that have not entered New York state may charge any rate they choose.
 I would greatly appreciate it if you would advise me of the source of the material used in the preparation of this article so we can get the record straight with our field personnel and with the buying public.
Eugene R. Hook
 Vice President, Group Division, Provident Mutual Life Insurance Co. of Philadelphia, Philadelphia, Pa.
Editors note: The source of the quote was, as the story said, Commissioner Denenberg himself. In response to your letter, the commissioner told Business Insurance that he was referring only to Pennsylvania companies that do not do business in New York and are thus not bound by the New York regulation. "What we have done," he said, "is remove the restrictions. We have told the companies, 'Charge whatever you have to but you don't have to overcharge.' " He also felt that Pennsylvania's efforts to remove the restrictions could serve as an invitation to the states with minimum rate regulations to remove them.

If you depend on power, depend on us.

At the time the steam locomotive came of age, Hartford Steam Boiler was born. For just one reason: to keep companies that used steam power in power. And in profits. We've grown in power along with industry. Today, our 700 inspectors and engineers protect one-third of all the insured power equipment — of every type — in the USA. So it stands to reason that we know a lot about insuring the energy system that keeps you in production. And in profits. If you depend on power, you can

depend on us. The Hartford Steam Boiler Inspection and Insurance Company, Hartford, Connecticut. Incidentally, the locomotive on the left is one of the celebrated 4-4-0 Americans built by Grant in Philadelphia. In the 1890s this type of locomotive hauled the crack White Train of the New York & New England R.R. along the "Airline Route" from Boston to New York.



More Francis laurels

To the Editor: I refer to the series of articles by Bion H. Francis under the general title, "When should you retire?" that began in your issue of March 1. I also refer to your letters column on this subject in the issue of Aug. 2.
 This series of eight articles by Mr. Francis was superb. I hope that you will reprint them and thus make them more easily available to more people. I teach courses, taken by upperclassmen and graduate students, in this university in the areas of benefit planning and social insurance. I would like to have your permission to distribute these articles to my students so that each one may have a copy as required reading and subsequent discussion in the classroom.
 I intend to write Mr. Francis personally to congratulate him on his writing and to thank him for saying so well what so many of us need to be told.

Robert E. Bray
 Senior Associate Professor of Finance, University of Missouri, Columbia, Mo.
Editor's note: Business Insurance will not be reprinting the Bion Francis series but readers are welcome to make their own copies for distribution. Simply send a letter of request to the magazine, credit the issue and name of the magazine on the reprints and send us two copies for our files.

Product liability film

To the Editor: Page 58 of the Sept. 13 issue carried an article entitled "Employee education film stresses product liability." This article carried the name of Robert Perry of the Kaiser Aluminum and Chemical Corp. Reference was made to a film that was shown by Mr. Perry to an ASIM meeting in California.
 Can you tell me, please, Mr. Perry's business address? I would like to contact him with reference to the film.
George F. Fischer
 Insurance, Manager, Harley-Davidson Motor Co. Inc., Milwaukee, Wis.
Editor's note: Kaiser Aluminum and Chemical Corp. is at Lakeside Dr., Oakland, Cal. 94640.

Union's feud may mean self-insurance

COLUMBUS, O.—A feud between Ohio automobile insurance companies and the AFL-CIO over what the union calls exorbitant premiums apparently will result in the union going into the insurance business itself.

A stock sale is now under way to Ohio residents who are union members or retired members of Ohio unions and as soon as \$1.5 million of stock is sold Unity of Ohio will be officially established as an auto casualty company.

Total stock sale for Unity is set for \$10 million. A minimum of \$5 million must be sold to adequately fund the insurance company, according to Warren Smith, executive secretary for the Ohio AFL-CIO, headquartered here. He said it will be the "purpose of Unity to provide the Ohio trade unionist with complete auto casualty coverage at a fair price."

Union members served by Unity of Ohio will be, in fact, the owners of the company "and will be treated with dignity and respect at all times," he said.

IT IS PROJECTED that Unity of Ohio will begin selling policies by March 1, 1972, as it becomes "the first wholly owned union automobile casualty insurance company in the country," it was announced by Frank King, president of the federation.

Not all policyholders will realize a saving on their insurance premiums by signing up with Unity of Ohio, union spokesmen admitted, but about 15% of the insureds could save up to 41% in premium costs. Actually, it is estimated that 16% of the union members would save nothing and some may have to pay a slightly higher rate. The remainder, however, should save between 10% and 40%, M. Smith estimated.

Unity of Ohio has signed with League General of Michigan and Group Actuarial and Administrative Services for assistance in setting up operations. League General, owned by the Michigan Credit Union League of Detroit, sells all policies through the mail as will Unity of Ohio.

Since Unity of Ohio realizes it will not initially have enough capital to insure all union members wishing to purchase union auto coverage, it will start slowly by insuring only those in certain geographic areas, Mr. Smith said. There are about 800,000 members in unions affiliated with the Ohio AFL-CIO.

First persons insured will be virtually "drawn from a hat," he said. Preferential treatment for insurance will not be given to persons who purchase stock in the new company, a decision which admittedly may slow policy sales, he added.

Although under Ohio law the AFL-CIO cannot restrict sales of its new insurance policies to union members, Mr. Smith said he doesn't expect to get many requests for coverage from non-members. ■

Storm toll \$6.3 million

Insured losses from tropical storm Doria, which hit the Eastern seaboard late last month, will amount to about \$6.3 million, according to the American Insurance Assn. The estimate accounts for property losses caused by wind damage to homes and businesses, but does not consider losses to autos and boats. Losses under the national flood insurance program are also excluded from the estimate.

Value the care and attention of an independent but want big broker facilities? Assurex International offers multicity and multinational service — through independents. United independents, with premium income in excess of \$300,000,000.



Assurex INTERNATIONAL

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

ALABAMA, Mobile; Thames & Batre
ARIZONA, Phoenix; National-Heard Insurance
ARKANSAS, Little Rock; Rector-Means and Rowland, Inc.
CALIFORNIA, Los Angeles; Kindler, Laucci & Day
San Francisco; Clifton & Company
CANADA, Manitoba, Winnipeg; Ryan Agency Limited
Ontario, Toronto; Tomenson, Saunders Limited
Quebec, Montreal; E. A. Whitehead Ltd.
Saskatchewan, Regina; Ducketts Limited
COLORADO, Denver; Loiseau, Neiswanger & Co.
CONNECTICUT, Hartford; Allen, Russell & Allen, Inc.
DISTRICT OF COLUMBIA, Washington;
Howard & Hoffman Inc.
FLORIDA, Miami; D. R. Mead & Company
GEORGIA, Atlanta; Dunlap and Company
Savannah; Palmer & Cay, Inc.
INDIANA, Indianapolis; Robert N. Bowen & Associates, Inc.
IOWA, Des Moines; LaMair-Mulock-Condon Co.
KANSAS, Wichita; Wheeler Kelly Hagny Insurance, Inc.
KENTUCKY, Louisville; Nahm, Turner, Vaughan and
Landrum, Inc.
LOUISIANA, New Orleans; Gillis, Hulse & Colcock, Inc.
MAINE, Portland; Morse, Payson & Noyes
MARYLAND, Baltimore; Riggs, Counselman, Michaels &
Downes, Inc.
MASSACHUSETTS, Boston; Boit, Dalton & Church, Inc.
Lowell; Fred. C. Church, Inc.
MEXICO, Mexico, D. F. Kennedy & Hijo, A. P.
MICHIGAN, Detroit; General Underwriters, Inc.

MISSISSIPPI, Jackson; Fox-Everett, Inc.
MISSOURI, St. Louis; Lawton-Byrne-Bruner Insurance
Agency Co.
NEW JERSEY, Millburn; Donnelly Brothers
NEW YORK, Buffalo; Laverack & Haines, Inc.
New York; Reid & Carr, Inc.
NORTH CAROLINA, Charlotte; James J. Harris & Company
OHIO, Cincinnati; A. W. Shell & Company
Cleveland; The W. F. Ryan Corporation
Columbus; The McElroy-Minister Company
OKLAHOMA, Oklahoma City; Ance! Earp, McEldowney &
Associates, Inc.
OREGON, Portland; Jewett, Barton, Leavy & Kern
SOUTH CAROLINA, Columbia; Boyle-Vaughan Agency
Greenville; The Furman Co.
TENNESSEE, Memphis; E. H. Crump & Company
TEXAS, Houston; Langham, Langston & Dyer
UTAH, Salt Lake City; Ed. D. Smith & Sons
VIRGINIA, Richmond; DeJarnette & Paul, Inc.
WASHINGTON, Seattle; LaBow, Haynes Company, Inc.
WEST VIRGINIA, Charleston;
McDonough-Caperton-Shepherd-Goldsmith
WISCONSIN, Milwaukee; Carney-Rutter Agency, Inc.
PUERTO RICO, San Juan; Barros & Carrion, Inc.

• • • • •
ARGENTINA, AUSTRALIA, BELGIUM, ECUADOR,
ENGLAND, FRANCE, GERMANY, IRELAND, ITALY, JAPAN,
NETHERLANDS, NEW ZEALAND, PERU, VENEZUELA

It's 'back to school' for everyone — even ASIM

LOS ANGELES—The American Society of Insurance Management is undertaking a massive educational program to put an end to "personal technological obsolescence and individual indifference."

E. W. Alstaeffer, national vp for education, told the annual risk management conference of the southern California chapter here that the ten-year plan of action to be presented to ASIM's board of directors this month includes several individual projects that "will be subject to separate feasibility studies."

One project aims for expanded research and development in the principles and practices of risk management. Mr. Alstaeffer told *Business Insurance* that a standing risk management research coordinating committee works at

the national level with chapter coordinators to keep risk men in touch with universities whose resources might be of help to them and to make risk managers' research and published literature available to the schools. "We're trying to encourage more publishing," Mr. Alstaeffer, who is director of insurance and risk management at North American Rockwell Corp., said; "There are only a handful of people producing most of the literature today and I'm convinced we have a wealth of resources."

ANOTHER education proposal is for creation of a clearing house for information on sound risk control, which he said would initially operate out of ASIM's New York headquarters.

Increased recognition of "out-

standing achievement in risk management: education wherever it may be found" is also a vital part of the new emphasis on education and Mr. Alstaeffer said that, hopefully, a research award and a general literature award would be added to the already existing Cristy award, which is given in connection with the risk management diploma course.

ASIM is also considering a project that would make available seminar kits containing package instructions, discussion guides, information and promotion literature needed by chapters to run a successful program. Films, video tapes, cassette presentations and lists of speakers would be included. A video tape done last year on international insurance was very successful, he said.

The education vp is also formalizing the speakers' program with the hope of being able to arrange national and international speakers' tours. He hopes that individual chapters will notify the national office when they have an outstanding speaker so that a file of names and categories can be kept.

ESTABLISHMENT of a risk management principles board to set standards and adjudicate disputes is another subject to be reviewed by the ASIM board of directors. "We would develop the format for this sometime in early 1972," Mr. Alstaeffer said, "but we need to do a feasibility study first if the board gives approval."

"Probably the most controversial of projects and the one that will involve the most time and

money," he said, is setting up a risk management data center utilizing the latest electronic data processing techniques. "We're all trying to develop automated systems to produce premium information, and cost information in the non-insured area," he said, and this data center would be available to ASIM members and to non-member subscribers. "The thought is to develop a basic form to be filled out by all members to create specific information to help them within their own companies," he explained; "the information could also go into a master data bank to produce valuable trend information for risk men."

"**DATA COULD** also be made available to insurance company subscribers," he added, noting that, of course, they would not be allowed to get specific information.

"We see the data center, if the idea is accepted," he told *Business Insurance*, "as a profit center for ASIM. Revenues could go for scholarships and grants."

As to how the data service will be organized, Mr. Alstaeffer said that some thought is being given to setting it up as an actual department of the national office, with its own staff. ■

When you get used to James, you're spoiled for anyone else . . .



It has often been said that the most important investment a business can make is in men with creative ability. We at Fred S. James & Co. practice this awareness.

For example, a competent insurance brokerage and risk management company makes available to its clients proved and measurable techniques—which, when applied to any phase of their business or industrial operation, usually result in increased effectiveness and lower costs.

The ultimate effectiveness, of course, is determined by people—good people, skilled people, knowledgeable people, professionals. As insurance becomes more sophisticated and discerning, the importance of employing creative and resourceful people increases. At James we recognize this fact and prove it in our day-to-day operation.

That's why we like to think that *when you get used to James, you're spoiled for anyone else!*



Insurance Brokers and Consultants Since 1858

James

Fred. S. James & Co., Inc.

Boston • New York • Philadelphia • Harrisburg • Pittsburgh • Chicago • Dallas • Oklahoma City
• Tucson • Fresno • San Francisco • Portland • Spokane • Seattle • London • International
Service through Associates in Major Cities throughout the World

Mining mill fire upstaged by insurance

VANCOUVER, B.C.—A \$5 million mining mill fire would usually be considered a tough act to follow but the insurers involved in the coverage for Giant Mascot Mines Ltd. have been putting on a fairly good show of their own since Giant's mill in Hope, B.C. was burned last year.

The stars of the performance are the insurers who wrote the coverage for Giant, and who have been asked to reimburse the firm for the loss, and a number of insurance companies with which Giant had no policy at all.

The group of companies that covered Giant, American Home Assurance Co. and Reinsurance & Excess Ltd. to name two, have not denied liability on the loss. Instead, they have contended that an insurance policy that covers Cemp Investments Ltd. should contribute to the payment of Giant's property damage claim.

CEMP WAS the major shareholder of Giant stock at the time of the fire. Since then, Cemp has purchased additional shares and its holdings have gone over the 50% mark.

L. P. Starck, president and managing director of Giant, told shareholders that, as yet, no one can say whether or not Cemp's insurers will be required to contribute to the loss payments.

HE POINTED out that the applicability of the Cemp policy hinged on the question of whether, at the time of the blaze, Giant was, in fact, a subsidiary, affiliate or associate of Cemp.

Giant and Cemp have followed the lead of the other insurance companies and have started proceedings of their own against the insurers to protect Giant's right to recover if the Cemp insurers are judged liable to contribute. ■

Bermuda insurance act will be drafted shortly

HAMILTON, Bermuda—Sir Henry Tucker, leader of the government of this honeymoon paradise island which has also become a haven for captive insurance companies, disclosed here officially the other day what had generally been known for months: The island will have an insurance regulatory act drafted within "two to three months."

At the same time, however, Sir Henry assured U.S. corporations with captives that the honeymoon is not over for them, nor for those companies now considering setting up captive schemes in Bermuda.

While it had been known for some time that some form of insurance regulation was in the

wind here, the government leader gave the first indication of what it may contain—or, rather, not contain—at an American Management Assn. seminar held on the island.

"AS FAR AS captives go," Sir Henry told 25 attendees, "we are not concerned with their policy of investments, how reserves are set up or what reinsurance arrangements may have been made. The act will be most concerned with insurers based on the island selling individual policies to either Bermudians or those in other countries."

The government leader, however, did reveal that the act will likely include a requirement that

an annual certified financial report be submitted from all insurance companies doing business here. But, he emphasized, such financial statements would be treated as confidential information and that none of it would be released. He did note, nonetheless, that financial statements may help the government flag down any dubious or floundering insurance operations here before they became serious problems or before they affected policyholders.

The act, government sources told *Business Insurance*, is now being prepared in proposal form by the attorney general's office. The proposal will then be available for review by interested parties who may object to any provisions before it is submitted to the legislature. As politics go here, the final version of the act will likely have Sir Henry's stamp of approval on it and will be routinely passed by the legislature.

Questioned as to whether the act may include increased capitalization requirements, set now at a minimum of \$120,000, Sir Henry responded, "No. I don't see any changes as far as captives are concerned." He did note that capitalization requirements may be increased for companies selling insurance to Bermudians and possibly for those based here but selling individual policies abroad.

"WE DO NOT intend by legislation to drive this business (captives) off the island," Sir Henry told the opening session of the AMA seminar at the Princess Hotel.

The two main "props" of the Bermudian economy, the government head pointed out, are tourism and the exempted company

act that allows captives and other offshore operations to take advantage of the taxless island. His government does not wish to offend either, he said.

Reaction to the hints of just what the act may contain was rather mild among those with captive interests here. The industry—lawyers, bankers, captive management people and risk men interested or involved in captives based on the 20-square-mile island—appears to be able to live with the provisions in the act that will likely affect them. Complying with such an act will probably mean few problems for them, they say, and by now they have established complete trust that the government will not disclose financial matters that for various reasons they do not wish revealed.

Said one whose company insures property in both the U.S. and abroad through a Bermuda captive:

"The move was not at all unexpected. Furthermore, I think everyone in this business agrees that it is a desirable move for the government to make. The island has become such a popular base for insurance operations—captives and others—and so rapidly that there was a danger of the undesirable element creeping in. The government wants to avoid this and the act will provide it with a new tool with which irregularities and possible alley cat operations can be caught before they damage all of us."

Asked whether the probable annual financial report regulation would give his firm any qualms, he answered: "Naturally, there are financial matters our parent doesn't want the world to look at but we have been assured that the government will treat this information as confidential. This is a responsible government and I think that is probably the least of our concerns." ■

We may increase tax, says Bermuda leader

HAMILTON, Bermuda—The picturesque island of Bermuda, situated about 600 miles in the Atlantic, due east of the North Carolina coast, has no income or corporate taxes—and it's beginning to show.

The backbone of the economy here is, first, tourism and, second, the exempt company business which allows captive and other offshore operations to turn a taxless profit. Simply stated, more tourism and more offshore companies bring more jobs and money to the country.

However, Sir Henry Tucker, government leader, noted at an American Management Assn. session here that Bermuda last year learned the hard facts of the law of diminishing returns. New tax revenue must be sought soon, he said, and it is likely that offshore companies will be asked to contribute. He assured the companies, though, that new levies will not make Bermuda any less attractive as a base of operations.

One way to raise additional revenues, Sir Henry suggested, may be to raise the franchise tax paid annually by offshore companies. The tax is now \$480 a year and has been for the past 35 years. "We are considering a moderate increase in this," he said. "However, I am satisfied you will be able to live with it."

Bermuda, the government head explained, was forced to borrow \$6 million for government operating expenses last year. In the next two years another \$10 million will be needed and it is expected that the island's revenue-raising structure will have to be overhauled to raise an estimated \$3.5 million per year from here on out.

The manner in which Sir Henry described Bermuda's present financial embarrassment at having to borrow money to run its government caused one seminar participant to remark, "I'll bet Nelson Rockefeller and 40 other governors wish they had his problem."

buy your
business
insurance
from a bank

A bank line of credit can be less expensive than insurance premium dollars when financing pure risk. RPG provides a research and analytical program that considers all means of financing risk . . . including bank credit.

RISK PLANNING GROUP INC.

24 Old King's Highway South • Darien, Conn. 06820 • (203) 655-9791

Report says 5 companies paid no taxes

SACRAMENTO—Project Loopholes, sponsored by Marvin Dymally, Los Angeles democratic state senator, this week completed a study report disclosing that the five largest life insurance firms based in California "made \$153 million on investments" in 1970 and did not have to pay any tax on any portion of the earnings."

Mr. Dymally, in issuing the report, asserted "the state's taxation of insurance companies cries out for a total legislative review."

Analysis of records filed with the California insurance department, headed by Richards D. Barger, reveal, according to the student group, that seven of the top 20 life insurance companies paid no U.S. income taxes last year.

The sole state taxes the companies have been required to pay are the 2.35% gross premiums tax, property taxes and motor vehicle fees. The companies hitherto have been exempt from such taxes as income taxes, local business license fees, corporation taxes and the 5% use tax.

The report adds that income from insurance company investments in stocks and bonds, rents and real estate loans also is free from taxation and that total tax-free investment income for the top 20 companies in 1970 was more than \$177 million.

The report said Occidental Life of California earned \$78 million investment income and Pacific Mutual of Los Angeles \$46 million to top the list. ■

You're careful when you hire people.

Be just as careful when you choose Texas Workmen's Compensation Insurance.

In good people, you look for experience — record of performance — and potential.

These same rules apply to Texas Workmen's Compensation. Let us explain why our size, experience, and record of performance can mean important insurance advantages to your company.



TEXAS EMPLOYERS' INSURANCE ASSOCIATION

P. O. Box 2759 • Dallas, Texas 75221

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

"Traditional Sources"

Relying on them for assurance that your package of benefits is being managed as efficiently as possible can be costly in today's sophisticated business world. Consider these important management questions.

- Are your programs, by their design, encouraging over-utilization?
- How much does it cost to issue a benefit check?
- Is a restrictive investment policy limiting the growth of your employee benefits assets?

EBASCO has organized its resources to help you find the answers. Our comprehensive service organization, based on the individual talents of leading specialists in the employee benefit field, provides an independent and professional source for management assistance.

EBASCO Specialists Provide Services.
No insurance sold.



EBASCO SERVICES INCORPORATED



a Boise Cascade Company

NEW YORK
100 Church Street
New York, New York 10007
(212) 344-4400

CHICAGO
100 South Wacker Drive
Chicago, Illinois 60606
(312) 346-3438

SAN FRANCISCO
44 Montgomery Street
San Francisco, Cal. 94104
(415) 433-2930

WASHINGTON
1625 Eye Street, N.W.
Washington, D.C. 20006
(202) 737-3240

CANADA
250 Bloor Street East
Toronto 5, Ontario
(416) 923-0931

BERMUDA
P.O. Box 1617
Hamilton, Bermuda
Telephone: 1-3973

National Company reduces annual LTD costs by six figures

LTD RATES UP 25% TO 50% FOR MANY CORPORATIONS EVEN WHEN CLAIMS EXPERIENCE SEEMS SATISFACTORY—ONE NATIONAL FIRM REBELS

Companies all over the country are receiving rate increases that seem unwarranted. Because the insurance carrier incurred increased overall loss ratios in 1969 and 1970, many of these insurers have increased premiums across the board—for good and bad loss ratios alike.

One national firm with more than 10,000 employees covered for LTD didn't think their loss ratio was bad enough to accept a rate increase well over 50%. With the assistance of the marketing experts at E&E, duplicate coverage was arranged with another major carrier with no big fuss at an annual saving well into six figures.

If your company has suffered a similar rate adjustment, perhaps you are ready for a "no obligation" chat with one of the E&E market analysts. Very substantial annual savings are the rule rather than the exception.

Executive & Employee Benefit Plans, Inc. now represents many nationally recognized firms in administering group plans—very often on a completely self-insured basis—at great savings to the respective clients. E&E has administered such plans since January, 1959, often saving as much as 25% or more. A free brochure on self-insured hospital-medical plans is available without obligation by writing to any of the E&E offices. We urge you to do so if the idea has interest for you.



EXECUTIVE & EMPLOYEE BENEFIT PLANS, INC.

Executive & Employee Benefit Plans, Inc.
225 East Broad Street
Columbus, Ohio 43215 (614) 228-2901

Executive & Employee Benefit Plans, Inc.
3376 Peachtree Road N.E.
Atlanta, Georgia 30326 (404) 261-1214

Executive & Employee Benefit Plans, Inc.
6919 East 10th Street
Indianapolis, Indiana 46219 (317) 356-6457

Wisconsin no-fault foe says proposal doesn't offer anything new to public

MADISON, Wis.—No-fault insurance was argued pro and con at a hearing before the state assembly's insurance and banking committee but no action was taken on the proposed bill.

The legislation would make insurance companies offer medical and hospital benefits for injuries costing up to \$2,000. They would be forced to offer income disability benefits equal to 85% of income up to a year, but not to exceed \$750 a month. The measure also would require proof of insurance before a driver could apply for vehicle registration plates.

Robert Habush, Milwaukee attorney, supported the legislation,

calling it a "voluntary no-fault bill" that would correct insurance problems without discarding the present system.

MR. HABUSH said Wisconsin was relatively free of the problems that have caused other states to turn to no-fault. The average policy in Wisconsin costs about one-fourth of the rate charged for the same coverage in New York, he said.

Wisconsin does not suffer from the court case congestion that plagues other states, he continued, since 95% of the cases in this state are settled within a year.

Mr. Habush estimated that the

medical plan would cost \$10 a year and that the income disability plan would cost an additional \$7.

George Crownhart, a lobbyist for the American Insurance Association, criticized the bill as being misleading. "It is not no-fault—it is merely an extension of the present system," he said. A complete no-fault plan would cut insurance premiums by 15% to 30%, he insisted.

THE STATE department of transportation has estimated that the bill would cost \$2.5 million to administer for a year and a half, and would reduce aid to

localities by \$1.5 million.

William Durkin of the Wisconsin Insurance Alliance opposed the measure, saying it would increase costs. He criticized the bill for not limiting attorney's fees, for requiring mandatory coverage and compulsory insurance. He said a provision prohibiting cancellation of policies except for nonpayment of premiums was "absolutely monstrous."

Frank Coyne of the State Bar Assn. said the public had the mistaken idea that it would collect some new benefit from no-fault.

Mr. Coyne said that once medical benefit and income disability plans were adopted, "I don't think that there is anything that no-fault can add. For \$15 to \$30 a year, I don't think the good citizen of Wisconsin is going to exchange the benefits he can get under the present system, for no-fault. He'd be a fool." ■

Life insurers disapprove of putting franchise insurance under group rules

ST. JOHNS, Newfoundland—Life insurance companies have voiced their disapproval of a move to put franchise insurance under the rules governing group insurance.

The proposal, one of the many items being discussed at the annual conference of the provincial insurance superintendents, would alter the definition of group insurance to include "insurance of a number of persons under separate contracts identical in form." Franchise insurance is that under which the premiums of individual policies are based on the experience of a group, usually a professional association.

The president of North American Life Assurance Co. of Toronto, George Ryrie, said that there was still confusion in the life industry regarding a working definition of franchise insurance.

HE SAID that franchise insurance had been suggested as a substitute for group insurance at last year's superintendents' meeting. The evidence-of-health rule would have to have been eliminated under the suggestion.

"At that point, we stated what we meant by franchise insurance in that context," he noted. "When the current proposition appeared last month it became apparent from the volume of correspondence from member companies that

neither our description of what we meant at that time nor the definition now proposed is at all appropriate for what many companies regard as franchise insurance."

He said that a questionnaire had been mailed to members of the Canadian Life Insurance Assn. (CLIA) regarding the subject but that the results had not yet been analyzed. "I may add," he continued, "that we are now aware that most of the franchise business in Canada is transacted by companies not represented in our association."

He felt that the proposal should be set aside for further study as the CLIA opinion could not really be based on any wide knowledge of the actual market.

JOHN BOWDEN, chairman of the Life Underwriters Assn. of Canada, said that LUAC would not support any proposal to move franchise insurance under group insurance rules. "This," he said, "is open to too much misunderstanding."

He said that franchise insurance required individual contracts and because the law recognized only two types of life insurance, group and individual, franchise could not properly be called group.

"LUAC recognizes the validity of mass marketing using the so-called franchise technique," he

noted, "but the public interest can best be served by using clearly recognizable individual policies which contain all the traditional guarantees concerning rates and policy conditions."

A spokesman for William M. Mercer Ltd., a Toronto pension consulting firm, said that the proposed definition of franchise could apply to individual contracts as well as group. His suggestion was to shelve the entire question "until there is sufficient experience based on years of franchise insurance sales." ■

OPIC wrote \$5 million cover on Utility copters

WASHINGTON—The U.S. government-owned Overseas Private Investment Corp. is forging ahead with its foreign investment coverage program while waiting for word on its liabilities in the Chilean mine expropriation.

Though it was considered only an "average" sized contract, OPIC announced in detail the issuance of a \$5 million policy to Utility Helicopters Inc., subsidiary of Cordon International Corp., Los Angeles. The policy covers helicopters, other aircraft and supporting equipment against the risk of expropriation, inconvertibility of local currency holdings and damage from war, revolt and insurrection in Indonesia.

Utility has contracts for transporting equipment and personnel to companies developing oil resources throughout the Indonesian archipelago. Its policy with OPIC will cost 1.5% of the in-

sured amount annually.

Although OPIC said it "heartily endorses" the concept of an international insurance set up to cover expropriation (see *Business Insurance*, Aug. 30) it noted that at present only OPIC coverage is available to U.S. foreign investors. "Lloyd's of London might issue policies," said a spokesman, "but we don't know of any. There would have to be a lot of conditions."

OPIC says its main reason for having an insurance program is to "provide incentives for investment in the developing nations."

Spun off from the Agency for International Development in January, OPIC now faces what could be a severe blow to its reserves as a result of Chile's takeover of an estimated \$500 million plus in OPIC-insured Anaconda, Kennecott and Cerro holdings. ■



If you don't know...
ASK McGEE

SPECIALISTS IN
OCEAN
INLAND
M.O.P.
LOSS PREVENTION

Wm. H. McGee & Co., Inc.

MARINE UNDERWRITERS

111 John St., New York, N.Y. 10038

Baltimore • Boston • Chicago • Columbus, O. • Dallas
Detroit • Houston • Los Angeles • New Orleans
Philadelphia • San Francisco • Seattle • Montreal
Toronto

new ideas

The fuel that has kept Adams & Porter charging since 1907. We've developed new, aggressive approaches to business insurance placement. And we've developed a Claims Department with expertise unparalleled in the industry. About the only innovation in business insurance that Adams & Porter hasn't made is changing the personal, professional way we service your day-to-day needs.

Adams & Porter

Houston: Cotton Exchange Bldg. (713) 227-5181
New York: 30 Church St. (212) 349-5900
Also in Los Angeles and San Francisco.



A new game in Bermuda – count the captives

HAMILTON, Bermuda—Peter J. Hardy, Bermuda's registrar of companies, told *Business Insurance* his office is in the process of determining an actual and official number of captive insurance companies on the island.

The question of just how many such companies exist here, strangely enough, has never been accurately determined. Offshore companies, whether they be of an insurance nature or in some other kind of commerce, are registered under one category. There are many hundreds of them listed in the official registry; however, the names of the companies do not always indicate the nature of their business.

Just how many such firms there are is not the most pressing problem facing the burgeoning captive movement, of course. But those in the business of selling management and legal services to the U.S.-owned offshores often exaggerate the figure while perhaps trying to create the impression that there is safety in numbers. The most conservative put the number at 80 to 100; liberals go as high as 150. Some in the latter figure, however, appear to be inactive or shelf companies at the moment.

In any event, Mr. Hardy's office will soon settle the matter. He did note that 30 new captives have been formed in the past 12 months, so in the end the liberals may have it.

The Bermuda registry Mr. Hardy heads and has headed since his appointment in August, 1970, when the "1970 Act" made it possible for an offshore company to incorporate by a registration procedure, has greatly simplified the formation of captive companies. Prior to the act—and it still may be done this way if a firm so chooses—a company could incorporate by presenting a formal bill to the parliament.

Mr. Hardy, whose position was created by the 1970 act, has a staff of two but said he shortly will have to add others due in large part to the increased interest in captives by U.S. corporations, industry groups and associations.

While the registrar may indeed lead one of the more harried lives on this otherwise serene resort island, his office has greatly facilitated matters for those who would go the captive route.

GIVEN THE PROPER information a company can now be established here two weeks after the formal application is submitted to the registrar's office.

The 1970 act gives the government's Member of Finance the discretionary power to accept or reject, without explanation, an application for a permit to form and incorporate a company. At least two rejections for captive companies were handed down in this fashion within the past year.

The application for registration by Mr. Hardy's office is long and detailed and, as one person put it at the American Management Assn.'s captive seminar here late last month, "it asks everything but how many moles on the body of the applicant principals."

The registry is most concerned with the personal character of the individuals involved in a proposed scheme. And while there may be few problems created by, say, a U.S. corporation listed on the New York Stock Exchange seeking to set up a captive to cover its property and liability exposures, the government is concerned with those who will be actually managing and serving as legal counsel.

The capitalization requirement

in Bermuda, recently increased from a rather outrageously low \$12,000, is now \$120,000. A captive, moreover, may only write business of its particular group. A corporation, for instance, may only write the business of bona-fide subsidiaries of that company. Associations or industry groups, on the other hand, may write member companies. The paint and lacquer industry established one such captive in the past year.

THE REGISTRY'S Mr. Hardy, who detailed registration procedures to the opening AMA session, noted that in the little more than a year since his office opened its doors 35 insurance-related offshores were established. (More, of course, were set up through the older and more formal Act of Parliament procedure.)

The 35 insurance-related companies established, he noted, constituted 17.2% of all companies registered by his office during that first year ending in August (or about 210 companies in all). Of the 17.2%, 57.1% (or about 18) were specifically stated to be captive insurers. The remainder were either general insurance companies, reinsurance companies or insurance brokers.

"I regret," Mr. Hardy told the AMA audience, "that there are no comparable statistics for any other period, but my impression is that the incorporation of so-called captive insurance companies was a new and significant feature of the incorporation of companies in Bermuda during 1970 and 1971.

"During the past 12 months," he added, "the most frequent

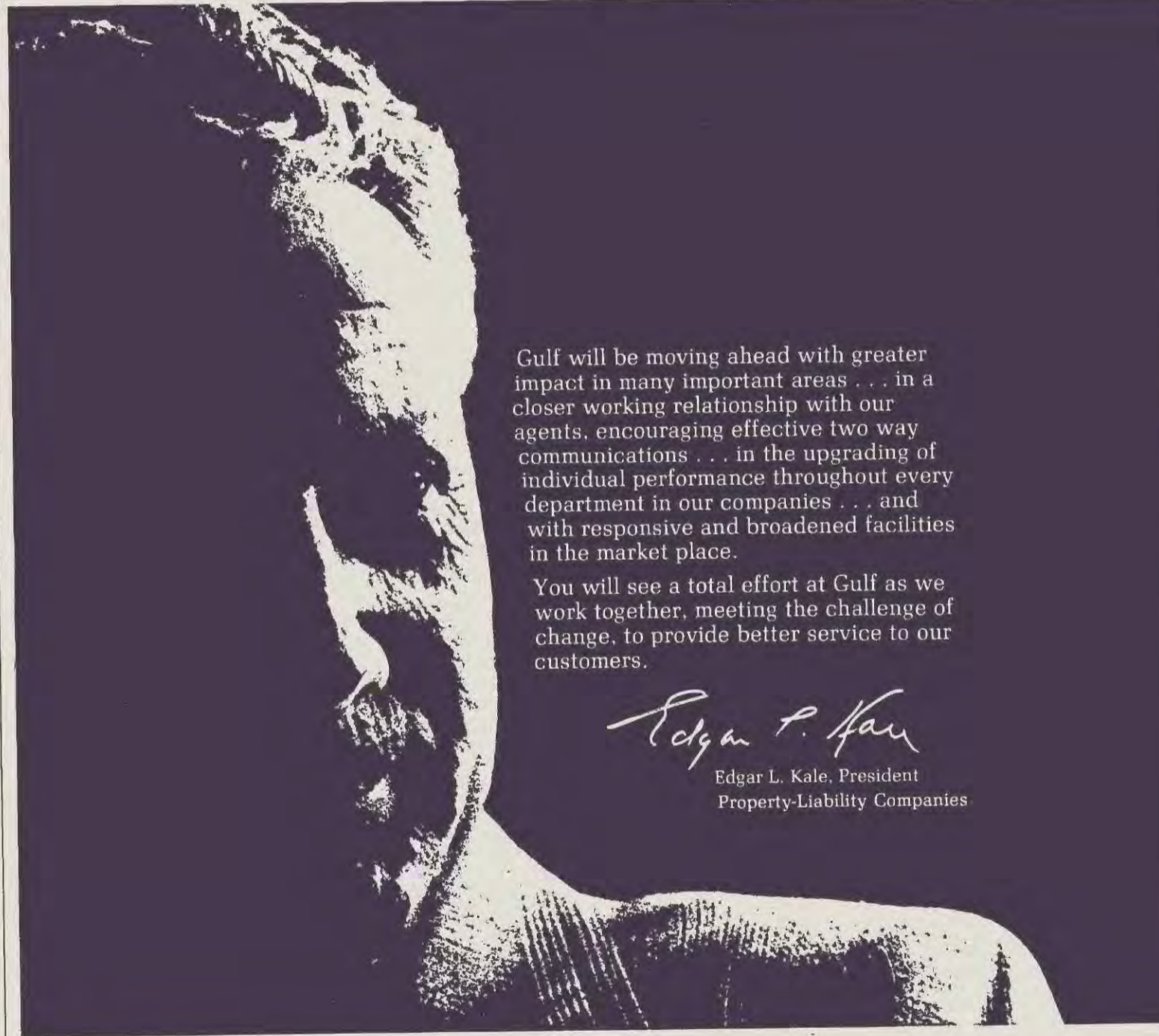
form of insurance activity to be considered (by the government's advisory committee) has been the captive insurance company." ■

ek'spēr-tēz'

The skills of every business' top management are among its most valuable assets. Our expertise in helping to protect management has made us a leading writer of

DIRECTORS & OFFICERS LIABILITY INSURANCE
EVANS/COMTOIS & COMPANY
 Insurance

1375 Euclid Avenue **ais** Cleveland, Ohio 44115



Gulf will be moving ahead with greater impact in many important areas . . . in a closer working relationship with our agents, encouraging effective two way communications . . . in the upgrading of individual performance throughout every department in our companies . . . and with responsive and broadened facilities in the market place.

You will see a total effort at Gulf as we work together, meeting the challenge of change, to provide better service to our customers.

Edgar L. Kale

Edgar L. Kale, President
 Property-Liability Companies

Meeting the challenge of change!



GULF GROUP COMPANIES
 GULF INSURANCE COMPANY
 ATLANTIC INSURANCE COMPANY
 SELECT INSURANCE COMPANY
 GULF ATLANTIC LIFE INS. CO.

EXECUTIVE OFFICES P. O. BOX 1771, DALLAS, TEXAS (214) 526-5281



following the funds

United Mine Workers' fund balance declines by \$38 million in fiscal '71

WASHINGTON—The United Mine Workers Welfare and Retirement Fund lost \$38.2 million in fiscal 1971, ended June 30, according to the fund's annual report.

Fund spokesmen attribute the loss in part to "the continuing escalation in medical and hospital-care costs," as well as to a rise in various other expenses. However, a two-year controversy over the fund's financial soundness, involving an investigation by a Senate labor subcommittee and a federal district judge's order for various changes in the fund's administration, has led some observers to wonder just what is going on.

The fund's balance has gone from \$179.5 million in 1969 to

\$151.1 million in 1970 to the present level of \$112.9 million, clearly not an encouraging trend under any kind of analysis. According to the report, the fund had receipts of \$181.8 million this year, with expenditures of \$220 million, making for the net outflow of \$38.2 million. In 1970 the net outflow was \$28.4 million, with receipts of \$174.2 million and expenditures of \$202.6 million.

LAST YEAR A Senate labor subcommittee investigated a \$35-a-month increase in pension benefits which had been hastily approved by the fund's three trustees in June, 1969, when W. A. (Tony) Boyle, UMW president and then a fund trustee, was campaigning for reelection. Mr. Boyle was reelected in December, 1969.

Early this year a federal district judge here ordered replacement of two of the fund's trustees—Mr. Boyle and Josephine Roche. Miss Roche, who is in her mid-80's, had acted as both neutral trustee and administrator of the fund, and was asked to give up one of the posts, which the judge found conflicting. A source at the fund's headquarters said she resigned from both posts because of her advanced age.

In his decision, Judge Gerhard Gesell said Mr. Boyle's actions in raising the pension from \$115 to

\$150 per month while campaigning for reelection "reflect an insensitivity to fiduciary standards" because he pushed the increase "partly by misrepresentation, in haste and without consulting the neutral trustee," Miss Roche.

Judge Gesell also ruled that the fund must "cease maintaining banking accounts" at the National Bank of Washington, 74% of which is owned by the UMW. He said he found that the officials of the fund, the union and the bank had conspired to maintain "excessive cash" in the fund's noninterest-bearing checking account "in disregard of the best interests of the beneficiaries."

"**WE'RE GOING** to carry this to the Supreme Court if necessary," the source at the fund told *Business Insurance*. The union is presently appealing the judge's decision.

The fund spokesman also said that Mr. Boyle moved to raise the pension as part of a long-standing promise. "He always said he'd

Drops State Fire charges temporarily

MIA MI—Federal authorities plan to secure new indictments against five men accused of milking assets from a now-bankrupt Miami insurance company.

A U.S. district judge in Miami dismissed indictments against the five "with a great deal of reluctance" because, he said, their attorneys had lacked sufficient time to read the 130,000 pages of testimony to prepare for trial by Oct. 4.

The indicted men were: Carey Matthews, Florida state representative who had served as general counsel for State Fire, which was \$8 million in debt at the time of its collapse; Dallas financier S. Mort Zimmermar; Benjamin Dobson, former State Fire president and onetime Florida deputy insurance commissioner; and two other former State Fire directors, Samuel E. Geller and Amon DeNur.

U.S. ATTORNEYS said their offices had photocopied 125,000 documents at a cost of \$20,000 in an attempt to provide the defense with evidence prior to the trial.

"It was a clerical monstrosity," said Neal Sonnett, an assistant U.S. attorney in Miami. He said that 130,000 pages of testimony was taken by investigators looking into the bankruptcy that left close to 6,000 Floridians holding virtually worthless policies. "It was physically impossible" to collect all of the documents and testimony from areas as distant from Miami as Texas and Washington, D.C., according to Mr. Sonnett.

He said that charges against all five defendants will be reinstated after a grand jury reviews the case.

Another grand jury charged that the insurance company's assets had been siphoned off and replaced with stocks not readily marketable. The original indictments include 12 counts of mail fraud, five of violating Securities and Exchange Commission laws, one of conspiracy and one of fraud by wire. ■

raise the pension if he became a trustee; as soon as he could, he did. It had nothing to do with his reelection campaign," the fund man said.

Late last year, the government's general accounting office prepared an analysis which showed the retirement fund would be insolvent by 1975 unless employer contributions were raised.

"That's no news to us," the UMW fund source said of the study. "Operators have contributed only 40 cents per ton to the fund since 1952. Our contract is up midnight, September 30, and we're negotiating for an increase to 80 cents a ton. It remains to be seen if the operators will cooperate."

EARLY THIS YEAR the union tightened eligibility requirements for the fund, but denied that the fund's financial problems were the "prime reason" for the change. The 1971 annual report

showed there are nearly 67,000 pensioners, a high number considering that the work force in the mines, according to the fund spokesman, is only 90,000.

The fund attributed this year's rise in expenditures in part to higher medical costs nationwide. Medical and hospital care outlays expanded to \$83.2 million from last year's \$65.6 million, the report showed.

Funeral expenses and widows and survivors benefits rose from 1970's \$8.3 million to this year's \$8.8 million. Administrative costs increased to \$6.4 million from \$5.7 million.

Pension payments were down \$1.5 million from 1970, but the 1971 pension outlay of \$121.6 million was still considerably higher than the \$96 million paid in fiscal 1969, when the fund's receipts nearly balanced its expenditures. Of course, 1969 expenditures were made before the rise in monthly benefits took effect. ■

Wisconsin assesses to fill unemployment fund

MADISON, Wis.—Wisconsin employers will be required to pay into a special unemployment compensation fund next year for companies that have exhausted their accounts, the state department of industry, labor and human relations has announced.

It will be the first time in four years for the assessment against employers. A tax of 3% of each employer's taxable payroll will be imposed. The payments could range up to \$12.60 for each employee since the tax is based on the first \$4,200 of a worker's annual wage.

The heavy drain on unemployment funds caused the department to warn several months ago that a special assessment might be necessary for 1972. Payments to jobless workers in the fiscal year ended July 1 totaled \$107.1 million, compared with \$58.2 million in the previous fiscal year.

KNOWN AS THE solvency fund, the special account for overdrawn employers had a balance of \$11.4 million July 30. Lawrence A. Burley, administrator of the state un-

employment compensation division, pointed out that a balance of \$31.5 million was required by state law. The balance must equal 4% of the gross wages reported by all employers for the preceding calendar year, he said. Gross wages in 1970 were \$7.8 billion.

The most recent solvency tax was levied in 1968 when the rate was 2%.

Mr. Burley said employers would be notified of their 1972 payments by the middle of November. The first payments will be due next April 30 and subsequent payments must be made each quarter, he said.

Employers with overdrawn accounts—for example, those with a large number of layoffs—must pay the solvency tax in addition to the basic assessment paid to support the unemployment compensation program, Mr. Burley added, but other employers are not required to pay the solvency tax since it can be deducted from their regular payments. Many, however, are expected to pay it so their balances will not drop, another spokesman said. ■

the risk management manual is coming

october 25th issue

Maybe it's time we explained what Total Service is all about.

Our Total Service Concept is based on change. We're never satisfied that what we recommend today in the way of coverage will still be the right answer for you tomorrow. That's why we provide a continuing analysis of your operations, loss-prevention engineering services to keep you operating, constant research to make you aware of changing legal, social and environmental conditions with specialists to tailor and re-structure your insurance program to meet your changing needs.

Tomenson Saunders Total Service goes far beyond insurance. We're geared to handle any problem in risk control or assessment you can give us. And we'll probably surprise you with some of our solutions, because we're proud of the way our creative attack on clients' problems saves our clients money.

We challenge you to challenge us. And we'd like to tell you more about Total Service.



TOMENSON, SAUNDERS/INSURANCE
GROWING WITH CANADA—INTERNATIONALLY

401 Bay St., Toronto 102, Ontario. Telephone (416) 366-8171
Offices across Canada. Correspondents throughout the World.

General Aviation Facilities



For all light private, pleasure and business aircraft.

BIG CAPACITY Facilities



For industrial aid fleets and airlines.

Special Risks



For older low valued aircraft, crop dusters, float planes... all handled in a streamlined manner using strong, reliable domestic markets.

AOA
AVIATION OFFICE OF AMERICA

(INCORPORATED)

7025 EASTEX FREEWAY
BEAUMONT, TEXAS 77706
TELEPHONE (713) 892-7025
CABLE: FOLMAIRINS



For Excellence in Underwriting

Ask your Agent to find out more or... write to us. We'll tell you where the nearest authorized AOA Agent can be reached.

Overcrowded buses bring threat to cancel

WEST PALM BEACH, Fla.—School bus overcrowding has prompted a West Palm Beach insurance agent to threaten to urge cancellation of the school system's transportation policy.

"I personally don't feel it is a safe operation to do this," said Curtis Tillis of S and K Insurance, which represents the system's underwriter, Continental Insurance. He expressed hope that the overcrowding will be alleviated promptly.

Parents have complained that pupils were being packed into standing-room-only buses, with 100 or more children to a bus. One indignant mother protested to Jerry Thomas, Florida senate president, that she had counted 120 children on a 66-passenger bus.

Continental Insurance was the only company to bid on the school transportation policy when it was let four years ago.

A. H. FULLER, the school plant planner, said he had instructed bus drivers to eliminate overcrowding wherever possible. He

Hospital's premiums jump 500%

HOLLYWOOD, Fla.—The South Broward Hospital board has accepted—without competitive bidding—a new insurance policy that jacks up its premiums by 500%.

Hospital board members, acknowledging that they have received criticism for the action, insisted that they had been unable to negotiate a more reasonable insurance contract.

At the same time, they approved a new board policy that requires publishing bid specifications for future contracts four months prior to the termination of existing contracts. The current policy expired Sept. 21, only a few days after the new \$5 million "umbrella" insurance policy was accepted.

"I think the real problem was time," said board member Joel Kaswan. "We just didn't have enough time." He said the board had put out "feelers" throughout the area since its last meeting, "but we simply haven't been able to come up with anything cheaper."

The new multiple-coverage policy with Krieg, Costas and Poole acting as agents, provides \$5 million coverage with Appalachian Insurance Co. for an annual premium of \$38,000. The expired policy gave the board—which operates Hollywood Memorial Hospital—\$2 million coverage for \$6,700 annual premium.

Malpractice cover

Last year Hartford Insurance made "news" when it began providing group malpractice coverage on the 10,000-member Southern California Physician's Council. Now the company has installed a similar system for the 2,600 member Colorado Medical Society. The new program will include use of physician's peer review committees to assist in evaluating applications for coverage as well as the handling of claims and disciplinary action. The plan also provides for refunding of investment income on any unearned premium reserves that may not be required for payment of claims.

said the situation should be alleviated when students can be educated that they needn't always crowd onto the first bus that serves a stop, since in many cases a second bus will follow closely behind.

He assured parents that the serious overcrowding will be only temporary but that minor overcrowding probably will continue.

Russell Sykes, state representative from North Palm Beach, noting that insurance companies may cancel high-risk busing policies, said he'll seek an emergency leg-

islative session to raise the liability limits required for children riding the buses. "Because of the high risk now because of possible fire-bombing, overloading and the distance the buses travel it's conceivable that there could be a traffic accident and a number of deaths," he said.

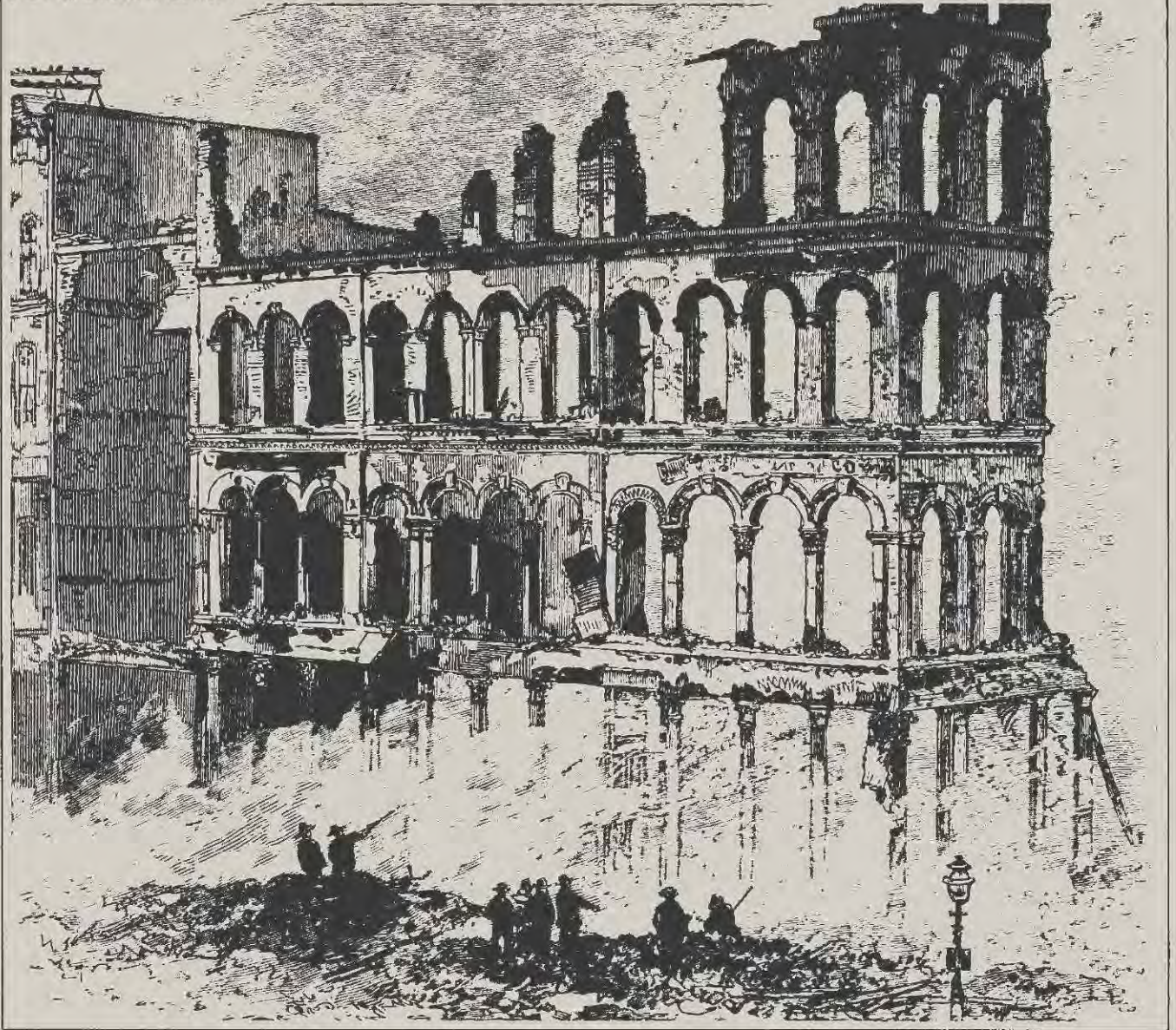
Like a number of other Florida counties, Palm Beach County faces a sharply escalated busing program this year to comply with court mandates on integration of schools.

Florida statutes now require \$10,000 in liability insurance per student. Mr. Sykes said that if an accident occurred on an overcrowded bus, parents would receive as little as \$3,500 each—which he declared "wouldn't even cover the funeral." ■



Al Royce (left), insurance director of the Penn Central Co. received the first policy issued by the Railroad Transportation Insurers, from Don Darr (right), manager of RTI. Bill Churchman (center) exec vp of Parker & Co. Inc. of Pennsylvania, division of Frank B. Hall & Co. Inc., brokered the contract. The RTI is the newly formed successor to the Railroad Insurance Underwriters. The policy provides fire and extended coverage on a schedule of Penn Central property.

GREAT AMERICAN FIRES NO. 4



Shirtwaist factory ravaged

Fire Protection Found Wanting.

Origins of the fire which destroyed the Felicity Shirtwaist factory in East Pinafore, R. I., are cloaked in obscurity. Speculation at the time centered around a malfunction in the electrical system of a new high speed hemstitching machine. Thomas Farthingale, factory superintendent, reported that attempts to control the blaze were severely hampered when the concern's fire extinguishing equipment could not be located. Had the 12 high capacity water buckets, the heavy duty garden hose and the soda acid fire extinguisher been available, the outcome might have been more felicitous.

Could Ansul Have Prevented the Disaster?

Had Ansul been invited to conduct a hazard analysis of the factory we would, of a certainty, have made several recommendations. A Halon "clean agent" system might have provided excellent protection. It would have detected and quickly extinguished a fire without leaving any residue and without damaging the electrical apparatus (sewing machines) and the large inventory of shirtwaist fabric.

Should a Gentleman Offer a Lady a Fire Extinguisher?

Strategic placement of hand portable first aid extinguishers would have been indicated. Ansul's "Sentry" dry

chemical units would have been appropriate because of their light weight, which makes them most effective in crowded conditions of female personnel . . . of which there were many. We would also have suggested that Mr. Farthingale and several of his key ladies attend the Ansul Fire School, to learn the most advanced techniques of fire fighting.

Effective fire protection for any factory means more than good fire extinguishing equipment. It means professional hazard analysis, training and the proper servicing of the equipment. That's what Ansul offers . . . a total fire protection package.

THE ANSUL SYSTEM



Experts call for group life benefit increases

ST. JOHN'S, Newfoundland—Two leading Canadian pension authorities submitted briefs to the meeting of the provincial superintendents of insurance here which called for rule changes in the group life insurance area that would increase survivors benefits.

The brief submitted by William M. Mercer Ltd., a Toronto pension consulting firm, said, "Op-

tional additional amounts of insurance allow each individual to adjust his life insurance coverage to meet his needs. Such optional coverage should not be limited."

Both Mercer's brief and that submitted by the Canadian Pension Conference were critical of the regulation that allows members of group life insurance plans to select a basic benefit or another benefit which does not exceed the basic one.

"THIS RULE limits the opportunity for an employe to adjust his life coverage to fit his personal needs," the Mercer brief said.

It was pointed out that if the survivors of a plan member included a widow and children, the amount needed to provide them with an adequate monthly income would probably be six or seven times the member's earnings and the limitation shackled those benefits.

The Canadian Pension Conference brief said that the rule limited the ability of employers and labor unions to design workable employe benefit programs.

"We submit that the freedom of the employer and the employe to determine the form of benefit should be maintained and that, therefore, the rule should be eliminated," it said.

THE MERCER brief also suggested, among other things, that legislation should be broadened in all provinces to increase the benefits of persons now covered by group plans and to extend group insurance to more groups.

The regulation that requires equal benefits for all group members regardless of age was attacked in the Mercer summary.

"This rule may have legitimate application in employe pay-all plans if a part of the cost of a large amount of insurance is subsidized by other younger persons," the brief said. "This argument does not apply where the employer pays part or all of the premium."

Chile puts more strain on OPIC

WASHINGTON—Chilean President Salvador Allende Gossens has added another straw to the back of the Overseas Private Investment Corp. by announcing that he will nationalize the Chile Telephone Co., a subsidiary of International Telephone & Telegraph Corp.

Two-thirds of ITT's \$153 million investment in the Chilean phone company is guaranteed by OPIC. OPIC, a U.S. government agency, however, has reserves of only \$82 million and is wondering how it will pay claims made by three U.S. copper companies whose mines were nationalized by the left-wing Chilean president (*Business Insurance*, Aug. 30, 1971). The agency may require Congressional funding.

As yet, there has been no announcement as to how the phone company will be nationalized or in what form ITT will receive compensation.

ITT AGREED to expand the company in 1967 and said it would sell up to 49% of the common stock to the Chilean government and other parties. ITT also conceded to sell the entire phone system by 1980.

Negotiations of late, however, had been targeted at moving that deadline up. ITT owned 70% of the Chilean facility at the time of the nationalization announcement and negotiations had been proceeding for the sale of those interests. The Chilean government owned 24% and the other 6% was publicly held.

Chilean officials, like just about everyone else, had complained in the past of poor telephone service but ITT denied the charges. President Allende said that the facility would be nationalized for "national security reasons."

Aside from the telephone company, ITT has two hotels, a telecommunications equipment manufacturing plant and several other interests in Chile.

Insurer's U.S. results up

General Accident insurance company reports better results from its U.S. operations. Premium income for the British company rose by \$15.7 million to \$139.4 million in the first six months this year, and its statutory underwriting loss dropped sharply to \$497,000, compared with a \$2.5 million loss in the same period 1970. The operating ratio was 96.15%, against 98.65%.

Auto businesses lose in two Florida crash suits

MIAMI, Fla.—The victims of two Florida turnpike automobile accidents have been awarded more than \$2.6 million by the circuit court in Miami in suits against a car dealer and a car rental manager.

A Miami Beach man and wife received the biggest judgment, \$1,724,000, awarded by a circuit court jury for injuries suffered.

A 24-year-old, university of Miami graduate was given \$944,970 in a verdict directed by a circuit court judge for an accident that left him paralyzed from the chest down.

THE MIAMI Beach couple is Mr. and Mrs. Max Feldman, who won the judgment against Clem Guider Lincoln-Mercury of West Palm Beach, Fla., and one of its employes, William Howerton. Mrs. Feldman, 49, suffered multiple leg injuries and faces amputation after a car driven by her husband was struck from the rear by an auto owned by the dealership and driven by Howerton. Mr. Feldman, who suffered only minor injuries, was awarded \$424,000 for the loss of his wife's companionship.

The paralyzed Miamian is Michael S. Newman, the winner in a verdict directed by Judge John Kehoe. The defendants were Joseph LaMotta, driver of the stationwagon in which Mr. Newman was riding when the accident occurred, and the Hertz Corp. Mr. LaMotta, son of retired boxer Jake LaMotta, managed a Hertz rental outlet in Miami and drove

the wagon as a company car.

Mr. Newman, Mr. LaMotta and four friends drove to a Georgia rock festival during the July 4, 1970, weekend and were returning to Miami when the stationwagon, driven by Mr. LaMotta, went out of control after a tire blew out at 90 to 95 miles an hour.

Mr. Newman's spinal column was severed as the car rolled over four times. Mr. LaMotta suffered a broken jaw; the other passengers suffered minor injuries.

Insurer gives lesson: Fight fire with fire

MONTREAL, Quebec—The Better Business Bureau reported, and they swore it was true, that there was a cigar smoker with a large stock of rather expensive cigars. He so dearly loved these stogies that he insured them against fire.

After he had smoked the stock, he filed a claim with the insurance company. The insurer refused to pay.

The man then sued the insurance company and the judge decided that the insurer was, indeed, responsible because they had accepted the policy in the first place.

The insurer paid the claim and then, proving that all's fair, had the man arrested for arson.

the risk management manual is coming october 25th issue

Pursued by autograph hounds?



INSURE YOUR BUSINESS WITH A DEVCO COMPANY!

Insurance on preferred-risk properties through DEVCO never fills your reception area with eager autograph seekers. DEVCO Member Company agents provide broad coverage and service from a single-source . . . offer protection up to millions of dollars without needless clamor or fanfare.

Service and loss settlement is prompt through your local independent agent.

If you're considering insurance for your preferred-risk properties and want to avoid the autograph hounds consider one of the DEVCO member companies listed below. Single-source local service means economy in time and effort! Think Quality . . . Think DEVCO!

Clip this ad and mail attached to your letterhead to

DEVCO MUTUAL ASSOCIATION

100 West Sixth Street, Media, Pa. 19063

Celina Mutual • Exchange Mutual • Harford Mutual • Lititz Mutual • Lumber Mutual • National Grange Mutual • State Automobile Mutual • Motorist Mutual • Shelby Mutual • Pennsylvania National Mutual

Name your Element where coverage is needed



Southern Marine is there with skill, resources and the ability to meet unusual risks!

SOUTHERN MARINE & AVIATION UNDERWRITERS, INC.

610 POYDRAS ST., (504) 524-4131, NEW ORLEANS 70130
Branch Offices in LOS ANGELES / HOUSTON / ATLANTA / TULSA
Serving insurance agents and brokers only — no direct business

Captives can insure employee benefits

HAMILTON, Bermuda—The possibility of insuring employee benefits through a captive insurance company got an airing again the other day, but as is usually the case with "new and young ideas" theory is great—but risk and benefit managers want to hear of practical experience.

Charles E. Hiatt, vp of Risk Management Inc., Los Angeles, told an American Management Assn. seminar that an employee benefit captive can accomplish the same objectives on the benefit end as it does on the property/liability side; namely, improve cash flow, recapture investment reserves and control insurance

costs. In addition, he said, it also does another thing. "The net effect," Mr. Hiatt asserted, "is that it passes the savings on to the employee-employer or it shows up in improved benefit plans.

Questioned afterwards as to the number of companies in the U.S. insuring employee benefits this way, Mr. Hiatt had to admit that he knows of "only two or three—and only in a minor way. But," he added, "we are conducting several studies along these lines for clients." He did not elaborate. "It's a young idea and still relatively unknown."

Nonetheless, Mr. Hiatt, against a backdrop of statistics like "Connecticut General lost \$40 million on group health insurance last year" and "it is estimated that by 1985 employee benefits will take 50 cents of every payroll dollar," said that there are four alternatives to the conventional method of insuring employee benefits through private insurance companies.

FIRST, HE said, is the employee association method whereby benefit dollars are funneled to an employee group which, in effect,

self-insures such coverages. Second, he noted, is the employee trust and third is the straight self-insurance method in which the employer purchases for a fee claim and other services from an insurance company while actually paying the claims himself. These, he noted, however, are not the most advantageous from a tax standpoint.

"The ultimate alternative," Mr. Hiatt declared to a morning audience, "is the captive company."

Pointing to several advantages to such an arrangement, Mr. Hiatt noted that the captive concept gives a company "freedom of benefit design" and makes possible a few "far out benefits" for the company with imagination. Among these, he said, are such things as survivor benefit plans that pay benefits to children after the widow, or primary, beneficiary dies, or even survivor benefits to nephews, nieces, aunts or uncles.

Another advantage, the young vp said, is increased investment flexibility. An offshore captive, for instance, he said, can carry on a much more liberal reserve investment philosophy than a

self-insured that is regulated by the various state insurance departments in the U.S. The captive company, moreover, "is under the control of the parent and can become a profit center."

MOVING TO the "how to do it," Mr. Hiatt said there are two primary ways to go the employee benefit captive route.

First there is the "direct" way. A pure captive is established in a place like Bermuda. Second, he said, "and more common if you can say the concept is common and I'm not at all sure of that"—a company can get a fronting organization and have the employer-operated captive act as the reinsurer.

Under the latter concept, Mr. Hiatt explained, a U.S. corporation may go to a private insurance carrier and negotiate an agreement whereby the insurer would handle claims and benefit administration for a fee but have reserves released to the offshore captive which could in turn invest the funds. Claims are then paid by the private insurer and charged to the reinsuring captive company. ■

Shapp signs new state jobless law

HARRISBURG, Pa.—Gov. Milton J. Shapp has signed into law a series of sweeping liberalizations in Pennsylvania's unemployment compensation program.

The Pennsylvania Chamber of Commerce said the changes give the state the nation's most liberal unemployment compensation program.

Here is a summary of the revisions approved by Gov. Shapp:

- **Taxes**—Next year employers will pay unemployment compensation taxes on the first \$4200 paid each employee instead of the current figure of \$3600. New employers, except contractors, will pay an entrance tax rate of 1% until they have enough experience to become rated. Employer taxes will range from 0.3% to 4.0%.

- **Coverage**—State employees will be covered, with the state acting as a self-insurer. Non-profit charitable, educational and religious institutions (except churches) will be required to cover their employees. Hospitals and colleges owned by local governments must be covered as self-insurers.

- **Benefits**—There is an immediate benefit increase from \$60 a week to \$81 a week. Beginning next year, the maximum weekly benefit will be 60% of the statewide weekly wage. Also provided is a family allowance of \$5 for the first dependent and \$3 for the second.

- **Duration**—All qualifying claimants can draw benefits for 30 weeks.

- **Partial benefit**—Claimants with part-time jobs can earn up to 40% of their weekly benefit without reduction of benefits.

- **Offsets**—All deductions from unemployment compensation entitlement are removed for severance pay, accrued vacation pay for terminated employees, and social security pensions. Pensions paid, to which a private employer has contributed, will be offset to the extent that they exceed \$40 per week. Only the weekly amount will be reduced in such cases, and the state chamber said many claimants will be able to receive the same amount they would have received without the offset—by drawing less for a year.

In addition, two eligibility requirements were removed from the unemployment compensation law. One requires that women unemployed because of pregnancy must earn four times their weekly benefit amount before again becoming eligible. The other requires that claimants show evidence of an active search for work. ■

SARASOHN

AND COMPANY

PUBLIC ADJUSTERS

8

CONVENIENT OFFICES

East Orange, New Jersey (Home Office)
85 S. Harrison Street (201) 675-1400

New York, New York
2 Penn Plaza (212) WH 4-3337

Bridgeport, Conn.
(Tri State Adjustment Service Co.)
27 Post Office Arcade (203) 333-5555

Newburgh, New York
231 Liberty Street (914) 562-9420

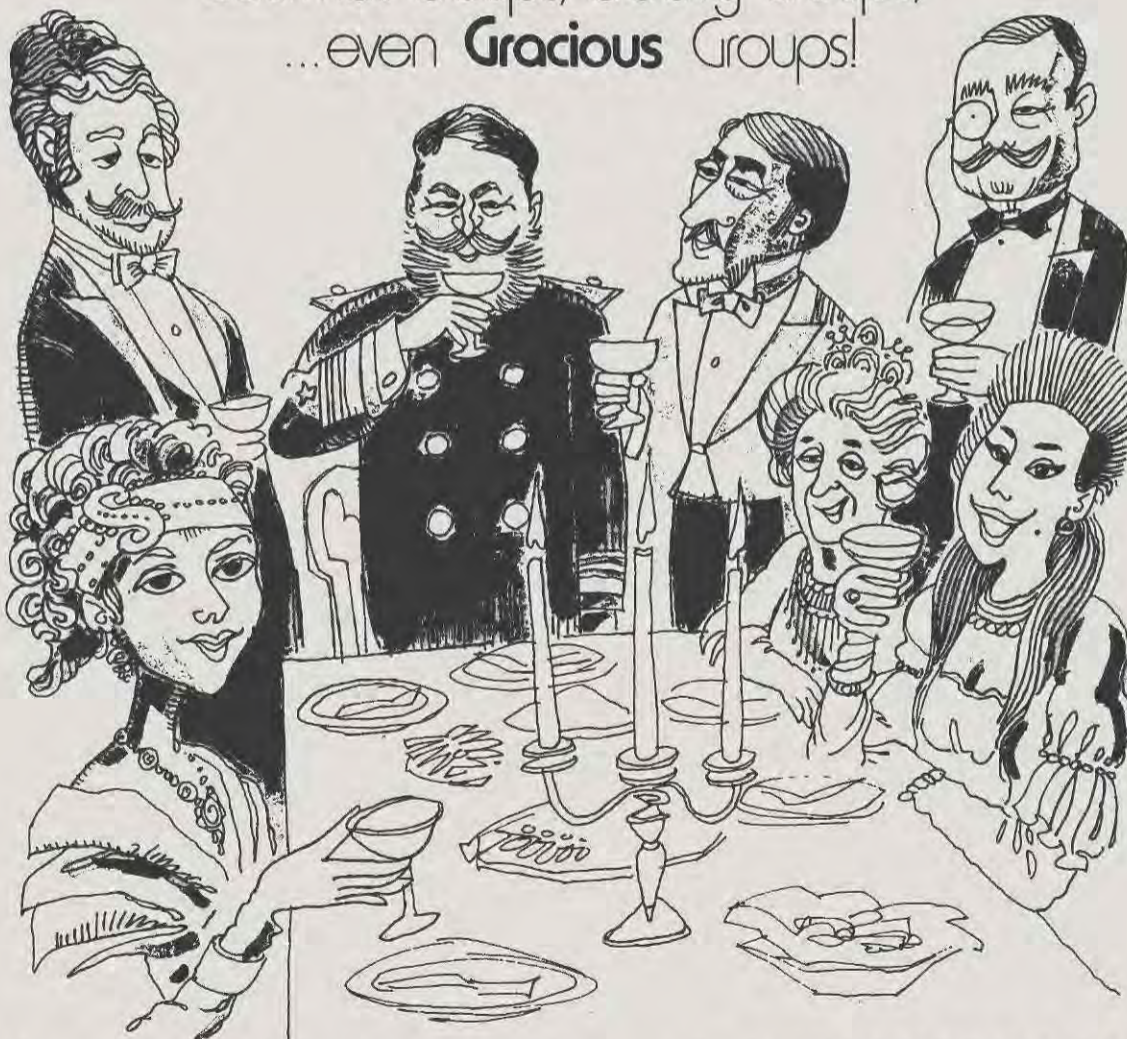
San Juan, Puerto Rico
1700 Ashford Avenue 722-5977

No. Miami, Fla.
16924 N.E. 19th Ave. (305) 945-6338

Memphis, Tenn.
(Roddy and Sarasohn, Inc.)
651 South Cooper St. (901) 274-2305

Kansas City, Mo.
10th & Walnut Streets (816) 421-7070

There are Glamorous Groups,
Growing Groups, Gallant Groups,
Gourmet Groups, Groovy Groups,
...even Gracious Groups!



Each Group Likes to be Treated as the GREATEST GROUP.

That's the way we do it.
That's the way your client wants it.

Provident
LIFE AND ACCIDENT

GROUP DEPARTMENT

CHATTANOOGA

(No. 4 of a Series)

Seek ruling on Aetna county group rate hike

HOUSTON—Harris County commissioners court is seeking a ruling by the county attorney to determine if the county can legally pay an increase of \$57,800 per month in premiums for group insurance on county employees.

Aetna Life & Casualty Co., the carrier, had promised to keep the premiums at the same level through the year, it was said. But the company now says medical claims

have run higher than expected and estimates its costs for the one year will be \$1,337,842. The current annual premium is \$825,828. Aetna requested a premium increase to \$1,519,523 a year, effective Oct. 1.

The company says the county does not have to accept the higher premiums until Jan. 1, 1972, but estimates the increase will almost double if delayed until next year. County commissioners, after meeting with Aetna's advisory committee of insurance men, said the carrier's commitment should be honored. Charles Tarver, a committee member, said Aetna erred by estimating claims too low when it bid on the county policy a year ago.

IN ADDITION, he said, there are 200 more county employees under the policy than when the bids were taken.

County Judge Bill Elliott complained that Aetna was "in effect explaining it is customary for insurance agents to miss the first

time around when they've got somebody on the hook."

W. Kyle Chapman, commissioner, said the county could take bids on group insurance again in the hope of getting lower premiums. But Mr. Tarver said such action would give the county the "reputation of a shopper," and few firms would bid.

"Our previous policy was a joke," said E. A. Lyons, another commissioner. "I don't like the higher rates, but I don't want to go back to that type of program."

The insurance committee, which studied the Aetna proposal, had no recommendation for the court. Some members, however, disagreed with how Aetna calculated its projected costs.

Occidental must defend crash suit

SPOKANE, Wash.—Occidental Fire & Casualty Co. is obligated to defend a million-dollar lawsuit brought on behalf of a Spokane man rendered mentally incompetent in a car-truck collision.

Superior Court Judge William H. Williams in a memorandum opinion held that the insurance company was required to insure the trucks of Gary L. Hills of Kalispell, Mont., even though the company did not know that at the time of the accident on Jan. 13, 1970.

On that day, Moreland Speyer, Spokane, was driving east near Altamont when he had to slow down because of smoke from a truck mishap ahead of him, and his car was rammed from the rear by Mr. Hills' freight truck-trailer.

Mrs. Patricia Speyer brought the action for at least \$969,717 against Mr. Hills, Occidental and others, alleging her husband is hospitalized, unable to communicate and incurring medical expenses in excess of \$600 per week.

Another driver, Mrs. B. L. Cook, whose westbound car also was struck in the collision, has filed a \$138,583 damage suit against the other parties.

Promises job safety

HARRISBURG, Pa.—Gov. Milton J. Shapp of Pennsylvania has pledged that his administration will make job safety the number one priority of the state labor and industry department.

Shapp said 13 state inspectors have been assigned to inspect safety conditions at 700 facilities throughout the state, and that the "target industries" were lumber and wood products, roofing and sheet metal, mobile home and transportation equipment manufacturers and meat products.

"Workers in these industries stand to benefit from the safer conditions that should—in fact, will—result," the governor said. "Another benefit will be the accumulation of more knowledge about on-the-job accidents and occupational diseases. That can be invaluable knowledge."

Shapp said any new inspectors hired to enforce occupational safety laws would be required to have sufficient qualifications to pass Civil Service examinations in their fields.

"I am confident that the improvement in the quality of our manpower that will result from this policy will further enhance our prospects of having the best possible health and safety program," the governor said.

Holds bonds in defunct insurance company case

HARTFORD—Connecticut's state insurance commissioner has been appointed by the state superior court to hold \$150,000 in bonds to pay Connecticut insurance claims against a New York insurance firm that has gone out of business.

Commissioner Paul B. Altermatt is to use the bonds, in effect, as an insurance trust fund to protect those who purchased insurance from the now-defunct Citizens Casualty Co. of New York.

Mr. Altermatt praised his staff for the foresight—as far back as 1963—in requiring the Citizens Casualty Co. to deposit \$150,000 in U.S. bonds as security against its weak financial condition.

OF THE 35 states in which Citizens Casualty wrote policies, Mr. Altermatt added, Connecticut was the only one to take action to protect policy holders.

In the most recent state action against Citizens Casualty, Mr. Al-

termatt asked the superior court to appoint him as an "ancillary receiver" for the company, which had been licensed in Connecticut.

Mr. Altermatt as receiver is to protect the bond assets and list any policyholders' insurance claims against Citizens Casualty. Payments are to then be made under court supervision.

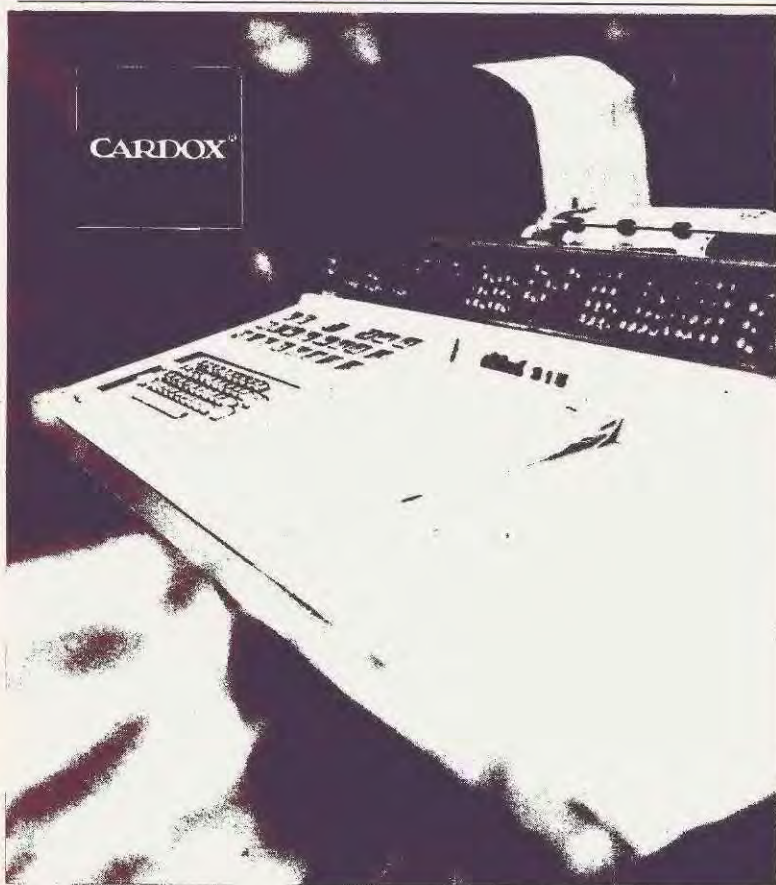
CITIZENS Casualty's business in Connecticut was understood to have been minimal. It never generated more than \$250,000 in premiums at its peak, seven and eight years ago.

The bulk of the insurance was sold to liquor dispensers, to protect them against suits if anyone they served was later involved in an accident.

Moreover, Citizens Casualty began selling construction insurance to architects and engineers. This function was cut off in 1967, when the firm's license was not renewed by the state.

the risk management manual is coming

october 25th issue



That hard-to-handle "hot spot" needs a Cardox Halon 1301 fire extinguishing system.

The advantages of Halon 1301 as a specific or supplementary extinguishing agent are multiple: It's fast-acting. Nonconductive. Low in toxicity. And efficient.

But more important to your peace of mind are the specialized, long-term experience and skill behind a Cardox-engineered Halon 1301 system. Such things as an on-site hazard analysis to determine the best means of protection. Followed by specific recommendation of a high- or low-pressure system or single cylinder modular units.

Cardox sales engineers can pinpoint discharge nozzle locations. Recommend the rates of discharge. And specify the detection and actuating devices best suited to your needs. In short, each and every factor that contributes to a custom designed installation.

Halon 1301 is just part of our comprehensive range of extinguishing agents and delivery systems (including foam and CO₂). Get the facts from your Cardox representative. Or write for Folio 9-2.

Chemtron Corporation, Cardox Division, 840 North Michigan Avenue, Chicago, Illinois 60611.

© 1971 Chemtron Corporation

CHEMETRON

TRADEMARK

CHEMETRON CORPORATION ■ CARDOX DIVISION

classified advertising

RATES AND CLOSING TIME: \$2.00 per line, minimum charge \$8.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of

HELP WANTED

Property Protection analyst is needed to evaluate property loss exposure, coordinate prot. Programs and perform risk analysis. Multi-Plant co. located in NW Ohio. Will work on corporate Insurance staff. Degree and five or more years experience needed. Send resume with salary history to:

Box 197, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

Insurance Analyst sought for corporate staff of Toledo, O. based consumer product co. Will conduct studies and make analyses for the I. D. and eval. of Ins. risks. Degree and two-five yrs. Corp. or Ins. exp. Excellent opportunity.

Box 195, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

EMPLOYEE BENEFIT COMMUNICATION CONSULTANT


Newly created opportunity to join innovative employee benefits communication organization. Will help develop staff and program to handle clients' total communication needs such as booklets, slides, handbooks. Must have experience as a consultant. Must relocate to east coast home office. If you are that unique individual who can assume and are seeking such a challenge, please send a detailed resume in complete confidence to:

Box 193, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

New Rollins Office Bldg. Suburban Wilmington, Del.

15 FLOORS
Adjacent to I-95
12,500 sq. ft. per floor
Hi-Speed Elevators
Early '71 possession

PATTERSON-SCHWARTZ & ASSOC'S, INC.
1013 Washington St.
Wilmington, Del. 19801



Hindsight may lower your Group Health costs...

... because costs are based on your actual experience—under Z-A's group retrospective plan.*

Other reasons for low net cost:

- Elimination of reserves (except for existing known claims)
- Contractually guaranteed factors
- No contingency charges
- Maximum returns because of low expense factors

Other benefits of Z-A's group retro:

- A stop-loss provision, assuring maximum cost limits, regardless of severity of claims in a given year
- Greater working capital for you, since reserves and retention are minimized
- Virtually any health benefit can be written. This gives you greater bargaining flexibility in union negotiations

Add Z-A's renowned service and extensive experience in the group field—and you have the ideal plan for groups of 150 or more.

Want a proposal? Or more information? Have your Independent Agent or Broker call us.

*Not available in all states



ZURICH INSURANCE COMPANY
AMERICAN GUARANTEE & LIABILITY INSURANCE COMPANY
ZURICH LIFE INSURANCE COMPANY
ZURICH AMERICAN LIFE INSURANCE COMPANY
111 West Jackson Blvd., Chicago, Illinois 60604, Phone: 922-3124
OFFICES IN: New York, Boston, New Haven, Buffalo, Latham, N.Y., E. Orange, Philadelphia, Pittsburgh, Baltimore, Greensboro, Atlanta, Richmond, Canton, Cleveland, Cincinnati, Toledo, Detroit, Grand Rapids, Minneapolis, Milwaukee, Chicago, Jackson, New Orleans, Dallas, Houston, St. Louis, Kansas City, Denver, Portland, Sacramento, San Francisco, Los Angeles, Phoenix.



©1971

If you only have one business—is there any reason you need more than one business insurance policy?



Nope.



No sir.

If you have several different policies, you probably have several too many. Your coverage might overlap in some areas, or may leave you unprotected in others.

Or both.

One policy is all you need: Allstate's Business Package Policy.

It fits almost every type of business and offers almost every type of coverage.

All your Property and Liability insurance is in the package. Plus, if you want it, Automobile, Business Income, Burglary, Vandalism insurance . . . the works.

As much or as little as you want.

It's simple: one premium, one agent, one company. And just one more reason you should hook-up with Allstate.

If you're like most, you'll save money.

Think *one*: Allstate. Next time you need a quote, call us.

Allstate[®]

BUSINESS INSURANCE