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Teamster pension fund trustees sued by union member for \$1 million

By MARIE KRAKOWIECKI

CLEVELAND—A suit of more than \$1 million in compensatory and punitive damages has been slapped on the trustees of a teamsters pension fund unit who are charged with mismanagement of funds and failure to pay pensioners their accrued retirement benefits.

The defendants, 19 trustees of the International Brotherhood of Teamsters Central State, Southeast and Southwest Areas Pension Fund, have also been served with a motion for the discovery and private examination of all files, records and correspondence pertaining to their handling of the fund and the claims presented to it.

The pension fund, which has 401,071 participants and an asset value of about \$807 million, was the 15th largest employe welfare fund in the nation in 1971 (*Business Insurance*, Oct. 9).

Filed in U.S. district court by teamster Stanley Flowers, 59, the two-part suit is an amended version of the action he took last year when his request for retirement benefits was denied by the union.

\$5 million lost in INA, Ohio fires

PHILADELPHIA—A flash fire on the eighth floor of the Insurance Co. of North America's headquarters office here has caused damage "in excess of \$1 million." INA itself, however, will bear only the first \$100,000 of the loss, its deductible. The remainder of the loss is insured under a manuscripted policy which is underwritten by seven insurers.

Meanwhile, in another million-dollar fire early this month, the state of Ohio is self-insured for the \$4 million in losses resulting from a fire at the Ohio Expositions Center in Columbus.

According to Robert Shaw, INA's corporate insurance manager, the Philadelphia fire is insured under a \$25 million blanket property cover. Aetna Casualty & Surety is the lead insurer, with a 25% share of the loss. Aetna Fire Underwriters Insurance Co., a subsidiary of Connecticut General, *Continued on page 2*

The major portion of the suit is a class action, filed on behalf of all beneficiaries who are or who will be participants in the pension fund, as well as all potential survivors who might be entitled to benefits from the fund. The class action calls for \$1 million in compensation and punitive damages.

THE OTHER portion of the suit is filed on the personal behalf of Mr. Flowers. It charges that the trustees have refused to pay him his pension starting Jan. 1, 1971, and have continued to refuse to pay him even though he met all the requirements specified by the plan. Compensation would amount to over \$10,000 for these charges. Damages of \$25,000 are also requested for mental anguish and payment of legal fees.

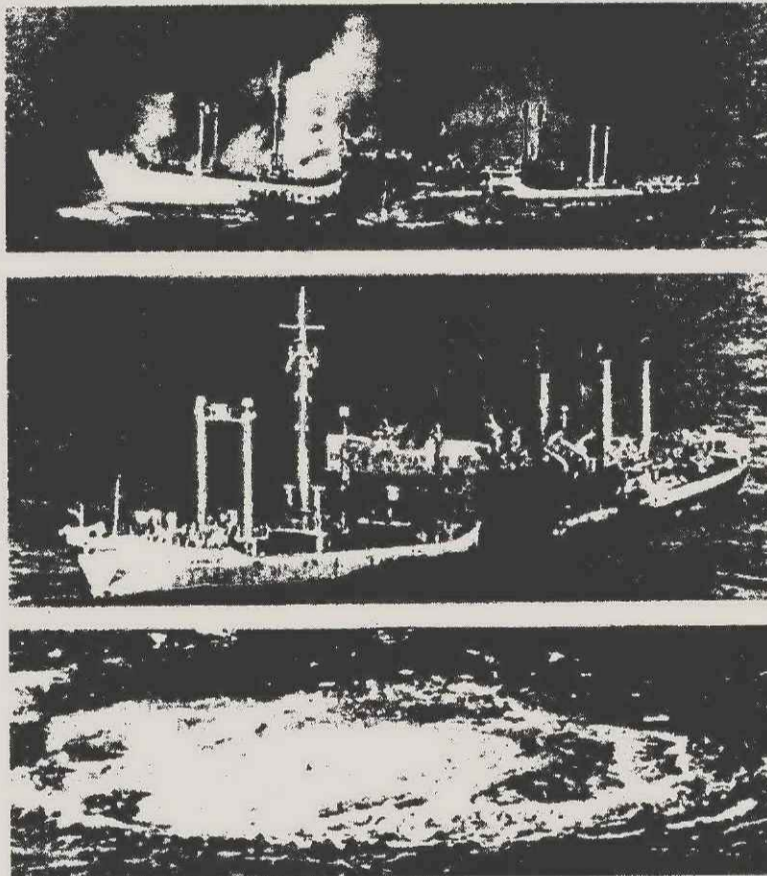
In addition to refusing retirement benefits to Mr. Flowers, the trustees are charged with using the pension fund to make speculative investments, some of which resulted in fund losses detrimental to the beneficiaries. They also are accused of falsifying reports that were submitted to several governmental agencies about the status of the union pensions.

The dismissal of the trustees, the modification of the pension fund agreement, and the temporary placement of the fund in the court's jurisdiction are also requested in the suit.

RICHARD B. KAY, the Cleveland attorney representing Mr. Flowers, said he found some highly questionable practices and ambiguous data relating to the administration of the pension fund. In the course of his investigation of the case, Mr. Kay said he found evidence from labor department statistics that showed unexplained sales losses to the pension fund amounting to more than \$11 million.

Quoting from what he said was the annual report, form D-2 under the Welfare and Pension Plan Disclosure Act, Mr. Kay cited four instances in which stocks, bonds, and real estate were purchased at book value by the pension fund, but subsequently sold at prices well below their worth. He said the labor department disclaimed any responsibility for investigating the losses, because "no one had complained about them" until that point.

Mr. Kay castigated the labor department's general relationship with the pension fund, charging *Continued on page 2*



Sinks twice, insured once

The freighter, *Oriental Warrior*, was sunk this month—for the second time. It sank last May after being gutted by fire and then was raised this month by the government to clear the harbor. The ship was then towed further out to sea and sunk again. Insurance on the freighter was written by a number of marine underwriters, including the American Hull Insurance Syndicate. It's insured value was \$1.25 million, of which the syndicate had 20%. (See story on page 12)

—Wide World photo

Product safety bill would provide immunity to insurers who open files

By JOHN REVETT

WASHINGTON—To the applause of many insurers, Congress has sent to the White House for President Nixon's signature a product safety bill that would create a new government agency to protect consumers against safety hazards in products such as home maintenance tools, appliances, and other household items.

Insurance companies, in addition to favoring the bill because of its safety implications, had their way in a provision that grants legal immunity to insurers who would open up their files to the new agency to help it set safety standards for specific products. This part of the bill ran into particularly stiff opposition from manufacturers led by General Motors, whose Frigidaire Division could be affected, but House and Senate conferees left it in the final version.

THERE IS some uncertainty about acceptance of the bill by President Nixon. Congressional and insurance industry sources here feel the White House may take a favorable view of the measure since it was the only consumer legislation to get through Congress as it raced toward adjournment for the November elections.

The Nixon administration has been blamed by public interest groups and some elected officials for the failure of other consumer bills this year, including one to create a consumer protection agency (though militant consumerists pressing for "politically impossible" investigative provisions also got stuck with some of the blame for the filibuster that killed this last measure).

ADMINISTRATION pressure against extensive pension reform this year has also been widely noted. "I don't see how the president could pass up this chance to give something to consumers," a lobbyist for the product safety bill said. A number of congressional staff members have said signing the bill into law might be considered likely because of the "political impact" this could have at this stage of the election campaign.

But there has been no comment from White House sources. The administration expressed opposition to the bill at several points and there is continued pressure from manufacturers who oppose it. President Nixon could either veto the bill outright or exercise a pocket veto by leaving the measure unsigned with Congress not in session.

As agreed on by conferees, the bill would set up a five-member

independent commission with broad authority to establish safety standards for all household products except food, drugs and cosmetics, which would have been included if the Senate's version had been adopted in full. The Senate bill would have stripped the Food & Drug Administration of its regulatory authority in this area and given it to the new agency. Autos and firearms would also continue to be regulated by other agencies.

The new agency would have the power to set safety standards on performance, composition, content, design, construction, finish and packaging of the products within its scope after finding there was a need for regulation because of injuries.

Two controversial provisions that the House and Senate conferees agreed to leave in the bill were immunity for insurance companies participating in standard-setting and the right of citizens to sue the new agency if it failed to act.

INSURANCE companies, like others providing the government with information, are protected at present from legal action by third parties, but only if they are subpoenaed for data. Under the product safety bill insurers would *Continued on page 2*

Kennecott still trying to recover losses in Chile

WASHINGTON—It might seem an understatement to say that expropriation compensation talks appear to have broken down between Chile and Kennecott Corp., with the company attempting through courts to put up a virtual blockade of Chilean copper trade.

But that's about as far as Overseas Private Investment Corp. will go in commenting on how insurance claims will be affected by the latest development in an expropriation story that seems never to be short on new twists and turns.

This past spring it was Jack Anderson's documented charges that ITT had actively tried to keep Chile's socialist president, Salvador Allende, out of office, a report that hardly smoothed the way for negotiations on ITT property

taken by Chile. Now Kennecott is trying to halt shipment of Chilean copper to Europe and has already obtained a French court order to impound a 1,250-ton cargo of copper from expropriated mines that was headed for Le Havre. Dock workers sympathizing with Chile refused to unload the cargo, estimated to be worth more than \$1 million, and Kennecott is now pressing Swedish authorities to take a Russian vessel into custody when it arrives with a shipment of Chilean copper before the end of this month.

From OPIC's point of view, Kennecott and ITT are supposed to be trying as diplomatically as possible to obtain as much compensation for their expropriated properties as the Chileans are able to grant them, thus reducing their

expropriation insurance claims with OPIC, the quasi-governmental agency for insuring U.S. investments abroad.

BUT NEITHER company has had offers from Chile that come anywhere near the amounts they seek. Kennecott is asking \$84.6 million for its copper mines and ITT sets its expropriated telephone holdings at \$153 million.

Ironically, Kennecott had received two payments from Chile of \$5 million each before going after the Chilean copper shipments, and OPIC officials had been hopeful that further payments to reduce the company's insurance claim might be negotiated. They are not entirely convinced that negotiations cannot be resumed even now. "We're watching the situation closely but wouldn't be able to say what the full effect of this will be at this point," an OPIC spokesman said.

There are mixed feelings at OPIC and elsewhere in government, including the state department (which so far has maintained an official "hands off" policy), on whether Kennecott's new approach will work in its favor.

CHILE HAS suspended further shipments of copper while trying to persuade other nations not to follow the French court's precedent—said to stem from Chilean

expropriation losses by French companies—and economic pressure is on Chile at least temporarily. Copper is the country's main export.

Some officials here feel that Kennecott may possibly squeeze more out of Chile with its get-tough approach—though they note that Chile's diplomatic efforts

could head Kennecott off. Others say the Chilean government, plagued by domestic strikes that have led to violence, may find enough sympathy in Europe and elsewhere to render the Kennecott effort no more than a last attempt at getting compensation before handing the bill for its losses to OPIC.

Fires . . .

Continued from page 1
has the second largest share of the loss—20%. The remaining 65% of the loss is covered by five other insurers.

The policy covering the loss itself, Mr. Shaw explained to *Business Insurance*, is a "catastrophe excess cover" that includes extra expense coverage. The extra expense coverage insures INA for "any expenses resulting from the fire above the normal cost of doing business."

Most of the extensive damage was confined to the home office's eighth floor, which houses the corporate communications division and the company's legal department. The entire building was closed down last Monday, but was reopened the following day.

In Columbus, a fire at the state's exhibitions center destroyed three buildings and caused \$4 million in losses—for which the state is self-insured.

THE BLAZE, which struck the North American Dairy Show, also destroyed 26 cars and trucks and an undeterminable amount of personal property brought to the show by exhibitors. There were no human fatalities though 12 persons were injured. Three head of cattle were killed.

Frank Diamond, fiscal officer for the state-owned expositions center, told *Business Insurance* that the buildings, as well as any liability, would be self-insured by the state. "The only things we buy insurance coverage for, and this does not apply to this loss, are state automobiles," he said.

Approximately 1,400 head of cattle were hustled from the buildings by exhibitors and other people. One of animals rescued was a bull worth \$50,000.

MR. DIAMOND said that there was no way of estimating the value of the articles destroyed in the buildings. "The state has claims people here doing the adjusting but there were so many different kinds of things—ribbons, papers, clothing—that it will take quite a while to come up with a figure."

Fire fighting efforts were hampered by a near-stampede of frightened cattle but firemen had the blaze under control in two hours. A discarded cigaret is believed to have caused the fire.

Teamsters . . .

Continued from page 1
that the department was lax in its supervision of regulations governing the fund.

The fidelity bond carried by the pension fund is a case in point. Written by the Continental Insurance Co., the bond meets the technical requirements of the labor department. However, Mr. Kay argues that it is inadequate protection for the beneficiaries of the fund. The fidelity bond has limits of \$500,000, while the pension fund has assets in excess of \$800 million, he pointed out.

MR. KAY ALSO noted that the fund required each employe to keep his own records of length of employment in the union. But he noted that when the employes present their records, the fund trustees frequently discount them. He said that Mr. Flowers was a teamster for 20 years, but when he presented evidence to that effect, the fund trustees contended he had only worked for 17 years.

Asked when the case would be tried in court, Mr. Kay was unable to say with any certainty.

Pension fund officials declined to comment on the pending \$1 million-plus suit. The fund's executive secretary, Francis J. Murtha, told *Business Insurance* he was unaware that any action was being pressed, while Charles Tricarichi, attorney for the fund, said he had incomplete information regarding the charges.

Safety bill . . .

Continued from page 1
not have to be subpoenaed to be protected against suits if they wished to provide claims records on, for instance, faulty construction of power mowers or electrical hazards in household appliances.

"We felt we would like to cooperate with the new agency without having to be subpoenaed," said an American Insurance Assn. official. "We'd like to help them develop safety standards with a minimum of difficulty." It was understood that manufacturers put up a fight to block this provision because it could mean too much access to private information.

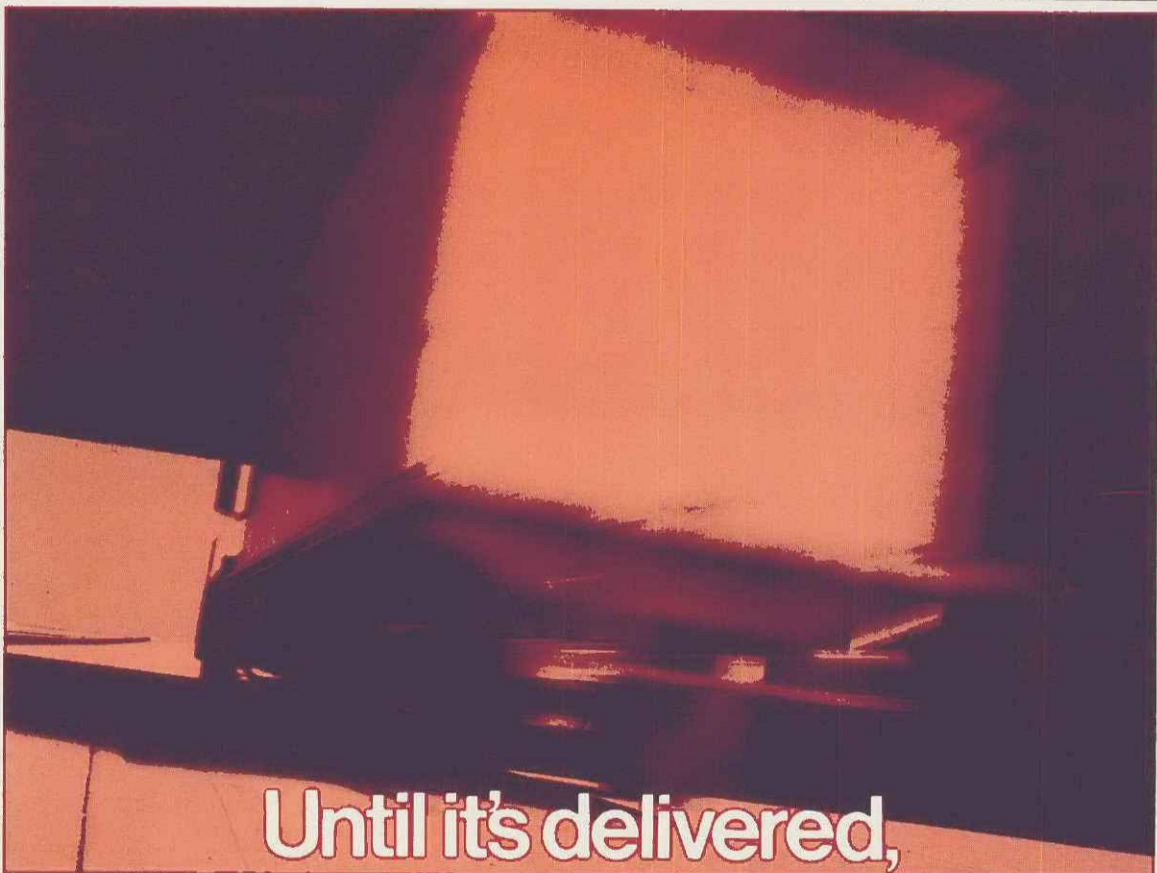
In addition to improving the safety of tools, appliances and household products generally, the safety agency would have the potential to change the current trend in product liability cases "toward strict liability against manufacturers," the AIA spokesman said. He added that with the new agency "the courts could begin to look at the standards as the line beyond which there could be a reduction in some of the big awards being made."

On public participation, the bill would allow citizens to first petition the agency requesting that standards be set for a product, then seek a court to force the procedure to start if the agency didn't act. Citizens would not be allowed to sue the agency for the first three years of its existence, however.

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(This is the first of two articles dealing with Yonkers, N.Y., whose city leaders have embarked on a deliberate effort to establish a good municipal risk management program. A subsequent article will deal with the city's new loss control procedures—Ed.)

By MARIE KRAKOWIECKI

YONKERS, N. Y.—Combating the disease of waste that plagues so many municipalities, this city of 230,000 on the fringe of Manhattan has adopted a risk management approach to its insurance program. The program basically encompasses the identification and treatment of exposures that could result in financial loss to the city. It was initiated within a greater, overall program using professionals in city government.

James J. Hauser and Robert M. Bieber toll *Business Insurance* about Yonkers' new approach to government. It came about as the result of a mandate of 22 angry taxpayers' associations. They were angry because their tax money was supporting inefficiencies that resulted in a \$16 million deficit in the 1969 budget. They were angry and wanted a solution. They got one.

James Hauser, comptroller of Yonkers, spoke with enthusiasm about the reforms that followed what he terms the "revolt" of the taxpayers. Most significant, he stressed, was the concept of running the city like a corporation with expert business professionals at the helm.

He recounted how, at the taxpayers' insistence, a nucleus of professionals was hired after the 1969 budget deficit to pull Yonkers' pursestrings back where they belonged. Seymour Scher held the key position as city manager, while Mr. Hauser headed the finance department in his office as city comptroller. More recently, Robert Bieber was named the new insurance and safety administrator for the city. Formerly, he had been assistant insurance manager at Schlumberger Ltd., New York, specialists in oil well services.

The programs worked out under the new business approach achieved results that were little short of dramatic. The \$16 million deficit closed, and small surpluses were increased when risk management was used.

As a start, Mr. Bieber began a probe of the risks Yonkers was

exposed to as weighed against the premiums they paid. He came up with evidence of waste married to political patronage. There were cases of city insurance policies on rowboats in reservoirs and sprinkling systems in parking lots.

EVEN HARDER to overcome were the deeply ingrained methods of buying insurance on the basis of partisan favoritism—the old "I supported your campaign so you give my company the city's business" approach.

The new insurance administrator began cleaning things up by revamping coverages, and by instituting competitive bidding for city policies.

He cut the premiums on fire and property insurance by dramatically raising the deductibles. Yonkers had previously taken fire and property insurance without any deductibles. Under Mr. Bieber's guidance, they now have a \$100,000 deductible with the board of education, and assume the first \$50,000 on city structures. And Yonkers now completely self-insures workman's compensation and general liability.

Implementing these changes,

Mr. Bieber has been successful in reducing the cost of premiums by \$200,000; from \$700,000.

Getting down to competitive bidding for agents and brokers, and getting away from the habitual political patronage system was what both Mr. Hauser and Mr. Bieber referred to as the "net effect" of the risk management program. Despite considerable resentment they faced from the old-guard Yonkers politicians, the program of competitive bidding they instituted was one with a difference.

THEIR SYSTEM was not merely a matter of who could come up with the lowest bidder, but of who could come up with the most original program for maximum coverage at low cost. Bidders were required to submit letters which outlined precisely what they would and would not insure. Marsh & McLennan Co., White Plains, was chosen as broker by Yonkers from among a number of other local and national bidders.

Through Marsh & McLennan, Yonkers now carries its fire policy with the Westchester Fire Insurance Co., and a property float-

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Yonkers, N.Y. fights to cut back municipal expenses

Chiefs cover club property in stadium

KANSAS CITY, MO.—Along with everything else that's up-to-date here, Kansas City now boasts Arrowhead Stadium, the football half of its long-awaited Harry S. Truman sports complex.

The Jackson County Sports Complex Authority owns the stadium and is responsible for insuring its basic structure. However, noted Ron Combest, secretary-treasurer of the Kansas City Chiefs Football Club, the Chiefs provide cover on all structural changes insituted by the club, including concession equipment, Golden Circle (spectator) suites, executive offices, a clubhouse and inn and all other Chiefs' property.

According to Larry Stewart, vp of R. B. Jones Corp., Kansas City, which brokers property and liability coverage for the club, both workmen's compensation and general liability are written through Fireman's Fund, with a \$10 million umbrella package carried by the St. Paul Insurance Cos. The general liability policy, which contains no deductible, is based on an amount per 100 spectators. Attendance of 850,000 is the estimated figure for the September, 1972 to September, 1973, season, including seven regular season home games and four pre-season home games. Arrowhead holds 78,000 people.

WORKMEN'S compensation coverage, Mr. Stewart said, is a standard rated policy based on payroll.

The club, now in the process of deciding on how to insure its property, does carry an installation flicater with St. Paul Fire and Marine Insurance Co., since finishing touches are still being made on certain structural changes, including the luxurious Golden Circle suites. The covered value, Mr. Stewart pointed out, is "more than \$1.9 million."

He mentioned that the scoreboard, worth over \$1 million, is



Workmen's compensation cover on Ed Podolak and his fellow Kansas City Chiefs is written by Fireman's Fund.

insured by the contractor until the Chiefs approve it for purchase.

BENEFITS for all National Football League players are administered through Pension Planers of Baltimore Inc., with group policies written by Lincoln National Life Insurance Co. According to Sigmund M. Hyman, president of the consulting actuarial firm, NFL clubs pay all premiums and operating costs.

Mr. Hyman stated that major medical cover includes a \$25 deductible with 80% coinsurance to a \$50,000 lifetime benefit for a player and his dependents.

Group dental insurance, Mr. Hyman pointed out, also contains a \$25 deductible clause with a maximum payment of \$500 per year for each family member, according to a set schedule. Maternity coverage pays the first \$150

in full and 80% of excess to a maximum of \$50,000.

Active players receive a \$20,000 life insurance benefit with \$20,000 additional for accidental death. Inactive vested players (those with five years of service) are covered under group life policies of \$10,000 increasing \$1,000 for every year of service after five years. The policy is in force until the player begins receiving his pension benefits.

THE NFL pension plan, he explained, varies for each player depending on years of service in the league and the years in which the player served. Players are vested after five years of service and normal retirement age is 55. A rookie in 1972, Mr. Hyman pointed out, would receive \$520 per month at age 55 with five years of league service. A player with ten years of service would

receive \$1,045 per month.

A player may choose early retirement at age 45, with benefits reduced 45%, or he may defer his retirement to age 65, in which case his benefits increase 262%.

A widow would receive 50% of the normal sum the player would have received upon retirement, payable immediately, Mr. Hyman added, noting that the minimum payment is \$200 per month. She would be eligible for the remainder of her life or until remarriage.

Line-of-duty disability benefits, he said, are also included under the plan. Permanent partial disability, defined as a "substantial disailment" resulting from football, offers a minimum benefit of \$200, including workmen's compensation payments, payable for 5 years. Total permanent disability would result in a player receiving 100% of the benefits he would have received at age 55. ■

Football alumni seek equal pensions

DETROIT—Leon Hart, an ex-Detroit Lion and president of the National Football League Alumni Assn., says quite frankly, he did not want to sue the National Football League and the NFL Players Assn. over pension rights for his group's membership. But, he also says he had to.

When the suit was filed in Providence, R.I., Mr. Hart said he was taking the step "with great reluctance, but firm resolve." Citing numerous futile attempts to work out a friendly solution, Mr. Hart and the association brought the suit in an effort to include players who retired from the league before 1959 in the pension plan established in 1962.

The suit asks that alumni members be included on the same terms as players already eligible for its benefits, or that the defendants set up a separate fund for the old-timers on the same terms as the existing plan. The existing plan was renegotiated in early 1971. (*Business Insurance*, Feb. 1, 1971);

TO BE ELIGIBLE for benefits under that plan, a player must have played five years in the league. After that time, the player is eligible, at age 55, for \$50 a month for each year he played up to a maximum of 10 years, or a total of \$500 per month in pension benefits.

Mr. Hart explained that, when the original plan was established, the players association voted to extend retroactive benefits to anyone who played the five years from 1955 to 1959, thus excluding anyone who retired prior to that cut-off date.

"When this plan was first furded, there wasn't enough money to go around so 1959 was used as a cut-off date for retired players," he said. "The understanding was that as additional funds came in, the cut-off date

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washington watch

Major insurance, benefits-related legislation ready for next session

By JOHN REVETT
Washington editor

WASHINGTON—Major insurance and employe benefits-related legislation failed to get through this past session of Congress, but most of the measures involved are being given high priority for 1973.

Senate Democratic leader Mike Mansfield (D.-Mont.), after ruling out a floor battle on pension reform just before adjournment,

said the Williams-Javits pension bill will get early consideration in the next session if it is re-introduced (as its sponsors promise it will be) in January and voted out again by the labor committee.

It is probable, according to Senate Democratic policy committee sources, that the measure will again be sidetracked by the Senate finance committee and provisions pulled out, leading to the same situation that stalled the bill last month. But there the re-

run would stop and the finance version of the bill would go to the floor where Sens. Williams and Javits would lead a fight to re-instate vesting, funding, reinsurance and voluntary portability provisions that the finance committee felt should be deleted as being beyond the labor committee's jurisdiction.

THAT'S ABOUT as far as Senate sources will go with predictions at this point, though labor

committee spokesmen say they are confident of Senate passage of the original measure.

(Sen. Mansfield, incidentally, called himself "one of the strongest supporters of the pension bill as reported by the labor committee, not as it was reported by the finance committee." But he said that with no corresponding bill passed by the house, the Senate would be "tilting at wind-mills" by making a last minute attempt to pass the measure this year.)

The Hart-Magnuson national no-fault auto insurance bill will also get high priority next year, according to Senate commerce committee staffers. They feel that time is on the side of the measure in that by next session it will have become more apparent that most states are not heading for establishment of no-fault standards of their own.

The bill was shuttled off to the anti-no-fault Senate judiciary committee in August by a 49-to-46 vote. While Hart-Magnuson

supporters say a little more lobbying could turn this margin into Senate passage, prospects for the measure becoming law depend on a lot more than who might shift among the 100 senators.

One rumored possibility that could change the picture: Introduction of a House bill backed by President Nixon, if he is still in office, that would set up minimal federal no-fault standards for states to follow in fashioning their own no-fault laws within a liberal time period.

A third legislative consideration, national health insurance, is being given somewhat less priority than the two just mentioned. This may have as much to do with time required to work out details—insuring health care for the nation would be one of the largest government undertakings in U.S. history—as with opposition to national health bills that call for extensive government control and participation.

THE MEASURE that goes farthest in the way of federal sponsorship and thoroughness of coverage, the Kennedy-Griffiths Health Security Act, will be re-introduced in the House and Senate in January, and, along with a dozen or more less far-reaching bills, will be "a priority item for hearings" in the new Congress, Democratic leaders say.

With conflicts and agreements on extensive national health insurance seeming to balance about evenly at present, it would seem that a form of broad coverage will emerge next year.

Sen. Edward M. Kennedy (D.-Mass.) and Rep. Wilbur Mills (D.-Ark.), the House ways and means chairman, differ on how a health program should be carried out—Rep. Mills opposing federal administration—but are not far apart on their views of the need for health coverage for lower and middle-income Americans. As often happens when proposals of the magnitude of national health insurance are made, there's a period when the subject seems to simmer. Then a few figures and statistics begin to get attention and interest develops.

In the case of health coverage, the latest report to build up pressure, if only a degree or two so far, comes from the Department of Health, Education and Welfare and is sure to be brought out in hearings on the health bills.

The HEW report, a national study, cites a "trial and error approach to solving personal health problems" as "the major underlying cause of questionable health practices in the U. S. population."

The report says that while people in the U. S. "are among the best educated in the world," they make health care decisions believing "anything is worth a try" and often go without a doctor's care through long periods of health trouble.

That many people can't or feel they can't afford a doctor unless they are seriously stricken is said by Kennedy-Griffiths backers to be a contention they will develop in hearings.

The insurance-related proposal that appears to be the least controversial and has the best chance for early passage is being introduced by Sen. John L. McClellan (D.-Ark.) and his Senate criminal law subcommittee as part of a revision of the criminal code. The provision says persons in state insolvency proceedings for insurance companies can be sentenced to seven years for concealing or transferring property "with intent to deceive a court."

This would close the loophole through which insurance companies have been drained and it's likely to become law unless the revision itself fails to pass. ■

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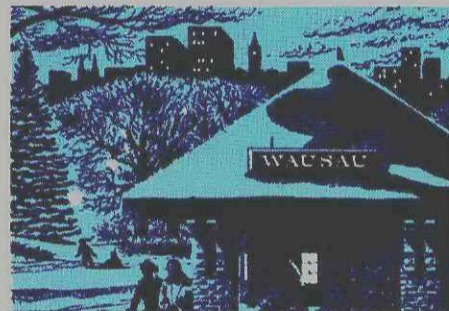
Brick and mortar, finished goods,

tools, rolling stock—however useful to the continuation of your business—cannot contribute a single idea, cannot make a single sale, cannot design a single product, cannot mastermind a single legal or financial matter. Only your key employees can do these things. And statistically, at age 45, death is 14 times likelier than a total property loss by fire. (At age 55, the odds are 23 to one.)

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Young, with-it woman gets benefits position

NEW YORK—Visiting the new manager of employe benefits at Philip Morris Inc., one has to choke back the urge to blurt out "You've come a long way, baby."

The familiar motto of the firm's Virginia Slims cigarettes seems to sum up the situation of Marian Perlman, a young, with-it woman in a field that has been traditionally male-dominated.

Miss Perlman holds an undergraduate degree from Syracuse University, and graduate degrees from the Sorbonne of Paris and

Hunter College. She was formerly employe benefits administrator, and later group insurance administrator for the cigaret conglomerate. Named employe benefits manager in August, she is now responsible for the design and analysis of Philip Morris' benefit plans.

For three major employe benefit plans, Miss Perlman is involved in administration as well as design and analysis. They are the comprehensive medical plan, the life insurance plan and the

business travel accident plan.

AETNA LIFE & Casualty writes the life insurance plan. Covering both salaried and hourly workers, the term plan has limits roughly equal to double the individual worker's annual salary. Maximum limits are \$400,000. The plan is fully paid by the Philip Morris Co.

The comprehensive medical plan is somewhat segmented, in that Aetna writes the cover for the salaried employes, while Blue

Cross and Blue Shield provide for the disability coverages and hospital expenses of the hourly workers, notably in Richmond, Va. Hourly workers in Louisville, Ky. are covered solely by Blue Cross.

The medical plan as it applies to the salaried workers has a \$50 deductible per person, with maximum limits of \$50,000. It pays for up to 120 days of hospital care in a semi-private room. After the 120 day period, there is 80% co-insurance, Philip Morris pays

80% of the fees, with the remaining 20% taken over by the employe.

The business travel accident policy, also in Miss Perlman's realm, is unique in that it is the only company benefit which covers all 30,000 employes worldwide, both salaried and hourly. A non-contributory benefit, the policy has limits of \$400,000, or in some parts of the world, five times the worker's annual salary. To qualify, an employe must have been on a bonafide business trip for Philip Morris at the time of his death or injury. The risk is underwritten and shared by the St. Paul Fire & Marine Insurance Co. and the Hartford Accident & Indemnity Co.

MISS PERLMAN'S new job entails involvement with other benefits plans as well, although she does not directly administer them. She has done a research project on the deferred profit sharing plan, and has been writing the employe's manuals for the retirement program, educational refund plan, college scholarship



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Marian Perlman

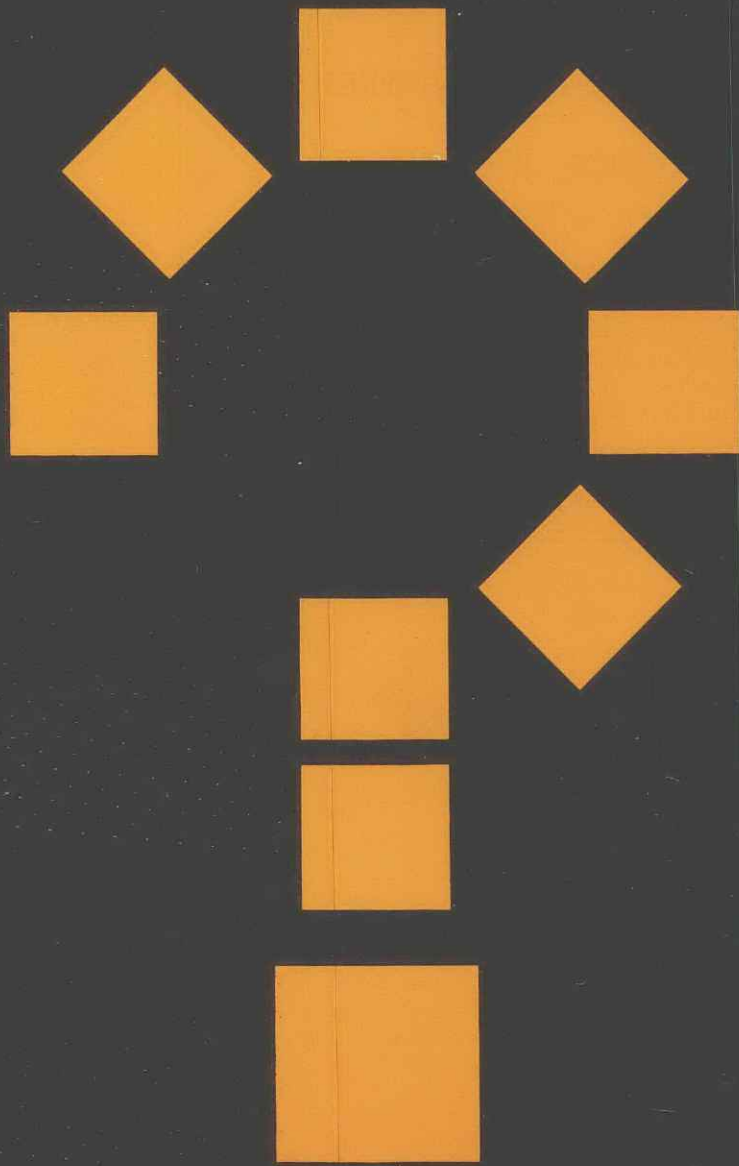
plan, and matching gift plan (under which any employe contribution to a school or college will be matched, dollar-for-dollar by the company, up to \$5,000 yearly).

Philip Morris has operations in almost every country of the world, Miss Perlman commented. She said although most of the foreign benefits are administered by the local authorities through individual countries' requirements, she does have some contact with benefits plans that apply to expatriate executives working in other countries. Among these is a third country national, an Australian paid by New York and working in Belgium.

Miss Perlman is not involved with the actual buying of benefits, but is actively concerned with "laying the groundwork" for such purchases. She also does some consulting work for the Philip Morris affiliates in other locations. For instance, she is involved with the design of the benefits plans for Mission Viejo, a Philip Morris-owned real estate company located between San Diego and Los Angeles.

Asked if she planned any major changes in plan coverages, Miss Perlman said that she did, but was not at liberty to discuss them until they became finalized, and reviewed with an eye toward the Tobacco Workers International, the union Philip Morris hires extensively to harvest its tobacco crops. The tobacco workers' contract runs out in 1974, Miss Perlman said, so she anticipates some

Continued on page 50



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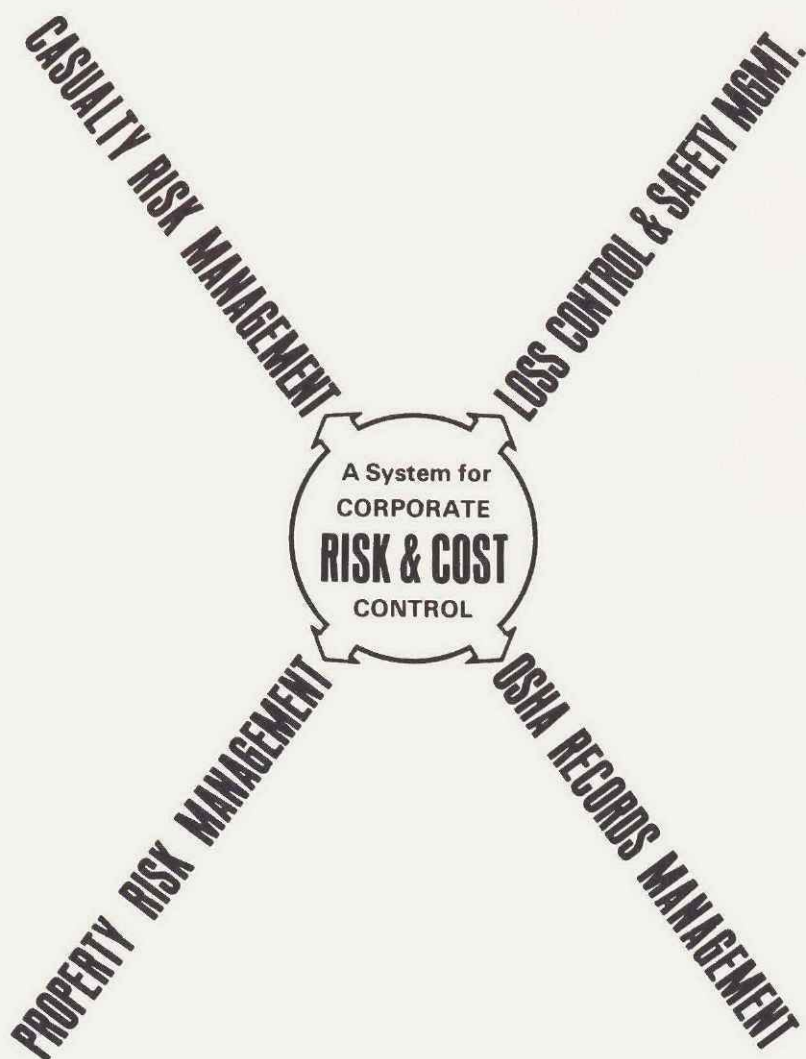
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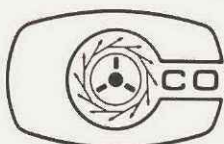
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- A packet of risk management articles prepared by Risk Planning Group, includes information on risk management consulting, captive insurance companies, motivation for loss prevention and a risk management "score sheet". Copies are available without charge from the company, 24 Old King's Highway South, Darien, Ct. 06820.

- Marsh & McLennan has made available sample copies of **Insurance Survey for Electronic Data Processing**. The survey, in the form of a questionnaire, has been designed to assist the company in identifying and isolating the loss exposures, if any, that may be present in your EDP operations. For your free copy write Guy Migliaccio, ass't. vp, Marsh & McLennan Inc., 1221 Avenue of the Americans, New York, N.Y. 10020.

- **Retro-Trend**, a booklet available from Computer Claims Control, discusses the company's computerized system for the implementation of retrospective rating. The system, according to the company, allows you to calculate your own retros, and eliminate the wide-open retro by providing retrospective rating and analysis for each internal operating division or subsidiary of a corporation. Copies may be obtained by writing Hugh Gilmour, Computer Claims Control, P.O. Box 2827, Amarillo, Tx. 79105.

- Marshall and Stevens Inc. have put a selection of existing literature and several new items pertaining to insurance together in a **4-Way Professional Insurance Appraisal Kit**. In addition to article reprints and a schedule of typical fees, the kit contains the following pamphlets, "Annual valuation service," "How to settle losses before they occur," "How to insure your insurance," and "How not to cook your corporate goose." Kits may be obtained by writing the company, 1645 Beverly Blvd., Los Angeles, Ca. 90026.

- Philadelphia Manufacturers Mutual Insurance Co. is offering a booklet, **DIC**, that presents guidelines for dealing with serious industrial property loss hazards covered under difference in conditions insurance. The booklet contains case histories of typical DIC losses, recommendations for preventing losses and a "cause and effect" table listing common risks and actual loss experience. For a free copy of the booklet write Mrs. Sheila Krase, at the company, 1339 Chestnut St., Philadelphia, Pa. 19107.

- **Captives: Bermuda, Colorado, Taxes and Beyond**, an article by Marianne Burge originally appearing in *Business Insurance* discusses captive insurance companies as one alternative for risk managers. Reprints are available at \$1 a copy by writing Reprint Manager, *Business Insurance*, 630 Third Ave., New York, N.Y. 10017.

- The International Assn. of Industrial Accident Boards and Commissions has made available copies of its quarterly newsletter

covering workmen's compensation and occupational safety and rehabilitation. For your free issue write **ABC Newsletter**, Box 3208, Des Moines, Ia. 50316.

- Corroon & Black has issued a corporate brochure, **How Corroon & Black Helps You Manage the Risks of Running a Business**, enumerating the various services performed by the company. For your free copy write Corroon & Black Co. of New York Inc., 150 William St., New York, N.Y. 10038.

- **American Institute Hull Clauses**, an analysis of hull insurance clauses adopted two years ago and now in standard use by the American Hull Insurance Syndicate and marine underwriters, may be obtained on request from Miss Mary Mullooly, American Hull Insurance Syndicate, 99 John St., New York, N.Y. 10038. The 32-page brochure was written by Raymond M. Hicks Jr., syndicate claims manager.

- The Travelers Insurance Co. has made available to *Business Insurance* readers an illustrated brochure, **Survivors' Income**. The brochure describes the company's new group insurance plan available

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ble to groups of twenty-five or more eligible employees. Copies may be obtained from Group Sales Promotion (7MS), The Travelers Insurance Co., One Tower Sq., Hartford, Ct. 06115.

- **SEC Liability Insurance**, a booklet prepared by Stewart, Smith Mid America Inc., discusses the possibility of inadvertent violations of SEC regulations and insurance coverage for resultant legal actions. The brochure may be obtained without charge from the company at 141 W. Jackson Blvd., Chicago, Ill. 60604.

- Shell Oil Co. has made available a brochure on **Oil Herder**, a surface-active chemical agent to aid in the containment and clean-up of oil spills. For your copy write the commercial marketing department, Shell Oil Co., 1 Shell Plaza, Houston, Tx. 77002.

- **A Report of the Special Committee on Automobile Insurance Problems**, published by the National Assn. of Insurance Commissioners, was presented in 1969 and contains the committee's statement of position on automobile insurance, resolution on insolvencies, documentation and a background memorandum. Copies

are \$2.50 and obtainable by writing Jon S. Hanson, Executive Secretary, NAIC, Suite 1815, 633 W. Wisconsin Ave., Milwaukee, Wi. 53203.

• The National Assn. of Insurance Commissioners has published **The Regulation of Mass Marketing in Property and Liability Insurance**, a study prepared by the staff of the NAIC central office. The book includes in-depth discussions of mass marketing in the property and liability insurance business, the merits of mass marketing in property and liability insurance, mass marketing and various interest groups, regulatory issues and the NAIC resolution on mass marketing regulation. Copies are available for \$7.50 from the office of the executive secretary, NAIC, 633 W. Wisconsin Ave., Milwaukee, Wi. 53203.

• **Products Liability: Guide For Management**, published by the Defense Research Institute Inc., asserts that product liability claims can be successfully avoided and offers extensive discussions of the legal theories involved in product liability claims, preventive procedures and claims handling and defense. Copies are available to DRI members for a \$1 handling fee, prepaid, from the institute, 110 W. Wells St., Milwaukee, Wi. 53233.

• Chubb & Son has updated its **International Employees Personal Insurance Plan** by the addition of optional transit coverage and personal accident insurance. The newly revised brochure outlining the plan is available upon request from the international division, Chubb & Son Inc., 90 John St., New York, N.Y. 10038.

• **Standards for Determining Accident Preventability for the Professional Driver** is a guide for accident review boards in determining professional drivers' responsibilities under various traffic situations. Released by Frank B. Hall & Co. Inc., the brochure is available by contacting Don Wilderoter, mgr., loss control dept., Frank B. Hall & Co. Inc., 67 Wall St., New York, N.Y. 10005.

• The 1972 **Drivers License Guide** shows every state's drivers license in full color with all special codes, required validation and other identifying marks. It also contains a section covering major national credit cards. The guide is available for \$3.95 plus 50¢ per order postage and handling from the Drivers License Guide Co., 1492 Oddstad Dr., Redwood City, Cal. 94063.

• The 15th biennial edition of the American Insurance Assn.'s **Summary of State Regulations and Taxes Affecting General Contractors** discusses prequalification, licensing, tax and additional requirements pertaining to construction contracts in respective states. Copies may be ordered from the publications department of AIA, 85 John St., New York, N.Y. 10038 for \$1.10.

• Written from a layman's viewpoint, **Exactng Demands of Inheritance & Estate Taxes** gives a working knowledge of the federal estate and state inheritance tax laws. Produced by the Union Central Life Insurance Co., the booklet is available without charge by writing the sales promotion dept., Union Central Life Ins. Co., P.O. Box 179, Cincinnati, Oh. 45201.

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• The doctrine of comparative negligence as interpreted in the original Wisconsin statute is discussed in a 36-page book from the Defense Research Institute. **Comparative Negligence—The Wisconsin Rule and Procedure** analyzes the Wisconsin comparative negligence statute in detail. Copies are available to DRI members for a \$1 fee; for non-DRI members the fee is \$2. Write the institute, 1100 Wells St., Milwaukee, Wi. 53233.

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Hull syndicate had part of cover on burned ship

JACKSONVILLE, FL—Insurance on the Oriental Warrior, a freighter which sank twice within a five-month period, was written by a number of marine underwriters, including the American Hull Insurance Syndicate, *Business Insurance* has learned.

The hull and machinery of the vessel, which caught fire at sea and was abandoned by her crew last May, carried an insured value of \$1,250,000, of which the syndicate had 20%. It cost the U.S. government almost as much as the freighter was worth, \$1 million, to raise her after she sank the first time here.

After the fire, which broke out in the engine room, had spread out of control and the crew had taken to lifeboats, the Warrior

was towed to Jacksonville, where she promptly sank near a pier. She was carrying a cargo of cement at the time of the blaze.

NAVY SALVAGE experts and Army engineers were called in to raise her and get her out of the port area, which they did at the million-dollar cost. Early this month, she was towed out to sea and sunk again, presumably for the last time.

Just who will ultimately foot the bill for the cost of raising the ship is "sticky," according to a marine insurance source.

"As I understand this one," he said, "the government paid the \$1 million but they will be looking around for someone else to pay the bill. That's where the fun starts. Normally, the owner would foot the bill. However, he might try to limit his liability."

He explained that under marine law, the ship's owner can limit his liability to the value of the vessel after the accident if he can establish that the mishap was not of his causing. The value of the Oriental Warrior, which is at rest under 600 fathoms of ocean, is now nothing.

THE 8,269-TON ship was owned by the C. Y. Tung Group of Hong Kong. The Oriental Warrior was flying the Liberian flag at the time of the blaze.

The source pointed out that Liberia boasted the largest merchant shipping fleet in the world, though few of the ship owners were actually domiciled there.

"It is very cheap to register a ship in Liberia," he noted, adding that the registry also allowed the owner to man the ship with a foreign crew. For this reason, he indicated, many American ships were registered there.

"Foreign crews work cheaper than American ones," he said. "Ship-owners call this kind of arrangement 'flags of necessity.' Unions call them 'flags of convenience.'"

U.S.S.R. visitors get Blue Cross

CHICAGO—A group of about 150 citizens of the United Soviet Socialist Republics will be fully covered by Blue Cross and Blue Shield for emergency and other health expenses while they are in this country studying health care.

The Soviet citizens are here under the U.S.A./U.S.S.R. Agreement for Health Cooperation. The agreement, which was signed by President Nixon during his visit to Moscow last May, was originated by the U.S. Department of Health, Education and Welfare and the Ministry of Health of the U.S.S.R.

The program, which just went into operation, is somewhat unique in that all the visitors' health care expenses will be fully refunded by the Blues. On a reciprocal basis, all the health expenses of U.S. visitors in the U.S.S.R., as program participants, will be fully covered there.

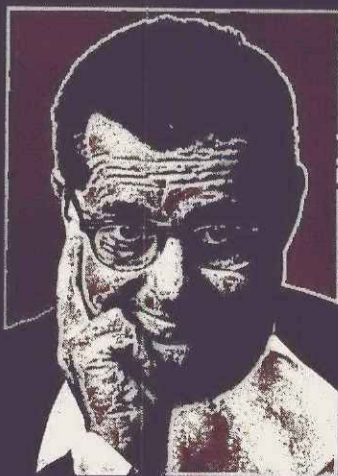
The Blues, which will cover the Soviet during the first year of the program, have issued special identification cards to the visitors and have also created special claims forms. Documents carried by the program participants give full claims filing instructions to physicians and hospitals.

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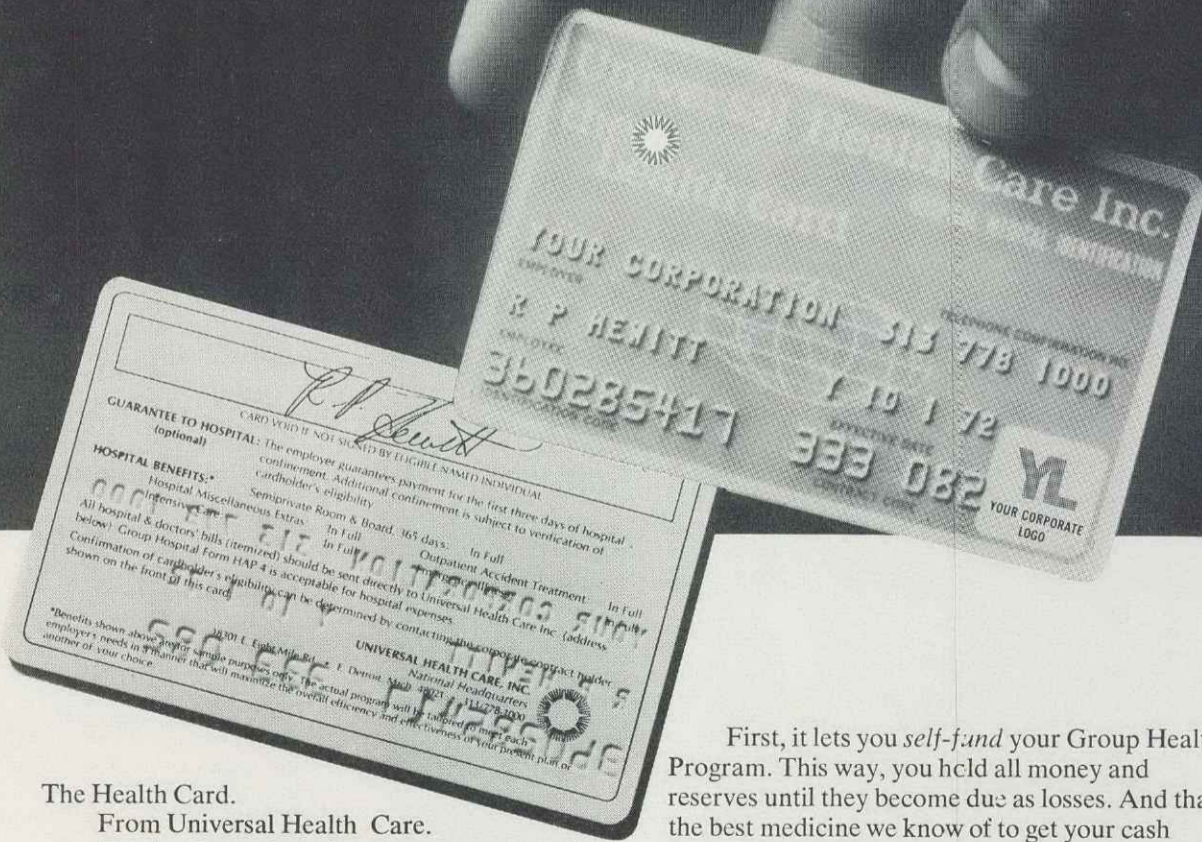
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Fate of OSHA exemptions rests on conference

WASHINGTON—Another chapter has been added to the continuing fight over exemptions in the Occupational Safety and Health Act. Early last month, by a vote of 47 to 33, the Senate killed a House-approved amendment which would have exempted employers of 15 or fewer workers from OSHA's standards.

Then, after six ballots, Senate members agreed to apply the exemption to employers of three or fewer workers. According to a Senate source, however, the exemption is couched in language of non-payment of salary to federal

inspectors who enter places of work with three or fewer workers. What it really boils down to is a promise to these smaller businesses that no federal safety investigations will be launched on their premises.

The exemption passed by the Senate will not be finalized until a joint conference between the Senate and the House is completed. The conference has as its aim the negotiations of differences, not only of the OSHA exemptions, but of the entire \$30.5 billion appropriation for the Labor Department and the Department of

Health, Education and Welfare, of which the OSHA exemptions are a part.

GEORGE TAYLOR, executive secretary of the AFL-CIO's standing committee on safety and occupational health, told *Business Insurance* that he felt the conference would result in a compromise between the House-approved 15-or-fewer amendment, and the Senate-approved three-or-fewer amendment.

Five members from the House and five Senators were to be selected to negotiate at the confer-

ence. At its completion, President Nixon will review the bill.

But will Mr. Nixon veto the OSHA exemption? One Washington source said such a move by the president was not anticipated, because it would mean vetoing the entire \$30.5 billion appropriation, of which the OSHA exemption is only a part. He said a veto would be possible if Mr. Nixon's appraisal of the entire bill was unfavorable. However, this is not expected to be the case.

The battle over the controversial OSHA labor protective standards by-passed the usual parti-

san, Democrat-versus-Republican lines. In this instance, the strongest advocates, both for and against the repeal of the OSHA exemption, were Republican.

NEW JERSEY Sen. Clifford Case led proponents who favored strong OSHA legislation. He proposed the original amendment, the Case Amendment, which urged the repeal of all exemptions from the OSHA law. Fighting to strike down the house-approved exemption, he said that it would excuse from compliance with the federal health and safety standards more than 86% of the work places in the nation, and remove the protection of the law from 50 million workers in hazardous industries who needed it most.

Testifying before the Senate, Sen. Case said, "A recent sampling showed that 24% of the inspections of small businesses came as a result of bonafide employe complaints or of fatalities and catastrophic accidents."

A different picture was presented by Sen. Carl Curtis of Nebraska who led the fight to keep the exemption, labeling the OSHA legislation a "federal octopus." He had proposed the original amendment to exempt employers of 15 or fewer workers from federal safety inspections. When his amendment was voted down, Sen. Curtis successively fought for amendments of exemptions for employers of seven—then four workers. He defended his moves as "an honest effort to help small business operators who need protection."

A Curtis aide said that the Senator's fight stemmed from his files which were "jammed with letters of complaints" from small businesses that had been charged "tremendous fines" by OSHA inspectors. She said the Senator had appeared before three committees to plead the cause of these constituents.

SUCH LETTERS of complaint formed part of what AFL-CIO official George Taylor termed a "scare campaign" against congressional members to discredit OSHA, and in effect to serve as a lobbying force against repeal of the 15-or-fewer exemption. (See related story, p. 26).

"The Labor Department did a very poor job of informing the small companies in the country about their rights under the OSHA laws," Mr. Taylor charged, pointing to this as one of the reasons for the success of the anti-labor lobby.

Speaking of lobbying, Mr. Taylor frankly admitted that the AFL-CIO "tried very hard" to get the exemption repealed. On the opposition, he named the U.S. Chamber of Commerce, and individual state chambers of commerce, as being strongly opposed to the OSHA regulations. The Montana chapter, for instance, openly praised Montana efforts to defeat the repeal of the OSHA exemption in the chamber publication.

Asked if he believed that the Labor Department is taking a patently anti-OSHA stance, Mr. Taylor said that he "couldn't fairly say the Labor Department was against OSHA as such." But he said he felt their less-than-satisfactory administration of its provisions was due to the fact that OSHA began on a base that was not fully pleasing to the Nixon administration. He commented that the Labor Department was still "not straightened up yet" in regard to administering the OSHA laws. ■

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THE FLAK THE Insurance Co. of North America has been taking as a result of its move into the direct writing of some personal lines of insurance on a pilot basis in Indiana has broadened somewhat as a result of the disclosure that the insurer recently winged six risk managers from throughout the U.S. to Philadelphia for a two-day brain picking session.

The meeting, we are told, was set up by INA's newly formed risk management services unit, which is headed by William S. Mortimer who, in August, left his risk management post at Norton Simon Inc. to join INA. Mr. Mortimer's assignment was to find out what services the corporate risk field will be needing in the years ahead and to gear up for same. Apparently, he and INA are moving fast.

It is understood that the purpose of the INA meeting with the six risk men was to determine: (1) What the future development of risk management might be; that is, will there be substantial growth in the concept on the corporate level or will it remain static, (2) what types of techniques will be used in the future to administer the function, and (3) just what services will risk men and their companies be needing in the years ahead. It is also understood that INA concluded from the meeting that: (1) Yes, risk management is here to stay, (2) it does have some growth potential as a corporate function, and (3) new and broader services will be needed in the years ahead.

Seems to us like a perfectly logical and basic way for INA to begin its research.

However, some agents and brokers who have become suspicious of INA since its direct writing move in Indiana are even more paranoid after hearing of the Philadelphia meeting with risk men. It's fall, crisp Sunday afternoons are filled with football and everyone is looking for the big end run. Commenting on the meeting, for example, a broker's newsletter suggested that in the future INA won't be "confining" its dialogue with buyers only to those occasions when the romance is chaperoned by its producers." Indeed, should the dialogue have ever been thus confined?

Just what INA is up to is anyone's guess. The company is under pressure from agents and brokers and there is reason to believe that perhaps because of what it has repetitively called the "delicate nature" of the subject it is being less than candid.

We'd like to think, however, that INA is just doing its homework; that it has realized that in the years ahead the most important product insurers will have will be not insurance, but service. Those agents that can face the challenge will be able to sell those services, says INA. Many brokers, of course, already offer services INA is gearing up for, and those that can face the challenge should welcome the competition.

Risk men, meanwhile, should be watching from a distance with delight. Good hot competition will breed quality and better prices for the corporate consumer.

A commissioner for California

PARTISAN POLITICS is a problem peculiar to this time of year and it appears that the resignation of Richards D. Barger as California's insurance commissioner has given Gov. Ronald Reagan the opportunity to show the insurance community and the public that he can be as partisan as the best, or rest, of them.

The fact that Gleason L. Payne, the man named by the governor to replace Mr. Barger, is a long time Republican should really come as no surprise. In an election year, partisan politics can be expected.

But there is more to Gleason Payne than politics. Mr. Payne is the president of an insurance company—namely, Founders Life Insurance Co., Los Angeles—and has ties with other insurer groups. In the past, this type of appointment has been accepted, even expected (about 20 state insurance commissioners have insurance industry backgrounds). At a time, however, when many insurance commissioners are exhibiting definite consumerist tendencies, and the public is showing confidence in them, Gov. Reagan's move is something of a mild shock.

We cannot argue Mr. Payne's qualifications for the post.

He is quite obviously both competent and knowledgeable in his field. What can be pondered, however, is his apparent vested interest in the industry he must now regulate for the common good.

Perhaps Mr. Payne can go about his regulatory chores without being overly protective of the industry from which he grew. Such saintliness is not unheard of but its attainment will be difficult. In the face of almost constant industry pressure and lobbying, balance is hard enough to maintain even without industry attachments.

He need not be a wolf in sheep's clothing. He may, indeed, be a latent consumerist and his performance will be interesting to watch. His main obstacle will be one of public confidence. With his background, he will have to work extra hard, be extra diligent to gain the faith of a public that is now recognizing the importance of the insurance regulatory function.

Dick Barger made his presence known on the regulatory level. We wish him well in his return to private law practice and only hope that what he has done to improve the condition of insurance regulation in the nation's most populous state will live after him.

letters

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

Co-insurance coverage

To the Editor: With respect to a story from St. John's, Newfoundland on page nine of your Sept. 11 issue, you have probably received a hundred letters—so this will be the 101.

In the last paragraph, Mr. W. I. Hetherington gave as an example \$100,000 worth of stock with the 90% co-insurance clause, wherein he stated: "If the inventory value dipped to \$70,000 the insurer would pay only seven-tenths of the loss." This, or course, is wrong. The insured would be over insured and he would collect in full.

He possibly meant: "If the insurance coverage dipped to \$70,000," the correct answer would then be that he would collect seven-ninths of the loss.

Alfred I. Jaffe

Assistant to the chairman, property-liability insurance division, The College of Insurance, New York City.

Editor's note: David Smith, a member—along with Mr. Hetherington—of Thorne Gunn and Co. of Toronto, explained that the statement in question should have read: "As an example, he used the case of a company with \$100,000 worth of stock with a 90% co-insurance clause. The insured company, he pointed out, would have to have at least \$90,000 of coverage in order to collect the full amount of his loss. If he had only \$70,000 of coverage, he would collect seven-ninths of the loss."

More of the same

To the Editor: On page nine of your Sept. 11 issue, the writer could not agree more with the headline, "Small businesses buy insurance on a hit-and-miss basis, meet told."

It is hoped that the remarks made in the last paragraph were misquoted, as I would hate to think that a firm of chartered accountants which "specializes in accounting aspects of insurance underwriting and claims" advised their clients on the basis of the statement made in this paragraph.

D. J. Nicolson

Accounts manager, Reed Shaw Osler Ltd., Winnipeg, Manitoba, Canada.

Editor's note: Read the preceding editor's note.

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Mobile safety net

To the Editor: We are very interested in the concept of a mobile safety net as brought forth in your publication's article, "Safety net a lifesaver on grim circus catches," (Sept. 11).

Could you supply me with the address of The Oster-Pederson Co. and the name of the individual I could contact for further information.

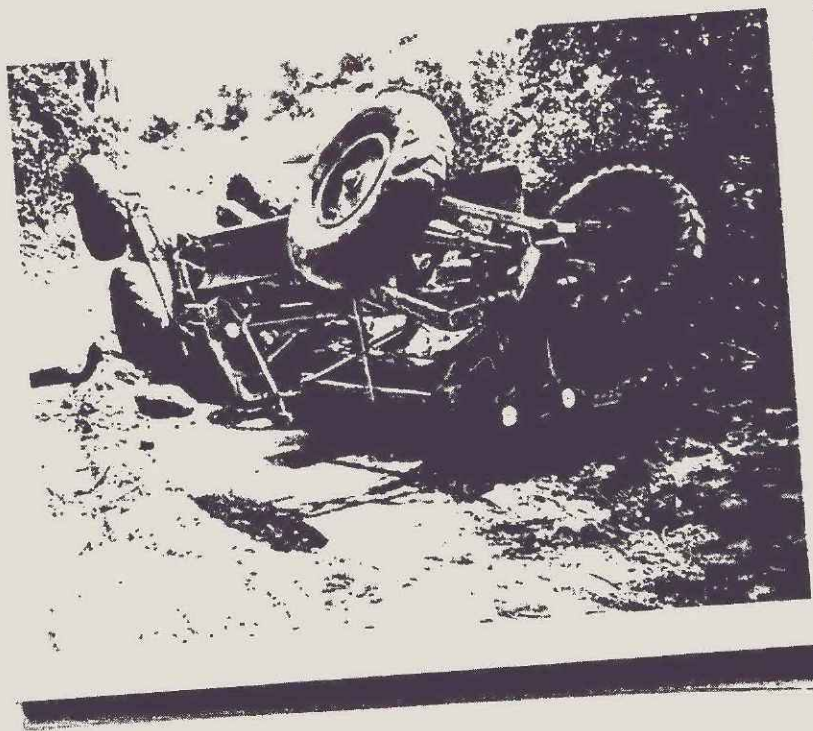
Carmine Squatriglia

Safety engineer, Warren Bros. Co., Cambridge, Ma.

Editor's note: The address of The Oster-Pederson Co. is 2020 W. 78th St., Minneapolis, Mn. 55423. For further information contact John Oster, president of the company.

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following the funds

Rail pension benefits increased despite President Nixon's veto

WASHINGTON—President Nixon's veto of a bill increasing railroad retirement benefits by 20% was overridden by Congress early this month, despite a recent warning that the system would be bankrupt in 15 years at the present rate of benefit payments.

By an overwhelming vote (353 to 29 in the House and 76 to 5 in the Senate) the bill has become law in spite of Mr. Nixon's objections.

According to White House spokesmen, what concerned the President most about the bill was not its cost but the fact that it

would perpetuate what he termed a fundamentally unsound system.

Mr. Nixon's basic objection, as stated in his veto message, was that the measure would "jeopardize the fiscal integrity of the Railroad Retirement System and hasten its bankruptcy" because it provided for increased benefits without "any provision" for financing them.

ENACTED IN 1935, the Railroad Retirement System is the only government pension program covering a single industry. A few weeks ago a high-level commis-

sion warned that the system would be dry of funds in 15 years unless it was revamped. There are now fewer than 600,000 workers contributing to the fund, while at the same time about one million railroad retirees are drawing benefits (*Business Insurance*, Aug. 28).

The commission appointed to study the problem has recommended an immediate jump in payroll taxes levied on both employer and employee. At present the tax rate is 9.5% and the commission has suggested an increase to 13.4%. The panel also said that

any future benefit increases—including those in the measure enacted by Congress over the President's veto—would have to be accompanied by further tax increases.

In his veto message, Mr. Nixon did not specifically call for additional payroll taxes. However, he said he agreed with the commission's report that urged "basic readjustments" in the present system and asked Congress to scale down the new monthly benefits by about 50%. Under his proposal, single retired rail workers would get about \$28 a month more, while married couples would be entitled to an increase of about \$47 a month.

In addition, Mr. Nixon had argued that the new benefits would place the retired railroad worker in a better financial position than the ordinary retired person receiving Social Security benefits.

A 20% increase for rail workers, he noted, is larger in terms of dollars than a 20% in-

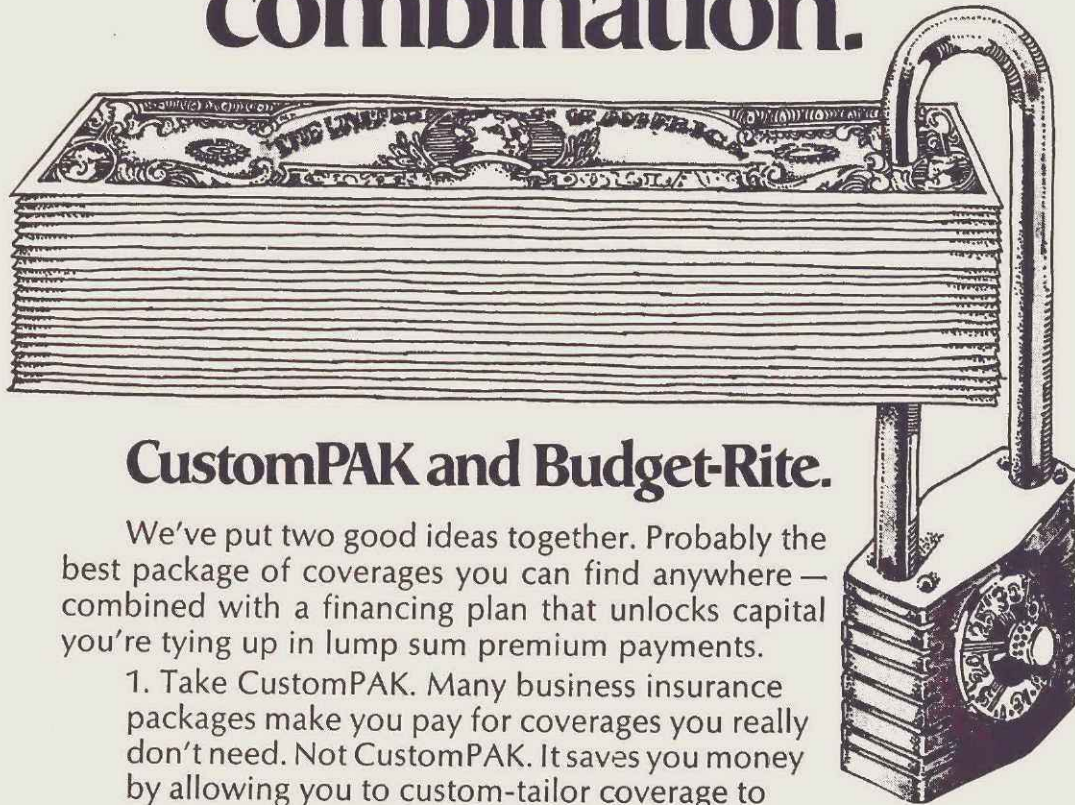
crease for Social Security recipients, since railroad benefits are higher to begin with. To increase these benefits still more, he said, would lead either to inflation or to higher payroll taxes.

However, the President's views received little support in the House, where the majority of Congressmen felt that railworkers deserved the same increases as Social Security beneficiaries.

Moreover, others in the House argued that Congress would likely reform the system before it goes bankrupt, and that the major concern now was to give retired railroad employes an immediate increase in benefits.

Rep. Harley O. Staggers (D., W. Va.) criticized the President for waiting until it was too late in the Congressional session to act on a new and modified measure. This view was echoed by Rep. Hale Boggs (D., La.), who said it would be "cruel" for Congress to adjourn without giving railroad workers increased benefits. ■

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LIFE & CASUALTY

State bar approves no-fault

MONTEREY, CA.—The 36,000 member state bar of California, holding its 45th annual convention here, has repudiated the position of its board of governors and has approved a compulsory no-fault auto insurance plan.

The bar association version could result in higher auto insurance premiums but protects the consumer's right to sue for damages.

Representatives of the 4,200 member California Trial Lawyers Assn. (CTLA), said they would fight the approval by the state bar's conference of delegates, of any other reform proposal. More than 500 members participated in the convention which helped to "heat up" the California controversy over no-fault auto insurance reform programs. A variety of proposals were offered to the convention.

The only one adopted was the resolution of the Century City Bar Assn. and introduced by Herb Hafif, Claremont lawyer who is head of the Trial Lawyer's group. Non-CTLA attorneys charged that the Hafif organization and its parent American Trial Lawyers Assn. "consists primarily of attorneys who earn as much as \$80,000 a year and more on personal injury suits rising from auto accidents.

"**MANY OF** these suits," one delegate said, "would not be possible under a true no-fault auto insurance program." The plan which the bar association will support is similar to plans in Oregon and Wisconsin. It would provide up to \$3,000 medical costs and 70% of lost wages up to \$350 a month for a year.

The plan also would permit claimants to sue for damages regardless of amounts collected from insurance carriers.

The bar association's board of governors earlier had proposed a no-fault plan with a \$500 threshold, foreclosing court suits for pain and suffering if damages did not exceed the \$500. That concept was embraced in the no-fault proposal introduced in the California legislature by Sen. George R. Moscone. His measure currently is before the senate finance committee for reconsideration when the legislature reconvenes after the November elections. The Moscone bill died in committee earlier this year. ■

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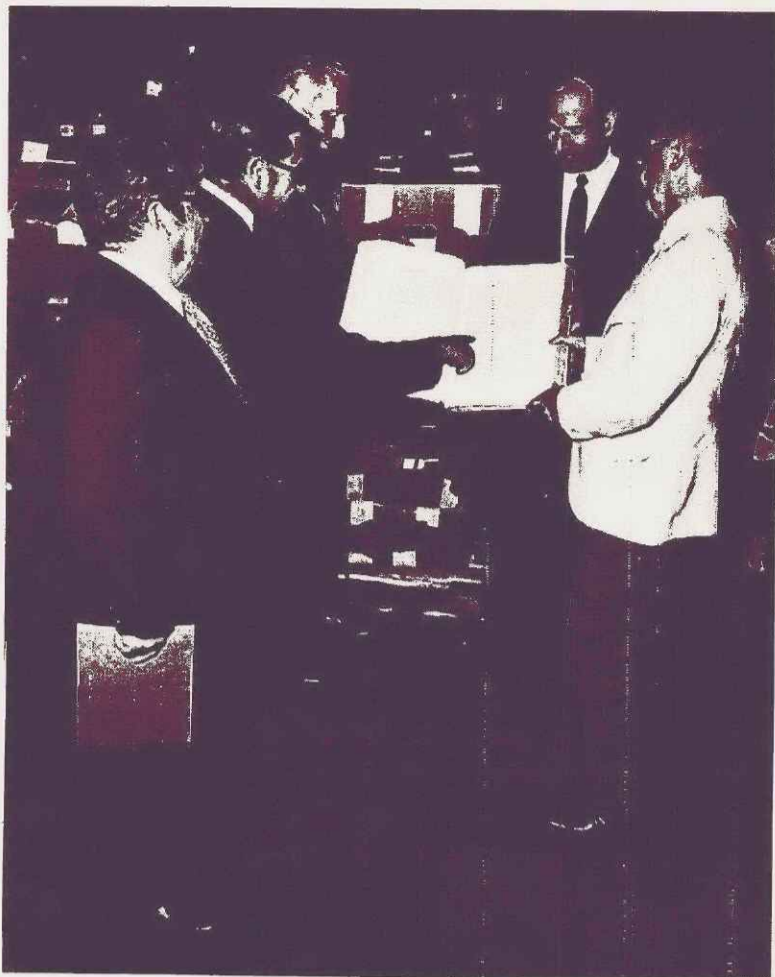
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An 1816 volume, containing records of the Scottish Parliament, during the '500's, was one of many books restored by Insurance Co. of North America's General Traffic Service Co., following a fire in Temple University's law school library this summer.

Freeze-drying saves water-damaged books

PHILADELPHIA—A fire which gutted the Temple University law school library during this summer caused water and smoke damage to nearly 400,000 books and pamphlets. Over 100,000 of those books are now ready for return to the university's new facility, presently under construction, through the recovery and salvage efforts of General Traffic Service Co., a subsidiary of the Insurance Co. of North America, insurers of the loss.

Temple University is insured by INA under a blanket manuscript policy for \$10 million. The law library is insured for a sub-limit of \$3 million, with \$100,000 deductible. The broker was Gil-

lespie, Pye & Gray, Philadelphia.

General Traffic Services Co. extracted the books from the building rubble and chemically treated them to prevent mold and mildew. The books were then individually wrapped in waterproof paper and have been drying in an air-conditioned warehouse since the end of July. This process is the same "freeze drying" method used to prepare frozen foods and has restored a majority of the water-damaged books to the condition they were in before the fire.

ACCORDING TO Temple University's insurance manager, George A. Reese Jr., another 150,000 to 200,000 articles are

being stored in temperature and humidity controlled warehouses around Philadelphia.

"We won't know the actual extent of the damage until the salvaged works are collected and put into the new library. Then we'll be able to see what's missing," Mr. Reese commented. "We're talking about anywhere from \$3 million to \$5 million worth of damage," he estimated.

Because of the fire, construction of the new law facility, begun in 1970, has been speeded up by the state building authority. It is hoped that the stored books will be moved to their new shelves by the end of this year.

Mr. Reese explained that the first law library was housed in an old building, originally intended as a synagogue, not for preserving books and manuscripts. "It was one of a number of old buildings used by the university which will be phased out within the next five years," he said.

University of Arizona secures short relief from statewide insurance plan

TUCSON—The University of Arizona has fought a round with that state's personnel commission over the state's new health insurance program—and won. But the fight is not over yet.

The commission adopted a statewide health insurance plan Aug. 1, and sought to impose this plan on all state employees. University of Arizona staff members and administrators fought against the Nov. 1 deadline by which they were to have switched over to the state plan from their own.

They argued that their plan was better and that they should be allowed to continue it. Though the appeals board of the personnel commission did not completely agree with that, they did vote Oct. 5 to postpone the school's deadline to July 1, 1973. The deadline for all state agencies, other than universities, was Oct. 1.

The second half of their decision was that only those employees who were part of the school's insurance package as of Oct. 1 would be allowed to postpone their enrollment in the state plan until next summer.

All employees who were not part of the university's plan as of that date have no option, they may only join the state plan.

The state-operated health insurance package is serviced by Blue Cross-Blue Shield and Pacific Mutual Life Insurance Co. The school's plan is also serviced by Blue Cross-Blue Shield.

The commission intended all of the state's 22,000 employees to be under the new plan by June 30, 1974—at the latest. But since Aug. 1, three other state agencies—other than the University of Arizona—have received postponements of their registration deadline. Employees of Northern Arizona University, the department of public safety and state compensation fund have been given short-term extensions.

BUT THE BATTLE at the University of Arizona lasted the longest, with the local chapter of the American Assn. of University Professors voting to bring suit against the state if they were forced to comply with the Nov. 1 deadline.

The major roadblock to the

school's staff accepting the state plan was its lack of dental coverage and its higher cost. Christopher Mathews, president of the AAUP at the school, explained that the new coverage would be slightly cheaper (after the state had contributed its share) but that it would not include dental coverage, which is part of the school's present health insurance plan.

HE SAID the new plan would also not cover retired employees. The state's share of premiums varies between \$15 and \$20 a month, depending on the employee's length of service.

"Theoretically, it does make sense" to have one plan covering the entire state, agreed Nestor Roos, chairman of the university retirement and insurance committee. "But we are paying (under the state plan) for Phoenix's (vs. Tucson's) higher medical costs . . . plus we are 'experience rated' under our own plan," and are thus accepted at lower rates.

He added that all of the factors going into a large group plan work against the lower rate currently charged to the school.

Mr. Roos explained that his committee will accept the appeals board decision for now, but by July 1, 1973, they hope to win the fight and introduce dental coverage as part of the state's insurance plan.



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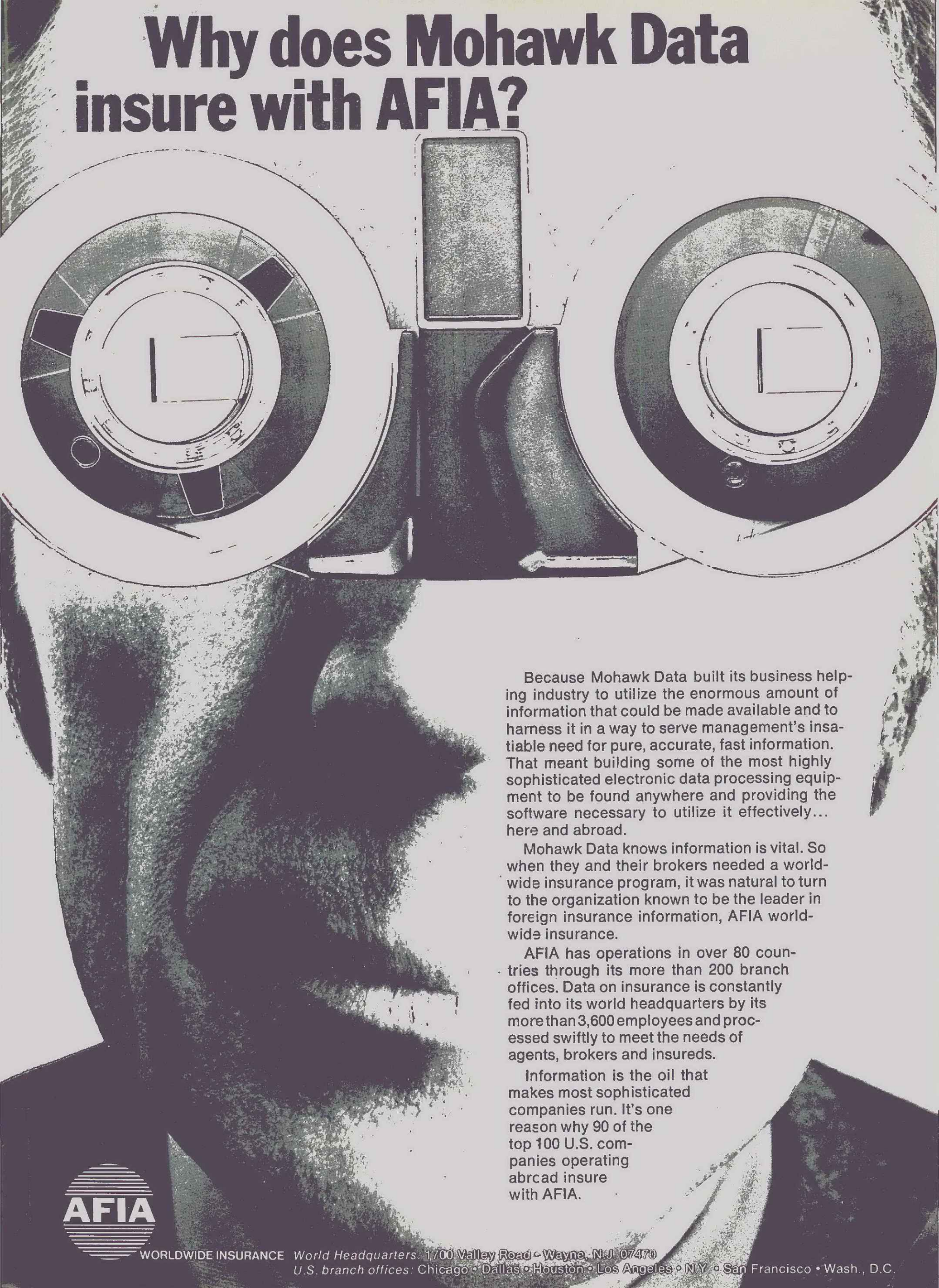
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New CPCU officers

The society of Chartered Property and Casualty Underwriters has elected its officers and five directors at an annual business meeting held this month in New York. The new officers are: John G. Ruhl, Ruhl & Ruhl Inc., president; Richard C. Nelson, The Nelson Co., first vp; William G. Pritchard Jr., Pritchard & Jerden Inc., second vp; Robert W. Daum Jr., North American Reinsurance Corp., secretary; and Burt C. Proom, Maryland Casualty Co., treasurer. New directors for the society are: Rosayne Light, Independent Mutual Agents of New York, New Jersey and Connecticut, northeast region director; L. Gene Richardson, State Farm Insurance Cos., north central region; H. Wayne Dortch, Employers Mutual of Texas, south central; Jerry K. Adkisson, Cherokee Insurance Co., southeast region; and Jerrol L. Harris, California Casualty Group, western region.

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Fireman's Fund research analyst calls for group legal insurance

MONTEREY, CA.—Group legal insurance as an employee benefit for middle-income Americans "is in the cards," according to Anthony Kjellgren, research analyst for Fireman's Fund American Insurance Cos.

Mr. Kjellgren told the 45th annual meeting of the state bar assn., that a just completed nationwide survey "proves that legal insurance could solve one of society's problems. . . . the difficulty most people have in meeting unexpected legal expenses."

Approximately 24% of 10,000 U.S. families surveyed had used a lawyer's services within the past year. Nearly the same percentage, 21%, said they would buy legal insurance if they could.

Mr. Kjellgren also disclosed that use of legal services was directly related to income. The range was 17% usage by those with incomes under \$5,000, to 36% by those who earned \$25,000 or more a year. By profession, the most frequent clients of attorneys were business owners, managers, farmers and farm managers. Laborers made very limited use of legal advice.

STRANGELY enough, residents of the north central states sought legal services more often than those in other areas and Pacific coast residents retained a lawyer least frequently.

Those most receptive to purchasing legal insurance were un-

der 30, residents of the middle Atlantic and Pacific coast states persons with high incomes and those who had previously consulted a lawyer.

"The largest percentage of those using legal services," Mr. Kjellgren said, "retained a lawyer to handle wills. Other frequent reasons involved real estate matters, taxes, domestic problems, non-traffic misdemeanors, adoption and traffic violations."

Firemen's Fund, he told the bar association, "now has tentative plans for a pilot test of legal insurance in California. "In such a test," he explained, "the basic, most inexpensive plan would provide a specified number of

hours of an attorney's time for consultation and advice, as well as payment of legal fees for estate planning, drafting of wills, name changes and birth establishment, real estate and personal property matters and adoption and guardianship proceedings."

AN ALTERNATIVE plan, Mr. Kjellgren said, would provide the same coverages plus legal costs of domestic relations and bankruptcy problems. A third, more comprehensive plan, would also cover court proceedings and major legal expenses. A fourth choice would offer higher maximum coverage levels.

The cost, he added, would depend on the plan "although most of those questioned in the survey who approved of such insurance thought an annual cost of \$35 to \$50 would be reasonable. Some considered \$100 acceptable for relatively complete coverage."

He said Fireman's Fund hopes

to be prepared to introduce a legal services insurance program nationwide "by the time it is a permissible union bargaining topic.

"This," he concluded, "would require revision of the Taft Hartley Act and the Internal Revenue Code, with the latter being changed to provide tax exemptions for trust funds and employer contributions."

Two brokers merge Jan. 1 in Britain

LONDON—Two leading U.K. insurance brokers handling substantial amounts of overseas business are to merge, effective Jan. 1, 1973.

They are Price, Forbes (Holdings) Ltd. and Sedgwick, Collins (Holdings) Ltd. who between them will have a combined capital value of more than \$180 million. Price, Forbes is strong in the U.S. and North America in casualty and aviation cover, and Sedgwick, Collins is large in the marine market. Between them, they report, they will be able to offer new opportunities for customers.

Ian Findlay, one of the board members who will run overseas operations, told *Business Insurance*: "The merger will provide a more effective depth of talent and marketing know-how which should appeal to many clients.

"Requirements of clients are changing, particularly in the international areas in which we operate, and insurance is becoming more multi-national, just as major corporates are becoming multi-national in their thinking. Factors which will be examined in their future operations are the growth of self-insurance, as well as the expansion of the European insurance industry through the Common Market.

MERGERS are on the increase in the U.K. insurance broking field as overhead expenses for administrative and other costs grow, but these two firms will merge without any overlapping of services.

Sedgwick, Collins stockholders will own about 57% of the new corporation and Price, Forbes 43%. Patrick Milligan will be non-executive chairman of the joint company for up to two years, after which time Ian Findlay will succeed him as chairman, and will also supervise foreign operations. Douglas Grout, deputy chairman, will be responsible for U.K. operations.

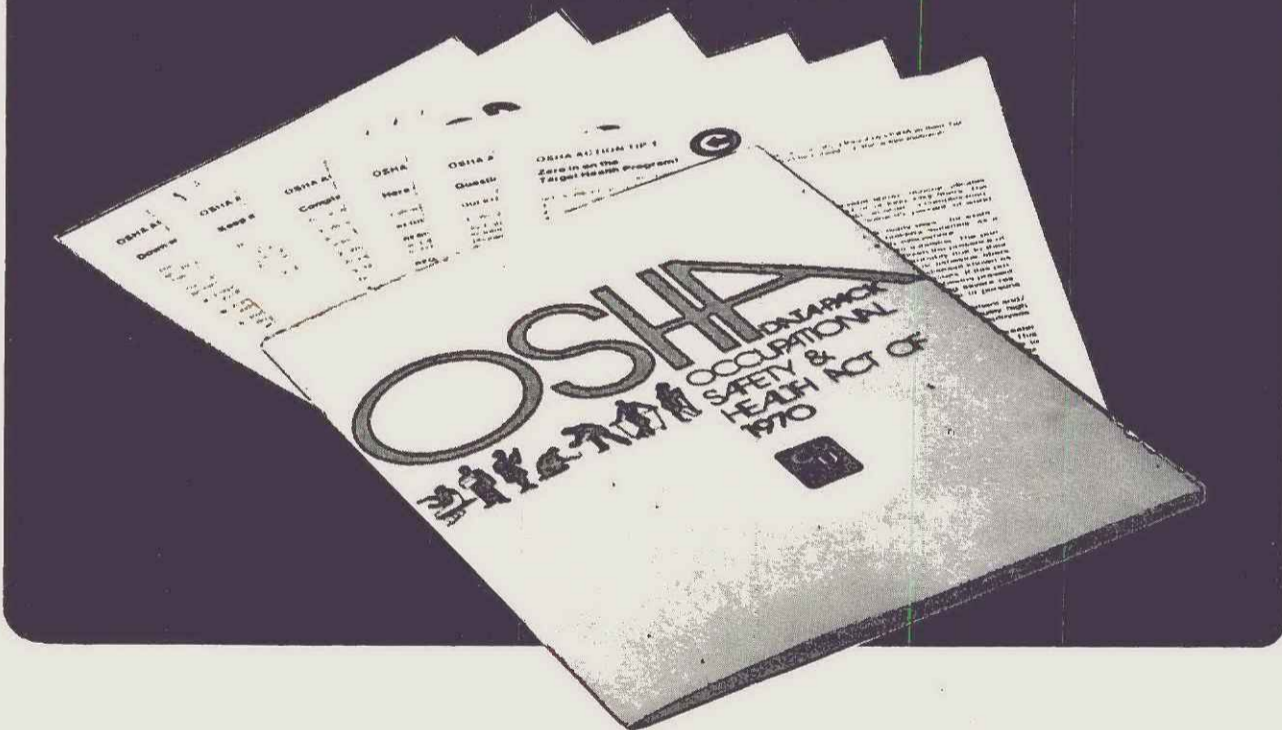
New officers in ASIM

SAN FRANCISCO—Norman S. Wintemute, corporate insurance manager here for Bank of America, has been elected new president of the northern California chapter, American Society of Insurance Management Inc.

Wintemute succeeds Woodrow B. Anderson, Kaiser Industries Corp., Oakland. With more than 1,800 member companies, the chapter is one of the largest in ASIM.

Other new officers are: vp-program, Robert D. Milligan, Levi Strauss & Co.; vp-arrangements, John J. Prendergast, Hewlett-Packard Co.; secretary, Jerry Lynch, Guy F. Atkinson Co.; and treasurer, Keith Brooks, John Breuner Co.

Don't make a federal case out of it



Here's new help in interpreting and complying with OSHA regulations

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

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BART is self-insured for first train accident

SAN FRANCISCO—The \$1.4 billion automated Bay Area Rapid Transit System has had its first accident, with minor injuries to four passengers and a train operator, when a two-car train with 13 passengers derailed at the end of the Fremont station.

BART is self-insured, up to the first million, against this as well as "almost every conceivable liability" according to insurance director Leland J. Hoagland. No claims have been filed, as yet, by any of the five injured in the accident or by any of the other passengers.

BART spokesmen said the two cars "overshot" the Fremont station at 9:58 a.m., Oct. 2, smashed through a sand embankment intended to stop such overruns and then came to a halt partly inside an adjacent asphalt parking lot.

The cars remained coupled after the lead car, carrying the five who were injured, went off the track. Ambulances took the injured to a hospital and cranes were used immediately to remove the cars. Damage to physical property, according to BART executives, was confined to the undercarriage of the lead car.

THE TRAIN, on the 28-mile Oakland to Fremont segment now in operation, was reportedly under automatic control and should have stopped but overshot the station platform by approximately 30 feet.

A full investigation by a BART board of inquiry is now underway to determine cause of the accident. Until results are known, operators of the trains have been ordered to switch to manual controls 100 feet before reaching terminals.

The special board of inquiry investigating the accident has already heard testimony that the train which crashed at the Fremont station did not receive signals from the automatic control center.

I. W. Breiner, BART superintendent of transportation, said the manual operating equipment failed to function when the operator attempted to take over control of the train.

The state public utilities commission indicated it also would participate in investigations into the cause of the accident.

The accident was the first since BART began operation on a limited basis Sept. 11, except for the Nov. 2 collision of a BART test train with a parked train at the Oakland Coliseum station. Last June a BART car was damaged slightly when it went off the tracks during a test run, as a result of "a switching problem."

mutual engineers conference in Des Moines. He warned them of the growing problem of merchantile crime: "In a recent poll, almost one of every five businesses surveyed was burglarized at least once during the year covered in the survey.

"Nationally, about half of all burglaries are non-residential; the average worth of property stolen in such burglaries is \$225," he cited.

In addressing the conference,
Continued on page 31

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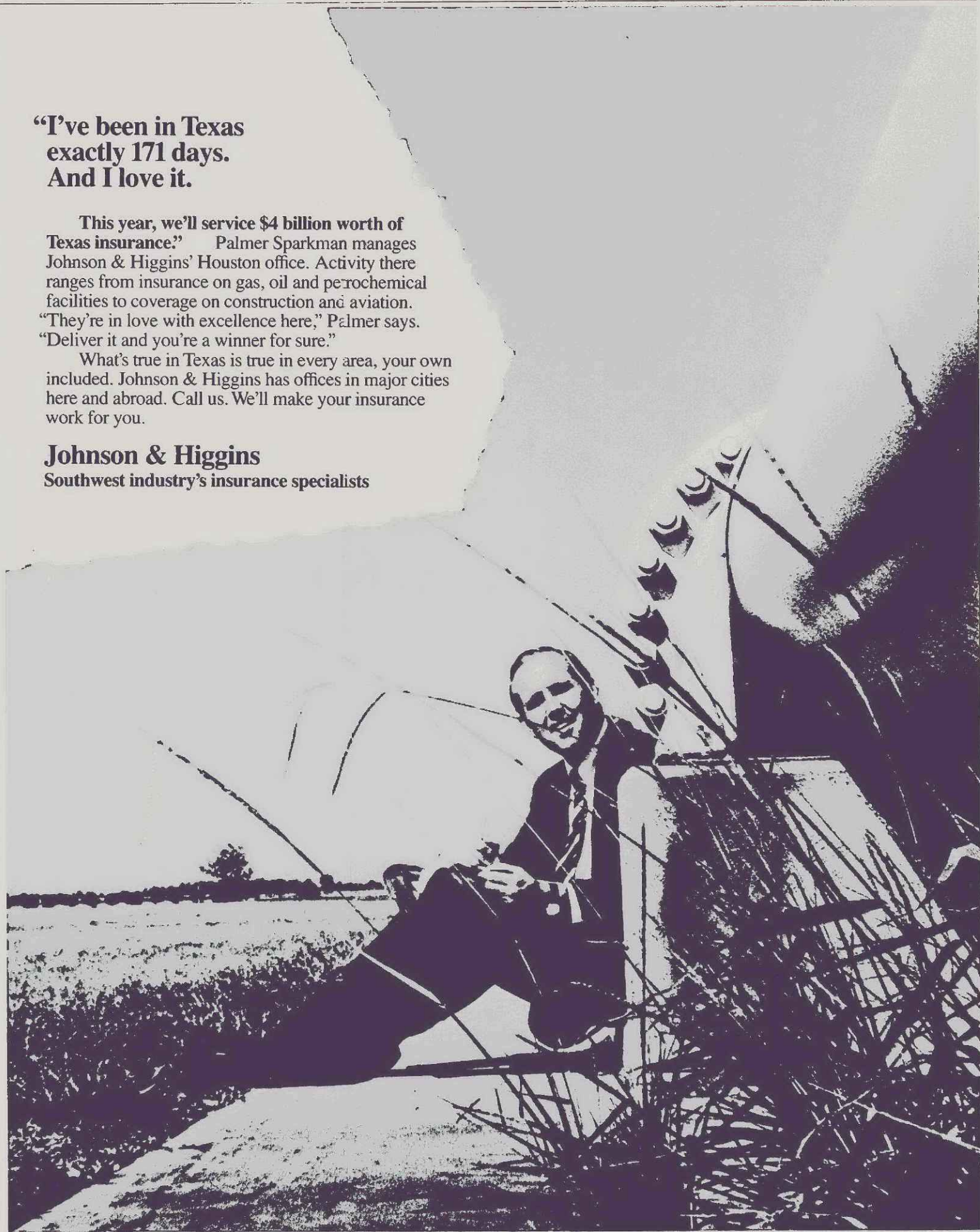
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Unreported commercial thefts cost \$1.4 billion

DES MOINES—Unreported commercial theft losses, including shoplifting and employee theft, are more than double those of all reported private and commercial thefts, warned Robert D. Blair, director of the bureau of crime investigation, Des Moines department of public safety.

Mr. Blair spoke to 100 loss prevention engineers, attending the

Roadway builders fined \$1 million after accident

REDWOOD CITY, CA.—Unless the jury verdict is appealed and reversed, Continental and/or St. Paul's Insurance Cos. face a \$1 million loss in their coverage of Wilsey & Ham Inc., Foster City, Ca. architectural, engineering and planning firm.

The \$1,050,000 was awarded in the San Mateo County superior court of Judge James T. O'Keefe to Mary Carothers, 30, who was pronounced dead after an auto accident, but who lived to win her case against Wilsey & Ham—designers of the roadway on which the accident occurred.

Mrs. Carothers, in 1967, was in a car which slid off a curve on East Hillsdale Blvd., in Foster City. Her attorney, Irving Hurd, told the jury during the trial that Mrs. Carothers suffered extensive brain damage in the accident during which she also lost the baby with which she was pregnant.

"ON ARRIVAL at the hospital," Mr. Hurd said, "two doctors pronounced her dead. A nurse summoned a third doctor, only because she thought the brain surgeon might have an academic interest in the body."

"However," Mr. Hurd added, "the neurosurgeon saw the 'dead' woman's leg twitch. She was

placed in a special machine filled with icy water to slow her circulation and, in effect, permitting hibernation." It was not until 10 days later, Hurd said, before doctors could confirm that Mrs. Carothers was definitely still alive.

Under the jury verdict, reached after nearly three days of deliberation, Wilsey & Ham was ordered to pay the \$1,050,000 damages for having "designed a curve that was too smooth and which was banked in the wrong direction."

During the 12-day civil trial, attorney Hurd charged that at least 13 other accidents had occurred on the same curve in the 14-months prior to the one that involved Mrs. Carothers. The

amount, second largest in San Mateo County history, will go to pay for "constant professional care" required by Mrs. Carothers, who now lives with her mother in Kansas.

After five years of treatment, Dr. Baiz testified during the trial, "Mrs. Carothers has reached the intelligence level of a dull child. She is as severely brain damaged as a person can be and still be functional."

Spokesmen for Wilsey & Ham were uncertain whether the verdict will be appealed. They added that the immediate question is to determine which insurance company will have to pay the damage award and that this may rest on determination of whether the claim falls under professional liability, errors and omission coverage, or general liability.

Continental carries the coverage for the first two and St. Paul's the general liability policies. ■

G.M. of Canada might merge its benefit plans

ST. CATHARINES, Ont.—Industrial insurance people in eastern Canada are showing considerable interest in a current study on the part of General Motors of Canada, Ltd. involving possible integration of its sickness and accident prevention program with unemployment insurance.

A decision on this matter is expected to be made soon by the automobile manufacturer. Strong opposition to the plan has been voiced by local 199 of the United Auto Workers which has threatened strike over the matter.

It was the original plan of General Motors of Canada to integrate the privately carried sickness and accident program contained in its agreement with the

union with unemployment insurance to provide maximum payments of \$100 a week.

Any difference in a worker's benefit would be made up by the auto maker.

It is the contention of the union that G. M. is taking advantage of a section of the Unemployment Insurance Commission Act which is designed to help small employe groups where an adequate private benefit program cannot be provided by an employer.

James Connell, president of local 199 and one of the union officials who discussed the plan with top union officers in Ottawa said, "We weren't going to be party to any program where the taxpayers would be milked." ■

Hull insurance rates

Lloyd's underwriters are taking a firm stand on hull insurance premiums, A. Henry Chester, leading U.K. underwriter, told the Stockholm conference of the International Union of Marine Insurance. "Competition for all classes of hull business is growing, but it is hard to believe that much of it is founded on sound underwriting principles," he said. "We must all be on our guard, less pressure of competition persuades us into inadequate rating levels which can lead us back into the serious situation which prevailed in the hull insurance industry between 1963-1969."

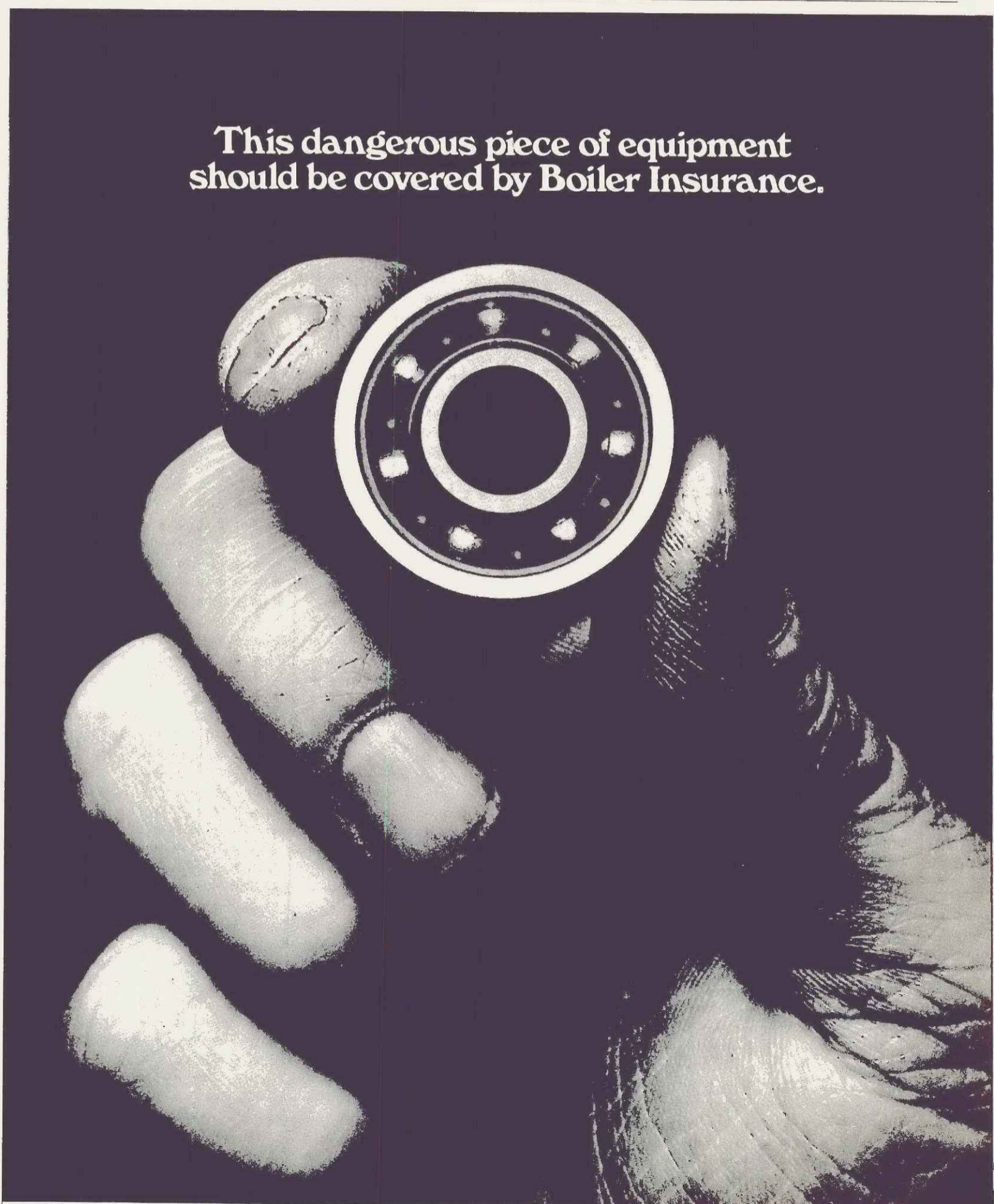
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Connecticut city's police pension fund may face \$42 million deficit

NEW BRITAIN, CT.—An investigation by former Mayor Albert F. Politis has disclosed that the city's police pension fund may end up as much as \$42 million in the red because of a circuitous chain of developments.

The annual contribution by the city to the police pension fund is about \$470,000 (the tab is \$420,000 for firemen's pension fund) with a recent provision added to include \$270,000 to help make up some of the projected pension fund deficit in future years.

But, the Politis findings noted, the city, rather than contributing the necessary money (totaling \$1,160,000), proceeded to deduct from the total contribution the income from the two sources (i.e.,

the 5% contribution by working police into the pension fund plus annual investment income from the permanent fund).

THE PERMANENT fund, totaling more than \$600,000, was created when police pension funds were transferred from a Connecticut state plan to a local plan in 1968.

It was noted that as a result of the city's action, about \$100,000 in investment income, \$100,000 in policemen's pension system contributions and a like sum from miscellaneous sources, were understood to have been deducted from the city's share of fund allocations, leaving about \$700,000-plus as the city's share into the

policemen's pension plan.

In addition, upwards of \$7,000 in public contributions to the police pension fund, provided "in grateful acknowledgement" of police participation in public service, has been diverted to the city's general fund and spent as city revenue. (This gesture, it was said, was allowed via a city charter provision).

Both local and state financial experts have labeled the New Britain police pension fund actuarially unsound. There was funding of \$923,000 in 1967 as principal for the fund. But the city never paid the money into the fund; instead, it was listed as part of the overall city debt. And the aforementioned \$42 million for

the police pension fund can well be part of the city's future financial woes if all of the policemen contributing to the fund continue to wear their uniforms until retirement days.

AS FOR THE city's making amends, part of the planned changeover to a new fiscal year in 1973 includes the paying off of city debts, including the \$923,000 funding.

In addition, the board of trustees of the police pension fund has voted to merge the revolving pension fund and the permanent fund, a larger share of the funds to be invested in higher-earning growth stocks and treasury bonds.

James Carey, police board chairman, said that many of the current investments are earning less than 1% a year. The trustees, he added, have recommended placement of 70% of investment money into equities, the remain-

der into fixed-income securities.

Mayor Stanley J. Pac has remarked that he would "go" with less "speculation" on growth stocks, in light of current market conditions.

The thinking in police union ranks, however, contends that the income potential warrants any risk involved.

Benefits may contribute to absenteeism

HAMILTON, Ontario—The head of the Quebec Industrial Medical Assn. charged at a conference here that many workers are finding it more profitable to report in sick than work for a living.

In Hamilton for the joint annual meeting of the Quebec Industrial Medical Assn. and the Ontario Medical Assn. occupational health section, Dr. David Brunet said his company's costs for sickness benefits for the first half of 1971 were four times those of the corresponding 1970 period. He attributed this sharp rise to increased medical and hospital insurance coverage by governments.

Dr. Brunet is corporate medical director for Consolidated-Bathurst Ltd., a pulp and paper company that employs workers primarily in Ontario, Quebec and New Brunswick.

He pointed out that a worker who is sick and off work gets all of his doctor and hospital bills paid, his salary continues under sick leave benefits, and he may also have income insurance, sickness indemnity payments.

The doctor noted that since many of these benefits are not taxable, they may well equal or surpass the regular take home pay. This results in a situation where the worker has less incentive to return to his job.

But, Dr. Brunet pointed out, there still are many workers who won't stay off the job even though they are ill. Some of these workers have organic disease and have very legitimate reasons to take time off.

An ordinary ball bearing isn't as harmless as it looks. Bearings freeze. And break. And the resulting chain of circumstances can be unpredictable, dangerous and expensive.

In the same sense, all machinery is dangerous. Yet a lot of plant equipment remains uninsured.

The problem: the buyer's doubts

Some buyers tend to forget that "Boiler" means "Boiler and Machinery" insurance. So they buy a policy covering pressure vessels and let it go at that. Or, knowing that state laws make inspection of such items mandatory, they may feel that they don't have to be insured at all.

It's no secret that accidents covered by Boiler and Machinery insurance can be catastrophic. Why then, is it so peculiarly neglected?

Possibly because some executives think that other forms of insurance, such as Fire with Extended Coverage, are sufficient protection. And that buying Boiler and Machinery would be buying overlapping coverage.

Not so. No other form of insurance can protect you against many specific hazards. And as for overlapping, it can be minimized or even eliminated by exercising reasonable care in buying.

Another reason may be the policy itself. The subject matter is technical, and is expressed in technical language. So the buyer may conclude that it's a subject for the plant engineer rather than for the risk manager.

Again, not so. The coverage is vital. And you don't have to become an engineer to buy or understand it.

The goal: accident prevention

Interestingly, as disastrous as boiler explosions can be, they don't happen frequently. The explanation is that the danger in boilers is so obvious that almost every state requires periodic inspection.

The dangers lurking in machinery aren't as obvious. And therefore tend to be ignored. If all machinery were inspected as boilers are, accident frequencies might drop dramatically.

When your equipment is covered by Boiler and Machinery insurance, at least you have a safeguard. It is clearly in the insurance company's interest to try to prevent accidents. So it maintains a staff of field engineering representatives trained to inspect equipment.

But there is no substitute for a program of thorough inspections, supervised by a plant's own safety department, in preventing accidents.

Save premium dollars with minimal pain

Boiler and Machinery insurance is essential. But it needn't be expensive.

For instance, on three-year policies, the policyholder is entitled to a "gradation credit" on the amount of premium over \$3000. And with multiple locations, you can combine policies for a larger credit.

Some equipment is used only seasonally. Some is standby, for emergency use only. In either case, ask

whether you can get premium credits.

Perhaps some of your equipment shouldn't be covered at all. If your deductible is \$1000 you have little hope of recovery on losses involving items of equipment valued at less than that. You can effect savings by self-insuring them.

If you occupy multiple locations, ask for a "Blanket Limit of Liability", which extends your largest amount of coverage to each location.

But don't save on the coverage that counts

Since most equipment contains hazards, the logical approach to coverage is to assume that whatever can happen, will.

A method of coverage which has become widespread is called the Blanket Group Plan. You just list categories instead of listing the specifically insured items. Premiums are based only on items covered, so you don't pay for something you don't need. And you're automatically covered for any new equipment, if it's at the named locations and in the insured categories.

Most important, include Business Interruption coverage. Accidents to equipment have a nasty way of interrupting production. You may or may not need refinements like "consequential" coverage, which protects you against such losses as spoilage or deterioration resulting from an accident. But Business Interruption coverage itself is so necessary that Boiler and Machinery insurance can hardly be completely effective without it.

Should you expect more than just claims payments?

Unequivocally, yes. If a loss does occur, the staff of a knowledgeable insurance company can and should provide invaluable assistance. They're experts at knowing where to locate parts, replacements and services. And they have an obvious vested interest in getting you back into full production quickly. Especially when you have Business Interruption coverage.

But the most valuable service you should expect is help in preventing losses in the first place.

In short, you should expect the advantages of the knowledge and experience of a team of experts. And if you don't know who the experts are, ask your nearest Continental agent.

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HEW issues amended black lung regulations

WASHINGTON—Final regulations have been set to update benefits for miners under the Black Lung Benefits Act of 1972. This act amended the black lung benefits portion of the Federal Coal Miner Health and Safety Act of 1969.

The Department of Health, Education and Welfare made changes in the proposed regulations released last month (*Business Insurance*, Sept. 25), as a result of discussions with, and comments received from, the United Mine Workers and the Black Lung Assn. Included are changes to clarify the criteria for evaluating claims consistent with the provisions and intent of the new law. Other changes were

made to provide assurance that claimants' rights are fully protected in the administration of the program.

HEW Secretary Elliot Richardson said that the new regulations will result in favorable action on many of the almost 200,000 claims that could not be paid under the old law or have been filed since the new law was passed.

PROCESSING of claims previously turned down has begun with payments already started on a first group of cases having enough evidence to show that they are eligible. Because of the very large number of claims that must be reexamined under the regulations, however, it will take sever-

al months to get the necessary evidence and reach a new decision on many of the other previously denied claims. In most cases, benefits payable will be retroactive to the month in which the claim was first filed; in some as far back as January 1970.

These claims will be processed under the more liberal interim rules in the regulations for handling the backlog of claims that were denied under the old law and any new claims filed before July 1, 1973. This is the date responsibility for new claims under the program shifts from the Social Security Administration to the Department of Labor.

Secretary Richardson noted that with publication in the Federal Register of Sept. 30, the new regulations have been issued within the time period specified by the law. He added, however, that any comments or suggestions on the new regulations will be accepted and carefully studied. ■

Gannett names two to fill insurance positions

ROCHESTER, N. Y.—The Gannett Co. Inc. a national communications firm which has its headquarters here, named two new men to insurance positions last month.

Richard L. Clapp, formerly senior group pension underwriter at New England Mutual Life Insurance Co., has become Gannett's employe benefits manager and F. David Ramage, formerly chief internal auditor for the Gannett chain, has been named manager, taxes and insurance.

Although both new Gannett staffers will work with the firm's insurance programs, their positions are independent of each other. Both, however, aim at standardizing their programs.

Gannett's vp of personnel John E. Heselden, underlined the importance of the new position Mr. Clapp fills, saying that the growth of Gannett now requires a full-time specialist with experience in pension, life insurance, medical insurance, and other benefit plans.

Mentioning some of the goals he projects for the employe benefits program, Mr. Clapp noted that, primarily, he intends to standardize pensions, medical and group life plans for the 12,000 Gannett employes.

He pointed out some of the difficulties that accompany such a move. For instance, the medical coverages are currently not only with Blue Cross, but are "all over the place." It will be his task to pull these plans into a more uniform pattern, and to upgrade them.

THE NEW taxes and insurance manager, F. David Ramage, will deal exclusively with property and casualty insurance. Although he declined to discuss any specific policies involved, Mr. Ramage named Marsh & McLennan of Rochester, and the Philadelphia Manufacturers Mutual Insurance Co. as two of the bigger firms the newspaper chain deals with.

Mr. Ramage said that at this point, he did not deal with OSHA requirements in his new position. However, he said his job "mildly" encompassed risk management. He said he had begun risk analysis of the auto insurance program at Gannett.

The Gannett chain includes about 52 individual newspapers ranging in circulation from under 25,000 up to 150,000. Some of the larger papers are the Camden Courier-Post (N.J.), the Hartford Times (Ct.), and the Nashville Banner (Tn.). ■

Labor dept. charged with neglect

WASHINGTON—Organized labor has accused the Labor Department of permitting small businesses to conduct a "highly successful scare campaign" against Congressional members in an attempt to discredit the Occupational Safety and Health Act.

George H. Taylor, executive secretary of the committee on occupational safety and health of the AFL-CIO, charged the Labor Department with neglect in providing small businesses with the necessary information defining their rights and responsibilities under OSHA.

CONSEQUENTLY many small businessmen, confused by the law's application to themselves, have flooded Congress with letters that depict federal safety inspectors as dictators engaging in "Gestapo" tactics to harass them for trivial reasons.

Mr. Taylor requested that these write-in allegations be measured against testimony by a representative of the Small Business Administration who told the Senate labor subcommittee that the business community has "fallen victim to a great many scare stories which appear to have little foundation in fact." ■

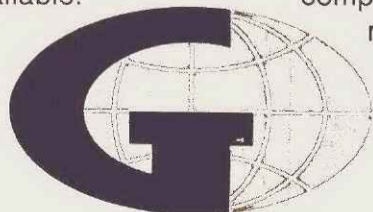


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Work done to reduce cargo thefts described for marine insurance group

STOCKHOLM—Efforts to fight crime, and so reduce thefts of many kinds of goods in transit, were described by U.S. delegates at the annual conference of the International Union of Marine Insurance here.

The possibility of creating a worldwide communications system to exchange information on loss prevention techniques and problems was suggested.

The delegates told the conference, which represents twenty-five nations: "Our experience in

the case of large companies is that the degree of security and loss prevention can be related to the level in management at which this responsibility rests."

They also pressed for greater world co-ordination in the field of damage control, so as to reduce loss potential on cargo shipments. Special aspects of the U.S. approach to the problem were explained by the American Institute of Marine Underwriters in a report which covered several major topics.

Among them were:

- A program on cargo security is being aimed at the American marine insurance market on the basis of literature available

from the Department of Transportation. The program will be up-dated continuously so as to provide the market with the necessary informative and educational tools for underwriters, carriers, and shippers. Efforts by ocean and inland marine underwriters to provide in-put for these governmental efforts are being rewarded, and the underwriters hope other markets will be encouraged to follow the same path.

- Statistics identifying trends in the air-freight industry are expected to be available by the end of 1972 as an adjunct to cargo security legislation pending in Congress. This will include problems,

causes and amounts of crime-related losses. During 1973, statistics for the maritime industry should become available, and yearly summaries for both air and marine security will become available thereafter so as to measure progress in the fight to reduce cargo losses.

• Extended guidelines for security in airports and at waterfront facilities, operated under U.S. Customs authorities, has faced stiff resistance from labor and certain transportation interests. Although recommended standards are being used in many cargo facilities, legislation has been extinguished for the balance of 1972.

THE AMERICAN Institute of Marine Underwriters reported:

"We find one major weakness in the U.S., in the effort to build a united attack on cargo security, is in the area of the 'interface' between ocean and land trans-

portation carriers.

"There is no central organization for the maritime industry. The American flag ocean carriers have taken the position that cargo 'insecurity' begins after the goods have left the custody of the ocean carrier, or before the goods come into his custody.

"THE TASK of speaking for the maritime world at the Washington conference on cargo security in June was turned over to the Assn. of Port Authorities. They in turn gave it to a spokesman for the recently-formed Organization of International Port Police.

"The results left much to be desired. A member of the cargo loss prevention committee of this institute will address the next conference of the port police organization in Puerto Rico, and will try to clarify the position of insurers as regards to responsibility for goods in transit." ■

Guide to responsible investments

HARRISBURG, PA.—Insurance Commissioner Herbert S. Denenberg has issued another of his guidebooks, but this one, instead of blasting insurance companies, was sent to them as encouragement to avoid investing in companies that pollute.

The "Investor's Guide to Polluters," a list of 779 businesses and governmental units within Pennsylvania which have been accused of violating pollution regulations by the state, was sent to all insurers doing business in Pennsylvania.

"In some cases," Mr. Denenberg said, explaining the guide, "insurance companies may want to withhold funds from polluters. In other cases, insurance companies may want to provide funds so that polluters may comply with pollution standards."

Pointing out that the guide went along with the trend toward socially responsible investments, Mr. Denenberg continued, "We think an investor should avoid companies that do not meet their social responsibilities even if they make a profit. An investment should be socially sound as well as financially sound. This is part of our continuing effort to push the insurance industry to invest its \$260 billion portfolio in a socially constructive way."

The list includes the cities of Erie, Chester, Harrisburg and Philadelphia as well as businesses like Penn Central, Scott Paper Co., Sun Oil Co., B & O Railroad, RCA, Gulf Oil and U.S. Steel. It indicates the name of the polluting firm and the type of pollution involved.

Noting that some companies were already considering pollution problems when formulating their investment activities, Mr. Denenberg said, "We hope our investor's guide will encourage other insurance companies to avoid investing in polluters or to provide needed capital to abate pollution." ■

Auto coverage ended

Two medium-sized insurance companies in Britain have decided to end auto cover because it is getting too costly. They feel that planned rises in premium income are not keeping pace with soaring costs of repairs and injury claims. One of them lost more than \$3 million last year, compared with only \$500,000 in 1970. Lloyd's underwriters are also finding the auto market difficult, but believe they have halted the "loss pattern" and will show reasonable profits by the end of 1972.

Our over 600 dots can give you more dash.

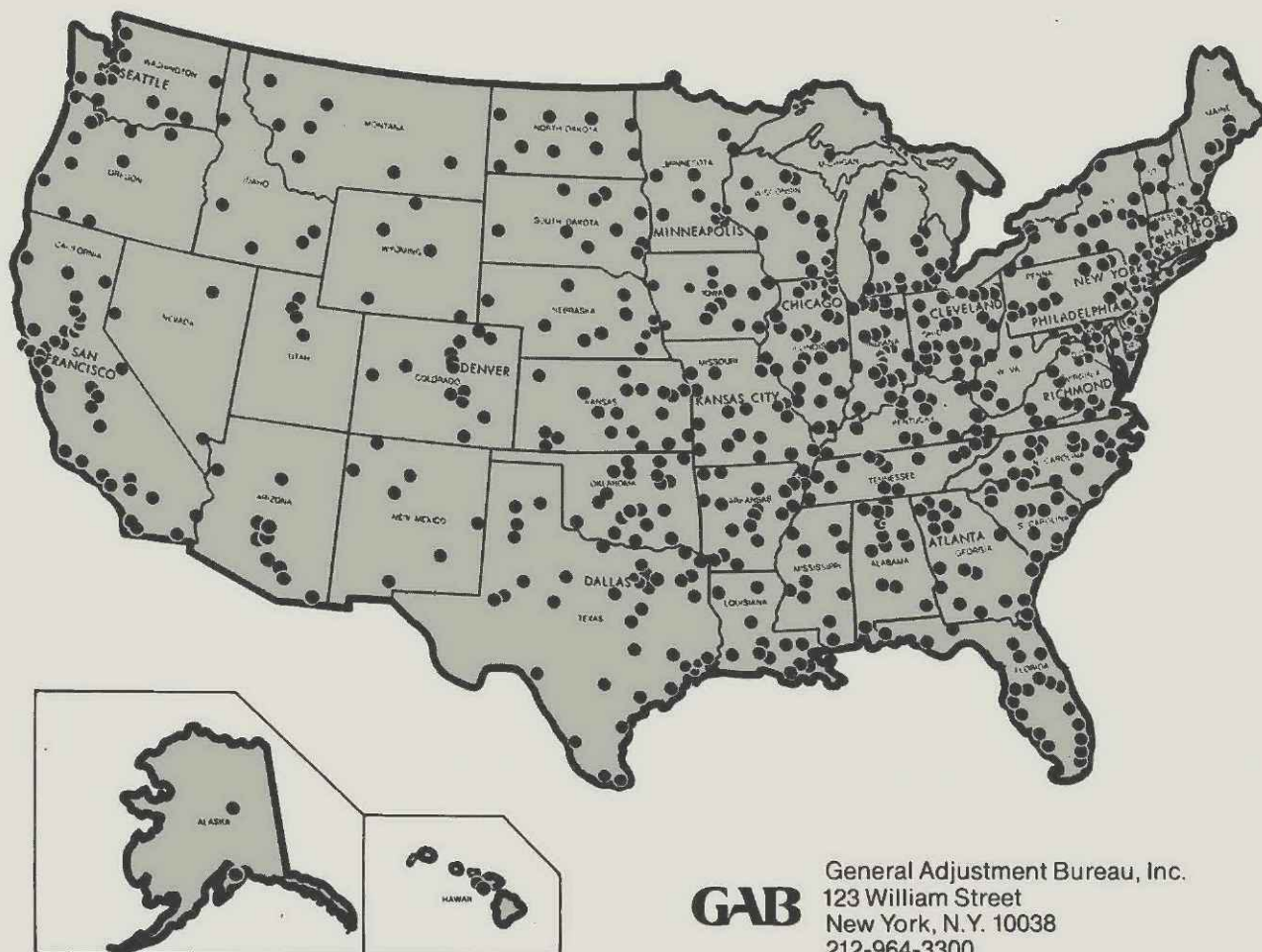
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McDonough cautions insurers over statistics

NEW YORK—The second annual seminar on no-fault automobile insurance, sponsored early this month by the Insurance Services Office at the New York Hilton, was the forum for some candid warnings from New Jersey Insurance Commissioner Richard C. McDonough.

Mr. McDonough, addressing more than 500 representatives from ISO subscribing national underwriting firms, cautioned industry personnel against deliberate or careless errors in statistical reports submitted to the New Jersey department of insurance.

He told how the department had done a preliminary study of company records to obtain data that would help determine the ef-

fects of New Jersey's new no-fault program on pricing and claims. Very emphatically he revealed that when the insurance department compared their findings to the reports various companies had submitted to statistical agents, there was "a complete lack of correspondence."

THE COMMISSIONER said that his department had neither the time nor the manpower to regularly check company statistical plans. Nor, he emphasized, did he want them to. "That's your job," he charged the industry seminar members.

Citing the "many, many errors" his department had turned up, Mr. McDonough warned that as of

Jan. 1 all insurance companies doing business in New Jersey would be required to have available totals for statistical records. And he further cautioned company executives to be certain of the accuracy of their statistical plans. Some irritation was noticeable in his voice as he told how the list of errors his department compiled in their investigation was a page-and-a-half long.

"The consumer is watching us," he concluded. "Accurate statistical reporting is an absolute must."

Five other state commissioners addressed the seminar about the problems in implementing no-fault insurance. In addition to Mr. McDonough of New Jersey, the commissioners of Connecticut and Maryland spoke of the role of the regulators in states where revised reparations systems were recently enacted. Commissioners of Florida, Delaware, and Oregon gave appraisals of the systems enacted in those states last year. ■

Consumer complaint program at Travelers

SAN FRANCISCO—Nearly half of some 50,000 toll-free complaints telephoned to Travelers' Insurance Co. in its current "consumer complaint" program concerned automobile insurance.

Arthur E. Billings Jr., director of the telephone complaint service, added that a quarter of the complaints or inquiries dealt with purchase aspects, another quarter with claims, 15% with rates and 9% with cancellations and failure to renew policies.

California, Mr. Billings said, topped the list of sources of the inquiries, followed by New York, Pennsylvania, Florida, Connecticut and New Jersey. "Unintelligible bills which do not identify in plain English the kind of in-

urance being billed are cited as causes of consumer irritation and confusion," Mr. Billings explained.

"The insurance industry," he said, "could eliminate most consumer complaints by greater observation of common everyday courtesy as well as greater dissemination of product and service information and by providing access to corrective action.

"Many of the complaints we receive," he added, "do not involve major problems but are simply a reflection of a reaction to discourtesy." As examples of "corporate discourtesy" in the insurance business, Mr. Billings cited, "failure to return telephone calls and to answer letters." ■

Pa. rejects malpractice rate request

PHILADELPHIA—A rate increase for medical malpractice insurance requested by the Insurance Services Office in August has been flatly rejected by Insurance Commissioner Herbert S. Denenberg.

The proposed increase would have raised medical malpractice rates for doctors in Philadelphia by 250% and for those in the rest of the state by 20%.

Commenting on the decision, Mr. Denenberg stated, "We will not reconsider this rate increase request until we are convinced that the insurance companies will use their power to improve the health care delivery system."

The services office proposal for the rate increase would have cost an additional \$325,000 annually, hitting Philadelphia's 2,000 doctors the hardest. At the time the increase was asked Mr. Denenberg cited one example in which the premium for \$1 million worth of malpractice coverage for a Philadelphia neurosurgeon would shoot from \$1,697 to \$5,928. A neurosurgeon outside the Philadelphia area would pay \$2,042. (*Business Insurance*, Aug. 28.)

Mr. Denenberg announced the rejection after week-long hearings on health care delivery at Philadelphia City Hall. He remarked about the insurance department's conclusions, "It's part of our philosophy to look not just at insurance companies' financial records but also whether they are living up to their social responsibilities. Until these malpractice insurers begin to use their power to create reform in the health care delivery system, we don't think they are fulfilling their obligations to society." ■

Fleet management

Pennsylvania State University will offer, in cooperation with the national committee for motor fleet supervisor training, a new course titled: "Training course for motor fleet trainers." The first pilot course was held earlier this month at Penn State. The course is designed to serve fleet management and supervisory men responsible for the development of training programs and actual training of drivers, mechanics and other fleet personnel. Information is available from the Institute of Public Safety, Marshall L. Gemberling, Penn State University, University Park, Pa. 16802.

The Home knows the nautical ropes.

CHRIS-CRAFT BUILDS BOATS.
GILFORD MARINA SELLS
BOATS. BOTH TURN TO
THE HOME FOR
SHIPSHAPE PROTECTION.



DuRose defends himself against charges of 'laxity' in regulating

MADISON, WI.—Stanley C. DuRose, state insurance commissioner, said the charges that he was lax in not taking action against advertisements by National Life Assurance Co. were "without foundation."

He said in a letter to State Rep. Harout O. Sanasarian, that such charges "mislead the consumer into a conclusion that a responsible and dedicated public servant is in some manner corrupt and ineffective."

Mr. DuRose continued, "I believe in good government and in responsible government. I do not believe in regulation by press release nor in regulation by means of self-serving attacks on selected segments of the insurance business."

The advertisements involved the use of Art Linkletter, who was not identified in the advertisements as a stockholder in the accident and health insurance company.

MR. DUROSE issued a cease and desist order against the company which said it could not claim an endorsement from the state insurance commissioner's office.

"I personally do not like much of it (the advertising) any more than you do," Mr. DuRose wrote. "However, it is not contrary to existing Wisconsin statutes nor the existing applicable administrative rules and, therefore, I cannot in clear conscience attack

an insurance company that does those things which are authorized by statute and rule."

Mr. DuRose said that much of the advertising involves companies in Pennsylvania, under the jurisdiction of Herbert Denenberg, the state insurance commissioner.

MR. DENENBERG "has been widely acclaimed by various consumer groups as the best insurance commissioner the world has seen," Mr. DuRose said. However, he added:

"Commissioner Denenberg has apparently had little success in regulating or correcting the advertising of the insurance companies under his jurisdiction."

Mr. DuRose also noted that such advertising in interstate commerce is subject to the Federal Trade Commission's jurisdiction and added that if the advertising were deceptive the FTC would have acted against it long ago.

The solution, according to Mr. DuRose, is legislation which prohibits a company from advertising specific forms of coverage in the news media.

Mr. Sanasarian also criticized Mr. DuRose for saying he had no authority to act on complaints against insurance companies.

But, Mr. DuRose said, "The way I read the state statutes, the insurance commissioner has authority in cases regarding the general methods and practices of a company, but not in isolated cases of infractions of the law."

"In other words, the commissioner can lift a company's license if its general methods are out of line. But not just because it

breaks a rule or two," he explained.

"Besides," he noted, "there are the policyholders to consider. Would it be right to close down a company with 100,000 policyholders just because it is guilty of breaching a regulation?"

Mr. DuRose also said that the reporter who wrote the first story, which quoted him as saying he had no authority to act on complaints against insurance companies, apparently confused general methods and practices, such as those covered by advertising regulations, with complaints. ■

Barger to be replaced by underwriter

SACRAMENTO, CA.—Richards D. Barger, California's lively insurance commissioner for the past four years, has resigned effective Nov. 1 to return to private law practice.

Mr. Barger, a past president of the National Assn. of Insurance Commissioners, will be replaced by Gleason L. Payne, president of Founders Life Insurance Co., who was named to the post by Gov. Ronald Reagan.

Mr. Payne, who is both a long-time Republican and a long-time insurance man, is also a managing partner in a Southern California insurance brokerage firm and is affiliated with other insurance companies.

DURING HIS four years in the \$31,500 per year position, Mr. Barger set up guidelines under which mail order health insurance advertising and newspaper advertising by insurers were scrutinized. He also led the so-far unsuccessful fight to get the state of California a no-fault auto insurance law.

One of his last acts was the launching of a program aimed at informing the state's residents of the availability of flood and earthquake insurance by requesting insurers to publicize the fact that the coverage can be purchased. ■

Blue Cross coverage extended

TUCSON, AZ.—The board of directors of Arizona Blue Cross has extended services to its insurance policy holders to include health care institutions such as convalescent homes and emergency treatment centers.

For the past 30 years, Blue Cross has confined its coverage only to those policy holders who stay in hospitals. It now includes benefits for customers using extended-care facilities such as convalescent and nursing homes, surgical facilities and emergency treatment centers that are not connected to hospitals.

The expanded facility coverage is particularly effective for rural areas where there are no hospitals. Outpatient clinics offer the only available emergency, surgical and extended medical care.

The Blue Cross board also adopted high standards that such institutions must meet before being able to participate. These include approval by the local planning council, statements of financial stability and licensing by the state. ■

When it comes to insurance needs, no two businesses are in the same boat. Chris-Craft Industries, a diversified corporation best known for boats, tried to self-insure its Workmen's Compensation program. When that proved unsatisfactory, they dropped anchor at The Home. Now Chris-Craft has a custom-crafted program that saves them time, trouble and money.

Gilford Marina in Gilford, New Hampshire, not only needed coverage for boats they sell but—according to Bill Littlefield (right), Executive Vice President—coverage for boats in their care during hauling, storage, repair, fueling and mooring.

The Home fitted them out with the Boat Dealer's Policy and the Marina Operator's Liability Policy, each as flexible as the other.

To find out more about The Home's specialty of customized protection, contact your broker or look for your Home agent in the Yellow Pages.



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OF INSURANCE

THE HOME INSURANCE COMPANY

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Affiliates: The Home Indemnity Company
City Insurance Company
Federal Life and Casualty Company
Peoples-Home Life Insurance Company of Indiana
Seaboard Surety Company

1973 Info for Buyers issue material is due

CHICAGO—The special Info for Buyers edition of *Business Insurance* to be published Jan. 1, 1973, promises to offer hundreds of new items of interest to more than 55,000 corporate readers of this magazine who are responsible for employe, property, and liability insurance programs, pension investments, financial services and the safety and security of their corporations' employes and assets.

An annual feature, last year's edition of the special issue listed more than 200 items and drew reader responses for 31,800 pieces of literature.

Categories for the 1972 edition include: commercial property-liability insurance, employe benefits (including financial services),

pension and profit-sharing plans, Social Security, safety and workmen's compensation, security, foreign insurance and benefits and general information of interest to those faced with making corporate insurance or insurance-related buying decisions.

Insurance carriers, brokers, service organizations and others who wish to submit material for the special issue may fill out the accompanying coupon to receive more information and convenient submission forms and mail immediately to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Il. 60611. All material is due in that office by Dec. 1 in order to be considered for publication in the issues.

Business Insurance's Info for Buyers Issue

If you have not yet submitted data or literature for publication in the Jan. 1, 1973 Info for Buyers Issue, please return the coupon below for forms and instructions. All material for publication must be in the hands of the editors no later than Dec. 1, 1972.

Mail to: Info for Buyers
Business Insurance
740 Rush St.
Chicago, Il. 60611

Please rush me forms and instructions for submitting data for publication in your Jan. 1, 1973 Info for Buyers Issue. I understand that there is no obligation on your part to publish the items submitted, nor is there any cost or obligation to my firm if they are published.

Name _____ Title _____
Company _____
Address _____
City _____ State _____ Zip _____
Date _____

Hancock adds Japan to group plan

BOSTON—John Hancock Mutual Life Insurance Co. has extended its International Group Program to cover Japan. The Japanese firm of Dai-ichi Life Insurance Co. becomes the 22nd major life insurance company to join the program, which provides coordinated group insurance and pension services for multi-national corporations.

Philip Peters, senior vp of Hancock's group operations, described the arrangement as "the first formalized entrance of a Japanese company into the multi-national network. We've had informal relationships with Japanese companies over the years, on a case-by-case basis, but this is the first formal contract."

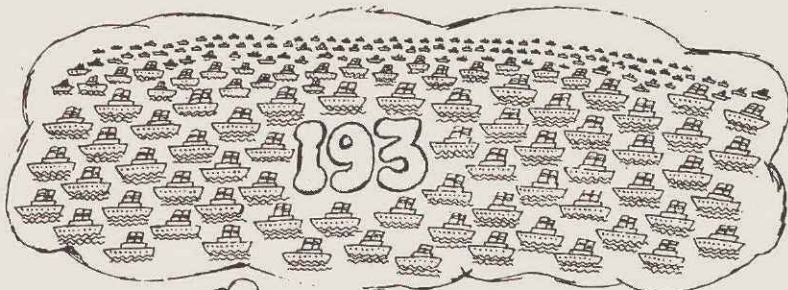
The Dai-ichi Mutual Life Insurance Co. is the second largest life insurance company in Japan with \$42.6 billion in force. Founded 70 years ago, it is the oldest mutual company in Japan. Its 1971 sales totaled \$12.8 billion and assets stood at \$3.6 billion.

John Hancock is the fourth largest U.S. life insurance company with nearly \$65 billion insurance in force. Its 1971 sales totaled \$8.4 billion and assets stood at \$10.6 billion.

Negotiations for the new membership began in November, 1971, when Mr. Peters and a few associates went to Japan to investigate the possibilities of such a plan. A letter of intent was signed with Dai-ichi one month later. Since that time details have been worked out, including getting official approval for the reinsurance arrangement from Japan's Ministry of Finance.

Mr. Peters sees the agreement as an indication of change in Japan's economy. "The Japanese marketplace is changing, and it is only a matter of time before Japan has the same needs as the other parts of the world," he commented. "There will be more multi-national corporations working with Japanese corporations on a 50-50 basis, or a greater proportion of deals with control being with the American partner," he concluded.

Before you choose an insurance broker, talk to one of the top four.



193 shipping lines that did, chose Frank B. Hall & Co.

Frank B. Hall is considered the leading broker in the marine insurance field. It's a reputation we started building over 100 years ago by giving our clients a combination of personal service and professional expertise that no one else could match.

For example, one of the first things our marine insurance brokers do is review the entire insurance program.

We show our shipping clients how to buy only the insurance they really need, creating a package specially designed to their specific needs at the lowest cost possible. But only from those carriers we know will give them the best possible security and service.

And to make sure our clients always get prompt answers to any problems that might arise we assign a single account executive to coordinate their whole plan.

Now you know some of the reasons 193 shipping lines chose Frank B. Hall & Company to serve all their insurance needs. They're typical of the kind of services we offer our clients no matter what business they're in.

If you had to choose an insurance broker right now, which one would you call first?

Frank B. Hall & Co., Inc.

Frank B. Hall keeps you in good company.

Average Adjusters. Employee Benefits Consultants.
Offices in Adelaide, Anchorage, Atlanta, Boston, Brisbane, Caracas, Cedar Rapids, Chicago, Coral Gables, Dallas, Detroit, Hong Kong, Honolulu, Jacksonville, Los Angeles, London, Melbourne, Mexico City, New Orleans, New York, Oakland, Orlando, Oslo, Perth, Philadelphia, Pittsburgh, Portland, Ore., Providence, Salinas, San Francisco, Seattle, Sydney, Tel Aviv, Washington, D.C.

Electrical fire losses

LONDON—Britain's Fire Prevention Journal, official publication of the Fire Protection Assn., published a special study by C.F. Hedlund, staff electrical engineer of Factory Mutual, the U.S. insurance group, on losses by electrical fires.

He has examined 1,800 fires in American industries where electrical equipment was involved, for which damage totalled more than \$25 million, so as to find the frequency with which fires occur in different types of equipment.

He commented on his findings: "Wiring was responsible for almost half the property damage, and more than half the losses were caused by some defect that could have been corrected."

The U.K. magazine gives full credit to Factory Mutual for the intensive probe carried out by Mr. Hedlund, who said: "Actually the electrical fire loss record is much greater than the figures indicate, as many fires reported as unknown may be of electrical origin. Proper electrical protection and good maintenance will eliminate most electrical fires."

Record . . .

Continued from page 23

sponsored by the American Mutual Insurance Alliance—an association of mutually owned property-casualty insurance firms—Mr. Blair listed the costs of thefts.

“Unreported commercial thefts were tabulated at \$1.4 billion, embezzlement \$200 million, and fraud \$1.35 billion,” he said. The costs to taxpayers of police, court and prison expenses totaled \$4.212 billion a year, he added.

Mr. Blairs said many businessmen “concentrate their interest on the details of the business, often overlooking even normal security measures that would prevent many crimes.”

Post Corp. to close

Post Financial Corp.

APPLETON, WI.—Post Financial Corp. of Chicago, the insurance premium financing subsidiary of Post Corp. here, will be closed because returns on investment have been unsatisfactory.

The parent firm stated that Post Financial will service its financing agreements in force but will not accept new business. When accounts now on the books expire, the subsidiary will be liquidated, it added.

Post Financial's Chicago office will be maintained by INRECO, Post's insurance and reinsurance brokerage firm. The operation was formed July 1, 1970 and licensed in Illinois and Wisconsin to provide insurance premium financing services nationwide. Post Corp. is the parent company for several newspapers, including the Appleton Post-Crescent and the Granite City (Ill.) Press-Record; several radio and television stations; All-Star Insurance Corp., Milwaukee; and other operations. The insurance subsidiaries specialize in high risk and unusual property and casualty coverage.

Devices built to stop truck, trailer thefts

LOS ANGELES—Nearly 150 automotive and transportation industry executives concerned with reducing truck, trailer and cargo thefts have been introduced to some new prevention devices at a day-long cargo theft seminar here, sponsored by the National Automobile Theft Bureau.

The meeting, presided over by E. J. Halm, NATB Pacific coast division manager, was the second such “anti-hijack” class the bureau has held in California this year.

One theft prevention device is a “stress evaluator,” a sort of sophisticated version of a lie detector. The evaluator works on the same general principle as a voice printer. The device can “measure the degree of stress” in a person's voice and hence may provide clues to guilt. It does not have to be attached to the person being questioned and may be used via telephone or can even detect stress in a tape recorded voice.

The second scientific aid shown was an instantaneous thumb print developer that can be set up in areas where checks or bills of lading are processed. It works something like a Polaroid camera.

Church council cites refusal of coverage

SEATTLE—The Church Council of Greater Seattle has asked the state insurance commissioner for an indepth survey of insur-

ance carriers who refuse the same coverage in the central area of Seattle as they do in other neighborhoods.

The action came after the council's board heard a report of a four-month study of insurance practices, particularly in the central area. One of the major findings was that “many, if not most,” insurance carriers refuse homeowner coverage to applicants in the central area for economic rather than racial reasons, it was reported.

The church council's request to Karl V. Herrmann, insurance commissioner, was in a letter from the Rev. Dr. William B. Cole, president-director of the church council. It was written at the request of the council board.

The letter, in part, said: “It would appear that discrimination encountered by some of our citizens in acquiring insurance, especially the homeowner package, stems not so much out of overt rejection on the basis of

race or color but in more subtle extensions, such as social and economic discrimination based upon the general area in which the applicant resides.”

The council said it was aware that it might be necessary to raise the premium level for all insurance buyers in order to extend coverage.

Woodcock: OSHA's goals are unfulfilled

WASHINGTON—Congress was warned last month by United Auto Workers' president Leonard Woodcock that the goals of the Occupational Safety and Health Act may be thwarted. He said insufficient funding, weak enforcement, exclusion of small companies and a series of other problems are lessening the effect OSHA might have.

Mr. Woodcock testified before the select subcommittee on labor of the House committee on edu-

cation and labor.

He outlined the UAW's views of the first 18 months of OSHA operations, describing the law as an “unparalleled opportunity to transform the workplace into a humane and secure setting.”

Calling for six improvements to fulfill the intent of OSHA, Mr. Woodcock listed:

- Increased appropriations, he said, would alleviate “inadequate staffing, marginal enforcement, insufficient standard setting and a lack of research.”

- Hiring and training enough federal inspectors to review the work conditions in all five million places of work.

- An accelerated program by both the OSHA and National Institute for Occupational Safety and Health administrations to set standards on toxic substances.

- A thorough review of the institute's performance in implementing research authorizations.

- Vigorous resistance against efforts to narrow the scope of

OSHA coverage, such as the congressional action to eliminate coverage of all workplaces with fewer than 20 employees.

- Assurance that standards in state plans are equal to or better than the OSHA standards they are intended to replace.

Blue Cross enrollment

More than 500,000 people, nearly one out of every four in Oregon and Clark County, Wa., now hold membership in Blue Cross of Oregon. The half-million mark was passed late in September with enrollment of most of the state employees' group, which swelled membership by nearly 62,000. It took Blue Cross 18 years after its founding in 1941 to reach the quarter-million mark in enrollment and then 13 years to reach the 500,000 tally. The last 100,000 were added in just four years, officials said.

GRIP ON THE GO



In the specialized vocabulary of the group pension profession, GRIP* and GO* have meanings different from what you might expect from our picture.

“GRIP” is what we call our Group Retirement Investment Policy — or Group Retirement Income Policy, if you live in Florida, Kentucky or Montana — and “GO” is the abbreviation for “group ordinary”, which you have previously encountered in GOLI.

In combination, GRIP and GO make up a highly adaptable pension-funding vehicle. Here are some of the features:

- * Flexibility in funding is achieved by combining the guaranteed cash values of the group ordinary policy with the growth potential of the unguaranteed segregated equity, mortgage and bond funds which make up GRIP.
- * The contract holder may direct the proportions of deposit to be made into each of the segregated funds of GRIP, and changes in the “mix” can readily be made. No charges are made for transfers among the funds.
- * Crown Life will provide administrative services for a modest annual charge; actuarial services are also available, with a service charge for any actuarial valuation performed.
- * No trust agreement is needed, though the policies may be issued to a trust if desired.
- * The prospective pensioners receive a pre-retirement death benefit which may be geared to the amount of expected pension.
- * The plan may be issued to groups of 25 or more eligible employees, with amounts of insurance available without evidence of insurability up to standard group underwriting limits. Minimum deposits into GRIP are \$8,000 annually.

TO FIND OUT more about GRIP on the GO, such as what the charges are and how they operate, and just how well we've been doing with our segregated funds, please mail us this coupon.

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*These products available in most States

ASIM regional conference

Captives, self-insurance; the need for safety

DALLAS—Mounting interest in captive insurance companies and self-insurance and the progression from theory to practice were the subjects of a one-day Southwest Region, American Society of Insurance Management conference here late last month.

The meeting was co-sponsored by the Dallas/Ft. Worth and Houston chapters of ASIM and drew about 200 persons. (Related stories are on pages 33 and 34.)

Footnoting an afternoon panel discussion at the Statler Hilton Hotel, Charles Bailey, vp, Tenneco, Houston, told the audience that brokers, consultants and scholars are supporting the concepts of managing risks through captives and self-insurance "more than ever before. They're thinking more like we're thinking, and I'm happy to see this," he told risk managers attending.

Noting that Tenneco has been deeply involved in the past two or three years in several efforts to enable them to better manage their risks, Mr. Bailey pointed to a Bermuda-based "pure" captive the company is using at the moment as an example. "We also joined with several members of the petroleum industry to form what is termed a 'pool captive,'" he said, adding, "We have evaluated most of our risk potential philosophies and have made some changes." However, he noted, Tenneco is still studying the situation as it applies to its particular needs.

POINTING TO the term risk management itself, Mr. Bailey said, while it is certainly a vast improvement over the term insurance management, he still doesn't think it is descriptive enough.

"I think more in terms of 'loss cost controls,'" he said, defining loss cost as the sum of all costs incurred in the administration and execution of corporate insurance loss prevention and safety activities. "These," he added, "are the principal cost centers involved, but virtually all of our staff and operating departments get involved in the area of loss cost control. I'm talking about such departments as our internal auditors, accountants, legal staff, security personnel, engineers . . . you name it.

"A lot of these costs we can't really exercise any direct control over," he continued, "because they are purely administrative expenses, so we concentrate our efforts on controlling pre-primary areas of costs. These are insurance premium expense, uninsured losses, and the cost of our loss prevention program. We concentrate on reducing our loss costs to the extent that we can, and then normalize that portion of the cost that we can't eliminate.

"Our experience," the Tenneco vp said, "has shown us that in order to do a reasonably good job of normalizing our loss cost we need to avail ourselves of virtually all the tools available to us. Among these tools are self-insurance and captive programs, and conventional insurance services from brokers and consultants.

"WE'VE SHIFTED our philosophy over the past few years from one of using an insurance purchase as a cost normalizing factor to approaching normalization of loss cost in such a fashion as to allow ourselves a chance for profit," he said. "Of course," he added, "there's a chance for loss, but I think we can control it."

Speaking from the standpoint of "transferred risks," Mr. Bailey said Tenneco has evaluated a number of approaches to financial losses that run the gamut from credit arrangements and chronological stabilization programs to spread loss programs of various kinds and funded or unfunded internal loss reserves. "We have concluded," he said, "that for Tenneco and its financial objectives the captive insurance approach answered more of these than does any other single approach.

"You'll find when you get into an in-depth study a lot of the solution to your needs is going to depend on what your corporate structure is. Certainly," he said,

"it will depend on what the financial objectives of your corporation are."

Noting that the key to any good insurance program—good loss prevention and control—"takes on even greater importance if we self-insure," William Turney, corporate safety director of Texas Instruments Inc., Dallas, went into some of the basics of corporate safety policy.

Said Mr. Turney:

"SAFETY OFTEN falls within the purview of the risk manager or insurance manager's authority. If not, there has to be a close working relationship between the safety director or the man responsible for the safety function

and the risk manager, insurance manager, or whatever you choose to call him."

Mr. Turney noted that a basic safety program may run from familiar promotional schemes, such as posters, pins and incentives, all the way to a newer concept of system safety engineering. Of the latter, he said, "it is a concept which is basic and which you should consider. If you do not have at least most of these as far as your program is concerned—and, as I've said, it's part of your responsibility—you haven't done your job."

The Texas Instruments safety man listed nine basic elements of the system safety concept in order of their importance:

- A statement of safety policy should be issued over the signature of the chief executive officer, along with a listing of those responsible for carrying out this policy. "I'm not talking about something you salve your conscience with, or that management uses to put in a dusty manual that has limited distribution," he said. "This has to be something that is really an idea of the intent and which you fully expect to carry out in your program."

- A full-time safety professional should be hired to develop and monitor the safety program, Mr. Turney said, underlining the word "professional" and suggesting that the good safety

Continued on page 36

THE MARYLAND'S 48-HOUR GUARANTEE IN ACTION:

ASIM regional conference

INA exec says insurers will be in risk management field in future

DALLAS—An assistant vp of the Insurance Co. of North America told a regional meeting of the American Society of Insurance Management here that in years hence, "We're not going to be in the insurance business. We're going to be in the risk management business."

Said Edward B. Black: "Both insured and insurer alike seem to agree in principle, at least, that the traditional characteristic ways in which we—you and I—have been doing business are rapidly changing. They are changing so fast that we can't call it future shock, but present shock. We can't call it evolution; we must

rightfully call it revolution."

Speaking to the third annual regional ASIM conference sponsored by the Dallas/Fort Worth and Houston ASIM chapters late last month, Mr. Black pointed to developments that "anticipate and accommodate" these changes in direction.

FIRST OF ALL, he said, is the risk manager's transition in function from insurance buyer to "protector of the assets, earning capability and earnings per share of a corporation." This change, he said, has been "swift and significant."

Continuing, Mr. Black said

there are three essential tools available to help the risk manager accomplish his goal of protecting corporate assets and earnings of his company. First, he said, is the elimination of risk through loss prevention and quality controls. Second, he pointed to risk retention or self-insurance and, third, he said, is the transfer of risks, which is the traditional insurance function. And, he added, these "must be considered collectively, rather than independently, to be of maximum effect."

Mr. Black cited as popular developments in the risk retention area the captive insurance company and the chronological stabil-

ization or post-loss financing of losses. The Bermuda situation and the recently approved Colorado captive insurance company law "facilitate the use of large self-assumptions by corporations," he said, and more and more companies are reviving the concept of chronological stabilization as a way to handle excess exposure above the self assumed area.

The INA vp said that there is no question that self-retention or self-insurance, "has become a way of life to the insurer and insured alike. It has been estimated," he said, "that 500 of the 2,000 companies with sales over \$100 million retain a large part of their exposure and that from 60% to 70% of the remaining companies are seriously considering some form of self-insurance either now or in the immediate future."

Moreover, Mr. Black continued, the trend in risk transfer is toward "more and more carriers developing programs that are specif-

ically designed to meet the needs of the risk manager who retains part of his exposure. For example," he said, "we at INA have successfully used what is commonly called 'a combined lines aggregate stop-loss' program with some of our larger risks. The ability to select specific points where each component is activated permits the risk manager to develop the optimum combination of risk assumption and insurance in line with his analysis. There are any number of possible options of this combined lines aggregate stop-loss concept," he told the 200 Southwestern ASIM members.

"**ANOTHER** development," said the INA vp, "and one which may have the greatest ultimate impact on the risk manager as well as the insurer is the emergence of insurance-related services" by insurance companies. Citing his own company's insurance services division, Mr. Black called these the specialized services that augment and support the risk manager's total insurance program.

The before-the-loss services, he said, consist primarily of loss control and safety services, including safety education. This, he added, could also include the management of captive insurance companies. Included in the loss services category are investigation of claims, determination of direct and indirect financial consequences of loss, adjustment and legal defense of claims, medical management and rehabilitation, and marine surveys. After-the-loss services include subrogation, physical salvage operations and general recovery consultation," he said.

Noting that no one or all of these services may be required by any one risk manager at any one time, Mr. Black said that his company feels "it is in the best interests of the risk manager that these services be an integral part of his risk management program and that they be available from a single, balanced source.

"We," he said of INA, "have been offering these services as an integral part of the insurance program for a number of years. It has been only recently, however, that these services have been available to risk managers separately and distinct from the insurance program," he said. ■

Foreign income

Statistics released by the government show that the British insurance industry earned an income from foreign sources, net of claims, of \$950 million in 1971.

A short time ago, The Maryland ran an ad guaranteeing to give our agents and brokers action on their correspondence within 48 hours.

Our President said we'd reply to their claims, endorsements, renewals, or whatever, in two working days—or else. Or else we'd give them a call and tell them when they *would* receive a definite answer.

Since then, everyone at The Maryland has been making an all-out effort to live up to that guarantee, and the response has been very gratifying. Here are some of the actual comments we've had to date:



More than 90% of the time, we're answering our correspondence in two working days.

succeeded with me." R. Fuller Johns, R. Stuart Cottrell Inc., Richmond, Va.

Not every insurance company could live up to a 48-hour guarantee. But at Maryland Casualty, we have a secret weapon. People who get things done.

"I don't know how you're doing it, but I wish every carrier would."
John Lokey, John R. Lokey Ins., Long Beach, Calif.

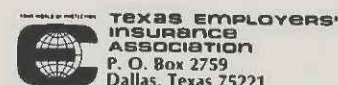
"Three days after I filed a pretty complicated claim, it was back in my mail box. Fantastic!"
Gene Murray, Penta Agency, Abington, Pa.

"If The Maryland is out to make new friends, they've sure

The Maryland
People who get things done.

In Texas, Workmen's Compensation Insurance may pay you back!

In Texas, many large companies have found that placing Texas Workmen's Compensation separate from national programs can be financially rewarding. Last year over \$8,000,000 was returned to our policyholders as premium discounts and dividends. Sound interesting? Give us a call and see if it'll work for you.



Employers Insurance of Texas:
Texas Employers' Insurance Assn.
Employers National Insurance Co.
Employers Casualty Co.
Employers National Life Insurance Co.

ASIM regional conference

Assures risk men that brokers are objective on self-insurance issue

DALLAS—Assuring those who feel that an insurance broker or agent cannot be unbiased about insurance vs. self-insurance, Kenneth W. Soubry, board chairman of Alexander & Alexander Inc., New York, told a Southwestern region ASIM conference meeting here:

"I personally do not believe there is a conflict of interest. The agent or broker is more concerned with the long term relationship with a client and not with the short term profit. This alone, I think, should keep you on a par for honest objectivity."

Noting that his first involvement with the captive insurance concept was in 1953 with the Standard American Oil Co., which was 50% owned by Standard Oil of N. J. and the Mobil Oil Corp., Mr. Soubry said that since then he has "formed some very definite opinions relating to the role the insurance agent or broker should play in this field.

"We have to recognize," he said, "the captive is really a sophisticated vehicle for handling self-insurance. Agents and brokers have been recommending self-insurance in one form or another for many, many years, even where individuals are concerned. All of us are self-insured when we accept a deductible on our automobile collision insurance or our homeowners policy.

"FOR SELF-INSURANCE the agent broker has to evaluate each line of insurance with the corporate risk manager and decide how much his corporation can afford to retain for their own risk. To do this, they must take into consideration how much self-insurance can be sustained in the aggregate each year before the earnings per share are materially affected and, second, what premium reduction can be negotiated at various deductible levels.

"When we know the premium applied at each deductible level," he explained, "we can analyze the self-insured losses and select the most economic program we can find. There must be adequate spread of risk. We can't be insuring just one location subject to catastrophic exposure.

"This self-insurance in the past has usually been handled through the vehicle of the deductible in the insurance policy, and has always been an important ingredient in the agent broker's recommendation for the overall insurance program. The size of the deductible has changed. Today there are corporations with deductibles as high as \$20 million for any one occurrence."

He said the captive insurance company is merely an extension of the self-insured philosophy, with two important exceptions. First, he said, it allows the parent company to build up a loss reserve by paying a premium which is tax deductible. In a self-insured program there is no tax deduction or monies put into a reserve fund, and only when the loss occurs can it be counted as an expense. If it's a property loss and the property has already been depreciated to an insignificant amount, there will be a minimal tax deduction. Uncle Sam doesn't allow you to take tax deductions twice. Second, said the broker, the reserves held for losses by the captive company enable it to enjoy the benefit of the investment

income.

Mr. Soubry defined the three types of captives, as follows:

Pure captive—an insurance subsidiary exclusively insuring selected risks for its parent affiliated companies. Association captive—an insurer owned and operated for the benefit of an association or industry. Public interest captive—an insurance subsidiary to provide a market for public interest groups over which the parent may have influence, such as Motors Insurance Corp. which insures the automobiles financed by General Motors Acceptance Corp., finances accident insurance sold

to the public by the issuance of a credit card for oil companies and department stores or where the corporation wishes to provide an insurance market for its franchised dealers.

Among the motivations for forming a captive, said the A&A chairman, are to reduce net premium costs payable to commercial insurance markets, to stabilize loss costs for risks not insured with commercial insurance policies and to operate as a profit center for the parent.

"Agents, brokers and consultants have a major responsibility in common, namely to provide the

best possible professional services for the interests of their clients," he noted. "Firms within each of these service groups have spurred themselves to provide a system to clients considering the pros and cons of captives, and in some cases have formed management companies for the purpose of managing captives.

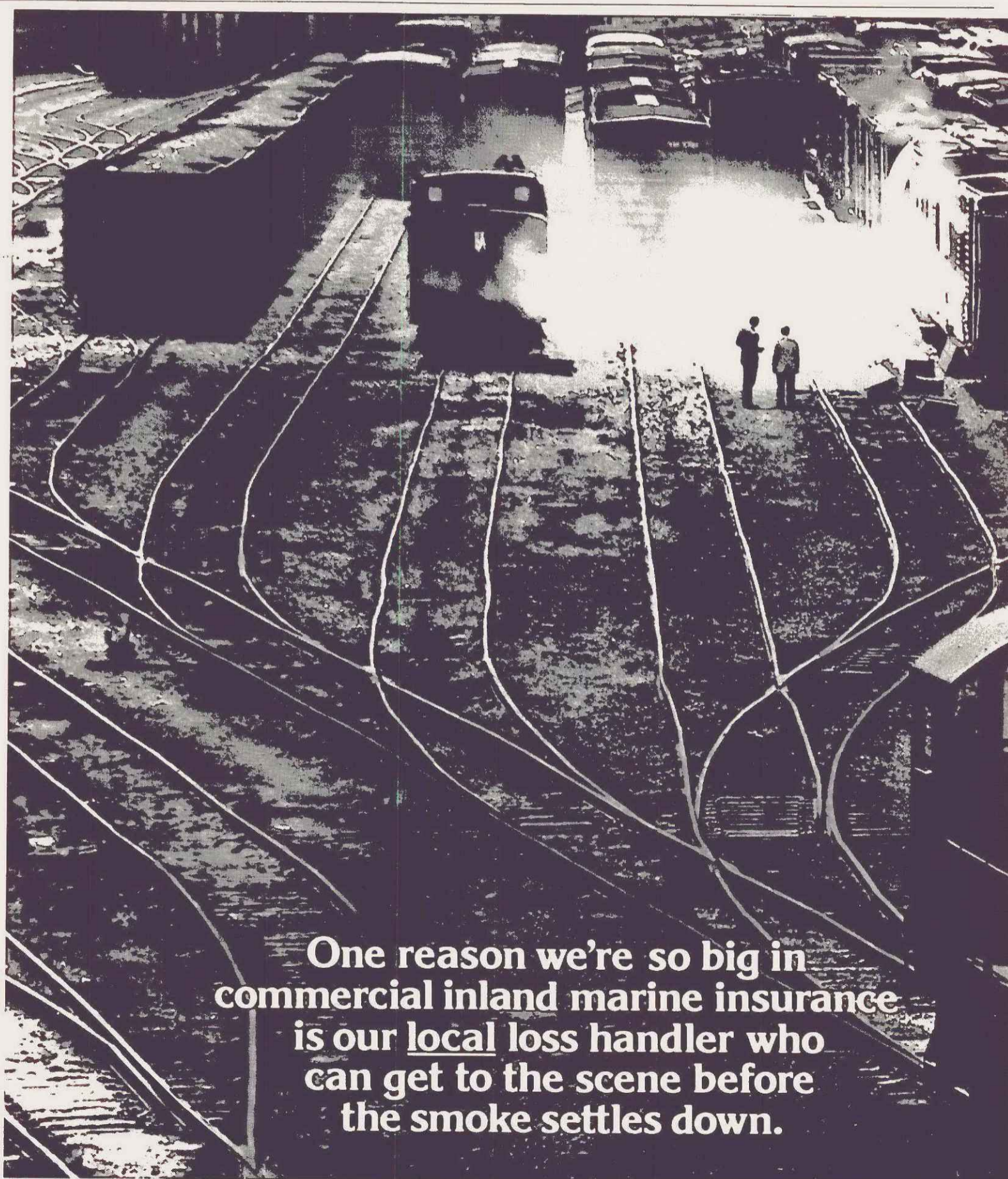
"These broker agent companies are equipped to prepare and submit feasibility studies with regard to the formation of a captive," he said. Among the items the study must embrace are the perils to be insured by the captive, the level of risk to be retained for each peril, the type of reinsurance program required and the domicile recommendation.

UNDER THE Colorado Act the pure captive is limited to insuring the risks of liabilities of its parent and an industry captive the risks of its members. In order to receive a license the pure captive

must show its gross annual premium will be at least \$500,000 and for an industry captive the minimum would be \$1 million. Both type captives must show that the insurance is either unavailable in conventional markets or is only available at excessive cost or at an unreasonably high deductible.

Mr. Soubry noted that Bermuda is a popular domicile for offshore captives. "It has been an insurance center for many years and has legal and technical expertise available. Bermuda imposes no income tax, no taxes on premium and no restrictions on the company investment. The minimal capital required is \$120,000, but there is internal estate tax imposed by the U. S. government on the U. S. risk premiums paid to foreign insured.

Mentioning the trend toward services offered by major insurance groups, Mr. Soubry explained that "after the agent or
Continued on page 50



One reason we're so big in commercial inland marine insurance is our local loss handler who can get to the scene before the smoke settles down.

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

Insurers, agents sign agreement inflating availability of auto cover

NEW YORK—The National Assn. of Insurance Agents and 24 prominent insurance companies have signed an agreement that commits them to make automobile insurance more available to the general public. However, the general public does not seem to include the commercial insurance buyer, at least for the time being.

Donald W. Perin, director of research for the NAIA, told *Business Insurance*, "Commercial vehicles have more insurance availability as it is already. I don't care how bad their experience is, they can find a market. It might not necessarily be the insurer they wanted, but they can always place the coverage somewhere."

Mr. Perin pointed out that the

agreement between his association and the insurers was merely a statement of principle and that the details would be worked out later. He did not close the door on the possibility of consideration for commercial vehicles sometime in the future.

"THE NATION'S complex auto insurance problem has resulted in rising costs to virtually all the driving public and great difficulty in obtaining insurance to other individuals because their records presented insurance companies with unacceptable risks," said Harry C. Parrish, president of the NAIA, during the signing ceremony at the Hilton hotel here. "Companies on the other

hand, had suffered years of unprofitability and had been forced to curtail coverage and raise premiums or risk going out of business."

The program worked out over the past year-and-a-half by the insurers and the NAIA will attack the problem in a variety of ways.

One of these methods will be a push for open rating laws at the state level. "We will continue to work diligently to provide the public with readily available automobile insurance at competitive prices by urging the revision of rating laws where necessary to permit quicker response to market conditions. This freedom to adjust prices is also a requisite to

the goal of complete availability of automobile insurance," the formal commitment said.

The document almost self-consciously avoided the term "no-fault" but the concept was contained within the agreement. "We will seek substantial improvement in the automobile insurance system so that it will pay with increased speed, certainty and equity all who are injured in automobile accidents," was the formal wording.

"MORE SPEED and certainty of payment will be achieved through broader first party benefits for both medical expenses and wage loss," the document stated. "Equity and cost control should be sought by limiting the liability for non-economic loss."

The program will seek remedies outside the insurance industry as well. "We shall remain dedicated to removing the irresponsible driver from behind the

wheel, to eliminating death traps from alongside our highways and to the furthering of safety-oriented vehicle design to reduce deaths and minimize bodily injury and property damage. We shall also work for the development of improved methods of automobile repair to reduce costs."

The complete availability program specifically recommends:

- Full implementation, by all 50 states, of the department of transportation's driver education and licensing standards.

- The use of the national driver register in all states to get bad drivers off the road. The register identifies drivers with frequent crash records who move from state to state.

- Participation of other industries concerned with the automobile such as manufacturers, repair shops, dealers, consumer groups, medical associations, bar associations, safety organizations, automobile clubs and governmental bodies at all levels.

Mr. Parrish felt that the dilemma was on its way to being solved. "For example," he noted, "crash testing is now conducted by the insurance institute for highway safety to determine the fragility of automobiles. The National Highway Traffic Safety Administration is doing research to establish standards and our own association, with the support of many insurance companies, is attempting through education and legislation to get the habitual offender, particularly the drunk driver, off the road."

The 24 signatory companies ranged from Aetna Life & Casualty to Zurich-American Insurance Cos. The signing took place at the NAIA annual convention here.

Revision of earthquake insurance

SAN FRANCISCO—A revision of procedures for writing earthquake insurance coverage has been started by Fireman's Fund American Insurance Cos. here.

Justin M. Tierney, vp, said the revision, particularly on commercial risks, will enable Fireman's Fund to "assume additional liabilities without seriously increasing our maximum potential loss from any one earthquake."

Fireman's Fund, Mr. Tierney said, has identified every county in the U.S. which is subject to earthquake peril and has included these counties in its program. In California, the company has redefined earthquake areas into five zones and sub-zones rather than the prior two zones. High rise buildings will be treated separately within these zones.

NEW HIGHER earthquake lines have been established for average risk and the company now will select risks which meet land use and construction standards within various earthquake classes and will limit participation on improperly constructed buildings and those which have been located on "structurally unsound" ground.

Unusual or extra hazardous risks, such as bridges, television towers or tunnels, will be included in the program, according to Mr. Tierney, "provided adequate engineering data is made available".

Fireman's Fund is utilizing its electronic data processing equipment to record its total liability for catastrophe exposure and is establishing its earthquake limit of liability as a percentage of its shareholders' equity.



Ton-mile tax proposed for railroad pensions

CLEVELAND—United Transportation Union president Al H. Chesser unveiled a proposal to impose a special ton-mile tax on all freight shipments, in a step to help finance the railroad retirement system.

Mr. Chesser's plan is encompassed in a broader aim—the establishment of a two-tier program of annuities for railroad workers.

The two-tier program works in conjunction with the 20% Social Security increase for the railroad retirement system recently passed by Congress over a presidential veto. The first tier would be tied to the Social Security System, with railroad workers being taxed at the same rates as all other

employees in the Social Security system, and receiving the same benefits.

Although the first tier would bring railroad workers up to the same benefits level as other Social Security-covered workers, additional legislation will be required to maintain the schedule of railroad benefits over and above the Social Security payments.

The second tier of Mr. Chesser's plan would accomplish this, using receipts from the ton-mile tax to make up the remainder of the present benefits schedule for the railroad retirement system.

Enacted in 1935, the railroad retirement system is the only government pension plan covering a single industry. ■



Buying guide for mail order insurance

NEW YORK—The "let the buyer beware" approach to mail order insurance appears to be on the wane as individual insurance commissioners are taking steps to protect consumers in their states from suspect advertising practices.

In New Jersey, insurance commissioner Richard C. McDonough and his department have prepared a consumer's handbook entitled "The STOP! and LOOK! Approach in Buying Mail Order Accident and Health Insurance."

The 16-page booklet, prepared this August, contains a checklist of things to look out for, including whether well-known personalities who endorse insurance policies for a firm have any monetary holdings in the company.

Important to senior citizens is the pamphlet's examination of Medicare benefits, and plans that claim to supplement Medicare. ■

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EMPLOYEE BENEFITS INDUSTRIAL RELATIONS
GENERAL MANAGEMENT

Institute award

MINNEAPOLIS—O. J. Sopranos (right), treasurer, Amstead Industries Inc., Chicago, was presented an award by the Insurance Institute of America for having the highest grade average after completing its course in risk management.

The James Cristy Award was handed to Mr. Sopranos at the institute's awards luncheon here. It is presented to the graduate who receives the highest grades on six examinations leading to a diploma in risk management from the institute.

The award may only go to an employee of a corporation, institution or governmental unit who is engaged in the performance or supervision of risk management. ■

Safety . . .

Continued from page 32

engineer is the embodiment of several disciplines, including administrator, design engineer, industrial hygienist, fire protection specialist and "eloquent speaker." In addition, the safety man said, "he has to know a great deal about insurance and risk management."

- A manual of safety procedures and safety engineering specifications covering all equipment and processes must also be developed.

- A new employee safety orientation and on the job training program is also important, he said, noting too that it must be "revitalized" from time to time.

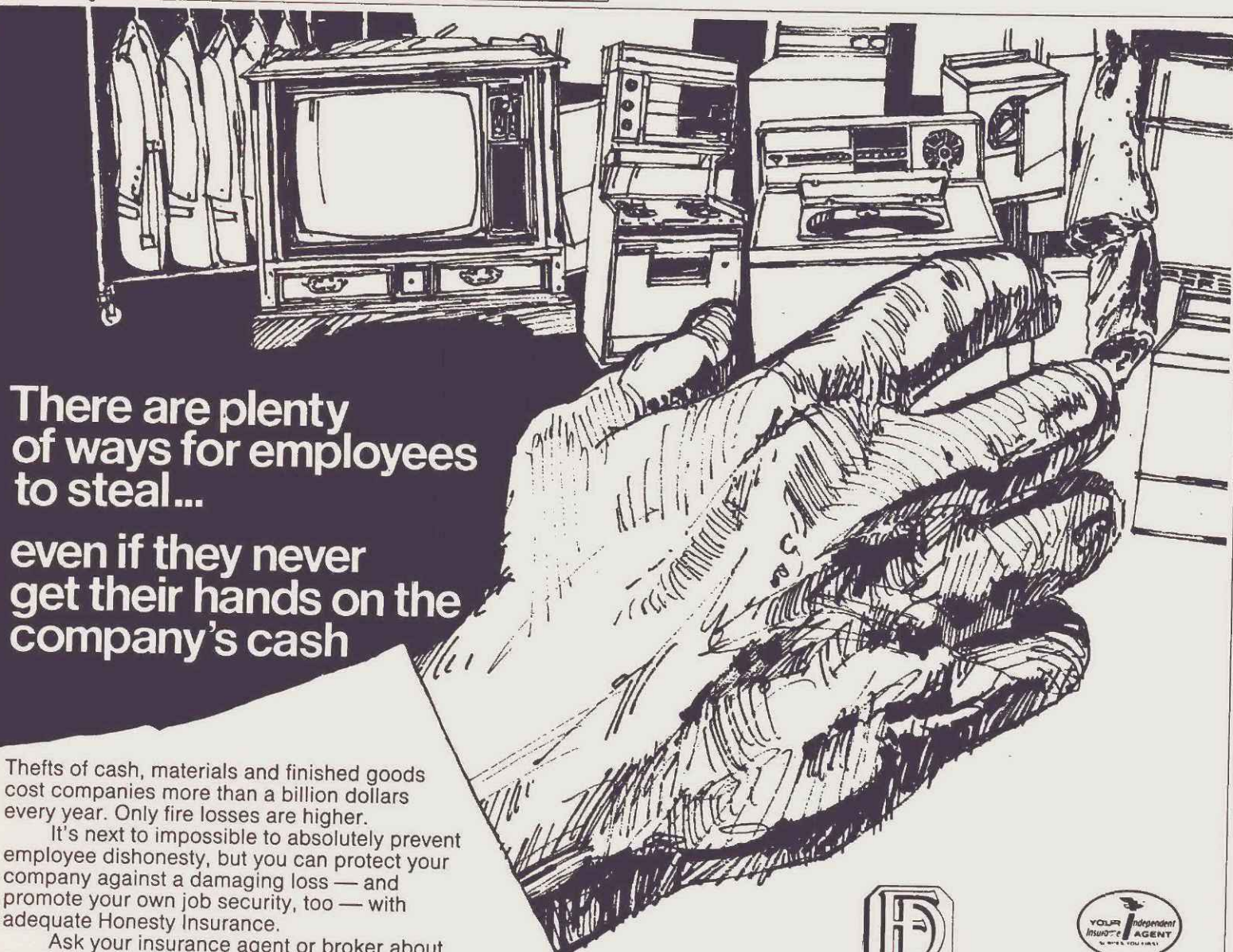
- A safety analysis should be made of each job and written instructions should be prepared. In addition, tools, equipment and processes should be given written job instruction procedures to avoid needless injuries.

- Regularly scheduled, formal and documented safety audit surveys must also be conducted. This, said Mr. Turney, is extremely important these days with the advent of OSHA. Moreover, he said, the risk or insurance manager should accompany the person making the audit.

- Accidents, including first aid cases, should be reviewed on a daily basis, as the reviews will "frequently indicate areas that are either unsafe or where unsafe acts are being performed. "I don't mean just a quick, superficial check," said the Texas Instruments safety director. "I mean trace the employe on that day all the way back to where his wife argued with him at the breakfast table or where he got tied up in traffic on Central Expressway."

- A comprehensive safety awareness program should be initiated. "Safety awareness is a lot of things which should permeate the entire organization with a lasting, high-level regard for safety. In the larger companies like IBM and DuPont, which have excellent safety records, safety awareness has permeated the entire organization," he said.

- Cited as his final basic element was the participation—not merely the interest—of management in the safety effort of the company. This, he said, is required for continuing success. "You need to give them (management) the information they need, so they can participate," he said. ■



There are plenty of ways for employees to steal...

even if they never get their hands on the company's cash

Thefts of cash, materials and finished goods cost companies more than a billion dollars every year. Only fire losses are higher.

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But if you're not lucky, you're going to learn about your insurance the hardest way there is.

At Kemper Insurance we work hard to help our policyholders identify dangers before they become accidents.

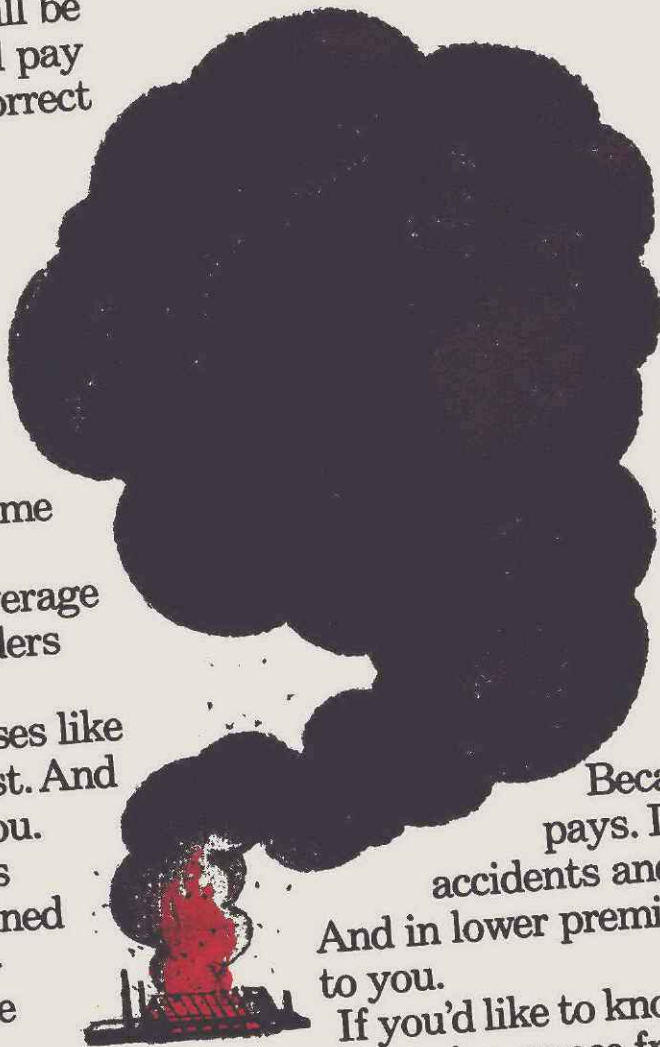
And we design our coverage to protect our policyholders against these accidents.

We've helped businesses like yours from coast to coast. And we would like to help you.

Our large staff of loss control engineers is trained to locate potential accident situations. And we can show you how to reduce or possibly eliminate these hazards.

We'll put our loss control engineers to work when we write your

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Agent/Broker Directory Available Now

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

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Underwriters do much to aid loss prevention

STOCKHOLM—It takes a thief to catch a thief, runs the old saying. But it takes an underwriter to stop a thief before he can get away with any loot, in this new age of loss prevention.

Judging by ideas put forward at the annual conference of the International Union of Marine Insurance, there are many cases where this is fortunately happening. New developments in loss prevention activity were reported by Henrik Schaumberg, the union's president.

He told the conference: "We realize the necessity of approaching such an international problem as theft and pilferage in practical co-operation with colleagues from all markets."

The U.S., Argentinean, Belgian and Portuguese marine risk associations all reported successful experience with underwriters' representatives making their presence felt directly where cargo handling takes place.

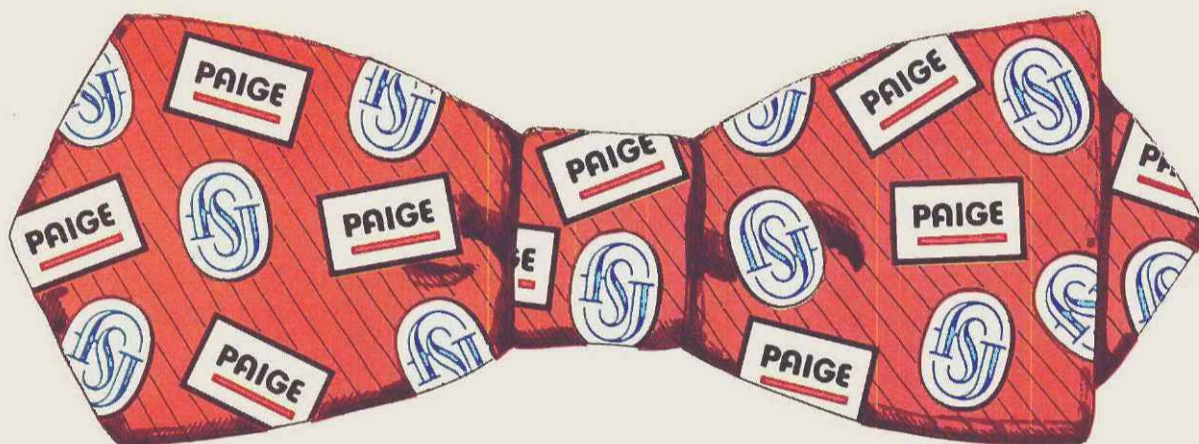
"Such surveys have been known to produce quite salutary effects on the operations," reported Mr. Schaumberg, who proceeded to pass on these other tips to his international colleagues.

• Canadian underwriters recommend the cargo tracing system introduced in the port of Montreal, where port police have found a significant number of missing shipments, and where underwriters are urged to file a "missing cargo report" on a special form.

• German underwriters have arranged with a surveying organization to search for their lost goods in all Hamburg warehouses on a "no cure-no pay" basis. One Hamburg firm which operates about 50% of the warehouses publishes lists of unclaimed goods three or four times a year, for distribution to all underwriters.

• Korea is preparing a large-scale fencing project for the whole port area of Pusan, and South Vietnam claims tangible relief in security problems in the Saigon port area through recent developments.

Registered mail in some parts of the world is no longer handled under special security measures, but the U.S. post office is considering plans to list various details of registered mail so as to provide greater control in detecting the "point of loss," the conference was told. U.S. underwriters noted a reduction in the number of losses of registered mail since the end of 1970.



The James/Paige Tie: Bold new look in Professional Insurance Protection

In 114 years of progressive growth, the James Companies have developed many strengths in risk management and used them well in the insurance programs of thousands of industrial, commercial, and institutional clients.

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For example, thousands of Paige clients can now benefit from expanded on-the-spot representation, through a net-

work of more than 40 offices from coast to coast. Plus increased capabilities in protection for all exposures, in international coverage and in several desirable financial and communications services related to *Business Insurance* and *Employee Benefits*. Not to mention the talents of a skilled pool of technicians.



a James Company

Just as specifically, James clients can benefit from the innovative power of the broker that pioneered *Self-Insurance* years before the bandwagon started. The broker that has brought school and college *Student Insurance* to many of the country's campuses. And benefit, too, from Paige's deep expertise in guiding "giant" risks with its well-known technical experience.

What can prospective clients get from the James/Paige tie?

All the benefits and services we've mentioned above . . . plus a cordial invitation to call or write our office nearest you . . . and arrange to get acquainted.

AS FAR AS valuables are concerned, declaration of value in excess of a certain amount is thought to be the simplest way to ensure property safety measures en route. But Danish underwriters suggest that valuables should be sent as air freight, with full value declared, and consequently full indemnity from airlines in case of loss, though not all airlines will accept this responsibility.

Praise was given to the U.S. for using armored car services in a new delivery system for high value air cargo, and Britain also uses courier-escorts for securities and valuables more extensively now.

The valuable cargo list, it was suggested, ought to be extended to costly pharmaceuticals and chemicals, leather clothes (not only furs), watches and watchparts, human hair and synthetic wigs.

Corroon & Black add D.C. broker

NEW YORK—The Washington, D. C. insurance agency and brokerage firm Russell, Marsh and Kennedy Inc., and its sister corporation Clay-Russell Associates Inc. have merged with Corroon & Black Corp., the international insurance brokerage firm.

In an agreement which was executed on Sept. 29, Corroon & Black exchanged 31,000 shares, listed at \$28, for all the shares of Russell, Marsh and Kennedy Inc. Gross annual revenues of Russell, Marsh and Kennedy Inc. and Clay-Russell Associates Inc. are in excess of \$500,000.

Russell, Marsh and Kennedy Inc. is recognized as one of the largest insurance and brokerage firms in Washington, D.C. Clay-Russell Associates Inc. specializes in association group insurance, mass-merchandising and employee benefit programs. The present officers and staff of the two agencies will continue to conduct their business at its present location, and will push the number of employees for the combined companies to 565.

Corroon & Black Corp. reports that extensive surveys of the Washington area indicate that the combined operation will substantially increase the facilities of Russell, Marsh and Kennedy Inc., in serving its clients in the fast growing area of metropolitan Washington.

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Kirkbride contends that no-fault is not applicable to malpractice

NEW YORK—"There is today no supportable application of the automobile no-fault principle in the field of professional negligence," stressed Jon M. Kirkbride, director of industry marketing and research for International Clearing Corp., at an American Management Assn. conference on professional liability here.

Mr. Kirkbride, who conceded that automobile no-fault was an idea whose time had come, felt that the concept of malpractice, or professional negligence, and the no-fault concept were "180 degrees apart. The two are incompatible."

Tracing the history of automobile insurance, Mr. Kirkbride pointed out that insurance fit snugly into the automobile picture because the legal liability of the insured passed all the traditional tests of insurability. The risk was pure (there was only a chance of loss) and it was particular (exposure to loss was personal in both origin and consequence).

However, he said, times had changed and the system had eroded away because society now looked at automobile insurance in a vastly different way.

"Notwithstanding the traditional legal principles surrounding negligence and fault and the dispensing of justice," he said, "society gradually moved toward a revolutionary concept—The purpose of automobile insurance is to compensate the victim of an accident! Not to protect a driver or owner of a car against the legal consequences of negligent operation of the car."

"This shift in the attitude," he continued, "of an entire society is

one of the most overwhelming phenomena in the history of law and economics. Resistance to this shift has been strong and vocal but has come mostly from those who fail to recognize it, or who have vested interest in preserving the 'old' tort remedy system."

He said the risk, even with the new emphasis, was still a pure one but that it might not be considered particular. "It has shifted to a 'fundamental' risk of all of the members of our society by virtue of the fact that one can no longer refer to automobile accidents as 'accidents.' By definition, an accident is fortuitous and unexpected. Though to any given individual this may be true, in the aggregate, the occasion of injury to people and damage to property

by cars is a calculable, statistical certainty," he stated.

Turning his attention to professional liability, Mr. Kirkbride sketched a definition of a professional. "It is safe to describe one as a person who, by virtue of specialized education and training, is recognized as an expert, especially qualified in his field of endeavor, and who can be reasonably relied upon to discharge his duties in a competent and skillful manner."

He listed the four elements of negligence:

- A duty owed;
- Breach of that duty;
- Injury to persons or property;
- A causal relationship between the breach and the injury.

Noting that the absence of any of those elements was a strong defense, he continued, "The measure which separates the professional from the 'ordinary prudent man' is the first element mentioned—the duty owed. There is strong and justifiable argument that a person who holds himself out to society as a pro owes a higher degree of duty (care) to society than the ordinary man. This is the very crux of the entire matter of professional negligence. It is in this measurement of duty owed that additional risk is created by the person who is a professional."

HERE AGAIN, Mr. Kirkbride said the risk was both pure and particular and could be handled by the insurance mechanism. Professional liability insurance did, indeed, protect the insured against losses arising out of the performance of his duties.

He then made his comparison.

"Since no-fault by its own def-

inition eliminates any need to prove negligence and strives to provide compensation for the victim of an automobile accident," he emphasized, "it is very different from professional liability, which has as its very core the negligence concept, with particular emphasis on duty owed."

He further noted that it would be extremely difficult to argue that malpractice was impersonal in cause and effect and said, "Therefore, the comparison of the two concepts leads only to the logical conclusion that they are 180 degrees apart on the compass. The two are incompatible."

He closed his speech, however, by saying that this may not hold true in the future. "But unless or until the loss or injury to individuals because of professional malpractice becomes so widespread as to shift to a fundamental risk, there can be no reasonable expectation that the no-fault concept can be applied in this area." ■

Boiler, tank blasts can be prevented

SAN FRANCISCO—Failure of business executives to insist on adequately trained and knowledgeable engineers "contributes substantially" to injuries, loss of lives and millions in casualty damages resulting from boiler or hot water tank explosions.

Richard Hertzberg, San Francisco manager, Hartford Steam Boiler Inspection and Insurance Co., told the regular monthly meeting here of the Insurance Company Managers Assn. of northern California that "safety of lives as well as dollars depends on the knowledge machinery operators possess of the machinery in their charge."

"When business men suffer losses from accidents to air conditioning equipment, boilers, unfired pressure vessels, turbines and generators," Mr. Hertzberg said, "far too often it is discovered, too late, that the operator didn't know what he was doing."

Mr. Hertzberg said his company, which writes some \$50 million in policies insuring against such hazards, has more than 700 inspectors at work trying to increase emphasis on loss control through preventive maintenance.

"While our loss ratio ranges between 20 and 23%," he said, "our expense ratio exceeds 60%. This is because we have learned that many accidents to boilers and pressure vessels can be prevented through competent engineering inspection and preventive maintenance." ■



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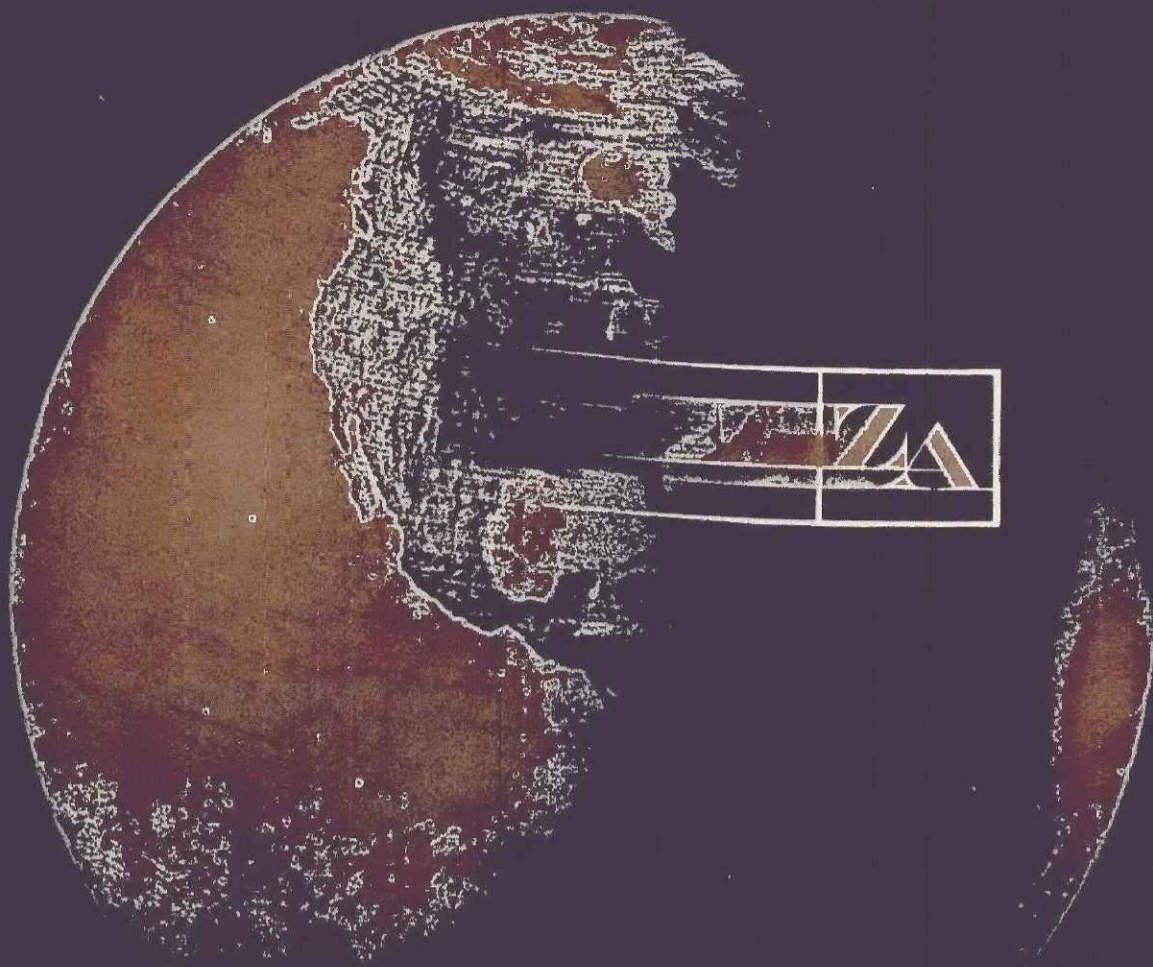
Benefits can be as much as 20%, 30% or 40% of an employee's salary, up to \$4,000 a month.* And they're payable every month until the spouse remarries, dies or reaches age 62 or 65, depending on the plan. To qualify, only twenty married employees must be insured.

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business insurance

PERSPECTIVE

Insurance problems are inherent when leasing, renting equipment

"An equally important deficiency of the typical policy that is issued to contractors is in the perils that are covered by the policy. Many policies cover only certain specified perils, such as fire, lightning, explosion . . ."

An equally important deficiency of the typical insurance policy that is issued to contractors is in the perils that are covered by the policy. Many policies cover only certain specified perils, such as fire, lightning, explosion, windstorm, flood, earthquake, riot, collapse of bridges and culverts, theft, collision and upset. Even the "all risks" types of policies have exclusions. These exclusions may eliminate cover, for example, for losses caused by overloading the machine, or losses occurring to property located underground, or property while waterborne, or losses due to the infidelity of the insured's employees, and losses due to nuclear hazards or war risks. A provision in a lease that the lessee is responsible for all damage would leave the lessee without insurance coverage for any loss from the excluded hazards even if the insurance had been extended to cover leased property. The terms of the lease should be coordinated with the customary insurance coverage, and specifically with the lessee's insurance so that the lessee will not be held responsible for a loss that ordinarily would not be covered by insurance.

Deductible provisions in the lessee's insurance usually are not cause for concern. He can withstand the same losses under a deductible clause as applied to leased equipment that he would stand on his property. However, coinsurance provisions may be cause for concern if the amount of leased property is substantial. He might become a coinsurer in case of loss if his insurance has not been increased sufficiently to cover the value of the leased property.

THE EXAMPLES just cited in connection with contractors' equipment are typical of those facing any business that leases property. Commercial and industrial firms are tending more and more to lease rather than to buy. This is encouraged in some cases by tax advantages. In other cases the problem of service on specialty machines makes a lease arrangement more advantageous. Mailing equipment, computers, and the more complicated duplicating machines are likely to be leased rather than to be purchased. What are the terms of the lease? Is the lessee responsible for anything that may happen? In the case of a computer, this could amount to a million

dollars or more.

Terms of the lease may be subject to negotiation. The lessor may agree in return for an acceptable charge to provide insurance or to hold the lessee harmless from any accidental damage to the property. Leases applying to automobiles, for example, frequently agree that the lessor will provide all of the physical damage insurance that is needed so that the lessee does not have to arrange for insurance. This is a desirable provision from the standpoint of the lessee.

The lessor's insurance may contain a deductible that makes the lessee responsible for any loss amounting to less than the deductible. This is a common provision in the individual automobile leases where one rents an automobile for a day, a week or a month. The usual deductible is \$100 but this may be waived for an additional charge.

THE LESSEE of larger equipment may find that he can get a lease on more advantageous terms if he assumes responsibility for small damages. However, the lessee should compare the insurance and the lease to make certain that he is not assuming the obligation to pay larger deductible amounts that would strain his financial abilities.

Insurance that is commonly written on the contents of a store, office or factory
Continued on following page

OSHA: The insurance industry's chance to help nation's insureds

"How can the insurance industry's engineering staffs assist employers in carrying out their responsibilities under the Occupational Safety and Health Act?"



BY DAVID E. NASH
secretary,
The Travelers Insurance Cos.
Hartford, Ct.

THE OCCUPATIONAL Safety and Health Act of 1970 has probably had a greater impact on American business today than any other piece of legislation in recent decades. This act is important to the management of both large and small companies alike. Many employees have been concerned about their abilities to comply with its extensive safety and health standards, and those who are familiar with the new law's provisions are actively and aggressively seeking assistance in carrying out their new responsibilities. For many others, the law's 450-page book of standards has posed a massive task of interpretation and implementation.

What has evolved is a new area of responsibility for the nation's insurers. It is evident that without the assistance of insurance people trained specifically in safety and the establishment of loss-prevention programs, many employers will face citations and possible fines in the wake of impending OSHA inspections. We in the insurance industry are in a unique position to provide the needed help, and the extent

to which we fulfill this obligation can be very important to everyone concerned. The question ultimately arises, "How can the insurance industry's engineering staffs assist employers in carrying out their responsibilities under the Occupational Safety and Health Act?"

The insurance industry has been involved in the field of loss-prevention since before the turn of the century and industry engineers have been actively assisting insureds in the areas of job safety and health for just as long. Because of this record of client safety service, we have taken a particular interest in the effect of the OSHA law. We believe that it is in the best interest of employe, employer and insurer alike to support the intent of this sweeping legislation designed to ". . . assure, as far as possible, every working man and woman in the nation safe and healthful working conditions and to preserve our human resources . . ." Originally, the insurance industry was concerned that the insurance engineer would be replaced by
Continued on following page



BY WILLIAM H. RODDA
president,
Marine Insurance Handbook Inc.
Chicago

THE LESSEE who uses rented or leased equipment may incur liability for loss or damage to the equipment, and he may also face liability claims for injuries to persons resulting from the operation of the equipment. These exposures to loss might not be covered by his insurance on his own property. The terms of the rental agreement or lease should be compared carefully with the lessee's insurance coverage to make certain that all possibilities are covered.

Contractors frequently have occasion to lease equipment because of the fluctuations in their needs for different types of machines. A comparison of the insurance coverage in a typical contractors' equipment floater policy with the loss probabilities and the terms of lease agreements will illustrate the dangers inherent in a lease situation.

The lease may provide that the lessee is responsible for all loss or damage to the equipment while it is in the custody of the lessee. The usual contractors' equipment floater insurance policy has two important deficiencies as applying to this situation. First, the policy may cover only specifically named property or property that is owned by the insured. Policies that cover a relatively small number of pieces, perhaps up to a dozen or 15 machines, are written to cover only those machines that are specifically described. There is no coverage for additionally acquired property or for leased property that is to be used temporarily. Extensions of such policies may provide coverage for substitute equipment where one of the insured's pieces is temporarily out of service, or it may cover newly-purchased property for a limited period, perhaps 30 days. However, this extension would not apply to leased property.

BLANKET INSURANCE coverage is typical for large groups of contractors' equipment but the coverage usually is limited to property that is owned by the insured. The contractor who anticipates that he will be using leased equipment during the term of his insurance should ask his insurer to cover leased property. The insurance company probably will ask that the leased equipment be reported to the insurer within a reasonable period of time, perhaps within thirty days after the start of its use. This is feasible under a blanket insurance policy, and especially where the policy provides for periodical reports of the equipment that is owned and used by the insured.

business insurance

PERSPECTIVE

Leasing . . .

Continued from preceding page

may be wholly inadequate to cover a major loss to leased property. The usual package insurance policy as exemplified by the special multi-peril policy covers the property of others only to the extent of 2% of the amount of the insurance, and for no more than \$2,000. A small organization that has \$20,000 contents insurance, for example, would have only \$400 coverage on the property of others in its custody, and this would hardly be enough to cover the cost of a commonly rented duplicating machine. The organization that rents any kind of equipment should compare the terms of the lease with its insurance, and also check the values to see that insurance is adequate in amount.

Leasing of property may also cause or increase the liability exposure of the lessee. A lease may contain provisions that are in the nature of a hold-harmless agreement as to liability risks. The lessee may agree to assume liability for bodily injury claims even though such claims result from a defect in the equipment or some act of the lessor. There are three varieties of lease that may be offered to a lessee.

THE FIRST and most desirable form is one under which the lessee would be responsible only for his own negligence. The lessor would remain liable for any accident or injury that resulted from a defect in the equipment or from negligence of the lessor. It is wise for the lessee to have his insurance policy endorsed to permit the leasing of property because there is a contractual obligation involved. Liability insurance policies normally exclude liability that is assumed under contract. The lessee should make certain that his insurance covers any contractual liability that might arise under the lease.

A second form of lease would obligate the lessee to assume the liability for any negligence that involves both the lessee and the lessor. This might be an act that involved both of them, or some quality in the machine where it is questionable whether the accident was the result of a defect in the machine or the result of the manner in which the machine was used. The lessee under the terms of such an agreement assumes the entire responsibility. This clearly is an extension of the lessee's liability. An endorsement to the lessee's liability insurance policy would be needed to cover this additional liability. There probably would be an additional premium charged for this extension of liability coverage.

A third form of lease that might be offered would obligate the lessee to assume all liability for negligence in connection with the equipment, including any negligence that is solely the fault of the lessor. This would include, for example, liability for injury that resulted from a defect in the equipment. This also requires an endorsement to the lessee's liability policy to cover this extension of liability by contract.

THE SECOND and third situations just described may be particularly serious in their extension of the lessee's liability where the lessee and the lessor are operating at the same project. This hold-harmless arrangement might be interpreted to extend the lessee's liability to include acts that are entirely unrelated to the use of the equipment that is in the custody of the lessee.

There may be an additional area for concern if the lease includes employees to operate the equipment. There should be a clear provision in the lease as to the employment status of the operators. Are they employees of the lessor who owns the equipment, or are they employees of the lessee who is to use it? This is especially important if the property is to be used outside of the state in which the lessee normally operates. Workmen's compensation insurance should be arranged to fit the obligations under the lease. The lease should also specify who is responsible for disability benefit insurance in any state that has such a law.

The lessor may provide liability insurance for the lessee, which might include a hold-harmless agreement in favor of the lessee. The lessee should make certain that any such insurance would provide the

basic limits that are necessary under any umbrella coverage that he may have. A liability limit that is lower than the basic limits specified in the lessee's umbrella coverage may expose the lessee to the difference between the coverage provided by the lessor and the point at which the umbrella policy would pick up the loss.

A SELF-INSURER or an insured with a retrospective rating plan for liability insurance, workmen's compensation, or contractors' equipment insurance may have special problems if he leases property. The contractor who leases a \$50,000 earth mover, for example, may find himself liable for a big loss that occurs to the property while it is in his custody. A \$50,000 loss would seriously affect his experience for self-insurance or for his retrospective rating. He should consider whether the situation justifies special short term insurance to cover his possible loss, or whether he can negotiate a lease that would make the lessor responsible for any loss.

A self-insurer may have difficulty in getting a short term insurance policy to cover a single large piece of equipment, or a few pieces with a substantial value. The premium undoubtedly would be high. It might be cheaper and easier to get the lessor to cover any losses. Specific insurance or having the lessor retain the risk would help to preserve a good loss record under a retrospective rating plan, or keep from adding the chances of a big loss to a self-insurance plan.

Liability and compensation exposures should also be analyzed to make certain that the leasing of equipment does not unduly expose the self-insurance or retrospective rating plan to a big loss. Specific insurance or a contractual arrangement with the lessor may be desirable. ■

OSHA . . .

Continued from preceding page

the federal inspector, but as conditions and needs have been more clearly defined, we have found that insurers' services have been in considerably greater demand as a result of this law.

THE INCREASED demand for insurance industry assistance has opened up a definite opportunity for us to provide meaningful service to customers and by so doing improve our own position as protectors against loss. Our industry employs more safety engineers than the federal government, which under OSHA has the prime responsibility for enforcing the act. My own company, for example, has a field staff averaging some 500 engineers, supported by 35 field specialists and a corps of 77 home office engineering personnel knowledgeable in the various engineering disciplines. Outside consulting firms are also called on for assistance in solving specialized problems whenever necessary. The insurance industry, therefore, does have the capacity to make an outstanding contribution to the overall effectiveness of the act by helping employers meet OSHA standards.

However, we are concerned that the industry may overextend its capability in these areas. Every insurer can appreciate the fact that increased employer need for engineering services has placed an increased burden on insurance staffs as far as work load, instrumentation, and training are concerned. It is our hope that this will not become a limiting factor in the industry's abilities to deliver services where and when needed. At the same time, however, engineering capability should not be represented as replacing an employer's responsibility under this act, or holding him harmless for possible citations that may be issued by federal or state compliance officers.

As always, engineering expense has to be a primary consideration. As insurers, we all realize that there is a specified engineering factor in the compensation premium based on the amount of dollars being expended for services performed. If we respond to all of the needs of our customers revolving around OSHA qualifications, expenses will undoubtedly increase.

Accordingly, insurers must be constantly aware of the kinds and limits of services extended and the funds required to finance these services.

SEVERAL ALTERNATIVES enable insurance companies to meet their goals and at the same time control expenses.

Providing an OSHA service may be more important to a customer than some of the activities which the insurance industry currently performs. An insurer should work with the customer to provide the service which is most meaningful to him. In some cases, rating flexibility will allow additional dollars to be included in the premium to permit an increase in engineering service. In other situations, employers' needs have been met on a group basis by conducting seminars or training activities for a number of customers at one time.

Let's direct our attention more specifically

"The increased demand for insurance industry assistance has opened up a definite opportunity for us to provide meaningful service to customers. . . ."

to the question of what insurance engineering can do to assist employers in carrying out their responsibilities under OSHA. The one thing which most employers are looking for today is information, and engineering personnel can help satisfy this need primarily because they are most familiar with the general provisions of the law, its intent, and the interpretations that have been made.

THE INDUSTRY also acts as a source of information for questions pertaining to the OSHA standards. Members of the American Insurance Association, for example, have access to other insurance company representation on standard-making bodies. Our engineering library has collected all the standards used in the promulgation of the regulations adopted by the OSHA administration. In fact, this library is used by OSHA compliance officers because it contains data not readily available elsewhere.

Employer training of personnel is a vital part of a company's ability to correlate operations under the provisions of the new law and a trained insurance field engineering staff can provide training to a

commercial insured. One of the areas of this act which greatly concerns employers covers such health aspects as exposure to noise, dust, and toxic vapors. To adequately comply with this portion of the law, employers need a continuing monitoring system. Our industry's engineering people can and do train client personnel in the use of instruments, the types of tests to make, and how to interpret the results obtained to determine whether or not they comply with the law.

Many construction specialists have received OSHA training under the Department of Labor in exposure recognition and control. Some are certified instructors and in turn are qualified to train supervisors and other personnel employed by contractors to help them meet their specialized requirements.

One extremely important aspect of the Occupational Safety and Health Act is

that it makes the employer responsible for the acts of his employees. The theory behind this is that good supervision by an employer is the best means to control actions of employees while they are on the job. An accident-prevention training program for customers, for example, can be established and presented to supervisors, foremen and plant managers to give them a basic understanding of the safety principles and techniques they might use to better control the employees activity.

Frequently, employers ask, "Do I meet the standards that have been adopted by this act?" Insurers can and will offer opinions on compliance with specific standards. Compliance in many cases is based on judgment. Therefore, insurees cannot guarantee that the judgments made will be the same as those made by OSHA compliance officers.

When employers spend money to eliminate loss exposures, they want to be assured that they are complying with established OSHA standards. Due to the insurance industry's familiarity with the standards and its training, it is in a position to make recommendations based on

what the standards require of employers in every kind of business enterprise. Furthermore, due to the broad spectrum of customers serviced by insurers regularly, they have a unique opportunity to learn how compliance officers and employers are carrying out their responsibilities. This broad experience can be shared with customers to help them engage in activities which others have already found successful.

MOST EMPLOYERS have specific compliance problems which they need to solve, but solving these with OSHA assistance may prove costly. The law stipulates that if an employer goes to an OSHA compliance officer for assistance, and the compliance officer visits the establishment to provide help, he is obligated to give a citation on the item for which help was requested, and to subsequently make a complete inspection of the facility and give citations for other violations that may be noted. On the other hand, turning to an insurance company for assistance does not bring about any risk of self-incrimination. In many cases, insurers have been able to act as intermediaries by taking customer problems and, if necessary, going to the compliance officer for answers to questions about the particulars of the law.

Almost every employer concerned with this act has come to the conclusion that he is not doing everything required by the law. Employers also realize that they cannot possibly do everything required immediately. Therefore, they are faced with establishing priorities; the insurance industry's approach to this has always been on an exposure-to-loss basis.

The tone for the Occupational Safety and Health Administration was set by Secretary of Labor James D. Hodgson when he adopted the "worst first" principle. Subsequently, specific target industries were chosen, and, more recently, target health programs were established. In the penalties schedule that has been established, the exposure-to-loss or "worst first" concept is reflected. One specific thing insurers can do to assist employers in establishing priorities is to evaluate their exposures. For example, the difference in exposure between 100 decibels of noise and a 40-inch-high handrail can be determined since neither condition is in compliance with the law. ■

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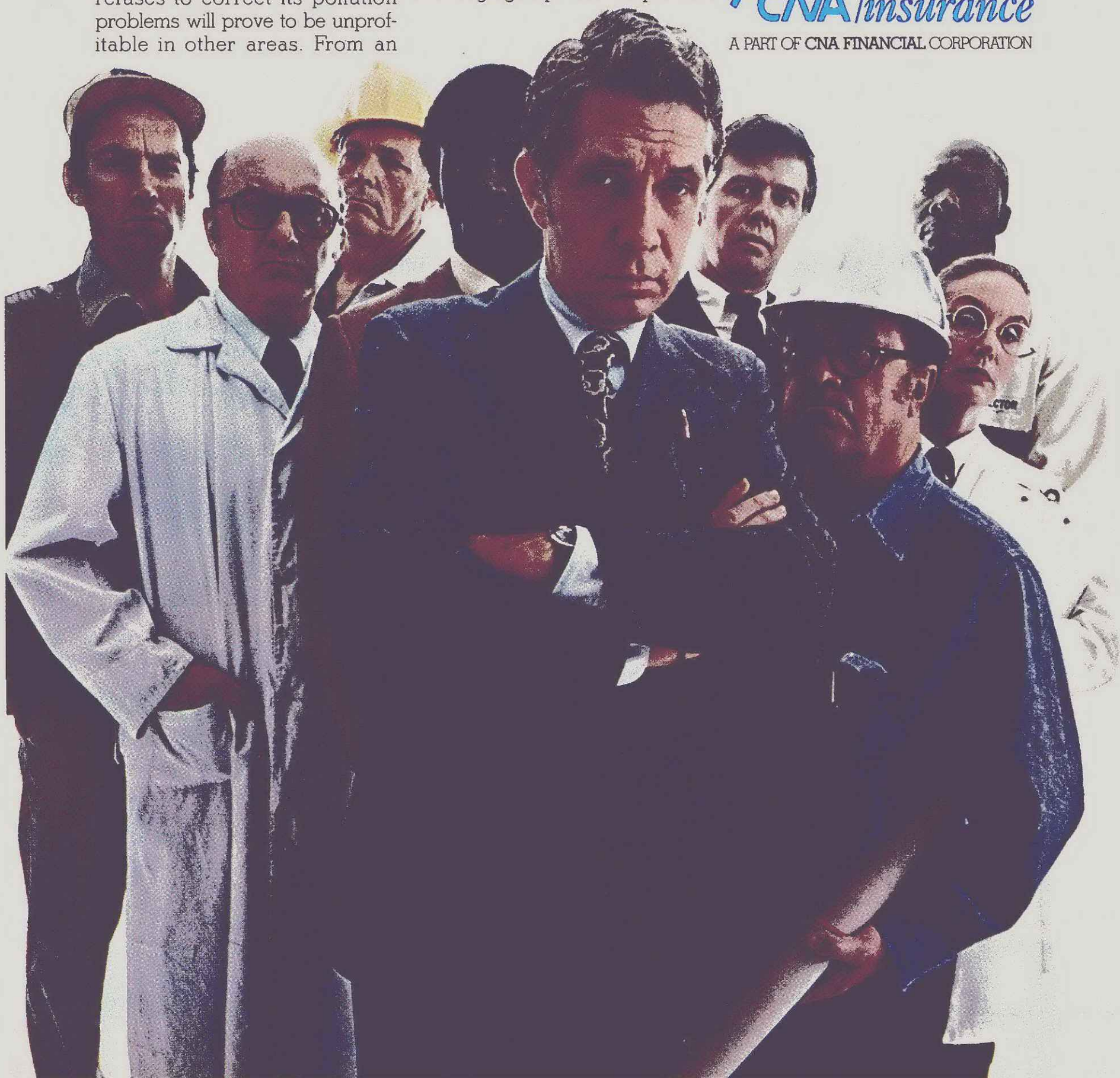
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dates for buyers

October 26-27, Council of Profit Sharing Industries annual conference, Sheraton-Blackstone Hotel, Chicago. For more information contact Neil Regan, Gardner, Jones & Co. Inc., 79 W. Monroe St., Chicago, Ill. 60603.

October 26-27, North Central Regional ASIM annual seminar, The Christopher Inn, Columbus, Oh. For more information write Edward J. Davis, The Klingbeil Co., 42 E. Gay St., Columbus, Oh. 43215.

November 8-10, American Management Assn., orientation seminar, "Communicating employe benefits," AMA headquarters, 135 W. 50th St., New York, N.Y. 10020.

November 9-10, American Management Assn. annual national insurance conference and employe benefits conference, Drake Hotel, Chicago. For more information write the AMA, 135 W. 50th St., New York, N. Y. 10020.

November 13-15, National Assn. of Independent Insurers annual meeting, Shamrock Hilton Hotel, Houston, Tx. For more information write Vestal Lemmon, NAI, 2600 River Rd., Des Plaines, Ill. 60018.

November 20-22, American Management Assn., orientation seminar, "Special risk underwriting and markets," AMA headquarters, 135 W. 50th St., New York, N.Y. 10020.

Canadian jobless cover faces premium increase

OTTAWA—It now appears that a premium hike is in store for Canada's Unemployment Insurance Commission (UIC). Although the plan was only introduced in mid-1971, it is already costing twice as much as was estimated. And the mounting deficit is straining government finances.

Commission officials are saying that a premium increase this year is unlikely—but they are saying it softly. The cabinet, especially the finance minister, is expected to balk at paying the high subsidies necessary to keep the UIC plan solvent.

If premiums are increased for employes, they will automatically rise for employers as well. Em-

ployers are currently required to pay 140% of the employes' contributions.

WHEN THE INCREASE will take place and how much it will be, will be decided in November. The department of national revenue must have advance notice of the proposed changes so that it can be given enough time to prepare and mail new deduction tables to employes.

Cost and revenue aspects of the UIC plan seem surrounded by confusion. No one is certain what amount should be paid by the federal treasury. It is liable for all the costs attributable to unemployment above 4% of the labor force. But the formula used

to arrive at this sum is complicated, and the estimate for this year has to be made before the full cost is known.

To complicate matters, the revenue side of the plan is also muddled. Employers are currently making unemployment insurance payments in lump sums that include corporate taxes and contributions to the Canada and Quebec pension plans. What this means is that the entire contributions for 1972 will not be known for another year—and by then, this year's tax returns will have been tallied and separated into component parts.

COSTS OF the UIC plan ran far ahead of original assumptions, with the commission paying out \$1 billion during the first six months of the year. \$1 billion was the amount expected for a full year.

"Why" is the question on the minds of Canadian officials. Portions of the blame have been laid to increased unemployment and higher wages which have automatically hiked benefit payments. Fraudulent claims, and lack of face-to-face claims placement have also been partially responsible for increased costs.

DESPITE the high price tag to the government to keep the UIC plan afloat, the compensation has an ironic aspect. Because the act is extremely complicated, there is evidence that some people who are fully entitled to benefits are not receiving them. ■

NAIA exec committee

The National Assn. of Insurance Agents' executive committee has completed its 1972-1973 membership with the addition of Robert P. Bliss Jr., former state national director from Vermont. Other members of the committee are: Alem L. LaBar, president of NAIA; Bernard J. Burns, president-elect of NAIA, who serves as chairman of the committee; Gerald R. TeBockhorst, CPCU; George A. Kramer Jr., vp of NAIA; M. Jay Wanamaker, vp of NAIA; J.B. Holden; and Harry C. Parrish, immediate past-president of NAIA.

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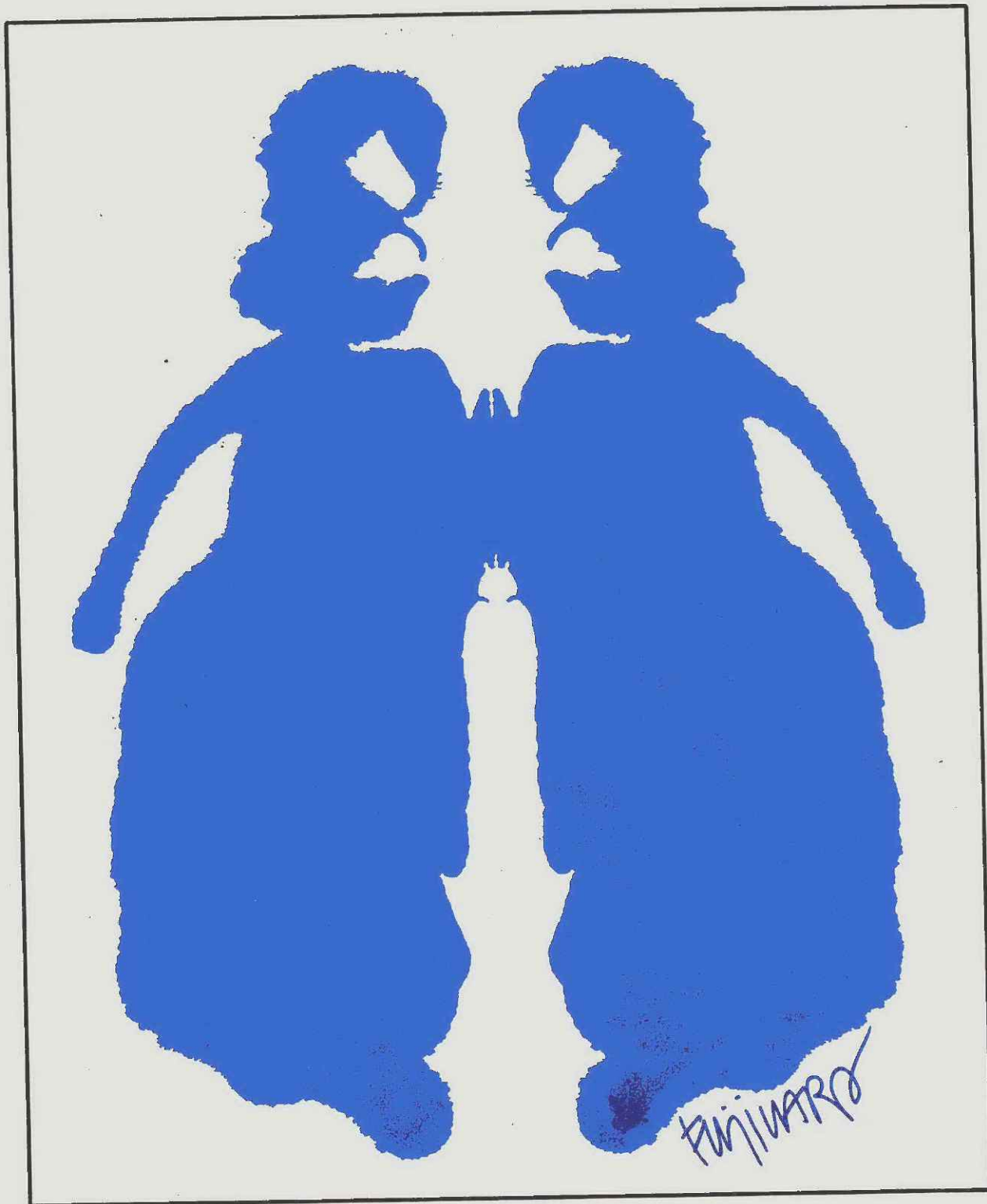
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City employe pension study asks for replacement of existing plans

NEW YORK—An independent study on the New York City pension funds for public employes brought some eye-opening and sobering statistics to light, but so far seems to have been met with little more than polite yawns from the labor contingent.

The 49-page study, handiwork of the Economic Development Council, analyzed changes in the city's five major pension plans during the last decade. It estimated that as a result of leap-frogging benefits, runaway annuities, and overextended city commitments embracing social security, the bill for the city's various retirement packages will eat up approximately 25% of the municipal payroll when the time comes to

cover the accrued obligations that stem from recent pension revisions.

Reaction to the prediction of a pension-sap of a quarter of the city's budget, however, was blase, at least by deputy labor relations commissioner Anthony Russo.

"I see nothing new in all this," he said. "Everybody knows that the public pension system is always higher."

WHAT EVERYBODY might not know are the consequences. R.J. Delfausse, vp of governmental research for the EDC, told *Business Insurance* that the dollar drain on the city due to the spiraling pension increases was reaching serious proportions.

He cited non-uniformity among the plans; pension rates based on the salary of last day of employment (including overtime) as opposed to the average salary of the last five years' employment; and over-extended death benefits that give the worker's entire reserve to his estate, as just a few of the problems of the apparently over-liberal city plans.

The problem is compounded by a constitutional restriction placed on city pensions. Mr. Delfausse said that the N.Y. constitution considers city pensions contractual, and prohibits closing them out. For reformers attempting changes in the laws, this restriction places a stumbling block in the path of a more economically

feasible city pension program.

The only way the city can alter its present commitments is to make existing plans inapplicable to all future employes, and to replace them, according to the study.

THE BASIC thrust of the study favored a policy of adopting a general pension program that would lend uniformity to the five separate plans currently being administered. It also urged closer scrutiny and supervision by the city of any pension revisions coming up for review, noting that "the full cost of financing the actuarial liabilities created in the last half-decade has yet to be felt."

The Economic Development Council, which conducted the study, is a businessmen's research group. It was founded in 1965 to help improve the city's "economic climate."

Volpe asks tight controls on hijackings

NEW YORK—John A. Volpe, U. S. secretary of transportation, addressed the American Society for Industrial Security last month on the need to deter cargo crime and hijacking of civil aircraft.

Citing statistics which place annual cargo crime losses at \$8 to \$10 billion, Sec. Volpe said that a special government committee, the Interagency Committee on Transportation Security, is at work on solving the dilemma.

Mr. Volpe revealed that 85% of these losses are internal in origin. He castigated the industry shop-lifter as "the furtive hand in the till," responsible for 80% of the merchandise pirated from shippers and handlers.

High profit and low risk are what keep cargo thieves in healthy business. He dramatized this by pointing out that a bank robber nets only \$4,500 on an average stick-up. Yet, truck-load thefts are valued at about \$35,000 apiece. Furthermore, the cargo thief faces little risk because he steals from places he knows have little security, or he depends on inside accomplices to identify lucrative shipments.

Sec. Volpe outlined some measures being taken to tighten security. Quarterly loss and damage reports are now required by the Interstate Commerce Commission and the Civil Aeronautics Board to provide continuing data for determining weaknesses and strengths in whipping the cargo loss problem.

He also mentioned that the transportation department is developing cargo security advisory standards for industry, calling for the use of seals, locks and security cribs for businesses.

Sec. Volpe sees the hijacking of civil aircraft as another facet of transportation crime. "Assuring the safe conduct of people by common carrier is clearly more compelling than the protection of goods in transit. But the two problems are not unrelated. Superior security is the solution to both."

Sues for violation of slave clause

SAN FRANCISCO—Violation by the state of California of the anti-slavery clause of the 13th amendment is charged in a \$154,800 claim filed with the Workmen's Compensation Insurance Appeals Board.

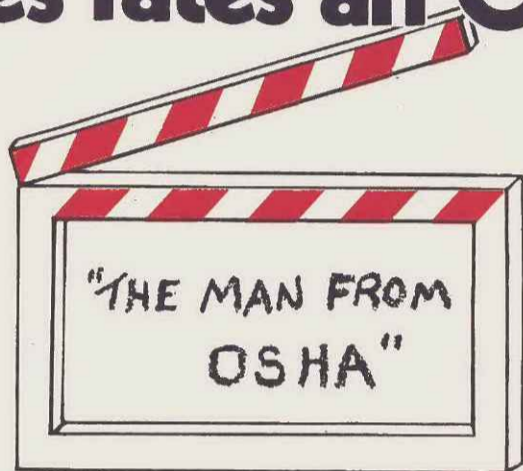
The claim and charge was made by attorney LeRoy W. Rice on behalf of Vivian Girgich, 56, of East Palo Alto, whose husband was paralyzed in an industrial accident 11 years ago.

The husband, Peter Girgich, receives \$44.35 a week in workmen's compensation insurance benefits and Mrs. Girgich "works 18 hours a day, seven days a week, in caring for her husband. Mrs. Girgich gets nothing at all for her services," Mr. Rice said, "and that amounts to slavery."

The \$154,800 was established by estimating Mrs. Girgich's services at the rate of \$40 a day, comparable to the cost for a nurse.

Also named in the claim were Mr. Girgich's employer at the time of the accident and the Liberty Mutual Insurance Co.

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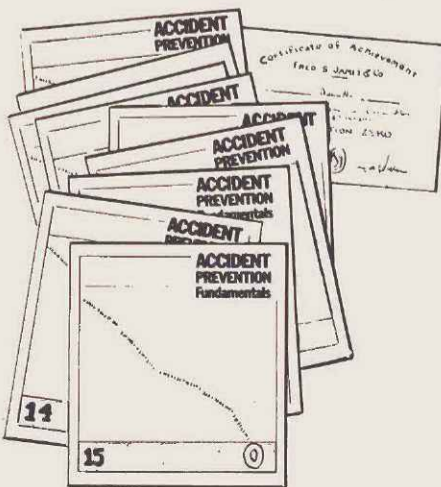


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McDonough, irked at 'misleading' data, orders malpractice rate slash

TRENTON, N.J.—Disenchantment with apparently misleading industry data has prompted the New Jersey department of insurance to revoke a 50% rate hike in hospital malpractice insurance premiums. Granted to the subscribers of Insurance Services Office (ISO), an industry rating organization, the rate hike was approved last summer and affected some 400 nursing homes and 100 hospitals throughout the state.

The rollback was ordered when Commissioner Richard C. McDonough found certain ISO experience statistics to be "inconsistent, inaccurate, and highly exaggerated." Once formally filed and approved, rescinding of the rate hike will represent an \$800,000 savings to the 500 institutions involved, lowering total annual premium costs from \$1.7 million to \$900,000.

One of the major criteria used in determining the premium a hospital pays for its professional liability insurance is its bed count. According to Deputy Commissioner Morgan Shumake, when the department did its own analysis of hospital beds, it found great variation with ISO records. One hospital charged on the basis of 4,816 beds. It had only 399.

Billing records of premiums also seemed off-base to the N.J. insurance department. "We found little or no similarity in matching

entries of the ISO, the companies and the hospitals," Mr. McDonough declared. Among discovered errors, he cited a case in which the ISO reported receiving premiums of \$931 from a hospital which showed payments of \$8,871 on the company insurance bill.

MR. SHUMAKE told *Business Insurance* that following the initial investigation a meeting was held between ISO and insurance department representatives, notably chief actuary Philip Stern. It was this meeting that determined the rate increase rollback.

Although Mr. McDonough did not issue a formal document requiring the rate hike cut, his feelings were made clear. On the basis of the commissioner's verbal recommendations, ISO's general

counsel, Lawrence Berman advised the organization to cut the increase.

Mr. Berman contends that the only inaccuracies found were based on "supplemental data"—transactions from individual insurance companies—that had no part in the original rate filing.

He said the rate hike cutbacks would not become official until a filing and a formal approval by the commissioner were cleared. When will this happen? "Very shortly," according to the ISO attorney.

FOLLOWING an audit, ISO reportedly plans to submit another proposal for malpractice rate in-

creases that surpass even the original 50% increases. Mr. Berman would not say how the organization planned to substantiate the new increases in light of the current ISO difficulties. "The less said, the better," he commented.

Referring to the statistical inconsistencies unearthed for the N.J. malpractice cover, Mr. McDonough asserted, "This is another example of how much this department's continued vigilance is needed to protect the public from unjustified premium charges."

He had previously warned members of an ISO no-fault seminar against allowing statistical errors to crop up in the auto insurance reports they filed with the N.J. insurance department.

Proposed ISO rate hikes for malpractice cover were also shot down recently in Pennsylvania when insurance commissioner Herbert Denenberg refused the increases following Philadelphia hearings on health care. ■

Info service established

HARRISBURG, PA.—The Pennsylvania labor and industry department has set up a telephone information and counseling service for persons with complaints and questions about workmen's compensation cases.

C. John Urling Jr., director of the department's bureau of occupational injury and disease, said the new service was "mainly intended to help protect the interests of on-the-job injury victims." The operation is staffed by an attorney and two legal assistants, who handle the calls on a toll-free telephone.

"This will help both the claimants and the insurers iron out difficulties that slow up the handling of claims," Mr. Urling said. ■

Increase in benefits

Union bakers in 25 Spokane, Wa., retail bakeries will receive 14¢ an hour from their employers for the maintenance of their health-welfare-dental plan. The benefits' increase is combined with wage boosts totaling 85.5¢ an hour. Some 100 members of bakers local 74 have agreed to the three-year contract, which also provides another 14¢ to be paid into the union pension plan, starting the second year of the contract.

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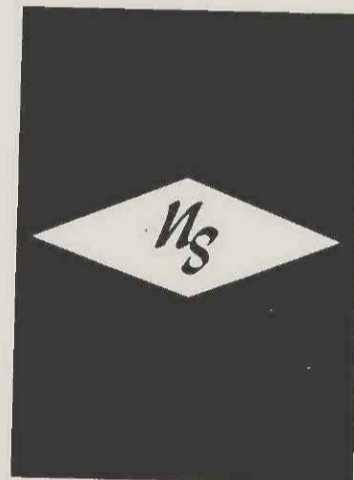
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Mass marketing and other topics mulled over

WHITE SULPHUR SPRINGS, W.V.—Persons attending the joint convention of the National Assn. of Casualty and Surety Agents and National Assn. of Casualty and Surety Executives were told that commercial insurance, via mass merchandising, has already generated more than \$50 million in premiums and that the future looked bright.

The meeting also heard of the rapid growth of product liability litigation and the expansion of the captive insurance company as a self-insurance tool.

As a member of the panel on mass merchandising, James W. Noyes of Edward L. Noyes, Swarthmore, Pa., told the gathering that "distress groups, franchise groups and tight association groups" were the best potential market for "safety group" coverages.

Bank crime protection

The executive committee of the insurance and protection division of the American Bankers Assn. has a new member; Fred W. Silverthorn, vp and corporate insurance manager of the Republic National Bank. The committee works with law enforcement, governmental and regulatory agencies in improving measures to fight bank crimes.

Refining those terms, Mr. Noyes classified distress groups as associations of businessmen, like restaurant operators or scrap iron dealers, who have a hard time obtaining insurance through normal channels. A tight association group was a tight-knit industry association with members who work closely together, usually at the local or regional level. Franchise groups were, according to Mr. Noyes, self-explanatory.

Another member of the mass merchandising panel, Don Olliver of Olliver-Pilcher & Associates, Phoenix, Az., said that insurers could cut the net cost of coverage to a group by offering a tailored insurance program to the members of an association or franchise group. At the same time, the acquisition cost can also be reduced and joint engineering services can be offered.

AT THE product liability panel discussion, the conventioners heard that product liability suits had jumped from 50,000 in 1960 to 500,000 in 1970 and that the cases would probably number around 1 million a year by 1975.

The Hartford Insurance Group's senior vp and general counsel, DeRoy C. Thomas, pointed out that the number of cases has been matched by an equally dramatic jump in the size of the awards

being handed out by juries in product cases which resulted in injury or death.

"THE CONSUMER movement has come into the field of product liability with a vengeance and the consumer advocates are finding that they can do better in court than they can in the legislative halls or in the area of public opinion," Mr. Thomas asserted.

He also felt that the product safety act would pass during the next session of Congress and that its passage, in the long run, could work to the advantage of the defense in product liability litigation. "Once government standards are established," he said, "we can put them to our advantage in the defense if we can show that the manufacturer has complied with those standards."

J. Roy Nicholas, executive vp of the Royal-Globe Insurance Cos., felt that, from an underwriter's standpoint, "even though products in the future will be measured against more rigid safety standards, we see little likelihood of diminishing loss potential and, in fact, anticipate that it will grow considerably in the future because of increased consumer awareness and the strict liability doctrine."

The panel on self-insurance

trends discussed the growth, advantages and disadvantages of the concept of captives.

IRA S. BRANDER of Frank B. Hall, Los Angeles, pointed out that there were 400 captives in operation today, 95% of them American-owned, compared to 100 in 1966. Of the total, 300 hundred captives are domiciled in Bermuda.

William D. Kientz, McElroy-Minister Co., Columbus, Oh., indicated that there were three main reasons why businesses form captive companies—tax savings on large premiums, improvement of cash flow even though losses must

eventually be paid for and expansion of coverage.

"The limitation of coverages as respects perils and capacity make the astute buyer uneasy about his total wall of protection. An examination of the facts by a risk manager will reveal six principal areas of liability exposure, only two of which are commonly insured, negligence under tort law and employer liability, statutory or otherwise. Those remaining uninsured are professional errors and omissions, wrongful acts of officers and directors, invasion of rights by probate and other courts and misuse of proprietary information," he said.

Embezzlement coverage probably from London

NEW YORK—Insurance coverage for the recent embezzlement of more than \$1 million from the First National City Bank was probably written in London, industry sources revealed.

Bank official Arnold Clayman declined to comment on the insurance program that covered the bank's net loss, thought to be about \$391,000. He did, however, admit that the bank was covered by a banker's blanket bond.

Reliable sources from four separate companies that write a large amount of the domestic market's bonding and fidelity policies, said that none of their concerns handled the First National City account. They indicated to *Business Insurance* that the bonding was most likely written in London.

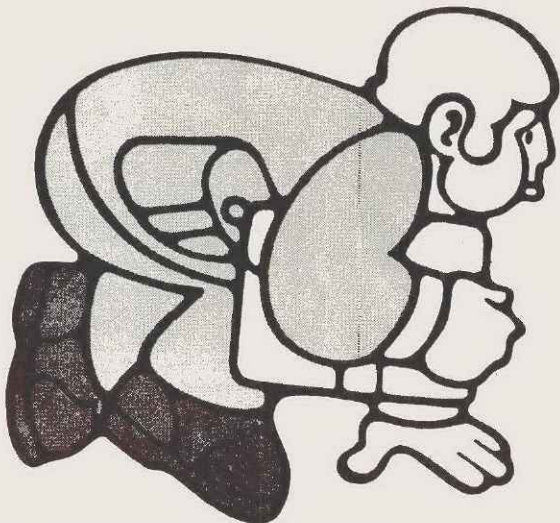
One industry representative

said he had good reason to believe that Lloyd's of London bonded the bank "with very, very high deductibles." He said it was possible that the amount of the deductible exceeded the loss suffered by the bank.

The alleged embezzlement scheme was reportedly maneuvered by Herman Arthur Bonhag, "a trusted and respected employe" of the bank for 35 years. It took place from January 1966 to September 1971.

The estimated \$391,000 loss to the bank takes into account \$40,000 Mr. Bonhag returned. Apparently the rest was never withdrawn, and remained in different fictitious accounts used in the scheme.

According to First National City, all losses suffered by depositors were made good.



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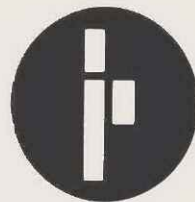
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BY JACK CALKINS 583
TO BE CONTINUED

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For example, Bill Immen, Chief of Midland's Maritime Center, a Kings Point graduate, holder of a Master's License, veteran of eight years at sea and obviously a very good sport. Bill and his crew of pros just might feel right at home with a fleet of Dr. Huer's space freighters because they certainly know their business when it comes to present-day situations.

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Looking shoreside, Bill and his people are already gearing up for the time when most shippers will be thinking "intermodal", putting their talents to work in the closely-related short line railroad field.

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Canadian auto workers win GM benefits battle

TORONTO—The battle between General Motors of Canada and the United Auto Workers over integration of sick benefits has been won by the union.

The disagreement was whether the auto manufacturer or the Unemployment Insurance Commission should be the initial payer of sickness benefits.

Manager . . .

Continued from page 6

definite major changes at that time.

Commenting on the difficulties surrounding her work with employee benefits, Miss Perlman cited tailoring of the coverages and communicating them to the workers as being the most trying tasks.

"The problems are always the same—trying to design plans with something that appeals to everyone. We're always changing the coverages, improving them, but you just can't please all the employees." She recounted how some employees have recently wanted to know why there wasn't a more complete plan under the maternity benefits to provide for miscarriages.

"When we are considering plan changes," she said, "we just don't consider spending benefits dollars on provisions that will cover only 2% of the employees at the expense of the others."

"An uphill battle" is Miss Perlman's description of her attempt to communicate to employees just what their coverages are. She related that although benefits booklets are issued to each worker, and changed whenever plans are revised, many employees simply do not read them.

Miss Perlman, commenting on her struggles as a woman in the business world, said she thought her company was not discriminatory. But she noted that many of the women she knew there who had good jobs "came in through the back door," accumulating responsibility without the benefit of management training that is available to men.

Recounting how from her beginning position with the company, her scope of responsibility expanded to its present stage, Miss Perlman quipped, "It was just like Topsy—it grewed." ■

Captives . . .

Continued from page 34

broker has prepared a feasibility study—and I think there are times even before he prepares the study—it is important that a meeting be arranged with the client vp, a tax counsel and the general counsel of the company.

"This meeting will involve discussions on cash flow, investment income and the problems of forming a new corporation. The earlier this meeting can be arranged the quicker a decision can be reached whether or not to form a captive.

"I KNOW OF no broker or agent who presumes to give his client tax advice. However, where the agent or broker has been involved in captive situations, he has accumulated information which he can give the client to be checked by their own tax counsel. Once the decision has been reached to form a captive, the agent or broker can go so far as managing a captive for the parent company." ■

According to Dennis McDermott,

Canadian director of the United Auto Workers, General Motors of Canada has abandoned its program to integrate its own sickness and accident benefits with unemployment insurance benefits.

The plan of the automobile company had been staunchly opposed by the UAW in hearings before the Unemployment Insurance Commission. That body previously had given its approval to the GM proposal that the UIC pay the first 15 weeks of sickness benefits, with the company paying about \$20 a week on average.

Mr. McDermott pointed out that the auto manufacturer's decision to abandon its program will rep-

resent a saving to the unemployment insurance fund of \$3 million to \$4 million annually.

General Motors will now continue to make payments for the complete benefits which work out to about \$105 a week.

The decision of GM to junk its plan came on the heels of a recent meeting in the Canadian capitol at which the union requested the UIC to turn down the corporation's integration application.

It was the contention of the union at the Ottawa hearing that the auto maker's collective agreement mandated mutual consent before GM could integrate with legislative programs.

The backoff by General Motors is in this case of broad significance to similar insurance programs across Canada, said Mr. McDermott. "It should keep other companies from raiding the UIC fund for sickness benefits," he commented. ■

It's a battle of modified vs. pure in no-fault war

BOISE, ID.—Modified no-fault auto insurance legislation has been endorsed here by the Idaho Assn. of Mutual Insurance Agents.

The endorsement followed advocacy of a "pure" no-fault system by former Idaho insurance commissioner Don R. Blaine.

A modified no-fault plan with a low threshold for tort liability was proposed by Robert C. Paine, chairman of the committee on auto insurance reparations reform of the Idaho State Bar Assn.

THE PLAN which the association chose to support, however, was presented by Russell A. Howard, Auburndale, Ma., who spoke on behalf of the motorists in-

surance protection plan being advocated by the National Assn. of Mutual Insurance Agents.

A committee will work with Mr. Paine and Idaho insurance commissioner Robert Hay to prepare a no-fault proposal for the 1973 Idaho legislative session.

Lyal Christiansen, chairman of the endorsement meeting, said "our problem is the threat of Federal intervention in auto insurance reform. We want a no-fault law in Idaho," he said, "which will be geared to the specific needs of Idaho automobile owners and not one imposed on a national level which disregards local conditions." ■

The advertisement features six circular icons arranged in a 3x2 grid. Each icon is positioned above a rectangular box containing a company logo and name. The icons are: a stylized 'hp' logo, a bell, a square with a circle inside, a control panel, a crown, and a globe.

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Sen. McGovern offers improvements for OSHA

WASHINGTON—Using terms like "industrial carnage" and "disgraceful conditions," Sen. George McGovern has come down rather hard on the failure of the Occupational Safety and Health Administration to properly do its job.

Writing in a United Auto Workers publication, Sen. McGovern blasted the Nixon Administration for pulling OSHA's teeth and proposed an eight-point program of his own to upgrade working conditions in the country.

After pointing out that too many working people were still being injured and killed on the job and contracting diseases because of exposure to chemicals, fumes and other toxic materials at their workplaces, the presidential candidate said, "This evidence

hints at the senseless industrial carnage in America. It stands in sharp contradiction to descriptions of the United States as a modern and civilized society—as a society that really cares about the health, security and dignity of its people.

"IN THIS AREA as in others," he continued, "the Nixon Administration's preeminent concern for the comfort and prosperity of big business has left the ordinary worker with few friends in high places."

He then listed some of the things which he felt detracted from the act, including the argument that there are too few compliance officers in the field to do a comprehensive job.

"The substance of citations

under the act," he continued, "and often the citations themselves, are frequently kept secret to avoid embarrassment for the offending company. OSHA inspectors have abandoned the practice of incorporating the results of their tests for toxic substances in their citation reports. Working people themselves usually have to fight hard to see the inspectors' reports to find out what the government knows about their working conditions.

"And citations are rarely backed up with tough enforcement—with real inducements for industry to obey the law and to provide a decent working environment.

"IN SHORT, while the Occupational Safety and Health Act promised a federal guarantee of

job safety, timid enforcement and favoritism have left it a tool with no teeth. And the rate of industrial death, injury and disease continues its steady climb."

Sen. McGovern outlined a program, to be built around OSHA, which he felt would dramatically improve the lot of the American worker on the job. The programs eight steps were:

- 8,000 industrial safety inspectors to enforce OSHA's provisions, backed up by 4,000 hygienists.

- As a matter of right, workers should have access to inspectors' reports.

- Expanded training, especially in smaller plants, so workers could act as their own inspectors.

- The creation of a new Occupational Standards Administra-

tion to establish safe exposure standards on new substances before they can be used in production.

- Nationwide minimum standards for workmen's compensation payments, covering at least two-thirds of lost wages, plus medical expenses.

- Authority for workmen's compensation boards and courts to award damages beyond medical expenses and actual wage loss.
- Major public research priority should be placed on discovering methods of improving the conditions of the workplace.

- The concentration of federal health teams on generally recognized target health areas.

"The costs of unsafe and unhealthy working conditions are astronomical," Sen. McGovern stressed, "in pain and wasted lives for workers, in compensation payments and lost time for injury, in welfare payments and depleted productivity for the nation as a whole. Decisive federal action is both justified and required." ■

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Allendale Insurance

Home writes coverage on new stadium

NEW YORK—While avid sports fans cheer on baseball's Pittsburgh Pirates, or the Steelers football team, the Home Insurance Co. of New York will be behind the scenes. They have written the coverage for the new Three Rivers Stadium in Pittsburgh, in a broad, institutional policy. The broker on the account is the Case & West Agency of Columbus, Oh.

The three-year policy provides flexible coverage ranging from property-liability to workmen's compensation for ground crews. Spectators are insured against personal injury, and even equipment, like the carts that bring players from the bullpen, is covered. "Everything in the stadium is insured," a Home Insurance spokesman commented, "except the team players, who have coverage under a different policy."

Currently the limits of Home's institutional policy with Three Rivers Stadium are about \$27 million, a brokerage source revealed. There are a number of deductibles which vary according to the items under consideration.

One novel aspect of the policy is that it remains the same even when field conditions and risks vary. For instance, the field layout and dimensions and risks are different for baseball games than they are for football games. Yet the contract remains the same for both circumstances, and provides the same amount of protection.

Even if an event the magnitude of the World Series should take place at the Pittsburgh stadium, the insured would receive full coverage, despite the increased number of spectators flooding the stands.

The stadium is city-owned, but is operated and insured by the private Three Rivers Management Corporation of Pittsburgh.

A similar institutional policy is written by the Home Insurance Co. for Cincinnati's stadium.

Boost in insurance tax

The Oregon employment division announced Oct. 5 that the unemployment insurance tax paid by employers will be boosted an average of 1.95% in 1973.

Agents resist any changes in auto law

RAPID CITY, S.D.—Any change in South Dakota's comparatively new automobile insurance law has been opposed here by the state Assn. of Mutual Insurance Agents.

The annual convention of agents adopted a resolution asserting "there is no need for any further changes at this time in our state's auto insurance law.

"Because of the extremely favorable position which South Dakota automobile owners enjoy in the auto liability insurance rates," the resolution declared, "it is our sincere and considered opinion that the insurance buying public will be best served by our present free choice system."

Norvid Steffensen, outgoing president of the association, claimed South Dakota's auto insurance rates are the second lowest in the U.S. "Fewer accidents here," he added "also mean that we don't have court congestion problems and long delays in pay-

ment of claims. Those negative conditions prevail in the states where more revolutionary auto insurance reform laws have been enacted or are being urged."

SOUTH DAKOTA insurance commissioner Ralph Nauman said he "concur[s]" in the position taken by the agents. "Insurance buyers by an overwhelming margin," Mr. Nauman said, "agreed to accept the expanded first party benefits offered to them in their auto insurance policies this year.

"Insurance companies," he added, "are averaging a better than 60% non-rejection rate among their policy holders. Some report as high as 80%.

"Under South Dakota law, the increased limits for bodily injury and medical payments are automatically added to all policies, with insureds notified of their right to accept or reject the greater benefits." ■

AMA insurance meet will feature new look

CHICAGO—The American Management Assn.'s 35th annual national insurance and employe benefits conference at the Drake Hotel here next month will have a decidedly different look from past meetings.

Basically, says the AMA, they have trimmed the fat. This year's conference will last two days, instead of the traditional five, and will concentrate on quick, comprehensive programs which, according to an AMA spokesman, will be of the how—to variety.

Another new concept will be introduced at this year's conference—both the insurance and employe benefits section meetings will concentrate on specific themes. The risk manager's in-

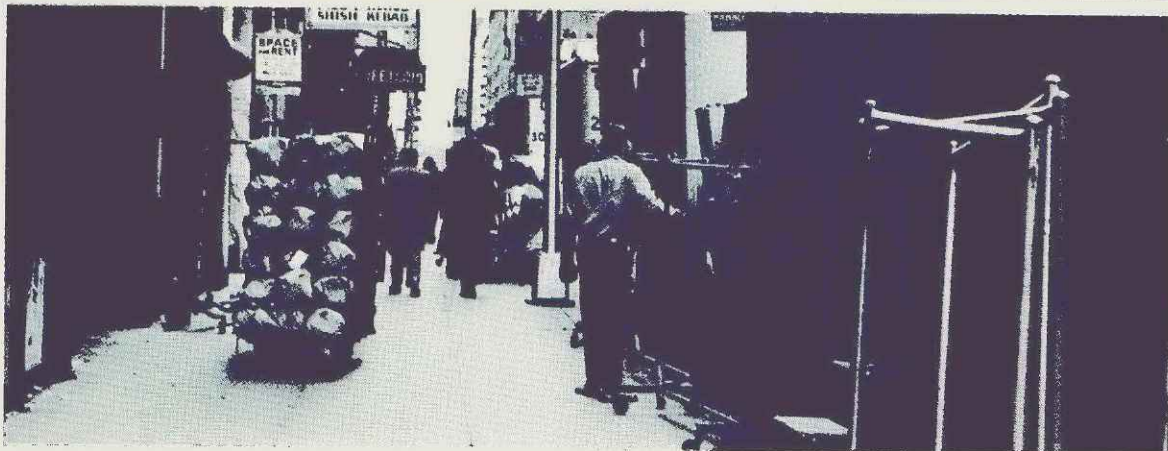
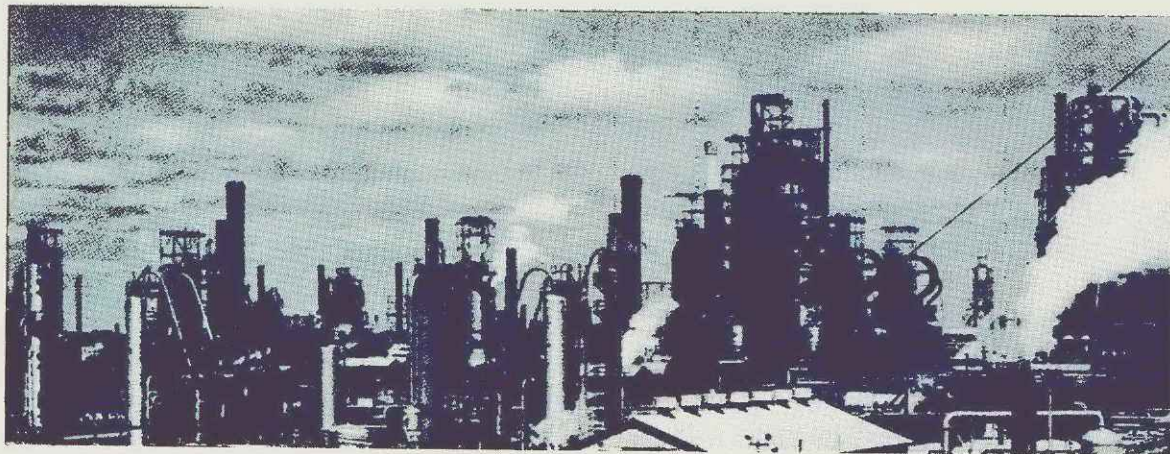
fluence on safety, security and property conservation for corporate profitability will be the insurance meeting's theme while the employe benefits meeting will concentrate on the financial effects of pension and profit sharing plans on employe benefits.


The speaker, many of whom will be speaking at an AMA meeting for the first time, are, again according to the spokesman, "recognized experts in their fields." He also pointed out that all the speakers on the employe benefits side of the conference have published articles in various publications dealing with their topic or a similar one.

Russell A. Drake, Jr., director of risk management for Borden Inc. and Robert W. Thomas, manager of occupational safety and health of Swift & Co. are the co-chairmen of the insurance conference. The employe benefits conference is chaired by Thomas Wahlrobe, corporate benefits manager, N. L. Industries, and Raymond C. Bevans, assistant treasurer of Encyclopedia Britannica Inc.

The conference will be held at the Drake on Nov. 9 and 10. Further information can be obtained by contacting the American Management Assn., 135 West 50th Street, New York, N.Y. 10020. ■

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Company discontinues pension plan

ROCHESTER, N. Y.—Employees of Hickok Manufacturing Co. here have found themselves without their pension plan.

The 120 workers at the leather goods firm's plant have received notification by mail of discontinuance of their basic pension plan.

The surprise letter came from Lawrence H. Flynn, vp and treasurer of Hickok, which is now owned by the Tandy Corp. of Fort Worth, Tx.

Under the management ruling, Hickok employees who have not contributed to the supplemental pension program (a figure matched by the company) will receive no pension at all.

Those workers who have been participating in the supplemental plan and who are already retired will receive about 80% of what they have been getting.

Mr. Flynn said in his letter, "It appears most likely that individuals not yet retired will receive a refund of all amounts contributed by them, plus interest." However, there will be no pension for these people.

Mr. Flynn declared that no funds remain for persons with a vested right or for any other participants in the pension program not currently receiving retirements benefits. He also noted that there is no money which reverts to the firm.

"We have tried for more than a year," said Mr. Flynn, "to find some alternate course that could be taken which would permit the continuance of pension payments, but we have not been successful.

He added: "The decision to discontinue the pension plan was a very difficult one to make."

Ed Schulz, president of the independent Hickok employees' union, said, the union will file a grievance with the National Labor Relations Board. ■

Football pensions . . .



Jim Thorpe, says Leon Hart of the National Football League Alumni Assn., died in poverty, a situation the association is trying to combat. —Wide World photo

Continued from page 3

would be moved back to include our people." And this, he emphasized, has not been done.

A spokesman for the National Football League told *Business Insurance* that the team owners contributed an annual \$4,700,000 into the fund but that the actual dispensation of the money was decided by a committee comprised of owners and players.

"The money is not earmarked when it is contributed," he said, "and the players association has decided against moving back. They are more interested in present and future benefits."

MR. HART, in his own way, concurred. "A lot of money creates a lot of selfish people," he philosophized. "The more money they get, the more selfish they become. These kids seem to forget who put them in the position they are in today. The alumni built the league into its present stature."

The costs, if the alumni win the suit, were estimated by an actuary for the alumni association to be \$507,000 per year to create a pension fund for the pre-1959 players, according to Mr. Hart.

Looking back on the case, Pension Planners of Baltimore, the NFL's pension plan administrator, in 1967 estimated the cost of providing pensions for players with five or more years of service between 1921 and 1959. Immediate benefits of \$200 a month for

those already age 65 would amount to about \$1,720,000. The cost of providing \$200 a month to all 655 of them at age 65 would exceed \$9,500,000, or about \$500,000 per year amortized over a 30-year period.

Later, the clubs contributed \$5,000 per team into a fund to take care of the more destitute old-timers. This money provided \$100 a month for 12 months in disability benefits. When the two leagues merged, the clubs again contributed \$5,000 per team or \$130,000.

IN JUNE of 1971, the alumni association met with a players association committee to ask for the inclusion of its members in the plan. The players' group spokesman turned down the request, saying that the fund was fully committed and would have to remain intact.

So now the suit.

"What these kids don't seem to realize," said Mr. Hart, now a Detroit businessman, "is that we are a diminishing problem, certainly not a continuing one. A lot of the guys in the association don't need the money, but a lot of them do. I guess what we are trying to avoid is another Jim Thorpe ending. One of the greatest players in the history of the game and he died in poverty. We just don't want a repeat of that."

Mr. Hart pointed out that the suit had been filed in Providence because "you can get a speedy trial there." One of the alumni association attorneys said that it was impossible to ascertain exactly when the suit would be heard. ■

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Compensation system in danger, warns atty.

NEW YORK—Andrew Kalmykow, counsel of the American Insurance Assn., warned a meeting of the New York chapter of the Society of Chartered Property and Casualty Underwriters here that unless workmen's compensation benefits are upgraded, the system may well be destroyed.

Mr. Kalmykow, who served as a member of the Presidential Commission on State Workmen's Compensation Laws, told the group that he was worried about the future of the system if the various state legislatures did not act rapidly on the commission's recommendations. He felt that action might be taken in areas other than workmen's compensation, such as Social Security or welfare, to supplement low workmen's compensation benefits.

"Workmen's compensation benefits in many states are below the poverty or minimum income levels," he stated, adding that the system also included gaps in eligibility for coverage and the types of disabilities covered.

"WE HAVE recommended that everyone be covered by workmen's compensation and that all disabilities be covered," Mr. Kalmykow said.

"Our definition of adequate benefits would be two-thirds of a worker's wages. This would eliminate many of the inequities which exist under the system in some states," he continued. "We have recommended, however, that by 1973 all states provide a maximum weekly benefit of two-thirds of the average statewide weekly wage. This benefit should increase to 100% of the average statewide weekly wage in 1975 and to 200% by 1980. These maximums, of course, would apply to high-salary employees. We have

also recommended full medical care."

Stating that the system was sound but needed revisions, Mr. Kalmykow said that workmen's comp should be made an exclusive remedy so as to avoid inconsistencies. He also noted that the commission report recommends that Congress enact legislation requiring employers to purchase additional coverage or self-insure to the new benefit levels if the states have not met the requirements by 1975.

"I want to emphasize that we don't have very much time and we have no assurance that Congress will wait three years before it acts," he cautioned. "Congress is now moving to liberalize the benefits under the Longshoremen's Act.

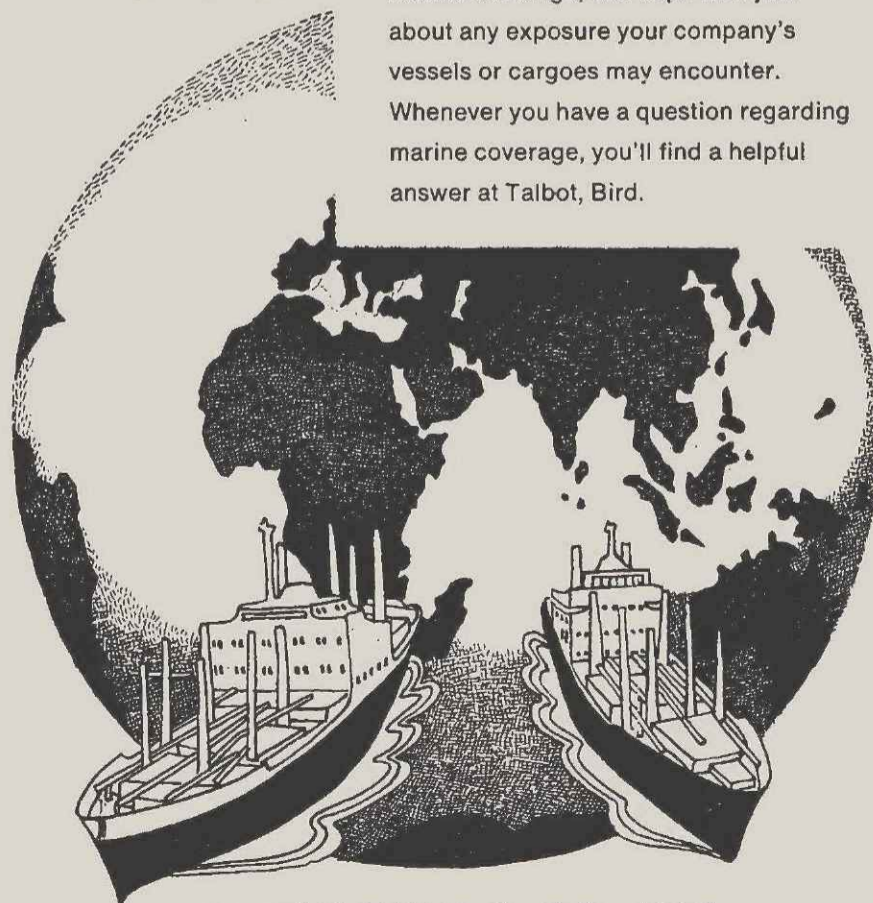
"There seems to be a broad favorable reaction to the commission's report. There are some serious problems to be resolved and the states are in the best position to resolve them. This course would be much more desirable than having the Federal government ordering states to comply with its wishes. Also, it would behoove industry to make every effort to work with the states in getting benefits to reasonable levels." ■

Flood insurance

The National Flood Insurers Assn. has reduced flood insurance rates in Wisconsin, according to Stanley C. DuRose, state insurance commissioner. The flood insurance program, subsidized by the government, is encouraging more insurance purchases in flood prone areas through lower rates. Broader coverage has been provided, extending policies to all types of structures.

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Yonkers . . .

Continued from page 3

er inland marine policy on expensive equipment like voting machines with the Federal Insurance Co., a member of Chubb & Son, Inc.

The automotive coverage for Yonkers is currently written by the Travelers Insurance Co., through "T" Associates of Yonkers, the broker on the policy be-

fore competitive bidding took place. Mr. Hauser said that the policy would be coming up for new competitive bidding in December, however. The Travelers will have to resubmit bids along with other prospective insurers before they have a chance of winning the city vehicle policy back.

THE MOST recent insurance reform that has been approved through Mr. Bieber's risk management approach is a new um-

rella coverage to protect Yonkers against major catastrophes. The insurance administrator said that such an umbrella is an unusual municipal procedure. Designed to cover such occurrences as train crashes, chlorine tank explosions, or plane crashes, the umbrella liability cover will have a \$5 million limit. The city, under this policy, would assume the first \$100,000 of loss. The Midland Insurance Co. will step in after the first \$100,000, and will cover losses up to \$500,000. In excess of \$500,000, Unigard Insurance Co. will cover losses up to the \$5 million limit.

Under the risk management approach to the Yonkers' insurance program, Mr. Bieber launched an extensive loss control procedures program. Employee first-aid instructions, vehicle inspections, and accident review boards form just a part of the loss control program. There is also a beginning program which will work in conjunction with the Occupational Safety and Health Act. This is considered a progressive step, since compliance with OSHA regulations is not yet mandatory for municipalities. Pre-construction sites are also receiving safety re-evaluations in relation to fire hazards.

Part of the success of the Yonkers business-like treatment in administering the municipal budget is reflected in the credit ratings it has received from such firms as Standard & Poor and Dun & Bradstreet. Yonkers, Mr. Hauser said, is one of the only communities that has had a surplus in its budget for three years running. It has an "A" rating, and is striving to get an "AA" rating at the next period.

Since the credit ratings determine the interest rates a city can get on loans, a good rating can do much to stabilize tax rates, the

comptroller explained. He feels that the professional management of the city budget has been a deciding factor in the high credit ratings.

The Yonkers men told *Business Insurance* that they were not aware of any other city that uses the risk management approach. But because they feel strongly about its benefits they are advocating the cause to other cities.

Mr. Hauser admitted to a continuous stream of speaking engagements, including a stint on a recent television broadcast. He wants to educate local civic groups about how to start risk management in their own towns. "It's a taxpayer's function to institute such approaches," he said.

The operating budget of Yonkers is about \$100 million yearly, which, Mr. Hauser pointed out, puts it in the same category as a major corporation. Having the financial scope of a corporation also gives a city the potential to be run like one. The Yonkers team has proven it can be done-profitably. ■

Health plans director

Employers Insurance of Wausau has set up a new position, director of health protection plans, and has named James D. Dyer to fill the post. Mr. Dyer's former position was unit manager of employe benefits at Wausau. In the new job, he will administer company health protection plans, and serve as consultant to medical groups and hospitals.

Boeing jets' coverage

Associated Aviation Underwriters carries a portion of the insurance coverage for 10 Boeing 707 jets recently sold to China. An AAU spokesman said his company writes a full one-third of the hull cover, and "a good deal" of the general liability. *Business Insurance* had reported in the Sept. 25 issue that all cover for the jets was written by U. S. Aviation Insurance Group.



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