

Comments on returning from a trip to Lloyd's

U.S. capacity page 9

Reinsurance revision, page 15

Radiation stand page 22

Fleet safety page 24

see page 19

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business insurance

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35¢ a copy; \$8 a year

October 7, 1968

Douglas UAW wins dental, psychiatry aid

DETROIT—The United Auto Workers, which has already won dental and psychiatric benefits for 42,000 workers at Douglas Aircraft, in Long Beach, Cal., is about to wrap up similar fringes for the rest of the aerospace industry.

The pact with Douglas and local 148—the biggest aerospace union in the world—also calls for the same kind of prescription drug plan agreed to by the auto industry and health benefits based on "reasonable and customary" charges—a departure from the flat fee provisions of past union contracts.

A UAW spokesman here said the union has hopes that the "reasonable and customary" arrangement will help put a lid on "skyrocketing" medical costs.

Current negotiations between the aerospace industry, the UAW and the International Assn. of Machinists involve some 100,000 workers on the West Coast alone. Other companies involved are North American Aviation, Lockheed and Aerojet-General on the West Coast, plus LTV Aerospace Corp. in Dallas, Boeing-Bertol Helicopters in Philadelphia and Curtis-Wright in New Jersey.

Continued on page 26

Air firms' insurer stays at higher rate

CHICAGO—Aircraft Builders Council will stay in business, after buyers agreed to pay higher premiums in exchange for increased limits.

According to a member of ABC, a group which writes products liability insurance for aircraft manufacturers and parts suppliers, limits were increased from \$5,000,000 to \$20,000,000, a factor which he said will make it a "leader in products coverage."

The group is expected to place more of its insurance with Lloyd's of London, although Liberty Mutual Insurance Co. and other mutuals will still share a substantial portion of the market.

ABC was threatened with folding when Lockheed, one of its largest buyers, withdrew and placed its coverage with other insurers. The Lockheed withdrawal followed the same move by Boeing earlier this year.



Overman

Hervey

Judd

Cristy award winner Hubert C. Hervey, insurance manager of Texas Eastern Transmission Corp., Houston, is awarded plaque by Ron Judd, managing director of the American Society of Insurance Management, and Dr. Edwin S. Overman, president of the Insurance Institute of America. The institute sponsors six exams for a diploma in risk management, and the award is presented by ASIM to the one with the highest average mark.

Dow, Hartford Fire merger causes stir

NEW YORK—Insurance circles were buzzing with speculation over Dow Chemical Co.'s announcement that it was considering the acquisition of the Hartford Fire Insurance Co., the nation's sixth largest property and liability insurance group.

The move, which would involve an exchange of stock estimated to be about \$850,000,000, left up in the air the effects it would have on capacity, especially in the tight petrochemical market.

Hartford, which is one of the largest participants in the Oil Insurance Assn., a pool which makes coverage available to petrochemical risks, reported \$878,000,000 in written premiums for its affiliated companies last year and assets of \$1.38 billion.

A spokesman for OIA was uncertain if a merger would tend to decrease Hartford's participation in the pool.

"MERGERS BETWEEN insurance companies tend to lessen capacity," he said. "A Dow-Hartford merger could go either way depending on why the two firms want to join in the first place."

According to a Dow source the reason for the proposed acquisition of Hartford would be to "broaden the financial base" of the company.

He said it would not have any effect on the petrochemical firm's insurance coverages.

Because of Securities & Exchange Commission requirements, Dow would be restricted

from using Hartford's capacity to underwrite its own insurance needs, said the source.

DOW'S PETROCHEMICAL risks are covered by Factory Insurance Assn. and Factory Mutuals, with a refinery in Michigan insured through OIA, *Business Insurance* learned.

It was thought the move to acquire a property-liability insurer could be one way to drum up coverage for Dow in the tight petrochemical market.

An insurance executive doubted if an acquisition, even without SEC restrictions, would increase the amount of insurance available to Dow.

In the high-capacity petrochemical field, which has been plagued by heavy losses, most insurers restrict themselves to a specific percentage of coverage on any one risk.

For example, OIA works on a share basis up to a total of 300 shares. An insurer which participated for three shares would be required to participate for 1% on any one risk insured with the pool. Insurers are restricted to a maximum of 30 shares, or 10%.

Announcement of the proposed merger was made last month in a joint statement which said the two firms were "investigating the advantage of an affiliation of the two companies through an exchange of new issues of Dow convertible preferred stock for Hartford stock on a tax-free basis."

Humphrey, Nixon bids to hike Social Security feared political football

NEW YORK—Employe benefits men fear that the Social Security system is turning into a "real political football" now that both Richard Nixon and Hubert Humphrey have pledged to boost benefits under the retirement program.

In a separate statement Mr. Nixon rejected a compulsory health insurance plan such as the one endorsed by New York's Gov. Nelson Rockefeller.

"In Great Britain, where they have compulsory health insurance, doctors are leaving to come to the U.S.," Mr. Nixon said. "What we do need is a massive program to provide new doctors, more health facilities," he stated.

Mr. Nixon also said it will be his goal "to encourage private retirement programs to provide for earlier retirement on a voluntary basis with reduced benefits, in order to give greater freedom to the individual worker and more flexibility to employers."

Both Mr. Nixon and Vice President Humphrey backed Social Security increases tied to cost of living advances. Mr. Humphrey suggested that Social Security payments be increased 50% over the next four years, at a cost of about \$12 billion, part of which would be paid for out of general governmental revenues.

Mr. Humphrey said the rest of the increase in Social Security tax payments made possible by larger payrolls, and an increase in the amount of salary subject to taxation above the present limit of \$7,800.

HE ALSO advocated that the

Scrap Iron unit moves work comp to CNA

WASHINGTON—The Institute of Scrap Iron & Steel's \$3-, 500,000 workmen's compensation program, set up almost five years ago to provide members with adequate coverage, has been assigned to the Continental National American Group, Chicago.

The previous carrier was Liberty Mutual, Boston. The trustees of the program switched carriers because they felt too much of the dividends were being held in reserve, compared to the excellent experience of the program, according to the institute.

Also very much in the forefront of the institute's thinking is

government take over payments of the \$4 a month which Medicare participants are paying, on a supplemental basis, for doctors' bills, an assumption of cost which would also be financed out of general revenue.

Mr. Nixon, for his part, reiterated several proposals which were included in the Republican platform—namely to reduce the age for universal coverage from 72 to 65 and to permit the elderly to increase their earnings without limiting Social Security benefits.

Also, Mr. Nixon came out for a rise in widows' benefits from the present 82% of a deceased husband's pension to 100%, and restoration of the 100% income tax deduction that those over 65 could once claim for many drug and medical expenses.

Several employe benefits men interviewed by *Business Insurance* seemed resigned to the fact that Social Security would eventually be linked to the consumer price index, as is now the case with civil service and military retirement benefits.

RAY M. PETERSON, retired vp and associate actuary of Equitable Life Assurance Society and a student of the Social Security program, pointed out that private pension funds are becoming increasingly interested in tying benefits to cost of living boosts as an offset to the 2% to 3% yearly inflationary spiral.

But Mr. Peterson expressed concern that the automatic increases would "build up pres-

Continued on page 26

the possibility of creating an institute-sponsored insurance company. However, no plans have been drafted yet by the trustees for presentation to the board of directors.

The program was created when members found that their individual coverages were being cancelled or else being assigned to pools. An institute spokesman said that since the workmen's compensation program was begun, it has virtually reversed the image of the industry. Prior to the initiation of program "we had a hard time getting markets; now they're coming to us," he said.

Risk manager writes reflections on AMA 'graduate' risk seminar

CHICAGO—Edward D. Hansen, risk manager for Union Tank Car Co., was a chairman of the American Management Assn.'s risk management course held here recently.

Business Insurance prevailed upon Mr. Hansen to reflect on the five-day course and to give his views and impressions of the meeting and what meaning it had for him and for other insurance and risk managers.

The following is taken from his notes.

I still think of AMA's "Principles and Practices of Insurance Buying" as the elementary course in corporate insurance administration. The course of

risk management is a logical next step in the education and nourishment of those whose corporate responsibility extends to the preservation of their company's assets. It is a graduate level course in the sense that attendees are presumed to have a rather high degree of insurance competence plus a realization that insurance buying is merely one method of handling risk.

AGAIN AND AGAIN the guest speakers made the point that the risk manager's primary job is to guide his corporate employer on a course of action that will first avoid risk—review contracts and leases before execution for onerous and inequitable hold harm-

less clauses and for unwarranted assumptions of risk. He must also ascertain that invitees onto the corporate premises assume the equitable and legal responsibility for what they may do.

The risk manager is expected to counsel his employer in the safest possible manner of conducting business so the corporate assets may be safe from accidental loss. The use of sprinkler protection, the safest possible working conditions and the distribution of the safest possible product were examples cited.

The risk manager should feel it to be his responsibility to advise the retention by his corporation of that risk, or part of a risk, which his employer can finan-

cially absorb—self insurance, deductibles and the like. After the risk manager has identified his risks, analyzed and evaluated them, taken all possible steps to avoid, minimize or transfer them, and assumed an appropriate portion thereof, he will then insure the risk that remains.

The purchase of commercial insurance is still a very important aspect of the risk manager's job. However, how and when the manager decides on the purchase of insurance may well mark the principal difference between the insurance manager and the risk manager.

THE BIBLE OF risk management is "Risk Management in the Business Enterprise" by Mehr and Hedges, 1963, published by Richard D. Irwin, Inc. Bob Hedges, professor of insurance and risk at Temple University, conducted almost two days of risk management games. He had prepared factual business situations and the students were asked to make a risk analysis and to suggest solutions. I think we spent a little too much time on games. However, Bob Hedges is a dynamic teacher and could well have taught the entire five-day course.

Of the 17 corporate enrollees in the course only one had the title of "risk manager" with a job description to match. I had the feeling that many of those in attendance were actually performing a risk management function, but did not have the title, responsibility, authority or salary to match.

I HAVE the impression that the dominant feeling of the corporate students was that of frustration. They felt capable of performing as risk managers but their managements didn't know or realize what functions these risk managers could perform. Over and over again I heard students ask, "Why don't you give this course to corporate presidents?"

I think the point is valid but I would also argue that part of a true manager's job is selling his ideas to his superiors. Perhaps many are still insurance managers, and not risk managers, because they choose to act like insurance managers. ■

Union charges pension biased against males

NEWARK—A labor union has challenged a utility company for violating the civil rights of men by giving preferential treatment to women who elect early retirement.

The suit was filed by the Utility Workers Assn. against Public Service Electric & Gas Co. The suit attacks a pension plan under which employes with 20 years of service may retire at age 60.

According to union attorney George Duggan, the men contend that pension payments for male employes who retire at age 60 are 21% lower than benefits at age 65. For female employes, benefits are only 1% lower.

The gap in pension pay narrows as the employes reach 65, when the benefits are the same for both sexes, said the union.

The union illustrated that a man earning \$10,000, who retires at age 60, could get as much as \$650 a year less in his pension than a woman earning the same amount and retiring at the same age. ■

Denver firms, Harlan merge

DENVER—Harlan of Denver Inc. has been formed by the merger of two Denver insurance firms—Corbin Douglass Inc. and Headrick & Co.—with Harlan Inc., of Houston, Tex.

Corbin Douglass was founded in 1932 by Mr. Douglass, whose family has been in the insurance field since 1858. Headrick & Co. was established in 1960 by Norman C. Headrick, who previously had been with Travelers Insurance Cos.

Harlan Inc. is part of the Harlan organization founded in 1950 by William E. Harlan. It now is a national firm with offices in 33 major cities.

Harlan of Denver offers insurance specialists in all commercial lines of insurance, including casualty, property, life, group and bond. ■

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Consultant calls offshore captives best answer to airlines' dilemma

DALLAS—An alternative proposed here to a planned airline captive insurance company call's for major airlines to form individual offshore captives and the smaller companies, domestic and foreign, establish joint captives.

W.A.D. Hare, director of client service in the risk management department of EBS Management Consultants, New York, agreed in principle that the airlines should have a captive carrier for needed coverage, but the direction now being taken may lead to severe problems.

At a recent meeting of the Dallas-Ft. Worth chapter of the American Society of Insurance Management, Mr. Hare suggested several alternate methods such as the formation of individual offshore captives. He also suggested, however that a third

pool to follow the other pools already existing could be formed and take perhaps 10% of the total risk.

THIS, MR. HARE said, would allow experience-gathering without immediate substantial staff cost or disturbance of present markets.

However, if the major airlines decide to form their own captives, he suggested that the various captives could then, under joint management for economy sake, reinsure each other.

"The loss experience and size would directly affect the cost and acceptance of the individual's reinsurance," he contended. "This should overcome the major carriers' desire for an individual arrangement recognizing their size."

As for the present plan to form a worldwide captive operation with capitalization of about \$250,000,000, he believes under this plan airlines would be undertaking a substantial capitalization at a time when every airline will be stretched to the bone for money for new equipment, increased maintenance, new training facilities, enlarged terminals, bigger advertising budgets and other capital outlays.

Continued on page 25

U.S., Canadian fringes continue upward path

NEW YORK—Fringe benefits in both the U.S. and Canada account for a growing share of total labor costs.

A U.S. Chamber of Commerce survey of 1,150 companies found that nearly 27% of the average payroll goes for employee benefits, up from 24.7% in 1965 benefits. Fringe benefits in Canada account for 25.2% of a company's payroll costs, up 2% since 1965.

In both countries vacations are the most expensive benefit—costing in the U.S. an average of \$271 per employee and in Canada \$308 per employee. Total benefits per employee in Canada cost \$1,595, up from \$1,219 in 1965. In the U.S. an average of \$1,719 is spent per employee.

In Canada, the fastest growing fringe outlays are in the welfare area, including group life insurance, medical insurance and sick pay. The fastest growing fringe in the U.S. is Social Security; employer contributions, now averaging \$254 annually per employee are up from \$163 in 1965 and only \$91 a decade ago.

Banks, finance and trust companies in the U.S. are most liberal with benefits, which account for nearly one-third of their payroll costs; textile and apparel concerns have the smallest fringe benefit ratio, 20.6%.

Canadian utilities provide the most fringe benefits—31.5% of payroll—and miscellaneous non-manufacturing companies the least—19.6% of payroll.

Call shimmy movie song and dance

SAN FRANCISCO—William L. Earle, a Eureka, Cal., truck driver, learned to shimmy (a dance popular in the 20's), but as a result lost his workman's compensation insurance benefits.

Mr. Earle suffered a back injury and applied for compensation. When his case was heard by the workmen's compensation appeals board last May movies were shown of Mr. Earle dancing at a party.

The party, Mr. Earle now charges in a suit, "was a frame-up—by the Reliance Insurance Co.," the carrier for Mr. Earle's employer.

Reliance was accused of having conspired with several individuals to "lure" Mr. Earle to a party at North Hollywood, Cal. only a few weeks after he had been operated on for his back injury.

At the party, Mr. Earle charged, he was "induced to engage in strenuous, exerting and unusual dances."



Workers till the land in preparation for the Great Harbour Cay golf and country club in the Bahamas. They are provided comprehensive medical and life coverage through Travelers Insurance Co.

Developer in Bahamas starts first group plan for natives

BAHAMAS—A development firm creating a new international resort here has begun an employees' group insurance plan that includes coverage for Bahamian out-islanders.

More than 80 Bahamians are included under the plan, believed to be the first written for natives of the out-islands.

The group plan is underwritten by Travelers Insurance Co. of Hartford, through its local agent, National Insurance of the Bahamas.

ROBERTS REALTY OF the Bahamas Ltd., developers of Great Harbour Cay in the Berry Islands, will bear entire cost of the insurance program for employees. In addition, the benefits may be extended to cover dependents as well.

Roberts' employees in Nassau, where the firm maintains its headquarters, are covered as well.

The plan provides complete and comprehensive life, hospital and major medical coverage with life insurance and accidental death benefits. Hospital room and board and miscellaneous charges also are covered, as well as a \$10,000 major medical benefit.

The program was set up under

the direction of John C. Lynskey, president of Roberts, and two employees, William Birchall and Mrs. Margaret Pedreny. Representing the insurance companies were Maurice Moore, president; George Thompson, director; Elicke Sicilia, vp of National Insurance; and Edward Major, group administrator of Travelers.

MR. LYNKEY SAID the plan was undertaken because of the increased number of Bahamians presently employed in building, development and construction programs at Great Harbour Cay and in anticipation of the hundreds more that will be needed to operate the resort and vacation complex when it opens.

"We felt that a health and welfare program should be made available to provide the necessary medical protection and peace of mind to all our people," Mr. Lynskey explained.

Mr. Sicilia called the program "the first insurance plan offering complete coverage to workers in the out-islands."

Great Harbour Cay, 160 miles due east of Miami, is being developed with an 18-hole golf course and million-dollar clubhouse that is scheduled for completion early in 1969.

Insurance is one defense for libel and slander

By LOUIS HAUGH

CHICAGO—Frank and Nancy Sinatra are father and daughter, and to corrupt a saying, "like father, like daughter."

Both have recently been involved in multi-million dollar libel and slander suits, including copyright infringement.

It is estimated that \$5,000,000 in annual premiums are paid for libel and slander insurance.

As a matter of fact, both suits involving the lean crooner and sometime actor, Mr. Sinatra, and his pop singer daughter have already been settled. The settlements point up a good example of what publishers and broadcasters, those most often thought of in terms of libel and slander insurance, can do in the face of a libel or slander suit.

The Miami Herald, Florida's largest newspaper, was sued for \$10,000,000 by the Hotel Fontainebleu after a Herald news article suggested that the hotel was frequented by and possibly controlled by Mafia racketeers.

THE HERALD, in a vain attempt to subpoena Mr. Sinatra to get him to testify about his relationship with racketeers, abruptly ran a front page apology on the matter. Mr. Sinatra had flown out of town, and Fontainebleu attorneys complained the suit interfered with the singer's filming of a movie and his per-

formance at the hotel.

The front page "apology" stated that the Herald had made an intensive investigation of the facts and found that the hotel was owned by Connecticut General Life Insurance Co. which holds the mortgage. "We are of the opinion that the Fontainebleu Hotel is not owned or controlled by any gangsters or underworld characters," the paper said. The hotel agreed to drop its suit upon publication of the "apology."

The paper's action illustrates that often the first line of defense in a libel or slander lawsuit is a retraction. The second line of defense is a vigorous defense by able attorneys and the third line is libel/slander insurance.

Miss Sinatra's suit for \$3,500,000 against Goodyear Tire & Rubber Co. and its advertising agency, Young & Rubicam, contends that a television commercial "wrongfully, willfully and maliciously" deceived the public into believing that she made the commercial. The commercial used a tune similar to a song she made famous.

Los Angeles federal court judge Peirson Hall ruled against Miss Sinatra, saying, "Imitation alone does not give rise to a cause of action."

Both Goodyear and Young & Rubicam have an advertiser's liability policy that protects them against copyright infringement, invasion of privacy, piracy or plagiarism, in addition to libel and slander. It is thought that cost of defense was picked up by the insurer. Incidentally, the difference between libel and slander, simply stated, is that libel is written, slander spoken.

In the U.S., there are four major insurers of libel and slander risks. Each one has carved out its own special segment of the market, and by and large tends to be the only one who will write its specialty.

THE FOUR INCLUDE the Mutual Insurance Co. Ltd., Bermuda, a carrier that offers a group libel policy to more than 600 members of the American Newspaper Publisher Assn.

Employers Reinsurance Corp., Kansas City, Mo., offers perhaps the widest range of coverages for newspapers, electronic media, advertisers and "errors and omissions" coverages for bank, credit institutions and professional men.

Seaboard Surety Co., New York, specializes in advertising and advertisers liability coverages, plus slander coverage for

radio and television stations. The company does not insure any print media for libel and considers its coverage an indemnity, not an insurance, policy.

Fireman's Fund American, San Francisco, also writes newspaper risks and is reputed to be

the largest insurer of newspapers in this country. There are 1,844 daily newspapers, 8,915 weekly papers and 9,238 other periodicals in the U.S.

There are also almost 6,000 radio stations and more than 600

Continued on page 28

Wide range of companies have libel risk exposures

CHICAGO—In addition to communications media, there is a whole host of companies and institutions that could be hit with libel or slander suits, including any company that advertises its products.

The list of companies that face exposure to this risk include banks and other credit institutions that publish credit reports on customers. Some insurance carriers reportedly consider an insured's product liability coverage applicable in this area.

The libel/slander risk is real, nonetheless. For example, a bank or credit bureau reports that John Q. Jones was a poor credit risk because he had failed to resolve his obligation on a color television set. When John P. Jones is refused credit on the basis of the first Mr. Jones' credit report, many experts contend that the bank or credit bureau

could easily be tagged with a lawsuit.

OTHER POTENTIAL libel and slander candidates include insurance agents and brokers, adjuster and lawyers, for the reports they write about clients that are circulated either inside or outside the firm. In addition, any company that publishes a house organ or newsletter or even prepares job references for former employees may be subject to a suit for libel, slander or any other of the risks named in this special risk insurance.

For example, in one manufacturer's "house organ," a picture of a family of nine urging employees to contribute to a United Fund drive resulted in a suit alleging invasion of privacy. The suit was settled for \$900 with additional legal expense of \$1,300.

Continued on page 29



washington watch

Feet may be backbone of good health and safety for employes

WASHINGTON—The American Podiatry Assn. estimates that with the exception of the common cold and tooth decay, no human ailment is more prevalent than foot trouble. Couple this with a Department of Labor statistic that 26% of all industrial accidents occur to the feet and legs and we have a situation with enormous implications for the corporate risk manager.

Consider just one industrial ac-

cident which happened recently at a large manufacturing firm. A worker's elbow was caught in a whirling machine and a costly insurance claim resulted, not to mention the loss of a skilled worker.

The real culprit, however, an investigation revealed, was a painful bunion which the employe had neglected. In shifting his weight from the aching foot, he supported himself by resting

his elbow on the edge of the machine. A sudden slip forced his elbow into the mechanism.

THERE IS NO question that foot fatigue and ailments are a leading cause of industrial accidents. Foot problems cost American business millions of dollars a year in employe absenteeism, clerical errors, delayed deliveries, cancelled orders and lost production because of lowered

employe morale.

Almost as astonishing as the foot itself is the large number of things which can go wrong with it, especially under what might be considered "normal" working conditions.

A punch press operator, for example, who continually steps on a metal pedal, frequently suffers from a dislocation of foot bones. House painters, roof repairmen and others who use ladders regularly often acquire a painful soreness of the sole of the foot. This affliction, according to the podiatry association, is of the neuralgia variety. The human foot was not designed to wrap around a rung, the association points out.

A CHAUFFEUR who has to keep his foot hour after hour on an accelerator gets a sort of throbbing callus called "chauffeur's foot." There is also a "waiter's foot" caused by kicking

swinging doors.

There is "policemen's heel" caused by constant walking on pavement. A protective pad of fat beneath the skin over the heel is lost. Policemen's heel is a malady suffered also by postmen and soda jerks, salesmen, meter readers, and others.

Swollen ankles and a number of skin diseases afflict persons who wear nonporous rubber boots. Painful enlargement of the first ball joints come to delivery truck drivers who often jump from cab to pavement.

Doctors recognize some 75 distinct disease conditions that are frequently found in feet. Just as the ancients could never resolve how many angels can dance on the head of a pin, it is impossible to know just how many persons are walking—or hobbling—around with one or more of these maladies. But, the thought of it, from a plant safety record standpoint, is frightening.

There are a number of approaches to foot problems in industry which all risk managers should consider. The most obvious of course is the inclusion of podiatric services in corporate insurance programs. This approach is apparently gaining momentum. The American Podiatry Assn. estimates that 85% of all Blue Cross and Blue Shield subscribers can now select a podiatrist for covered service.

STATISTICS ARE not available on the extent to which large corporate and union group plans have broadened their coverage to include podiatrist services. A number, however, have recently made such a move including the steelworkers, the United Rubber workers, the Federal Employee Health Plan and the corporate plans of Western Electric and Bell Telephone.

Despite the increasingly prevalent inclusion of podiatric coverage in insurance plans, most of these plans still limit covered podiatric services primarily to surgery. This will surely change as insurance executives become enlightened to the cost benefits of preventive medicine.

Just last year Medicare was amended to include almost all podiatric treatment. This move was predicted in 1965 by President Johnson when he signed the original Medicare bill in Independence, Mo. "The bill has a few defects," he said, "such as the exclusion of podiatrists, which I am confident will be quickly remedied."

Besides insurance, another approach risk managers might consider to industrial foot problems is fulltime foot clinics under the direction of a podiatrist. Some large firms which have such clinics are General Motors, Owens-Illinois Glass, Henry Kaiser Enterprises, E. I. Du Pont de Nemours and several large department store chains.

It is not enough however to simply provide insurance coverage for visits to podiatrists, or even to have a foot clinic. Statistics indicate that only a small number of those afflicted with foot trouble seek professional treatment, and the reason is not necessarily cost.

According to the podiatrists association, only about 2% of the footsore multitude go to a medical specialist. The rest, the association says, pay out some \$350,000,000 a year for arch supports, lifts, plasters, pads and "corrective" shoes.

It follows then that any program to keep workers on their feet—comfortably and safely—must include an educational plan on the importance of foot care, perhaps as a part of the overall plant safety program.

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British fire damage hits 'disastrous' level

BRADFORD, England—Fire engineers meeting here were warned that fire damage in Britain was reaching "disastrous proportions"—since mid-1967, nearly \$240,000,000.

At the same time the Central Fire Liaison Panel in London released a new fire prevention guide which lists ways industry can help cut Britain's fire bill.

Called Ten Points for Trade Associations, the guide suggests ways in which groups can help members with fire prevention, such as encouraging the establishment of effective management supervision for fire prevention and formulas for fire safety.

Delegates attending a meeting of the Institution of Fire Engi-

neers were told by David Whall, joint manager of the Guardian Assurance Co.'s home fire department, that the situation this year "borders on the disastrous. There is a six-month fire wastage bill of \$144,000,000 and losses in the 12 months since mid-1967 exceed \$240,000,000."

He pointed out that the figures represent material damage only. Mr. Whall blamed carelessness and lack of forethought "extending from the workshop and warehouse floor right up into the board room" for the situation.

"The tendency for an ever-growing percentage of fires to reach major proportions arises from industry's attachment to the open-plant factory. ■

Court orders highest traffic accident award

OSAKA, Japan—A taxi firm was ordered by the district court here to pay about \$47,200 in compensation for the death of a 31-year-old man who was killed in a traffic accident in May, 1966.

The amount of compensation was the highest ordered for a single victim of a traffic accident.

In its ruling the court upheld the plaintiff's claim that the accident had been caused when the taxi skidded in heavy rain.

Friedlander joins Lum's

Herb Friedlander, formerly insurance and safety division supervisor for the City of Miami Beach, has been appointed corporate insurance manager for Lum's Inc. ■

Contends state work comp best meets social objectives

MILWAUKEE—The socio-economic aspects of workmen's compensation are the best arguments for state rather than federal legislation, according to Dr. Monroe Berkowitz, professor of economics at Rutgers University.

Dr. Berkowitz told the 54th annual convention of the International Assn. of Industrial Accident Boards and Commissions that workmen's compensation laws and experience rating have emerged as the best way of sharing acceptable compromise among the competing objectives of handling work-connected disability in the economy.

He described the national disability benefit system as having three levels: 1) general public assistance programs such as aid to the blind; 2) social insurance

such as workmen's compensation and the disability provisions of Social Security, and 3) private disability plans.

HE SAID THE four basic objectives of social insurance legislation are to provide income maintenance, give employers incentive to provide safety and loss prevention programs, allocate costs of injury and incentives for lifetime utilization of those in the work force.

State workmen's compensation systems best meet all these objectives, he said.

Dr. Berkowitz charged that the "modest goal" of two-thirds of the average weekly wage as a benefit level has not been fulfilled and has actually declined since 1946. He said that in 43 states the maximum weekly benefit does not meet 1966 federal minimum poverty standards.

He said that the workmen's compensation system, through experience rating, provides an incentive for employers to have a proper attitude for employee safety. He urged that this be a paramount objective of any social insurance system.

"And, make no mistake about it," he said, "I am convinced that safety can be produced, as long as the dollar incentive is there."

INSTANT eligibility for workmen's compensation is another important plus, Dr. Berkowitz said, but he also said that to be dynamic, the workmen's compensation system must face up to some challenges.

"They must advance further and faster than commensurate programs," he said. The goal should be replacement of future income lost, he urged, and a study of how the apparatus works to improve safety. "The central energy of all carriers and administrators should be the maximization of the work life of all workers," he concluded. ■

Three brokers in Canada tell merger plans

TORONTO—Three Canadian insurance brokerage companies have merged to form what is claimed to be one of the largest companies of its kind in the world.

The companies are Reed, Shaw and McNaught of Toronto; Osler Hammond and Nanton Insurance Ltd. of Winnipeg; and Cronyn, Pocock and Robinson Ltd. of London, Ont.

They have merged into a new company called Reed Shaw Osler Ltd., Toronto.

President of the new corporation is J. W. Whittall of Vancouver, formerly a Reed, Shaw senior partner.

John Davidson, senior partner in Reed, Shaw is vp of the new company. A. R. Monahan, also of Vancouver and formerly vp of Osler Hammond, is also a vp of the new company.

D. Lynn Thomas and Eric Bale, both formerly Reed, Shaw partners, are vps.

Arthur C. Law, chairman of Reed, Shaw, becomes senior consultant to the large insurance brokerage firm.

Mr. Whittall said clients will be provided with additional experience and technical knowledge through the pooling of skills by the three companies. ■

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If you would like more information on this new technical insurance pool, ask your broker or agent to contact Mr. Roy Williams, president of Starr Tech.

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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.

• **Lite-Saver** is a device about the size of a quarter which reduces hazards in replacement of incandescent bulbs in high or hard-to-reach places. It extends the life of the average 25 to 100 watt bulb up to 100 times. There is no waste or loss in heat and the device is easy to install. Cost is \$1.20 each. For net prices or more information write Mr. Steven Munson, Safety Products Dir., Terado Corp., 1068 Raymond Ave., St. Paul, Minn. 55108.

• Information on **Saf-T-Climb** is provided free by Air Space Devices Inc., P.O. Box 338, Paramount, Cal. 90723. It has been proven in more than 17 years of use throughout the world to meet or exceed all U.S. government specifications for safety climbing equipment, including the new federal specification dated June 22, 1967. For the explanatory brochure write Mr. Robert T. Yerxa, vp, at the company.

• An article entitled **How to Buy a Fire Engine** is available in single copies from American LaFrance, a division of Automatic Sprinkler Corp. of America. The company is the world's largest manufacturer of fire apparatus. The article is written in layman's terms and will be of interest to those considering formation of a company fire brigade. Write American LaFrance, Dept. P.R., Elmira, N.Y. 14902.

• Businesses which have questions about possible federal taxation on certain claim recoveries may find help in an article from the Shelby Mutual Insurance Co., **Tax Talk**. Although written for the company magazine in 1965, there have been no changes in the IRS laws so the example is still current. The article is free by writing Mr. John Brannan, Dir., Training and Public Relations, at the company located in Shelby, O.

• **Embezzlement Controls for Business Enterprises** features a check list of internal control procedures compiled by the Fidelity and Deposit Co. Other chapters are devoted to fraud exposure, cash receipts and disbursements, electronic data processing and honesty insurance protection. Individual copies are free from Mr. A. Macdonald Rees, Advertising and Public Relations Dir., at the company at Charles & Lexington Sts., Baltimore, Md. 21201.

• **Property Protection during Civil Disturbances** is a detailed check list from Factory Insurance Assn. Organizational planning and protective equipment are the two main topics of the brochure, which was designed to help plant managements develop appropriate emergency plans. Copies may be obtained by writing the association at 300 W. Adams St., Chicago 60606.

• The National Foundation of Health, Welfare and Pension Plans has released its research report **Measuring and Reporting Investment Performance of Pension Funds**. The 34-page book attempts to formulate professionally acceptable guidelines which boards of trustees could use to measure accurately the investment performance of their pension trust funds. Single copies are \$1.25; five or more copies are 75¢ each. Write Lee R. Polachek, president, P.O. Box 898, Elm Grove, Wis. 53122.

• **Does Your Company Need "A Changing of the Guard"?** is a booklet published by the William J. Burns International Detective Agency Inc., 235 E. 42nd St., New York 10017. It explains four basic techniques for guard replacement developed through working with hundreds of clients. The item is free.

• **New Catalog No. GS-167** (96 pages) has been published by General Scientific Equipment Co., Limekiln Pike and Williams Ave., Philadelphia, Pa. 19150. In conjunction with the catalog, General Scientific offers a professional guidance service to determine particular safety needs. Both the catalog and the guidance service are free by writing the company on your letterhead.

• The American College of Life Underwriters has published its 1968-1969 **Catalogue**. The 104-page book contains complete information on the CLU diploma program and the college's certificate course program and lists procedures to follow in matriculating with the college, preparing for the examinations, and qualifying for the CLU designation or a certificate. It also contains a section on the continuing education program for CLUs. Three chapters are devoted to group insurance, health insurance and pension planning. Single copies are free by writing the American College of Life Underwriters, 270 Bryn Mawr Ave., Bryn Mawr, Pa. 19010.

• **Dental Prepayment—A Method of Financing the Cost of Dental Services** answers 14 questions about dental prepayment ranging from its definition to an explanation of types of plans. It is available free by writing the Council on Dental Care Programs, American Dental Assn., 211 E. Chicago Ave., Chicago 60611.

• General Scientific Equipment Co. has published a booklet called **Guide to Eye Safety**. It points out where risks are, how to reduce injury, first aid techniques and do's and don'ts for eye safety. For a free copy, write the company at Limekiln Pike & Williams Ave., Philadelphia, Pa. 19150.

• The Council of Profit Sharing Industries has released a 158-page, hard-bound book, **Successful Profit Sharing Plans, Theory and Practice**. Material is presented from the point of view of existing theory and management objectives, and a review of current practices and actual plans of the Council's 1,500 member companies are presented. The book is designed to be used by those concerned with management and operation of profit sharing plans and for those considering installation of a profit sharing plan. It sells for \$6.00. Write the Council at 29 W. Wacker Dr., Chicago 60606.

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U.S. has capacity aplenty: Ruiz

• In response to expansion of government activity in the U.S. and Canada, new private coverages, changes in valuation laws and regulations and changes in the annual statement blank, the Society of Actuaries has released a new edition of its textbook, **Health Insurance Provided through Individual Policies**. The most substantial changes are in chapters on benefits and policy provisions, policy forms and annual statements. The volume may be ordered from the Society of Actuaries, 208 S. La Salle St., Chicago 60604.

• **Firesafety Fundamentals** — Vol. 1, **When Fire Strikes**, gives step-by-step action to take after discovery of a fire. It discusses the four types of fire and the various kinds of extinguishers commonly used and their operation. The automatic sprinkler system is explained and points on prevention are listed. Single copies of the booklet are free from the Publications Dept., Factory Mutual Engineering Corp., Factory Mutual System, 1151 Boston-Providence Turnpike, Norwood, Mass. 02062.

• A new director's and officer's liability booklet has been published by the American Home Assurance Co. It was created to help explain to top management the need for this coverage and how it works. Free copies are available from the company, Department A-14, at 102 Maiden Lane, New York 10005.

• **All Risk Management** is a 20-page brochure explaining a new concept from American Mutual Insurance Cos. All risk management uses the traditional services of insurance not just to protect assets but to help build them. It makes insurance a force for profit instead of just protection. The program begins with an analysis of total business operations rather than review of insurance policies, and maintains a working balance of all the customer's productive assets within the change and growth of his operations. The booklet is free by writing the American Mutual Insurance Cos., Wakefield, Mass. 01880.

• A useful manual on fire protection is available from the Albi Manufacturing Co. The brochure explains technical aspects of fire protection and their relation to code and insurance requirements. **Specifying Fire Protection with Intumescent Coatings** also provides a quick reference to the area of operations of leading organizations involved in fire prevention and fire protection activities. It is free by writing the company at 98 E. Main St., Rockville, Conn. 06066.

• **Social Security Amendments of 1967** has been published by Huggins & Co. Inc. Its 18 pages analyze the Social Security Act as amended to date with a detailed summary of benefits, eligibility requirements and calculation rules, with accompanying tables and examples. A special section refers to Medicare. Copies are free by writing the company at 1401 Walnut St., Philadelphia 19102.

• A 35-page booklet, **A Basic Outline for a Company Program on Alcoholism**, is provided as a public service by the Christopher D. Smithers Foundation, Inc. It discusses recent progress in the study of alcoholism and provides a chart on the stages of the disease and what businessmen should do about them. Write the foundation at Suite 1202, 60 E. 42nd St., New York,

ENGLEWOOD CLIFFS, N.J.—The U.S. insurance market has enough capacity to handle any risk, according to Joseph Ruiz, insurance manager for Volkswagen Corp. of America. The problem is that insurers don't know how to use available capacity and have not kept pace with industrial growth.

The Volkswagen executive, who says he prefers to deal with U.S. insurers rather than to go abroad for coverage, maintains that many U.S. underwriters are not accustomed to dealing with high-capacity accounts.

"It is the reinsurance underwriters who are not standoffish about high-capacity insuring because that is their business," said Mr. Ruiz. "These are the experts whom, unfortunately, most buyers never get to see."

He pointed out that reinsurance companies take on huge lines from U.S. industries such as oil, aircraft and marine through the major property and casualty insurance companies and groups.

According to Mr. Ruiz, who was formerly an underwriter, most U.S. insurers are restricted from taking on a line beyond the limits specified by their management.

"It is a matter of education, not philosophy," he said during a *Business Insurance* interview. "Insurance companies have to use imagination and let their underwriters have flexibility when dealing with modern industrial accounts."

A way for insurance companies to drum up excess coverages, he contended, is by getting

to know how to petition state insurance departments for rate adjustments.

"VERY OFTEN," he said, "the capacity is there but strict conformity to rates and regulations makes the coverage too expensive for buyers."

"State insurance departments are interested in keeping U.S. insurance premium dollars at home," he continued. "They are usually more than willing to cooperate with insurers if they feel the buyer or public interest is at stake."

Volkswagen, which imports its vehicles in ports throughout the U.S., has been reluctant to turn its insurance coverages over to foreign insurers.

"By making U.S. underwriters

aware of our needs and safety programs," said Mr. Ruiz, "they have been more agreeable to accept proposals whereby pro-rata shares of specific high capacity lines were accepted."

Mr. Ruiz maintains that meeting with underwriters face to face, rather than using the broker as an intermediary, is one way to close the communications gap that exists in many companies. ■

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london line

Now is time to join Lloyd's, says London life and pensions expert

By JULIAN GIBBS

LONDON—Believe it or not, despite disasters such as Hurricane Betsy the few thousand rich men who put up their money in Lloyd's of London and let the actual underwriters do the work have paid their losses and are smiling again.

This is because Lloyd's is a cyclical business and the bad years look as though they are over. The results were particularly

bad during 1963, 1964 and 1965 but underwriters have managed to put up premiums and throw out some of the worse risks and other business underwritten at uneconomic rates.

Both brokers and underwriters are now letting it be known that now is the time to join. There has not been a better moment for many years.

MEMBERSHIP OF LLOYD'S is now open to Americans and

other non-British nationals for the first time. Among the first applicants are two Arab sheiks who will have to come to London later this year to appear before the selection committee. Quite a few Americans have applied to join, too. (Two Americans have been unofficially accepted as underwriters in Lloyd's; about 25 others have made application. The two American members are Bernard Daenzer, president of Wohlreich & Anderson Ltd, New

York, and Philip Berman, owner of a department store in Allentown, Pa. See *Business Insurance*, Sept. 9.

The financial requirements for overseas members are such that they have to put up at least \$96,000 in United Kingdom securities and show personal wealth to the tune of \$240,000. This entitles them to join two syndicates.

There is a great deal of prestige in becoming a member of Lloyd's and they will not accept anyone who cannot prove that he has the necessary financial requirements. They require good personal references as well.

ALTHOUGH IN A good year profits can be substantial, members of Lloyd's are liable to their last cent, or new penny whichever is the case.

The corporation of Lloyd's is not a single assurance company; it is a collection of underwriting syndicates, some with several

hundred members and some with only one or two but all doing business under one roof and abiding by one set of rules administered by the committee of Lloyd's.

There are four main categories of business which different syndicates underwrite. They are marine, non-marine, aviation and motor. Non-marine covers everything from libel insurance on a small African newspaper to fire insurance on Australian forests and from filmstars' legs to Sir Ivor, the American winner of the Epsom Derby.

MARINE INSURANCE was the original business of Lloyd's underwriters but this market insures everything from the Queen Elizabeth to parrots in transit from Timbuctoo.

There are also a few life assurance syndicates at Lloyd's but here cover is limited to short term assurance not exceeding a period of seven years. There are, however, one or two life assurance companies mainly backed by Lloyd's underwriters.

If an American, or for that matter anyone else, wants to join Lloyd's he must have an introduction from an existing member and five other sponsors, all of whom must also be members. It is comparatively easy to join a marine or non-marine syndicate but there is usually a waiting list for motor syndicates and aviation syndicates. It is very difficult to join a life syndicate at all.

APART FROM THE financial considerations already mentioned, a prospective member must pay an entrance fee which is likely to be around \$5,000 if he joins all four types of syndicates. There is also an annual subscription of around \$240 a year.

If a prospective member wishes to take a larger initial proportion of a syndicate he has to do so by putting up more money. There is a strict correlation between the amount of premium income to be accepted by the syndicate and the amount deposited by each member. As a rough guide a member should be able to underwrite a premium income roughly four times the equivalent of his deposit. If he deposits a very large amount the proportion of premium income becomes lower.

A member of Lloyd's has to wait quite a long time before he actually sees any profit on his investment, mainly because Lloyd's accounts are published three years in arrears. Since an applicant will not now be allowed to join until January 1, 1970, he wouldn't receive any profits until the middle of 1974.

HOWEVER, UNTIL recently it was nothing out of the ordinary for a sleeping partner or outside "name" to receive an income of \$12,000 a year for no effort on his own part. In recent years the figures have been very poor and they are only now going on the up and up.

For the underwriting year beginning January 1, 1970, the full effect of all the recent increases in premiums should be felt. In addition, most syndicates manage their finances so well that there should also be a figure of \$2,400 capital appreciation after tax. This figure arises from investing the premiums during the period between the time the premiums are paid and the time the claims are paid out.

In 1961, as an example of what could be expected in a good year, the motor account at Lloyd's as a whole made over 15% of net premium income, the marine and aviation account made nearly

Continued on page 16

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Work comp administrator group criticizes U.S. safety standard bill

MILWAUKEE—In a strongly worded report against the enactment of federal safety standards, the safety committee of the International Assn. of Industrial Accident Boards and Commissions has recommended a five-step "action program."

The proposals were made public at the annual IAIABC convention held here. The committee was headed by Robert M. Gilmore, member of the Washington board of industrial insurance appeals.

The report stated, "The present federal proposals put the challenge squarely up to all of us to decide whether we want to preserve the present system of state-by-state adoption and enforcement of safety standards, or see that system, which has served U.S. industry and labor for more than half a century, go down the drain."

The recommendations include:

- Adopt in all jurisdictions enabling legislation as soon as possible to permit the passage and enforcement of industrial and health standards.

- Start in each jurisdiction a continuous program of updating and adopting safety standards and codes applicable to local industries, using safe practice information developed by such organizations as the USA Standards Institute, National Fire Protection Assn., American Industrial Hygiene Assn., National Safety Council, Manufacturing Chemists' Assn. and American Society of Mechanical Engineers.

- Provide safety divisions or departments with adequate budgets and staff for safety engi-

Union not 'too excited' over auto proposals

NEWARK—The New Jersey AFL-CIO is not "too excited" over proposals from insurers to underwrite group auto insurance for its 500,000 members.

Primarily, the AFL-CIO is concerned that the proposed classifications for urban areas are "too restrictive." Charles H. Marciante, secretary, said that premium rates may be reduced 20% to 25% but "we are also looking for less restrictive urban classifications."

The proposals will be submitted to the union's directors.

At a recent convention of the New Jersey AFL-CIO in Atlantic City, it was brought out that the inclusion of automobile insurance premiums as a fringe benefit in labor-management agreements is a new approach in meeting the continuing rising costs in car insurance.

Mr. Marciante also urged federal operation of all hospitals as a means of stemming rising costs to patients.

He suggested to members that a single, central data processing facility could handle patient and bookkeeping records for a great many New Jersey hospitals and government administration of these business practices could cure expensive inefficiency.

He said that lack of control and regulation of hospital practices and costs in the duplication of equipment and services responsible for the continuing costs to patients can only be resolved by federal control.

neering, education and enforcement.

- Upgrade safety training efforts as a means toward the prevention of industrial accidents.

- Establish in each state an effective information program on the status and program of industrial accident prevention.

The report said that a proposed federal safety bill would not "be shoved down our throats" if the job is being done effectively at the state level.

The report centers its opposition on an administration sponsored bill that would allow the Secretary of Labor to set work safety standards and enforce them by administrative orders, inspections, judicial proceedings and public contracts.

The Occupational Health and Safety bill (House resolution 14816) has been amended after the House Select Subcommittee on Labor reported it out.

Under the proposed amendments, states would be allowed to establish their own safety programs under conditions set by the Secretary of Labor.

The report contends that the setting of standards and their enforcement should remain with the states and that federal standards would necessarily have to be very broad and meaningless to cover all geographical locations.

In addition, the report said that the states are doing "a vast amount of work" to set up their own safety standards.

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opinions

Scientific risk management

Risk management is on the threshold of a new scientific era, in which the cost of a risk will be calculated with the preciseness of any other business cost.

This new approach, in which critical path flow charts, investment return analysis and computerized forecasting are the tools of the trade, offers risk managers their greatest opportunity to become an equal member of the management team, we believe.

Up to now, insurance managers too often have discussed their problems with superiors in such terms as *maximum possible loss* vs. *probable maximum loss*, or *excess loss ratio treaties* or in some other technical jargon. But now they are coming to realize that they can state their case in more forceful terms by talking the language that management knows best—dollars and cents.

Thus, as was pointed out at an American Management Assn. risk management course in Chicago earlier this month, insurance buyers are becoming involved in the "total economic climate" of business activity, and are starting to discuss risks in terms of cents-per-share of their company's common stock.

One firm, for instance, is prepared to absorb losses equaling 1¢ per-share net after taxes, but gets "a little embarrassed" if losses reach 5¢ a share and becomes "damned upset" if losses hit 10¢ a share, the AMA session was told.

It was also explained that companies can compute the optimum number of dollars which should be invested for safety equipment in a new plant to produce the lowest possible losses, and that a critical path risk analysis flow chart can help in determining the amount of business interruption losses in all areas of a corporation, even extending to suppliers of vital parts and equipment.

The point is, once risk managers reduce a risk to its basic cost they can decide whether to eliminate it, assume it as part of operating expenses or insure it. Risk management today recognizes that losses—whether arising from risks which are "insurable" or "uninsurable"—have the same negative effect on the financial status of a capital investment.

Once this is understood, risk managers can supply management with a concrete "go" or "no go" opinion on whether a particular capital investment will prove profitable, given projected losses of a certain size and frequency of occurrence.

This sort of hard data is as relevant to top management as the share of market projections of the marketing director and the production cost estimates of the vp of manufacturing—and hopefully will earn the risk manager a place in the innermost councils of company strategy.

Moreover, such a viable risk management program is actually able to generate profits for its company by removing barriers to potentially profitable ventures as was explained in a new series on risk management in this publication by George Head of the Insurance Institute of America.

For example, he pointed out that business interruption losses for a multiple-location firm can be reduced substantially—and the flow of profits resumed more quickly—if the corporation builds several

business insurance

for buyers of employe, property and liability protection

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Published by Advertising Publications, Inc., Chicago, publisher of Advertising Age, Industrial Marketing, Advertising & Sales Promotion, Marketing Insights.
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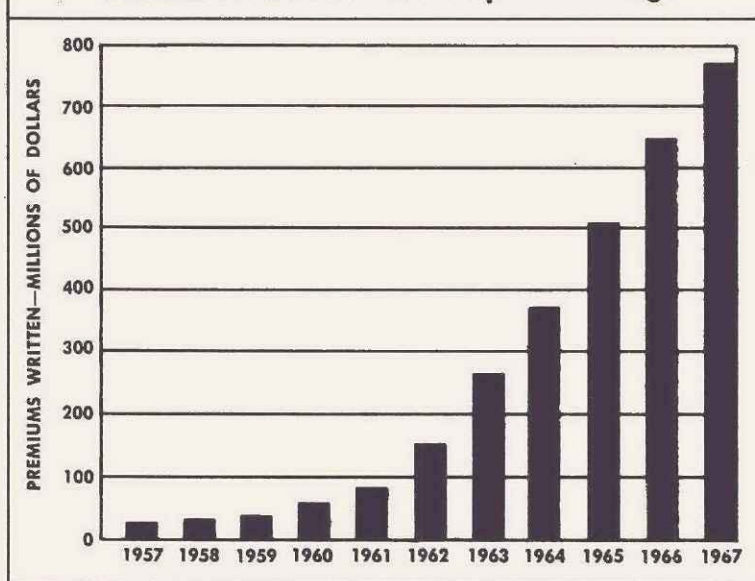
Cable address: ADAGEAPI

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 7-7859); 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)
35 cents a copy, \$8 a year in U.S., Canada and Pan America. Elsewhere \$4 a year extra.
WILLIAM STRONG, circulation director. Four weeks' notice required for change of address. Address all subscription correspondence to ELOISA D'OIDIO, circulation services manager, Business Insurance, 740 Rush Street, Chicago, Illinois 60611.

BPA Member of Business Publications Audit of Circulation.

ABP

Growth of commercial multiperil coverage



Since the introduction of commercial multiple peril insurance in 1957, the premium volume for such coverage has grown to more than three-quarters of a billion dollars. The growth reflects the applicability of multiple peril package coverage to small companies that do not retain full-time risk managers. Source: Insurance Information Institute

plants which can operate independently rather than a series of interdependent facilities, in which a breakdown in one closes down all.

Today's risk managers, we are happy to report, realize that their job is much more than to insure a risk that already exists. By trying to eliminate or minimize the cost of risks, risk managers are in tune with the general cost-cutting operations of all business components.

And that's the kind of action top management understands.

Alcoholism: A costly disease

A disease that costs U.S. industry \$4 billion to \$7 billion and takes a \$70,000,000 to \$95,000,000 annual toll in Britain can hardly be called hidden, but that has been the case with alcoholism. The "queasy stomachs" of those with authority to curtail this rampant problem have most often caused them to skirt the hard facts about damage done by the disease.

It is the responsibility of those men within the company who literally pay the bills caused by alcoholism to start reducing the losses.

Risk managers and employe benefit administrators work daily with group life and health statistics and are familiar with the cost of accidents and absenteeism in their companies. A look below the surface facts would reveal that alcoholism is a direct cause for poor job performance and rising costs of health and life insurance as well as higher premiums for workmen's compensation, auto and general liability insurance. It is conceivable that an alcoholic could bring about fidelity losses for his employer as his drinking becomes a growing expenditure for him.

It is an accepted fact that loss prevention programs can result in dramatic savings for employers. Prompt detection of alcoholism and an active rehabilitation program are positive steps employers can take. Equally important are programs of treatment, not discipline, and health insurance plans that cover alcoholism just as other nonoccupational diseases are covered.

Although the number of employer-sponsored alcoholic rehabilitation programs is four times greater than it was in 1960, alcoholism still ranks fourth among U.S. health problems. This is a field in which cooperation between risk and employe benefit managers and community agencies could do a great service by helping employes remain employable.

The battle lines are drawn

Those attending the annual education conference sponsored by the National Foundation of Health, Welfare & Pension Plans heard diametrically opposing views on the various fiduciary responsibility and vesting-funding legislation currently pending before Congress.

From the acrimony, one point emerges. There is a great deal of emotion involved but precious few facts or figures.

Undersecretary of Labor James J. Reynolds presented the Administration's plea, saying that pension funds, because of their tremendous impact on the public, are a proper concern of the government. He cited the closing of the Studebaker plant and the loss of several millions of dollars of benefits for employes as a case in point.

Richard Van Deuren, a lawyer from Milwaukee, along with several others said that pending vesting-funding legislation would kill the private pension system in the U.S.

It would appear that none of the bills affecting pension funds will pass in the current session. This is perhaps for the better. It will give both sides additional time to marshal the facts in the case and allow additional time to weigh them.

letters

'Yeoman's job'

To the Editor: Thank you so very much for sending me a copy of the issue of *Business Insurance* containing Teresa Norton's story on alcoholism in industry.

You have truly done a yeoman's job in presenting the various kinds of industrial programs which reflect such different, and even at times conflicting, understandings of this public health problem.

We would like to use the article as a mailing piece. May we have your permission to reproduce with, of course, proper credit lines?

Dorothy E. Griffin

Director of Public Information, Chicago Council on Alcoholism

Editor's note: Permission granted.

Ends hold-out

To the Editor: I read my magazines and journals sporadically and in odd sequence. I have just seen John Street's short article in BI's July 1 issue and promptly ordered a copy of "The New Industrial State" after holding out up to this point.

Bob A. Hedges

Professor of Insurance & Risk, Temple University, Philadelphia, Pa.

P.S. Where is John Street?

Editor's note: As we told you, Professor Hedges, in a previous issue, John Street is alive and well and living pseudonymously in New York.

Circulates BI

To the Editor: Your publication is read by key management personnel in our personnel, safety, legal and treasurer's departments who have responsibility in advising and administering our corporate insurance program. Without exception all interested parties feel that this is by far the most complete current event insurance that we have at our disposal. It gives the buyer of insurance an unbiased opinion on such key subjects as capacity, self insurance, captive companies, recent catastrophe occurrences and specific experiences individual companies are having daily.

Also worthy of mention is your section devoted to "Info for Buyers." This has enabled us to obtain literature on current items of interest which could not otherwise be obtained except through direct contact with the company who wrote the article.

We trust that your magazine will continue to be the high-quality journal that it is at present.

S. R. Clarke

Assistant Treasurer, Hercules Inc., Wilmington, Del.

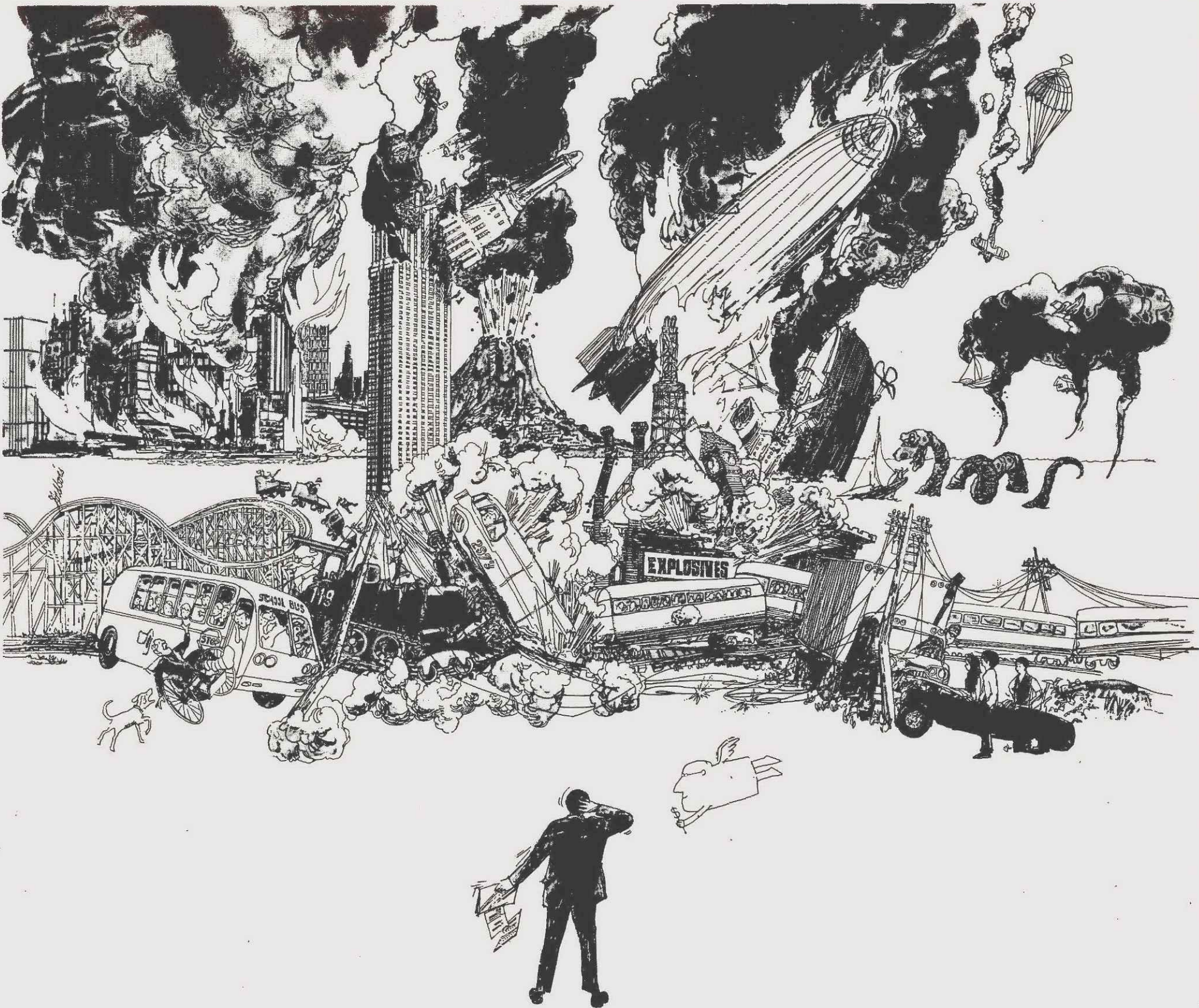
'Excellent source'

To the Editor: As business manager of The Miami Herald Publishing Company, I receive *Business Insurance*.

Insurance responsibility is only one of the facets of our operation. We work very closely with an agency, which we have used over many decades and also have a single coverage policy with The Travelers, which approaches self insurance.

With that as background to understanding our operation, I would like to say that I do find your magazine helpful. I am not an expert on insurance, but I do need to keep abreast of significant

Continued on page 30



Your catastrophe has arrived, Mr. Merriweather.

The catastrophe business is picking up. And the biggest ones often come in the form of enormous *liability* judgments against small or medium-sized companies. But not Merriweather's company.

Although he's somewhat awed by the spectacle, Merriweather is ready. As a keen and clear-eyed insurance buyer for his firm, he saw to it that his company had The St. Paul's Umbrella Excess Liability Policy to take over where their basic liability insurance ended. They'd been a pioneer with the coverage. Besides, reasoned Merriweather, they had

been stable and solvent for 115 years, and the first 100 are the toughest.

For most hazards, Umbrella Excess Liability coverage starts after the first \$100,000 or so of lawsuit misfortune, and goes on up to \$5 million, which we consider more on the order of a cataclysm.

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➤ See a complicated chart that shows you the limits of each type of coverage.

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Airline underwriters don't think industry captive will get underway

NEW YORK—Aviation underwriters don't give the airline industry's efforts to set up a captive insurance operation much of a chance to get off the ground.

The major stumbling blocks, as insurance men interviewed by *Business Insurance* see it, are that the airlines will have difficulty working out an equitable rating procedure for both big and small lines and that they'll have an equally hard time financing the project.

According to airline industry projections, the captive would require initial premium payments of \$200,000,000 plus added deposits to meet reserve requirements of \$300,000,000, for a total first year's capital contribution

of almost half a billion dollars.

BUT THE AIRLINES are currently strapped with the cost of re-equipping their fleets with a whole new generation of aircraft, including the big new 747s (at \$15,000,000 per plane) and, in a few more years, the SSTs. The 747 will seat 350 passengers.

"There are a lot of calls on the airlines' money besides a captive insurance operation," one underwriter explained. "You can see it reflected in the stock market, where their deposit-to-equity ratio is a little scary."

Another aviation insurance expert predicted that the airlines will have a hard time reconciling the various approaches taken by

the lines as far as deductibles and aggregates were concerned. Also, how does the industry come up with an equitable rate for an airline run by both a newly emerging African nation and BOAC, an underwriter wanted to know.

But despite these reservations by underwriters, the airlines themselves seem determined to go ahead with the captive setup. The third in a series of high-level meetings was held last month in San Francisco, chaired by Floyd Hall, chairman of Eastern Airlines, under the joint auspices of the Air Transport Assn. and the International Air Transport Assn.

The next and final meeting

will be held in Europe in about two months.

"**THE PROBLEM,**" conceded one airline insurance manager who attended the meeting in San Francisco, "is how we can duplicate coverage which everybody now has." In addition to hull and passenger liability, for instance, some insurance packages also include ground liability for vehicles and even workmen's compensation.

"What we want to do is to develop a package which will offer the most to most of the participants," the insurance manager stated.

In a statement after the last meeting the airlines said they recognize that in the future there may be a lack of aviation insurance capacity sufficient to support at a "reasonable price" the increased underwriting requirements as the high-capacity jets and supersonic transports enter

service.

Through the captive, the airlines said, they hope to overcome the capacity problem and improve risk-spreading practices "in cooperation with the existing insurance market."

One aviation underwriter said that the "existing market" might want to cooperate with the airline captive to the extent of handling the operation's coverage in excess of \$100,000,000. But he maintained that the current market is able to handle insurance for the new era of aircraft.

"**I DON'T SEE** any insuperable problems," he said, "although it might be a little tight for the first year." He admitted that the airlines' move to create a captive comes at a "particularly unfortunate time" because it makes it difficult for the insurance industry to generate additional capacity.

In addition to its fears that insurers won't be able to come up with the needed capacity for the new type aircraft, the airlines are also striving to "reduce the differential between premiums and losses in line with the general cost-cutting and international cooperation within the industry."

Airline officials have indicated they visualize at least a 5% reduction in premiums once the captive gets underway. They point out that U.S. airlines—members of IATA—in 1967 paid \$69,000,000, in liability insurance, up from \$46,600,000 in 1966. Hull insurance costs have risen from \$37,000,000 in 1966 to \$53,000,000 last year.

Results of rate guarantee are 'good': insurer

HARTFORD—A three-year rate guarantee offered by Connecticut General to smaller buyers affords protection against fluctuations in medical care costs, the insurer reports.

The insurer defines a small buyer as one with \$20,000 or less per year in premium costs. The rate guarantee is applied to life and medical insurance. At the end of the period a review is made of claims versus premium rate and an adjustment, whether up or down, is made.

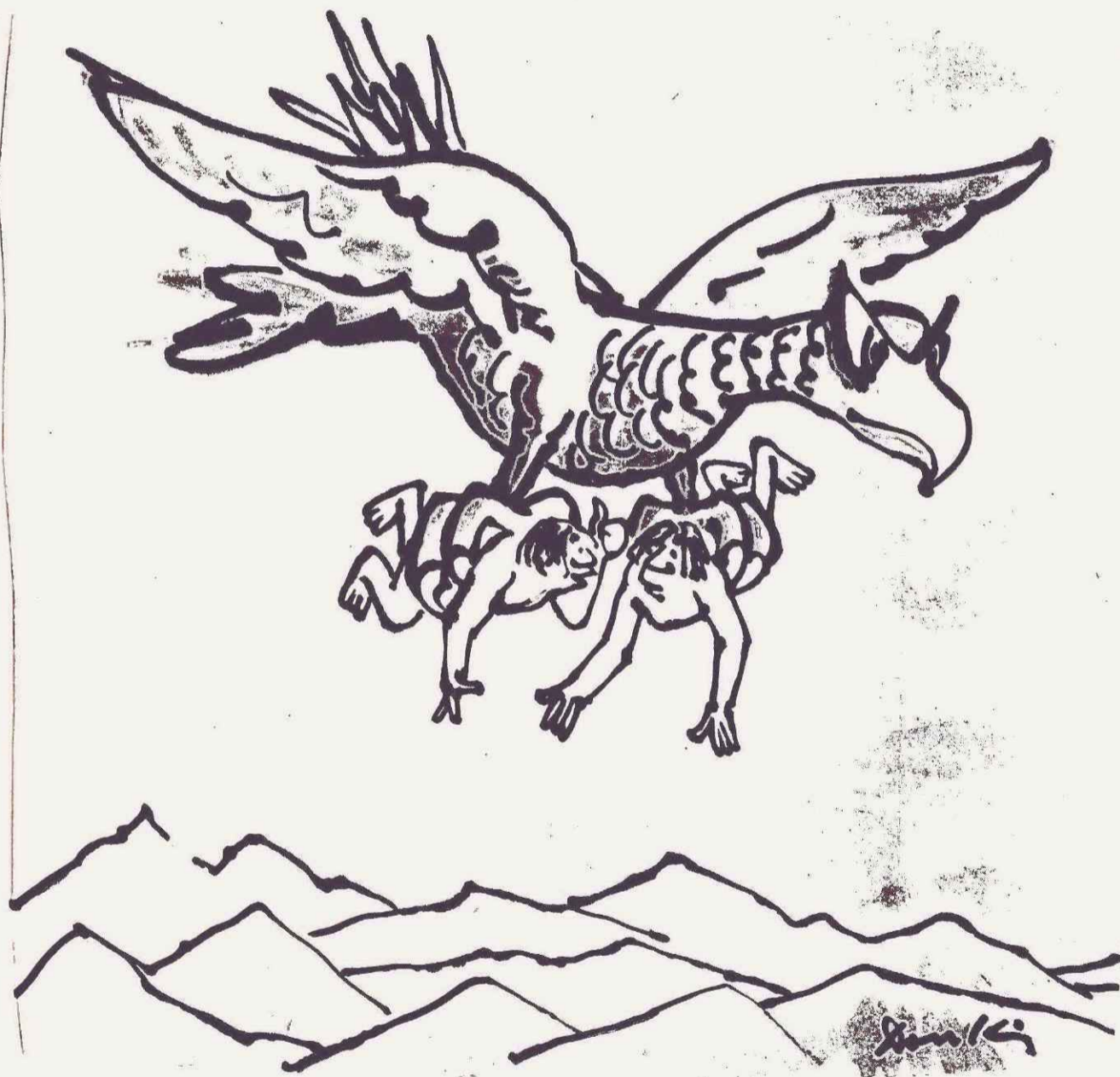
The rate guarantee plan was begun in 1964, and the first round just ended with "very good results," according to Connecticut General. With a rate guarantee plan, experience during the bad years seems to be smoothed out, the company said.

In the 10-to-34-employee category, regardless of premium, nearly 5,000 companies had the rate guarantee and 34-to-150 employe category with \$20,000 or less in premiums, there were 3,000 to 4,000 participating.

Connecticut General believes that companies with more than \$20,000 in premiums can better stand on their own experience, according to a spokesman.

Big mortgage loan made

Connecticut General Life Insurance Co., Hartford, has made the largest mortgage loan in its history—a \$30,000,000 transaction on the nation's largest enclosed-mall shopping center in Fairfax County, Va. The deal is one of five major shopping center investments, totaling \$74,000,000, in which Connecticut General is currently involved. Its total shopping center investment is now \$470,000,000.



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Cites 'critical' need for reinsurance overhaul

MONTE CARLO—Reinsurance underwriters here were warned that their business has reached a point of crisis and is in need of a complete overhaul.

This ominous warning was made by Per M. Hansson, chairman of Storebrand Insurance, Oslo, at the annual Reinsurance Rendezvous here. He told the 500 delegates that the traditional way of insurance rating has become outdated, with statistics often proving inadequate. "In any case, direct insurers and reinsurers alike can no longer afford to await the results of statistics," he added.

Mr. Hansson said that primary insurers' own results were often better than those of reinsurers—

a situation which applied in American, Canadian and Western European markets. Far too long, he said, reinsurers have accepted the rates set by direct underwriters, such as for oil refineries and supertankers.

MR. HANSSON called for closer association between research and development findings and the insurance industry and better organized contact between the leading reinsurance underwriters.

He said that the increasing ca-

capacity pressure will undoubtedly make itself felt throughout the insurance world in all non-life markets, and the major result will be an upward trend in premium rates.

J.A.S. Neave, general manager of Mercantile & General Reinsurance, recommended that fire insurers need a technical body comparable with Lloyd's Register of Shipping to give each large commercial building reaching an approved standard of construction a certificate acceptable to insurers. This would be simi-

lar to the classification 100 A1 at Lloyd's—an internationally accepted guarantee of quality.

As for reinsurers, he suggested they press for design and construction standards, at least for the major risks in which they are most concerned, and where their cover is required to be controlled by a body more concerned with prevention than with cure.

Mr. Neave urged insurers to take a more active tactical interest in the risks they underwrite. He said they must be able to speak to commerce and indus-

try with an authoritative voice that demands attention.

More than 800 insurance industry personnel representing 46 countries attended the five-day meeting.

The main subject of the conference was the market for fire insurance in France and Germany. Andre Roux, president of the organization committee, said it was no secret that fire coverages are losing money not only in France and Germany, but also in Italy and Great Britain. He said Spain is an exception. ■

Labor unit asks Walsh-Healey safety changes

WASHINGTON—The Labor Department has proposed revisions in the safety and health standards of the Walsh-Healey Public Contracts Act, including the first federal occupational noise regulation.

The act sets basic labor safety standards for work done on U.S. government contracts over \$10,000 in value.

The proposed safety and health changes would:

- Limit the level of occupation noise to 85 decibels;
- Make acceptable standards developed by nationally recognized agencies, such as the United States of America Standards Institute;
- Adopt radiation standards developed by the Atomic Energy Commission;
- Adopt certain safety and health standards developed by the Compressed Gas Assn., the National Committee on Traffic Safety and the American Conference of Governmental Industrial Hygienists;
- Establish threshold limits for exposure to toxic materials.

The text of the proposed revisions was published in the Federal Register on Sept. 20. A public hearing will be held at the Labor Department here Nov. 6. ■

IRS declines tax break for lump sum pay

WASHINGTON—The tax court has affirmed a decision by the Internal Revenue Service that a lump sum payment of pension benefits from an acquired company should be taxed as regular income.

Up to now, IRS has always allowed employees of reorganized or acquired companies to treat a lump sum pension settlement of a terminated plan as a capital gain. IRS had contended that employees of such firms were "separated from service" and thus were entitled to being taxed at lower rates.

But in a case involving an engineer at Philco Corp., who remained with the firm after it was purchased by Ford Motor Co., the IRS and the Tax Court ruled that there wasn't enough change in the conditions with the Philco subsidiary to justify the claim that the engineer had been separated from service. ■

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Risk managers can no longer fly by the seat of their pants: Cristy

CHICAGO—Risk management can no longer be a "fly by the seat of the pants" proposition, James Cristy, risk manager for the Upjohn Co., told a workshop session of the American Management Assn. here.

"His job is to optimize the productive efficiency of the operation," Mr. Cristy added, "and if this is a business concern, that means profit, and if this is an institution, government or non-profit organization, then it is to cut expenses."

Mr. Cristy then outlined several guidelines to help a corporate insurance manager's decision making to stabilize and minimize the cost of risk. They included:

- If the business is exposed to

a hazard which could produce a loss large enough to wreck its finances, the risk should probably be insured.

- If losses which could be borne separately are occurring so frequently that they are a problem in aggregate, the answer is loss prevention, not insurance.

- If you buy full insurance for every risk of accidental loss, you may stabilize the cost of losses, but you won't minimize it. For most companies the long-run cost of insurance equals loss recoveries from insurance plus the insurers expense.

- If losses occur despite efforts to prevent them, the next best thing is to minimize them by keeping each loss as small as pos-

sible and finance losses at the lowest possible cost.

MR. CRISTY pointed out that insurance can add quite substantially to the cost of risk, considering the carrier's expense. A rough rule is \$1 of recovery for each \$2 of cost, he said.

"But a great many insurance companies feel that professional risk managers are trying to eliminate insurance companies," Mr. Cristy said, "and this just isn't so. Insurance companies are a vital part of the economy and many insureds just don't want to use their own resources to finance the cost of risk."

Mr. Cristy then described a risk-cost formula developed by

Douglas Barlow, corporate risk manager for Massey-Ferguson Ltd.

"**THE COST OF** a risk during any period is the sum of the following factors:

"Cost, direct and consequential, of measures for loss prevention, plus insurance premiums, plus losses sustained, including consequential effects and expenses to curtail such losses, minus recoveries from third parties and indemnities from insurers on account of such losses, plus pertinent financing and administrative expenses.

"Note, this expresses an ideal. Usually, by means of insurance, the company can be protected against high losses. The harder problem lies in the minimizing of the total cost of a risk, for the formula, though in the form of a mathematical one, cannot be used as such, because in practice some of the factors cannot be re-

duced to precise figures."

Mr. Cristy urged that risk managers ask management to approve a dollar retention level but admitted that it is "kind of hard to sell a large retention to management at first, but as time passes, management gets to like it more and more."

For example, he said, Upjohn had a \$2,500 risk assumption several years ago, but it is \$250,000 per loss, now.

Files new variable annuity

Connecticut General Life Insurance Co., Hartford, has filed the company's first variable annuity contract requiring registration with the Securities & Exchange Commission. The contract, a group tax-sheltered annuity, is designed for employes of public school systems and tax-exempt religious, educational and charitable organizations.

Join Lloyd's...

Continued from page 10

12% and the non-marine account made over 2% to 5%. In 1964, which was a bad year, the motor account made 7.75%, the marine account lost nearly half of one per cent and the non-marine account lost about a third of one per cent.

Prospective members would certainly like to see more encouraging figures before they sign up but membership of Lloyd's must be viewed as a long-term undertaking and those who join as soon as they can now will be the ones who will be able to spend the fattest profits on vacations in Europe.

Julian Gibbs is a Fellow of the Corporation of Insurance Brokers and an underwriting member of Lloyd's. He is an Executive Director of Antony Gibbs (Life & Pensions) Ltd., a subsidiary of Antony Gibbs & Sons Ltd., one of the leading merchant banks in the City of London which was founded in 1808 in London and was previously established in Exeter and Bristol.

Mr. Gibbs is a regular contributor to leading British daily newspapers and magazines. If any reader of this article is interested in joining Lloyd's, Mr. Gibbs may be able to help him.

Nationwide hits \$4 billion

Nationwide Life Insurance Co., Columbus, O., has passed the \$4 billion mark of insurance in force. The figure includes \$1.18 billion of group life coverage. Based on in-force business Nationwide ranks fourth among U.S. life insurers.

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British shippers continue to block new container package premiums

LONDON—The British Shippers Council is continuing its opposition to package insurance rates on next year's container service to Australia, although the insurers are now behind the plan.

The shipping group, representing most of the country's major shippers, boycotted a briefing and press conference last month at which the big container consortia, Overseas Containers and Associated Containers Transportation, unveiled details of the package rate proposal.

Under the plan, the consortia will arrange insurance for an entire shipment (instead of each shipper arranging insurance for each item of cargo through his

own broker) and will place the package on the insurance market in bulk.

The consortia envision a fixed insurance rate for each item regardless of the shipper's claims record, and each shipper will pay for the insurance as part of the transport rate.

For the single rate the container operator will assume liability up to the full value of the item (plus a commercial percentage) for the entire journey from consignor to consignee.

The consortia contend that their scheme will put an end to haggling over liability in case of damage, since the container operators would assume that burden. Also, they say, the scheme

would be cheaper, based on rates quoted to them by the London market. Sample rates for package insurance disclosed for the first time at the press conference were said by the consortia to be about the level of the lowest rates currently available for shippers with the best claim records.

The consortia will put the insurance business through just seven brokers, who have agreed to take a lower commission than the standard 7% because of the greater volume of business.

The container groups admit they need the approval of all the shippers if the scheme is to work, but the British Shippers' Council last month reiterated their ob-

jections to any mandatory rate plan. The consortia conceded that big shippers with good claims records already command low rates under the existing system.

But if some shippers refuse to join the plan "people will insure their best risks separately and we shall be landed with the garbage. Rates would go sky high and the package deal wouldn't work," said Kerry St. Johnston, executive director of Overseas Containers.

The first of the consortia's nine big container ships is due to enter service early next year. ■

CPCU meeting

Nov. 1 has been set as the date for the annual all-industry day sponsored by the Northern California chapter of the Society of Chartered Property and Casualty Underwriters. The meeting will be held at the Hilton hotel in San Francisco.

Stiffer data requirements set in Britain

LONDON—New regulations laid before Parliament governing insurance companies call for more detailed disclosure of their operations.

Beginning January 1, the companies will be obliged to provide the Board of Trade with more detailed statistics and information about their operations. The purpose of the exercise is to enable the government to keep a closer watch on the financial standings of companies.

The measure will also allow the board to keep an eye on the standing of foreign concerns. Some of the smaller British insurance companies that became solvent earlier this year were known to be dependent on the solvency of other companies abroad.

For the insurance companies, the new regulation will mean "a very large administrative burden," according to a general manager of one British company. Insurers will have to provide analyses of assets in new categories, accompanied by a statement of the income from each category, plus a breakdown of premiums between Britain and overseas.

Companies will also have to provide a summary of reinsurance arrangements. Beginning Jan. 1, 1970, companies will have to report both frequency of claims and the settlement of claims. ■

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CNA insurance systems come in many different varieties and kinds: accident, health, fire, casualty and life. Often as not the most unimportant thing they can do for you is reduce the amount of money you spend on insurance.

With CNA's insurance systems you can hire and keep key personnel. You can predict profitability, pinpoint high risks. Even reduce the expense account loading. All this means lowering your cost of doing business.

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Trash man's 'trauma' ruled compensable

SAN FRANCISCO—The California supreme court has overruled the workmen's compensation appeals board refusal to grant benefits to a claimant for "traumatic psychoneurosis."

The case involved a trash and garbage collector who suffered back injuries lifting a 50-gallon trash barrel.

The board ruled he had a 42% disability, but it did not grant the request for benefits for traumatic psychoneurosis.

Several weeks following the board decision, the claimant was confined to a mental institution and subsequently appealed the ruling. ■

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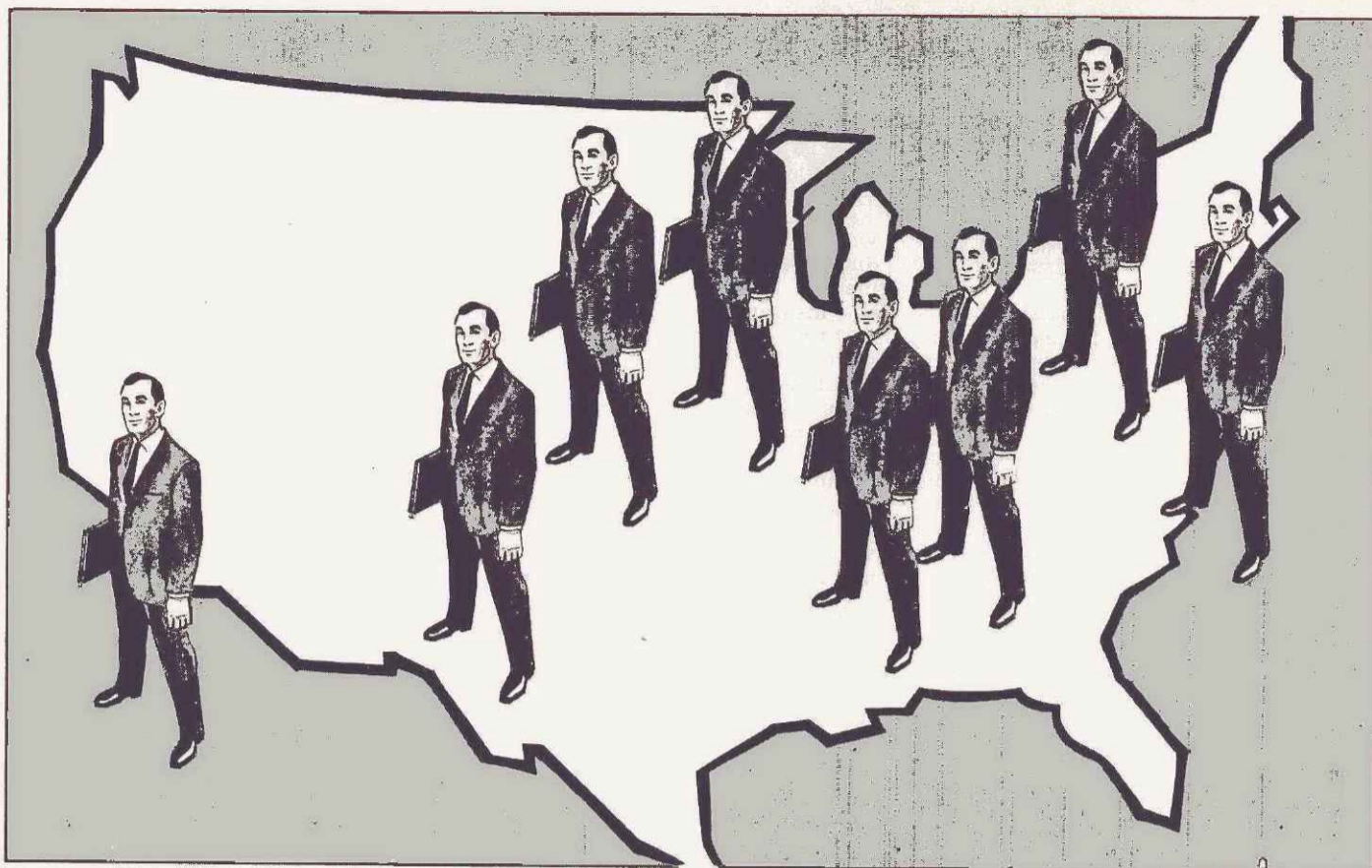
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Rebuff AEC, Labor Department work comp radiation cover bid

MILWAUKEE—The International Assn. of Industrial Accident Boards and Commissions (IAIABC) has again rejected pleas from the Atomic Energy Commission and U.S. Department of Labor to urge states to update workmen's compensation laws to provide greater coverage for workers injured by ionizing radiation.

The association was also asked to recommend more stringent requirements for record keeping on workers subjected to radiation hazards.

The radiation committee of the association recommended a "high degree of federal-state cooperation on the problem of radiation," further study of the

record keeping system now operating in Canada, and that each state consider a system of record-keeping of exposure to ionizing radiation.

CHARLES F. EASON presented an AEC report to the association convention here urging that IAIABC adopt a stronger position in regard to the effects of ionizing radiation for injury and disease claims.

Mr. Eason pointed out that the first nuclear generating plant went "on the line" in 1957 and that there are currently 15 in operation, 35 under construction and 50 in various planning stages. He said the commercial sales and charges for service are

\$16,000,000 annually with total investment put at \$9 billion.

In addition, he reported that in the U.S. more than 600,000 persons are in what may be classed as "radiation" work.

"The AEC realizes that workmen's compensation is a state responsibility," Mr. Eason charged, "but the AEC wants to assure proper care for workers in this industry." He pointed out that many contractors for the AEC are forced to take out special insurance for employees to protect them from radiation claims.

HE SAID THAT a worker suffering from overexposure to radiation may go 10 to 15 years without any apparent ill effects

and that state workmen's compensation laws do not provide for this type of situation. "Traditional workmen's compensation and occupational disease law is outmoded in regard to causation" in radiation cases, he said.

Donald L. Ream, representing the Department of Labor, traced the history of workmen's compensation to show how it had evolved from protecting the employe against negligence by the employer to providing a safe place to work and full occupational disease and accident coverage. He said that a record-keeping proposal offered by the AEC in the radiation industry was in keeping with the history of this social insurance plan.

Mr. Ream also previewed a report soon to be issued by the department on the processing of asbestos workmen's compensation claims. He said research has shown that one in five asbestos workers develop lung cancer,

some with as little as two months exposure.

In addition, Mr. Ream said, one in ten develop other lung diseases which can lie dormant for as long as 30 years. Mr. Ream predicted an increasing number of cases in this area on a national basis.

Jury decides in favor of Ohio coin dealer

CLEVELAND—A district court jury here, after seven weeks of deliberation, has decided that a coin dealer is entitled to be paid on his \$85,000 theft insurance policy.

Firemen's Fund, Centennial Insurance and Sun Insurance, which shared the risk, contended that the coin dealer helped stage a 1964 robbery, in which burglars rented a vacant store down the street from the coin shop and knocked down four cellar walls to get to the shop's basement.

The burglars—who made a clean getaway—then sawed through the wooden floor and made off with what Harold Berk, the coin dealer, said was \$143,000 in coins. In coming in through the floor, the robbers bypassed two heavy steel doors and four vibration alarms on walls and ceiling.

The jury decision, in upholding Mr. Berk's contention that he was not a part of the robbery scheme, went along with the insurers' claim that Mr. Berk's "vault" was not a safe in the meaning of the insurance policy.

Claims against Centennial and Sun, who had never seen the room, were dismissed. However, the claim against Fireman's Fund, the insurer whose inspector had gone over the room, was upheld.

Judge William K. Thomas said he will now take up the question of whether Firemen's Fund should pay the full \$85,000 or just its original 45% share of the policy.

Golden Gate painter wins \$25,080 suit

SAN FRANCISCO—A workmen's compensation referee here has ruled the management of the Golden Gate bridge was guilty of "serious and wilful misconduct" by not providing a painter with a safe place in which to work.

The referee authorized a workmen's compensation award of \$25,080 to a former painter on the bridge, John A. Seeley.

Of the amount, \$17,580 represented a disability award and the remaining \$7,500 was "punitive damages" imposed for "misconduct."

Mr. Seeley was injured June 23, 1965, when he lost his balance and fell 18 feet to a girder, while standing on a plank in order to paint the understructure supports of the bridge.

In the fall Mr. Seeley suffered a skull fracture and what doctors termed serious brain damage.

Attorneys for the bridge had argued Mr. Seeley was at fault in not having used a safety belt. The referee said, however, that the bridge management had failed to require safety belts.

Lawyers for the state compensation insurance fund, for the bridge authority said they will appeal.

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Continued from preceding page

States is the only place where the police stand by and don't stop the looting.

THE COVERAGE available on the continent has never been large and since much of it depends on treaty capacity in Lloyd's even this has been reduced. Insurance people in Zurich with whom we discussed reinsurance capacity beyond the "Iron Curtain" revealed that any commitment that could be negotiated was so small as to be almost negligible.

All of this is occurring at a time of increasing capacity demanded by insurance buyers. Inflation alone makes you and I need more coverage on our renewals, be they liability, property damage or even health insurance. New construction, changing exposures, the increasing public claims consciousness all contribute to add to our need.

Where can we turn for the needed capacity? In my opinion, London is not the answer. It will be four or five years before they begin to recover from the recent disastrous experience. Perhaps, never again will you buy it "cheaper at Lloyd's." Certainly never again will Lloyd's be a "fall guy" for an American fronting insurer who retains only 1% or 2% of the "junk" insured and rakes off a big reinsurance commission for the efforts.

AGAIN, THE problem is where do we turn for the full coverage we need when the Lloyd's capacity will probably decrease rather than increase?

The obvious answer is right here at home in the richest and most prosperous country in the world. Many of our leading companies individually could take over all of the Lloyd's underwriting syndicate on an unearned premium basis. Collectively, they have a capacity beyond the highest amount that the mind of man could imagine short of nuclear war.

Each one has statutory authority to write subject to one loss 10% of their combined capital and surplus. Anyone who would like to see a list of what some of the leading companies can write subject to one loss can examine the list the U.S. Treasury Department uses as a guide for accepting bonds issued by those companies. For instance, typical large carriers and their authorized limits are as follows:

Aetna Casualty	\$ 43,659,000
Allstate	59,533,000
Continental Ins. Co.	105,635,000
Hartford Fire	67,094,000
Home Insurance Co.	33,000,000
Ins. Co. of North America	82,448,000
Reliance Insurance Co.	22,966,000

Remember this capacity is subject to



Charles F. Levinson

one loss and—and not the much greater amount they could write on a line not 100% subject to one loss.

No one expects the individual carriers to write this limit on even the best risk even though for some reason the bond underwriters frequently absorb the full statutory limit in one contract.

THE PROBLEM of capacity in the American market seems to rest on the changing of two "brakes" inherent in the present way American insurance business is run. The first is the old time "underwriter" complex where an individual gets no credit for the large lines he writes but does get a bit of hell for the infrequent line that causes a serious loss and where the size of the line might be a matter of opinion.

The problem for the company underwriter is how to end up the year on the profit side. It used to be simple. Write the good risk and avoid the bad. However, the former good risks, such as protected dwellings, private auto cover and residence theft, have all turned sour. The good businesses used to let him gamble on some of the bad. Now he can't afford to have to answer the "Sunday morning quarterback" question after a loss on a gamble.

A COMPANION problem is the matter of not having the full information on a risk, either through improper presentation by the producer or neglect on the part of the underwriter to properly research and analyze the risk. So what does he do but either turn down a line or write only a small participation.

What is needed is some sort of a "tissue

committee," such as the medical profession uses to avoid unnecessary operations. Here the diagnosis before and the results after an operation are matched to test the ability of the surgeon or internist. Spot checks could be made by a committee to see how efficient his operation is. He would get checked as to whether he is over-conservative and losing valuable premium for his company.

The second hindrance to larger lines in the American market is the low net retentions set by management. There is one fairly large carrier that releases to Best's, for publication, the fact that all liability lines are reinsured for the excess of \$25,000. With treaty reinsurance markets even worse than those on a direct basis you can be sure this carrier will be participating even less in any large liability lines.

So far, all we have discussed are the current problems of the insurance buyer in dealing with the individual carriers.

NOT ALL OF the industry is unaware of their problems. Certain markets, some of them created in concert, such as the FIA and the nuclear pools, have solved and are solving what would otherwise be major capacity problems. Where would the nuclear power industry otherwise get coverage up to \$74,000,000 from one central source?

However, while the largest carriers are members of this pool, only about 25% of the potential financial strength of all carriers is used in this area. Contrast this \$74,000,000 U.S. capacity with the \$15,000,000 available in Lloyd's on nuclear risk and you get some idea of what the potential of the American market might be when they take concerted action.

This to my mind is the primary direction in which the American market must go to supply a need. They have the vehicle to use and should be expanding its area of participation to all those where a capacity problem exists. Capable underwriters not available to each company individually could collectively, in a pool arrangement, operate efficiently on behalf of all.

Jack Armstrong of the Insurance Co. of North America, at a recent AMA meeting in New York, made a very impressive plea on behalf of pooling of capacity for insurers. He stressed among other advantages that underwriters are attracted into classes of business to which their normal activities do not expose, thereby vitalizing and broadening the market as a whole.

Lloyd's syndicates on a smaller scale are based on this method of operation and really are an efficient operation. Some opposition does exist in the com-

pany ranks to the theory of participating in pools. It rests on the fact that you have no control over what you get. If, say, you participate for 5%, on some risks this is much more than you might want, while on others much less. One such company's official tells me that on large risks they are competing with the very pools of which they are members for this reason.

ALL OF THE foregoing comments are based on a realization of the fact that insurance costs have not kept up with inflation. Liability claims, for instance, may be paid today on premiums collected three years ago based on prices five years ago. Almost the same conditions apply on property damage losses.

Inflation-influenced premium increases do not scare the buyer. His management pays more for everything today than they did three years ago or even last year. He principally is interested in capacity in a good market. Of course, a risk that has been loss-free or has had very good experience offers resistance when its premium is tripled on renewal.

Management won't buy this unless there are some special circumstances that justify such an increase. The insurance company that is losing money on its underwriting usually would have made money if its premiums had been increased 10%. So price increases need not be too great for the business to again become profitable for everyone.

Speaking as one buyer who has capacity problems in almost every area with no hope in the direction of Lloyd's, I appeal to the insurance industry in the U.S. to combine as they did with the nuclear market to supply the needs of all large buyers for ever increasing capacity.

The industry has the know-how and the financial ability to handle almost any risk. The health insurance industry refused to face the challenge of people over 65 several years ago, and we ended up with Medicare. The insurers must provide capacity at an equally reasonable price. The whole industry should plan together to solve this market problem, but it looks like the American carriers will have to take the first positive step. ■

Charles F. Levinson, insurance manager, the Port of New York Authority, holds a B.A. degree from Columbia University and a CPCU designation. He was formerly associated with a number of Midwest stock insurance companies as insurance underwriter and field man. Mr. Levinson served as insurance manager of Magnavox Co. from 1954-57, subsequently becoming insurance consultant to Insurance Audit & Inspection Co.

Alberta ASIM chapter compiles risk check-off list

The following is a list—not a complete list, which is impossible—of the types of risks a corporation is subject to. It is taken from "The Risk Manager," a newsletter published by the Alberta Risk & Insurance Management Society.


- Fire
- Explosion of explosives, flammables or pressure vessels
- Lightning, meteorites
- Flood, tidal wave
- Water damage
- Sprinkler leakage
- Riot
- Vandalism
- Impact by aircraft, spacecraft, vehicles
- Earthquake
- Volcanic eruption

- Landslide, subsidence, sand drift
- Collapse of building
- Water and air pollution liability and control measures required by law
- Bursting of flywheels
- Breakdown of machinery
- Collapse of lifting devices
- Strikers and picketing
- Failure of public services—electricity, water, gas
- Radioactive contamination
- Data processing risks—loss of data, error in output, etc.
- Expropriation, nationalization, confiscation
- War, revolution
- Loss of use of auto fleet by fire
- Idea theft

- Liability for damage to persons or property by premises, operations, products, automobiles (owned and non-owned), aircraft, marine craft
- Research and development extra expense (when facilities destroyed)
- Embezzlement, burglary, robbery, forgery
- Stock certificate forgery, alteration or counterfeiting
- Bankruptcy or dishonesty of depositors
- Domestic and foreign credit risks
- Destruction of engineering calculations designs and prototypes
- Destruction of records of accounts receivable and title deeds
- Flaws in titles to real property
- Recall and rectification expense
- Workmen's compensation

- Advertiser's liability
- Liability for non-performance of product
- Engineers' professional liability
- Liability for erroneous advice about employee benefits
- Loss and consequent misuse of credit cards
- Loss by death or disability of key officers
- Unknown but incurred and uninsured losses of companies acquired, including insufficient pension funds
- Patent infringement liability
- Expenses of defense of fair-trade suits and before government inquiry boards
- Directors' and officers' professional liability
- Warehousemen's liability

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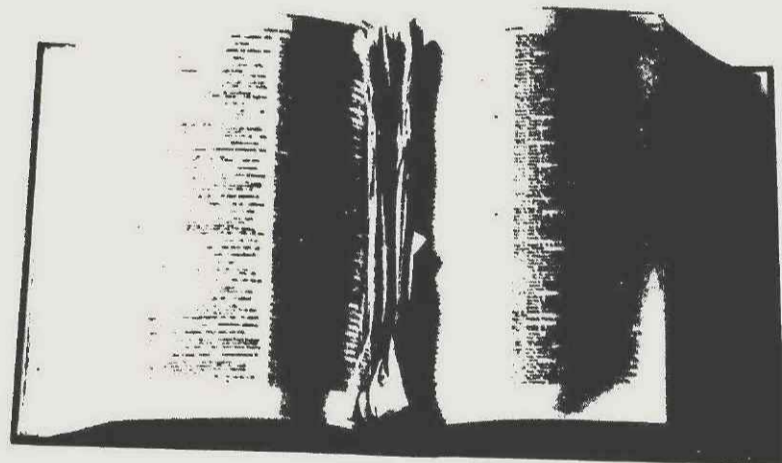
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Evolution or revolution ahead for workmen's compensation?

by Carl J. Vogt
supervisor of workmen's compensation
General Tire and Rubber Co.



Carl J. Vogt

The 54th annual convention of the International Assn. of the Industrial Accident Boards and Commissions (IAIABC), was held September 15-19, at the Sheraton-Schroeder hotel in Milwaukee, Wis.

Membership of this association is comprised of the top-line administrators employed by U.S. states, the Canadian provinces and associated countries—Puerto Rico, New Zealand and the Philippines, to name a few. The association exists for the single avowed purpose of improving the systems of providing adequate benefits to workers who become injured in the course of their work. Also in attendance were many associated members: doctors, lawyers, corporations, labor groups, insurance companies, service organizations and others who have a vital interest in the systems as they exist and in any trends which develop from the recommendations proposed in the sessions.

THE MEMBERS OF THIS association are charged by the governments which employ them to translate into benefits for the injured worker the laws in effect in their respective jurisdictions. Their administration of the law of their government is confined to interpretation of the

intent of the legislators who developed the statutes. The substantive variations which exist in the laws of these diverse governments are comparable to the physical size of the several land masses, the range of temperatures and the goods and services produced in these widely scattered lands.

A workmen's compensation program was the first step taken in our free enterprise system of government to secure for its working citizens wage security in the event of a disabling industrial injury. The system was founded on the sound economic theory that the goods and services produced by industry should bear the burden of costs of workers who were injured in such production this cost constituting a direct charge to be paid by the employer. This was not a social system in which cost is spread equally over all members of society. No part of workmen's compensation costs are paid by the worker.

OVER THE 54 years that these governmental administrators have been meeting, they have conscientiously and critically examined the law of their particular governments, and have recognized in it certain inadequacies. Through these annual conventions, the shortcomings of the several systems as well as the strong points have become apparent to the organization. Armed with this knowledge, standards were drafted, based on both the individual and peculiar needs of the individual government and the over-all needs of injured workers. Periodically the benefit structures have been revised upward to meet the greater costs and wage advances. Benefits have expanded over an extended base into new areas. Many of these advances have their beginnings at these meetings and were instigated and recommended to the lawmakers by these professional workmen's compensation administrators. Currently proposed standards recommended by the IAIABC are:

- Compulsory law.
- No numerical exemption.
- No specific exemption of any hazardous employment.
- Farm employment covered.
- Full coverage of occupational injuries.
- Full coverage of occupational diseases.

- Full medical care for occupational injuries.
- Full medical care of occupational diseases.
- Workmen's compensation agency has authority to supervise medical care.
- Initial choice of physician by injured worker.
- Rehabilitation division within the workmen's compensation agency.
- Maintenance benefits during period of rehabilitation.
- Compensation for permanent total disability not less than 66⅔% of average wages.
- Compensation for permanent total disability for life or period of disability.
- Death benefits to widow until her death or remarriage.
- Death benefits to children during their minority or period of inability of self-support.
- Waiting period of not more than three days with retroactive benefits after two weeks.
- Double benefits to illegally employed minors.
- Broad subsequent injury fund.
- Claims to be administered by workmen's compensation agency.
- Judicial review limited to questions of law.
- Adequate time for filing occupational injury claims including results of ionizing radiation.
- Adequate time for filing occupational disease claims including results of ionizing radiation.

The foregoing is a capsule explanation of the IAIABC, its area of responsibility and the impact it has made on the workmen's compensation program of its members. It must be pointed out that none of the individual jurisdictions incorporates into its system all of the proposed standards. Few of the jurisdictions furnish the injured worker 66⅔% of his average wages. The gap between today's needs of the injured worker and the benefits provided by workmen's compensation appears to be widening but only when confined to workmen's compensation benefits. The above referred to "gap" has been filled to a great extent by multiple social legislation: Social Security disability benefits; the nonindustrial disability benefits program, and certain dovetailing ben-

efits available under unemployment compensation benefits.

Another avenue of benefits is the employe benefit programs sponsored and paid for by individual corporations; disability retirement, sickness and accident benefits and early retirement. In many instances, combinations of the above plans furnish the industrially injured worker well over 100% of his former income on a tax-free basis.

Pressure is being exerted by federal activity in ever increasing volume to federalize the several independent systems. The Atomic Energy Commission is insisting on federal standards to cover workers exposed to radiation. An occupational health and safety bill was introduced into the House again, urgently requesting standardization of programs. In addition, an amendment called for a study and evaluation of State workmen's compensation laws. Should this proposed legislation pass, the workmen's compensation program as it has developed would end.

Instead of an economic concept, it would become a social benefit. Instead of the cost being charged to the goods or services, the source would be tax revenue. The money reserves now held against future cost for current injuries would pass to the Federal Reserve Fund which consists principally of IOU's as found in Social Security funding and increased cost would have to flow from current taxes. When the money incentive is lost to industry, the safety incentive becomes lax. The current federal workmen's compensation law is a good example; their safety record lags far behind industry's because tax money, not potential profit money, pays the bill. The proposed federal standard would be a radical revolutionary change.

Major improvements are still required in the several workmen's compensation laws. These changes must be recognized by the states, which will have to accept a greater responsibility in upgrading their laws. In this area, time is of the essence. Evolutionary change provides the most lasting, stable and economically sound progress, but in its absence, the void is there and will be filled.

Carl J. Vogt, supervisor of workmen's compensation for the General Tire & Rubber Company, Akron, Ohio, attended Ohio Wesleyan University and received an LL.B from Ohio Northern University of Law in 1948. Mr. Vogt joined the Continental Insurance Companies in 1948, as claims adjuster and became claims manager in Akron in 1949. He has been with General Tire & Rubber since 1964. Mr. Vogt is a member of the Akron Bar Association and past president of the Akron & Cleveland Claim Managers Council. He is also a member of workmen's compensation committees of the Ohio Chamber of Commerce and Ohio Manufacturers Association.

Comments on returning from a trip to Lloyd's

by Charles Levinson
insurance manager
Port of New York Authority

So far this year I have made two trips to London and the continent in search of capacity. The latest trip, only two weeks ago, found the markets there def-

initely not improved since the trip in early July. In fact, where earlier the markets kept saying they need more money for what they write they have now tightened to the extent, in many cases, of not offering the same cover at any price.

They keep stressing bad loss experience, smaller syndicates and devaluation

of the pound as the new "Three Horsemen of the Apocalypse." As with the original war, death and pestilence no one seems to see any early ends to any of these causes of the tight Lloyd's markets with a further devaluation threatening to worsen matters.

The so-called "tariff" market of the British insurers other than Lloyd's faces

the same problems. Their home business loss experience has been very sad and the recent floods should worsen their results. The only optimism stems from an expectation that the recent laws aimed at drinking and driving will help the auto experience. These laws are so severe that almost no one uses his car if he expects to have a drink during the evening.

Americans have very little idea of the impact and interest shown by the European market as to American riot losses. Telstar telecasts brought every scene into their living rooms. Their market has handled riot losses in India, Egypt, and other places including the recent student riots in France. However, what they feel is beyond underwriting is that the United

Continued on following page

Rebirth of insurance syndicates seen by Babcock & Wilcox's Rice

NEW YORK—The shortage of insurance capacity, stemming in part from the present rash of mergers and holding companies, may lead to a "rebirth of industry insurance syndicates," according to Claude H. Rice, insurance manager, Babcock & Wilcox Co.

"This is how the Factory Mutuals and Lumbermens Mutual were started, to name just two," he told members of the New York chapter of American Society of Insurance Management.

Mr. Rice, who will retire at the

beginning of next year after 20 years with Babcock & Wilcox, said that regardless of form, insurance companies organized by members of a particular industry have always placed great emphasis on loss prevention.

THE IMPACT OF mergers and holding companies, by restricting capacity for a given risk, may force corporate managers to expand loss prevention activities, he said. This means "they will find it necessary to install automatic sprinklers and explosive gas detectors, actually to employ fail-safe techniques of every kind in order to prevent loss.

"In short, loss prevention is going to become a prime necessity

for the simple reason managements cannot afford to absorb losses they can no longer adequately insure without such preventive effort."

He reviewed the various types of mergers emphasizing the effects on underwriting practices. For instance, when an insurance company is merged into a company with a multiplicity of business interests, the relatively liquid assets of the insurance business are immediately reinvested in other business activities.

As a result, the underwriter can no longer use investment income from assets built up over the years to offset current underwriting loss, taking away from it one of the strengths of the insurance business.

City cancels bus contract with agency

UTICA, N.Y.—The city has cancelled a \$63,900 bus insurance contract awarded through competitive bidding to an out-of-town agent and awarded it to a local agency without competitive bidding.

The move will not increase the policy's cost, Mayor Assaro said, although it gives the business to an agent other than the one who originally won the contract award.

Cancelled was the three-year contract with Terbush & Powell Inc., Schenectady, for the Utica Transit Commission insurance. The contract had taken effect Aug. 13, 1967.

A NEW THREE-year contract was awarded to the Margaret K. Salamey Agency.

Mr. Assaro said, "We didn't cancel anybody. We just changed agents."

Reid Garrett, the Terbush & Powell supervisor of commercial, casualty underwriting in Schenectady, said his company would not bid again on City of Utica insurance.

"We gave them all of our figures, all of our work and all of our brain-picking—how would you feel?" he asked.

A local law adopted by the city in January of 1964 requires competitive bidding on all city insurance. The bus insurance contract awarded last year was the first contract to be awarded under competitive bidding.

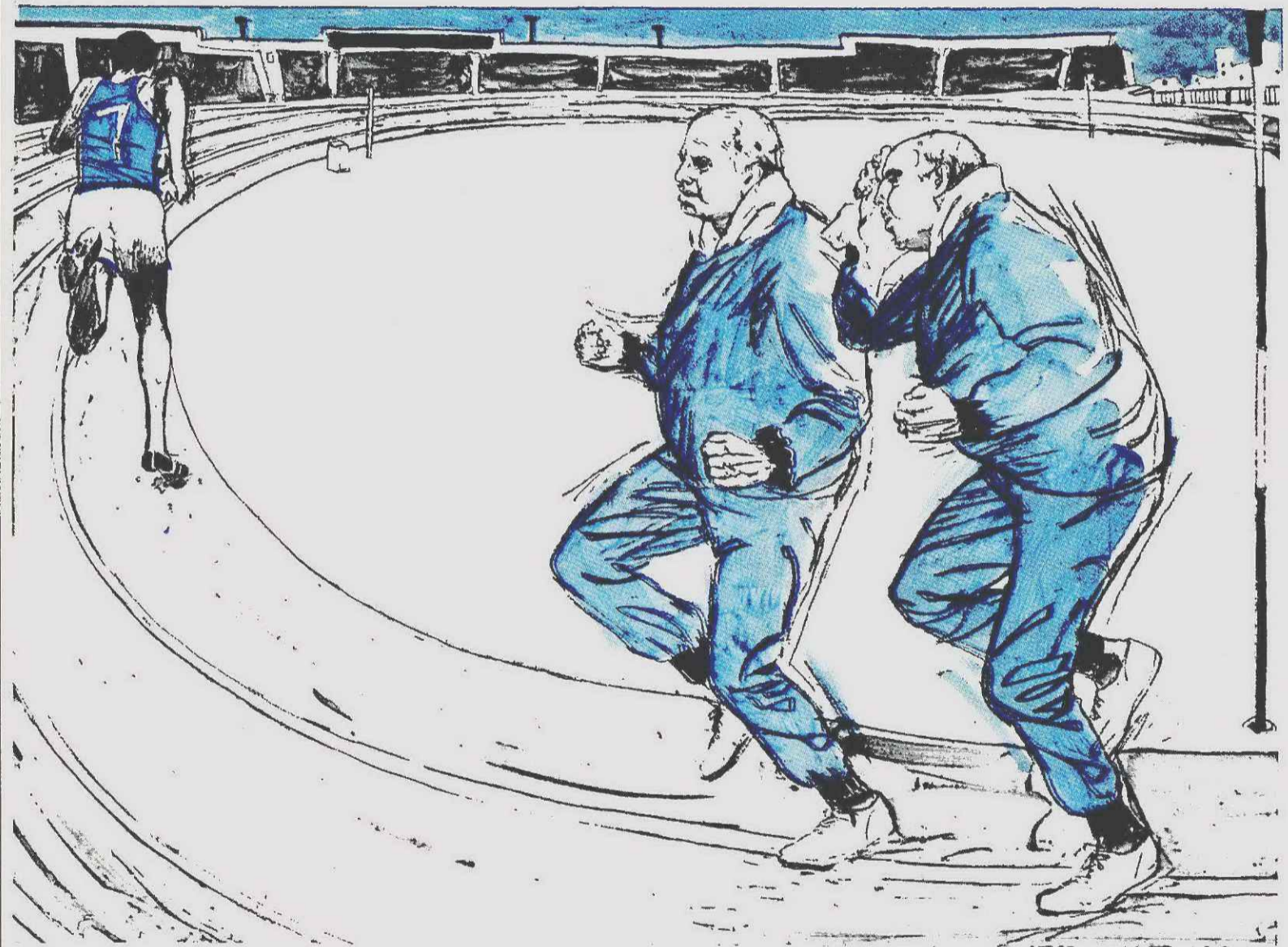
Special risk unit set up

DENVER—Van Schaack & Co. has set up a "special risk" division that will be separate from its general insurance operations.

The new division, incorporated as Vansco Special Risk Underwriters Inc., will cover such difficult-to-insure categories as riot and civil commotion, restaurant fires, and earthquake and flood coverage for commercial buildings.

The division also will accept business from other agents and brokers and will serve as a Lloyd's of London representative.

William R. Kersten, manager of Van Schaack's insurance operation, is president and treasurer of Vansco; Jim Smith, long active in the Van Schaack surplus lines insurance, vp and general manager; and Paul T. McGrady, corporate secretary.



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speaking of safety

DeWitt's fleet safety program emphasizes driver reactions

PAVILION, N.Y.—B. R. DeWitt Co. believes that fleet accidents, no matter what the company's loss prevention programs call for in the way of equipment and maintenance, are caused by drivers.

DeWitt operates 30 associate companies throughout western New York, with such diversified, but related activities as ready-mix concrete, asphalt, concrete plants, road construction, hauling, paving, batching, quarries, sand-gravel, and allied companies.

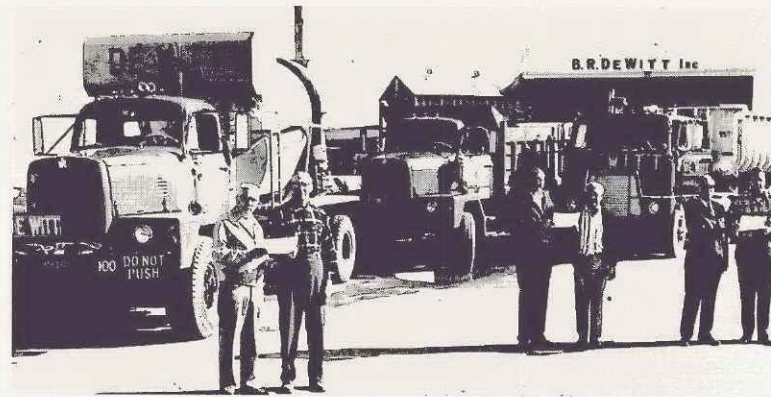
With a 30-company and plant complex operating throughout most of the Empire state, a fleet of 462 vehicles is used by the DeWitt operations—a fleet that has one of the most impressive safety records in the nation, thanks in part to a driver training and safety program under the direction of Edgar B. Jacobs, director of safety.

"DRIVERS HAVE TO BE trained not only to operate the equipment efficiently but to improve their ability to see, evalu-

ate and react early enough to avoid becoming involved in accident producing situations," Mr. Jacobs explained.

DeWitt and associate companies operate a wide variety of trucks in their operations—semi-trailer rigs, flat bottomed haulers, pickups, dumps, ready-mix concrete trucks and heavy duty construction pieces.

With the thought in mind that "accidents are caused by drivers," DeWitt utilizes selection procedures to acquire the type of drivers that are basically sound



Giving out graduation diplomas to three men who attended the three-day seminar for driver trainers are (left to right) B. R. DeWitt, presenting diploma to Chester Griffin, mixer driver; Gene DeWitt, president, presenting diploma to Elsworth Daniels, dump truck driver; and Edgar Jacobs, director of safety, handing diploma to A. Doneberg, trailer driver.

driver material.

There are eight major steps the firm takes in the selection of new drivers. They are:

Filling out an application form; telephone check of past employers; planned driver interview; traffic violation and police record check; reference checks; road performance test; physical examinations; and comprehensive job placement.

"ALL DRIVERS ARE NOT mentally, physically or emotionally equipped to drive safely, or become good drivers. Poor drivers have characteristics that are identifiable, and in many cases the characteristics are not easily remedied. The eight steps listed above enable DeWitt management to make certain we are not hiring accidents about to happen," Mr. Jacobs explained.

Drivers working for any of the 30 companies making up the DeWitt complex have to be trained to not only operate the equipment efficiently, but to improve their ability to see, evaluate and react early enough to avoid becoming involved in accident-producing situations.

The driver training program used at DeWitt is designed to upgrade the driver in realizing that driving motor vehicles—there are 462 vehicles in the fleet—is not a pleasure ride. It's a full-time job. "As long as drivers are gaining financial returns for driving a variety of rigs, we have a right to expect and receive professional driving performance," Mr. Jacobs said.

DeWitt utilizes driver trainers, who in turn report directly to the safety director. The driver trainer has many duties here, assisting the safety department and management. Because of the importance of his work, the driver trainer at DeWitt must be well-grounded in organizational and departmental lines of authority within his company. Being so grounded, his duties include the following:

- Re-training of in-service drivers whose accident or violation records are unsatisfactory.
- Road testing the skill of new applicants.
- Training new drivers in vehicle handling and company rules and regulations.
- Training in-service drivers on new equipment.
- Check routes, schedules and equipment that may be contributing to accidents or violations.

DeWitt's safety director and the driver trainers must be doing something right. With 462 vehicles in the DeWitt and associate companies, the various trucks have traveled 6,000,000 miles with only minor accidents. One of their companies, Potter DeWitt Corp., the road construction complex, has 520,000 miles under its belt without an accident.

This, of course, doesn't just happen. Ed Jacobs, director of safety, and his associates work directly with supervisory personnel in charge of testing, hir-



Continued on page 27

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States o.k. 85 changes in workmen's comp

MILWAUKEE—The legislation committee of the International Assn. of Industrial Accident Boards and Commissions reported to the annual convention held here that 85 amendments to state workmen's compensation laws were adopted in the past year.

The committee reported that of particular significance were cash benefit increases in seven states and Guam, a New York law updating benefits in certain permanent total disability or death cases, a Kansas amendment reducing the numerical exemption from five to three, a Maryland law providing two years vocational rehabilitation including maintenance benefits up to \$40 weekly, and revamping of the Arizona administration law.

In the cash benefits area, Alaska increased its weekly maximum for permanent partial and temporary disability from \$100 to \$113 and for permanent total from \$65 to \$73.45.

In Georgia, maximum benefits advanced from \$37 to \$50 for total disability and scheduled injuries, from \$30 to \$39 for non-scheduled permanent partial disability and from \$31.45 to \$42.50 for death.

MARYLAND'S maximum benefits for permanent total disability and death were increased from \$55 to \$70, maximum weekly benefit for temporary total disability \$55 for the first 42 days then at 66⅔% of the state's average weekly wage.

New York's maximum was upped from \$60 to \$85 for temporary total disability and from \$60 to \$70 for permanent total partial disability and death.

Oklahoma raised its maximum from \$40 to \$45 for temporary total and from \$40 to \$42.50 for permanent partial disability. South Dakota's new maximum for disability went from \$41 to \$44 and the aggregate maximum is now \$22,500.

Virginia increased from \$45 to

\$51 the maximum death and disability benefit and upped the total compensation allowable to \$20,400. Guam increased its weekly maximum for disability and death to \$56 in total compensation allowable to \$20,000.

BURIAL ALLOWANCES were increased to \$750 in Georgia and Maryland and to \$600 in Guam.

Rhode Island provided that a partially disabled employe unable to find suitable work can draw benefits under the temporary disability insurance act as well as under the workmen's compensation act.

Georgia has dropped a ten-week, \$500 allowance limit on

medical treatment and increased the amount allowable for medical expense from \$2,000 to \$5,000. In Kansas, the medical expense maximum was raised \$1,000 to \$8,500.

Rhode Island increased the limit on medical services and medicines, exclusive of hospital services, from \$1,200 to \$1,500 where hospital treatment has exceeded 14 days and from \$600 to \$900 in other cases.

Louisiana increased maximum medical expenses from \$2,500 to \$12,500 and an additional \$12,500 may be authorized by the court in hardship cases.

Louisiana, Oklahoma, Rhode Island and Virginia liberalized rules on furnishing or replacing prosthetic devices. Oklahoma will be liable for the medical charges of an injured party even after his death.

Arizona and Rhode Island broadened their coverage to include radiation illness and disability.

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Airlines . . .

Continued from page 3

He also warned that the leading airlines are going to need a very competitive premium to justify the new arrangement. "As in any new operation, this may cause some problems if unforeseen claims arise immediately after establishment," Mr. Hare said.

The airlines must also consider that many of the foreign carriers do not have the same methods of operation, maintenance, statistical study, nor ownership; since some are partly, if not completely, government owned, he said.

He also questioned whether certain airlines whose countries are having war-like skirmishes, are going to sit happily side by side for insurance purposes?

Mr. Hare prefaced his remarks about the airlines with a brief explanation of self insurance and captives and offered examples of self-insurance and captive programs. He described pitfalls that some companies or industries ran into in forming captives or setting up self insurance.

He said that deductibles and self insurance are not only means to economy for any size company but also may be increasingly forced on industry and even individual coverage.

Fire prevention to cost McCormick Pl. \$1,000,000

CHICAGO—A 270,000 gallon reservoir and other fire protection items for the new McCormick Place here will cost an estimated \$550,000 more than original projections for the \$66,000,000 construction project.

The original hall was destroyed by fire Jan. 1967.

Total cost for fire prevention equipment will be \$1,000,000.

The water system, serviced by a separate water supply, will serve as a back-up to the city water system and will be for fire prevention purposes only. The secondary system will cost about \$500,000 for plumbing and \$100,000 for electrical work.

According to a study of the fire

made by the Illinois Inspection and Rating Bureau, a successful interior fire attack might have been made if water had not been lost, if all hydrants had been operable and the full capacity of the pumping station had been available.

In addition the report stated that a private pumping station supplying McCormick Place did not operate properly at the time of the fire, limiting the total amount of water available to fight the fire.

In order to prevent a similar occurrence in the new hall, the study recommended an adequate and reliable private water supply designed specifically for fire

protection.

According to Ed Lee, manager of the Metropolitan Fair and Exposition Authority which operates McCormick Place, about 75% of the reservoir system's cost would have been part of the bid to be let next month but some of the work was classified as emergency because it had to be completed before concrete work could begin.

A total of \$400,000 will be spent for other fire prevention items, he said. A detailed breakdown of these items was not immediately available.

HHH-Nixon . . .

Continued from page 1

sure" for other benefits, which would finally be financed out of general revenue.

"Then we're off to the races and things would tend to get out of control," Mr. Peterson said. He added that expenditures from general revenue would probably start off gradually, "but once you have an uncontrolled expenditure you're stuck with it."

WHEN THE LATE Sen. Robert Kennedy introduced a Social Security bill tied to general revenue, Mr. Peterson said financing started at a modest \$1 billion a year but would have increased from \$15 billion to \$20 billion to \$25 billion annually in years to come.

Another employe benefits expert commented that the danger of paying for Social Security out of general revenue is that the government is "more susceptible to unwise and overly fast" expansion of benefits, although he said that the general revenue pattern has been used in Europe for some time.

The benefits man predicted that although Social Security might reduce the need for a private pension for lower paid employes, such increase will never obviate the demand for pensions among higher-paid people.

Borders is new vp

M. W. Borders has been named vp in charge of life, accident and health insurance for Edwin G Imhaus Co., brokers.

Marsh Mac denies report of possible merger with Sears

CHICAGO—Marsh & McLennan said "there is absolutely no factual foundation" to the report that Sears, Roebuck & Co., through Allstate Enterprises Inc., had offered to buy out the brokerage firm.

"No such overtures have been received by this company and no discussions on the subject of acquisition or merger have taken place between Marsh & McLennan and Sears," Marsh Mac said.

Sears also denied the report, which appeared in the Sept. 9 issue of *Business Insurance*.

Name Mullen risk manager

NEW YORK—Peter J. Mullen, formerly with U.S. Plywood-Champion Papers, New York, has been named insurance manager at Vare Corp., New York. As Vare's first insurance manager, Mr. Mullen will handle property and liability insurance and the buying of employe benefits.

Aetna will continue to administer the benefits with the formation of the insurance department. Mr. Mullen said this will centralize the handling of insurance for Vare. Insurance buying has been handled locally by various brokers.

Before joining Vare, Mr. Mullen was assistant to the director of insurance for U.S. Plywood. He has been associated with the American Society of Insurance Management.

Insurer keeps city's cover

FT. MYERS, Fla.—The Travelers Insurance Co. won't cancel its coverage on this city after all.

Mayor Oscar Corbin Jr. said he has received notification from the Murrell Jones Insurance Agency here that Travelers has rescinded a notice of cancellation it had issued.

The company sent a 30-day notice on Sept. 16 that the city's workmen's compensation, general liability and automobile liability coverage would be cancelled if an exclusion contract was not signed by Mr. Corbin.

The exclusion would have removed from coverage any damages or injuries resulting from disturbances such as rioting.

Douglas . . .

Continued from page 1

If the dental plan is agreed to by other aerospace firms, the UAW believes it will be the largest such program in operation. The dental plan won't go into effect for another 18 months, however, while the union and industry study what sort of benefits are most needed.

In the meantime, employers and unions have agreed to set aside a fund, based on a percentage of wages, to implement the dental program. A UAW spokesman said the union is "loose as a goose" on whether to insure the plan or set it up with a dental society.

We would've been a goose not to have become "jet-powered."

Companies, agents, and even aircraft owners could see that the aviation insurance market was in need of vast improvements a few years back. A lot of things had to be changed to make the relatively small but fast growing market look like the valuable thing that it is. Whoever made these changes was going to look like a jet at Kitty Hawk among the aviation insurance markets.

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Fleet safety...

Continued from page 24

ing and training of DeWitt drivers.

A three-day course is held to improve skills of the driver trainers. They start off with a half-day session of classroom instruction, which includes duties of a driver-trainer, record-keeping, instruction, testing, etc.

THE SESSION provides sample check lists, goes through testing procedures and even covers the way trainers should act during a test. Sometimes the three-day session goes so far as to suggest tests such as disconnecting a headlight or the horn, or leaving a two-wheeler loose to rattle around—just to find out if the driver checks his equipment before a run.

Driver trainers also learn how to use the new techniques of programmed instruction and are provided a copy of a programmed instruction manual on safe driving principles.

Then, since classroom lectures don't necessarily guarantee active working knowledge, the driver trainers are taken out to a specially equipped training vehicle for two-and-a-half days of on-the-road, behind-the-wheel practice and training. Mr. Jacobs and specialists also run simulated driving tests on the trainers, then allow them to test the specialists. The specialists become "problem drivers" in a training session, with the job of trying to rattle the trainers.

At the end of the three-day course, DeWitt driver trainers return to the company with a new perspective on their duties. They have learned how to set up a more effective training program for newly hired drivers and how they can improve the company's selection procedures. They also know how to work with those veteran drivers who are having accidents, and how to retrain them properly.

THE DRIVER TRAINERS, hand-picked by the company, then go out after the employe drivers. Every employe driving for any of the DeWitt companies must take a course from the driver trainer. A form is filled out by the trainee and signed by the trainer. Drivers are graded.

UAW at Royal to get paid health cover

HARTFORD—United Auto Workers local 937 ended a 32-hour strike of 2,500 employes at Royal Typewriter Co. with the acceptance of a new three-year contract including fully-paid health insurance programs.

The contract adds the Blue Cross extensive plan and the Connecticut Medical Service community plan to the employes' major medical insurance.

Previously, workers were covered by a \$50 deductible major medical plan that paid the first \$300 of medical expenses and 75% of the remaining costs.

The new Blue Cross plan pays all hospital costs up to 485 days and the Connecticut Medical Service plan pays the doctor determined by the patient's income.

Medical expenses incurred beyond these plans are covered by a new major medical plan which is \$100 deductible and absorbs 80% of the cost. The patient pays the other 20%.

If weak, the trainer goes out again with trainees.

The driver trainer and his trainee discuss such things as: the purpose of driving training; instruction's on emergency calls—who and where to call; instruction on overloads; instruction on vehicle condition report; instruction on use of fire extinguisher; how to spot flat tires while running; and instruction on pre-trip and enroute check of equipment.

In addition to the annual three-day sessions for driver trainers and the instructions for employe drivers, DeWitt holds monthly safety meetings under the direction of Mr. Jacobs.

Also, each April, DeWitt holds a spring safety session attended by all executives, superintendents and supervisors. Several facets of accident prevention are discussed at these annual spring safety sessions.

Last spring 89 company executives, superintendents and foremen from DeWitt Inc. and the associate companies attended the meeting.

Subjects covered were: general insurance; advantages of prompt and proper accident reporting; accident investigation; eye protection; training, flagmen and traffic control; what supervisors should understand about excavation, trenching and back filling; problems of fleet insurance; and safety cooperation.

Each June DeWitt holds an annual safety breakfast, with about 300 in attendance. Awards are given to outstanding DeWitt truck drivers. Attending are members from area law enforcement agencies, including representatives from the state police, village police, sheriff's department, safety executives, judges, and other officials concerned with good driving procedures. ■

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Libel/slander...

Continued from page 3

television stations in the U.S. In addition, there are perhaps 150 regional and national networks.

There are also two other markets *Business Insurance* uncovered in its investigation of libel/slander coverage. It is understood that Lloyd's of London, either through reinsurance treaties or directly, writes some of the largest risks in the U.S. Also the Harbor Insurance Co., Los Angeles, writes the libel coverages for the Times-Mirror company, publishers of the Los Angeles Times and other magazines and newspapers.

HARBOR IS one of the largest Lloyd's brokers in the world and presumably writes off most of this risk in that market. Other domestic insurers also write off large portions of the risk at Lloyd's. For example, a spokesman for one of the companies, who did not want the company name used, said that any coverage over \$1,000,000 is automatically written with other insurers, including Lloyd's. He said that even some of the risks of less than \$1,000,000 are written off.

He said his company has automatic arrangements to accept up to \$5,000,000 on any one risk and that his company earns about \$1,000,000 in annual premiums for libel/slander coverages.

"It's been a nice piece of business for us over the years," he confided. "There have been several insurers who have lost a bundle and have gone out of business because of libel/slander risks. The market today is savvy and has revised its underwriting principles to meet insureds needs and to make a profit."

AT LEAST ONE representative of an insurance company would quarrel with the statement that insurance companies have met the needs of newspaper libel risks. Arthur B. Hansen, a Washington D.C. lawyer and U.S. general counsel of Mutual Insurance Co., said that "newspapers were damn upset at domestic insurers. They didn't want to insure libel, they just wanted a sure thing."

To meet this, Mr. Hansen said the newspaper publishers' group added a group libel coverage to strike insurance that the Bermuda company had been writing since 1938.

The first libel policy was offered Aug. 1, 1963, and was revised Aug. 1, 1964.

Mr. Hansen said that the company has not disclosed any financial information to anyone, although the company is approved in Bermuda and in England. He told *Business Insurance* that the company has \$12,000,000 in liquid assets to meet strike and libel risk claims.

"QUITE FRANKLY, we're not in business to get any more business," he said. Insurance up to \$3,000,000 per occurrence is available and deductibles range from \$2,500 to \$15,000. The policy leaves control of the investigation, settlement and defense of each claim in the hands of the insured newspapers.

Rates are based on circulation and the amount of liability. For example, a newspaper of 10,000 circulation, a \$2,500 deductible and \$1,000,000 liability limit would pay an annual premium of \$291.

However, not all newspapers are happy with the service provided by the Bermuda company. For example, an insurance buyer for a large West Coast daily said he had "some disenchantment" with the Bermuda carrier because of a recent premium increase with no improvement in coverage. He indicated that he was also under pressure from his publisher to be loyal to the publisher's group coverage.

An interesting point is that some newspapers whose publishers are very active in the publishers' group or officers of it buy libel coverage from domestic companies. It should be pointed out that often these insurer-insured relationships extend over a considerable period of time.

ALTHOUGH LIBEL and slander risks are underwritten separately and individually, rates are generally determined on certain information about the publication or electronic media. For newspapers, frequency of publication and circulation are primary determining factors. In ad-

dition, any previous libel suits are taken into account.

One underwriter gave *Business Insurance* the impression that his company was "very conservative" in its underwriting policy and that any history of previous claims precluded coverage by his firm.

Rating factors for advertising agencies are based on annual gross billings and capitalized fees with a base limit of about \$100,000. The minimum premium is \$75 annually. For advertisers, the annual amount spent for advertising is the basis for rating premium.

The premium tends to level off once an advertiser spends more than \$10,000,000 and when an agency bills more than \$40,000,000.

Rating basis for radio and television stations is on the highest advertising rate classification. The minimum annual limit is \$100,000 and minimum radio premium is \$200 in radio and \$450 for television, with maximum television rate \$900.

BUYERS OF LIBEL and slander coverage are noticeably reticent when it comes to discussing their coverages. One old hand at attending conventions held by various magazine associations told *Business Insurance* that the subject has never been discussed.

Sven Thompson, insurance buyer for the Tribune Co., publisher of the Chicago Tribune and the New York Daily News and several Florida newspapers and owner of several radio and television stations, told *Business Insurance* that "asking a publisher about libel insurance is like asking a doctor to discuss malpractice suits."

He confided that the Tribune

has a manuscript policy for libel/slander with a certain retention. The policy allows the Tribune to hire its own defense.

The master policy is broken into three separate groupings, New York, Chicago and others. The broadcasting risk is a separate contract, he said. It is understood that some portion of the Tribune risk is with Employers Reinsurance.

The Tribune has a long history of fighting libel suits and has voluntarily joined other suits to provide legal counsel.

ONE OF THESE noted cases was a \$1,000,000 suit brought against Chicago Tribune by the late Henry Ford. Mr. Ford won a token award of 6¢ in damages in 1919 after a long, drawn out and expensive suit. The Tribune called Mr. Ford an anarchist in an editorial and the newspaper based its defense on "fair comment," today an acknowledged defense in libel.

The Tribune was also involved in *Near vs. Minnesota* which was argued in the U.S. Supreme Court.

The case involved suppression of a Minneapolis newspaper, published by the late John M. Near, under a state law passed in 1923 allowing judges to determine if a newspaper should cease publication. The Supreme Court declared the Minnesota law unconstitutional.

In general, several newspapers such as the Tribune have acquired reputations of bitterly fighting libel suits and refusing to settle out of court. These publications have expert legal counsel that often passes on "explosive" articles before they appear in print. Magazines often do the same.

Continued on page 29

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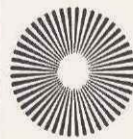
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Libel/slander...

Continued from page 28

Playboy magazine, for example, is understood to have a "giant" libel policy but uses both an internal and external counsel to rule on text material that appears in the magazine.

There appears to be no general consensus among the largest U.S. newspapers as to libel coverage. The Milwaukee Journal has no libel cover. The Miami Herald and the Detroit Free Press, on the other hand, have libel coverage provided by their parent company, Knight Newspapers Inc.

The Knight chain has coverage from the newspaper publishers group, as does the Seattle Times. A Miami Herald spokesman said that it has an individual libel policy, in addition to the group policy provided by Knight.

Paddock Publications, a chain of weekly newspapers in the Chicago metropolitan area, has a libel policy but backs this with the same law firm that the Chicago Tribune uses. "We like to think we have a tough attitude with potential lawsuit customers," a Paddock spokesman said.

The Times Mirror Co., Los Angeles, a large publisher of books, magazines and newspapers, carries libel insurance through the Harbor Insurance Co. Limits are \$5,000,000, with a \$50,000 deductible for the Los Angeles Times

division and \$5,000 for other divisions.

UNDER THE agreement with Harbor, the Times Mirror Co. is covered against libel, slander, defamation or the infringement of rights pertaining to privacy, plagiarism and copyright resulting directly from legal obligations of the insured for damages.

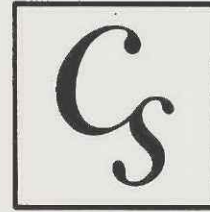
The cost of defending itself against libel or slander are not covered. Other exclusions are claims arising out of the operation of one of the Times Mirror's radio or tv stations, and any act committed by the company with the knowledge that the act constitutes an infringement of copyright or property rights.

E. S. Duffield, president of Popular Science Publishing Co., New York, a division of the Times Mirror Co., contended that publishers—unless they're clearly wrong—have "a duty" to defend themselves against libel or invasion of privacy suits. If

they don't, he told *Business Insurance*, "their rights will be gradually restricted."

Mr. Duffield made the point that if publishers settle a libel case out of court "they're going to find that legal precedents hedge you in to an impossible degree." Referring to an invasion of privacy suit pending against Outdoor Life, one of the Popular Science Co.'s publications, Mr. Duffield said he didn't care if lawyers' fees cost three times "what we could settle for. I'm just not going to settle, that's all. If I do, it will eventually restrict what gets into print."

Mr. Duffield, who is a former Washington bureau chief of the Wall Street Journal, said he didn't think telling editors their newspaper is covered against libel makes them careless. "They're responsible individuals," Mr. Duffield asserted, "and they're always distressed when they're involved in a libel action."



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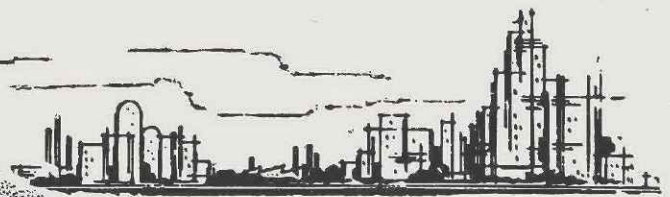
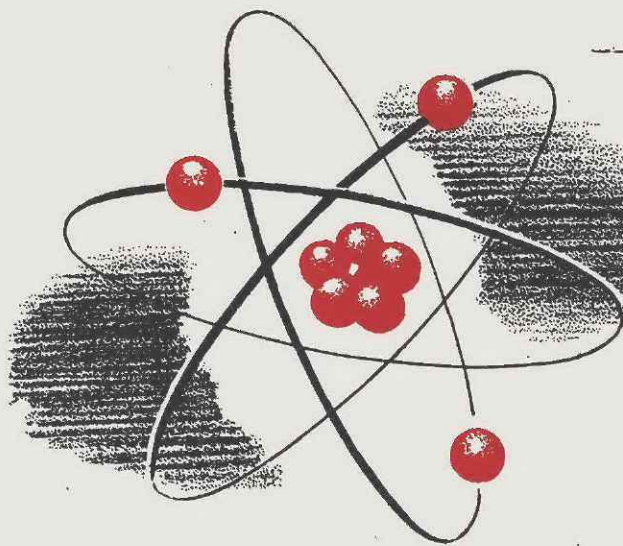
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Continued from page 3

In general, insurance experts contend, comprehensive general liability policies do not afford libel and slander protection.

Some say that these risks can be negotiated into a CGL policy, but in such cases, the underwriter will check any possible risk very closely and if he judges this risk to be existent at all, will add to the premium accordingly.

IF THERE is an insurable risk, those who sell libel and slander coverages contend that general policies just cannot answer the risk as satisfactorily as a policy written specifically to cover those risks.

One insurance manager told *Business Insurance* that approximately one of ten umbrella policies includes advertising liability and personnel and catastrophe coverages. He said with an underwriter's approval, the policy can be extended to read personal insurance which would cover libel and false arrest.

College buyer unit schedules fall conference

ST. CHARLES, Ill.—The University Insurance Managers' Assn. will hold its fall conference at Pheasant Run resort in this Chicago suburb Oct. 20, 21 and 22.

A board of directors meeting is scheduled for Oct. 20. Speakers for the following two days include Thomas F. Burke, of Hartford Steam Boiler, on boiler and machinery coverages; Edward Murray, Youngberg Carlson Co., on package programs; Warren E. Osenberg, Wiltberger Insurance Agency, on group auto and homeowners; R. Donald Thoes, Aetna Life and Casualty, on dental insurance; and a panel discussion of dormitory fires by association members.



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Letters

Continued from page 12

cant changes in the industry so that I can measure whether or not we are taking full advantage of developments in the insurance industry as they occur.

I find *Business Insurance* is an excellent source of supplying that information in a broad point of view.

H. J. Jurgensmeyer
Business Manager, Miami Herald Publishing Co., Miami

Editor's note: Business Insurance is running a series of articles to meet Mr. Jurgensmeyer's suggestions.

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'Easy to understand'

To the Editor: As insurance manager for the Kardon organization, we received our first copy of *Business Insurance* on Oct. 30, 1967, and have been receiving it twice a month since then. Because the insurance industry is dynamic, with constantly changing practices and principles, I look forward to the regular arrival of *Business Insurance*. The magazine is current, informative, and written in a nontechnical language easy to understand.

We at Kardon have a special affinity toward *Business Insurance* magazine because in the May 6, 1968, edition our new United Container plant was featured in your safety section. We had the pleasure of working with Robin Menz of your New York office and were quite pleased with the way she presented the story of our new plant.

The magazine is primarily read in my office but when an article applies to any of our other functions, it is then forwarded to that department. An example would be the recent article on EDP which was forwarded to our computer center.

Steven B. Steinberg
Insurance Manager, Eugene Kardon Enterprises Inc., Philadelphia

'Read every copy'

To the Editor: Time has passed very quickly and I have just about taken your publication for granted every two weeks. I have read every copy and find that it is very informative and provides the type of information to keep me current with the fast-moving trends.

I have clipped many articles and referred them to members of my organization who may be interested in a specific question.

As insurance manager of the Girl Scouts of the U.S.A., I am responsible for not only the corporate insurance but also the economic benefit plans. Your publication treats both corporate insurance problems and economic benefit problems equally well.

In the early days of your publication, I was wondering whether you could continue to provide the same high type of information that you started with; it almost seemed you would run out of topics of interest. Time has proven this not to be true.

My sincere best wishes for your continued success.

Muriel S. Samborski
Insurance Manager, Finance Department, Girl Scouts of the United States of America, New York

'Most worthwhile'

To the Editor: About the only comment I may make about *Business Insurance* is that it is the most worthwhile publication in the trade!

I not only look forward to receiving it—production immediately stops when it arrives until I've glanced through it—again on the "commuter" and thorough digestion at home.

It does for insurance people what Time and Life do for the reading public. All the current topics are covered—Republican Convention, sinking of a ship, train wreck, suit of corporation directors. Not only are they covered, all the individual insurance highlights are hit. Can also compare it to the Thursday "Jewel" and "High-Low" ads; it tells where you may purchase the "choice chops."

Just a beginner in the business, I guess I can be classified as a "kindergartner." You would

be surprised how often I've applied problems from your publication to my own work and come up with an "A" in "sandbox."

You can't improve it; just "keep it coming."

John J. Walsh
Assistant Manager of Insurance, Illinois Central Railroad, Chicago

'Refreshingly different'

To the Editor: Please accept my thanks for the inclusion of my name on your mailing list for *Business Insurance*. I am impressed with the steady im-

provement of this publication and think that, specifically, your Sept. 9 issue is terrific. As editor of our own company publications I am constantly reading all other trade journals and allied media—and you will have to agree that when you have read one, you have read them all since there is a great duplication of news coverage. Your approach at *Business Insurance* is refreshingly different.

John Brannan
Director of Training and Public Relations, Shelby Mutual Insurance Co., Shelby, O.

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American tragedy.

Right now, at least 55% of insured American homes are underinsured. So when fire strikes – or storm, explosion or lawsuit – the result is often financial disaster.

Tragically, many victims think that the insurance they purchased five or ten years ago will fully protect them today. They've forgotten how fast today's property values have climbed.

If you're playing a role in this tragedy, talk with

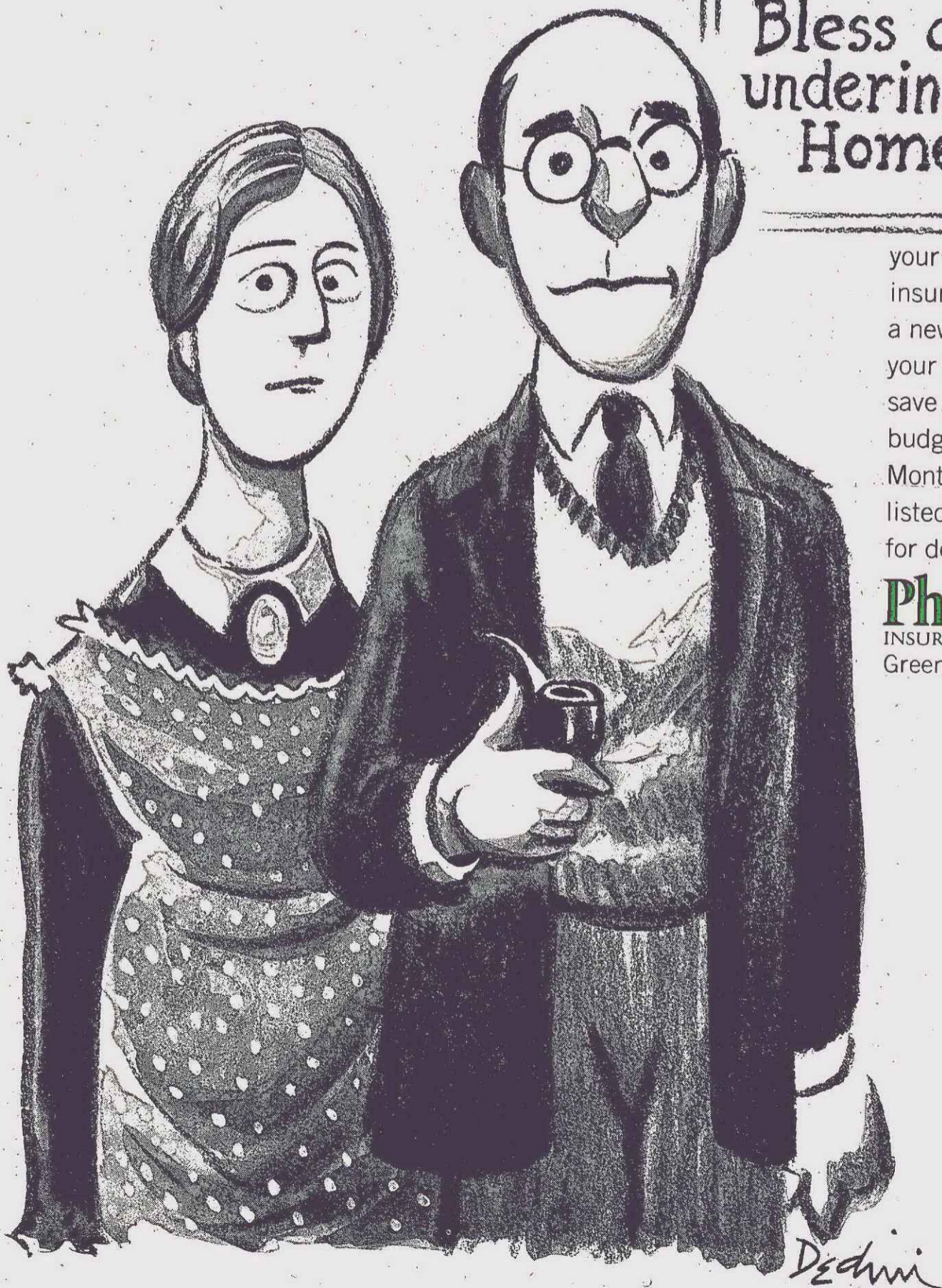
your Phoenix agent about Phoenix Green Light insurance coverage that provides payments on a new-for-old basis. He'll help you make sure your home is adequately insured – and probably save you money, too. Ask him how you can budget your premiums with the Phoenix Monthly Payment Plan. Your Phoenix agent is listed in the Yellow Pages. Or write us direct for details.

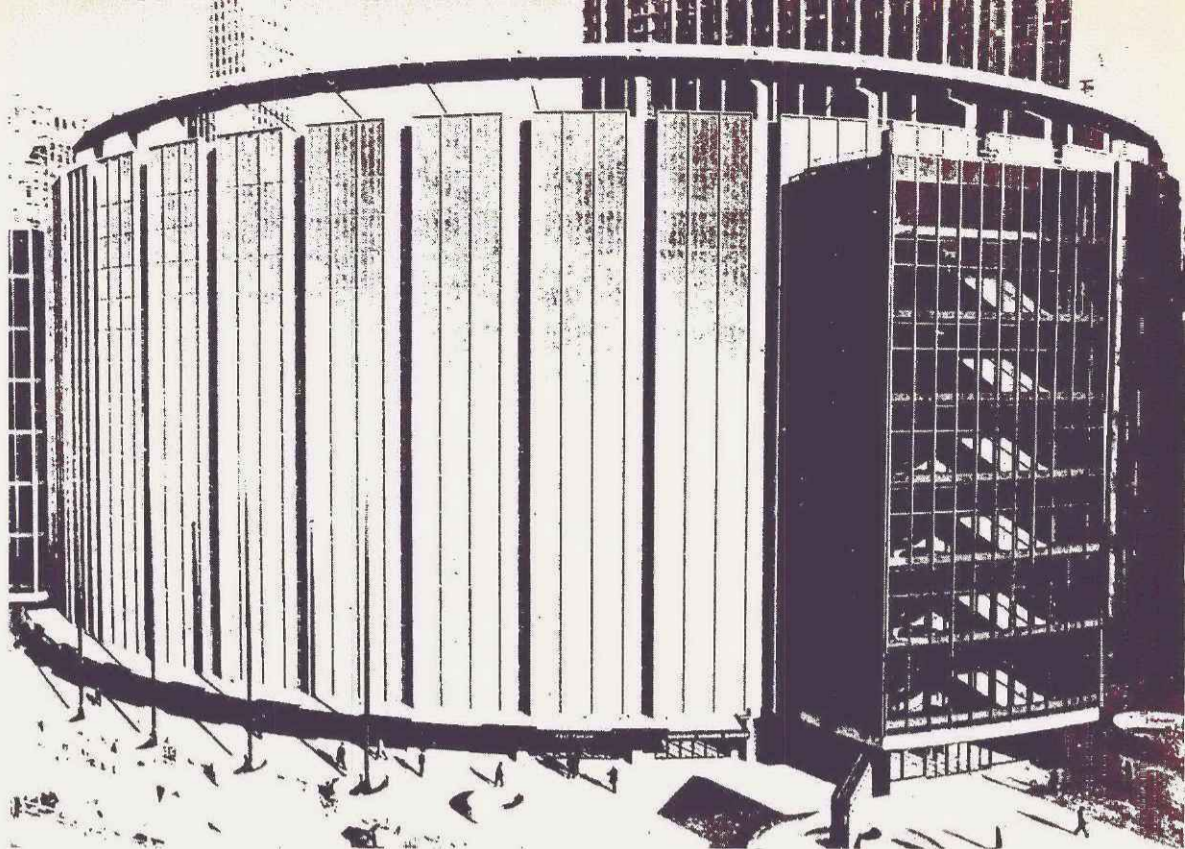
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If you're building a structure... a complex...a town...or have to tear down before building...read this:

In 1965, the Pennsylvania Rail Road Station in New York City was being torn down, and the new \$130,000,000, 20,000 seat Madison Square Garden and two office buildings were being built . . . *on exactly the same piece of real estate, and at the same time!* An engineering feat? You haven't read anything yet.

Penn Station was built in 1910 of granite blocks, bronze, marble slabs and cast stone. The main central room was big enough to cover the nave of St. Peter's of Rome, high enough to house a 15-story building, with a TV aerial to top it off.

Running into the station through tunnels from under the waters surrounding Manhattan Island, and at three levels, were the main and commuter lines of four railroads, bringing in an average of 250,000 passengers daily... and this didn't include the persons using the subways, or pedestrian traffic running by and through the building, or the patrons of the stores, shops and restaurants lining the sides of the main structure.

Beneath the ground level were the passenger level of the Pennsylvania, the concourse of the Long Island commuter line, and the track

level. And beneath that were tunnels used by trucks handling baggage and mail, and in the lowest level, power lines for station operation. All railroads became electrified as they approach New York City.

Demolition of the old landmark was in itself a highly hazardous operation because traffic and business in the station couldn't be stopped for one minute. Everything had to be rerouted *within* the station.

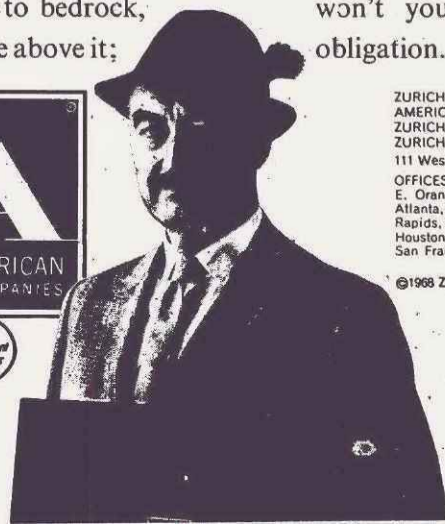
At the same time, and right in the same place, the new Madison Square Garden was being erected, rising above the site of the old Penn Station, while a redeveloped and modernized station continued its existence beneath it.

This meant that as one section was demolished, new foundations were sunk down through the many levels to bedrock, and the new structure rose above it;

all this even as traffic continued as usual in both underground and underwater tunnels.

There were even some extra difficulties thrown in, such as transportation strikes and a major power failure . . . but during the entire demolition-construction, danger to both public and construction workers was not only held to a minimum, but accidents minimized through close cooperation between the insurance broker, the contractor, and the insurance carrier—Zurich-American, and Z-A's engineers.

If you have a complex building job . . . or a tear-down-build-up project . . . and want advice based on very practical experience, call your nearest Zurich-American office, or ask your Independent Agent or broker to do so, won't you? We'll send our experts. No obligation.



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