

# business insurance

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

## Big Lew is covered—head to toe

MILWAUKEE—When the Milwaukee Bucks basketball team hired their 7'2" marvel Lew Alcindor for about \$1.4 million, the team management hurried the purchase of a mammoth manuscript insurance policy that protects sport history's largest player contract.

For tax purposes and reasons not made public, the policy was among the best guarded of insurance secrets. All dealings were via phone and few records were kept. Only two carriers were consulted for bidding. The broker handling the transaction and everyone else connected were bound to absolute secrecy.

A *Business Insurance* investigation revealed the story behind the Milwaukee Bucks four-year \$600,000-plus insurance policy on 22-year-old Lew Alcindor.

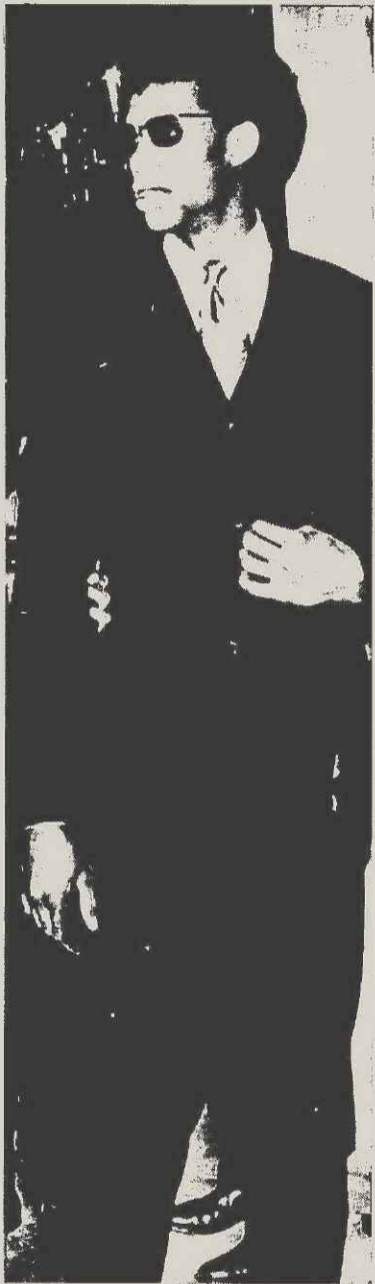
THE BUCKS received negotiating authority by winning a coin-toss with the Phoenix Suns. The negotiating began in March of this year, with Mr. Alcindor signing the prized five-year contract on April 2.

Immediately, financial minds at the Bucks, headed by treasurer Gilbert Paley, began discussing the major coverage with Mr. Alcindor's financial advisors, led by Stanley Finberg of Beverly Hills.

Canadian-American Brokerage, after long consultations, finally arrived at a desirable package which they began to solicit.

INFORMED SOURCES indicate that subtle feelers went out at first to various carriers, with

Continued on page 43



Lew Alcindor

## Cyclamate makers don't have recall covers, but not worried

NEW YORK—The government's move to ban food and beverage products containing cyclamate artificial sweeteners has caught most marketers without products recall insurance, a *Business Insurance* survey shows.

But even if they carried this type of coverage, it probably wouldn't help anyway.

Garrett Redman, assistant vp of Fireman's Fund, San Francisco, which with somewhere less than 100 recall accounts writes the lion's share of the business, was of the opinion that products recall coverage probably won't come into play in the cyclamate episode.

"BASED ON WHAT I heard Secretary Finch say on the radio, he didn't say withdraw all cyclamate products; he was telling

manufacturers not to make any more. I don't visualize any claims under the coverage," Mr. Redman told *Business Insurance*.

Such insurance, he explained, would cover the cost of notifying dealers and consumers of a bona fide recall order. But he indicated that even if the government had ordered withdrawal, the Department of Health, Education & Welfare's publicity "obviously cut down on the need for a complete program of communication."

Mr. Redman said that "there wouldn't be much point, for instance, of putting an ad in every newspaper. But if the manufacturer wanted to send a special notice to distributors and dealers, you'd probably have to go along with that."

If the manufacturer went ahead and ran national ads, however, without first checking with the

insurer, "you might find yourself paying the cost, subject to the deductible—which runs to \$1,000 for smaller companies and \$5,000 for larger companies."

ABBOTT Laboratories, Chicago, the world's largest producer of cyclamate products, is among those without products recall coverage. However, a spokesman for Abbott said that the company will make no attempt to pull cyclamate products off druggists' shelves.

There are no suits pending against Abbott involving cyclamate, and the spokesman said that only nuisance suits are expected. He held that it would be necessary for the plaintiffs to prove "bad faith" on the part of the manufacturer of cyclamate and a direct relationship between

Continued on page 43

## Pension bill heads for Hill

WASHINGTON—An Administration bill which would significantly beef up the welfare and pension plans disclosure act will be sent to Capitol Hill soon. The proposal, which was promised by President Nixon in February, is in the final stages of being drafted by the labor department.

Very much like the Johnson Administration proposal, the Nixon bill would impose fiduciary responsibilities and duties on individuals who control employe benefit funds and bar persons con-

Continued on page 43

## Late news

### Druggists to put heat on prescription drug plans?

WASHINGTON—A spokesman for the National Assn. of Retail Druggists told *Business Insurance* that he thinks there is going to be a major reaction from druggists against prescription drug such as the one which went into effect in the auto industry Oct. 1 and which is now undergoing a court test in Peoria, Ill. (Also see page 2.)

### Contractors win \$1.2 million indemnity suit

TORONTO—Two Canadian contractors have been awarded \$1,192,403 in a supreme court of Canada decision against Travelers Indemnity Co. of Hartford. The award, believed to be one of the largest of its kind, was made to C. A. Pitts General Contractors Ltd., Toronto and Foley Brothers Ltd., of Montreal. Travelers had put up a performance bond in 1958 for Stormont General Contractors Ltd. of Cornwall, which had been hired by the two contractors to complete clearance work on a \$60 million, 200-mile railroad being built at that time for Quebec Cartier Mining Co.

# London visitor finds capacity for jumbo jets

By RICHARD BJORKLUND

MT. PROSPECT, Ill.—Waller B. Smith, director of insurance for United Air Lines, returned from London this month with renewed confidence that the London and U.S. insurance markets can provide sufficient liability and hull coverages for 747 jumbo jets that United will operate in 1971.

Two things buoy Mr. Smith's confidence:

• A growing number of London underwriters are interested in taking "vertical" slices of aviation risks as opposed to "horizontal" slices of excess coverage. "That means," explained Mr. Smith, "that they are willing to take a share of the bottom layer of primary coverage where we exchange dollars as well as the 1,000 to 1 high-limit excess cover."

• London underwriters are rethinking their position on the 747 jumbo jets and are coming around to the idea that 747s are just bigger planes requiring higher limits liability and hull coverage. A 747 jumbo jet, he said, will cost \$23 million against \$10.5 million for DC-8-61s, the largest jets now in commercial service. Jumbo jets will carry 370 person in domestic service or 450 in

international service as opposed to 200 carried in today's largest jets.

"One problem involving the advent of the jumbo jets is that there will be so few of them around in the initial underwriting period, providing a thin premium base for underwriters who cover them," Mr. Smith told *Business Insurance*. "As the jumbo jet population spreads the premium base will grow accordingly, making underwriting easier."

United will receive six 747s in 1971 and put them into service within 90 days of delivery. This group will eventually grow to a fleet of 18, and other airlines have comparable 747 acquisition programs. The jumbo or wide-bodied jet fleet will also grow as Douglas produces its DC-10s and Lockheed turns out its L-1011s, medium-range jumbo jet models.

Currently, United Air Lines' insurance program includes a primary liability program underwritten by the U. S. Aviation Insurance Group that provides coverage of \$100,000 per person and \$4 million per occurrence. An excess liability limit of \$75 million is written by the London market, some of which comes back to the U. S. through companies like INA.

United self-insures its planes for in-flight losses up to \$10 million per year. Hull insurance over this limit is covered to 90% by U. S. Aviation Underwriters with a stop-loss contract written in London. Ground losses involving United's aircraft are covered to a percentage of the value of each hull, providing a deductible of \$50,000 to \$150,000 per plane.

A king-sized jumbo jet problem, according to London sources contacted by Mr. Smith, is products liability coverage for suppliers who provide components for jumbo jets.

"Currently London underwriters are working with manufacturers and future operators of jumbo jets, and for us there is no problem because makers can add products liability insurance costs to the delivered cost of the airplanes," he explained.

"Even Pratt & Whitney can add insurance costs to the price of its giant engines. But the small supplier—the company that provides screws and nuts and bolts—cannot pass on the price of products liability coverage, especially if only 5% of his business comes from aviation."

Continued on page 43

# Prescription drug plan giving auto manufacturers a severe headache

NEW YORK—Auto manufacturers that have joined in one of the nation's most ambitious drug prescription plans to date, already appear to be suffering from an overdose of paper work and legal problems, less than a month after the plan got under way.

This is the evaluation of Robert A. Lennox, supervisor of insurance for General Motors, who urged employe benefits people meeting here that if they must negotiate with or offer such a plan to their employes they do it through existing major medical programs.

Mr. Lennox spoke to those attending the 23rd annual Conference Council on Employee Benefits

held at the New York Hilton.

**A SIGN ON** the wall of a meeting room there read, "Occupancy by more than 580 persons is dangerous and unlawful." If that is correct, then the council came dangerously close to breaking the law on two days. And that despite the fact the Mets were playing and winning the fifth and final game of the World Series.

So much for the atmosphere. The prescription drug plan, which went into effect for one million United Auto Workers union members and their families Oct. 1, has since caused a headache for those who have been caught up in them, Mr. Lennox

told the group in his remarks. Moreover, no remedy for the distress has as yet been found and it has in fact been complicated by a suit filed by a Peoria, Ill., druggist who claims that such a plan violates Illinois antitrust statutes.

**THE PRESCRIPTION** drug plan, Mr. Lennox explained, was first negotiated by the UAW and Ford Motor Co. in October 1967 and subsequently adopted by UAW unions at General Motors and Chrysler Corp. For reasons he did not care to elaborate on, the plan did not go into effect until this month, however.

General Motors has worked out its plan with Metropolitan Life

Insurance Co., Ford with John Hancock and Chrysler with Aetna.

Under provisions of the plan, each covered employe pays the first \$2 of the cost of a prescription either for himself or a member of its family. The individual company then reimburses the pharmacy and is then reimbursed by the respective insurance company. The paperwork involved, as might be expected, is myriad.

While employes are not restricted as to their choice of pharmacy, there are advantages to purchasing drugs from drug stores participating in the plan. Participating druggists in areas where UAW employes live have agreed to charge a flat service fee for each prescription dispensed, plus the actual cost of the drug. In Peoria, for example, the preset service charge is \$2.10. Thus, if a prescription actually cost the druggist \$3.00 to prepare he

would be entitled to \$5.10, with the employe's company picking up \$3.10 of the tab and in turn passing it on to the insurance carrier.

**EMPLOYEES WHO DO** not wish to do business with participating pharmacists have another though more expensive plan to choose from. Under it the employe pays the druggist immediately for the cost of the prescription and he is then reimbursed by the company for 75% of the cost less the original \$2 co-payment. Under a third plan, payments made to a doctor directly for a prescription are reimbursed entirely by the company except for the initial \$2.

"The behind-the-scenes paperwork with our carriers has been extremely time consuming—and I think that's an understatement," Mr. Lennox told the conference, noting that is not the only problem. In addition to the suit in Peoria there have been complaints from pharmacists and employes that the limited number of participating druggists constitutes a form of discrimination for those who, in addition to the original \$2 co-payment, must also foot 25% of the bill from non-participating druggists.

Mr. Lennox also noted that "the dispensing fee is not entirely satisfactory in some areas," that "discounting of the co-payment is happening in some areas, to be perfectly candid about it," that "the sales tax where it applies is something of a problem because the sales tax has been built into the dispensing fee," and that "improper use of identification cards issued employes by General Motors has occurred in some cases where employes have left GM but continued to use their cards."

**THE MAJOR AND** most immediate problem, however, appears to be the suit filed in Peoria. And Mr. Lennox was unwilling to predict its outcome, nor speculate as to additional suits which could be forthcoming.

Circuit Court Judge Robert D. Hunt has issued a temporary restraining order barring Caterpillar Tractor Co. from paying the drug bills of its its employes covered by the plan.

Judge Hunt's decision was issued at the request of B. & L. Pharmacy Inc. and "about 30 other local pharmacists" who maintain they also have an interest. The suit enjoins both Caterpillar and Metropolitan, the carrier.

**THE SUIT ALLEGES** that by fixing a fee to be paid pharmacists for each prescription the defendants "combined and conspired" to fix fees to be charged

*Continued on page 8*

*(There's a way to make your factory this quiet.)*

Crash. (Tension.) Bang. (Fatigue.) Boom. (Material losses.) Thud. (Accidents.)

The factory is humming. But the noise can be costly.

For example, if you do business with the Federal Government, you'll probably have to contend with the newly-revised regulations issued under the Walsh-Healey Act. These regulations set strict standards for physical and chemical working environments—including noise levels.

At Liberty Mutual, we've been interested in noise problems for almost twenty years. For example, at our Hopkinton, Massachusetts, Research Center, we isolate machinery in an anechoic chamber to study noise generation. We experiment with noise abatement. And if sound sources can't be economically changed, we recommend enclosures or other ways to reduce the effects of noise.

Our continuing research

**LIBERTY  
MUTUAL**



into environmental health has led to new air-monitoring techniques, radiation evaluation and fatigue analysis.

If you're concerned about how your company stacks up against recognized guidelines, we'll be happy to send you our new brochure: "Walsh-Healey, Liberty Mutual and You."

It's free. From Liberty Mutual. Just write Mr. Grant B. Griffiths, Liberty Mutual Insurance Company, 175 Berkeley Street, Boston, Mass. 02117.

## GUIDE TO FEATURES

Washington Watch .....	4
State of the Unions .....	6
Info for Buyers .....	8-9
Editorials .....	22
Benefit Tax Slants .....	25
Perspective .....	31-32
Giles on the Law .....	37
London Line .....	41

Vol. 3, No. 21—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Chicago, Ill. Copyright 1969 by Crain Communications Inc.



Club-swinging radicals took to the streets of Chicago's Near North Side, clashing with police and crashing glass windows in their path.

—Wide World photo

## Conn. teachers want unemployment pay

HARTFORD—The state's attorney general's office has been asked by the state labor department to rule on whether school teachers may collect unemployment compensation during summer vacation time.

Carl Eisenman, an attorney with the state's attorney general's office, confirmed to *Business Insurance* that he had been asked for clarifications on "full implications" of public act 700, passed by the recently-concluded state legislative session, extending unemployment compensation coverages "to all municipal employees."

The ruling was sought after it had been learned that some Connecticut teachers filed for compensation during the 1969 summer recess.

SOME 98 TEACHERS, he said, had filed for unemployment compensation as of Sept. 18. State law prohibits disclosure of

## Malecki gets top 'BI' post

NEW YORK—Alfred Malecki, advertising director of *Business Insurance*, will become publisher of the newsmagazine effective Jan. 1.

Mr. Malecki succeeds Myron A. Hartenfeld, who has been named



Alfred Malecki

exec vp of Crain Communications Inc., publisher of *Business Insurance*. Mr. Hartenfeld will continue to have overall responsibility for the publication as well as two others in the Crain/Com family.

Mr. Malecki, a 12-year veteran with Crain/Com, has been an director of *Business Insurance* since its inception in October of 1967. Prior to that he served as eastern advertising manager of *Advertising Age*, also a publication of Crain Communications. ■

applicants' names.

Inclusion of teachers under the new unemployment provision would result in substantial payments to the state by local school districts under normal reimbursement procedures.

State education commissioner William J. Sanders has remarked that he does not believe teachers are eligible for unemployment compensation since they are hired on a 12-month contract.

"In our opinion," he said, "they are not eligible."

A SPOKESMAN for the state unemployment compensation office commented that there are many considerations involved before establishment of eligibility for an individual—in the event the attorney general rules in their favor.

Teachers under a 12-month contract cannot possibly apply, according to Ronald P. Scott, Old Saybrook superintendent of schools.

He said there is no real problem in such towns as Old Saybrook since the teachers are contracted from Sept. 1 through Aug. 31.

The entire matter, to Mr. Scott's view, depends on contract duration. A contract for 180 days or ten months, he added, might make the towns liable to pay unemployment compensation in event teachers apply and qualify.

THE STATE unemployment compensation spokesman remarked that there would have to be many considerations on an individual basis before a teacher become eligible for payment.

He said that persons qualifying for unemployment must be ready, willing and able and available to receive compensation. The teacher would have to be available for work. If there was evidence of a vacation, *per se*, the teacher could not qualify in the spokesman's opinion. ■

## Titan buys Alliance

Titan Group Inc., New York, has reached an agreement in principle to acquire Alliance Brokerage Corp., New York, for an undisclosed number of Titan common shares. Other firms in the Titan financial services division are the Harold Faggan Actuarial Cos. of New York and the insurance brokerage firms of Bergman & Lefkowitz, Chicago, Miami, and New York; Bala Cynwyd Associates of Philadelphia; and Harvey Insurance Agency of Los Angeles.

# Merchants 'confused' about glass coverage in wake of Chicago riot

CHICAGO—Confusion about glass insurance came after a few hundred radical members of the Weatherman faction of the Students for a Democratic Society bashed in windows of Near North Side and Loop stores and businesses to "bring the war in Vietnam home to Chicago."

A selective survey of the owners and businessmen who suffered glass breakage indicates that most didn't know what company insured them, who was or is their agent or broker—"just off hand"—or whether or not their insurance actually would cover the breakage.

LARGE CORPORATE concerns in the path of the rioters reported that they were self-insured or uninsured. Generally, the large businesses had replaced windows within a few hours or the day following the damage. The smaller businesses, both insured and uninsured, were still boarded up as many as 10 days after the destruction, but they were opened for business.

No one interviewed reported looting, and there was no arson fire.

Ed Nilsson, supervisor of insurance and finance for Walgreen Drug Stores, said the windows broken in the company's outlet near Lincoln Park, staging ground

for the initial battle, were paid for out of self-insurance. Mr. Nilsson also said that no drugs or other items were stolen from the store.

Mrs. Mary Ann Hass, president of the North Federal Savings and Loan Assn., located across the street from the Walgreen drug store, said that insurance would cover the several panes of glass broken in the association's all-glass facade building.

HOWEVER, Mrs. Hass did not know who was the broker or agent involved, the insurance carrier nor what it might cost to replace the huge panes of glass.

In the Loop, where the second major battle between the Weatherman rioters and the police took place, a jewelry store owner whose store's front window was broken said he didn't know if his insurance would cover the damage. After calling his agent, he reported that he did not have coverage for glass breakage.

Back on the Near North Side, the owner of the Perfect Touch Art Gallery said that United States Fidelity and Guaranty Co. would cover the cost of replacing the two broken windows in his shop.

Perfect Touch is housed in the Germania building and the owner of Blome Florist, which is also housed in that building, said that

all tenants have their insurance coverage arranged through the Germania building insurance broker. He said tenants were covered by the Hartford group.

The owner of the Gold Coast Player barber shop reported that he had a 50-50 co-insurance arrangement with Interstate Insurance Co. for the glass breakage. He was unaware of the co-insurance factor prior to the Weatherman riots.

AN INSURANCE agency manager on the Near North Side said that the Weatherman riots shouldn't put a crack in the Chicago area glass insurance market.

"We didn't have any claims to speak of and none for glass breakage—which is remarkable," the agent said. "But I've been looking into the glass coverage business and discovered that it pays the highest commissions of any insurance I could sell."

The reason for the high commissions, he said, was that some carriers encourage the sale of glass insurance because it is profitable. Glass companies work closely with insurance companies to provide glass breakage coverage, according to the agent, and some glass companies, in effect, provide the insurance with the carriers as fronts. ■

## Frito-Lay boosts Moseley, Ewing

DALLAS—Harry E. Moseley has been named manager of employe benefits at Frito-Lay Inc. here, and John W. Ewing has been appointed vp of employe relations.

Mr. Moseley, who previously was employe relations representative in Memphis, joined Frito-Lay in 1967 as regional employe relations manager in Louisville.

Mr. Ewing, formerly manager of personnel administration, succeeds Richard J. Caley, who has been named to the newly created post of vp of manufacturing operations.

## Three firms pay award to worker

ROCHESTER, N.Y.—A Canadian construction worker who lost both legs after a 43-foot fall from a Xerox Corp. building in Webster, has received \$180,000 in settlement of a suit stemming from the fall.

Auriel Sauve, 48, of Cornwall, Ont., said the accident occurred when he stepped on a loose piece of steel. As a result of injuries, his legs were amputated below the knees, according to his attorney, Norman M. Spindelman.

After the accident June 29, 1966, Sauve sued Spring Sheet Metal & Roofing Co. and Xerox Corp. The two firms in turn sued Austin Co. of Cleveland, which was constructing the Webster building, to collect any verdict in Mr. Sauve's favor.

Cost of the settlement, approved by State Supreme Court Justice Arthur E. Blauvelt, was divided among the three defendants.

Spring Sheet Metal & Roofing was ordered to pay \$170,000, Xerox \$5,000 and Austin, \$5,000. ■

# Fla. legislators have close insurance ties

By DON BEDWELL

MIAMI—If a survey of Florida legislators is any guide, the insurance industry swings considerable heft in some of the nation's state capitals.

The Florida check revealed that one out of every three state lawmakers has insurance interests.

And, among the more influential legislators, virtually every man can claim a direct link to the industry.

THE SURVEY, by the Miami Herald, turned up the fact that nearly half—22 of 48—of Florida's state senators are involved in the insurance business in some manner. About a third—37 of 119—of the members of the state house owe at least a portion of their livelihood to the industry.

As the newspaper noted, "Legislators draft laws regulating every facet of the insurance industry, from the form of contracts to the qualifications for agents."

Furthermore, these same lawmakers act on legislation that determines which companies may do business in the state and the regulation under which they must operate.

LEGISLATIVE leaders in Florida, more than the run-of-the-mill lawmaker, owe allegiance to insurance interests.

This year's senate president, John Matthews, has substantial insurance interests, as does House Speaker Fred Schultz.

A similar situation existed last year with Sen. Verle Pope and Rep. Ralph Turlington.

Furthermore, according to the survey, senate Republican leader Bill Young is an insurance salesman. In both houses, the chairman of the insurance committee—Rep. Carey Matthews and Sen. Dempsey Barron—does considerable legal work for insurance companies.

Sen. Barron also served as president pro-tem during the 1967 session of the legislature, and Rep. Matthews is house whip.

EIGHT OF 13 members on the house insurance committee are affiliated with insurance interests. The senate committee figure is two of seven.

Attorney-legislators with no insurance ties frankly admit that it's the kind of business they would relish being in.

"I wish I did" have insurance clients, admitted one legislator. "It's a good type of business to be in as far as the legal business is concerned."

Twenty-four attorneys in Florida's legislature acknowledge insurance connections, the largest group in Tallahassee.

THE SURVEY did not include the representation of title insurance companies, incidental to the work of most attorneys.

Information in the survey was gleaned from the legislators themselves, from conflict of interest reports and from Martendale and Hubble's legal directory.

While the attorneys lead the list with insurance ties, all three medical doctors in the state legislature also have such connections.

The newspaper launched its survey after Florida legislators were found to have been closely involved with several insurance companies that recently slipped into bankruptcy or face liquidation. ■

## Kent heads pension unit

Edgar F Kent, formerly a trust officer with the First New Haven National Bank, New Haven, has joined the Connecticut Bank & Trust Co., Hartford, as an assistant secretary, in charge of the pension administration division of the pension trust department.



# washington watch

## U.S. Rep. eyes greater safety control on tow boats and tugs

WASHINGTON—After eight years of slugging it out toe-to-toe with the American Waterways Operators' tough Washington lobby, Congresswoman Leonor Sullivan (D., Mo.) is expressing optimism that at last some Federal safety controls will now be placed on operators of tow boats and tugs on our nation's inland waterways.

Since January, 1962, Rep. Sullivan has been crusading against

the potentially catastrophic conditions that exist on and adjacent to our rivers because tow boats and tugs operating on these rivers are not required to meet any prescribed safety standards and because pilots of these craft are not required to pass an examination of competency.

Thousands of tons of hazardous materials move up and down our rivers every day, Rep. Sullivan points out. A recent study found

that close to one million tons of cargo officially classified as "hazardous"—explosives, inflammable or poisonous—pass right through Rep. Sullivan's home city of St. Louis every month on the Mississippi. And, evidence shows that many pilots who operate the tugs pushing these loads are sadly unqualified and the tugs and barges themselves are often poorly maintained.

"ACCIDENTS CONTINUE to

happen. Week after week there are fires on barges and tugs. Barges are coming loose, and barges are getting sunk," Rep. Sullivan said.

She cited numerous specific accidents such as two collisions early this year on the lower Mississippi that killed 46 people, each involving a large cargo vessel and a small tug pushing crude oil barges.

In one of them, a towboat pushing three barges was involved in a collision with a Chinese nationalist freighter directly under the Greater New Orleans Mississippi River Bridge. The lead barge, loaded with 9,000 barrels of crude oil, caught fire and flames soared 100 feet into the air, searing an 80-foot area of the bridge, buckling the steel rails on the sidewalk guards and damaging the understructure. Twenty-five Chinese crewmen aboard the freighter died.

In another mishap early this year, an unlicensed towboat operator crashed his vessel into a gasoline barge at the Mobil Oil dock just south of St. Louis, opening a gash that loosened 100,000 gallons of gasoline into the Mississippi. Rep. Sullivan endorsed the view that only the rarest of luck prevented the riverfront from being turned into a roaring inferno.

**THE ACCIDENTS** that have happened are bad enough. But, those that could happen any time are even more frightening. Rep. Sullivan cited an article in the St. Louis Globe-Democrat that quotes the following exchange between two licensed pilots.

"One day, one Saturday afternoon when the St. Louis downtown is crowded with shoppers, there's going to be a chlorine barge hit a pier or one of the bridges and rupture," the first said.

"If he hit the Eads Bridge on Saturday afternoon . . . pouff! Thirteen hundred tons of chlorine and here it all comes in a big green cloud. Remember the barge that sank at Natchez? They said if it ruptured and released that 1,100 tons of chlorine it would, with proper atmospheric conditions, have killed everything within 40 miles," the second answered.

The obvious gap in the law which places diesel-powered towboats and their pilots outside Coast Guard inspection-certification requirements was created as the diesel boats slowly, but now almost-completely, replaced steam-powered vessels.

**ORIGINALLY**, river (steam) boats were placed under the marine inspection law by the steamboat inspection service of the Commerce Department. When steam changed to diesel, the regulations died with the steam.

Rep. Sullivan's eight-year fight has been specifically aimed at extending to almost all diesel-powered towboats the same requirements for inspection and certification now on the books for steam boats of the same kind.

Thus, her proposal would require the licensing, under Coast Guard supervision, of all key towboat officers, including pilots and engineers, the laying down of crew standards, including the number of men required to operate the boats, and the construction of boats to approved design and their inspection while in operation.

Rep. Sullivan's proposal, while strongly supported by the pilots, has been vehemently opposed by most operators through their powerful American Waterways Operators' lobby, and despite her seat on the Merchant Marine Committee, she has been unable to even get hearings on the bill since 1965.

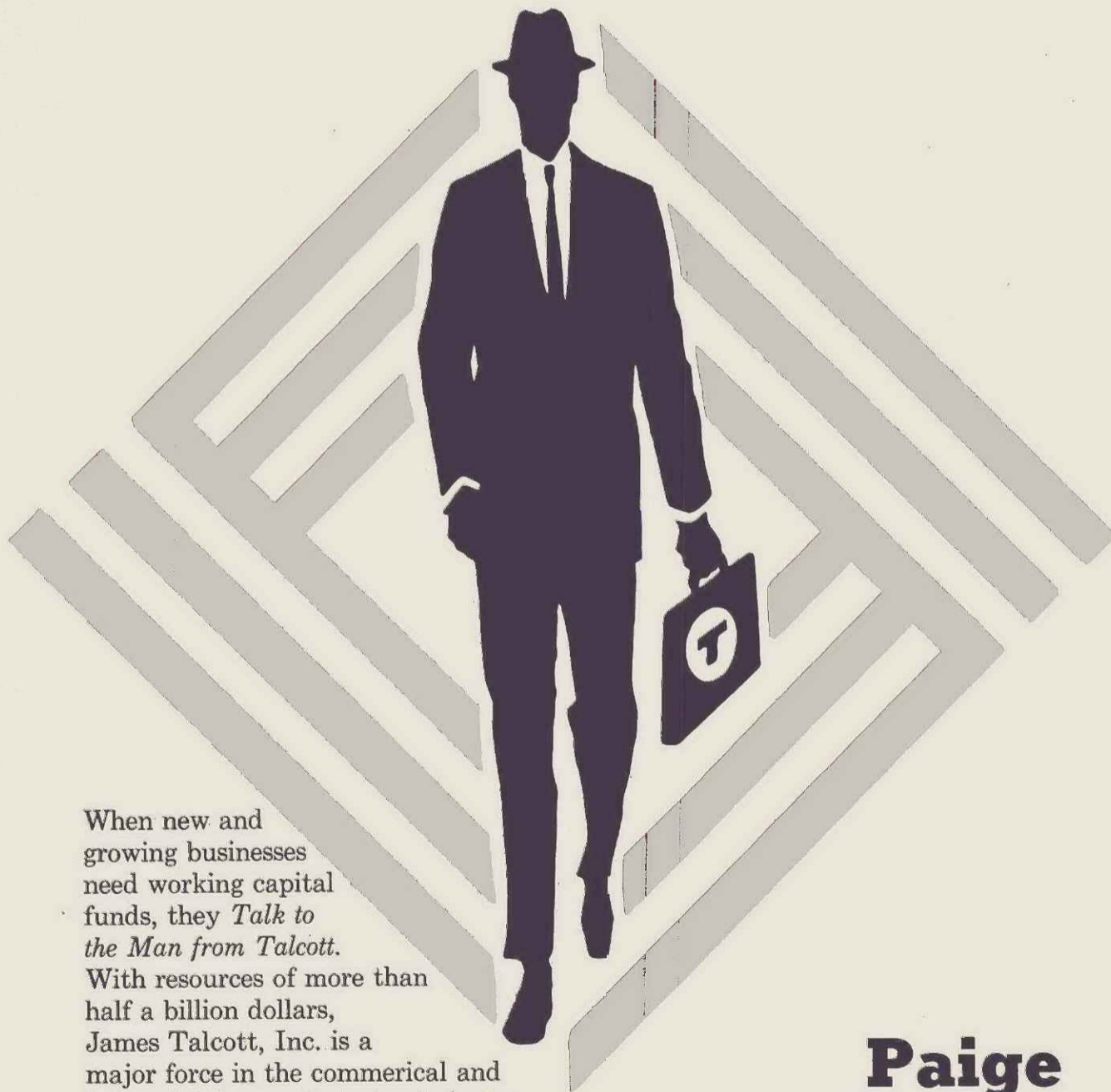
**THE CONSTANT** pressure, however, prompted Committee Chairman Rep. Edward Garmatz (D., Md.) to introduce a bill, endorsed by the operators, which would require the licensing of pilots. It did not deal with other officers, such as engineers, nor did it include safety standards for the vessels.

Reps. Sullivan and Garmatz and their separate groups of supporters have been at loggerheads for years, until recently when Rep. Sullivan finally agreed to compromise. The compromise came in the form of a withdrawal of both her bill and Rep. Garmatz' and the introduction, and active committee consideration of, three separate ones drawn up by the Coast Guard.

The first bill requires the

Continued on page 6

## When the man from Talcott talks insurance it's with Paige O'Brien Russell



When new and growing businesses need working capital funds, they *Talk to the Man from Talcott.*

With resources of more than half a billion dollars, James Talcott, Inc. is a major force in the commercial and industrial finance-factoring industry.

Their expansive outlook demands insurance planning that is innovative and imaginative. They get it by talking to the man from POBR. He can be a big factor in your insurance picture, too.

## Paige O'Brien Russell

# Caterpillar-built tractors? Now let me see...



That's the story of Ben Holt, all right. Long time ago too. He built combines. Late 1800's. Sometimes you could see, oh, forty horses out there pullin' those things around the grain fields of California.

Then ol' Ben, well, he brought out a steam tractor. Some 79 years ago. I was just a boy and what a grand machine that was.

Took six men just to run the thing it was so big. Even had a fireman on board. But he didn't stop there. Not Ben Holt. Oh, must've been 1904! He brought out the first practical crawler. Now, you wouldn't know this boy, but that was a

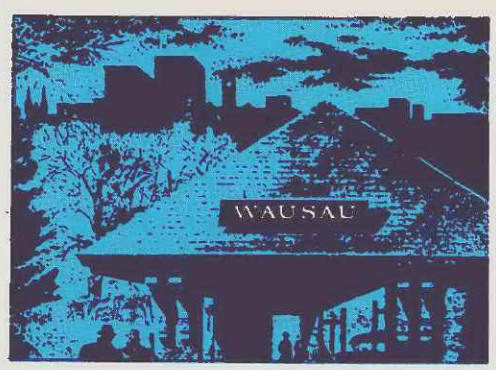
great day in farming. I remember... And Wausau remembers. The day Ben Holt tested the crawler tractor he coined a name for it that later became a famous trademark. "Caterpillar." Now, our policyholder, Caterpillar Tractor Company stands for quality and the kind of determination Ben Holt was known for in the manufacture of farming and earth-moving equipment.

It has for 79 years. Wausau stands for the same thing in business insurance.

So, we work together, and it works out well.

We think insurance ought to work for a living. That's the Wausau Story.

## Employer's Insurance of Wausau.



# state of the unions

## AFL-CIO mood in the '70s: Easing up on the employe benefits man?

By DARRYL BRADFORD  
Labor Editor

ATLANTIC CITY—The mood at the AFL-CIO convention held early this month was not so much what it was but what it was not. That, at least, is the feeling an employe benefits manager might have come away with had he attended the annual laborfest in this boardwalk town. Conventions held the last year of a decade generally set a mood or theme of things to come in the next. This year's convention was

decidedly soft on employe benefits. Therefore, it is likely some of the pressure from labor will be off the benefits man in the '70s.

If resolutions passed at this year's fest are any indication, labor's push in the '70s will be in two areas: On business for higher wages and shorter work weeks, and on government for greater occupational health and safety measures, minimum standards for workmen's compensation and unemployment insurance and improved social security benefits.

**KEYNOTING THE** convention, AFL-CIO President George Meany told delegates that today's paid holidays, vacations and pensions were "yesterday's victories." And, although he did not say it in as many words, the same should perhaps also be said of the strides made in the '60s by labor in the area of improved life and health insurance benefits now enjoyed by union members.

Although employe benefits were generally excluded from most discussion on the floor and few if any specific resolutions were passed,

they were not totally neglected. Steelworkers President I. W. Abel, for example, said he'll place primary emphasis on winning improved wages and benefits because "that's what the membership wants." He also said that the drive for shorter hours will continue to pick up momentum in the '70s, listing the 32-hour workweek as a goal "attainable" within four years.

**HOWEVER, IT WAS** the federal government and Congress which came in for the most pot shots from conventioners here.

The floor resolved that Congress must enact Federal occupational health and safety legislation "as a matter of national responsibility," and urged that body to adopt legislation that would empower the Secretary of Labor to promulgate, develop and enforce health and safety standards where adequate and developing new ones where needed. The convention also

urged Congress to provide for strong Federal inspection, enforcement and penalty provisions, with hearing procedures and court review for persons who feel aggrieved by their application.

Citing an "alarming increase in accidents on railroads" over the last three years, the convention also called on Congress to enact legislation to provide new safety standards on railroads.

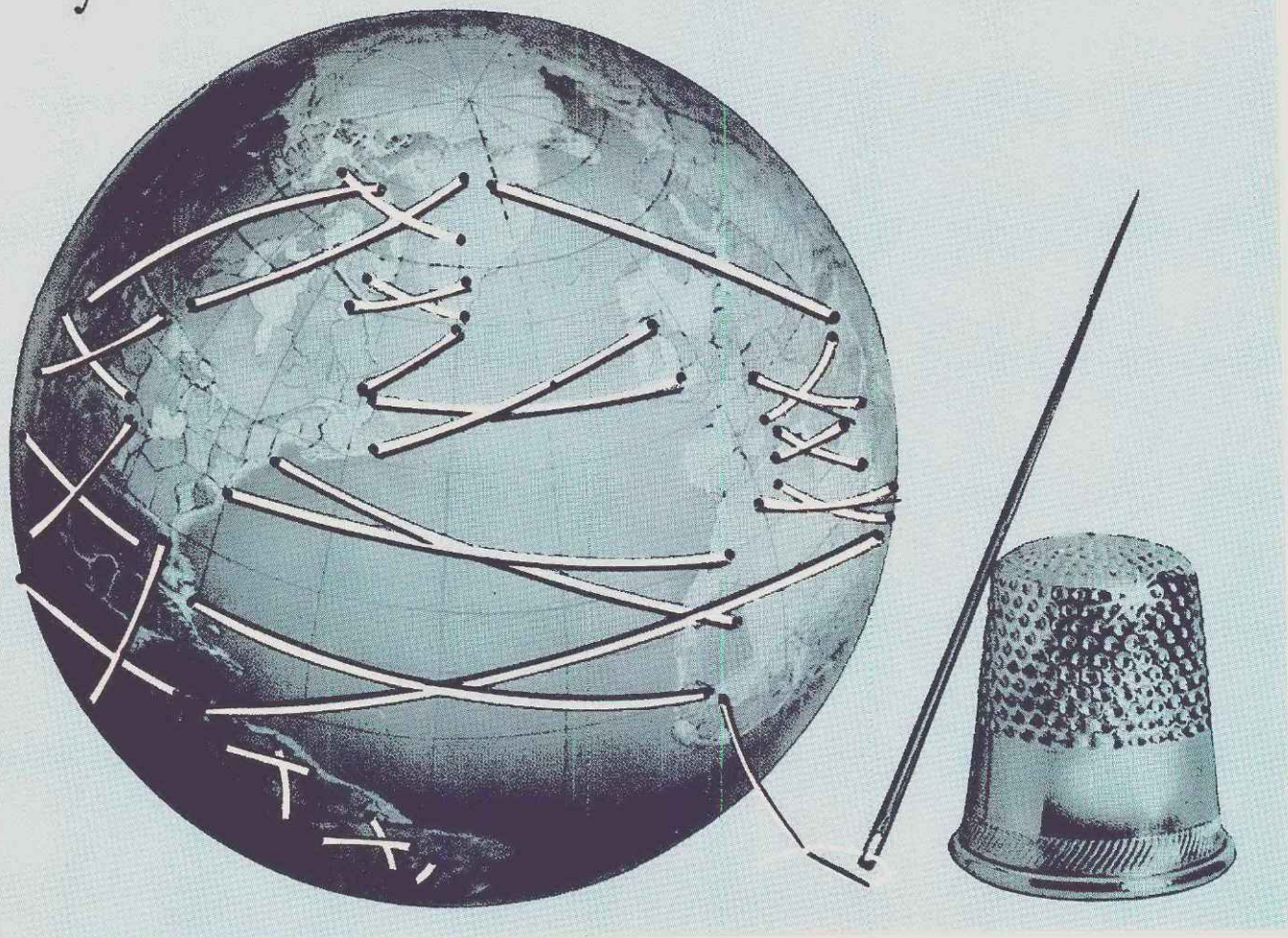
**LEGISLATION IS ALSO** needed, the resolution pointed out, to protect the public and railroad workers from increasing transportation of "dangerous chemical and petroleum products." Railroad unions contend that accidents involving such products are increasing.

Unemployment and workmen's compensation insurance also came under fire from the convention, which cited a record of "dismal failures" by state legislatures.

The failures, a resolution on unemployment insurance noted, point to the need for the Federal government to set minimum standards that would accomplish several things.

Among them: expand coverage to most workers now left out by  
*Continued on page 48*

## Here's how to tie together your International Risk Problems



**If One Company Can Serve You Best Both Here And Abroad, Doesn't It Make Sense To Consolidate All Coverages—Domestic And Foreign—There?**

If you can't answer YES to this question, you haven't investigated the international underwriting facilities at Chubb & Son Inc. which are designed to meet the new insurance demands of the multinational corporation. Think of the advantages created when global policies are combined into a centralized insurance program. Chubb's International Division is a large capacity market specializing in exactly such programs. Let us show your broker or agent the many benefits of using a single carrier for your coverage both here and abroad.



**CHUBB & SON INC. UNDERWRITERS**  
Subsidiary of The Chubb Corporation, 90 John Street, New York, N.Y. 10038

MANAGER Federal Insurance Company • Vigilant Insurance Company • Great Northern Insurance Company • The Sea Insurance Company Limited • The London Assurance • Alliance Assurance Company Limited • Sun Insurance Office Limited • Affiliated with Pacific Indemnity Group through The Chubb Corporation • Life, Personal Health, Group Insurance, Pension and Profit Sharing Plans through The Colonial Life Insurance Company of America • Aviation Insurance through Associated Aviation Underwriters.

## Wash watch...

*Continued from page 4*  
licensing of pilots in all boats of more than 15 gross tons, or almost all of the 6,000 boats in operation. It also would require all boats of 750 horsepower or more to have a licensed engineer. This would effect about 1,700 of the boats.

The other two bills deal with the mandatory installation of ship-to-shore radios to about 355 of the biggest towboats in operation and the enforcement of "rules of the road," and the compliance with river signs and regulations, which, according to Mrs. Sullivan, are presently only hazily observed.

Rep. Sullivan has commented that, while she is not entirely happy with the three bills, they are at least a step in the right direction and should begin moving toward passage now. She has not given up her safety inspection plans, but said the Coast Guard is ready to delay this phase of the program because of budget problems.

### SARASOHN AND COMPANY PUBLIC ADJUSTERS

**9 CONVENIENT OFFICES**

East Orange, New Jersey (Home Office)  
85 S. Harrison Street (201) 675-1400

New York, New York  
347 5th Avenue (212) WH 4-3337

Bridgeport, Conn.  
(Tri State Adjustment Service Co.)  
27 Post Office Arcade (203) 333-5555

Newburgh, New York  
231 Liberty Street (914) 562-9420

San Juan, Puerto Rico  
1700 Ashford Avenue 722-5977

No. Miami, Fla.  
16924 N.E. 19th Ave. (305) 945-6338

Memphis, Tenn.  
(Roddy and Sarasohn, Inc.)  
651 South Cooper St. (901) 274-2305

Scranton, Pa.  
129 N. Washington Ave. (717) 342-8230

Kansas City, Mo.  
10th & Walnut Streets (816) 42-7070



## Why does Parke-Davis insure with AFIA?

Because Parke-Davis and its brokers need to be certain their international underwriter has the experience, knowledge, and the local offices abroad to meet any insurance problem that may arise.

Parke-Davis is typical of companies doing international business today. It has complex insurance requirements which can only be met by an organization with resources to match the insured's global commitments. AFIA, with its more than 200 branch offices and 3,000 people in 80 countries, is the leading foreign underwriter capable of providing the kind of

service that insureds like Parke-Davis expect.

AFIA also has seven offices in the United States. Each is staffed by knowledgeable insurance people who can help you plan your international insurance programs, using the latest available foreign information. Our world headquarters in New York is the industry's leading source for insurance information overseas.

These reasons help to explain why Parke-Davis is one of the 87 largest companies in America doing business overseas that insures with AFIA.



WORLDWIDE INSURANCE World Headquarters: 110 William Street • New York, N. Y. 10038

U. S. branch offices: Chicago • Dallas • Houston • Los Angeles • San Francisco • Washington, D. C.



Management Consultants

## COMMONWEALTH SERVICES INC.

NEW YORK, N. Y.

300 PARK AVE.

(212) 688-1800

JACKSON, MICHIGAN

WASHINGTON, D.C.

### Insurance and Pensions:

insurance audits,  
management of corporate insurance programs,  
evaluation and planning coverage for specific application,  
analysis of pension and employee benefits programs.

Commonwealth diversification helps  
management solve complex problems.  
Its strength is reinforced by its ability to  
draw upon the resources of its various companies.

## Drug plan . . .

Continued from page 2  
for services in violation of the  
statutes.

The question raised, according to J. M. Mathis and James Hatcher, attorneys for B. & L. Pharmacy, was whether the insurance company imposed a program on pharmacists that has the effect of forcing customers to "participating" drugstores, "thus indirectly forcing price-fixing."

In a letter to employees reporting the legal development, Caterpillar said, "The company and the union will continue to defend the legality of the plan under Illinois law." However, employees were told that only bills for prescriptions incurred prior to the issuing of the restraining order would be paid by the company.

In the meantime employees can purchase drugs under the two alternate plans. ■

## info for buyers

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

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

available from the association for 75¢, at 60 Battery March St., Boston, Mass. 02110.

- A specification sheet detailing the safety and performance features of **Ansul Carbon Dioxide Extinguishers** is available from the company at Marinette, Wis. 54143. The extinguishers come in 5, 10, 15 and 20 pound capacities and are suited for indoor use where winds and drafts do not affect discharge of the gas or where an extinguishing agent leaving no residue is required. Carbon dioxide units are well suited for use with flammable liquid, gas and electrical hazards.

- **Model 934** solid state, microwave intruder alarm system is a simple detector developed by Burlingame Scientific. It can cover a rectangular area up to 10,000 square feet or a corridor 20 feet wide and 300 feet long and is ideal for protecting warehouses, manufacturing and storage areas, and garages. Model 934 can sense a three-square-foot target moving in the protected area at a rate of three inches per second and ten miles an hour. Price is \$697 F.O.B. Burlingame, Cal.

- **Alarm Lock Corp.**, 33 Powerhouse Rd., Roslyn Hts., N.Y. manufactures **Safety Alarm Lock**, which provides full-time locking of emergency exit doors while complying with standard safety and building department codes. The first person to reach the door releases the lock with slight pressure on the clapper, automatically opening the door and sounding the alarm. A brochure describing units for different types of doors is free from the corporation.

- **Computer Claims Control** has published a new brochure entitled **Facts in Motion for IMPACT**. IMPACT stands for Insurance Management + Accident Control Technique, an information control system to relate the total costs of accidental loss to each operating division of a company. Monthly computer reports are designed to communicate with divisional management to motivate correction of cost-causing conditions. To obtain a Facts Pack on IMPACT, write Guyon Saunders, Computer Claims Control, Box 9013, Armarillo, Tex. 79105.

- Buyers of benefit plans will be interested in two booklets published by Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 60606. Under the heading of **Understanding Benefits**, the two informational items cover disability benefits and group term life insurance. For information on quantity prices, contact the publisher.

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

- **Holmes the Protectors and Automation on Guard** are two pamphlets explaining the background and services of Holmes Electric Protective Co. Light, sound and vibration detectors are covered briefly, as well as vault protection and use of a silent alarm. To obtain the booklets, write the company at 370 Seventh Ave., New York, N.Y. 10001.

- A 20-page booklet, **The Liberty Mutual Products Liability Seminar**, is free from Liberty Mutual, 175 Berkeley St., Boston, Mass. 02117. It covers current history of products liability exposure and how it has mushroomed; what its effect can be on any company; establishing a basis for evaluating the liability hazards and potential loss exposure and insurance protection; the problem of strengthening market position, maintaining profit margin and curbing increasing government control; and it evaluates recent trends in controlling potential losses and establishing business procedures for product liability claims.

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

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

- The National Fire Protection Assn. has published in pamphlet form its **Proposed Standard for Fire Tests of Window Assemblies** (NFPA No. 257-T). The text has not yet been officially adopted by NFPA and is still subject to major revision. The item applies to window assemblies including glass block and other light-transmitting assemblies for use in wall openings to retard passage of fire. Copies are

- A 12-page booklet from Commercial Loan Insurance Corp. discusses **Lease Guarantee Insurance** as a new concept in rental income security. A premium rate chart is used to illustrate the item and information concerning the corporation's reserves is included. For a copy write the corporation at 606 Marine Plaza, Milwaukee, Wis. 532031.

# Cross the retirement bridge before you come to it!

Every year there are more retired people. And every year their employers are faced with the dilemma of what life insurance protection—if any—to provide these valued employees after retirement.

Group term life insurance offers one solution. Coverage goes on although advancing ages produce a rapid increase in cost for employer and employees too, if the plan is contributory.

Then, there's this new concept in group life insurance. NWNL calls it Extra Group Ordinary—EGO for short because it provides values and protection that belong to the individual permanently.

EGO is a practical means for an employee to finance his post-retirement protection during productive working years. It enables the

employee to accumulate an amount of *paid-up* life insurance by age 65 or at retirement. This obviates the need for an employer to continue costly term insurance and helps stabilize future group insurance costs by eliminating the inevitable increase in term rates at the older ages.

As an exceptional fringe benefit EGO is available to employees without evidence of insurability, at rates which compare favorably with amounts charged for permanent life insurance purchased on an individual basis. And if desired, they may continue protection after retirement at a rate based on their *age at original issue*.

Write for a copy of the EGO Primer on your letterhead. It will tell you how you can cross the retirement bridge *before* you come to it!



NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

20 WASHINGTON AVENUE SOUTH • MINNEAPOLIS, MINNESOTA 55440

# Senate passes oil spill liability measure

• The second edition of **Profit Sharing in Perspective**, by B. L. Metzger, has been published by the Profit-sharing Research Foundation. The up-dated information places primary emphasis on: unionized profit-sharing companies; problem solving through profit sharing; profit improvement tied to profit sharing; incentive methods, today and in the future; cash-deferred options in profit-sharing plans; and increased productivity through joint participation. The study costs \$8.50 and is available by writing the foundation at 1718 Sherman Ave., Evanston, Ill. 60201.

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

• **If You Don't Believe in Astrology . . .** is a fold-out brochure published by State Farm Insurance Cos. Based on a zodiac theme, the item would make an interesting and informative employe handout because it deals with fire prevention safety tips for members of the household. It is available through any of State Farm's 22 regional offices or the main office in Bloomington, Ill. 61701.

• A 12-page booklet, **Tentative Standard for Explosives Motor Vehicle Terminals**, is available for 75¢ from the National Fire Protection Assn., 60 Batterymarch St., Boston Mass. 02110. The material, which discusses terminals defined as "interchange lots" where explosives vehicles are parked, "less-than-truck-load lots" for unloading and reloading partial loads, and vehicle maintenance shops, and/or driver rest facilities. The material is being submitted for official adoption by the association. The item is NFPA number 498-T.

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

• Honeywell Inc. has compiled information on the use of computers in transportation in a booklet concerning a railyard switching system built by Wabco. There is the possibility that the switching system helps reduce accidents in the yard, although there are no statistics available. To obtain the booklet, contact Honeywell's computer control division at Old Connecticut Path, Framingham, Mass. 01701.

• **Exploring New Insurance Horizons . . .** presents the history and philosophy of Eliel and Loeb Co. In its booklet, the brokerage firm lists case-history type summaries of work completed for various kinds of companies. For a free copy write the company, in care of David L. Glueck, vp, 175 W. Jackson Blvd., Chicago, Ill. 60604.

WASHINGTON—Despite protests from insurance underwriters and shippers all over the world, the Senate has passed a bill which would hold ship owners liable for unlimited costs for cleaning up oil spills in which the oil discharge was intentional or resulted from negligence.

The Senate passed the proposal with an 86 to 0 vote after two days of floor debate, sending it to conference with the House. The House passed a similar bill in April, but their version would limit the owners' liability to \$100 per gross ton of the vessel, up to a maximum of \$10 million.

The Senate bill calls for the owner to pay, without limit, if the government finds that the oil discharge is the "result of negli-

gence or a willful act." If no negligence is proved, the owner would be required to pay costs equal to \$125 per gross ton of the vessel, up to a \$14 million maximum.

**BOTH THE SENATE-** and House-passed proposals would release a tanker owner from any liability in cases in which the cause of the spill is traceable to an act of war, God, or a third party, or resulted from negligence on the part of the U.S. government.

Protesting the Senate's insistence on unlimited liability when negligence is proved, representatives of both the insurance and oil industries testified repeatedly before the Senate public works

committee that they could imagine no circumstance in which a discharge of oil would occur without some degree of negligence.

For this reason, some foreign shippers reportedly have threatened to stop coming into U.S. ports if the Senate bill becomes law. That bill leaves no protection for an innocent owner, anyone of whose employes could be responsible for the violation, without the owner's or manager's knowledge, it was pointed out.

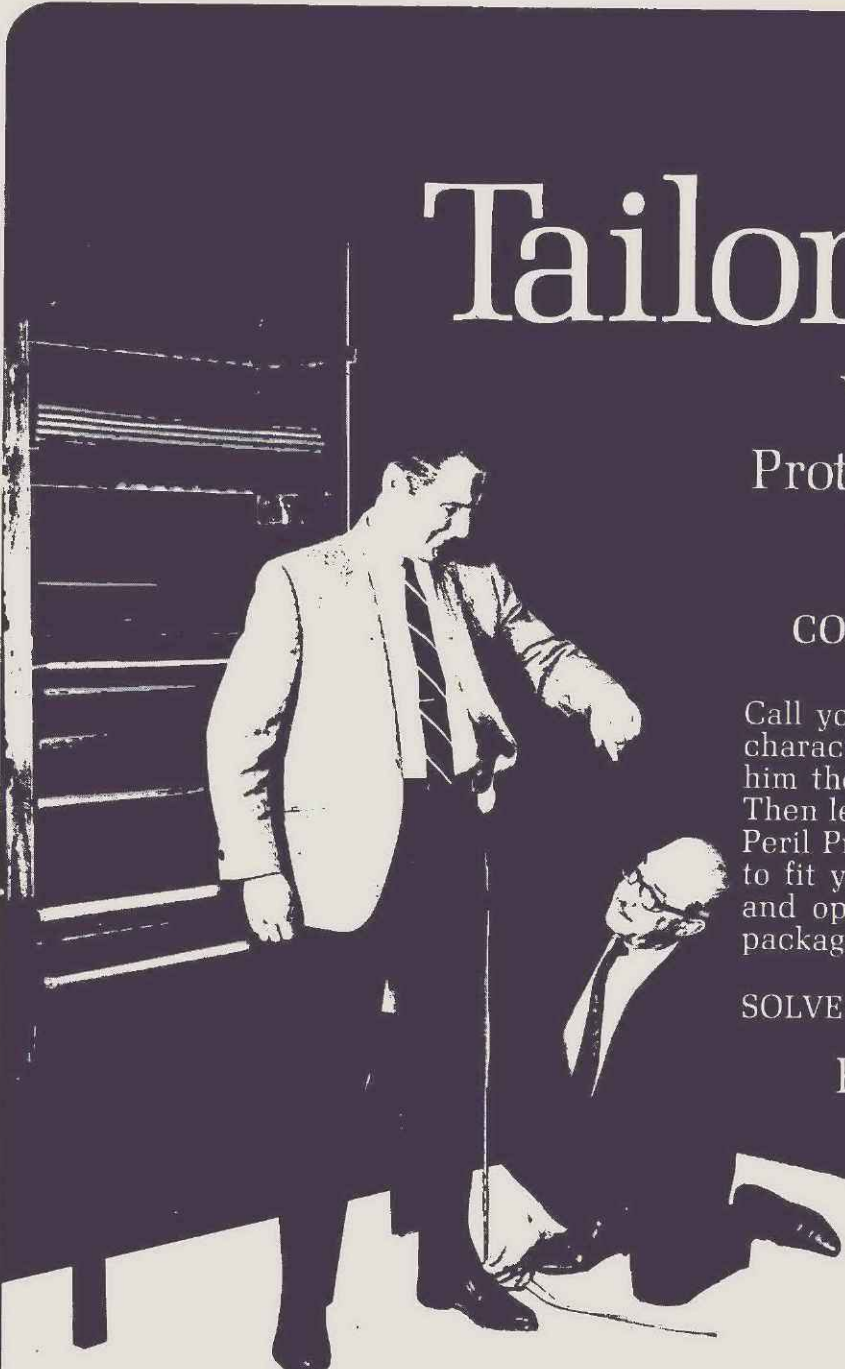
Representatives of both American and British underwriters told the Senate committee in no uncertain terms that they simply will not insure when there is unlimited liability in cases of negligence.

Regarding the liability of offshore drilling operations, both the Senate and House bills establish an \$8 million maximum liability. The House also sets an \$8 million limit on on-shore facilities for processing, transporting, transferring or storing oil.

The Senate, however, sets the limit at \$125 per ton of oil that any processing, transporting or transferring facility can pass through in a 24-hour period, or that the largest unit of any tank farm could store at a given time. ■

## Nonprofits offered cover

American Home Assurance, New York, is offering directors and officers liability insurance to nonprofit and/or charitable organizations.




# Tailor made...

Yes, a Gulf Multi-Peril Protection Package Policy can be tailored to fit your company's specific needs!

Call your Gulf Agent today—Brief him on the characteristics of your business, review with him the extent of your current peril coverage. Then let him show you how easily a Gulf Multi-Peril Protection Package Policy can be tailored to fit your specific needs, by combining basic and optional coverages in a single multi-peril package.

SOLVE YOUR INSURANCE PROBLEM FAST...  
**PUT A G-MAN ON IT!**



**GULF INSURANCE GROUP**

DALLAS, TEXAS

©1965, HEMISFAIR '68®

OFFICIAL INSURER OF HEMISFAIR '68



Central Division Indianapolis, Indiana	Eastern Division Fort Lee, New Jersey	Pacific Division Los Angeles, California	Southwestern Division Dallas, Texas
---	--	---	--

# N. California quakes tough but not up to experts' pessimistic forecast

SAN FRANCISCO—They were big—the three earthquakes that rocked Northern California as October got under way—but not the truly devastating ones all the seers have been predicting.

Reason, according to insurance company "quake experts" and University of California seismologists, was that the three earthquakes did not come from California's two major earth faults, the Hayward and the San Andreas.

Instead, the tremor's epicenter was a small fault that parallels the foothills of Santa Rosa.

**THE RICHTER** Scale readings were 5.6 and 5.5 for the first two and 3.8 for the final rumble, the

strongest to hit the area since the 1961 tremor.

The three quakes were strong enough, however, to cause damages at Santa Rosa estimated by that city's Mayor Jack Ryerson as between \$5 million and \$10 million.

Original estimates of \$1 million damage are being revised upward, Mayor Ryerson said, "as city investigators keep finding more and more evidence of structural damage to buildings."

City engineers have been finding buildings with no visible damage had suffered "severe structural damages, far beyond simple plate glass breakage"

**SAN FRANCISCANS** definitely

ly felt the slippage in the Santa Rosa faults as it moved wavelike in a southerly direction down both sides of San Francisco Bay, diminishing in intensity as it moved farther south from Santa Rosa.

However, Santa Rosa, a community of 50,000 residents, rocked and reeled like the traditional drunken sailor.

City Manager George Minturn reported 11 Santa Rosa residents suffered minor injuries, mostly cuts from shattered glass left on floors after the three shocks.

Literally hundreds of homes were damaged in the three quakes, which shook a 150 mile stretch of Northern California. At least two houses shifted so badly

on their foundations that they are considered "a total loss."

**ONE SCHOOL**, previously condemned as unsafe, was damaged to the point at which it will have to be demolished.

Hardest hit building was the Miramar Hotel, built a year or two after the 1906 earthquake. In addition to the exterior damage, some \$5,000 worth of liquor in the hotel's bar-restaurant, ran down the streets as the quakes broke bottles.

Santa Rosa Memorial Hospital reported damage to its cardiovascular equipment would exceed \$100,000.

Water pipes were broken in 70 places and Pacific Gas & Electric Co. was required to turn off gas to more than a hundred homes where leaks developed.

**DAMAGE TO** city owned structures will be covered by the

city's self-insurance, but San Francisco based insurance companies, which now have crews of adjusters at Santa Rosa, refused to offer any estimate of what their potential losses might amount to.

Two more earthquakes, on Oct. 6, both mild, jarred Santa Rosa a few days after the major quakes. The later tremors registered 3.7 and 2.5 on the Richter scale and were the fifth and sixth to rock the city in less than a week. Neither of these two quakes however caused any damage.

As a result of the first three quakes, Sonoma county has been declared a disaster area and is therefore eligible for low-interest loans from the Small Business Administration to repair damage caused by the quakes.

Several department stores remain closed. Approximately 40 homes were damaged beyond repair and 200 suffered serious damage.

**AMONG THE** unexpected side effects was the closing of the city's Roxy Theater, which had specialized in nudie sex films. It has opened a few months ago, in spite of strong civic opposition. With city leaders still trying to get it closed legally, the earthquake succeeded in doing what they couldn't do. The building is no longer considered safe.

In view of normal restrictions on earthquake insurance, the city will have to pay for most of the damage out of its self-insurance fund.

# Is there a medical benefit plan for ailing profits?

Medical benefit plans have a way of getting out of hand. Even as the costs of medical care keep climbing, employers are pressured to add a little more coverage here, an extra wrinkle there.

You may not even be overdoing it. You may need every bit of the employee coverage you now have. But without close professional attention, your medical plan can easily become a drag on your P & L Statement.

Before things go wrong, let Johnson & Higgins review your entire program. Your problem may be a lack of coordinated planning and effective control. Our staff of experienced consultants and medical plan specialists will make a professional examination of what you're spending, and how you're spending it. Help you eliminate overlapping coverages and install tight controls. Help you reshape your medical and other benefit plans to give you only the precise coverage you need, and at the most reasonable cost.

Our approach as insurance brokers and employee benefit consultants has one aim — protecting your profits.

# Johnson & Higgins

In major cities in the United States, Canada, around the world, and at 63 Wall Street, New York.

## Boston blaze sure to top first estimate

**BOSTON**—A fire that destroyed a supermarket chain's warehouse here was originally estimated at causing \$15 million damage. At the time, however, a company spokesman said it could conceivably go much higher than that because of interruption factors. Apparently it will.

The blaze destroyed a Stop & Shop warehouse, virtually wiping out one-third of the company's food resources. The chain is considered to be the number one food retailer in the Boston area and number two in all of New England.

An insurance executive, speaking to a gathering of American Society of Insurance Management in Philadelphia recently, said that he understands "reserves for the fire have now been placed at \$25 million." Stop & Shop is insured with both domestic carriers and Lloyd's of London.

**QUESTIONED ABOUT** the new estimate, a spokesman for the food company told *Business Insurance* that he "doubts the figures are going to be that high. That might have been the figure when adjusters first surveyed the damage, but I think they have subsequently revised it and come up with a more conservative figure."

He was unwilling to say what Stop & Shop's own estimates are, explaining that total expenses will not be known for some time. However, it is believed losses far exceed the \$15 million figure. The company estimates it will take more than a year to build another warehouse and, in the meantime, business interruption expenses are being rung up daily. The company has interruption clauses written into its policies.

Stop & Shop retail outlets in the area are still being supplied on a direct basis by major suppliers, such as General Foods, Scott Paper and Procter & Gamble.

# Baylor says ASIM unit 'new voice for consumer'

CHICAGO—A corporate insurance buyers' committee has been hailed as a "new voice for the consumer" by Illinois Insurance Director James Baylor.

Mr. Baylor told *Business Insurance* that he welcomes the formation of the Chicago liaison group of the American Society of Insurance Management, a six-man committee that will confer with him about insurance regulation and legislation in Illinois.

"My concern," said Mr. Baylor, "is that consumers' groups have so little voice in what is going on, even though they have a major concern about insurance matters."

The insurance director said he views himself "as the transmitting agency, if nothing else." For this reason, Mr. Baylor said, he welcomes the formation of the ASIM committee to work with his office.

WALLER B. SMITH, director of insurance for United Air Lines and chairman of the Chicago ASIM liaison committee, said, "If this is a pilot program, it should give rise to unbridled enthusiasm

## AMA vp seeks 'idea integration'

DETROIT—The newly elected vp in charge of the insurance division of the American Management Assn. believes that a greater integration of ideas between buyers and sellers is called for, and in his year in the "volunteer" office he hopes to make a contribution in that direction.

"I'm just getting started," Daniel D. Gaitley, insurance manager for Chrysler Corp., told *Business Insurance* the other day, adding that he has no wildly innovative ideas planned for his year of office.

"I guess I function as a chairman at the various AMA meetings and seminars, as well as having a hand in the planning of the sessions. But there's not too much to do on a day to day basis. The AMA has a full-time staff for that.

"WE HOPE TO do more programs of greater interest to buyers, producers and brokers. In the insurance industry—using the broad term—there are probably more things of greater consequence taking place now than ever before. It's our function to keep ourselves abreast of these changes and provide a forum where ideas and problems can be put on a table for discussion."

Asked if there is any one thing that strikes him as of paramount importance during these consequential days, Mr. Gaitley commented:

"If anything, maybe it is that there hasn't been complete communication between insurance buyers and sellers in the past."

**A SOLUTION?**

"Maybe these communication problems can be mitigated or even resolved through the AMA and other vehicles like it where we can get beyond the glitter of this business and get to specifics. There are a lot of independent conferences going on all the time," he added, intimating that buyers talk to buyers, sellers to sellers and brokers to brokers.

What is more necessary, he said, is an integration of these groups. The AMA has provided a certain amount of this, he added, but even more is needed.

for this type of dialogue."

In the first meeting with Mr. Baylor, the Chicago ASIM committee considered such matters as:

- The need, if any, for a state-sponsored and controlled insolvency fund and the optimum methods for maintaining such a fund.
- The operation of the Illinois FAIR plan and whether insurance under the plan is overpriced or insurance requirements continue to be unfulfilled by the plan.

- Whether present premium taxes in Illinois are equitable and efficient, and whether there should be a parity between taxes imposed on domestic and foreign companies.
- What impact long-range economic trends will have on demands for insurance capacity, particularly for the major corporate insurance buyer.

Members of the Chicago ASIM liaison committee pledged to Mr. Baylor that they will bring these matters to the attention of the chapter's membership at a meet-

ing this month and will report to him after members have reacted to problems and questions presented by the insurance director.

"THE BALL SO often gets dropped on pressing insurance matters," Mr. Baylor said, "and I felt that this ASIM committee could help us attack such problems as insolvencies, taxation and the loss of capacity through the formation of conglomerates that buy insurance companies."

Mr. Baylor indicated that the

committee will consider a wide range of matters including the need for corporations to take responsibility for work safety without shunting the problem to their insurers.

Members of the Chicago ASIM liaison committee, in addition to Mr. Smith, include Dean Alexander, Consolidated Foods Corp.; William F. Burke, Inland Steel Co.; Edward D. Hansen, Trans Union Corp.; James Mascarella, Quaker Oats Co. and H. Jay Varner, Bell & Howell Co.

# strictly top drawer

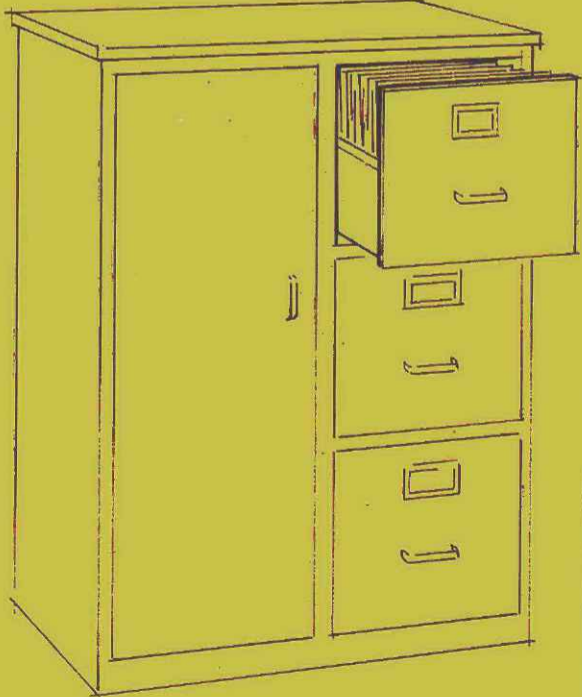
As individual businesses these firms are the outstanding sources of insurance in their respective areas.

Collectively they form Insurance Service Associates—the world's most knowledgeable network of independent brokers.

A network that can serve you with on-the-spot insurance representation virtually anywhere, any time . . . that can also provide influential contacts wherever you choose to grow, or sources of information, or ease you through language barriers.

Clearly, those who insure through I.S.A. members get the attention they deserve. They also get broader protection and more attractive rates. (I.S.A. has a combined purchasing power approaching \$250,000,000.00 in annual premiums.)

Sound interesting? The member near you will be glad to give full details.



## INSURANCE SERVICE ASSOCIATES

- A-C**
  - ALABAMA, Birmingham, Independent Insurance Agents, Inc. Mobile, Thames & Batre
  - ALASKA, Anchorage, LaBow Haynes Co. of Alaska, Inc.
  - ARIZONA, Phoenix, National-Heard Insurance
  - ARKANSAS, Little Rock, Rector, Means and Rowland, Inc.
  - CALIFORNIA, Los Angeles, Kindler, Laucci & Day San Francisco, Clifton & Company
  - CANADA, Manitoba, Winnipeg, Ryan Agency Limited Ontario, Toronto, Tomenson, Saunders Limited Quebec, Montreal, E. A. Whitehead Limited Saskatchewan, Regina, Ducketts Limited
  - COLORADO, Denver, Loiseau, Neiswanger & Co.
  - CONNECTICUT, Hartford, Goodwin, Loomis & Britton
- D-I**
  - DISTRICT OF COLUMBIA, Washington, Howard & Hoffman Incorporated
  - FLORIDA, Jacksonville, Harry E. James, Inc. Miami, D. R. Mead & Company
  - GEORGIA, Atlanta, Dunlap and Company Savannah, Palmer & Cay, Inc.
  - HAWAII, Honolulu, The Hawaiian Insurance & Guaranty Company, Limited
  - IDAHO, Boise, Stein-McMurray Insurance Inc.
  - ILLINOIS, Chicago, Stewart-Keator-Kessberger & Lederer, Inc.
  - INDIANA, Indianapolis, Robert N. Bowen & Associates, Inc.
  - IOWA, Des Moines, LaMair-Mulock-Condon Co.
- K-N**
  - KANSAS, Wichita, Wheeler Kelly Haggy Insurance, Inc.
  - KENTUCKY, Louisville, Nahm and Turner, Incorporated
  - LOUISIANA, New Orleans, Gillis, Hulse & Colcock, Inc.
  - MAINE, Portland, Morse, Payson & Noyes
  - MARYLAND, Baltimore, Riggs-Warfield-Roloson, Inc.
  - MASSACHUSETTS, Boston, Boit, Dalton & Church, Incorporated Lowell, Fred. C. Church, Inc.
  - MEXICO, Mexico, D.F., Kennedy & Hijo, A. P.
  - MICHIGAN, Detroit, General Underwriters, Inc.
  - MINNESOTA, Minneapolis, Wirt Wilson & Company
  - MISSISSIPPI, Jackson, Fox-Everett, Inc.
  - MISSOURI, St. Louis, Lawton-Byrne-Bruner Insurance Agency Co.
  - NEBRASKA, Lincoln, Weaver-Minier Company, Ltd. Omaha, Jones-Weaver-Minier-Martland, Inc.
- N-T**
  - NEW YORK, Buffalo, Laverack & Haines, Inc. New York, Despard & Co., Inc.
  - NORTH CAROLINA, Charlotte, James J. Harris & Company
  - OHIO, Cincinnati, A. W. Shell & Company Cleveland, The W. F. Ryan Corporation
  - OKLAHOMA, Oklahoma City, Ansel Earp, McEldowney & Associates, Inc.
  - OREGON, Portland, Jewett, Barton, Leavy & Kern
  - SOUTH CAROLINA, Columbia, Boyle-Vaughan Agency
  - TENNESSEE, Kingsport, Bennett & Edwards Agency, Inc. Memphis, E. H. Crump & Company
- T-Z**
  - TEXAS, Dallas, Harris-Moore and Associates Houston, Houston, Stevenson & Cummings
  - UTAH, Salt Lake City, Ed. D. Smith & Sons
  - VIRGINIA, Richmond, DeJarnette & Paul Roanoke, Chas. Lunsford Sons and Izard, Inc.
  - WASHINGTON, Seattle, LaBow, Haynes Company Inc.
  - WEST VIRGINIA, Charleston, McDonough-Caperton-Shepherd-Goldsmith
  - WISCONSIN, Milwaukee, Carney-Rutter Agency, Inc.
  - PUERTO RICO, San Juan, Barros & Carrion, Inc.

.....

ARGENTINA, AUSTRALIA, BELGIUM, COLOMBIA, ECUADOR, FRANCE, GERMANY, ITALY, JAPAN, NETHERLANDS, NEW ZEALAND, PERU, VENZUELA



# If it's too big to handle, we'll eat our hat.

Chew it over with your independent agent.

Ask, for instance, about SUPERCOVER, our new Blanket Excess Liability Policy for business. (It's the only policy with three deductible options.)

Or our anything-but-ordinary Ordinary

Excess — for both Commercial and Professional.

Or Product Withdrawal.

Or Errors and Omissions Insurance — for newspapers, broadcasters, advertisers, ad agencies, electronic data processors.

In short: whatever the risk, make sure your agent checks out Fireman's Fund. And while he's at it, ask him to get you our explanatory brochures.

We think you'll find we're just your size.

**Fireman's Fund American/Excess Risk Insurance**



# Avis to rent cars in Russia; insurance limits equal N.Y.

NEW YORK—Avis International has reached agreement with Intourist, the official Soviet travel organization, and will soon be providing car-rental service in 14 Russian cities.

The U.S. traveler driving a shiny Volga through Lenin Square in Moscow, however, will be protected by as much insurance as he would be were he guiding a new Plymouth down New York's Park Avenue.

"Our basic theory for insurance," according to Avis' John Murphy, insurance manager, "is that we provide the best insurance available locally. If the best does not meet the standards of the standard New York policy

(\$100,000 and \$300,000 personal injury and \$25,000 property damage) we reinsure with Continental Insurance Co. here to bring it up to that amount," he explained.

According to Mr. Murphy, Avis will be insuring its primary coverage with a Russian company. He does not know what company that is yet, nor does he know the limits of the basic Russian policy. Details have not been completely worked out.

The Avis announcement came six months after a similar agreement was reached with Intourist by Hertz International. Both companies will use Russian autos such as the Volga, Chaika and Moskvitch.

## Indonesia prohibits nonadmitted carriers

DJARKARTA, Indonesia—Indonesia has banned the use of nonadmitted insurance companies unless the local companies can't absorb the risk.

According to AFIA's office here, the government has stated that coverages "should be concluded with an insurance company, either national or foreign, registered in Indonesia."

The decree added that insurers registered in the country are "obligated" to take on coverage, but that in case the domestic insurance market can't handle it, "the risk in excess" can be forwarded to the insurance market abroad.

# Insurers mull action after Montreal riots

MONTREAL—Insurers are mulling the possibility of declaring all or part of this city off limits when renewal time comes around, in the wake of widespread looting and rioting unleashed after police and firemen went on strike. Damage was estimated in the millions of dollars.

"We paid for damages during race riots in the U.S. and we will cover legitimate claims here," a spokesman for Liberty Mutual Insurance Co. here stated.

"Whether or not the policies in this area will be renewed is another matter entirely," the Liberty Mutual man said. "In certain areas of the U.S. we have started

selling property damage policies as a separate package at an additional fee."

**ONE BROKER** here contended that "we may very well run into a situation like that in the U.S., where merchants in some parts of cities find it impossible to get insurance coverage for their properties. Watts and the black areas of Detroit fall into this category," he added.

Some property owners here voiced concern that because the army was called in to quell the rioting and looting insurance companies would refuse to honor claims on the ground that the disturbance constituted an insurrection.

Civil wars and insurrections are specifically excluded from standard property coverages, but insurers, such as the Liberty Mutual representative, indicated they would pay off on claims—at least this time.

**WHILE OFFICIALLY** insurance companies say they will cover store owners in any part of Montreal, some make the terms of coverage extremely strict.

"When we are asked to insure a commercial property in an area we regard as sensitive," one insurance company source noted, "we tell the client that we will only cover him if he maintains a 24-hour armed guard, installs a complex sprinkler system and puts in a dual alarm."

"Since many store owners lease their properties, that is the last we hear of them," the insurer said.

**ALTHOUGH MONTREAL** has been the scene of several riots in the past year, it is Toronto where insurance rates for plate glass protection have gone up the most.

Montreal premium rates for glass have increased from a 10% discount to a 30% premium over the last few years, but Toronto rates have jumped to an 80% premium over the Canadian average.

"This is the result of the higher cost of replacement in Toronto," a Montreal insurer explained. "But you can bet that when the new rates are drawn up, the St. Catherine street shop owners are going to pay more—if they can even find someone to insure them."

**CHARLES MOREAU**, of the Insurance Bureau of Canada, was optimistic that the rioting here would have little effect on insurance rates and that coverage would be available.

"As one isolated incident this should have very little effect on rates," he said. "However, if this sort of thing continues it would definitely mean higher rates for the area."

The strike by 3,700 policemen and 2,100 firemen left the city's 2 million population virtually unprotected Oct. 7. Quebec provincial government leaders said Montreal was "threatened by anarchy" and invoked emergency powers to put police forces under the command of the provincial police. In addition, some 600 Army troops were called into the area.

During a two-hour rampage through the city, looters burned four busses and four cars at a garage in Murray Hill, a section of Montreal, broke windows at the Queen Elizabeth and Windsor hotels and cleaned out jewelry and department store windows.

# If it bothers you to belong to "insurance anonymous"...



Let us show you the end of faceless, nameless, mass-oriented business life insurance. Revolutionary new COMP-U-TERM treats your needs—business or personal—as one-of-a-kind, with infinite choices for personalizing.

COMP-U-TERM introduces insurance benefits tailored precisely to your needs—free of rate book standardization. It allows your

benefits to increase, decrease, or remain level — in any pattern meeting your specific, individual requirements, no matter how unique.

COMP-U-TERM is perfect for short or long-term Key Man protection in land development, construction operations, short-term creditor insurance. *Or your own out-of-the-ordinary situation.*

**COMP-U-TERM** makes business Life Insurance fit like a glove



MAKE US PROVE IT. SEE YOUR CONTINENTAL ASSURANCE MAN, OR YOUR INDEPENDENT AGENT. OR USE THE COUPON.



**CONTINENTAL ASSURANCE CO. — DEPT. 109**  
310 S. Michigan Ave., Chicago, Ill. 60604

Yes, my insurance needs are different. Rush details on how COMP-U-TERM may help me.

Name \_\_\_\_\_ Title \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

# Universal health plan gets additional backing

NEW YORK—Support for a universal U.S. health insurance plan appears to be snowballing as winter approaches, with a group of influential medical, union, political and civil rights leaders adding their voices to the cause.

The latest proposal was aired here by the Committee for National Health Insurance, of which Walter P. Reuther, president of the United Auto Workers, is chairman. It appears to be the opening vibration of a major public relations drive to drum up support for legislation which could come after the first of the year.

The proposed plan would cover all Americans, be operated by the Federal government and financed by payroll and general taxes.

**SOMEWHAT SIMILAR** to the national health insurance plan pushed by President Truman in 1948 and defeated after strong opposition from the American Medical Assn., the proposal is expected to again draw strong fire from the AMA.

Mr. Reuther and his committee, however, expect to have proposed legislation for the plan drawn up by early 1970 and ready for introduction to Congress. The committee includes Dr. Michael E. DeBakey, the heart surgeon; Mrs. Albert D. Lasker, who is influential in medical affairs; and Whitney M. Young Jr., executive director of the Urban League.

(As reported earlier in *Business Insurance*, the National Governors Conference, which met in Colorado Springs early last month, endorsed a similar measure. In addition, the American Hospital Assn., which represents 7,000 of the nation's hospitals and extensive-care nursing homes, recently said it was "going to take a good hard look" at a universal health plan and would report its findings early next year, presumably in time to take a legislative position on the matter.)

Outlining the committee's plan during a two-day conference here was Dr. I. S. Falk, professor emeritus of Yale University School of Medicine.

**DR. FALK** noted that the proposed plan would pay for all personal medical care of every American, including hospital, physician and dental care. It would replace such existing Federal programs as Medicare and

Medicaid and would eliminate the need for private health insurance provided by insurance companies and such groups as Blue Cross and Blue Shield, except where they might cover some medical expense not covered by the Federal insurance.

Two-thirds of the cost of the plan, as proposed by the committee, would be financed by payroll

taxes similar to the existing Social Security tax. The amount of payroll tax paid by the employer would be a matter of bargaining between employers and employees.

Such a program gained additional support from the AFL-CIO at its annual convention held earlier this month at Atlantic City.

A convention resolution called for a national health insurance system "as the only way of assuring quality care for all people."

**ALTHOUGH** it was merely a reaffirmation of a similar resolution passed at the labor organiza-

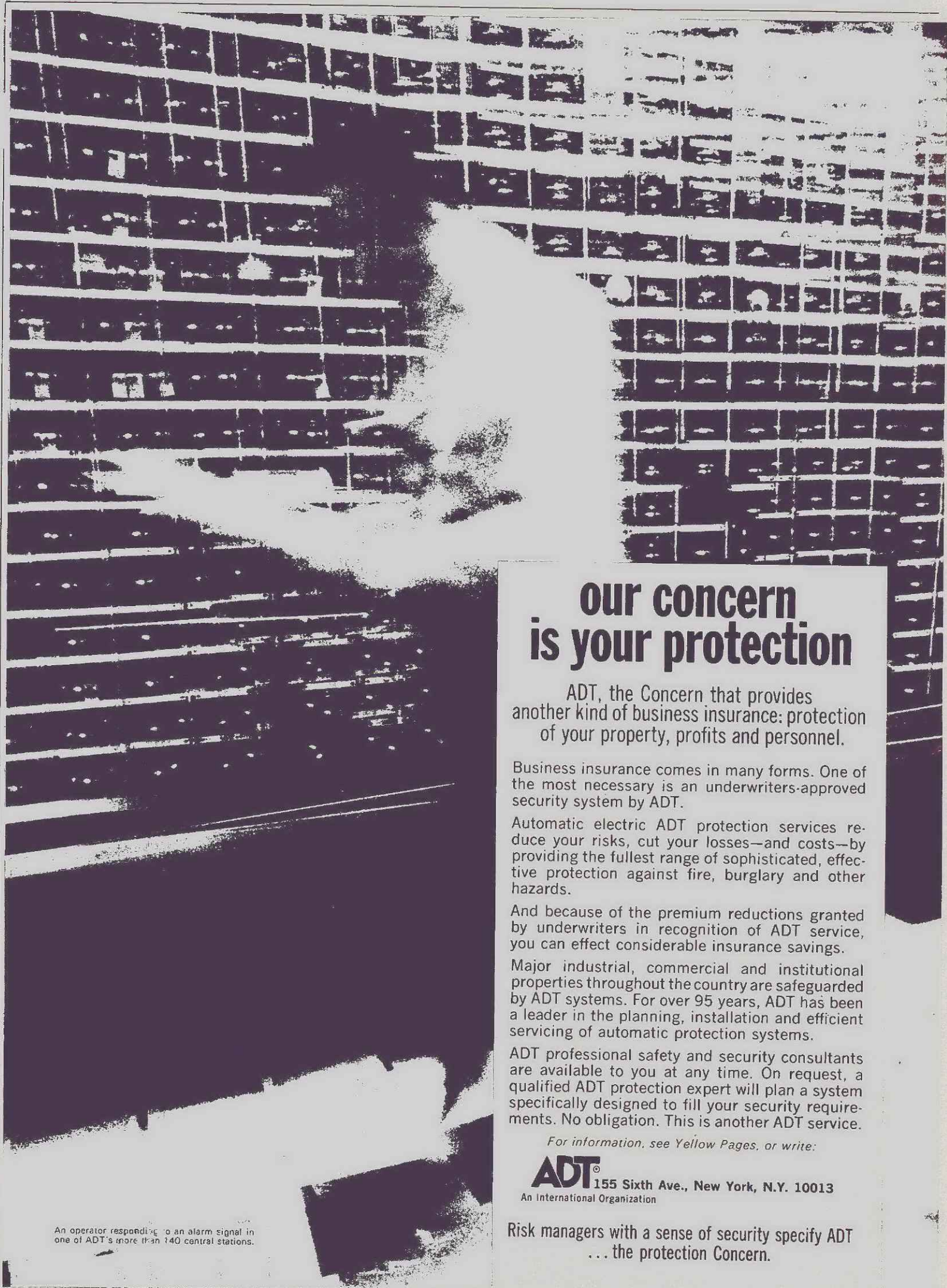
tion's 1967 convention, this one seemed to bear more distinctive trademarks of the Reuther committee suggestions. The system, it emphasized, should be comprehensive; include both curative and preventive treatment; cover all services by doctors, dentists and nurses; provide diagnostic services; and include prescription drugs, dentures, eyeglasses and prosthetic appliances.

Further support of a similar nature also came recently from three health groups that have formed a coalition to fight the "reactionary leadership of the American Medical Assn."

The coalition, which calls itself

the Council of Health Organizations, now consists of the Medical Committee for Human Rights, the Physicians Forum and Physicians for Social Responsibility. Their primary aim, they say, is to transform national purposes "from support of the military-industrial complex and of commercialized medicine to the fulfillment of human needs."

Beyond the group's more general humanitarian aims, however, they have specifically called for Federally financed universal comprehensive health services and more of a team approach to health care rather than fragmentation and domination by physicians.



## our concern is your protection

ADT, the Concern that provides another kind of business insurance: protection of your property, profits and personnel.

Business insurance comes in many forms. One of the most necessary is an underwriters-approved security system by ADT.

Automatic electric ADT protection services reduce your risks, cut your losses—and costs—by providing the fullest range of sophisticated, effective protection against fire, burglary and other hazards.

And because of the premium reductions granted by underwriters in recognition of ADT service, you can effect considerable insurance savings.

Major industrial, commercial and institutional properties throughout the country are safeguarded by ADT systems. For over 95 years, ADT has been a leader in the planning, installation and efficient servicing of automatic protection systems.

ADT professional safety and security consultants are available to you at any time. On request, a qualified ADT protection expert will plan a system specifically designed to fill your security requirements. No obligation. This is another ADT service.

For information, see Yellow Pages, or write:

**ADT**<sup>®</sup>  
155 Sixth Ave., New York, N.Y. 10013  
An International Organization

Risk managers with a sense of security specify ADT... the protection Concern.

An operator responding to an alarm signal in one of ADT's more than 140 central stations.

### Priest, Delta settle \$75,000 suit

HOUSTON—A \$75,000 damage suit filed by a Roman Catholic priest against Delta Airlines for failure to provide a first-class seat was settled during a Federal court jury recess.

The jury had just been impaneled and was set to hear testimony on why Delta in 1967 gave the Rev. J. L. McKenney of Providence, R. I., a tourist seat when the priest had purchased a first-class ticket on a flight from Houston to New York.

Father McKenney was here visiting his nephew, also a party to the suit filed in 1968.

Following the recess, U. S. District Judge John B. Singleton Jr. announced the plaintiffs had decided to dismiss the suit. The terms of the settlement were not disclosed.

# International conference hears of woes of U.S. airport ground security

LONDON—Airline underwriters demanded urgent action to step up airport security when they met in session at the International Union of Marine Insurance conference.

Several of them named United States airports, particularly the John F. Kennedy Airport, as creating heavy loss hazards over the transit of jewelry and other valuables.

Harold Jackson, American-based chairman of its Cargo Loss Prevention Committee, frankly declared:

**"WHILE WE** appear to be making some headway in impressing

upon airlines the need to give more attention to the protection of cargo, it is quite evident that they are not being hurt financially."

The conference, formed of top insurance men from more than 20 countries, called for underwriters to review their air freight liability policies to make airlines feel every loss to a much greater extent than at present.

Premium rates for sea shipments of general cargo, and for the hull rates of new tonnage such as supertankers, may also have to rise in the opinion of marine underwriters who were at the three-day session of conferences in London.

But it was the tremendous risk problem of air transit that set the theme for the outspoken attack on security weaknesses as crime risks.

**MR. JACKSON**, of William H. McGee and Co., New York, pointed out the underwriters view of the situation thus:

"I have been asked to repeat my plea to you to reinforce the efforts being made by us in America to improve the experience at John F. Kennedy, O'Hare, and other airports, by reporting losses which you sustain that can be attributed to conditions at those airports.

"Because of rapidly increasing air cargo shipments at John F. Kennedy airport, cargo on pallets and in containers is being moved to 33 customs stations outside that airport. Discussion is also going on to create a central storage place for valuable cargoes.

"At the moment airlines are using their own judgment on security procedures on valuables. I think everyone will agree that, at least on an international level, registered mail is not what it used to be and that registered airmail suffers accordingly.

**"WHEN GOVERNMENTS** refused to accept declared value, the service deteriorated. The use of an International Courier Service seems to be indicated unless the putting of the postal service on a proper commercial basis goes through. In that event we might get some changes made."

He urged underwriters to press to have the Warsaw Convention revised so that air carriers liability to cargo reflected more nearly the present day value of the goods, which was much more than their present liability of \$16.50 per kilo.

R. C. J. Gordon, leading Lloyd's of London underwriter, said: "Losses by registered mail of diamonds and jewelry will go on unabated, and in my view must continue to until the whole system of registered post is redesigned for valuables.

"We still hear of losses from people who carry jewelry in their baggage, although there is a step forward by many underwriters who write jewelry for 12 months, or write transit jewelry of short duration, to use the baggage clause. This clause excludes losses of jewelry unless under the personal supervision of the traveller. Theft and losses of jewelry and precious stones account for 33% of the total stolen from airlines.

**"BUT I DO** not think the airlines have any idea of the total stolen from them in any one year. If nothing is done, the rate of cargo theft will be such that it must retard the growth of the air industry."

He then said "The ultimate cost of all losses finishes up with the consumer, and may become a serious economic problem in many countries that export to live.

"I ask all delegates here today to find time to study the situation in full detail, and join those who are clamoring for something to be done to stamp out crime in the air industry."

**MR. GORDON** praised the fact that the Airport Security Council set up by the airlines at Kennedy airport had issued an interim report May 15 that held a lot of "sound reasoning." They had analysed the problem, and now people must hope they could solve it.

Transit of goods by air rose by about 20% a year, but the strength of airport security personnel, and storage facilities, did not rise by 20%.

"Until all airlines, and all airports backed by the governments, do something concrete about the problem, the situation will not get better," Mr. Gordon warned. "This has been brought to the attention of my government in Britain, which is fully aware of the problem and wants to do something about it. But another year has gone by and they have not yet moved."

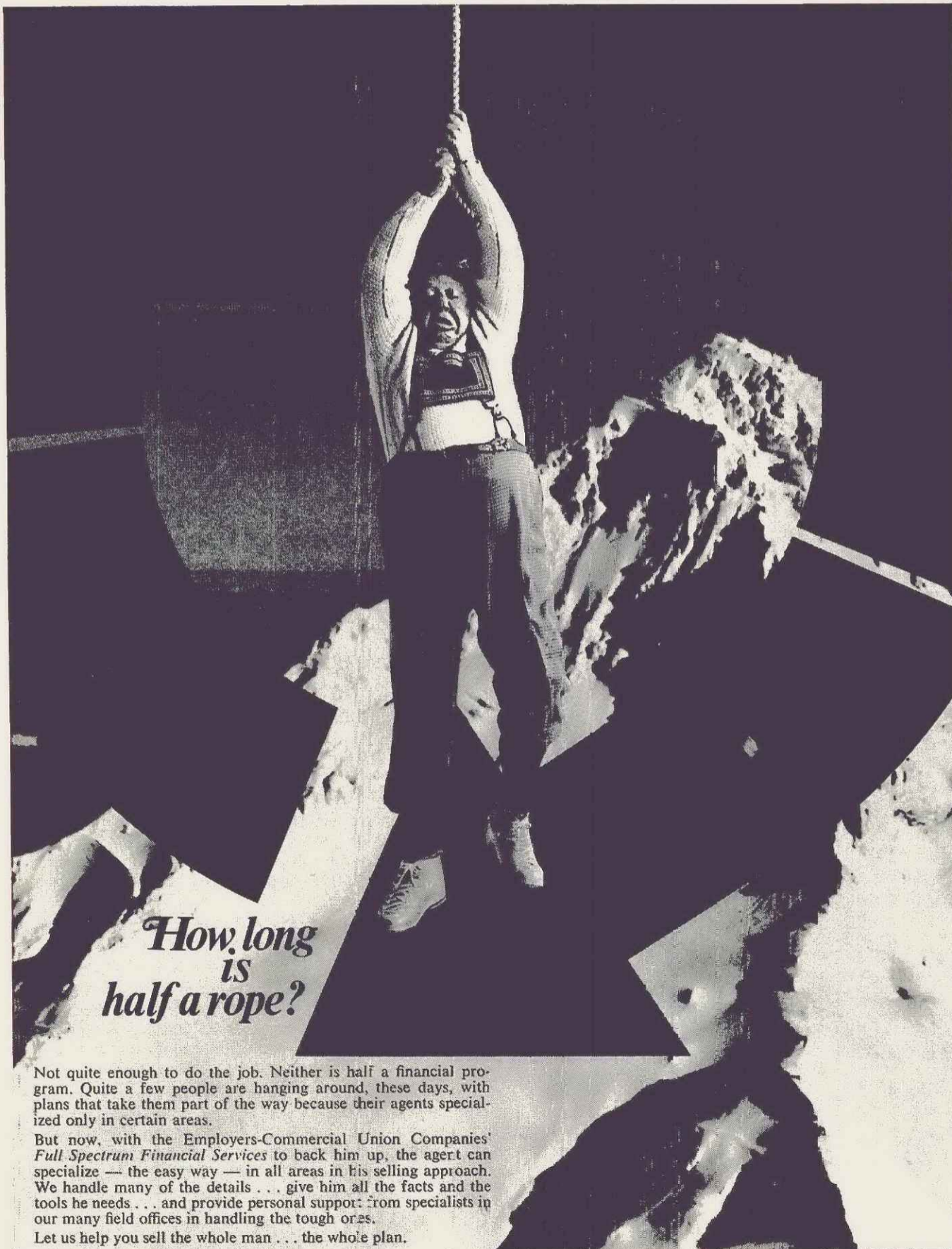
Foreign underwriters' associations that are also members of the International Union of Marine Insurance support the view that co-operation is needed between shippers, carriers, and airports.

Some even reported that jewelry and high-value cargo insurance business in air transit is undesirable, and that American airports, particularly Kennedy, presented special hazards to them.

But it was suggested that people should try to make a particular person, perhaps a crew member of the aircraft, personally liable for the valuables, or that the goods should be carried in boxes of a certain minimum size so as to make thefts more difficult. ■

## \$250,000 damage

A Wolf Furniture Co. store in Tyrone, Pa. was destroyed by a \$250,000 general alarm fire. The three-story brick building on Pennsylvania Ave., the community's main street, was stocked with furniture in the basement and on all three floors. Firemen said the blaze apparently started in or near an office on the first floor. The cause was not determined.



**How long  
is  
half a rope?**

Not quite enough to do the job. Neither is half a financial program. Quite a few people are hanging around, these days, with plans that take them part of the way because their agents specialized only in certain areas.

But now, with the Employers-Commercial Union Companies' Full Spectrum Financial Services to back him up, the agent can specialize — the easy way — in all areas in his selling approach. We handle many of the details . . . give him all the facts and the tools he needs . . . and provide personal support from specialists in our many field offices in handling the tough ones.

Let us help you sell the whole man . . . the whole plan.

**FULL SPECTRUM FINANCIAL SERVICE** . . . is the concept of the future. Total. Comprehensive. All encompassing. It includes Life, Corporate and Personal Financial Planning — and virtually all other kinds of insurance, most of which are available worldwide.

**Employers-Commercial Union Companies**

110 MILK STREET, BOSTON, MASSACHUSETTS 02107

# Cost of '68 fire loss to business, institutions up \$71.4 million

BOSTON—The cost of fires on business and institutional premises in 1968 rose by 11.2% and the number of fires rose by 8.3% over 1967. This compares with a property-loss increase from all fires in the U. S. of only 6.6% and a decline in the total number of fires of 1.2% from 1967.

Business and institutional blazes last year accounted for 32.2% of the total dollar toll taken by fire, \$2.25 billion, but only 8% of the total number of fires in the U. S., 2,363,700, for the year.

The National Fire Protection Assn. reported that business and institutional property losses due to fire increased by \$71.4 million over 1967 in spite of a decrease of \$11 million in the restaurant field. Total number of business and institutional fires increased by 13,500 in spite of a decline of 1,000 in the field of churches and 2,300 in the field of hotels and motels.

**THE TOTAL** property loss figure of \$2.25 billion made 1968 the second year in a row in which losses topped the \$2 billion mark. Losses from industrial plant fires were up \$20 million in 1968 from the previous year, according to the association. A total of 66,000 industrial plant fires—up from 57,500 such fires in 1967—destroyed \$272 million worth of property.

Store fires increased \$36 million over 1967, with 52,800 fires accounting for \$256 million in mercantile waste. In 1967 there were 51,800 blazes. Within this category, department and variety stores showed a rise in losses of

\$11 million during the year.

The number of school and college fires rose sharply, particularly those of an incendiary or suspicious origin. In 1968, 13,200 fires in educational buildings cost \$52 million—much of it in tax-supported property. Comparable figures for 1967 were 9,700 fires costing \$48.5 million.

**THE NUMBER** of church fires, which declined by 1,000 was 3,800 in 1968 but dollar losses rose \$400,000 to \$21 million.

Fires in hospitals, homes for the aged and other institutional buildings rose by only 200, to 8,200, in 1968 but their cost jumped from \$5.6 million in the previous year to \$11.4 million in 1968.

Hotel and motel fires showed a decline in 1968, from 13,700 to 11,400. Here again, however, dollar losses rose. The toll in 1967 was \$36.6 million compared with \$42.3 million for 1968.

Restaurant fires increased from 16,700 in 1967 to 17,000 in 1968 but showed a drop from \$52 million to \$41 million in dollar losses for corresponding years.

**THE LARGEST** single property-loss fire of 1968 was the \$10 million destruction of former textile mill buildings housing several industries in Bondsville, Mass., Oct. 4.

Concerning residential as well as business and institutional fires, figures released by the association reveal that:

- Deaths from fires in proportion to the total population have decreased from 61 fire deaths per million persons in 1967 to 60 per

million last year, and the number of fires per thousand persons has gone down from 12.1 to 11.8 in the last two years.

- Partly because of inflation, the cost of fire per capita has risen from \$10.63 per person in 1967 to \$11.28 per person in 1968.

- Building fires in the U. S. last year caused \$1.787 billion in damages—up from \$1.6 billion in damages the year before.

- The number of fires that were definitely incendiary or of suspicious origin showed a marked rise in 1968. They numbered 49,900 against 44,100 the previous year, but the value of property destroyed declined from nearly \$14.2 million in 1967 to \$131 million in 1968.

## Does your group insurance help you

- ATTRACT GOOD MEN?
- IMPROVE MORALE?
- REDUCE TURNOVER?

It can if your plan is right for you... and you use it as an effective management tool.

Despard, as a broker, can pick and choose to find the carriers who offer the best coverage for your par-

ticular requirements.

And Despard's team of group insurance specialists can help you use your plan to attract good men, improve morale, reduce turnover

Send for the "Guide to Despard Services" which describes our unique approach to hand-tailoring insurance plans to each client's needs.



The "personal service" insurance broker

161 William Street, New York, N.Y. 10038

Ph: 212-964-9100

# The good life

Reliance's Executive-Professional Security Plan

is for people who work hard to enjoy "the good life."

For they are the ones who most need

the Plan's extra liability protection

up to a million dollars or more.

Ask your independent Reliance agent about it.



# Insurance rules shift for Miami-area schools

MIAMI—Schools in the area here will require that all groups renting their facilities provide their own liability insurance coverage.

Dade County's school board voted that action in the wake of a new state law removing the board's "sovereign immunity" against suits resulting from accidents on school property.

At the same time, the board balked at an insurance company's request that it lock all school doors to community groups and shut its playgrounds after school hours.

"THE SCHOOLS belong to the people," said Board Chairman G. Holmes Braddock, speaking for the majority. "I'm not going to tell my kid he can't use property he really owns a piece of."

Because the new law makes the board liable for accidents 24 hours a day, the board decided to boost its maximum coverage to \$10 million.

Board members voted unanimously to require all groups using school facilities—from garden clubs to fraternal groups—to purchase their own insurance before using school property.

But, although it could mean higher premiums next year, the board rejected an insurance company request that they close the buildings and playgrounds after hours.

"THIS IS actually a preventive measure," Board Attorney George Bolles said of the company's proposal. "We are actually covered now for any accident at any time.

"But if you keep the grounds open, you run the risk of more accidents and an increase in premiums."

Mr. Braddock, himself an insurance salesman, disagreed with the closed-door proposal.

"This increase would only come in the second year," he replied. "Right now, we're home free. And maybe we can work on the legislature next session to change the law before the next bill comes due."

**GROUPS WISHING** to use school facilities for meetings after hours must buy \$300,000 worth of liability and \$50,000 in property damage coverage, under the new policy.

If a group wishes to prepare food, or to use playground or carnival equipment on school grounds, the required coverage will soar to \$1 million in liability and \$50,000 in property damage insurance before their rental application is approved.

Cost of these policies would range anywhere from several hundred dollars to more than \$1,000, board members estimated.

**THE BOARD** specifically excluded such school-related groups as parent-teacher associations and booster organizations. The Boy Scouts, who already carry insurance coverage, will merely adjust their coverage to comply with the board's rules.

Hundreds of civic, fraternal and religious groups in Greater Miami will be affected. They formerly were able to rent school property for a nominal fee.

**RELIANCE**  
INSURANCE COMPANIES



# Broker rejects fees, asks 'equitable compensation'

By TERESA NORTON

CHICAGO—The question of a fee system versus commissions for broker compensation was tackled at a meeting of the Chicago chapter of the American Society of Insurance Management by Richard S. Schmidt, vp of Alexander & Co.

Discussing brokers' services in the fields of property and liability insurance, Mr. Schmidt maintained that an insured and his broker "can get to the point of equitable compensation without using fees." The issue, long a cloud on the horizon of risk management, has been brought into the open again, Mr. Schmidt said, by cries of an "apparent conflict of interest" on the brokers' part. Risk managers want to know if the cloud has a silver lining and, if so, for whom.

There is an apparent conflict of interest, he agreed, in view of the fact that a broker's advice in favor of high deductibles and self-insurance will reduce his income and this, he said, might be reason for charging an additional fee.

A 1966 SURVEY of buyers by the New York Chartered Property and Casualty Underwriters determined that buyers feel the commission system is a conflict of interest to the broker and that it doesn't serve the buyers' best interests.

The entire controversy, Mr. Schmidt said, "can be rendered moot by employment of careful buying practices on the part of the risk manager. I believe fees and commissions can be almost synonymous to a risk manager who knows his function and can account for it.

"Division of the risk management function into its many parts, he continued, enables the buyer to delegate which duties are to be performed by him, which by the insurer and which by the broker. It is the risk manager's duty to decide where functions are to be performed and to control his own function," he asserted.

It then becomes the broker's duty, Mr. Schmidt continued, to charge equitably for his services.

## \$1 million in People's Park claims out

SACRAMENTO—The California state board of control here has rejected \$1 million more in claims filed by 21 persons who claimed they were injured by police during the People's Park demonstrations at Berkeley last May.

Among the claims was one by Francisco Ortiz, a San Francisco photographer, who sought \$15,115 because, he said, a Berkeley policeman injured him and smashed his camera.

The board also rejected a \$25,000 claim by Karen Cardoza, a Gustine school teacher who said she was pushed down the stairs last spring when an instructor dismissed a class at Fresno State College. Miss Cardoza claimed she suffered back injuries in her collision with on-rushing students.

Last month the board rejected another 92 People's Park claims totalling \$5,300,000.

The action opens the door to civil suits in which a variety of insurance companies may become involved. ■

Defining what is "equitable," he said, "Most buyers are sophisticated enough to know what the charge from a broker should be. If it is fair and equitable what is the difference between commissions and fees? Money is still money and worth is still worth."

THE COMMISSION approach to compensation, Mr. Schmidt said, acts as a stimulus to the broker to make him face new areas of risk and find a market for them. One of these areas, he contended, was certainly directors and officers coverage. A commission induces a broker to spend time and interest on a speculative basis and to spend money on research to chart new ground. One client, he pointed out, might be unwilling to spend

such a large sum for research.

A general trend toward the fee system would necessitate formation of a professional society to maintain a schedule of fees similar to that of the American Bar Assn. and to maintain standards to protect society and enforce strict educational standards for members. These events, Mr. Schmidt said, might make the system cumbersome and expensive.

One argument of buyers is they can better judge a broker's performance by seeing an accounting of costs such as would be part of a fee approach. Mr. Schmidt contended that this could actually become a major problem. Because an insurance brokerage house, unlike a law firm, employs many levels of personnel, both sales and technical, an elaborate

system of cost accounting would become necessary.

This method could only add to the buyer's expense. Mr. Schmidt observed and added that the bargaining factor inherent in the fee system might act as a wedge to break down the trust necessary between the broker and his client.

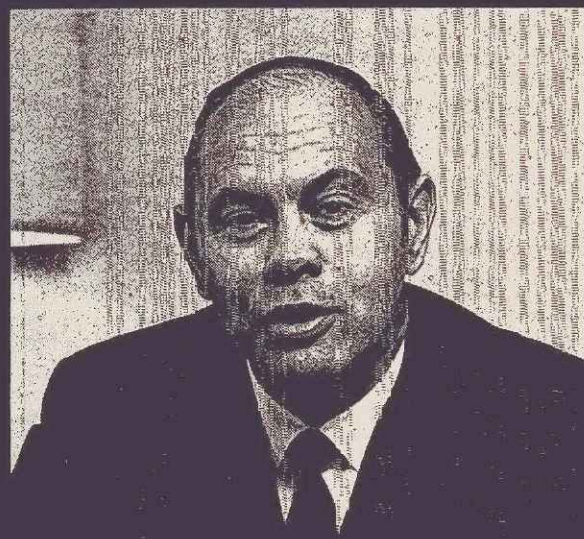
ANOTHER BUYER argument that Mr. Schmidt recounted in favor of a fee system is that fees would enable a broker to represent a client to all markets, including direct writers. In answer he said, "In fact, every major brokerage firm does do business with direct writers" and for this they are paid by fee.

MR. SCHMIDT said he has con-

ferred with three major brokerage houses and all said there has been no significant increase in requests for fee arrangements from clients. He attributed this, perhaps, to the current lack of capacity having forced buyers to recognize the need for the broker.

There are many arrangements that can be used to build confidence between the broker and the buyer, he said, and one of these is to use agreed fees with commissions as an offset. During a question-and-answer discussion it was suggested that other favorable situations could result by basing compensation on: (1) cost plus a percentage of the cost; (2) cost plus a fixed fee, or (3) cost plus an incentive if the broker kept cost below the original quote. ■

## You and your employees get faster estate buildup and greater flexibility with Apollo 30.



Leslie P. Schultz, C.L.U.  
President, Bankers Security  
Life Insurance Society

# Claims fire insurance pricing itself out of reach of small businessman

HARTFORD—Fire insurance is pricing itself out of the reach of the small businessman, a spokesman for Hartford ghetto merchants contended at a fire protection seminar sponsored by the Hartford chamber of commerce's fire prevention committee.

Theodore Pryor, chairman of the Ebony business league, a group of Hartford Negro businessmen, commented: "Fire insurance in the high-density area can be said to cost too much or be totally unavailable. It cuts deeply into the profit-margin of the small businessman and he frequently has to go without insurance."

The session's keynote speaker,

Charles Weichings, assistant to the insurance administrator of the department of Housing & Urban Development, remarked that HUD is encouraging fire insurance coverage for small business through a program including the FAIR (fair access to insurance requirements) plan.

"**BUT I SUGGEST,**" he continued, "that the problems of urban unrest cannot and will not be solved from Washington. Problems of civil unrest will have to be solved in the city, in the neighborhood, in the block, where the civil unrest is."

Mr. Weichings disclosed that the HUD office covered \$400,000 worth of reinsured fire loss from

the Labor Day weekend disturbances in Hartford under Fair.

An additional \$100,000 to \$200,000 in claims are anticipated.

John L. Pickens, secretary and head of engineering, Hartford Insurance Group, explaining the industry's predicament, said: "Fire losses in industry in the mercantile sense have increased. The need for preventive planning should be apparent."

"We in the insurance industry should take a hard look at our responsibility for some of these conditions. But we must also consider this a problem that is beyond the control of any one sector, such as the insurance sector."

Roger M. L. Russell, chief of

research for the Factory Insurance Assn., commented that concentration of business is resulting in huge loss possibilities—with hundreds of millions of dollars worth of goods and equipment under a single roof—while modern factory and warehouse design is making firefighting almost impossible. Planners must pay attention to the fire safety engineer, he indicated.

Mr. Pickens opined that protection is not completely the task of the insurance company. "It is the primary responsibility of management to protect its own assets. The more self-reliant business can become, the better off it is." ■

## Forces merged

The Medi-Fund Corp., San Francisco, and American Pacific Group Inc. have joined forces to expand Medi-Fund's medical and dental equipment leasing program.

## World meet is readied

WASHINGTON—The 12th Hemispheric Insurance Conference convenes November 16 in Vina del Mar, Chile, with one of the principal topics of discussion being "world trends in insurance and reinsurance." One of the conference's principal goals will be to help remove barriers that restrict the free flow of insurance across national boundaries.

The importance of this goal to the insurance buyer was highlighted recently by a veteran buyer for a large U.S.-based firm who told *Business Insurance* that to compare the job of a buyer for a corporation with a large number of international subsidiaries to that of a buyer for a strictly domestic firm is like comparing a ride in a fox hunt to a turn on a merry-go-round.

The severe capacity problem in the international insurance markets makes the job tough enough, he pointed out. But, he said, making it worse is the fact that many countries have severe restrictions on the flow of insurance across their borders—often to the point of requiring that all risks be written with domestic, often nationalized, insurance firms, which have limited capacity.

**THUS, HE** pointed out, it is impossible to use hard-found capacity in these countries even if it can be found.

Participating in the insurance conference, which is sponsored by the U.S. Chamber of Commerce, will be representatives from most of Latin America's insurance associations and the Chamber's International Insurance Advisory Committee. In addition, executives from insurance companies from all over the world will be in attendance.

Last year's conference, held in New Orleans, was attended by over 600 insurance executives from 31 nations. A major conclusion of that conference was that the associations should establish higher professional requirements to make insurance less susceptible to government intervention—a goal that was warmly applauded by insurance buyers in attendance. ■

This unusual life protection plan combines more of the really important insurance features—with a multi-purpose flexibility—and a high degree of "changeability" to meet future needs.

The result is a sound, high-appeal program that will fulfill today's varied requirements and tomorrow's needs for you and your employees.

The practical, low-cost life protection, important cash value buildup, and very liberal convertibility would be enough to make Apollo 30 a high-appeal plan. But there's much more:

Faster estate buildup than in other policies. A \$100,000 policy at age 35 can produce up to \$200,000 in benefits at age 65, through an optional rider which returns basic premiums—and cash values—in addition to face amount if death occurs before 70.

Optional life income, with even higher monthly pension available through a "pour-in" option. A \$2,000 a month income is possible with a \$100,000 policy. Guaranteed annuity rates.

Exchangeable without evidence of insurability before age 65.

Apollo 30 has become the ideal plan for self-employed businessmen, corporate and association officials, and business partners. It can provide a strong personal addition to current company life protection and retirement programs. It can create an important incentive booster and retention vehicle among younger executives, and all other key employees—at a low cost.

Apollo 30 is just one of Bankers Security's creative, need-filling plans. All of them have new and significant features, and all of them are designed for these fast-changing times.

So that you can get all of the facts—FAST—call or write me personally at Bankers Security Life Insurance Society. Phone (202) 298-6225. Or, call your insurance broker and have him contact me. Bankers Security is licensed in all 50 states and the District of Columbia.

Bankers Security Life Insurance Society, Executive Office: 1701 Pennsylvania Avenue, N.W., Washington, D.C. 20006. Home Office: New York City.

Leaders in Insurance for Better Living.



## Bankers Security

## When you need professional appraisal service

### for legal requirements

Appraisals for financing, merger, consolidation, reorganization, purchase or sale, bankruptcy, liquidation . . . price allocation in accordance with Internal Revenue regulations.

And you can rely on Lloyd-Thomas appraisals for property insurance valuation and proof-of-loss.

For informative booklet "Facts of Interest About Lloyd-Thomas," write Dept. BI.

industrial  
commercial  
institutional



## THE LLOYD-THOMAS CO.

Recognized appraisal authorities  
4411 Ravenswood Ave., Chicago, Ill. 60640  
Representatives coast to coast

# opinions

## Needed: D&O info

We strongly support John Olsen's suggestion in the last issue of *Business Insurance* that risk managers press the insurance industry for a "detailed accounting" of the present status of directors and officers liability insurance.

We have been running news story after news story in the past two years about stockholders suing corporate executives at such companies as Texas Gulf Sulphur, Barchris, Mill Factor, Merrill Lynch, Pierce, Fenner & Smith, Glen Alden, Teledyne Inc. and others. In none of these cases would d&o coverage apparently have paid off.

As Mr. Olsen pointed out, there are three major exclusions to the insurance—dishonesty, short swing profit taking and self dealing or unjust conflict of interest—"that may well take away just about everything."

The insurance coverage has been touted as a protection for the officer and director (not the corporation itself), but its main area of protection would be to indemnify corporations for legal fees if their executives win a derivative suit. And for this reason some risk managers have bought d&o coverage.

The point is, however, that this protection of the corporation gives scant protection to the individual officer or director. If the corporate officer successfully defends himself against the derivative suit, the corporation has traditionally reimbursed him for legal fees; if he loses the suit, the corporation isn't allowed to reimburse him under most state laws—and the d&o coverage excludes almost all types of conduct for which the executive would have been sued in the first place.

It is time, Mr. Olsen stated, "for some risk managers to come out of hiding and review the reasons for their purchase and particularly their reasons for accepting the unconscionable recent high increases for this coverage. Three times the cost of the coverage two years ago is just about the starting point for the new costs. I get the distinct impression that these increases have followed in direct proportion to the steam rolling purchase of this coverage by an ever increasing number of corporations—not in relation to losses and loss expense—historically the prime guide to premium rate structure."

Insurers, for their part, contend that gearing premiums to dollars paid out in claims isn't realistic. They say that a more appropriate way to set premiums is to base them on reserves which they've set up against formally reported claims. These reserves, said Ware Adams, a Chicago attorney, exceed several million dollars to date.

"But these figures," wrote Mr. Ware in the last issue of this publication, "fall short of revealing the true panorama. Underwriters' representatives flinch themselves at the fact that a claim has been received from one of ten outstanding policies. The bulk of pending claims deal with 1966 and 1967 policy years, and there is a noticeable trend toward more claims in recent years."

It may be that the insurers are justified in boosting rates for d&o coverage in anticipation of an avalanche of claims—some of which they fear they'll eventually have to pay off. But the fact remains that as far as anybody knows almost nothing has been paid out so far.

"Insurers claim there is litigation pending but refuse to discuss the facts, the amount of their reserves, or their reasoning for establishing any reserves," Mr. Olsen noted.

# business insurance

for buyers of employe, property and liability protection

RANCE CRAIN, Editor RICHARD C. BJORKLUND, Managing Editor  
STEPHEN D. GILKENS, Eastern Editor, Associates: Chicago—TERESA NORTON, THOMAS E. LUTZ, Washington—STANLEY E. COHEN, San Francisco—KENNETH R. MACDONALD, Hartford—ALLEN M. WIDEM, Minneapolis—ROBIN MENZ SUHRBIE, Correspondents in all principal cities. BURTON ROVENS, art director.

Contributing Editors: DONALD BERRY, vice president, C. B. Lilly Inc., East Orange, N. J. JOHN W. GILES, attorney-at-law, Washington, D.C. CHARLES LEVINSON, insurance manager, Port of New York Authority. ELLIOT BEIER, manager of pension and profit-sharing services, Nuveen Corp., New York. J. E. BENOIT, J. E. Benoit & Assoc., St. Leonard, Quebec. CARL J. VOGT, supervisor of workmen's compensation, General Tire & Rubber Co., Akron. HOWARD L. PECK, partner, Hewitt Associates, Libertyville, Ill. BION H. FRANCIS, manager of benefits, Plant Industries, New York. J. P. OLSEN, insurance manager, Ingersoll-Rand Co., New York. NED MILLER, partner, Romm, Miller & Lazarus, New York. JAMES J. ANDERSON, insurance manager, Squibb Beech-Nut Inc., New York. HAROLD A. CLARK, manager-planning, employe benefits, Sperry Rand Corp., New York. JOSEPH GULLO, vice president of insurance, D. H. Overmyer Co., New York. PAUL C. JOHNSON, insurance manager, Sea-Land Service Inc., Elizabeth N. J. M. REX PEARSON, insurance manager, Signal Cos., Los Angeles. ROBERT ABRAHAMSON, insurance manager, Control Data Corp., Minneapolis. WILLIAM J. JONES III, assistant to the treasurer, overseas chemical division, W. R. Grace & Co., New York.

MYRON A. HARTENFELD, publishing director  
ALFRED MALECKI, advertising director  
RONALD R. WALINDER, production manager  
District managers: New York—CHARLES A. HORVATH, THOMAS J. O'MARA  
Chicago—LAMAR R. LEAHY  
Los Angeles—DENNIS KOCH  
Southern representative—WILLIAM B. CARR,  
2500 N. E. 48 Lane, Fort Lauderdale, Fla. 33308  
Assistants: BERNICE STELTER, MARCY GARESCHER

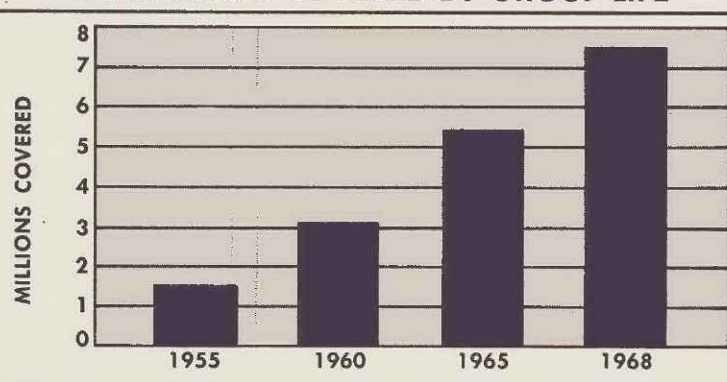
Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Industrial Marketing Advertising & Sales Promotion, Marketing Insights.  
G. D. CRAIN, JR., chairman S. R. BERNSTEIN, president  
M. A. HARTENFELD, executive vice-president; RANCE CRAIN, KEITH CRAIN,  
J. J. GRAHAM, J. V. O'GARRA, S. E. COHEN, D. J. CLEARY, JR., vice-presidents.  
G. R. CRAIN, secretary and treasurer. J. H. TERRY, assistant secretary and assistant treasurer.  
Cable address: ADAGEAPI

Published at 740 Rush St., Chicago 60611 (337-5200). Offices at 630 Third Ave., New York 10017 (YU 6-5050); National Press Bldg., Washington, D.C. 20004 (RE 7-7659); 1018 Fisher Bldg., Detroit 48202 (TR 2-7211); 6404 Wilshire Blvd., Los Angeles 90048 (OLive 1-3710); San Francisco (GR 4-8532); Fort Lauderdale (564-1850) 45 cents a copy, \$10 a year in U.S., Canada and Pan America. Elsewhere \$4 a year extra. WILLIAM STRONG, circulation director. Roger DiGregorio, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, Business Insurance, 740 Rush Street, Chicago, Illinois 60611.

BPA Member of Business Publications Audit of Circulation.



## DEPENDENTS COVERED BY GROUP LIFE



The number of dependents covered by group life insurance programs has more than doubled in the past seven years and the amount of their insurance has more than tripled in the same period. The average amount of group life insurance per dependent was about \$950 at the beginning of 1969 with 15,270 master contracts involved in providing this coverage. Aggregate amount of insurance in force in 1968 had reached \$7.179 billion at the close of 1968. A spouse's insurance is generally limited to half of the amount in force on the worker, but not more than \$1,000 or \$2,000. Minor children's coverage is usually limited to \$500 or \$1,000.

Source: Institute of Life Insurance

We think it's high time the American Society of Insurance Management and other similar groups got in the act. Up to now, ASIM has confined its insurance policy scrutiny to the comprehensive general liability contract, but the resulting document was less a critique of the coverage than a comparison of the old form and the new one. Unfortunately, in our opinion, the comparison got bogged down in rather technical legal points of little interest to anyone but diehard insurance professionals.

We have continually maintained that insurance managers will best serve their companies when they learn to identify with corporate goals—and not remain enmeshed in the legal mumbo jumbo of insurance policy nit picking.

Directors and officers liability insurance is a form of coverage of immense interest to the top echelons of management. A searching inquiry into the need for such coverage by ASIM and other buyer groups—written in a clear, nontechnical and dispassionate way—could go a long way in boosting the insurance manager out of the ranks of a contract clerk.

## Two candles

This week marks the second anniversary of *Business Insurance*, which first appeared on Oct. 30, 1967, to serve the information needs of buyers of property, liability and employe protection.

In its first two years of growth, this publication has demonstrated through reader and advertiser support that there was a need for a fresh newsmagazine to serve the information needs of corporate executives who are responsible for risk management programs, including the administration of benefit programs.

Advertising campaigns have been placed in *Business Insurance* by 193 firms that serve risk management executives and employe benefits administrators by providing insurance, brokerage services, safety and security systems, financial and investment services, among other things.

Reader response to this publication has been proved by the thousands of requests for items listed in the popular Info for Buyers column. Letters to the editor, favorable and unfavorable, indicate that *Business Insurance* is lively and well-read by a wide range of readers.

In the past two years we have found that the most interested readers of this magazine are not necessarily full-time risk managers or benefits administrators but rather key corporate executives with general responsibility for financial affairs. Many company presidents, financial vps and other corporate officials mark *Business Insurance* items and determine whether their companies are making use of ideas and techniques discussed in this publication.

And just as our readership has expanded over these two years, so too has our coverage of the business insurance field. Readers will note that on the front page of this issue, the description of *Business Insurance* has been expanded to say, "For buyers of employe, property and liability protection/pension investments/financial services."

This new description is designed to embrace the expanded concept of coverage that *Business Insurance* will have in the years to come. There is intense interest among our readers in the effective investment of pension and profit-sharing funds, an interest that is served by our "Following the funds" column.

Readers are also keenly interested in financial services, so closely integrated under fresh concepts of total personal and corporate financial planning. A growing number of companies are offering to their employes savings plans, mutual fund purchases and other personal financial services through payroll deduction. *Business Insurance* will cover these developments as these services grow.

As we said last year in an editorial titled "One candle," we feel that *Business Insurance* is in the debt of readers, advertisers, information sources and many others who have contributed to the success of our magazine. Counted among our friends are the American Society of Insurance Management, the Council on Employee Benefits, the Societies of Chartered Property and Casualty Underwriters and Chartered Life Underwriters, the American Management Assn., the American Risk and Insurance Assn., the Council of Profit-sharing Industries and many organizations that have assisted us.

We especially thank readers and advertisers for support that has enabled us to bring a new voice to business journalism. We feel keenly the obligation to serve as best we can the interests of all who read and use our publication.

# letters

## Impact

To the Editor: Your editorial, "How much pilferage?" (Sept. 15), really strikes a responsive chord that, if heeded, can have more impact on the management of risk and insurance programs than any other single occurrence since rapid risk distribution was first introduced in a London tea house.

Your power sentences were: "Whether it's safety, fire prevention or pilferage control, proper management of losses can only be performed if top management knows what the losses are and how they are incurred," and "Taking on such responsibility . . . better integrates the insurance buying function with total corporate goals."

It is not my intention to twist words in your excellent statement. On the contrary, I only suggest that you have not gone far enough in insisting that risk managers, agents, brokers and carriers take up the responsibility of better integrating the insurance buying function with total corporate goals.

You have suggested an informal job description for a risk manager. May I enlarge it just a bit and propose that your description should be used as a yardstick to measure the effectiveness of every agent, broker, carrier, service organization and risk management professional serving American business today. It seems to me that each segment of our industry should be challenged to deliver effectively "an aggressive and meaningful contribution to a corporate client's (or employer's) ability to control the costs of accidental loss."

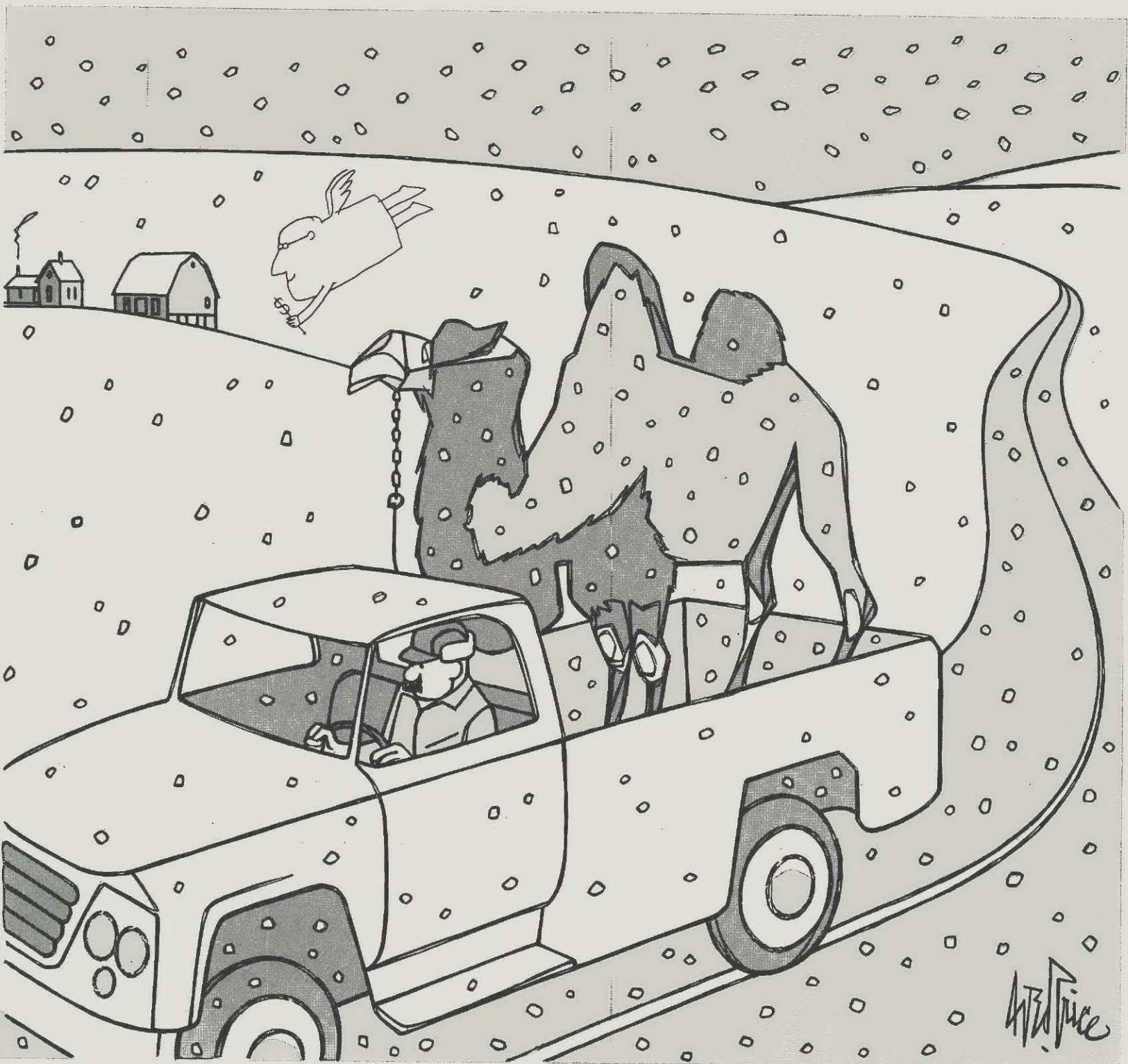
If risk and insurance management can demonstrably be associated with the attainment of corporate goals, then each management function takes on new meaning and value. It follows, then, that the insurance professional must assume an increasingly vigorous role in the "nitty-gritty" of current, accurate and analytical cost facts covering the entire range of insured and noninsured profit drain related to accidental loss.

From the last four years of experience we have formed some rather concrete conclusions. The most obvious is that risk managers have to work in a near perfect vacuum of relevant information pertaining to the causes, frequency, dollar amount and responsibility allocations of current insured cost incidents throughout their corporate operations. If these conditions prevail within the insurance industry where there is quite a healthy mark-up on claim costs of all kinds, how can we expect the risk manager to exert any form of information control on the great frequency of non-insured costs within his corporation in which the total loss cost is only purchase price plus overhead?

Yet, we insist, the great contribution still to be made by risk management, agents and brokers lies in the untapped wealth of controllable cost elimination which can be realized if, and again I quote your editorial, "Proper management of losses can only be performed if top management knows what the losses are and how they are incurred."

The dual opportunity of practicing the art of risk management (analysis of the possible) and applying the science of cost control (management of the actual) lies within the grasp of risk man-

Continued on page 40



*There was this camel who needed some travel insurance...*

**T**his man in Wisconsin had a camel. The camel was about to travel 300 miles last winter. So the man came to us with his camel problem.

"It has never been ridden, isn't used to walking, and has a nasty temper," he confessed. And he wanted to insure his camel against every possible misfortune, from broken legs to pneumonia.

We said no.

"We wouldn't insure our own grand-

mother against catching cold in Wisconsin in the winter," we said. "Much less a camel." "Kooky policies, yes," we said. "Poor risks, no. We're a twinkly-eyed, fun-loving group, but staying solvent is what we owe our other customers."

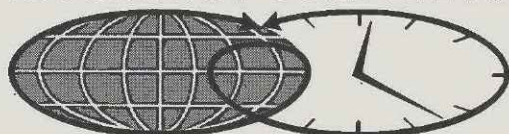
"However," we said to the man with the camel, "if you ship him by truck we can cover your camel against reasonable dangers under our standard trip transit policy simply by attaching a letter to

describe the camel." (*Copies of this historic, one-of-a-kind document available to collectors on request.*)

**CONCLUSION:** If you have a camel kind of problem, we'll adapt a policy or create a plan geared precisely to your particular, unique, individual needs. Just be a good risk, please.

We sell all kinds of insurance, of course. You don't need a traveling camel. We're in the Yellow Pages, usually.

**THE ST. PAUL**  
INSURANCE COMPANIES



Serving you around the world... around the clock

St. Paul, Minnesota 55102

# They watch while insurers bite nails

MIAMI—On the campus of the University of Miami, sharing a computer building, is the single most important center of hurricane analysis for the entire insurance community and most of the business world.

Called the Hurricane Center and operating under the direction of Dr. J. Simpson, it is a fairly autonomous organization, although permanently attached to the U.S. Weather Bureau.

Together with its four advisory stations, the center here handles up to three storms per day, but usually only one storm at a time. The "handling" includes the initial observation, an analysis every four hours, a prediction and the advisory report. The advisory report, compiled

every four hours, day and night, is the most important facet of pre-catastrophe center activity. On the basis of its recommendation, areas can be evacuated or reassured as to safety.

**BECAUSE EVACUATION** is a costly, drastic measure—and the failure to evacuate could mean the sacrifice of human lives—the decisions of the quarter-daily advisories must be extremely accurate. The staff of the center is comprised of experienced meteorologists and forecasters. Each comes under the personal scrutiny of Dr. Simpson, who oversees the center as well as the four warning stations at San Juan, Washington, Atlanta and Boston. Typical questions the center is

likely to receive from anxious insurance men are inquiries concerning high wind and high water frequencies. But Dr. Simpson reports that dozens more of unrelated nature are constantly coming in. "And those," he explained "we just can't answer. We're in the hurricane handling business, not actuarians." Despite this, the hurricane center maintains good relations with the insurance community, answering as many questions as possible. For their own efficiency and protection, though, the center has an unpublished telephone number, restricting the source of inquiries to hundreds instead of the thousands that might come from the public were the number available.

*Business Insurance* asked Dr. Simpson which region was the most susceptible to tropical storms. Without hesitation, he responded, "from Miami to Key West." He explained that this region lies directly in the path of powerful trade winds. Dr. Simpson further outlined the causes of a tropical storm or hurricane and noted that circumstances of circulation will manufacture concentrated heat flows that will form a low pressure area.

"In essence," continued the director, "the hurricane at sea is a tremendous engine, using the heat of the ocean to drive its powerful winds. For this reason hurricanes reach their peak over water, and lose energy quickly over land." While the storms are

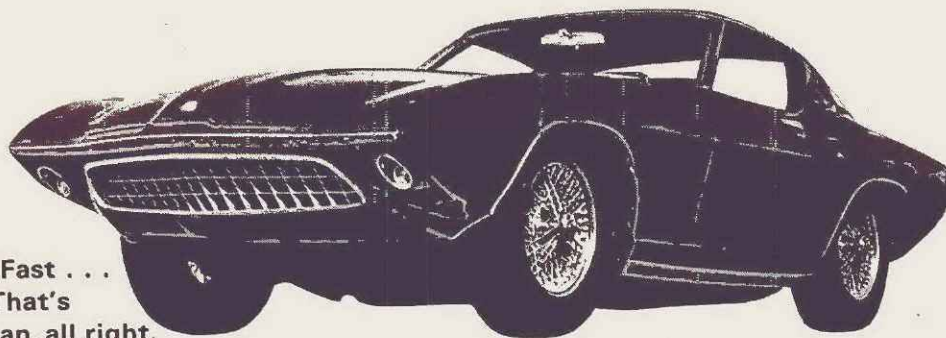
over sea their potential is diagnosed by low-flying "hurricane hunters," converted DC-8 Constellations manned by technicians who fly directly into the windy midsts.

The center considers 1969 an average year for storms, an average year usually bearing eight to a dozen tropical storms. The year 1923 set the record, though, with 21 hurricanes and other tropical storms, but at that time the hurricane warning system and the hurricane center had not been established. Yet, according to personnel at the Miami center nothing has ever equalled the ferocity and destructive power of Camille, the damning lady that brought devastation to hundreds of thousands of people with damage to property still being tolled and expected to approach \$1 billion in insured and noninsured property.

The inevitable closing question, of course, is where the feminine names assigned to the various storms come from. Dr. Simpson said it is a simple convention begun long ago by the Weather Bureau. The names themselves are selected by a committee at the Washington warning station. They are based upon the progression of the alphabet and repeat every four years. The exceptions are major catastrophic storms like Betsy or Camille. To avoid confusion, those names are "retired" and will never be used again.

All name selections are subject to the approval of the hurricane center director. In the 35 years of the hurricane warning system's history has any name ever been rejected? The answer: yes. Several years back a tropical storm was assigned the name Faith. The storm was local to a set of islands in the Caribbean where French was spoken widely. According to the director at the time, Faith was French for a person's posterior, and he felt such an appellation would not rear popularity for the Weather Bureau.

## The 1970 Marsh & McLennan?



Modern . . . Fast . . .  
Fully equipped! That's  
Marsh & McLennan, all right.  
But there's just one thing . . . we're not a car.  
Even so, we still know a lot about them. Some of our best  
clients are in the automotive business.

We're Marsh & McLennan, industry's leading insurance brokers.  
We make certain that *you* get the best corporate insurance  
protection possible, no matter what business you're in.

Regardless of size, your business is important to us. That's why  
we analyze your program . . . ask questions . . . dig deep, until  
we find or develop, the right kind of corporate insurance  
protection for you in cost and coverage.

We do this with more risk specialists and experts for  
almost any industry. More analysts to review your program and  
more offices to serve you here and abroad.  
Only Marsh & McLennan has more of these services.

If you're not getting this kind of performance out of  
your present insurance program, then call  
**Marsh & McLennan, Incorporated.** Modern . . .  
Fast . . . Fully equipped . . . all around the world.

## Sue insurer for death of 'claimant'

SAN FRANCISCO—The widow of an Atherton, Cal., resident has charged the Hartford Fire Insurance Co. with causing her husband's death by accusing him of filing a "fake" burglary insurance claim.

In a wrongful death suit brought in superior court here, the widow, Leda Herral, claims Hartford refused to pay a \$137,000 claim, encouraged the Internal Revenue Service to investigate and filed a Federal suit against her husband, Hoyt W. Herral, who died at 52 last July.

The Herral family, according to the suit, held Hartford insurance policies on a painting, "El Salvador," of the school of El Greco, valued at \$90,000; an \$8,000 mink coat; a \$9,000 set of matched antique Italian plates and other household articles valued at \$30,000.

IN 1969 the Herral home was burglarized and all of the items were taken.

The suit charges Hartford and its San Francisco attorney, Augustus Castro, with failing to pay the claim.

The suit also contends the defendants suggested that the burglary had been "faked" or the value of the goods was inflated. The claim of the suit is now for \$1 million damages.

# benefit tax slants

## Group term life insurance benefits can backfire, some employers find

By JOSEPH S. ROBINSON

NEW YORK—One widely used planning technique for slimming an executive's estate tax is to transfer his life insurance to his wife or children. In this manner, the insured executive rids himself of ownership of the policies and presumably excludes the death benefits from his estate.

But suppose the insured dies within three years of the insurance changeover. Will Internal Revenue claim a death-bed gift—taxable in the insured's estate? Perhaps so—but even under such circumstances, the tax court held only the last three premiums are taxed. (See Coleman, 52 T. C. No. 99.)

Many employees with high coverage are taking advantage of this practice in connection with their group term life insurance. However, this can spell trouble to the employer. For example, suppose an executive assigns his wife a \$100,000 group policy. Later, he's divorced and then remarries. The second wife may not stand for losing this major fringe benefit to her husband's ex-wife. Unless the company comes up with some other sweetener for the executive, he may decide to switch jobs in order to pick up new group coverage for the benefit of his second wife. So the whole idea of offering benefits to an employee to make him stick to his job can backfire.

IRS has issued up-to-date guidelines on the requirements that must be met when pension or profit-sharing trust funds are invested in stock or other securities of the employer corporation. For a restatement of the rules, see Rev. Rul. 69-494.

INSURANCE PREMIUMS were ruled deductible as a business expense when a bank paid for protecting itself against liability for wrongful acts of its officers in their official capacities. What's more, premiums on policies to indemnify officers and directors for expenses of such acts were said not to constitute taxable income to the officials. (See Rev. Rul. 69-491.)

COMMUTING COSTS to and from work normally are not deductible. But suppose you can't find living quarters nearby and you have to settle for a more distant location. Query: Can you write off your travel expenses under these circumstances?

No, says the tax court in a recent case in which a civilian employe working for the military, could not be accommodated on the

### Wentner merges

The 23-year-old Oakland California, insurance brokerage firm of Lyle G. Wentner & Son Inc. has been merged into Pacific Coast Holdings Insurance headed by president Bruce D. Baker with offices here. Alan G. Wentner, president of the Oakland firm, will become vice president of Pacific Coast Holdings.

base. He had to travel by car from a surrounding community. The court said his situation was no different from many other taxpayers who cannot find a house close to their place of employment.

\* \* \*

INTEGRATING pension plans with Social Security under the Treasury amendments allows existing plans, those which qualified

by Jul. 5, 1968—to make the necessary changes by Jan. 1, 1972, to meet the new 30% requirements.

With respect to such plans that must be amended by 1972, the Treasury has announced it will accept requests for determination letters for current processing. The requests must be accompanied by conforming executed or proposed amendments containing an effective date no later than Jan. 1, 1972. (See Announcement 69-35, I R B 1969-37,16.

### "Any Mergers and Acquisitions Planned?"

Join the Hagedorn Group. Your insurance program's success depends on innovation, imagination, and plain old-fashioned hard work. We know our clients can't afford less . . . and this is one very good reason why Hagedorn & Company is beginning its second hundred years of service.

We invite you to write on your firm's letterhead for complete details.



HAGEDORN & COMPANY

ONE LIBERTY STREET  
NEW YORK, N. Y. 10005  
(212) 269-1100

1869

# NEL LTD

New England Life now has the most complete Long Term Disability plans money can buy for groups of 10 or more employees. With all the special features you'd expect from New England Life.

Like maximum monthly benefits that go up to \$2500. Benefit formulas of 50, 60 or 70%.

A choice of options like our family income benefits. And our Social Security "freeze", which passes along

any increase in benefits to the employee.

And the choice of buying LTD as a separate entity, without having to buy an entire group insurance package.

And, we have the kind of flexible underwriting that's responsive to individual needs.

NEL LTD.

From now on, that's the best way to spell Long Term Disability insurance.



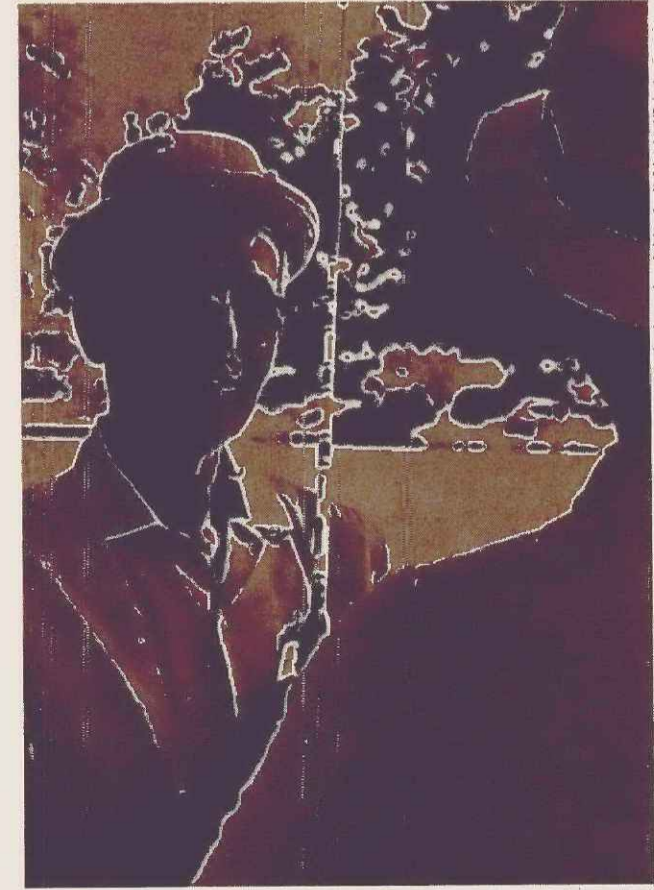
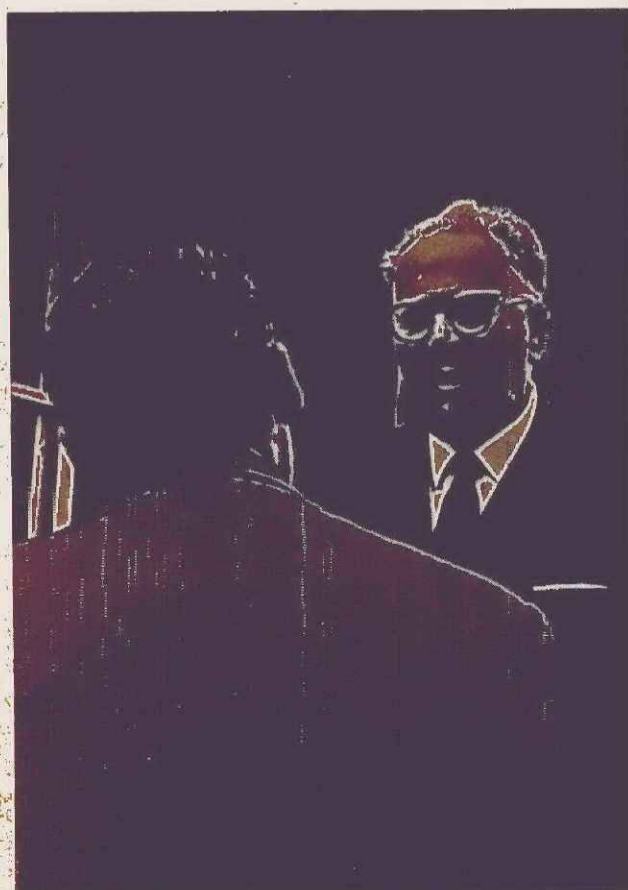
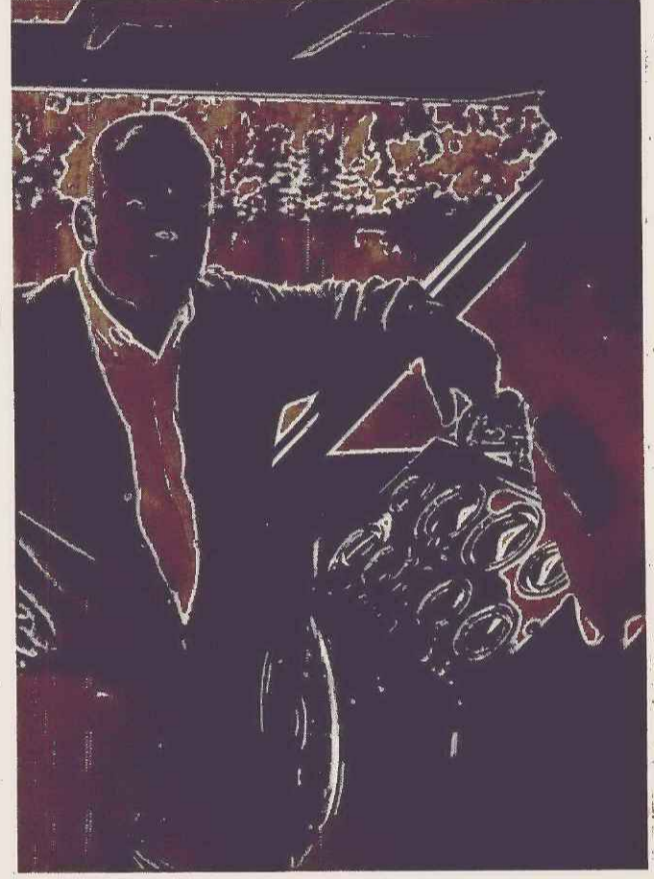
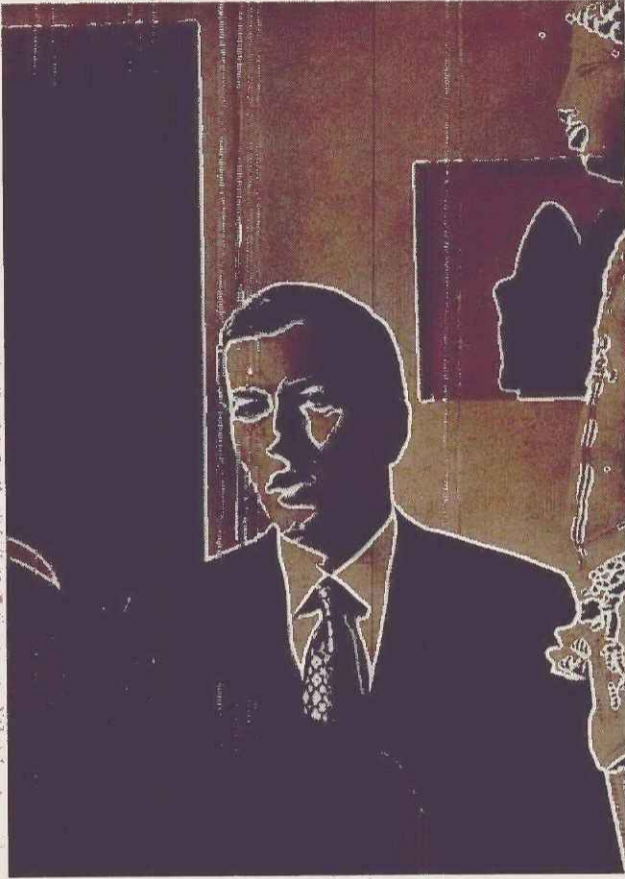
Not yet available in all states.  
New England Mutual Life Insurance Company, 501 Boylston Street, Boston, Mass.

# If you chief executives, about

**Hugh D. Luke, President, Reliance Electric Company, Cleveland, Ohio.** "Exactly! We like the flexibility and know-how of American Mutual. They've really helped us keep our insurance program in step with our rapid growth in automation technology."

**Edward G. Watkins, President, Simplex Time Recorder Co., Gardner, Massachusetts.** "Providing good insurance protection for our multiple-location business is no simple matter. American Mutual, since 1949, has consistently matched our expansion with top coverages and top service."

**James E. Gettys, President, Standard Knitting Mills, Inc., Knoxville, Tennessee, Makers of Healthknit.** "50 years ago we turned to American Mutual for business insurance. In all that time, they've never lost their enthusiasm in looking for new ways to give us better protection at lower cost."



**Harold E. Nelson, President, Ekstrom, Carlson & Company, Rockford, Illinois.** "That's easy to answer. In our business we're used to being precise. So, the precise way the American Mutual people approach our insurance problems appeals to us — has for nearly 30 years."

**John R. Kennedy, President, Federal Paper Board Company, Inc., Montvale, New Jersey.** "Our assets have grown from \$5 million to over \$89 million, and American Mutual has fit our insurance to our growth. And they've been protecting us with that same kind of flexibility since 1921."

**Ralph Mattick, President, General Metal Products Company, St. Louis, Missouri.** "That's right — 30 years with American Mutual! We've always liked the way they do business and the way their local people keep trying to improve our insurance protection and reduce our costs — and usually succeed."

# ask one of these you'll find out a lot American Mutual.

**S. Abbot Smith, Chairman of the Board, Thomas Strahan Co., Chelsea, Massachusetts.** "Draw your own conclusions. They first wrote Workmen's Compensation for us over 40 years ago. Now we have seven different coverages with American Mutual, including Group Insurance protection for our people."



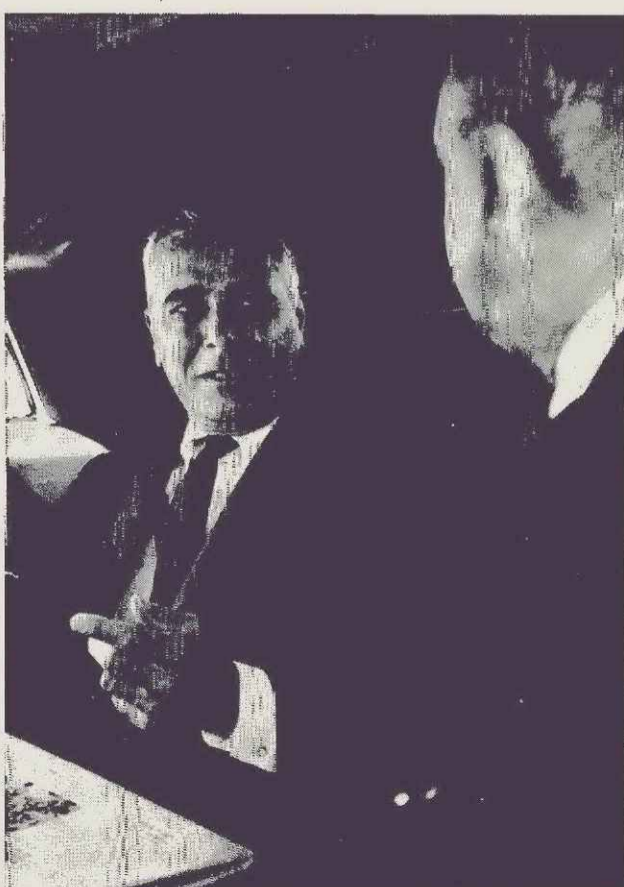
**Roy E. Kamm, President and Chairman, G. Heileman Brewing Company, LaCrosse, Wisconsin.** "In our business - quality is all important. We find American Mutual thinks like we do - their insurance coverages, their services, their people are quality all the way."



**J. Craig Smith, President and Treasurer, Avondale Mills, Sylacauga, Alabama.** "Spending \$57,000,000 in the past ten years on our facilities to improve quality, we appreciate the insurance savings American Mutual has helped us realize year after year."



**Joseph E. Moran, President, General Refractories Company, Philadelphia, Pennsylvania.** "We feel an insurance company should be as alert and flexible as the company it insures. My company has many plants making many different products, creating different insurance problems. American Mutual has proved it knows how to cope with them."



**George J. Pecaro, President, The Flintkote Company, White Plains, New York.** "I've been surprised a company as large as American Mutual could give us such personal attention. On Workmen's Compensation alone our insurance costs are 50% lower thanks to their safety engineering advice."

**American  
Mutual**

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880

95 Offices - In the Yellow Pages

American Mutual Insurance Companies, Wakefield, Mass. 01880  
Workmen's Compensation • Fire • Liability • Crime  
Group Insurance • Auto • Home • Life • Accident and Health

# Jewelry makers lose coverage after burglaries

NEW YORK—Two jewelry manufacturers here have had their jewelers' block policies canceled by St. Paul Fire & Marine Insurance Co. following recent burglaries which at first appeared to be fidelity cases.

The two companies are Iral Jewelry Ltd., which was burglarized of merchandise valued at \$58,000 early this year, and Jewelry Unlimited Manufacturing Co. Inc., which sustained a loss of slightly more than \$300,000 in July.

Both burglaries, according to owners, were remarkably similar. And one owner noted that he had been told by officials that several other jewelry heists similarly carried out are currently under investigation by New York po-

lice. Police here were reluctant to confirm or deny the report to *Business Insurance*. However, a spokesman for the Jewelers' Security Alliance admitted there are a "series of cases in which there are similarities."

**IN EACH OF** the burglaries the merchandise stolen was stored in walk-in combination safes that were protected by Holmes Electronic Security devices sensitive to pressure inside the vault or any specified pressure against the sides of the vaults.

Before either of the vaults could be opened the Holmes Security Agency had to be supplied with a correct code of signals or a device that leads to a security circuit. Both heists occurred on

early Saturday mornings, at a time when smaller jewelry concerns occasionally but not normally open to clear up backlogs of work. In each case the burglars gave the proper opening code to the Holmes agency and entered the vaults without forcefully cracking their combinations. Holmes declined comment.

David Goldschild, president of Jewelry Unlimited, said he believed the heist at his company was the work of professionals who had a portfolio information on his firm's security system. He resented implications that it was a fidelity case, noting that "all our employees—even me—took exhaustive lie detector tests given by Scientific Lie Detector Laboratories and all were given a

clean bill of health."

Mr. Goldschild explained that the only people who had access to the proper opening sequence code of his security system were employes of Holmes and certain responsible employes at Jewelry Unlimited. Similarly, the combination to the vault door was known by certain Jewelry Unlimited personnel and the door's manufacturer, Acme Safe Co. Inc.

**"I DON'T** feel secure with my security equipment any more," Mr. Goldschild said.

Also lacking confidence these days is Ira Schecter, a co-owner of Iral Jewelry Limited.

Mr. Schecter noted that his partner, himself and a foreman of the company were the only

people who had access to the proper Holmes code and safe combination, but that the investigation had not required lie detector tests of them, although "all would have been willing to take one."

Mr. Schecter expressed an "absolute lack of confidence" in security afforded the jewelry industry today.

**"I HAD AN** Atlas safe door," he said. "When it was delivered to me I was handed the combination in a brown envelope by the trucker who carried the door in. This business is so small," he observed, "I'd like to know which trucker delivered my door and which delivered his (Mr. Goldschild's)."

Mr. Schecter said that the limits of his St. Paul policy were \$40,000 and that he had taken a \$20,000 loss on top of that.

"St. Paul's canceled my policy after the claim and now I'm with Lloyd's. I'm not happy about it. I feel like a second class citizen. As long as there is a company in this country writing a jeweler's policy, I feel I am as honorable as anyone else who has jeweler's insurance with an American company. I guess it's just a quirk with me," he said, noting it had nothing to do with the Lloyd's organization itself and that his premiums were only "slightly higher" with them.

Jewelry Unlimited, according to Mr. Goldschild, is in the process of obtaining a Lloyd's policy.

**A SPECIALIST** in jewelers' block policies at St. Paul refused to discuss either of the recent heists involving his insurance company's former policyholders. Asked if he thought many jewelers today were losing confidence in their security systems and whether anything was being done about it, he commented: "Yes. It's being done. It's being done."

While he was unwilling to estimate losses due to burglaries this year, the Jewelers' Security Alliance source said that figures reported to be "much higher" than those of previous years. He added, however, that this might be in part due to the fact that the alliance's sources for information have improved in the past year.

In the meantime, a consultant to insurance buyers in Maryland, who is deeply involved with jeweler's block policies, has fired a salvo at the insurance industry.

Richard C. Sleeper, senior consultant to the Insurance Buyers Council of Baltimore, Md., said, "Definite pressure is being exerted on insurance company adjusters to reduce loss payments or deny liability altogether to jewelers suffering insured losses."

Speaking to a National Wholesale Jewelers Assn. meeting, Mr. Sleeper further charged that not only are premiums zooming to outer space, but terms are becoming more and more restrictive.

Mr. Sleeper said that jeweler's block policy losses have risen so steadily and severely that fewer insurance companies consider jewelers good risks.

He suggested that thought be given by jewelers' associations that they form a member-owned captive insurance company. ■

## Braddock, 55, dies

Robert A. Braddock, president of R. B. Jones Inc., Kanas City insurance broker, died Sept. 20 following a brief illness. He was 55.



helps eliminate the  
headaches from  
Pension Plans.

**New Master Annuity Plan  
does away with the need  
for a Trust or Trustees.**

MONY's new approach offers a fully insured Pension Plan for smaller employee groups that simplifies planning, eliminates a good deal of red tape, and cuts down on preparation and administrative expenses. For further information, write Pension Plans Development, Dept. 5-15, MONY, 1740 Broadway, New York, N. Y. 10019.

**MONY**  
MUTUAL OF NEW YORK

The Mutual Life Insurance Company Of New York

# Promote warnings on hazardous products: Editor

WASHINGTON—A system of warning symbols—made readily recognizable by public service and product advertising—should be used on all potentially hazardous products, the National Commission on Products Safety was told.

"Inasmuch as the extensive promotion of a caution signal of this kind might reduce a manufacturer's liability in the event of damages, it might be possible that liability insurers would be interested in getting behind an idea like this, and perhaps offer incentive rates for products which are labeled in this manner," Stanley E. Cohen, Washington editor of Advertising Age, later explained to Business Insurance.

(Advertising Age and Business Insurance are sister publications.)

MR. COHEN noted that thanks to Ralph Nader and others, advertising has assumed a new role in stimulating competition toward safer products—but that it can't be counted on to do the whole job.

Mr. Cohen noted a "significant phenomenon" occurring in the area of auto advertising, as well as in other fields. "Where auto marketing and advertising strategy formerly worked against design safety, the new conditions have transformed the role of advertising so that it has become a positive force prodding manufacturers into a competition to offer new safety features."

Mr. Cohen noted the same sort of safety theme popping up in other forms of advertising, such as cigaret ads. But he said: "The lesson is clear to me. Advertising can advance the cause of safety; but it can only perform a supporting role, and only then, in an appropriate environment."

"THE DAVID and Goliath struggle between Ralph Nader and General Motors jarred the public's complacency about auto safety in the public's mind. But Ralph Nader cannot do all these things himself, and we cannot leave product design to chance," he stated.

Mr. Cohen said there's no assurance that product safety will be secured by requiring warnings in product ads. "Proposals of this kind inevitably provoke intense resistance from advertisers, who argue that advertising should not be required to serve as witness against the advertised product," he explained.

A more workable alternative, Mr. Cohen proposed, would be a system of "signal" systems—a modern equivalent of the old 'skull and crossbones'—which could be required by law on all potentially hazardous products."

The Advertising Age editor suggested that the meaning of the symbols—that these particular products required special care on handling and storage—could be "widely and continuously" promoted through public service advertising.

"THIS SYSTEM, well along toward adoption in Canada, is ideally suited to the advertising tech-

nique. Instead of a multitude of competing campaigns, there is one campaign, with a single clear-cut message that serves the needs of all."

Once these symbols exist and the necessary arrangements are made to assure that they appear on all products, Mr. Cohen said, "the debate over warnings in ads takes on new meaning. Regulatory agencies could determine that

for certain types of hazards the warning symbol must appear in the product ad, like the standard ratings currently used in ads for motion pictures.

"This combination of public service advertising and product advertising, all featuring the recognized 'signal' symbols, provides the best assurance that consumers will learn to recognize these potentially hazardous products, and

take appropriate precautions."

MR. COHEN declared that in his opinion the promotion of a system of symbols of this kind is the "single most valuable contribution advertising can make toward helping the public protect itself from products which, though normally safe, involve potential hazards.

"But advertising cannot make

that contribution in the existing disarray of labeling law. By developing a universally recognized and required system of caution symbols—perhaps a system which will be accepted throughout North America—I believe this commission could make a contribution toward improved product handling habits which would pay dividends in anguish averted and lives saved," Mr. Cohen stated.

If you have employees working overseas you know they are faced with serious problems when it comes to buying personal insurance.

AIU has made available a voluntary group plan which provides personal property, accidental death and dismemberment, and comprehensive personal liability coverages. The great thing about this policy is that your employees are no longer left to their own devices in a foreign country.

It doesn't require much work on your part. All you have to do is get 25 of your employees to avail themselves of the program and we will issue you a policy.

Their rates will be lower than if they purchased the insurance on an individual basis; AIU's worldwide claim network makes settlement particularly convenient, and you won't have to be saddled with administrative details such as payroll deductions, record keeping

or claim handling. If you're interested in more information about this program ask your insurance representative to contact us, or send your business card along with this ad to American International Underwriters 102 Maiden Lane, New York, New York 10005, or the nearest AIU office.

It could solve a lot of problems for a lot of people. Including you.

**American International Underwriters**  
50 years of worldwide coverage

## If you want your overseas employees to be happy, there's very little you have to do.



### Parsons joins Klein

John R. Parsons has joined the staff of Eugene M. Klein and Associates, Cleveland-based actuaries, pension and profit-sharing plan consultants and administrators. He will serve as a consultant in the field of employee benefits. Mr. Parsons was previously an officer of an independent consulting firm.



**“Is there a quote here from Mutual Benefit?”**

**“Right on top. In more ways than one. They’ve increased executive coverage. And by consolidating several group life plans, they’ve cut administrative costs, too.”**

Anybody can hand you a packaged group life proposal. And sadly enough, many do.

But not Mutual Benefit. Imagination and creativity characterize every quote we submit.

You don’t need 120 years of insurance experience or over 11 billion insurance dollars in force (as we have) to know that each customer’s requirements are unique.

That’s why we start fresh from the standpoint of the client’s needs and what he can afford to spend, and build from there.

As a result, maybe we’ll find a way to increase group life benefits, yet lower the cost.

Then, with the money saved, we may be able to set up a long-term disability plan. Or improve major medical benefits. Or fatten up a group pension plan.

Like all of us at Mutual Benefit, our home office experts and group specialists across the country have the quaint idea that the easy way (the canned plan) is rarely the right way.

So we fuss. And strain. And figure and refigure to give you the plan you need. At our expense, not yours.

**MUTUAL BENEFIT LIFE**  
THE MUTUAL BENEFIT LIFE INSURANCE COMPANY, NEWARK, N. J. / SINCE 1845

# business insurance/perspective

## Sonic boom: An unpredictable hazard

by William H. Rodda,  
president,  
Marine Insurance Handbook, Inc.  
Chicago, Illinois



William H. Rodda

This speed varies with altitude, temperature and other conditions, but it is in the neighborhood of 700 miles per hour. The air which a plane meets as it travels supersonically cannot get out of the way, so it is pushed into a compact wall which spreads out behind the plane in a shock wave. This is somewhat of an oversimplification of the scientific explanation, but the fact is that a shock wave similar in its effect to the shock wave from an explosion of dynamite trails from the plane.

**THE EXTENSIVE** damage that occurred at Ottawa, at Colorado Springs, and other places from sonic boom resulted from the flight of aircraft at low levels. The severity of the shock wave lessens greatly as the altitude of the plane increases. Planes of the U. S. Air Force (which presently are the only planes which fly supersonically in this country) do not fly faster than the speed of sound at altitudes of less than 35,000 feet except when they must take off and climb quickly in order to identify an unknown aircraft.

The abnormal pressures from a sonic boom at 35,000 feet are expected to be in the range of 1½ to 2 pounds per square foot. These pressures may cause a sharp crack like nearby thunder and might

ing the tests there. Most of them were like distant thunder. Rarely did they even rattle dishes on a shelf. However, this was in a large city where other noises tended to blot out the shock wave. The Oklahoma tests seemed to cause more public reaction.

Public opinion polls were said to indicate that a quarter of the people there felt that they could never get accustomed to the booms. About two-thirds of the claims that were paid were for damage to glass, and about 20% for damage to plaster. One of the more interesting claims was from a woman who said that the sonic booms regularly broke the straps on her brassiere. The available records do not indicate whether her claim was allowed.

The question which faces owners of property is whether the sonic boom in the future will be a threat to property and whether insurance will be available to cover any such losses. The answer depends largely on the future of supersonic transport airplanes. Today the only airplanes that fly at supersonic speeds are those of the Armed Forces. The Air Force can determine with almost complete accuracy what plane was flying at supersonic speed in any case where a sonic boom occurs and causes damage.

The investigative procedure determines

**'An analysis of current insurance protection against sonic boom damage is simple . . . It is not clear what the attitude of insurance companies will be . . .'**

break windows, and particularly windows that are not set properly in their frames, or a glass that has some internal stresses within its structure. Large scale damage is not expected from high altitude flights.

There is a popular misconception that the sonic boom occurs at the moment when a plane crosses the "sound barrier," that is, when it accelerates past the speed of sound. This is not true. The plane creates a sonic boom continuously when it is flying faster than the speed of sound. The area of the boom spreads out behind the plane like a gigantic cone. It usually is loudest directly under the plane's flight path, but the shock wave may be diverted, reflected or sometimes increased in intensity by atmospheric conditions.

The U. S. Air Force ran several controlled tests in different parts of the country, including Oklahoma City and Chicago. Thousands of claims have been filed against the Air Force for damages which were said to result from these sonic boom tests and other cases where planes caused sonic booms. From 1956 when the phenomenon was recognized as a cause of damage until the first of this year the Air Force has paid something more than \$1.5 million to 14,000 claimants for acknowledged damage. Every claim has been investigated carefully. It can be assumed that the damages which have been allowed are a very conservative measure of the damage that was caused.

**THE AIR FORCE TESTS** developed some interesting situations. Many people were annoyed at the booms. This writer experienced them in the Chicago area dur-

first whether more than one claim is received from an area. A sonic boom that is severe enough to cause damage is almost certain to affect several properties in the area. The Air Force also searches its records to see what plane and what pilot were in the area, and at what altitude they were flying. The claim is denied if it is determined that no Air Force plane was in the vicinity.

**THE PROPERTY OWNER** and his insurer presently can look to a single culprit when it appears that there has been sonic boom damage. The Air Force has accepted the responsibility of paying for such damage when it is clear that it was caused by an Air Force plane. The path is clear when a claim is to be made. Sonic boom has thus far not been a serious problem for insurance companies because the Air Force has accepted the responsibility of paying for proved losses from sonic boom.

The situation will change radically when and if supersonic transport planes start operating over the U. S. Predictions have been made that within 20 years there will be 500 supersonic airplanes operating over the world's air lanes. It will be difficult if not impossible to tell whose airplane caused the sonic boom that knocked out all the glass in a Kansas City suburb, or along the north shore of Long Island. Every pilot who was flying a plane in the area at the time will swear that he was above the minimum altitude before he went supersonic, and nobody will be able to prove any of them a liar. Minimum altitudes for supersonic flight will not be a guarantee against damage.

Current thinking is that supersonic transport planes will not be permitted to exceed Mach 1 (the speed of sound) at an altitude of less than 60,000 feet. But suppose pilot John Dokes is late getting off from Kennedy Airport and he wants to get home to Mama in Los Angeles for dinner. At 40,000 feet, or 50,000 feet he figures he is over the mountains of Pennsylvania where nobody will know the difference and he pushes the throttle levers forward. Everybody from Wilkes-Barre to Williamsport will be jolted by his sonic boom and glass will fly all over the cities. Perhaps there will be flight recording devices that could tell when he went supersonic, but it would be naive to think that an airline would voluntarily admit that its pilot was the one who pushed forward too fast. The property owner's recourse would be to his insurance company. He will leave it to the insurance company to fight it out with the airlines, the Air Force, and by that time perhaps with some private operator of supersonic planes to collect from the perpetrator of the too-fast flight.

There is also the unpredictable nature of the sonic boom to be considered. It may be determined that 60,000 feet altitude, or some other flight level, will be the one at which sonic booms will be only an annoyance and not a threat of property damage or personal injury. People will be expected to accept the regular occurrence of the booms the way they are forced to accept city noises, the jar of the jet take-offs from out city airports, or the roar of trucks on mid-city highways. But the sonic boom is unpredictable. Occasionally atmospheric or other conditions (nobody really knows why) will produce a super-bang. These may be ten times the strength of what would normally be expected. All of the pilots aloft may actually have been operating at their legal altitudes. Again the only satisfactory answer to the property owner is insurance against damage from sonic boom.

**AN ANALYSIS OF** current insurance protection against sonic boom damage is relatively simple. Most insurance policies today include what is known as "extended coverage." This may protect against perils that are specified in the policy, or it may be an all-risk type of coverage. In either case the point to be examined is the protection against loss from vehicles and aircraft.

One typical clause covers loss by vehicles or aircraft, which is defined as meaning direct loss resulting from actual physical contact of an aircraft or a vehicle with the property covered. Sonic boom damage does not involve any physical contact of the airplane with the property. Sonic boom damage to property would not be covered by this form of extended coverage.

Another version of extended coverage applies to loss or damage by "Aircraft, including self-propelled missiles and spacecraft." This wording does not require that there be any physical contact between the aircraft and the property which is damaged. Any damage which is caused by a sonic boom clearly is damage caused by an aircraft.

It is not clear now what the attitude of insurance companies will be when sonic

*Continued on following page*

Continued from preceding page

boom becomes a frequent cause of insured loss. Past actions in relation to landslide and surface water losses might indicate that insurance companies will tend to exclude sonic boom damage when losses become catastrophic. Someone has estimated that present losses of perhaps a few hundred thousand dollars a year from Air Force planes would skyrocket to a hundred million dollars in losses each year when scores of hundreds of supersonic transport planes are criss-crossing the country. Such losses would make it necessary for insurance companies either (1) to exclude the losses as too catastrophic to cover or (2) to charge substantial premiums to cover the hazard.

**IT HAS BEEN PROPOSED** that since this is a man-made hazard it should be paid as a business expense of airline operation. This might be handled through some special insurance company pool, or perhaps under a government financed or supervised operation.

A property owner may ask why he should be concerned about sonic boom damage now when all such provable damage is being paid for by the Air Force. His concern should be for the future. There is certain to be an increase in the frequency of such damage. Just as soon as commercial supersonic airplanes are operating over the United States the government will deny liability for any damage which may have been caused by a commercial

plane rather than by a military plane. The property owner's recourse necessarily will be insurance. The property owner who has been foresighted enough to secure insurance that applies to sonic boom will be covered during this transition period. The property owner who has accepted coverage that requires physical contact of the plane with his property in order for a loss to be covered will then find it difficult to secure sonic boom coverage. Insurance markets tighten very quickly when a hazard begins to cost a lot of money in losses.

The property owner should anticipate that someday he will need coverage against sonic boom damage. He should make certain that his present policies cover such loss.

The property owner may also wish to take a position on the question of insurance against the hazard at a premium commensurate with the hazard, or a government or other pool of some sort that would depend for its financing upon the airlines as an expense of air travel. ■

*William H. Rodda, a CPCU and a member of Phi Beta Kappa, graduated with honors from Rutgers University. He is the president of Marine Insurance Handbook, Inc., which publishes the standard inland marine insurance rate book for agents. He is a consultant to companies in the multiple line insurance field. He is the author of several of the principal textbooks on insurance subjects.*

# Reading your standard fire policy—No. 2

by George L. Head,  
director of educational publications,  
Insurance Institute of America

*(This is the second of two articles. In the first, the writer discussed the first four of 11 questions that must be answered to determine the scope of coverage under any insurance contract. These were: What perils, losses, property and locations are covered.)*

In the absence of an endorsement or assignment, the standard fire policy pays losses only to the named insured or to his legal representative, such as an heir or estate administrator. Because the character and reputation of the insured are important factors in the insurer's selection of risks, the fire policy is not assignable before a loss without the insurer's written acceptance of the particular assignee. After a loss, however, an insured may assign his right to the indemnity payments for that loss, but not his rights to payments for future losses.

Under the standard fire policy, as under nearly every property and liability insurance contract, the company will pay the insured no more than the amount of his personal financial loss (his "insurable interest") regardless of the value of the property or the amount of insurance. To take a concrete example, if a firm's \$200,000 factory is insured for \$200,000 and mortgaged for \$80,000, the insurer will pay the insured only \$120,000, the value of its equity, for a total fire loss. The insurer must hold the other \$80,000 as a trustee for the mortgagee.

The use of mortgages is so common on properties insured under the standard fire policy that the first page of the policy contains space for indentifying any mortgagees and makes the named insured's coverage subject to the provisions of any mortgage clause endorsed onto the policy.

**THE INSURING AGREEMENT** of the standard fire policy provides coverage for losses occurring between the dates stated in the declaration, coverage beginning and ending on those dates at noon standard time at the location of the insured property.

For losses caused by a fire which has reached the insured property before noon on the first day of coverage, the insurer probably is liable only for the damage which occurs after noon. In contrast, if a fire has damaged the insured's property before noon on the final day of coverage, the insurer must pay the entire loss, including the damage done after noon, by the same fire.

As defined by most modern insurance writers, a "hazard" is a dangerous condition or situation which makes a loss more likely or more severe than it would have been if the hazard were not present. Thus, oily rags are a hazard with respect to the peril of fire. But for some older writers, and in the standard fire policy, "hazard" means probability of loss.

**SOME INSURANCE POLICIES** specify hazards (dangerous conditions) which exclude coverage, that is, which put an end to coverage forever even after the hazardous condition is eliminated. But the only hazards affecting coverage under the standard fire policy are those which suspend coverage temporarily, the insurance being fully restored once the hazards are removed.

To quote in part from lines 31 through 37 of the second page of the standard fire policy, three hazards suspend coverage. There is no insurance (1) "while the hazard (meaning chance of loss) is increased by any means within the control or knowledge of the insured," (2) while the insured property is unoccupied or vacant beyond 60 consecutive days, and (3) for losses which "are a result of explosion or riot, unless fire ensues, and in that event for loss by fire only." With respect to the first two hazards, the insurer will not pay any losses which occur while any of these hazardous conditions exists, even though the hazard in no way contributes to the loss which actually occurs.

These three conditions suspending coverage need not be as serious to the insured as they may sound. To suspend coverage, any hazard (dangerous condition) known or controlled by the insured must be serious: using a motorized paint sprayer in a closed room by an open flame may well suspend coverage; merely lighting a cigarette will not. The second excepted hazard, extended vacancy or unoccupancy can be insured by an endorsement and by the payment of extra premium, as can be the explosion peril in most cases.

**THE MAXIMUM AMOUNT** an insured can collect for a loss under the standard fire policy can be limited both by the provisions of the basic policy and by any endorsements added to the policy. Frequently used endorsements restricting the amount of coverage include deductibles, coinsurance provisions, and pro rata distribution clauses. These endorsements will not be discussed here.

The insuring agreement of the standard fire policy provides that the insurer's liability is limited to the lowest of four amounts: (1) the face amount of insurance purchased, (2) the actual cash value of the damaged property at the time of the loss, (3) the cost of repairing the damaged property within a reasonable time after the loss with material of the same kind and quality which made up the property before the loss, without allowance for depreciation or for the cost of making improvements to meet building code requirements imposed since the property was first constructed, or (4) the insurable interest of the named insured, that is, the amount of his financial loss caused by the fire, lightning, or removal.

Beyond these four limits on the amount of coverage, lines 86 through 89 on page two of the standard fire policy provide that, if two or more standard fire policies

cover the same insurable interest in identical property, each policy will bear a share of the total liability to that insured equal to that policy's proportion of the total insurance. Thus, if fire insurer A covers the Jones factory for \$100,000 and fire insurer B covers the same factory for \$300,000—both standard fire policies showing the Jones Corp. as the named insured—fire insurer A will pay \$20,000 of \$80,000 loss (¼ of the loss), and fire insurer B will pay ¾ of the loss or \$60,000.

**THE FINAL THREE** questions which must be answered to analyze the scope of the standard fire policy's coverage—questions concerning the rights of the insured, the duties of the insured, and the options of the insured—all apply primarily to the payment of losses; most of these rights, duties, and options exist only if a loss occurs. These points are covered in the clauses of the policy usually known as the "conditions."

The insured has three significant rights under the standard fire policy. The first right is to receive indemnity payments for losses which are covered by the policy. But to perfect this right, the insured must comply with certain conditions enumerated in the next section. The insured's second right is to receive a refund of the full unearned premium if the insurer cancels the policy—a cancellation which requires five days written notice to the insured. The insured's third major right is the right to cancel his policy immediately and to receive a "short-rate" refund of unearned premium, a refund slightly less than the refund given if the insurer cancels the policy.

In addition, the insured has some other minor rights under the standard fire policy. Two of these are the right to demand the insurer's cooperation in arbitrating a disputed claim under the policy and the right to sue under the policy within a year after the loss if the insured has met all the conditions precedent to the payment of that loss.

**IT IS SOMEWHAT** inaccurate to speak of "the insured's duties" under the standard fire policy or any other property or liability policy. The insured has no duties—not even the payment of premium—which the insurer can sue the insured to enforce. Instead, what are loosely referred to as "duties" are conditions the insured must meet before he can collect indemnity for an insured loss.

The most basic of these conditions is timely payment of premium. But after a loss occurs, the insured must comply with 13 conditions. Ten of these conditions deal with what the insured must do to perfect his rights to payment for a loss, and three of these conditions deal with what the insured must not do if he wishes to protect his right to be indemnified.

The first 10 conditions, detailed in lines 90 through 140 on the second page of the

policy, are that the insured must:

1. Give the insurer or its agent immediate written notice of the loss.
2. Protect the insured property from further damage.
3. Separate the damaged from the undamaged property.
4. Give the insurer an inventory of undamaged, damaged, and destroyed property.
5. Submit within 60 days of the loss a written proof of loss on a form.
6. Show the insurer or its representative the remains of the damaged, destroyed, and undamaged insured property.
7. Submit to interrogation under oath if the insurer requests.
8. Allow his business records to be examined by the insurer.
9. Permit the insurer or its representative to make written extracts from these records.
10. Comply with the procedure for arbitrating disputes with the insurer.

In addition, the insured must not:

- Commit fraud, concealment, or misrepresentation with respect to any aspect of the insurance transaction.
- Abandon property to the insurer without its consent.
- Jeopardize the insurer's subrogation rights against any third party who may be legally responsible for the insured loss.

**IN MOST CASES** the insurer pays the actual cash value of a loss under the standard fire policy. But to curb the misuse of insurance by insureds who are over-eager for cash and less concerned about their property, the standard fire policy gives the insurer three options in deciding how it wishes to settle a loss. The insurer may:

- Pay the actual cash value of the loss, leaving the insured with title to the damaged and undamaged property.
- Take title to the damaged and undamaged insured property and pay the insured the before-loss appraised value of all the property insured under the policy, including the undamaged property.
- Repair or replace at its own expense the damaged or destroyed insured property with material of like kind and quality within a reasonable time after the loss.

Note that the foregoing brief sketch of the 1943 New York Standard Fire Policy is not a complete analysis. Furthermore, fire policies differ somewhat from state to state. Before taking any action based on the above discussion, the reader should obtain detailed, expert advice. Finally, remember that the major stress of this article has been to explain and illustrate two methods of analyzing insurance policies—the scope-of-coverage method and the functional method. The standard fire policy has only been an example. Hopefully these two techniques for analyzing insurance coverages will prove useful to readers in studying other insurance contracts. ■

*(This article is based on the material included in the three-year program of study leading to the diploma in risk management awarded by the Insurance Institute of America. For more information on this diploma, write the Institute 270 Bryn Mawr Avenue, Bryn Mawr, Pennsylvania 19010.)*

# More businessmen ought to be treated like cattle.

When the average American Hereford steps on the train, the value of his insurance is as current as the last pound he gained.

When the average American businessman steps out on company business, the value of his insurance probably hasn't been upgraded since the day he got it. If he got it at all.

At CNA, we don't think any corporation should risk unsophisticated travel insurance for their people. (So many more businessmen are traveling now.) That's why we recommend our Group Travel Accident coverage. It's as current as the changes in your company.

For example, we've made a lot of our coverage automatic.

Like insuring the businessmen you didn't expect to be traveling for you.

Like insuring businessmen you acquired through a merger or an acquisition.

And we've sophisticated what we cover.

If you have men assigned to a hazardous area, including a war zone, we'll insure them. If we've made arrangements with you beforehand, we'll do it automatically.

Some companies won't insure that kind of risk.

But CNA does a lot of things other companies don't.

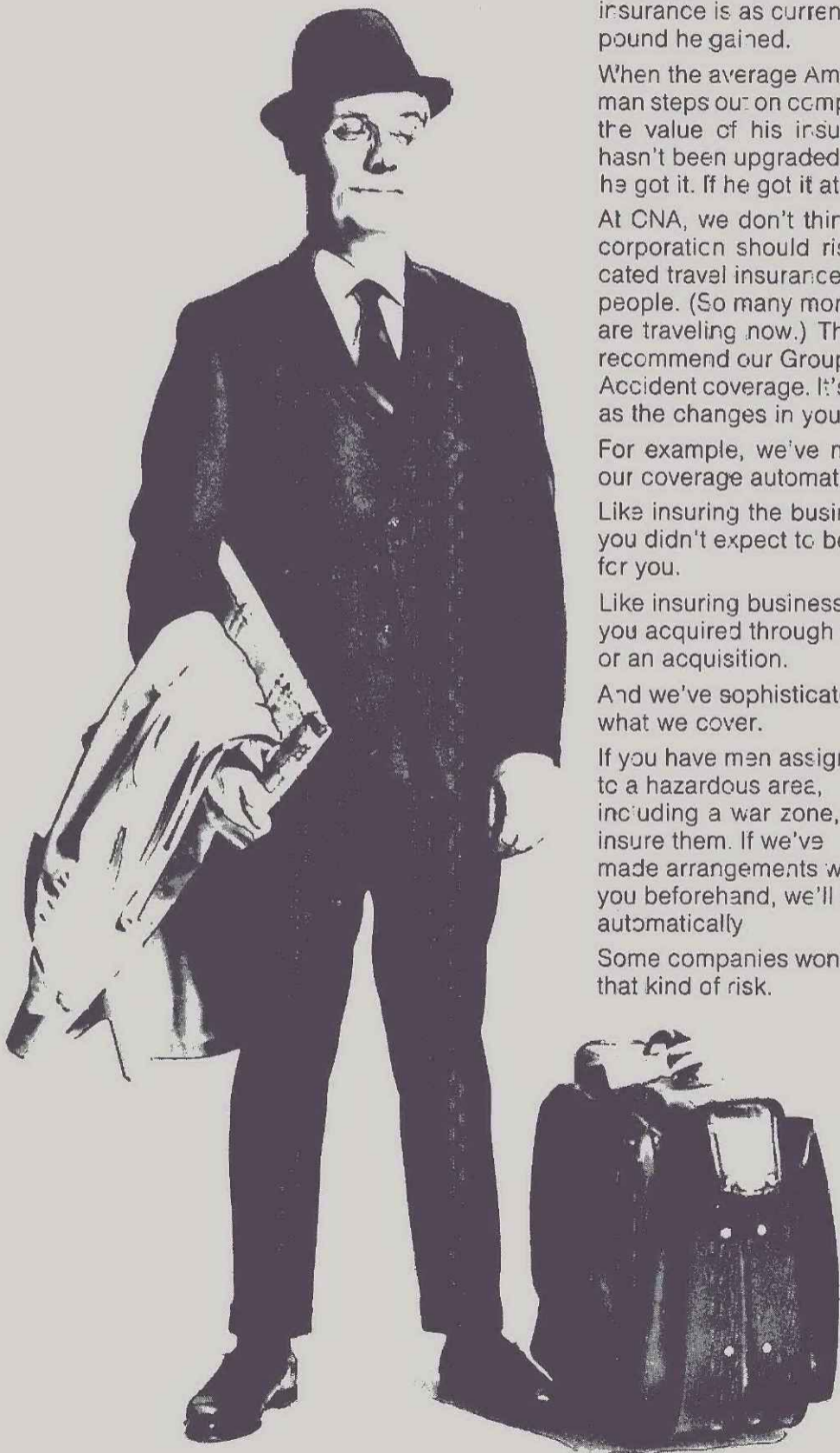
Keeping your employees' travel insurance as current as cattle's is the least we can do.

Man deserves more.

Contact your agent. Or write to us for a CNA Travel Exposure Analysis.

## *a CNA insurance service*

DEPT. 18WZ • 310 S. MICHIGAN AVE. • CHICAGO, ILL. 60604  
CONTINENTAL CASUALTY CO. • AMERICAN CASUALTY CO.  
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD  
TRANSCONTINENTAL INSURANCE CO. • TRANSPORTATION  
INSURANCE CO. • VALLEY FORGE INSURANCE COMPANY  
VALLEY FORGE LIFE INSURANCE CO. • CNA INVESTOR  
SERVICES, INC. **CNA FINANCIAL CORPORATION**



# Lauds 'class action' proposal as new legal aid to 'defrauded consumer'

WASHINGTON—The Senate subcommittee on improvements in judicial machinery was told that pending legislation to liberalize class action suits would "help the defrauded consumer by providing him with a new form of legal remedy and more effective legal representation."

Dr. Herbert S. Denenberg, Loman professor of property and liability insurance at the Wharton school of finance and commerce of the University of Pennsylvania, told the subcommittee that "a high percentage of all complaints submitted to state insurance departments involve accident and health policies or automobile collision and comprehensive policies

in which the amount in dispute may be far too small to make litigation worth while, however important it might be to the individual insured."

Dr. Denenberg charged that "defrauded insureds now cannot realistically rely on litigation as their remedy. Nor can they always rely on the insurance department of their state, which is charged with the responsibility of regulating and policing insurance companies."

AS ONE POSSIBLE corrective measure, Dr. Denenberg told the subcommittee that he backs the Class Action Jurisdiction Act (S. 1980) "to help the defrauded consumer by providing him with a

new form of legal remedy and more effective legal representation."

Under this proposal, the complaints of all defrauded insureds victimized by the same insurance company in the same fashion could be asserted by one or more consumers on behalf of the entire group, thus "providing the class of insureds with a realistic remedy, and with an effective representative," Dr. Denenberg said.

In other words, he explained, "one insured could sue on behalf of all those affected by an insurer's policy of delaying payment of claims or refusing to pay small claims, or on behalf of all those adversely affected by a deceptive

policy provision."

THE LOMAN professor also charged that "the regulated industry often captures the regulator, and this is nowhere more true than in the area of insurance."

He cited the fact that many insurance commissioners come from the insurance industry and return to it. Often, he said, such a regulator "is more concerned with problems of the industry than the problems of the consumer."

"However dedicated and well-meaning the insurance regulator may be, the very nature of the regulatory process may produce an industry-oriented viewpoint," Dr. Denenberg told the committee.

He cited instances in which inadequacies of state insurance departments' complaint offices were discovered.

"EVEN IF the regulator had the resources and the inclination to process consumer complaints effec-

tively, there are still good reasons for providing new and alternative remedies," the professor told the legislators.

Insurance department complaint offices "may not provide a sufficiently strong deterrent to potential wrongdoers. The individual complaint may be separately handled and adjusted without penalty or with only a resulting restraining order for the future. Some insurance departments do not even maintain records that would be adequate to establish a pattern of conduct and thus justify more severe penalties," Dr. Denenberg charged.

Other potential pressures on insurers to correct insurance injustices have also failed, the Loman professor told the subcommittee. "Even organized consumer groups, unions, and others have not managed to gather the expertise and the facts to bring effective countervailing power into the arena of insurance regulation and legislation."

The professor argued that defrauded insureds would have a new and effective advocate, the individual attorney, who would be properly motivated and rewarded by the method of compensation now afforded attorneys, if the liberalizing class action legislation is passed.

"It has been said," Dr. Denenberg added, "that no one should underestimate the resources and ability of the individual attorney representing his client when the 'blue chips' are down. The 'blue chips' have been down for the consumer for a long time. It is time to see that the consumer gets the representation and the remedy that he is entitled to."

## This Southern California Edison hydrographer has pension benefits provided by Pacific Mutual Life.

And so have thousands of other SCE employees since 1941.

He works in the freezing High Sierras. Below him is the SCE Big Creek-San Joaquin River hydroelectric project, part of the company's tremendous network of generating facilities.

PML is proud that his employer selected us to invest a portion of his non-contributory pension funds —

and those for more than 8,700 other SCE employees.

PML has served SCE for 28 years. Over that time we have maintained excellent investment performance with continued high yields. Retirees have received speedy service. And SCE management has received meaningful information reports on the progress of the pension plans.

As one of the largest group insurance companies in the nation, PML can satisfy the needs of large

employers and multi-employer customers like trade associations and unions.

The advantages of service, cost and coverage enjoyed by SCE are worth looking into. Your Pacific Mutual Life group insurance representative, agent or broker, will give you all the facts.

**Pacific Mutual Life**

The West's largest mutual life insurance company



## Staubitz named at Chemetron

CHICAGO—Sheldon H. Staubitz has been named corporate insurance manager at Chemetron Corp., succeeding Graham Fountain, who has retired but continues as a consultant to the company until October 1.

Mr. Staubitz, 37, was for four years the insurance manager at Brunswick Corp. prior to joining Chemetron. Before that he was insurance manager for Allied Van Lines. All three are Chicago-based operations.



Sheldon H. Staubitz

In his new position, Mr. Staubitz will be responsible for all property and liability protection for Chemetron in addition to the corporation's employee benefit program. CNA Insurance is one of Chemetron's major underwriters.

Mr. Staubitz told *Business Insurance* that his first major project at Chemetron will be an overhaul of the employee benefits program. At present, several insurers participate in this program.

The new Chemetron corporate insurance manager graduated from Northwestern University with a BS degree, received a law degree from Loyola University and is a member of the American Society of Insurance Management and a CPCU.

# Life insurers need investment freedom

OXFORD, Great Britain—Greater freedom in the use of common-stock investments can help many American life insurance companies, predicted Wisconsin University law chief, Professor Spencer L. Kimball, when he addressed an international congress on insurance law at Oxford University.

He then listed various benefits that new solvency regulations could confer if they were properly put in hand, and declared: "Strong insurers should not be needlessly straitjacketed by unnecessary restraints devised for weak insurers." He said: "A recent authoritative study of the life insurance investment process concluded that the capacity of life companies for risk taking is appreciably greater than the degree

of risk taking reflected in their investment portfolios.

"Further liberalization of common stock investments for their purposes would help in achieving several goals," Dean Kimball observed.

"IT WOULD help make life insurance a more attractive savings medium by providing greater opportunities for growth and yield.

"It would provide greater protection against the effects of inflation for policyholders as well as insurers.

"It would provide more satisfactory alternative investment outlets for insurers when the yield on fixed-dollar investments dips very low, as it did in the late 1940's.

"It would help increase the

supply of equity capital, thus contributing to the growth of the economy and enlarging the options of small—and medium-sized, as well as larger, insurers."

**PROFESSOR KIMBALL**, dean of law at Wisconsin University, dealt in this way with solvency problems:

"The best way to provide some specific statutory control over individual insurers whose financial position is weaker than the normal is to establish an independent limit on common stock, and other equity, investments that relates those more volatile categories of assets to policyholders' surplus, or else places an independent requirement on surplus. This recognizes that a main function of policyholders' surplus is

to cover short-term fluctuations of value of the portfolio of invested assets."

Dean Kimball, who is staff director of the Wisconsin Insurance Laws Revision Committee, praised many insurance groups when he said: "Proposed changes in investment regulations are based on the assumption that most insurance managements are both able and willing to pursue a sound investment policy, and that present investment laws do more to hinder than to help in achieving that goal.

"Only for new or marginal insurers is there need to provide the detailed rules that now characterize investment regulation. The overall effect of the proposals will be to give sound insurers much more freedom." ■

## ACTUARIES

**MILLER, MASON & DICKENSON, INC.**  
Consultants and Actuaries  
PHILADELPHIA:  
21 E. School House Lane  
NEW YORK: 66 Park Avenue  
215-849-3700 or 212-689-8832

**E. PAUL BARNHART, F.S.A.**  
Consulting Actuary  
130 So. Bemiston Ave., Suite 400  
St. Louis, Mo. 63105  
Telephone: 314-727-8894

**HUGGINS & COMPANY, INC.**  
Consulting Actuaries  
1401 Walnut Street  
Philadelphia, Pa. 19102  
215-665-1401

## Bankruptcy doesn't affect Hoe pensions

NEW YORK—Despite Chapter 10 Bankruptcy Act proceedings, which R. Hoe & Co. entered early in July, the company is doing business as usual, including the administering of its pension plan.

"We've had quite a few calls from present and retired employees," a spokesman at Hoe told *Business Insurance*. "I don't think people understand bankruptcy proceedings very well. Bankruptcy does not mean liquidation," he added. "As far as our pension plan is concerned everything flows as usual and payments are being made.

"WE HAVE four plans—some non-contributory and some contributory—and none of them have been affected," according to another Hoe source.

The company, a maker of printing presses and lumber saws, is currently attempting to draw up a reorganization plan. A Federal district court judge has said that such a plan hinges largely on whether Hoe is purchased by another company. ■

## Rose joins Towers firm

PHILADELPHIA—Robert Z. Rose, an expert in the development of mass merchandising of personal, auto and homeowners insurance, will now lend his professional experience and know-how on a fee basis to property liability insurance companies.

As a recently appointed vp of the reinsurance brokerage and management consultant firm of Towers, Perrin, Forster & Crosby, Mr. Rose will head the newly created insurance marketing department. Previously, he was vp and marketing director for Continental National American.

The new department will, according to Mr. Rose, "show companies how to innovate," without changing their present organization. Towers, Perrin will offer a broad range of consulting services previously not available to insurance companies in so integrated a program.

By evaluating each company's position, potential and innovation opportunities, Mr. Rose expects his division will help his clients plan new products and modify distribution techniques of insurance goods. ■

Straight talk from men who know the Atlantic Companies:

## "Atlantic has kept its capacity."

Mr. John S. Childress, Partner, Charles L. Crane Agency Co., St. Louis, Missouri

"We consider Atlantic a total market. You can go to them with an entire line or a complete package, and they have the facilities and capacity to handle it."

Mr. Childress represents 40 insurance companies. He was on Atlantic's Agents Advisory Council in 1966, 1967 and 1968.

"The Council is the finest thing that ever happened. Most Council representatives have been active in association work also. They know everybody else's problems in addition to your own."

So far, Atlantic has accepted 80% of the recommendations which the Council has put forward. A sound demonstration of the way Atlantic works with its agents.

"Atlantic provides extremely fast claims service. We recently had a major total loss. The check came through promptly. The man in their local office knew what he was doing."

Atlantic's local office staffs are highly professional. And Atlantic has developed its engineering services to the point where they are a real plus for agents.

"Atlantic's attitude is that they would rather try to find ways to underwrite than think up reasons for turning you down."

This is part of Atlantic's lively interest in fresh ideas, Atlantic's willingness to work closely with its agents for the steady betterment of the business. Atlantic's solid 127-year growth record was enhanced last year by new highs in written premiums, assets and policyholders surplus.

Continuing capacity and basic stability. If these Atlantic attributes appeal to you, write to John S. Childress, 630 Pierce Building, St. Louis, Missouri 63102. Or Mr. David A. Floreen, President, The Atlantic Companies, 45 Wall Street, New York, N.Y. 10005.

## The Atlantic Companies

ATLANTIC MUTUAL INSURANCE COMPANY  
CENTENNIAL INSURANCE COMPANY  
Home office: 45 Wall Street, New York, N.Y. 10005  
Multiple Line Companies Writing  
Marine, Fire and Casualty Insurance



# Mutual fund cover to get initial workout

GENEVA—Long-term investors in a mutual fund headquartered here may now insure against the ultimate value of their shares falling below their total investment.

The insurance is believed to be the first of its kind offered on a wide scale, and although it is being offered initially to European investors, the co-guarantor is a subsidiary of an American financial holding company.

IOS Ltd., the manager of mutual funds and other investments here, said the insurance coverage will soon be available at a cost of 3% of the amount invested. It is guaranteed by Guaranteed Capital Ltd., a British company owned

by IOS. Another British company, Fidelity & Guaranty (Continental) Ltd., is co-guarantor.

**THE LATTER IS** a newly formed subsidiary of Fidelity Corp., a financial holding company based in Richmond, Va., with interests in banking, computer sales and service, mutual fund management, insurance and real estate development. The company is said to control assets of more than \$500 million and its net worth exceeds \$40 million.

Essentially, the new plan will offer IOS clients the option of purchasing a guarantee that at the conclusion of their systematic or fully paid investment pro-

grams, the value of their investments will be at least equal to the cost of their investments. Included are all acquisition charges and the cost of the guarantee.

A source at Fidelity Corp. in Richmond told *Business Insurance* that the new insurance plan will probably be more appealing to individual investors at the outset. He did not rule out the possibility of businesses becoming interested in the concept in administering their pension funds or mutual fund payroll deduction plans.

"It is not our initial intention to make it available in this country," the source said. But he did not rule out that possibility either. ■

## Name director

John P. Lautenbach has been named director of the unemployment compensation department, Connecticut state labor department. Mr. Lautenbach had been chief of benefits since 1967.

# Reynolds sets new funeral pay benefit

WINSTON-SALEM, N.C.—R. J. Reynolds Tobacco Co. has updated both its hospital and surgical service plan (Blue Cross-Blue Shield) and its jury service plan, and has introduced a new funeral pay plan to compensate employees for time lost due to family deaths.

Under the revised Blue Cross-Blue Shield plan, daily room and board allowance—payable for 180 days per confinement—may now reach a maximum of \$32 per day. This is the largest single dollar increase in the history of the plan.

Other hospital charges, including covered services, drugs, dressings and operating room expenses, will continue to be paid at 100%.

The new surgical schedule pays

approximately 80% of surgical charges—a 60% jump over the previous 50% payment—to an increased maximum amount of \$1,000.

In its innovative funeral pay plan, Reynolds will replace income lost by an employee absent because of the death in the family. According to the new plan, the company interprets the absence as "excused," thus giving the employee compensation for the day off.

When the death is one of a parent, a spouse or a child, the worker may receive up to three days' benefits for absences. One day's benefits may be paid for excused time to attend funerals of such family members as brothers or sisters. The plan is designed so that employees are not penalized for such necessary absences.

Another benefit at Reynolds—the jury service plan—has been improved to provide full compensation for time lost for jury duty. Employees will now receive their regular pay up to 7.5 hours a day, without reduction by the amount received for jury service.

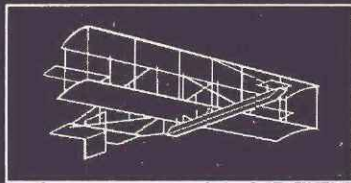
Employees serving as witnesses receive compensation only if appearance in court is at company requests.

In both the funeral pay and the jury service plans, no payment is made if the loss occurs during a regularly scheduled paid vacation or during a company-paid holiday. ■

# SAN DIEGO JANUARY 26, 1911

Glenn Curtiss demonstrated the versatility of aircraft as he piloted the first practical seaplane on and over the waters of San Diego Harbor. His innovations in aircraft design added new dimensions to an industry that would one day take the stars themselves.

USAIG, a pioneer in its own way, provided the insurance market that made modern aviation possible. A thorough knowledge of aviation and its insurance needs, coupled with the unequalled facilities and resources of 28 of America's leading insurance companies, has made USAIG the foremost name in aviation insurance.



United States Aircraft Insurance Group

# USAIG

## Almost half of retiring men not 65

WASHINGTON—Nearly half of the men who retired under Social Security last year were under 65—a surprising number, the Social Security Administration has reported.

The option for men to retire at 62 with reduced benefits was made available by the SSA in 1961, but it was expected the number of early retirements would taper off once a backlog of men in the 62-64 age group who had not been working took advantage of the option.

However, the anticipated decline has not occurred, the administration said, either because many men apparently have sufficient resources or because they have difficulty finding full employment in later years.

According to the SSA, early retirement benefits average about 17% lower than full Social Security benefits at 65. Early retirees are drawing a monthly benefit of \$95.50 as compared with \$115 for those who wait until 65 before retiring.

The administration notes that most early retirees have low lifetime earnings and sporadic employment records before retirement, whereas almost all those retiring at 65 were employed in the year before retirement. ■

## Firefund buys land

Firefund Service Corp., San Francisco, affiliated with Fireman's Fund American Insurance Companies, subsidiary of American Express, has stepped into the real estate development field. The subsidiary has purchased a 15-acre site at Sacramento for construction of a full financial service complex to be called University Park Financial Center.

Giles on the law

# Auto coverage for loss of use sticky problem in N.J. theft-repair decision

By JOHN W. GILES  
Attorney-at-law

WASHINGTON—When you insure your car against "loss of use," don't you expect to be reimbursed for the loss of use incurred when your car is stolen and has to be repaired?

We believe you should be reimbursed and we disagree heartily with the recent decision of the New Jersey court on this point.

The automobile of the insured was stolen on June 18, and then found two days later in a damaged condition and removed to a police garage. The insurer immediately undertook to repair the car under its comprehensive coverage, and with the insured's consent removed it to a repair shop on the following day.

However, repairs were not completed until July 22. The insured's policy read to the effect that if the automobile is stolen, \$10 per day, subject to a maximum of \$300, for loss of use until settlement for such theft is offered by the company.

**SUCH LOSS** of use shall begin 48 hours after the theft is reported to the company and the police. The court says very simply, "We find the loss of use was occasioned by theft and not occasioned by repair." The court added, "The purpose of this clause is to require the insurer to settle a stolen automobile claim promptly at the risk of paying a penalty for every day after 48 hours that an offer of settlement of the theft claim is not made."

Assuming that damages done to an automobile during its theft be held to come under this clause, it is undisputed that defendant immediately undertook to repair the car. This would constitute an offer of full settlement under that clause. The plaintiff, moreover, accepted the offer.

As the dissenting opinion says, if the insurance company had intended the limited coverage it now urges, it could have so provided by clear, qualifying language to the effect that its "loss of use" liability would cease upon recovery of a stolen car, whether or not it was damaged beyond use and time was required to restore its usability. The purchasing public is entitled at least to that much frankness and policy certainty.

Corporate insurance managers may well examine their policies to see if they are sufficiently covered for loss of use of a stolen car. This decision is a real warning to buyers. (N. J. Super. Ct. App. Div. *Nischin v. Nationwide Mutual Ins. Co.* 2/28/69.)

\* \* \*

**IF YOU TELL** an insurance company that you are in good health, believing that you are, when as a matter of fact you are suffering from a fatal ailment, of which you know nothing, does that later defeat the policy?

There is much authority on the subject, but a recent decision by the U.S. court of appeals reviews the decisions 350 Fed. 2nd 115, *Franklin Life Insurance Co. v. William J. Champion Co.*

The answer seems to be this: A representation as to good health in an application for insurance is not an affirmation of fact and does not provide a basis for rescission of the policy in the ab-

sence of proof of actual fraud. The applicant does not guarantee the literal truth of the statement nor do the parties condition their contract upon the existence of good health.

The representation is not part of the contract; it is a statement inducing the formation of the contract as distinguished from an affirmation of fact or a promise incorporated in and material to the contract.

What you are saying is that you honestly believe that your present health is not impaired by any condition which would ordi-

narily be regarded as a disease.

\* \* \*

**IT HAS COST** Fact magazine and Mr. Ginzburg a pretty penny to claim that Senator Goldwater was psychologically unfit to be President of the United States in 1964.

The damages are \$1 compensatory damages and punitive damages of \$25,000 against Mr. Ginzburg and \$50,000 against Fact magazine, approved by the U.S. court of appeals.

It was a malicious libel in the

eyes of the court. The malice was established by Mr. Ginzburg's failure to consult with experts or check sources of statements. The court says that punitive damages here serve two legitimate purposes: (1) The protection of the libeled individual's reputation and (2) the protection against like abuse of all other persons similarly situated. We heartily agree. (CA. 2nd *Goldwater v. Ginzburg*, 7/18/69.)

**IF A PERSON** is insured under a group policy and he has never been an employee of the policyholder and the insurer's agent was aware of this when the policy was accepted, can the purported insured take advantage of the uncontestability clause of the group policy or the certificate of participation which has been issued?

The supreme court of New Hampshire says "no" since it was

clear that the purported insured had never been an employee of the policyholder and hence was never insured under the policy.

In the case only full-time employees were eligible for group insurance. The court cites with approval *Fisher v. United States Life Ins. Co. in City of New York*, 249 Fed. 2nd 879. The company here could not be charged with the agent's acts and it would appear that the plaintiff's only remedy would be against the agent. (see *Fisher v. Prudential Insurance Co.* 218 At. 2nd 62.)

\* \* \*

**SINCE 1893**, the law in New York has required proof of negligence in blasting cases unless the blast was accompanied by physical invasion of the property, meaning rocks or other materials being thrown on the premises.

Continued on page 38



## Your Full Coverage? Let Protection Mutual Put it Together!

You'll benefit from these Protection Mutual advantages!



Protection for your plant and facilities is carefully engineered, and includes the most detailed inspection your plant has ever had.



Protection Mutual offers planned educational programs, to teach your own employees

the preventative measures that reduce fire losses.



Protection Mutual engineers study your plant to show you not only how to improve protection, but how to reduce premiums as well!



Providing complete coverage is the aim of Protection

Mutual's pre-engineered insurance program, made possible by a full service corporate program.



Now "Pre-Engineered Protection" offers you professional guidance to complete coverage—and an opportunity to reduce your premium costs.

The gaps in your corporate insurance coverage may not be as glaring as a "half-a-head-Protection." But anything less than complete coverage is as risky for your corporate welfare as the missing half of a hard hat. For

professional pre-engineering of protection for your plant, call on Protection Mutual. Meanwhile, write or call today for your copy of our booklet "Property Conservation." It may prove most profitable for you.



A Factory Mutual Company  
If your plant and facilities are valued at over \$1,000,000, a Protection Mutual engineer will show you how to achieve dramatic savings on fire insurance.



A FULL SERVICE CORPORATE INSURANCE PROGRAM  
**PROTECTION MUTUAL Insurance Company**

EXECUTIVE PLAZA • PARK RIDGE, ILLINOIS 60068 • (312) 825-4474

But New York has now wisely decided to join the overwhelming majority of other jurisdictions in holding that one who engages in blasting must assume responsibility, and be liable without fault, for any injury he causes to neighboring property.

This is a progressive change in the New York case law which will probably be welcomed by the insurance companies. (*Booth v. Rome, Watertown & O.T.R.R.* 144 N.Y. 167, overruled. N.Y. Ct. of Appeals. *Spano v. Perini Corp.* 6/5/69.)

\* \* \*

ONE OF THE "sure tests" as to whether a person is a licensee or an invitee on premises is whether the owner of the premises is in-

terested in the presence of the visitor. (See *Tenn. Sup. Ct. Hastings v. Smith* 6/23/69.)

\* \* \*

WHAT IS THE effect of a tortfeasor's liability insurer becoming insolvent?

In the case, an insured instituted an action against his insurer under the uninsured motorist provisions of his policy. The tortfeasor's liability insurer became insolvent after the occurrence of the accident, and its receiver allowed only a small portion of the judgment that the plaintiff had recovered against the tortfeasor.

The uninsured motorist clause in the plaintiff's policy defined an "uninsured automobile" as including one with respect to which there was a bodily injury liability bond or policy applicable at the time of the accident. The company writing this coverage

denied coverage under the policy. On appeal, the supreme court of Nebraska held that since the statute requiring uninsured motorist coverage did not define the term "uninsured motorist," the terms of the policy in such respect were controlling and the insolvency of the tortfeasor's insurer occurring subsequent to the accident, with a consequent refusal or inability of the insurer to defend or pay the judgment or claim for which the tortfeasor was liable, constituted a denial of coverage within the meaning of the uninsured motorist provision in the plaintiff's policy. (*Stephens v. Allied Mutual Ins. Co.* 156 N. W. 2nd 133).

\* \* \*

IF YOU DRIVE a car in an emergency without the owner's permission, does that defeat coverage under the policy? There is

scant authority on this question but the circuit court of appeals in Missouri has reviewed the authorities and decided in the situation before it that the insurance company was absolved.

The named insured purchased the automobile primarily for the benefit of his son, who was 18 years old. Both father and son contributed to the purchase price, but the father took title in his name. When the son was inducted into the Army, he married and took up residence in an apartment. He reimbursed his father for his contribution toward the purchase.

The father directed the son to allow no other person to drive the car prior to his son's induction and marriage. Subsequent to his marriage, the son was instructed by his father not to permit his wife, who did not have a driver's license, to drive the automobile except in case of an emergency. The son gave his wife permission to drive the automobile on a few occasions, but at no time did he grant any other person permission to use the automobile.

The wife left a party without the knowledge or consent of her husband and drove the car to take one of the guests to work and pick up another person. While driving the car, the car hit an icy spot and the wife became frightened and hysterical. One of the guests as-

sumed operation of the automobile and they continued to drive in the surrounding country. A group from the party, searching for the wife when she failed to return, followed the automobile into a country school yard. The wife was then placed in the other automobile and a friend of the son's from the party began driving the car which the wife had driven from the party. While attempting to pass the other automobile, he lost control and had a serious accident which caused his death.

In reviewing the prior decisions on the subject, the court cited *Coons v. Massachusetts Bonding & Ins. Co.* 207 N.Y.S. 2nd 819, aff'd 9 N.Y. 2nd 994, in which the named insured stopped his car in a busy street, got out and began walking away. His brother, a companion in the car, moved the car although he had no license to drive. An accident ensued and implied permission for the brother to drive was found from the conduct of the owner leaving the vehicle in a busy street. However, the court of appeals refused to follow this case and decided that there was, under these facts, no implied permission by reason of an emergency which would bring the driver of this car within the coverage of the omnibus clause of the policy. (*C. A. 8—Whelchel v. Sommer* 7/10/69.)

## Who created insurance for the first Air Cushion Vehicles?



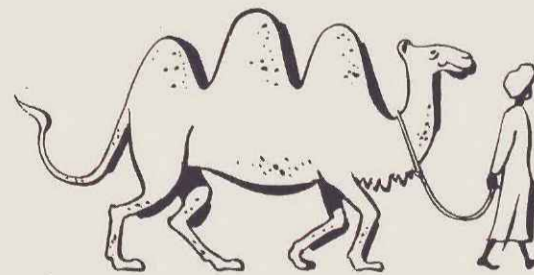
## BOIT, DALTON & CHURCH

There was no insurance available for Air Cushion Vehicles (ACV's) when Textron's Bell Aero-systems Company introduced its first "skimmer" domestically. The challenge was assigned to our Research Department . . . who quickly drafted the insurance contract and found the market.

That's insurance in action!

 **BOIT, DALTON & CHURCH** INCORPORATED  
INSURANCE SINCE 1865  
89 Broad Street, Boston  
Massachusetts 02110  
TELEPHONE 617-482-3100

## WHO'S AFRAID of the off-beat risk?



No matter how odd, no matter how big! Foreign and Domestic markets.

THE SPECIAL RISKS DEPARTMENT OF

## SOUTHERN MARINE & AVIATION

UNDERWRITERS, INC.

610 POYDRAS STREET • TELEPHONE 524-4131 • NEW ORLEANS 70130

BRANCH OFFICES IN ATLANTA / HOUSTON / LOS ANGELES

SERVICE TO INSURANCE AGENTS AND BROKERS ONLY

# Ontario industry saved \$3 million in '68 on workmen's comp coverage

TORONTO—The Ontario Workmen's Compensation Act, written in 1915, is by now a rather ragged and worn document. However, it is still functioning purposefully in this Canadian province and, more importantly, saving employers money. Consider:

Last year Ontario industry paid \$3 million less for accident coverage than in 1967. The work force at the same time was up 100,000.

Essentially the Ontario workmen's comp act differs from those in most other countries, including the U.S., in that it is administered totally by an independent commission. No private insurance carriers are used.

in matters dealing with plant safety.

The commission, the report goes on, notes on the fact that many an employer has seen accident rates drop as much as 50% after instituting the commission's safety procedures. Aside from humanitarian satisfaction, the commission notes, this brings considerable financial benefits to employers, noting a recent study by a management consultant firm showed that a 20% drop in accidents in the construction industry would double profits.

**THE COMMISSION** is also proud of its medical aid and rehabilitation programs. There is

no limit set on an individual claimant and totals have in fact gone over \$250,000. Pensions are paid for life and their amounts can be increased if a person's condition deteriorates.

Assistance for injured workers, the report states, breaks down into three areas. First is financial aid during recuperation and, if retraining is required, a rehabilitation allowance. That is followed by medical aid and physical restoration assistance which, for part of the time, is concurrent with the third phase, vocational rehabilitation.

According to W. B. Kerr, who is in charge of rehabilitation services, few other workmen's

comp plans have such overlapping schemes that result in getting claimants back into the labor force in less time. For example, he noted, out of 2,184 workers who had vocational rehabilitation services last year, 75% are now working again.

**MOREOVER**, if a worker is unable to return to his old job, the board retrains him at least to his previous level of skill. And persons often go beyond that level. One former unskilled laborer, he cited, is now a helicopter pilot. He had lost both legs.

The commission runs a rehabilitation center at Downsview near here. The center has a 530-bed hospital where some 5,000 cases are handled annually. Generally, the center handles only the more difficult and serious cases. Others go to regular Ontario hospitals where approximately \$15 million is paid annu-

ally for care and treatment.

Patients outside the Downsview center may choose their own doctor. However, treatment is supervised by the board's full-time staff of 45. That, according to Dr. A. B. Powell, in charge of medical services for the board, "is one reason we are so effective."

**A GOOD PROGRAM** of safety education continues to be the board's prime emphasis, note those close to the organization. This year nearly \$4 million or more than 3% of the commission's entire budget will be spent on safety education.

"We've yet to find an organization anywhere that spends more on occupational safety education than we do in Ontario," safety director J. W. P. Draper said—including the National Safety Council in the U.S.

The board employs nine safety  
*Continued on page 42*

## ADMINISTERING THE ACT

in a province that has a labor force of almost three million is no small job. It is a \$130 million a year business with 1,400 employees, including a three-man board and eight principal officers who are equivalent to vps in industry.

According to a report published here recently, the system's techniques are saving Ontario industry big money and setting standards in post-accident care.

No small factor in these savings, of course, is a no fault system which eliminates all appeals to Canadian courts and thus heavy legal costs and lengthy negotiations. During this period another immeasurable saving is brought into play. That, according to the report, is the rehabilitation of claimants. With other systems rehabilitation is often forgotten or slowed down because of the belief that better settlements may result from lingering handicaps.

**IN ONTARIO**, even negligent workers get free medical aid and compensation for injuries that impair working ability. Out of 379,228 claims submitted last year, only 3% were turned down and they were mostly because the disability was not a direct result of working on the job.

Since its implementation in 1915—it was drawn up by Sir William Meredith, a former chief justice, after four years of study and research—the Ontario workmen's comp act has gone through numerous amendments. Most of them raised payments to workers or dependents or widened coverage in specific areas. The last group to be included under the act was Ontario farm workers, who were taken in in 1966.

Under the act employers are required to register with the workmen's comp board, which assesses a yearly fee. Fees range from 15¢ per \$100 of payroll for school board employers up to a salary level of \$7,000, to \$14 per \$100 for those in more hazardous occupations, such as tunnel workers.

**SOME LARGER** employers, such as government agencies and railroads, insure themselves instead of paying assessments. The claims of their workmen, however, are adjudicated by the workmen's compensation board. No appeal is permitted to the Canadian courts, but the board has three separate levels of review and permits, at one stage, the appearance of lawyers, doctors, even mothers-in-law, noted one official.

The workmen's compensation commission attributes some of its success to the fact that it has taken a strong grip on employers



# Wiped Out?

In minutes your thriving plant could be the scene of real disaster. Are you prepared for such an occurrence? Arkwright-Boston specializes in loss prevention of industrial property. We know that accidents can be costly so we do our best to help you prevent

them. But mishaps still can occur. That's why we're here. Our business is to help you protect your profits. Put an Arkwright-Boston man on your team. Let him tell you about complete coverage. He can show you a program that's designed for your

business—protection against the unforeseen pitfalls of unexpected fire, explosion, breakdown. Call or write your Arkwright-Boston man today.

## Arkwright-Boston Insurance

Executive offices: 225 Wyman St., Waltham, MA 02154  
Arkwright-Boston Manufacturers Mutual Insurance Company  
Mutual Boiler and Machinery Insurance Company  
Factory Mutual Insurance



Offices in major cities throughout the United States and Canada.

# letters

Continued from page 22

agers if only they insist that the insurance industry immediately begin furnishing the cost facts on which a coordinated program could be built.

**Guyon Saunders**  
President, Computer Claims Control, Amarillo, Tex.

## Strike cover

To the Editor: In an effort to seek out the market for strike insurance, we followed up your article of Sept. 1, "Arch, Lloyd's offer strike coverage."

We have received a communication directly from Lloyd's of London, indicating that the Arch Insurance Co. does not appear to exist, and certainly has nothing to

do with Lloyd's of London. We understand that approaches have been made by Associated General Contractors through a firm of Lloyd's Brokers on two occasions in the past, but nothing ever came of the discussions. The article in your insurance magazine mentioned a "Bermuda-based Lloyd's of London syndicate." We feel sure you realize that there is only one Lloyd's and that is in London. We understand that some other insurance magazine stated that the Arch Insurance Co. was owned by the Gibbon Syndicate at Lloyd's, but here again there is no Gibbon Syndicate in London, apart from an insurance company group outside of Lloyd's that also denies any connection with Arch. We understand that the committee of Lloyd's is very annoyed that its name has been dragged into this thing, and somebody has even visited Bermuda and inspected all the names listed in

the official company register and verified that there is no mention of the Arch Insurance Co. This letter is written with the hope that you will investigate further this situation and thereby provide your readers with more information about such an elusive coverage as strike insurance and its availability in general.  
**Terrence P. Daly**  
John H. Crowther Inc., Minneapolis, Minn.

*Editor's note: The Oct. 13 issue of Business Insurance article, "AGC's construction strike pool administered by Bermuda insurer," explains that the strike insurance plan is being handled by a Bermuda-based company and that the insurer has no connection with Lloyd's Arch Insurance Co. Ltd. administers the activities of the pool. A spokesman for Associated General Contractors said the concept is a "pooling of funds idea whereby reimbursements are made to contractors according to need."*

## Bum credit cards

To the Editor: We read with natural interest your story in the Sept. 1 issue headed: "New fraud coverage on bank cards doesn't cover early holders' thefts."

Since the situation that occurred in late 1966 and early 1967 has made a lasting impression on everyone who was involved, the facts are thoroughly established and remembered.

The highest number of cards listed on the MBC-Midwest Bank Card-revoked-card list at any one time was 18,900—a total far too high, but a long, long way from the 400,000 figure used in your story.

Where did your erroneous figure of 400,000 come from?

The 8,000 cards on our current lists, incidentally, compare most favorably with about 36,000 names

of rehabilitation for people who might have possibly had a blot on their records and, accordingly, this stigma would possibly offset our fidelity coverage. It would be appreciated if you would furnish to us the address of the United Bonding Co. of Washington, D. C., so we may direct our inquiry to them as to particulars of this program.  
**R. K. Rudicil**  
Assistant Treasurer, The Berkshire Corp., Morristown, Tenn.  
*Editor's note: The company's address is 1121-15 St., N.W., Washington, D. C. 20005.*

We believe an appropriate treatment should be given to the facts on this matter, since it will be of great interest to many of your readers who have an interest in insurance on credit accounts.  
**Robert M. Martindale**  
President, Midwest Bank Card System, Chicago, Ill.

*Editor's note: The source of the 400,000 figure was a top officer at one of the original member banks of the Midwest Bank Card System who was instrumental in setting up the massive security program Mr. Martindale mentions. Because the Midwest Bank Card System is the clearinghouse for such information, a reporter for Business Insurance contacted the Midwest Bank Card System to confirm his figures and was told that all such details—including total loss, maximum fraud by a single credit card, number of retail outlets involved in the swindle, etc.—were not available for public consumption.*

**Fidelity cover**  
To the Editor: In a recent issue I ran across an article by Warren, McVeigh & Associates. My interest lies in fidelity coverage that can be arranged in amounts up to \$10,000 through the Federal Manpower Retraining Act. From my understanding of your article, policies can be written through a private company, namely United Bonding Co. of Washington, D. C. Our interest, of course, is one

# Automatic Fire Alarm Company has changed its name to **AFA PROTECTIVE SYSTEMS, INC.**



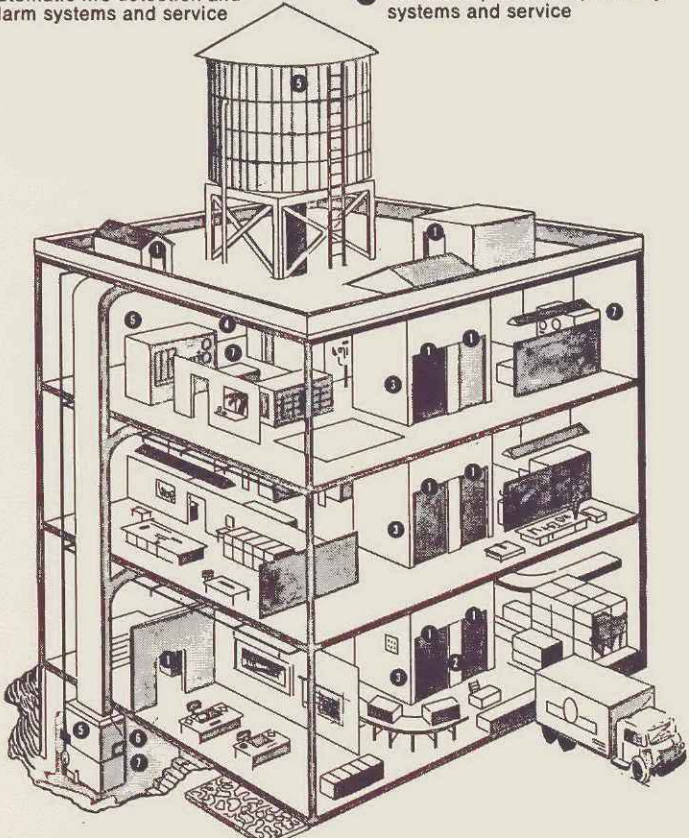
Since 1873

Over the years we at AFA — the leader in building protection — have added more and more building protection services until we finally had to change our name to reflect our modern capacity.

Expanding rapidly we now provide automatic electronic detection alarm systems to organizations throughout most of metropolitan New York, New Jersey, Philadelphia and Boston.

Services available include supervised connections to our central stations, police headquarters or fire departments and a typical installation may include:

- 1 Burglar alarm systems and service
- 2 Holdup alarm systems and service
- 3 Manual fire alarm systems and service
- 4 Automatic fire detection and alarm systems and service
- 5 Sprinkler supervisory and waterflow alarm systems and service
- 6 Smoke detection alarm systems and service
- 7 Industrial process supervisory systems and service



Listed, certified, or approved by:  
Underwriters' Laboratories  
N.Y. Fire Insurance Rating Organization  
**AFA PROTECTIVE SYSTEMS, INC.**  
EXECUTIVE OFFICE: 120 W. 42 St. New York, N.Y. 10036  
Factory Mutual  
Factory Insurance Association  
New York City Fire Department  
**BR 9-5000**

# Hospital employees get King holiday

NEW YORK—Employees at 23 private hospitals here have won a new three-year contract which will give them their first medical-surgical plan, two additional holidays and a minimum wage of \$125 weekly. The settlement came after a six-hour strike at seven of the hospitals.

One of the issues won by the employees was a paid holiday Jan. 15, the birthday anniversary of the late Rev. Martin Luther King. Workers will also get one additional paid day off of their choice yearly.

The new pact covers 4,500 nurses' aides, orderlies, porters and kitchen workers. Besides raises totaling \$42 a week, due by Dec. 1, 1971, members of Service Employees Local 144 will get their first family medical-surgical insurance plan, and up to 15 days' paid sick leave with the unused portion to be paid shortly before Christmas or New Year's Day.

The same benefit pattern will be applied to Local 144 members at other New York City hospitals.

A union officer commented: "We did marvelously well . . . only 10 years ago these same workers were being paid only about \$110 a month."

The contract provides a \$15 weekly raise retroactive to Sept. 1; an additional \$4 on Dec. 1, followed by \$10 next Sept. 1 and \$13 on Dec. 1, 1971. It replaces the previous weekly minimum wage of \$83 for 35 hours' work. ■

# special purpose

## INSURANCE

For the risk without precedent

For the unusual risk

To simplify the involved risk

To supplement basic coverages

*Multiple Line*  
**FOR AGENTS and BROKERS**



# CAMERON and COLBY CO.

60 Battery March Street, Boston, Mass. 02110

Telephone 617/357-8400



# london line

## Jackson asks that marine insurers collect, use loss prevention data

LONDON—Leading American underwriter Harold Jackson, of New York, asked delegates to the International Union of Marine Insurance conference: "What happens to all the information which is gathered together by those attending our meetings? How much dissemination is there? How much follow-through?"

"There are occasions when follow-up requests have to be made on matters agreed by our conferences, and complete ignorance is offered as an excuse for non-compliance," Mr. Jackson said.

"In committee the same question is frequently asked over again, after the matter had been fully discussed the previous year."

**PLEADED** Mr. Jackson, chairman of the IUMI cargo loss prevention committee: "What does happen to the information?"

He gave an exhaustive report on many aspects of his committee's work, and urged delegates from other countries to keep him informed of all loss-prevention information that reached them from any source.

"There is an increasing demand for the exchange of such information," he said.

\* \* \*

**BIG "BOOMING"** bangs from commercial supersonic aircraft are likely to create insurance hazards until the danger is fully probed. The problem may not become acute world-wide for a long time yet, but British insurers are now facing up to it.

This is because the Anglo-French Concorde has just cracked the sound barrier for the first time, with repercussions that will affect U. S. insurance carriers once faster-than-sound aircraft really get going commercially.

Insurance underwriters are already reviewing their policies so as to leave the present jet-age behind.

Many policies for liability are still written in terms that are old-fashioned, with risk coverage written into them that could be unnecessarily out of date.

**SO IN BRITAIN**, at least, talks are actively in progress with government departments to test the effect of supersonic bangs on ground buildings and other property.

These will be carried out by aviation experts with special knowledge of the subject. The government has agreed that in the course of these tests public funds will be available to compensate anyone for damage to their property.

Many business firms currently are covered against supersonic damage under their normal commercial liability policies, but insurers are starting to think that this should become a government responsibility and will start to "write out" such coverage from their policies.

\* \* \*

Pilots in Britain are threatening to call world-wide for a 24-hour strike in protest against hijackings unless more nations support the Tokyo Convention drafted in 1963 to deal with illegal seizure of aircraft.

**TO SUGGESTIONS** that airlines will oppose their idea, C. C. Jackson, executive secretary of the International Federation of Air Line Pilots, retorted in London: "We would much prefer to see the problem dealt with at international level through the United Nations. But hijackings, which in 1966 were one a year, are now at an average rate of about two a week. A greater sense of urgency has to be injected into the situation, for the To-

kyo Convention has still been ratified only by about 13 countries, and therefore over a hundred countries are indifferent to it. Orthodox measures have failed to produce anything more effective than pious words. We may be obliged to go ahead with our demonstration as a result."

\* \* \*

**LLOYD'S OF** London is planning to market a new type of

theft insurance that will cover losses from fraud and false pretenses, as well as petty robbery. This is because recent changes in British criminal law have linked swindling with burglary as being common theft in any case.

\* \* \*

**TRADITIONAL** perils in marine and aviation insurance are now being supplemented by the "new and untried hazards" of super tankers, jumbo jets, oil pollution, and political sabotage, H. K. Goschen, chairman of London-based Mercantile and General Reinsurance Company, says in his annual report. He gives the warning that they all represent potential losses of catastrophic proportions.

\* \* \*

**AVIATION** prospects are reviewed by P. J. Bradford, chairman of Britain's Minster Insur-

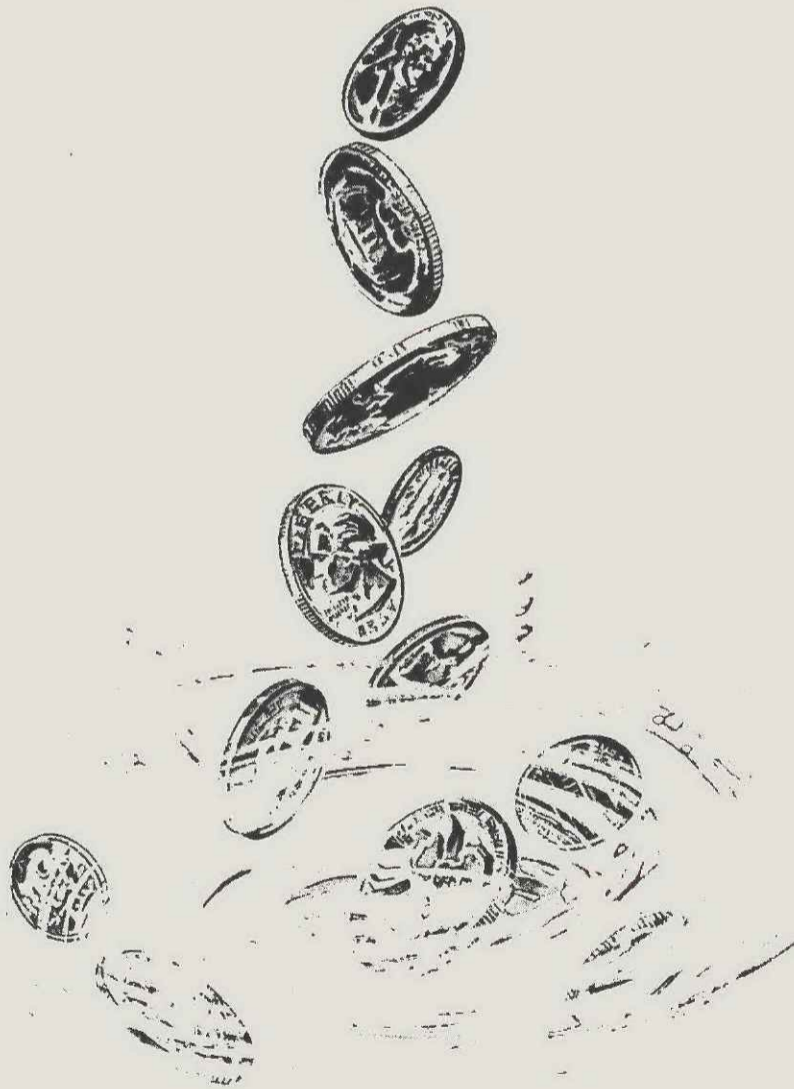
ance Company, in his annual report to stockholders. He states: "Although substantial efforts have been made during the past year to improve hull rates, there are still many areas where more positive remedial action could be taken, as well as rectifying several bad practices that have grown over recent years, such as 'agreed values' on outdated equipment."

"It is now especially necessary for the hull account to be on a profitable basis with adequate reserves to enable the market to cover jumbo jets."

"Much has been heard recently of late payment of premiums to underwriters, and this is a short-coming to which both brokers and insured must address themselves."

"Greater attention will have to be paid to loss prevention because of heavy claims in the cargo section, especially over items that can be classified as valuables."

## Your Employee Benefits Program Can Be Money Down the Drain



### ...unless your employees know about it

You have too large a stake in your employee benefits program ... and so do your personnel ... to endanger its value through poor communications.

It's no longer enough to provide the benefits. Employees must be told about them. And the language has to be simple—specific—and individually related to each person receiving the information.

Halltech Reports fill that need.

Clear, concise, computer-based reports ... individually drawn for each employee ... Halltech Reports tell each of them exactly where he stands on a dollar-and-cents level in your program. They help to realize the return you deserve on your employee benefits investment.

May we show you how they work?

Write for samples and descriptive literature.

## HALLTECH ASSOCIATES

A Joint Venture of Frank B. Hall & Co. and EDP Technology, Inc.

67 WALL STREET NEW YORK, N.Y. 10005 (212) 944-3300

Available through the Frank B. Hall & Co. offices in: Chicago, San Francisco, Los Angeles, Seattle, Honolulu

# BART wins another safety award

SAN FRANCISCO—Trans-Bay Constructors, builders of the trans-bay tube for the Bay Area Rapid Transit District, has been honored here for compiling the best on the job safety record of any major BART construction project.

A special safety citation was presented to L. G. Waigand, project manager for Trans-Bay Constructors, by the two companies that write workmen's compensation insurance for BART contractors.

The two firms are Fireman's Fund American Insurance Companies here and Argonaut Insurance Co., Menlo Park.

THE 3.6 mile San Francisco to Oakland tube has been completed and now rests in a trench on the Bay floor at a maximum depth of

120 feet below water level. It follows the same route as the ferries that once served the two cities.

The citation was presented to Mr. Waigand by Louis W. Niggeman, president of Fireman's Fund, and J. P. Taheny, chairman of Argonaut.

"It is only right," Mr. Niggeman declared, "that the people who built the world's longest underwater transit tube, under the largest single contract awarded by BART, and who completed the job with the finest safety record, should also receive the largest safety award plaque ever presented by an insurance company."

Trans-Bay Constructors built the tube under a \$90 million BART contract. It is a joint venture of Feter Kiewit Sons, Tidewater Construction, Raymond In-

ternational and Healy-Hibbetts Construction.

NEARLY TWO million man hours went into building the under water tube, from the time work started early in 1966 to completion.

Constructed of 57 twin bore sections fabricated on land and lowered into place, the tube connects with surface, aerial and subway lines serving San Francisco and East Bay communities.

High speed rail service through the tube is scheduled to start in 1972.

BART contractors have been cited many times for their exceptional safety records.

The lost time injury rate of 26.26 per million man hours is below average for the heavy construction industry.

# General Dynamics has cover for no-bra day

UPLAND, Cal.—General Dynamics probably has insurance to cover the trouble that resulted from a "no-bra Friday" at one of the company's plants here.

The trouble started when Mrs. Jane Andre, 39, an \$18,000-a-year engineer, filed a \$1.25 million slander suit against General Dynamics after she was fired for allegedly suggesting to other female employes that they go braless one Friday last month.

Mrs. Andre alleges in the suit that the company and three officials gave out newspaper interviews about her supposed advocacy of a braless day for women at the plant.

THE COMPLAINT implies she did not absolutely say that the statements attributed to her were accurate.

Sources said that the notice of the suit had not yet been received, but added that "it is common" for most big companies to gain protection against libel, slander, malpractice and false arrest through a manuscript form of the comprehensive general liability policy.

Mrs. Andre told reporters after filing the suit that the braless Friday was "discussed at a coffeebreak as a lark."

She said she thought it was a "practical idea. I didn't intend to be a crusader—it was just a little humorous thing."

After the coffeebreak discussion, female members of the International Assn. of Machinists heard about the braless idea and told the union stewardess to pass the word, Mrs. Andre contended.

Late that afternoon, she said, her supervisor called her in and told her, "Your no-bra idea has gotten you terminated."

Mrs. Andre (38-29-42) also said, "I haven't worn a bra during my nonworking hours for the past 20 years."

# COMPE- TITION: THE NAME OF THE GAME.

Employee benefit programs have to be viewed as competitive tools. When they're sharp and fresh, they give you an edge. Make you fiercer competitors for key people. Our Group Long Term Disability is a case in point. One of the most comprehensive, most versatile around. Fill out the coupon and find out about it. We do well against our competition. Could you use some help against yours?

Please see that I receive details on Group Long Term Disability, plus "The Flying Cloud" . . . a handsome 19 x 24 color print, very suitable for framing.

Name \_\_\_\_\_

Title \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

**PROVIDENT  
MUTUAL LIFE**  
INSURANCE COMPANY OF PHILADELPHIA

P.O. Box 7378, Philadelphia, Pa. 19101

## Ontario . . .

Continued from page 39  
associations that have staffs totaling 225 who provide research and recommendations.

ALSO CONTRIBUTING to the Ontario success story, the report noted, was a system of rewards for large companies instituted in 1953 which provides for rebates on assessments for companies with meritorious performance.

In addition, the board in 1964 also instituted penalty assessments for companies with consistently higher than their industry accident records.

Last year, of 134,000 firms reporting to the board, 1,100 got penalty assessments. However, 277 of these were canceled on appeal. Of the remainder, 282

were on the carpet for the second time, 22 for a third and seven were four-time offenders. "This penalty program," Mr. Draper commented, "is the most significant single advance in safety in the last 10 years."

## Air cargo losses way up

Air cargo losses in the first seven months of the year outstripped all of 1968, according to a survey by the American Institute of Marine Underwriters. The study showed claims totaled \$3.3 million for the first seven months, compared to \$3.1 million for all of last year. The survey, which included claims of \$1,000 and more, showed 627 claims, the largest of which was an \$83,000 camera shipment. Kennedy Airport in New York accounted for 45% of all claims reported.



are some  
risk managers  
better  
managers?

We think so. These are the managers who are constantly improving their company program . . . simplifying . . . innovating . . . obtaining more real protection, yet doing it economically.

The formula of success for many of these alert insurance managers has included an objective study by Corporate Policyholders Counsel, Inc. We aren't a market, nor are we producers. We are a group of professional insurance specialists who are well qualified to augment a company insurance staff . . . provide recommendations on questions that relate to insurance . . . and to see that these approved recommendations are successfully carried out.

Is it possible we could help you achieve better insurance management? Let's talk it over. Corporate Policyholders Counsel, Inc., 20 N. Wacker Drive, Chicago 60606, Phone Area 312/FR 2-8225.

Send for Brochure CP-68



CORPORATE POLICYHOLDERS COUNSEL, INC.

## Recall . . .

Continued from page 1

cyclamate and human cancer. The government's decision to remove the artificial sweetener from the assumed safe list of food substances was predicated on tests with animals.

Abbott's stock, which dipped slightly the day after the announced ban on cyclamate, is "back in the ball park," the Abbott spokesman said. Overall, the drug company is expected to lose \$16 million a year in sales because of the government action, about 4% of forecasted annual sales for 1969 and 3% of forecast-

## Big Lew . . .

Continued from page 1

no specifics given except that the policy would have to have a half-million limit and cover a five-year span on an athlete. Those carriers showing extraordinary interest were given full details. Finally, the list was narrowed down to the sole survivor, American Home Assurance Co., which, according to sources, refused to insure the first year of the contract without making the premium prohibitive.

Canadian-American Brokerage advised the Bucks to self-insure the first year, and a four-year risk was then agreed upon with the carrier. The terms were as follows: Should Alcindor fail to appear for any game (after the excluded period) due to normal health reasons, the Bucks would be indemnified for about \$2,000 per game missed. With 82 scheduled games each season, the four-year indemnity could come to more than \$600,000.

The largest coverage ever written for a player before Mr. Alcindor's gigantic policy was a non-appearance policy on Wilt Chamberlain, paying \$300 or \$400 per game missed. In both cases, normal sickness and accident exclusions apply. ■

## Pension bill . . .

Continued from page 1

victed of certain crimes from administering retirement plans for five years.

Also, it would require administrators to file more detailed information with the Federal government, including data about a plan's actuarial bases, and broaden the investigatory and enforcement powers of the labor secretary in the retirement plan area.

Chances for passage of the bill are considered quite good. Tightening up of the disclosure act has for some time been considered inevitable by pension lobbyist—the fight is over how tight to make it.

Because the Administration bill deals only with the disclosure act, it does not get involved with vesting, funding, reinsurance and portability—the really controversial subjects as far as pension legislation is concerned.

The Administration said during hearings on the tax reform bill that it is studying the entire area of qualified and unqualified private pension plans, but most observers doubt that the study will touch on any of these areas. ■

## Fire damage revised

Latest damage reports on the big Escombres Oil Refinery fire in Cartagena, Spain, Oct. 1 were pegged at \$11.4 million, down from the \$22 million in damages originally reported. An investigation is under way to determine the cause of the fire. Insurance coverage for the Spanish refinery was written outside the U.S.

ed earnings for this year.

**WILLIAM H. Quay**, insurance manager at Coca-Cola Co., said his firm didn't have products recall insurance for its low calorie soft drink product Tab. Mr. Quay told *Business Insurance* he didn't think such coverage was needed by a soft drink concern.

Since Coca-Cola products are distributed on a local basis by franchised bottlers "and not spread out all across the country," Mr. Quay explained, it would be relatively inexpensive to track down specific products and withdraw them from the market.

He commented that perhaps food companies, which market goods that "get into the flow of products all across the country," might find it "pretty damn hard" to locate questionable merchandise.

**W. D. Morgan**, treasurer of Royal Crown Cola, Columbus,

Ga., said his firm also didn't have products recall coverage, although he added half jokingly that "in light of this we might consider it." Actually, he explained, products recall insurance wouldn't cover Royal Crown from pulling its big-selling Diet Rite cola off the shelves but would "only cover us to the extent that we sold to our franchised bottlers."

**THE PILLSBURY Co.**, which is also without recall coverage, plans to allow what's left of its cyclamate product, Sweet 10, on the shelves to be sold. Mechanics of who will bear the cost in case there are any cyclamate products left on the shelves at the deadline will be decided at that time. ■

## Smith named head

**Allen J. Smith, Jr.**, has been named director of group term sales, New England Mutual Life Insurance Co., Boston.

## Jumbo jets . . .

Continued from page 1

Mr. Smith conceded that there may be some suppliers who must decide whether to provide jumbo jet components and hedge their potential liability with insurance or get out of the aviation business altogether. Such decisions, he said, must be made in the light of the propensity of the public to "sue everybody" in the event of a mishap.

"My trip to London," Mr. Smith continued, "was made not to negotiate our coverages, which do not lapse until next spring, but rather to get the feel of the climate among London underwriters and brokers. It was a time for visiting and philosophizing, a time to get to know each other and each other's problems without having to bargain about policy terms."

Mr. Smith was accompanied on his eight-day tour of London by representatives of Rollins Burdick Hunter Co., United's local broker, and Stewart Smith, its London broker. Nevertheless, Mr. Smith visited with London brokers to discuss services they might perform for United Air Lines.

"Why can't I go directly to a London broker?" the airline insurance director asked. "Many American buyers are asking that question and a growing number will go to London brokers who will accept their orders. I don't see that I need an American broker to talk to a London broker, who is basically a wholesaler."

Mr. Smith said he was surprised to see that though Lloyd's has a modern building and has made some concessions to the computer age, underwriters still sit on "those damned little boxes."

WE'RE  
**40**  
SO WHAT

**F**ortieth anniversaries are something to shout about when you have nothing else to say. That's why we belittle ours. We've been insuring planes since the beginning of commercial aviation and we've learned how to deliver extra values at competitive prices. Some of the values stem from our pioneer spirit which we have never lost — others from our extensive underwriting knowledge. Equally important are the service improvements made as a result of operating experience. With this background, we know you won't find an aviation underwriter with more know-how to take care of your clients. That's why we "so what" our birthday — we're more interested in the 40 years ahead and helping you with your aviation problems.



**ASSOCIATED  
AVIATION  
UNDERWRITERS**  
90 JOHN STREET, NEW YORK, N.Y. 10038

# look who's been



## sales offices

New York: 630 Third Ave. • 10017  
Phone: (212) 986-5050

Chicago: 740 Rush St. • 60611  
Phone: (312) 337-5200

Los Angeles: 6404 Wilshire Blvd. • 90048  
Phone: (213) 651-3710

# business

for buyers of employe, property and liability

# tooting their horn in BI

Two years ago, Business Insurance was just an idea, now this issue marks BI's Second Anniversary.

Thanks to the progressive marketing-minded companies listed here—major insurance carriers, brokers, appraisers, consultants, safety/security and financial services, etc.—Business Insurance has grown vigorously, providing the only direct line of communications every-other-Monday to more than 35,000 of the nation's top risk-management executives and buying influences protecting the leading 12,800 United States corporations.

1969 will show a gain of almost 50% in BI advertising pages over our first year, 1968; and early 1970 ad orders indicate another skyrocketing increase over 1969!

Business Insurance is producing **results** for its advertisers, regardless of their size and advertising budgets.

ADT  
ADAMS & PORTER  
AETNA LIFE & CASUALTY  
AFCO  
AFIA  
AIRCO  
ALEXANDER & ALEXANDER, INC.  
ALLSTATE INSURANCE COMPANY  
AMERICAN APPRAISAL COMPANY  
AMERICAN CREDIT INDEMNITY COMPANY  
AMERICAN GENERAL COMPANIES  
AMERICAN HOME ASSURANCE COMPANY  
AMERICAN INTERNATIONAL LIFE ASSURANCE COMPANY  
AMERICAN INTERNATIONAL UNDERWRITERS CORPORATION  
AMERICAN MUTUAL INSURANCE COMPANIES  
ANSUL COMPANY  
ARGONAUT INSURANCE COMPANY  
ARKWRIGHT-BOSTON INSURANCE  
ASSOCIATED AVIATION UNDERWRITERS  
ASSURERS SERVICE, INC.  
ATKINSON-DAUKSCH INSURANCE AGENCIES  
ATLANTIC COMPANIES  
AVANT, INC.  
AVIATION INSURANCE MANAGERS  
AVIATION OFFICE OF AMERICA  
AUTOMATIC FIRE ALARM COMPANY  
AUTOMATIC SPRINKLER CORPORATION  
BABACO ALARM SYSTEMS  
BANK OF NEW YORK  
BANKERS LIFE & CASUALTY COMPANY  
BANKERS LIFE COMPANY (IOWA)  
BANKERS SECURITY LIFE INSURANCE SOC.  
BARNHARDT, E. PAUL  
BENEFIT TRUST LIFE INSURANCE COMPANY  
BILLIG-MAMMEL-OLSON & ASSOCIATES  
BLAW-KNOX COMPANY  
BOIT, DALTON & CHURCH, INC.  
BOSTON COMPANY  
BOWLES, ANDREWS & TOWNE, INC.  
BROOKS, E. J. COMPANY  
CALIFORNIA-WESTERN STATES LIFE INSURANCE COMPANY  
CAMERON & COLBY COMPANY  
CARDOX, DIVISION OF CHEMETRON CORPORATION  
CENTRAL SAFETY SUPPLY COMPANY  
CHUBB & SON, INC.  
COATS & BURCHARD  
COLEMAN, ROBERT F. COMPANY  
COMMERCE & INDUSTRY INSURANCE COMPANY  
COMMERCIAL UNION INSURANCE COMPANY OF NEW YORK

COMMONWEALTH SERVICES, INC.  
COMPUTER CLAIMS CONTROL  
CONSOLIDATED INSURANCE COMPANIES  
CONTINENTAL LIFE ASSURANCE COMPANY  
CNA/INSURANCE  
CONTINENTAL INSURANCE COMPANIES  
CORPORATE POLICYHOLDERS COUNSEL  
CORPORATE SEMINARS  
CORROON & BLACK COMPANY  
CRONYN, POCOCK & ROBINSON, LTD.  
CROWN LIFE INSURANCE COMPANY  
CRUM & FORSTER  
DALE & COMPANY  
DAVIS, DORLAND & COMPANY  
DESPARD & COMPANY  
DETROIT INSURANCE AGENCY  
DEVENCO RESEARCH & DEVELOPMENT  
DONNELLY BROTHERS  
DREYFUS FUND  
EASTMAN DILLON, UNION SECURITIES  
EBS MANAGEMENT CONSULTANTS  
ELECTRIC WASTEBASKET CORPORATION  
ELIEL & LOEB  
EMPLOYERS-COMMERCIAL UNION COMPANIES  
EMPLOYERS INSURANCE OF TEXAS  
EMPLOYERS INSURANCE OF WAUSAU  
EMPLOYERS REINSURANCE CORPORATION  
EQUITABLE LIFE ASSURANCE SOC. OF THE UNITED STATES  
EXCESS UNDERWRITERS, INC.  
FACTORY MUTUAL SYSTEM  
FACTS, INC.  
FAIRFIELD & ELLIS, INC.  
FIDELITY & DEPOSIT COMPANY  
FIREMAN'S FUND AMERICAN INSURANCE COMPANIES  
FIRST INSURANCE MANAGEMENT  
FIRST INVESTMENT ANNUITY  
FOREIGN CREDIT INSURANCE ASSOCIATION  
GENERAL AMERICAN LIFE INSURANCE COMPANY  
GENERAL REINSURANCE CORPORATION  
GLENS FALLS INSURANCE COMPANY  
GLOBE LIFE INSURANCE COMPANY  
GOLDSTEIN, L. J. & COMPANY  
GREAT AMERICAN INSURANCE COMPANIES  
GRINNELL CORPORATION  
GREENE, JAMES C. COMPANY  
GUARDIAN LIFE INSURANCE COMPANY  
GULF INSURANCE GROUP  
HAGEDORN & COMPANY  
HAIG NEVILLE ASSOCIATES  
HALL, FRANK B. & COMPANY  
HALLTECH ASSOCIATES  
HANCOCK, JOHN MUTUAL INSURANCE COMPANY  
HOME INSURANCE COMPANY  
HUGGINS & COMPANY  
IMPROVED RISK MUTUALS  
INDUSTRIAL APPRAISAL COMPANY  
INSURANCE COMPANY OF NORTH AMERICA  
INSURANCE SERVICE ASSOCIATES  
INTER-OCEAN INSURANCE COMPANY  
JAMES, FRED S. COMPANY  
JAMISON, HERBERT L. COMPANY  
JOHNSON & HIGGINS  
KEMPER INSURANCE GROUP  
KIDDE, WALTER & COMPANY  
LEONHART & COMPANY  
LIBERTY MUTUAL INSURANCE COMPANY  
LIFE INSURANCE COMPANY OF NORTH AMERICA  
LILLY, CURTIS B. COMPANY  
LINCOLN NATIONAL LIFE INSURANCE COMPANY  
LLOYD & THOMAS  
LOEB, RHODES & COMPANY  
MACCABEES MUTUAL LIFE INSURANCE COMPANY  
MANUFACTURERS MUTUAL LIFE INSURANCE COMPANY  
MARINE OFFICE • APPLETON & COX CORPORATION  
MARSHALL & STEVENS  
MARSH & MCLENNAN, INC.  
MARYLAND AMERICAN GENERAL GROUP  
MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY  
MCGEE, WILLIAM H. & COMPANY

MENNER, LEO B. & COMPANY  
MFB INSURANCE COMPANY  
MICHIGAN MUTUAL LIABILITY COMPANY  
MILLER, MASON, DICKINSON, INC.  
MILL MUTUALS  
MUTUAL BENEFIT LIFE INSURANCE COMPANY  
MUTUAL LIFE INSURANCE COMPANY OF NEW YORK  
NATIONAL ASSOCIATION OF BLUE SHIELD PLANS  
NATIONAL UNION FIRE INSURANCE COMPANY  
NATIONWIDE LIFE INSURANCE COMPANY  
NEW ENGLAND MUTUAL LIFE INSURANCE COMPANY  
NORTHWESTERN NATIONAL INSURANCE COMPANY  
NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY  
OCCIDENTAL LIFE INSURANCE COMPANY OF CALIFORNIA  
OLD REPUBLIC INSURANCE COMPANIES  
PACIFIC EMPLOYERS GROUP OF INSURANCE COMPANIES  
PACIFIC INDEMNITY COMPANY  
PACIFIC MUTUAL LIFE INSURANCE COMPANY  
PAIGE OBRION RUSSELL  
PANASONIC COMPANY  
PHOENIX OF HARTFORD INSURANCE COMPANIES  
PHOENIX OF LONDON GROUP  
PHOENIX MUTUAL LIFE INSURANCE COMPANY  
PREVENTI-MED CONSULTANTS  
PRICE, T. ROWE & ASSOCIATES  
PROTECTION MUTUAL INSURANCE COMPANY  
PROVIDENT LIFE & ACCIDENT INSURANCE COMPANY  
PROVIDENT MUTUAL LIFE INSURANCE COMPANY  
RANCO INDUSTRIAL PRODUCTS CORPORATION  
REED SHAW OSLER  
REID & CARR  
RELIANCE INSURANCE COMPANIES  
ROYAL-GLOBE INSURANCE COMPANIES  
SAFECO INSURANCE COMPANIES  
SAFETY FIRST PRODUCTS COMPANY  
ST. PAUL INSURANCE COMPANIES  
SARASOHN & COMPANY  
SARGENT, DIVISION KIDDE CORPORATION  
SARGENT & GREENLEAF  
SCHIFF TERHUNE, INC.  
SECURITY DEVICES ASSOCIATES  
SECURITY MUTUAL INSURANCE COMPANY OF NEW YORK  
SIDE FUND  
SIMPLEX LOCK COMPANY  
STARR TECHNICAL RISK AGENCY, INC.  
STEWART, SMITH & COMPANY, INC.  
SOUTHERN MARINE & AVIATION UNDERWRITERS, INC.  
SUN LIFE ASSURANCE COMPANY OF CANADA  
TALBOT, BIRD & COMPANY, INC.  
THOMPSON INSURANCE AGENCY  
TOWERS, PERRIN, FORSTER & CROSBY  
TRAVELERS INSURANCE COMPANIES  
UNIGARD INSURANCE GROUP  
UNION CENTRAL LIFE INSURANCE COMPANY  
UNION MUTUAL LIFE INSURANCE COMPANY  
UNITED STATES AIRCRAFT INSURANCE GROUP  
UTICA MUTUAL INSURANCE COMPANY  
VANDERBILT MUTUAL FUND  
WASHINGTON NATIONAL INSURANCE COMPANY  
WELLS FARGO PROTECTIVE SERVICES  
WHITEHEAD, E. A., LTD.  
WOHLREICH & ANDERSON, LTD.  
WRIGHT LINE  
YOUNGBERG-CARLSON COMPANY, INC.  
ZURICH-AMERICAN INSURANCE COMPANIES

If your company has a message to tell our Business Insurance audience—"Come Blow Your Horn!"

toot

# insurance

protection/pension investments/financial services

# Deferred compensation question far from resolution in Congress

WASHINGTON—The Senate Finance Committee has voted tentatively to kill a House-passed plan that would raise taxes on deferred compensation paid executives after retirement.

But, lobbyists who have lived with the tax reform bill since it started in the House ways and means committee several months ago point out that the proposal has a long way to go before becoming law and say that it is far too early to even begin guessing what the final version of the proposal will be.

At the end of the Senate committee's three to four weeks of hearings, member's will have to reassess from a dollar-and-cents

standpoint all that they have tentatively decided upon—a move which is certain to lead to changes in previously announced proposals. Then the bill will face a long, tough floor fight in the Senate, where a large number of changes can be anticipated. The Senate has no such thing as a 'closed rule' vote, as was used in the House to send the bill sailing through with little debate and no amendments.

And, of course, finally House and Senate conferees will have to meet and iron out their differences in their usual give-and-take manner.

**THE HOUSE**-passed tax reform bill would require a person

to pay taxes on deferred compensation in excess of \$10,000 a year at the same rate he would have had to pay if he had received it in the year it was earned.

The Nixon Administration opposes this section, saying that it does not operate properly. It says it is currently studying the entire area of executive compensation and plans soon to introduce legislation specifically on deferred compensation, including qualified pension plans.

John S. Nolan, deputy assistant secretary for tax policy, told the Senate finance committee that "the major problem in the deferred compensation qualified plan area arises because of the

difference in tax treatment between self-employed persons and corporate employees. The recent announcement of the Internal Revenue Service accepting court decisions invalidating the professional corporation regulations is a prelude to a wholesale shift by self-employed persons to the professional corporation form over the next several years."

This, he said, "will make the H.R. 10 limitations virtually meaningless except for those few professional persons who feel constrained by tradition not to move into this artificial form of business organization to achieve a tax advantage.

**"THERE IS** much to be said for treating self-employed persons and employes completely alike. Many of the provisions of H.R. 10 reflect our experience over a long period of years that the non-discrimination requirement and other conditions in Subchapter P are not adequate to place reasonable limitations on qualified plans.

"It may well be that the limits in H.R. 10 are too severe with respect to matters such as limits on contributions or benefits for highly-paid individuals, vesting, eligibility standards, treatment of lump-sum distributions, and estate and gift tax benefits.

"We will be giving these matters intensive consideration over the next several months," Mr. Nolan promised the committee.

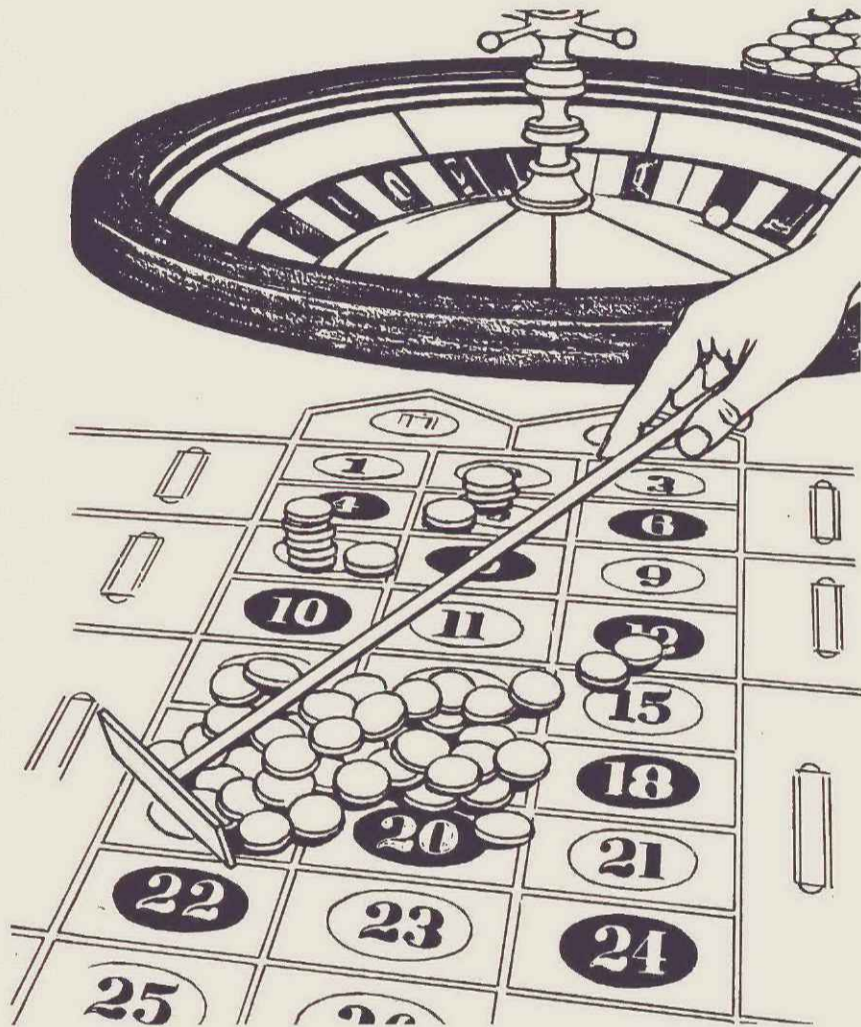
In the area of non-qualified

plans, he said there is needed a study of whether the limitations on qualified stock options in the Revenue Act of 1964 have proven appropriate in all respects.

**"PRESUMABLY,"** he said, "the Tax Reform Bill will make restricted stock plans much less attractive, and we must inquire whether the law permits adequate arrangements to attract and keep key executives and to provide them an incentive to improve company profits.

"We must also study whether the present rules with respect to nonqualified plans are proper. Questions needing answers include: whether deferred benefits should depend entirely on the sometimes unrealistic distinction of whether a plan is funded or not; whether a contractual right against a major U.S. company is so different from a funded arrangement as to have entirely different tax results; or whether the distinction should turn on the existence of a substantial risk of forfeiture versus a vested right."

While the Nixon Administration's promised legislative proposals on pensions and executive compensation will be closely studied by legislators, many observers doubt that they will come in time to prompt any action. The House and Senate will both have debated and passed on the issue in the tax reform bill, it is pointed out, and will be reluctant to take the subject up again so soon.



## Are you playing Receivables Roulette?

Very likely. Every company must gamble, more or less . . . on which accounts will pay their invoices promptly and which may pay late or never. All the more reason to keep your guard up, to stop risking those vital receivables and profits. American Credit Insurance® does it best. Protects you from the unexpected **unbearable** loss. That's been our claim to fame since 1893.

ACI . . . a subsidiary of Commercial Credit Company, which has assets exceeding \$3 billion.

American Credit Indemnity Company of New York  
Dept. N, 201 N. Charles St., Baltimore, Md. 21201

I want to know more about American Credit Insurance before it's too late. Please send your free new folder, "Play It Safe With ACI."

Name .....  
Company.....  
Address.....  
City..... State..... Zip Code.....



## Promise marine rating geared to loss control

LONDON—Premium reviews for loss prevention were promised as future aims to careful cargo shippers by Lloyd's underwriter T. F. Poole at the International Union of Marine Insurance conference.

But then came the warning: "As cargo underwriters we must curb our generous instincts, and eschew the mantle of Father Christmas, and resist those who expect us to act as a combination of philanthropist and unpaid merchant banker.

"Only when cargo rates are generally at a consistently profitable level can we really afford to grant reductions which are geared to loss prevention measures, and through which the

more careful shipper can be rewarded."

The impression left with delegates to the conference was that there will have to be a hardening of cargo premiums in many directions before any concessions can be effectively granted.

Mr. Poole forecast: "If we were to double or even treble the existing marine rates on 90% of bulk commodity portfolios the effect on the final price of the resultant article or product would be virtually nil in relation to the other ingredients in its cost structure."

He said it was essential to go on with efforts to improve cargo rates in days of ever-larger vessels.



# Money Tight?

you've got thousands right under your nose

**SELF INSURANCE** generates cash flow. No advance premium payment required for primary losses. This cash is used only when necessary. Robert F. Coleman, Inc. will outline a self insurance plan that will make your money work for you—for a change!

For consultation and complete service have your Insurance Broker or Insurance Manager contact

**ROBERT F. COLEMAN, INC.**

- Workmen's Compensation • Public Liability
- Accident Control Specialists since 1923

Send for our informative brochure outlining this timely and vital insurance plan.  
120 East 23rd St. • New York, N.Y. 10010 • Telephone: 777-4210

# GE introduces credit cards for medical services

NEW YORK—General Electric Co. is backing what may be the most glamorous trend in the health care field—credit cards in lieu of cash for medical services.

Under the GE plan, the credit card would take care of the full cost of an employee's hospital bills, with the employe reimbursing GE for expenses above what's covered under the company's insurance plan.

The company, in a notice to employes, conceded that "we're not sure this will work out because it requires testing and the cooperation of others."

**CREDIT CARDS** are also getting a tryout for drug costs. Starting Oct. 1, members of the United Auto Workers and their families have been able to walk into a drug store, plunk down a credit card—something similar to the plastic cards banks and service stations honor—and walk out with an order of prescription drugs (after paying the first \$2).

Blue Cross of Greater New York has been operating a credit card program for prescription drugs since last summer, and last July Blue Shield in Michigan started a similar program for four drop-forge companies in Lansing.

The UAW program, however, has run into a bit of a snag. An Illinois druggist this month went to court to prevent Catepillar Tractor Co. from paying the drug bills of its UAW employes, and a circuit court judge has issued a temporary restraining order preventing Catepillar from paying such costs.

The suit claims that Catepillar and its insurer, Metropolitan Life, "combined and conspired" to fix fees to be charged for the drugs in violation of Illinois antitrust statutes.

**FOR BETTER** or for worse, the GE credit card proposal was one of a host of offerings served up by the company in bargaining sessions with the International Union of Electrical Workers and the United Electrical Workers. The unions have branded the GE wage offer as "totally unacceptable," and they also have misgivings about the benefits portion of the offer. A walkout has been threatened for Oct. 27.

According to Joe Swire, director of collective bargaining services at the IUE, the union wants GE to pay all hospital costs (the company has offered to pay the first \$500 of such bills), make all group insurance contributions for both employes and dependents (GE had proposed doing away with employe contributions) and improve the formula and/or boost the minimum of the pension plan.

**IN ADDITION** the unions want a sickness and accident plan that pays two-thirds of salary for 26 weeks GE has offered 60%—a "good improvement" over its current 50%, Mr. Swire said, but still short of the two-thirds of salary provided by the steel and auto industries).

The IUE also thinks GE should pick up more than 50% of the tab of a new long term disability plan offered by GE; GE has offered to pay administrative costs. Mr. Swire said that General Motors pays the entire cost of long term disability.

Another bone of contention: IUE wants a widow's benefit of one-half the pension ("We want GE's pension plan to be at least as good as GM or steel," said Mr. Swire, but he said GE hasn't had an improvement in survivor's

benefits in 20 years).

The union executive said GE's pension offer wasn't "particularly good" because the company "changed the ground rules for early retirement and disability. We figure that 60% of our people won't get any improved benefits under GE's offer." The IUE wants unreduced pensions after 30 years regardless of age.

**"WE CAN MOVE** right now on an offer," Mr. Swire told *Business Insurance* (the \$7.50 minimum pension, for instance, is a "negotiable position"). "But right now there are big problems," he added.

GE's employe benefits expert, E. Sidney Willis, thinks the benefits package contains some "real

breakthroughs." The credit card arrangement, for instance, would guarantee to the hospital full payment by GE of the entire bill. The employes would then reimburse the company for any covered expenses above the \$500 full payment by the insurance plan.

GE, in explaining the credit card setup to employes, said the plan "should assure easier admission to hospitals outside GE plant communities and in large metropolitan areas." Because the company isn't sure how the setup will work, no date has been set for its implementation.

**ANOTHER** interesting wrinkle is a proposed option to allow employes to use the facilities of a

group practice plan for medical needs. GE said it would be willing to turn over to the group plan an amount equal to the average being paid for medical expense coverage at the employe's location under GE's normal comprehensive medical expense coverage.

In order to retain life insurance, accidental death and dismemberment insurance and weekly sickness and accident benefits, the employe would continue limited participation in the GE insurance plan. Under this arrangement, employes would pay 0.6% for coverage instead of the full 0.9% which includes medical care.

Mr. Willis, however, is doubtful that group practice plans will provide a way out of the health

cost spiral. "Maybe I'm missing something, but I don't quite see what built-in mechanisms they have to reduce costs," he said.

**THE GE** executive said that "I'm getting very discouraged, I must admit" about mushrooming health costs. "More and more benefit plans are doing away with coinsurance features," Mr. Willis said, "so the individual has no incentive and the doctors have no incentive" to hold down costs.

Hospitals, Mr. Willis said, have none of the same cost incentives which motivate private businesses. "All they do is raise their rates and Blue Cross pays them and the other insurers pay them, too." What's needed, Mr. Willis

*Continued on page 48*



## He Knows Too Much

Yes, your A&A account man knows too much about the changing complexity of modern business and its risk problems to think he knows it all. He knows he needs the specialized skills of A&A's service divisions to give his customers true risk management.

Despite his own skill and experience, he brings in a task force selected from A&A's experts in all insurance areas. He uses the

risk analysis and loss control departments, the actuarial staff, the claims people, and all of the other facilities of this international organization to protect the businesses he serves.

Isn't this the kind of protection service you want for your business? After all, it's your future we want to protect.

## ALEXANDER & ALEXANDER

INCORPORATED

INSURANCE BROKERS

Consulting Actuaries

Average Adjusters

ATLANTA · BALTIMORE · BOSTON · CHICAGO · CLARKSBURG · LOS ANGELES · MIAMI · NEWARK  
NEW ORLEANS · NEW YORK · PARIS · PHILADELPHIA · PITTSBURGH · SAN FRANCISCO

ST. LOUIS · TULSA · ASSOCIATED BROKERS THROUGHOUT THE FREE WORLD

ALEXANDER & ALEXANDER SERVICES LTD. · CALGARY · EDMONTON · MONTREAL · TORONTO · VANCOUVER

Affiliate: ALEXANDER & ASSOCIATES, DALLAS · HOUSTON



# Chubb begins writing entertainment cover

NEW YORK—Chubb & Son Inc. has opened an entertainment risks department here and has appointed an assistant manager in excess and special accounts from the Fireman's Fund American to direct its operation.

The department opened for business about two months ago and has already "written quite a few" covers for entertainment ventures, according to Lawrence Grant, who is managing the business. Policies, he said, are being written with a Chubb subsidiary, the Pacific Indemnity Co.

"I guess the motivation came when Chubb bought Pacific Indemnity about a year ago," Mr. Grant explained, noting that Pa-

cific had been writing such covers on the West Coast, in competition with Fireman's Fund, for many years. "It seemed like a natural follow through to get involved in entertainment risks in the east," he said, citing increased show business activity here.

**ASKED IF** Chubb was going to declare direct, open competition with Fireman's Fund for business here, Mr. Grant said: "In essence, yes, we're competing. But where there are only two or three companies writing this type of policy I think there's enough business to go around." He noted that American Home also writes entertainment risks, but on a

more limited basis.

Since opening the department after he left Fireman's Fund in mid August, Mr. Grant said the reaction "has been interesting. Chubb," he noted, "was primarily a fairly conservative operation."

Conservatism, apparently, does mellow when business interests are concerned. Chubb has since written policies on cartoon shows, including "Linus the Lionhearted"; a couple of movies in production here, which Mr. Grant said he was not at liberty to identify; a Broadway show called "Front Page" and the soon-to-arrive Broadway musical, "Jimmy," a story based on New York's famous Mayor Jimmy Walker.

**ONE OF THE** first policies he wrote for Chubb, Mr. Grant noted, was on a daytime network television show titled "The Galloping Gourmet." The program, commercial male answer to educational television's Julia Childs ("The French Chef"), has a basic errors and omissions cover, Mr. Grant said.

"Essentially, it's an infringement of ideas type policy. The prime concern is the protection against some little old lady somewhere saying that a recipe used on the show was stolen from her," he said.

Asked if the policy would include, say, an error in a recipe that might cause thousands of television-educated chefs and their families to become violently ill, Mr. Grant said: "No, I don't think such a policy is available." ■

## Unions . . .

Continued from page 6

state laws, raise benefit ceilings to a level or two-thirds of the statewide average weekly pay, initiate an extended benefit program for long-term unemployed workers with a steady work history and at least 25 weeks of benefits for all eligible workers, compute benefits on the workers fulltime gross weekly earnings during those weeks of the base year when earnings were highest and impose safeguards to prevent states from setting overly restrictive qualifications for benefits.

**IN THE AREA** of workmen's compensation, the convention called for the following minimums: Compulsory coverage of all workers regardless of their occupations or the size of the work group to which they belong, full protection for all job-incurred accidents or ailments including those that might not show up immediately and weekly benefits of at least two-thirds normal fulltime earnings.

The AFL-CIO also served notice that it will press in Congress for a "bold program" of Social Security improvements to eliminate poverty among the nation's elderly.

Specifically, the resolution urged that the minimum benefit be raised from its present level of \$55 a month to \$100, and that a widow's benefit be equal to that for which her husband would have been eligible.

The program also called for: A flexible zone of retirement from 60 to 65 and provision for "less than a full actuarial reduction" in benefits for those who retire early; a raise in the contribution base and provision for automatic adjustments in the future based on workers' wage gains; extension of Medicare to include the disabled immediately; combining Medicare's hospital care and voluntary medical insurance programs to permit "the entire financing of medical care before retirement" and remove the burden of premium payments after retirement; and reduction of the waiting period for disability benefits from six months to one. ■

## GE . . .

Continued from page 47

contended, is for the users of health care facilities—Blue Cross and the insurers—"to gang up and put pressure on the hospitals."

Businessmen, he added, can do their share by serving on hospital boards. But, he mused, "somehow when businessmen get on hospital boards they seem to lose their business sense."

**OVERALL,** GE is offering its workers 13 major insurance improvements, plus pension boosts, longer vacations and a better savings plan setup.

Among the insurance changes is an elimination of the \$25 deductible for hospital expenses and payment in full of the first \$500 in each calendar year, effective Jan. 1, 1970, up from the current \$225 payment. Covered expenses above \$500 are paid at the rate of 85%.

GE has also offered to boost payment for "all other" medical expenses from 75% to 85%. The deductible—\$50 for each individual, but no more than \$125 for the family each year—stays the same.

**A NEW EXTENDED** care benefit would give employees 120 days in an approved extended care facility following hospitalization for at least three days. Payment for expenses would be the same as for hospital care—the insurance plan paying the first \$500 of combined hospital and extended care expenses in full and 85% of all costs exceeding that amount.

Under proposed pension changes employees at age 65 would get from \$5 to \$7.50 times each year of

service, up from the current \$4.50 minimum. For early retirement, the new higher minimums would apply, reduced by 2.4% for each year of retirement before age 65. In no event, GE said, would any eligible employee retiring early get less than \$4.50 for each year of fulltime credited service.

For disability retirements, the new early retirement minimums would also apply. But the minimum wouldn't be reduced by more than 12%. Employees retiring on disability pensions after Dec. 31 who are not eligible for Social Security disability benefits would receive a special benefit of \$125 a month until they go on Social Security.

**IN THE VACATION** area GE proposed to give employees two weeks paid vacation after one year of service, effective in 1971. In 1972 GE would start giving employees with 15 or more years of service four weeks vacation.

A new sick pay plan would give employees with from three to ten years of service two days off with pay a year; workers with from ten to 15 years three days off; and employees with 15 or more years four days off.

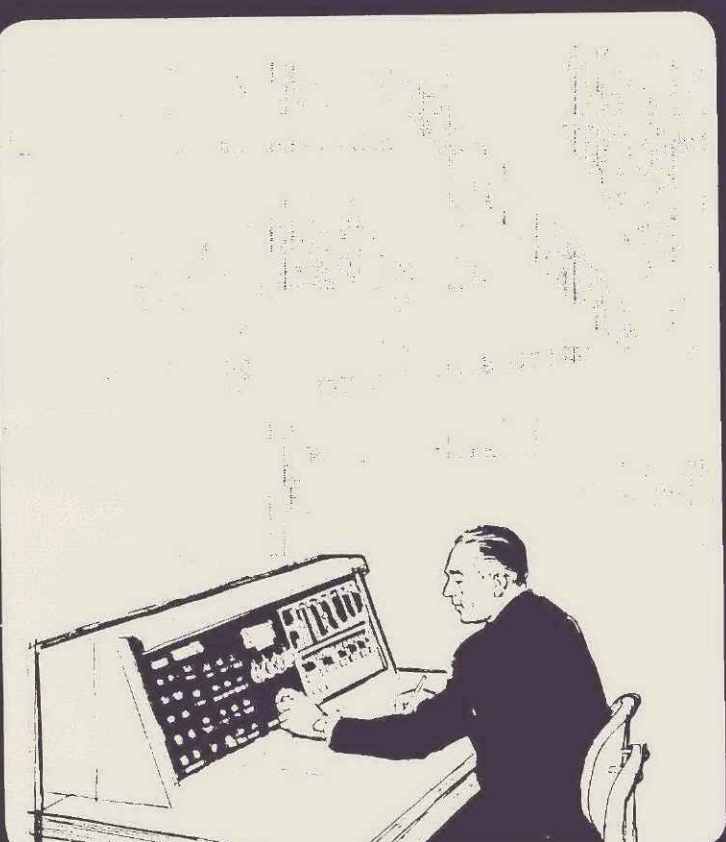
As for a new twist for GE's savings plan, the company has offered to buy GE stock bought through the plan at "market price"—thus saving employees the cost of selling it through a stock broker. ■

## Ulreich, 56, Dies

John C. Ulreich, vp of the Ocean Marine Department of Employers-Commercial Union Insurance Cos., died Oct. 5 while on a business trip to London. He was 56. Mr. Ulreich joined Commercial Union in 1929 and was named U. S. marine manager in 1946.

Safety engineering is a major function in the service facilities of PI.

Our insureds are entitled to and receive detailed analysis of potential hazards. Upgrading all machinery and operations in industrial plants and places of business is the safety first factor that reduces losses as it does insurance costs for Pacific Indemnity policyholders.



PACIFIC INDEMNITY GROUP



Pacific Indemnity Co., Texas Pacific Indemnity Co., Northwestern Pacific Indemnity Co.

Affiliated with FEDERAL INSURANCE COMPANY through THE CHUBB CORPORATION

AUSTIN, ATLANTA, DALLAS, FORT WORTH, HOUSTON, KANSAS CITY, LOS ANGELES, OAKLAND, PORTLAND, ST. LOUIS, ST. PETERSBURG, SAN FRANCISCO, SEATTLE, SPOKANE

# classified advertising

**RATES AND CLOSING TIME:** \$2.00 per line, minimum charge \$8.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of \$17.00 per column inch, and card discounts on size and frequency.

## Help Wanted

**Risk Management Consultant Wanted**  
Responsible for developing risk management educational materials and programs relating to financial institutions. Position requires substantial originality, creativity and imagination; highly technical and specialized subject matter University degree or equivalent, plus 5 years property & casualty insurance experience. Limited international travel. Relocation to Madison, Wis., required (at employer's expense). Starting salary \$10,000 per annum CUNA International, Inc., P.O. Box 431, Madison, Wisconsin 53701.

CORP. RISK MGR. COLL GRAD. 10 YRS. EXP. WITH MAJOR FIRM. COMPLETE FAMILIARITY WITH PROPERTY - CASUALTY & BENEFITS. EARN 15M. WILL RELOCATE.

Box 962, BUSINESS INSURANCE  
740 Rush St., Chicago, Ill. 60611

## CORPORATE FIRE PREVENTION ENGINEERING ADMINISTRATOR

Midwest. Ideal opening for a corporate fire prevention engineer sincerely interested in a managerial position in corporate insurance. We are a large industrial firm undergoing rapid growth. College degree necessary, 3-7 years experience.

Send resume to:  
**CONTROL DATA CORPORATION**

T. A. Edminson  
64 Corporate Personnel  
Control Data Corporation  
8100 34th Avenue South  
Minneapolis, Minnesota 55440

An Equal Opportunity Employer, m f

# “Help! Help! Whiplash!”

Five seconds ago, you felt nice and secure about your business insurance, didn't you? Comfortable. Protected. Cared for. Just like the ads and booklets said.

Yet let something really wild happen and that fat, cushy liability limit suddenly looks like chicken-feed.

Which isn't too strange under the circumstances. Because a nice, neat insurance policy with all that prissy syntax all but presupposes a nice, neat, prissy, claimant.

So what you really need at the moment is not a nice, neat policy but a nice, not-so-neat insurance company. A company that knows when it's best to unbend a little—in spite of what the procedure manuals say.

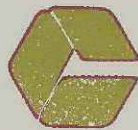
For instance, one of our specialties at Consolidated is the judicious use of friendly dissuasion. Such as curing a stiff-necked claimant's battered dignity with a good-looking Swedish masseuse instead of money.

Another is our decidedly unfriendly attitude toward what causes claims in the first place.

Because it takes both—deft claims handling and gung-ho accident prevention—to keep policy holders secure, loss-ratios stable and underwriters open to applicants who aren't worth a fortune in premiums.

Of course, you also have to be willing to get labeled as a hard-nosed insurance company.

But that's our problem—and your unwritten insurance that we've got a lot more than a policy going for you.



**Consolidated Insurance Companies**  
345 Adams Street, Brooklyn, New York

**When you need a company  
Not just a policy.**



*Um*

# business as usual insurance



We're new in the Business Insurance business. Which is a decided advantage for you. Because we haven't learned a lot of pat answers for problems that require imaginative ones.

Allstate sells just about all of the kinds of insurance your company needs.

After a few short years of staffing up, we're ready to

tackle any problem you can throw at us—however big.

Our men are specialists. Handpicked. Experienced. Valuable.

Just maverick enough to bring you a fresh and helpful point of view. And probably able to save you money in the bargain.

It will pay you to talk to Allstate. Call us, won't you?

**Allstate**<sup>®</sup>  
BUSINESS INSURANCE