

# S.4—BI reform analysis from Washington

Battle in House seen  
if pension bill delayed  
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Old pension "D" forms  
may be scrapped by law  
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Two standards proposed  
for pension investments  
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Volume No. 113  
S. 4  
[Pages 35-127]  
**A BILL**  
To amend and improve the provisions and to amend the definitions and application of certain provisions of the Federal Aviation Administration Act of 1958, and for other purposes.

Mr. WALKER, Mr. LITTLE, Mr. CANNON, Mr. BAKER, Mr. RYAN, Mr. WEAVER, Mr. BROWN, Mr. GARDNER, Mr. COLE, Mr. CRANE, Mr. DODD, Mr. ELLIOTT, Mr. GIBBS, Mr. HALE, Mr. HANCOCK, Mr. HENNINGSEN, Mr. JONES, Mr. KENNEDY, Mr. LAMARCA, Mr. LEE, Mr. MATHIAS, Mr. McCLINTOCK, Mr. MOHR, Mr. NIEMI, Mr. ROSEN, Mr. SANDS, Mr. SCHMIDT, Mr. STANLEY, Mr. TOLSON, Mr. WALTERS, Mr. WOOD, Mr. YARROW, Mr. ZEPHYRINO.

October 8, 1973

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## Warning device fans FAA, safety board feud

By TOM WALSH  
Washington editor

WASHINGTON—A National Transportation Safety Board (NTSB) official has told *Business Insurance* the Federal Aviation Administration's (FAA) "willful footdragging" on a safety recommendation first made by the board in 1966 has perhaps contributed to an assortment of air disasters since then that have claimed hundreds of lives and countless hundreds of millions of aviation insurance dollars.

Top officials of the two major aviation insurance pools—Associated Aviation Underwriters (AAU) and the United States Aircraft Insurance Group (USAIG)—told *Business Insurance* they, in effect, tend to discount much of what goes on in the two federal agencies, one charging, "Those agencies are stuffed with a high degree of mediocrity and people who have little or no knowledge of the technical nature of the aviation industry."

The lingering dispute centers on the FAA's repeated refusal to require that jet-powered aircraft be equipped with "ground proximity warning systems." While saying officially that it "has not yet determined that such a warning system or device is needed or, if it is needed, how it should be designed," the FAA has already certified such a device for McDonnell-Douglas planes sold for use in Europe, Africa and New Zealand.

**AIRLINE** risk managers apparently are aware of the controversy, but aren't in a position to get involved.

"I don't think you'll find one risk manager for an airline who has any control over loss prevention in the flight area," said Waller Smith, risk manager for United Air Lines. "It's a highly technical field, and we have to leave it to the flight boys. But believe me, if the insurance pools did know of a device that could prevent crashes, they'd be ramming it down our throats."

Mr. Smith said United's flight safety experts "are convinced that these (ground proximity) warning devices are not effective, not trustworthy and might even create more confusion rather than do some real good.

"In short," he said, "they don't think it can do the job."

**IN ITS** last official statement on the dispute, the safety board described the controversial system as a "warning back-up device for low-altitude approach and landing operations that would preclude inadvertent descent into rising terrain (hills, mountains), closure with the ground at inadvertent and unwanted descent rates and such things as arriving at 500 feet above the ground level with (landing) gear up, or inadvertent descent below barometric minimum descent altitude or decision height." In addition, the statement said, the system would warn pilots of "coming dangerously close to the ground for having grossly misread the altimeters."

The FAA's last official statement said it "has taken the position at present that present instrumentation and procedures provide for safe and adequate terrain clearance, as long as proper flight crew discipline is maintained and appropriate flight operation procedures followed."

"That's ridiculous," one safety board source said in reference to the FAA stand. "The FAA must be aware that you cannot legislate attentiveness and alertness," he said, citing the board's most recent accident investigation report showing that the Dec. 8, 1972, crash of a United Air Lines B-737 in Chicago was "triggered" by "the captain's failure to exercise positive flight management." Sixty persons were killed as a result of that crash.

**ONE** somewhat unusual element in the dispute is the fact that the FAA, back in February of 1967, proposed a new requirement for a ground proximity warning system, but later amended the proposal in August,

1968, so that what was required was not a ground proximity warning system, but an "altitude alerting system" to warn the flight deck crew of deviations from pre-set, assigned cruise or flight levels. Such a device, experts say, would not automatically take into account the aircraft's relation to terrain.

**AN** NTSB intra-agency study acquired by *Business Insurance* says, "The need for an altitude warning device was predicated (by the FAA) on the prevention of unilateral descent below minimum safe altitudes, especially in the descent/approach phase.

"The intent of its use was," the document claims, "only secondary as a device to alert against deviations from assigned cruise or flight levels."

"When the FAA originally gave notice of a proposed rule-making to require the device, it cited a number of approach and landing accidents," a safety board source said. "Among the comments that came back to the FAA was the safety board's, which not only said 'yes,' but 'hell, yes.' We even added some more justification in the way of citing other crashes that might have been avoided.

"Then, the whole purpose of the thing started screwing off into an entirely different direction, and what we wound up with was a great device to assure you would not break an assigned altitude, but a device that had absolutely nothing whatsoever to do with the problem we were trying to solve—terrain proximity."

**THE RULE**, as finally implemented by the FAA, was amended due to "pressures and complaints from the aircraft industry that the equipment was not available," he said.

The FAA in October, 1970, justified a six-month extension of the deadline for equipping aircraft with devices for altitude

Continued on page 35

## 'Catastrophe' illness aid bill introduced

WASHINGTON—A national health care bill which would limit private expenditures for medical care in cases of serious illness to \$2,000 and the first 60 days of hospitalization has been introduced in the Senate by Abraham Ribicoff (D-Ct.) and Russell Long (D-La.), chairman of the Senate finance committee.

In addition, the bill would also make available a "certified private insurance policy at a reasonable price" to cover the first \$2,000 and 60 days of costs. Low-income persons would have all their medical costs covered by a "medical assistance plan" administered by the Social Security Administration. The program

would replace state Medicaid programs and freeze state costs for medical care at present levels.

The bill empowers the Department of Health, Education and Welfare to certify private policies, providing the minimum coverage is outlined at a "reasonable" price, Sen. Long said, to reflect a 75-cent benefit payout for each premium dollar collected and, by present estimates, might cost \$40-\$50 per month for an individual.

"Any carrier who refuses to carry a certified plan will lose its certification to act as an intermediary in the processing of Medicare and Medicaid policies," Sen. Ribicoff said.

**BOTH** legislators said they expect health insurers to view the bill's conditions as "unreasonable."

"We fully expect that the industry will come back with some proposals of its own which it considers fair," Sen. Long said.

The bill is called the "Catastrophic Health Insurance and Medical Assistance Reform Act of 1973" and was submitted by the two senators as an alternative to the \$80 billion program being pushed by Sen. Edward Kennedy (D-Ma.).

The bill will provide medical protection to all persons covered under Social Security (95%), their spouses and dependents and to all Social Security beneficiaries. The bill provides benefits beyond \$2,000 and hospitalization beyond the 61st day. Benefits will be payable as under Medicare, which

calls for a coinsurance payment of 20% on medical bills and \$17.50 per day for hospital coverage. These coinsurance payments would be limited to a maximum \$1,000, at which point no further coinsurance would be charged.

**THE TYPES** of services covered under the program would be similar to those currently covered under Medicare.

The cost of the program, they estimate, will be \$3.6 billion each year, borne by the Social Security system through 3% contributions from both employers and employees.

The low-income program, they say, will cost \$5.3 billion above present Medicaid expenditures. It will be funded from state and federal government revenues. ■

## SAFETY/SECURITY REPORT

**T**HE SPECIAL Safety and Security section of this issue of *Business Insurance* (pp. 35 to 87) features current problems—and solutions—in loss prevention, an in-depth look at OSHA today, as well as a view to what future challenges will confront the corporate risk manager and safety and security professionals. Among the section's special reports:

- Consumer Product Safety Commission: Debate over insurers' role in product data disclosure grows more heated (p. 36).
- Nuclear reactors: Are safety measures lagging behind an accelerating technology, or are they adequate to the problem? And how does insurance fit into the scene (pp. 44-45)?
- Computers: Expect more Equity Fundings as a new breed of white collar criminal emerges (p. 60).
- The Occupational Safety and Health Act: A special Perspective section (pp. 71-72).

## Pension reforms hit

WASHINGTON—In a late development last week, the Nixon Administration characterized the pension reform bills now being considered by Congress as "too expensive and too onerous" and containing "literally hundreds of errors."

The Administration made its views known during consideration of pension legislation by the House ways and means committee (related story on page 25). Fredrick W. Hickman, an assistant Treasury secretary, told the committee the Administration questions the tax, funding, termination insurance, portability and vesting provisions of present legislation and said they would prompt "wholesale termination" of pension plans.

House Speaker Carl Albert said he was not surprised by the Administration's stand and said he hopes pension legislation is passed soon.

## Landlord to absorb ITT blast damage

NEW YORK—The estimated \$80,000 to \$100,000 damage from a dynamite bomb blast September 28 at the International Telephone and Telegraph Corp. Americas Building will be absorbed by ITT's landlord, William Kaufman & Co., the real estate firm which owns the 41-story structure.

The 2:44 a.m. explosion ripped through six offices on the ninth floor of the building at 437 Madison Ave., just around the corner from ITT World Headquarters at 320 Park Ave. ITT leases the second through tenth floors of the building as its Pan American Center.

"The loss has nothing to do with ITT, because it is only a tenant in the office building," a spokesman for the conglomerate said last week.

**THOMAS BAXTER**, building manager at Kaufman, said insurance coverage for the building is handled by Bernard Rubin & Co., a division of J. S. Frelinghuysen Corp.

No one was injured in the early morning explosion—believed to be the work of militant Weathermen—but the northside windows were blown out in addition to some structural damage to the building. Inside, lighting fixtures, plaster and tiles were torn from the walls and ceiling, and furniture and filing cabinets were overturned.

An explosion at another division of ITT in Rome the same night did only minimal damage, an insurance source said.

Intercontinentale SpA, one of seven casualty insurance companies in Europe owned by ITT and managed by its Hartford Insurance Group division, is self-insured for the minor loss.

## Newark's Commercial Insurance loser in jury award for plane crash

CHARLOTTE AMALIE, VIRGIN ISLANDS—The Commercial Insurance Co. of Newark was the loser in a \$1.9 million jury award here late last month.

The case involved a fatal air crash five years ago.

**A SPOKESMAN** for Commercial, one of the Continental Insurance Cos. and a member of American International Underwriters, indicated the policy covering the Conquest Airlines twin-engine Beechcraft which crashed was written "through American International Underwriters."

An attorney for AIU told *Business Insurance* he thought the wrong law had been applied in the case and said the firm was definitely appealing the decision as rendered.

**THE \$1.9 million** was awarded by a jury in U.S. district court here as the result of a civil suit filed by relatives of some of the

seven persons killed when the Conquest plane smashed into a hilltop home near Harry Truman International Airport. The crash occurred immediately after the small aircraft took off from the airport in December, 1968.

Three of the accident's fatalities were passengers in the plane while the other four were in the home of Luther Benjamin, a building contractor. The court action was brought by the family of Luther Benjamin.

## Jobless fund cut is set

MADISON—The Wisconsin department of industry, labor and human relations announced a cut in the "solvency" tax which employers will pay next year to support the state unemployment compensation program.

Employers will pay about 60% of the amount to be collected this year, the department said. It will be the third year in succession that the tax has been imposed on Wisconsin employers.

The solvency account, according to state law, must contain a specified percentage of the gross wages paid by all employers in the state.

Based on 1972 wages, the account should have contained \$39.3 million as of July 30. But it had only \$26.5 million, the department noted in reporting its figures.

**THE 1974 solvency tax rate** will be three-tenths of 1% of the first \$4,200 of each worker's wages. It was six-tenths of 1% this year and three-tenths of 1% last year.

There had been a period of several years prior to 1972 when

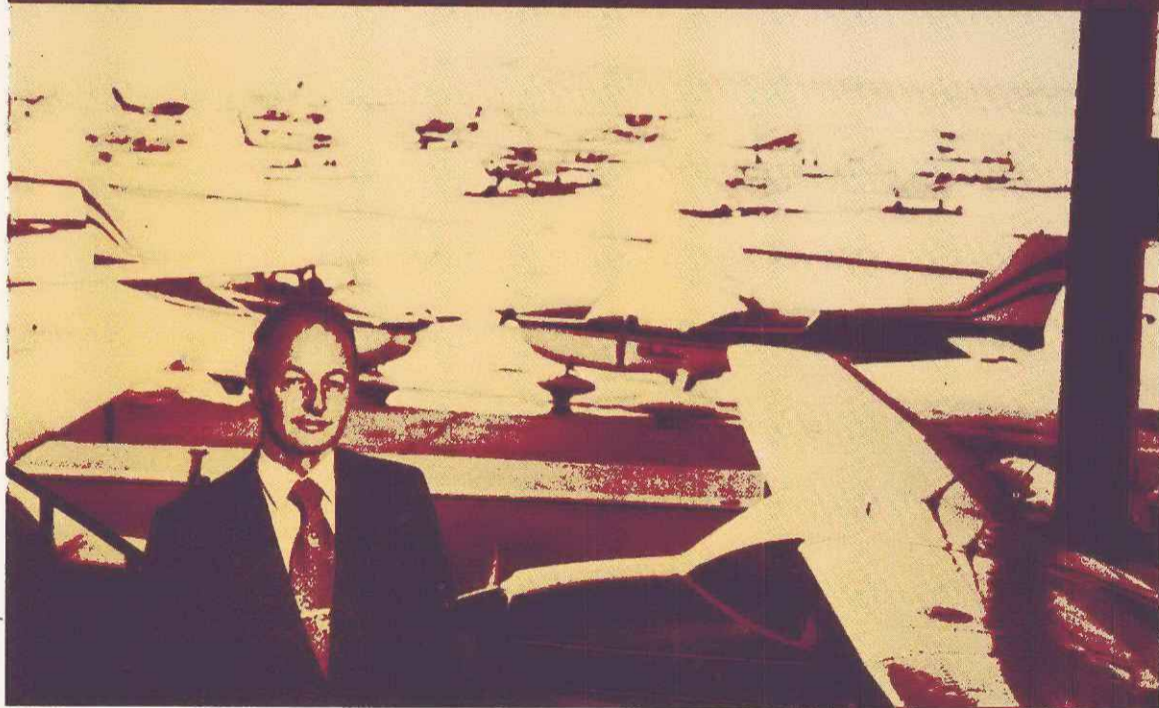
the tax was not needed. Employers whose benefit payments exceed their contributions to the unemployment compensation program must pay the solvency tax. Otherwise, they are not required to pay it, a department spokesman explained.

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# Wilson raises white collar crime to level of an art

By TOM WALSH

WASHINGTON—Philip N. Wilson is a man who is proud of what he is:

A crook.  
Mr. Wilson is a swindler of grand proportions, a resident of a federal prison and a self-taught expert on white collar crime. He appeared here recently under the protection of limited immunity to testify during the Senate's permanent subcommittee on investigations hearings on crime syndicate involvement in securities theft.

A few of his credentials (as initially reported by *Business Insurance* in the spring of 1969):

First, there was his Trans-Continental Insurance Co. Ltd., a Nassau, Bahamas, based captive. The insurer's balance sheet once showed assets of almost \$300 million. That balance sheet later proved to be phoney. So, by the way, did the assets. So, as you might have guessed, did the company.

That little scheme cost the businessmen worldwide who had paid advance fees and sold worthless reinsurance an estimated \$150 million.

Then, there was the Bank of Sark on the Guernsey Islands off the coast of France. Between 1968 and 1971, it issued around 1,000 phoney international cashier's drafts, bank checks, letters of credit and bank guarantees with an estimated face value of \$50 million. It claimed assets of more than \$72 million, but, when postal inspectors finally moved in, they found a third-floor rented office staffed by a single 17-year-old former barmaid.

**THAT LITTLE** scheme cost banks, insurance companies, mortgage and bond companies and private businessmen, he estimates, \$5 million.

"From 1964 to 1972, I was involved in at least 150 paper frauds using offshore insurance companies, offshore banks, offshore mortgage companies, offshore CPAs and also domestic banks, insurance companies, mortgage companies and public accountants," he proudly told the Senate subcommittee. My practices in the field of fraud have extended from St. Louis, Mo., to the capitol of Mongolia, to the reaches of Moscow, to Buenos Aires, Argentina, Panama, Australia and even to the far reaches of East Africa."

After stating his list of dubious credentials, Mr. Wilson went on to charge the Ford Motor Co. and the Allied Chemical Co. with illegally overpaying insurance premiums to Bermuda captives. The excess funds, he said, are transferred into tax-free accounts and later made available to visiting executives.

## Mail pitch halt ordered

MADISON—The state insurance commissioner's office has ordered All-American Life and Casualty Co., Chicago, to stop selling mail order policies labeled "for union members only" in Wisconsin.

Commissioner Stanley C. Du Rose Jr. said the practice violated Wisconsin's insurance laws because the policies were not in fact restricted to union members.

Walter Cole, an attorney for the commission, said All-American also failed to specify what kind of policies it was selling and the benefits and exemptions. ■

Ford's reactions to the charges ranged from "creative but completely wrong" to "ridiculous and absurd." Allied said about the same thing.

Recounting his experiences as an international swindler, Mr. Wilson—appearing rather thrilled to have a chance to tell of his adventures—named names, dates and places and said the information and documentation he has provided the federal government "will bring law enforcement and passage of legislation in white collar crime—such as insurance, bank, mortgage and securities manipulations—many years ahead of what it is today.

"It is my opinion that the use of fraudulent financial statements in the perpetration of white collar fraud, domestically and internationally, is one of the

most important factors in the making of money in this type of business," he said.

**AS AN EXAMPLE**, Mr. Wilson told the Senate subcommittee how he managed to write sizeable amounts of insurance on assets consisting of stolen securities.

"One example of where stolen securities were used in a small insurance company balance sheet was the Bankers Security Mutual Insurance Co. of Kansas City, Mo.," he said. "In 1966, I came into possession of approximately \$400,000 of stolen securities, stolen in a bank burglary somewhere in rural Missouri. The individuals who had done the bank burglary were friends of mine and didn't know how to dispose of the stolen securities. Therefore, they asked me if I had

a place where I could use them."

The stolen securities consisted of U.S. Government Series E bonds, and Budweiser, Emerson Electric, RCA and other blue-chip stocks. After arranging for a phoney financial statement to be drawn up, Mr. Wilson went into the insurance business.

"(I) proceeded to write insurance business in Missouri, New York, Illinois, Michigan, Arizona and California in excess of \$500,000," he said. "I was also able to write reinsurance for several Lloyd's brokers with the Bankers Security Mutual Insurance Co."

**WHEN HE** quit writing insurance in 1967, a "fellow in Chicago named Sonny" took the securities and gave them to a Los Angeles group who were later arrested after passing them along to un-

dercover government agents. The securities were confiscated, and Mr. Wilson was never implicated in their handling.

Mr. Wilson estimates there are 10,000 persons worldwide operating in white collar fraud as an organized criminal activity, 2,500 of them in the United States.

"Basically," he said, "the perpetration of this type of white collar crime, internationally, stems from the fact that the business community has difficulty in verifying and authenticating the assets listed in financial statements.

"As far as the insurance industry is concerned in this country," he said, "I would recommend that legislation be considered similar to that in the banking field but with the authority to actually verify assets listed by insurance companies." ■

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# Fire insurer's bedroom source of casino blaze

LAS VEGAS—A fire causing a minimum of \$100,000 to plush Caesars Palace Hotel was started by a cigarette in bed in the posh suite registered to the Great American Insurance Co., a Los Angeles-based firm which recently insured Caesars Palace.

One person was injured and 400 persons were evacuated, including the Osmond Brothers singing group, when the fire broke out in the insurance men's bedroom about 3:30 a.m. last month.

The fire on the seventh floor of the north tower of the hotel caused an estimated \$125,000 damager, a hotel spokesman said.

The blaze was confined to the suite, which was gutted but,

about 100 rooms were damaged by smoke. People were evacuated from 210 rooms.

The Osmond Brothers who opened in the main showroom Thursday night were staying in rooms two floors above the fire on the north tower of the multimillion dollar gambling resort. Along with other guests, they were evacuated down an inside concrete fire escape.

**THE BLAZE** broke out about 90 minutes after the closing act of singer Tom Jones. Jones was staying in a private residence away from the hotel during his engagement.

Police said the hospitality suite, was rented by the Great

American Insurance Co. during a convention being hosted by Caesars Palace.

Eleven units of the Clark County Fire Department responded. Firemen said about 25 men were involved in combating the blaze.

A hotel spokesman said the 220-room tower was completely filled at the time of the blaze. Several people on the floor where the fire broke out, crawled out windows on to a ledge surrounding the building.

One bedroom of the two-bedroom suite was destroyed. William J. Bragg, marketing vp for the Great American Insurance Company, was asleep in the other bedroom of the suite.

He said he heard glass breaking which woke him up. "I thought the whole floor was on fire," he said. He climbed out on to the ledge and watched for the firemen.

"The irony of it all," Bragg said, "is we insure this place." ■

# ASIM issues word on health care plans

NEW YORK—While not exactly taking a stand on the issue, the American Society of Insurance Management Inc. late last month put forth a resolution on health care which recognizes that "no one should be subject to the risk of financial bankruptcy when struck by a catastrophic illness."

The resolution on the various bills now before Congress on health care and health insurance was approved by ASIM's board of directors and sent to members of Congress and the Secretary of Health, Education and Welfare.

ASIM said it would support a national health insurance program which included four provisions:

- "A need to define minimum

level of health care benefits;

- "An objective analysis of increasing health care costs;

- "A clear definition of the role of government, both state and federal, and the role of the private sector in setting policy guidelines;

- "That any national or state health care program consider all existing health plans and whenever possible integrate these plans."

Regarding the first point, the resolution states that personal financial involvement by the recipient of benefits, excluding poverty cases, should be fundamental in any national health insurance program.

**ASIM ALSO** recognizes the need for increases in health care manpower as well as "a need for increased emphasis on preventive medicine and on out-patient, mini-surgery centers and convalescent services wherever possible as a reasonable alternative to in-patient care."

Local involvement and control should be emphasized when improving the health care delivery system, according to the resolution. And all those existing plans mentioned in point four include employer-employee benefits agreements, workmen's compensation, private personal insurance and no-fault automobile insurance benefits.

"The resolution contains general guidelines for thought," said Berry L. Griffin Jr., risk manager at Hughes Aircraft and ASIM's vp-public affairs. "It is a guide as to what we think a national health proposal should include. It is not really an official stand."

"As we move closer to legislative debate on national health insurance, ASIM will have to say it backs X bill," Mr. Griffin continued, adding none of the current bills was "real close" to what the society would like to see. "However, we're not that far from what the Health Insurance Assn. of America proposes."

**HE FELT** the ASIM position would become more concrete when debate on the various bills was going strong, "sometime in 1974."

Between now and then, Mr. Griffin indicated the health insurance industry, labor, management and the medical groups should get together "and hammer out" the details as to what this country can afford for the health care of its citizens. ■

## Court eyes Blues suit

HELENA—The Montana supreme court last month took under advisement a challenge to the status of Blue Cross of Montana as a health-service organization.

Such status, among other things, prevents punitive damages from being assessed against Blue Cross in lawsuits regarding the payment of doctor or hospital bills.

An attorney for the health service and a lawyer for competitor Montana Physicians' Service argued removal of health service status would threaten the continued existence of the services that, between them, claim about one out of every five Montanans as subscribers. ■

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# One-and-a-half cheers for OSHA.

If that sounds like a reserved hurrah, you're right. And if you run a business, you've probably already discovered the Occupational Safety and Health Act is no substitute for conscientious "do-it-yourself" safety.

OSHA compliance will get you someplace—but not far enough. There's a lot more to occupational safety than providing a safe work environment. Other things that deserve attention—and correction—are inadequate safety training, supervisory failure, lack of management control and similar factors that are the real reasons for a high percentage of job-related accidents.

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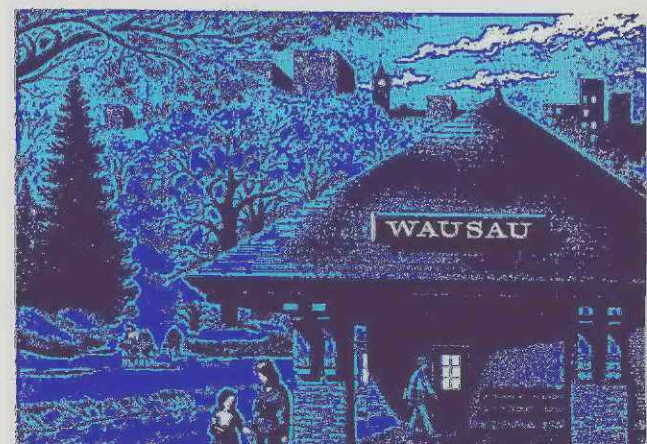
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## Chicago ASIM plans seminars on cash flow

CHICAGO—The Chicago chapter of the American Society of Insurance Management will sponsor a two-day seminar and workshop program billed "Risk Management as a Profit Center" Nov. 15-16 in the grand ballroom of the Playboy Towers Hotel here.

Given by risk managers and others in the field, the sessions are being aimed primarily at other corporate managers and executives the risk manager must deal with within his own company on a day-to-day basis.

Speakers on the program include three insurance commissioners—J. Richard Barnes of Colorado, Stanley C. DuRose of Wisconsin and Fred A. Mauck of

Illinois. Also, Philip H. Corboy, president of the Chicago Bar Assn.; Michael Krikorian, national president of the American Society of Safety Engineers and corporate manager of safety at Brunswick Corp.; Marshall W. Reavis, university professor of business administration, Governor's State University, Park Forest South, Ill.; William H. Griswald, assistant vp of loss control, Corroon & Black Corp. of Illinois; and Chester W. Schirmer, president of Schirmer Engineering, Niles, Ill.

ALSO, E. W. Alstaetter, director of risk management, Rockwell International; Davis H. Roenisch, director, A. S. Hansen Inc.; Warren G. Brockmeier, director of risk management services, The Wyatt Co.; Robert P. Bale, assistant treasurer, Brunswick Corp.; Donald L. Stehr, director of insurance, Joseph P. Schlitz Brewing Co.; and Gary K. Cubbison, insurance manager, Square D Co.

Registration, for which there is a \$40 fee, may be reserved by check made out to ASIM Chicago Chapter and sent to Ann Auerbach, Goldblatt Bros. Inc., 333 S. State Street, Chicago, Ill. 60604. Registration includes a luncheon and cocktail party, as well as seminar materials.

## Oregon has premium cut from no-fault

PORTLAND—Lester Rawls, Oregon insurance commissioner, announced recently the first major auto insurance rate reductions since the state's limited no-fault insurance became law in January 1972.

The reductions are for bodily injury liability coverage, mandatory under the state's financial responsibility law.

Commissioner Rawls said the bulk of the auto insurance companies doing business in Oregon have reduced their liability rates by 10.6% or more within the past 30 days.

The 10.6% rate cut is the figure recommended by the Insurance Service Organization. This is the industry's actuarial body which gathers cost figures from companies and suggests rates based on their composite experience.

HE SAID nine companies cut rates by differing amounts from the 10.6% figure.

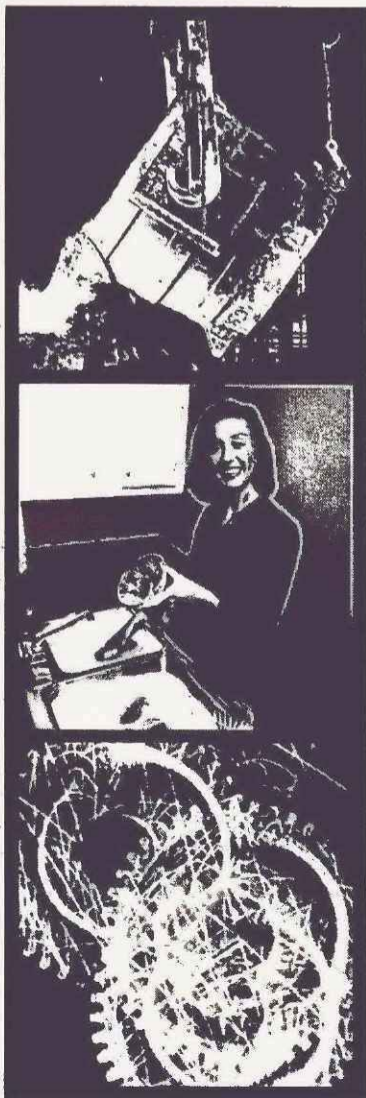
North Pacific Insurance Co. trimmed rates by eight to 15%, depending on the area, and SAFECO cut back rates eight to 11%, also depending on territory.

Other reductions, all across the board, included: Travelers Insurance, 10%; Travelers Insurance Economy program, 15%; Fireman's Fund, 11.5%; Associated Indemnity (of Fireman's Fund), 15%; American Automobile (of Fireman's Fund), 20%; Unigard, eight to 15%; and Continental, 20%.

However, several of the state's major carriers did not subscribe to the ISO recommendation, including State Farm Insurance, Farmers Insurance, Allstate and Nationwide Insurance.

Mr. Rawls attributed the reductions to a decline in the number of accidents and to the filing of fewer bodily injury lawsuits because of prompt payment of claims under the "no-fault" system.

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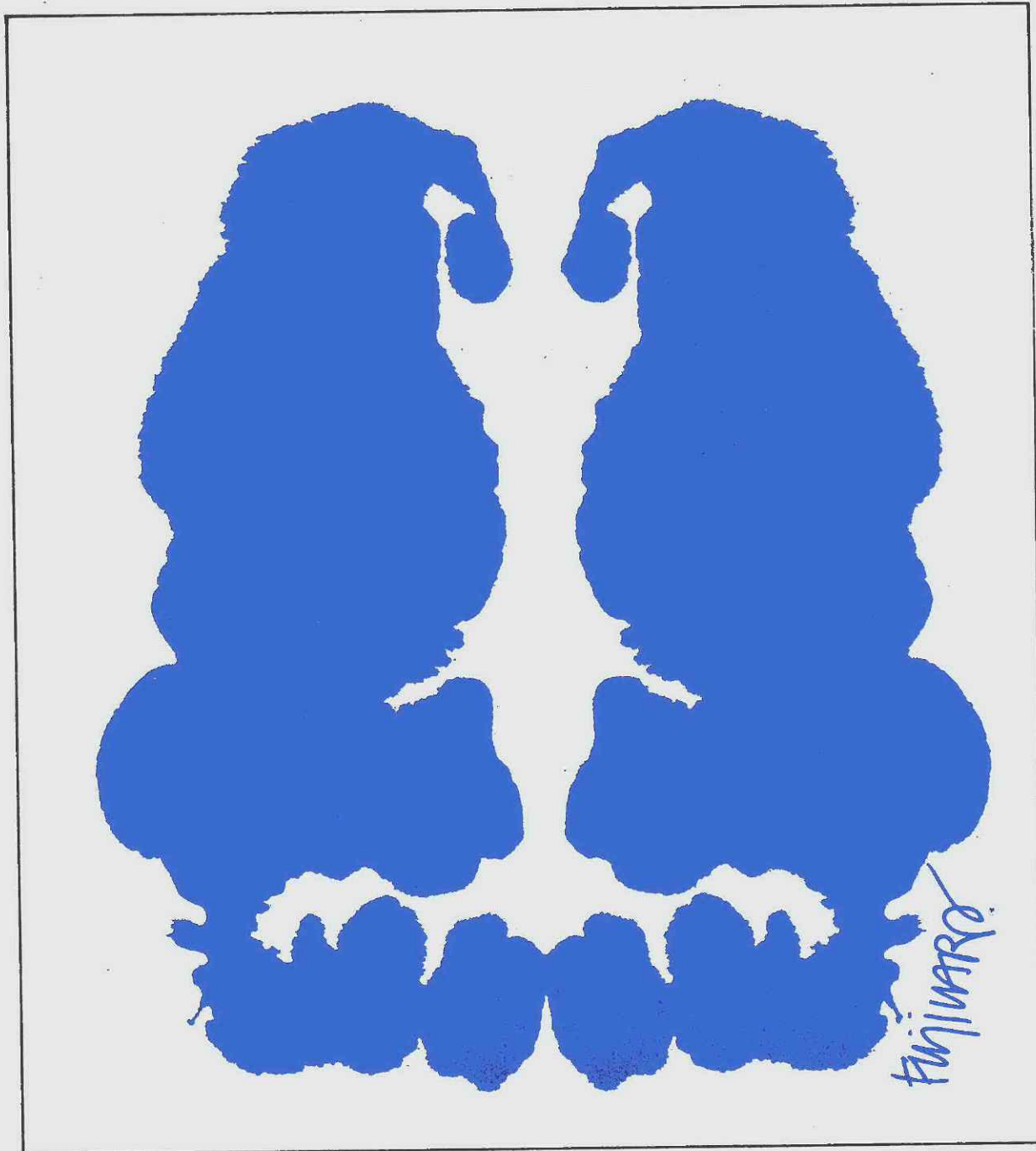
All told, we insured over 60 pieces of equipment of various types including cranes, hot metal cars, slag cars, bulldozers, air dump cars and locomotives. Each and every insurable situation had to be accurately evaluated. New equipment needed proper coverage. The replacement cost of older equipment had to be considered. No item could be overlooked. An Atlantic policy was the answer.

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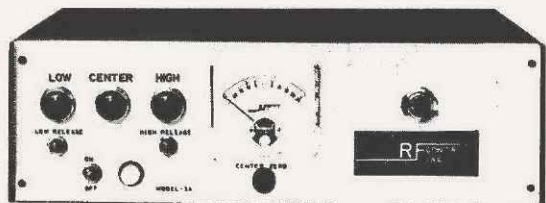
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## Life companies prepare to finance HMO plans

CHICAGO—At least 10 major life insurance companies "are in the process of launching, or getting ready to launch" health maintenance organizations (HMO's).

This revelation came at the 84th annual meeting of the National Assn. of Life Underwriters held here last month. The group, acting as a convention, backed a measure supporting an increase in this type of health care delivery facility as prepaid group health plans.

Howard E. Nevenen, chairman of the NALU's health committee, said, "they (the companies) are doing it with their own funds" and predicted "more insurance companies will be developing HMO's."

With or without government aid, the NALU should support more HMO's, Mr. Nevenen said. "Life insurance companies have lent more than \$50 million to HMOs," he revealed.

"WITHIN certain limitations," he continued, "HMOs could provide maximum health care for the dollar spent. We're concerned about providing maximum health care for the individual regardless of whether insurance is involved."

In the legislative hoppers, the Bureson-McIntyre health care bill in the House of Representatives has apparently garnered the support of the NALU group, according to general counsel Vernon L. Evans, a Washington attorney.

Speaking for the group, Mr. Evans said, "the Bureson-McIntyre bill would establish the best possible system for providing health care for all Americans."

Under the propositions outlined in the bill, the health insurance industry would administer the voluntary health programs, working with the federal government.

THOSE covered under the program would pay the insurance premium for the coverage, but the government would pay the premium cost for the poor.

Also under the bill, the cost of educating doctors, nurses, and other professionals would be "forgiven" over a three-year period if they agree to work in inner city areas and ghettos.

In a report on the current status of HMOs, the NALU health committee reported, "This one-stop health care, in the form of prepaid group health plans, has become an increasingly popular form for coping with present and potential illness."

## Washington 'high-risk' rates drop

SEATTLE—The Washington state insurance commissioner's office said recently a review of companies insuring high risk drivers in the state has resulted in about a dozen companies dropping their rates.

A spokesman for Karl V. Herrmann, state insurance commissioner, said most of the companies "made money in the past two years. They could afford to reduce their rates."

In April, Mr. Herrmann's office began reviewing the 1972 financial statements of all companies licensed to insure Washington residents.

SEVEN companies insuring standard drivers were ordered to reduce their rates when it was found the firms were retaining more money in profits than they paid out in claims.

Nine high-risk companies reduced their rates voluntarily after a July survey showed they had a 50% profit margin, spokesman and chief rate analyst Vincent Bammert said.

About five to 10% of the state's drivers are lumped in the "high-risk" category, the commissioner's office reported. Before the reduction high risk rated drivers had been paying rates at least twice as high as drivers rated normal risks.

# business insurance employee benefits

## Special Issue December 3, 1973

On December 3, the editors of Business Insurance will present their annual review of the trends and developments in employe benefits for the nearly 58,000 corporate risk management executives who are responsible for the benefits of over 43 million workers.

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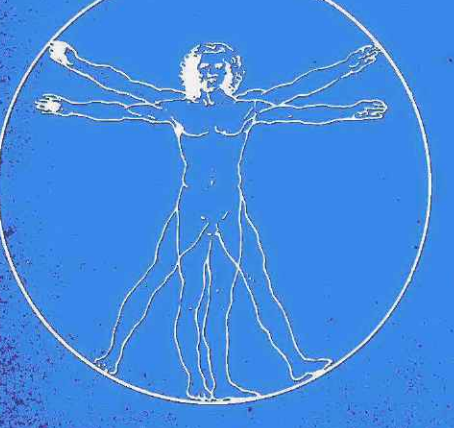
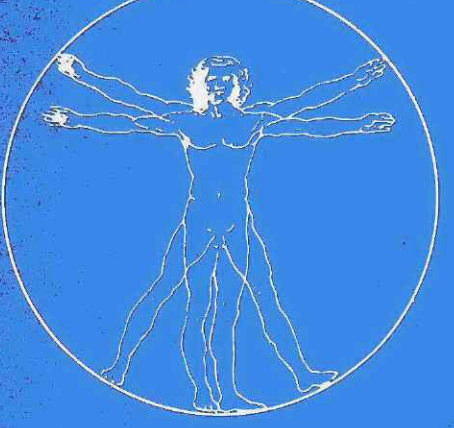
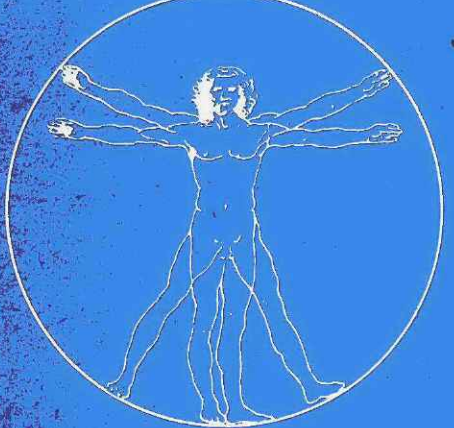
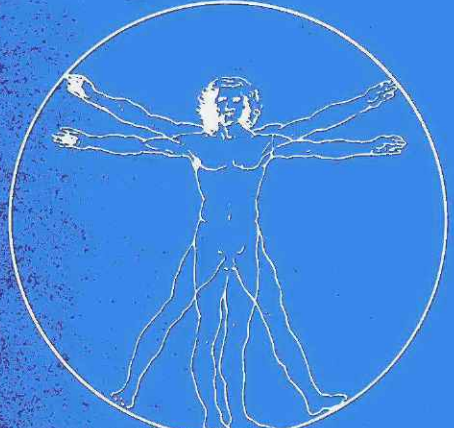
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\*For more information ask your Business Insurance representative for a copy of "An Audience Profile of the Business Insurance Reader."



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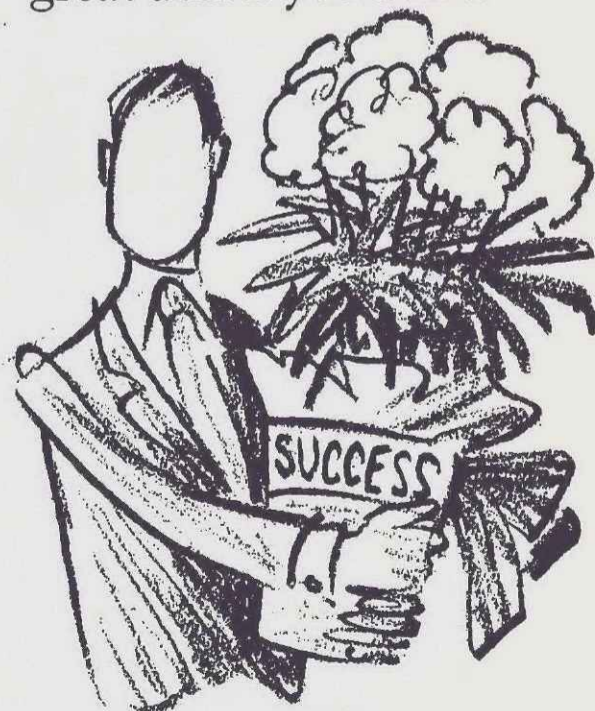
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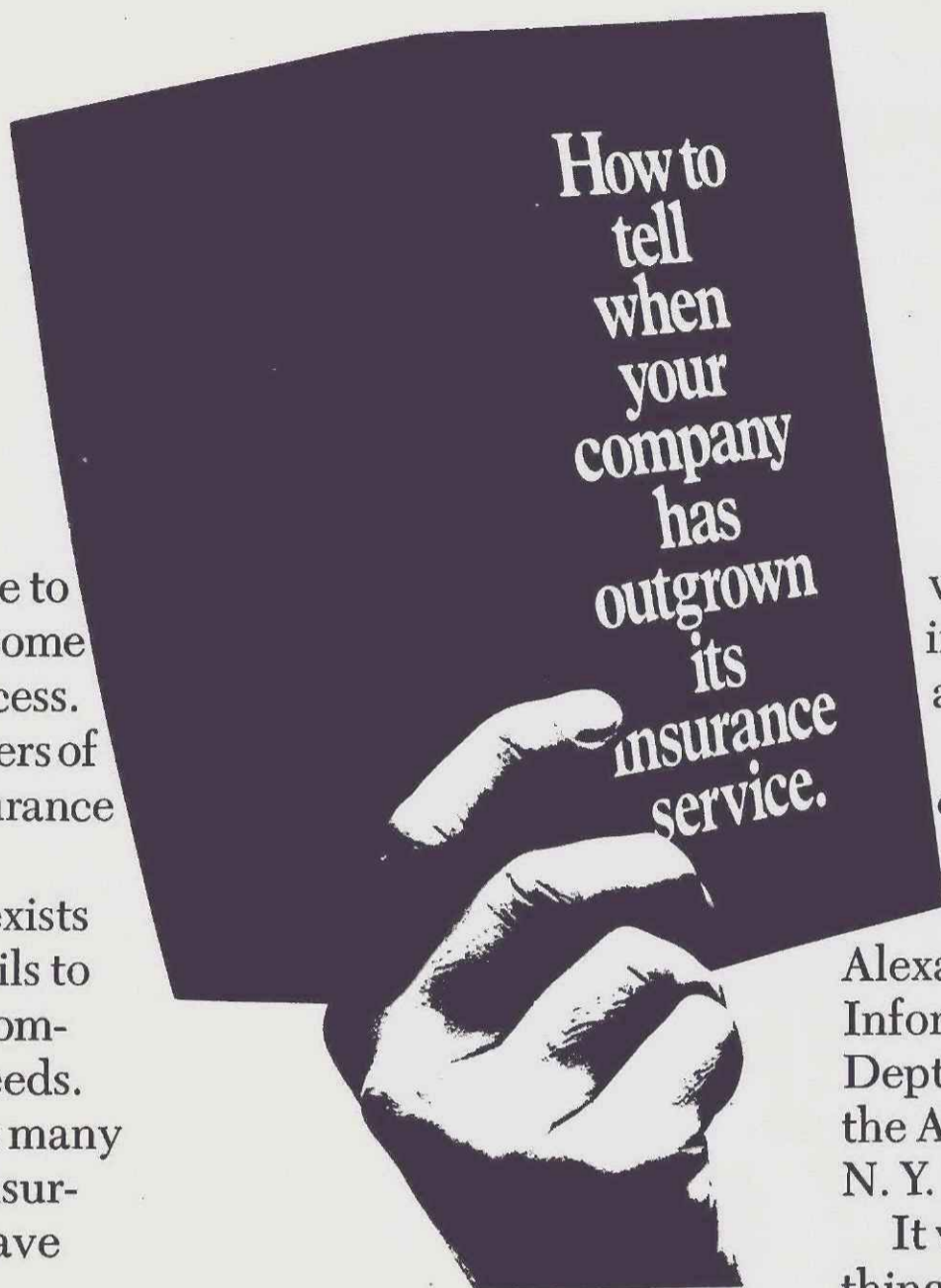
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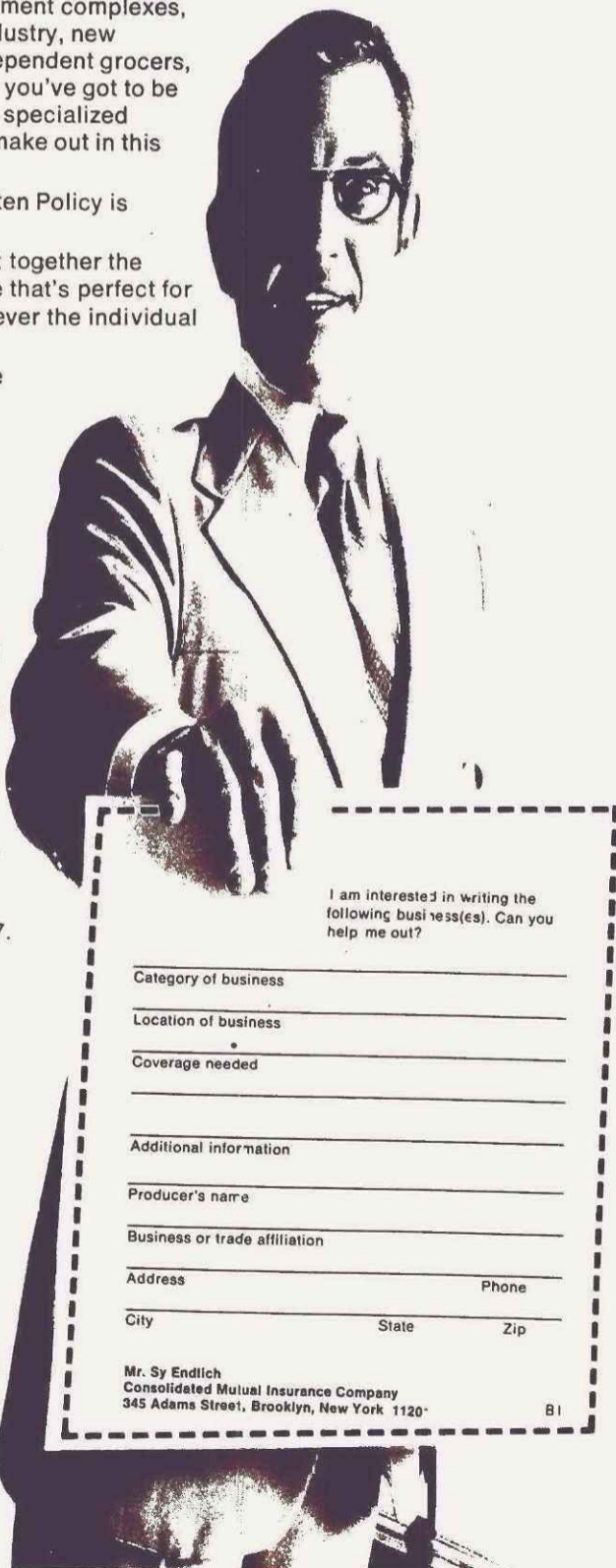
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## info for buyers

To receive literature listed in Info for Buyers write directly to the name and address accompanying each item, mentioning that you saw the offering in *Business Insurance*. Readers are welcome to submit items for possible inclusion in the column. A sample of your literature should be sent to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Il. 60611.

• **In Boiler & Machinery Insurance, it's the Whimper, not the Bang that'll Cost You** is the title and subject of American International Underwriters' new brochure. It is available to agents, brokers and risk managers by writing to Dept. 12, AIU, 102 Maiden Lane, New York, N.Y. 10005.

• **Self Insurance and Captive Subsidiary Concepts**, a book by Robert J. McRell, covers the general progression of insurance from the fully insured programs to the self-insurance concept and the final step, the captive insurance company theory. The price of the book is \$7.95 and is available from Self Retention Programmers, Inc., 108 E. George St., Milford, Pa. 18337.

• The Journal of Commerce has made available a reprint of **Risk Management Methodology**, a special report edited by Dr. Tom Allen, vp of Armistead Miller Wallace Inc., a Synercon subsidiary. This is the first of a series of pamphlets advocating novel approaches for ideas in the risk management field. For a free copy write William E. Booth CPCU, 301 Plus Park Blvd., P.O. Box 1060, Nashville, Tn. 37202.

• Safety Talks Co. has designed a series of weekly presentations written for foreman presentation to his or her workers. A sample of a 10-minute **Safety Talk** is available free by writing Safety Talks Co., 12472 Glenbush Dr., Hazelwood, Mo., 63043.

• **Directors and Officers Liability** is a new brochure available from Stewart, Smith Management Corp. The purpose of the brochure is to give some insight into the legal exposures of directors and officers and illustrate how properly designed d&o can protect them. The brochure is available free from the company, 116 John St., New York, N. Y. 10038.

• **MOAC Today**, a booklet published by Marine Office—Appleton & Cox Corp., describes the national and international marine insurance facilities available to insurance buyers. The booklet also incorporates a review of the company's 1971 activities and results. For a copy write John Potts, Appleton & Cox-Marine Office, 80 Maiden Lane, New York, N.Y. 10038.

• **Ready . . . or not?** is a 14-minute color film from Employers Insurance of Wausau which aims at readying individuals to be prepared should they be the first to arrive on the scene of a serious accident. The film may be obtained free by writing Roger Drayna, Employers Insurance of Wausau, 2000 Westwood Drive, Wausau, Wi. 54401.

• Market Facilities Management Services has made available **New Concept in Self-Funding Employee Benefits**, a description of new techniques and services offered to the buyer seeking self-funding accident and health programs. For a free copy write

Alan Cooper, Market Facilities Management Services, 3425 Wilshire Blvd., Suite 1600, Los Angeles, Ca. 90010.

• **Flexibility in Compensation and Benefits** is the text of an address delivered before the American Pension Conference by Thomas H. Paine, partner, Hewitt Associates. In addition to the text, the material offered also includes recorded excerpts from the question and answer period. A copy may be obtained by writing Al Schlachtmeyer, Hewitt Associates, 102 Wilmot Rd., Deerfield, Il. 60015.

• Star Sprinkler Corp. has released a brochure, #QES-72, describing the company's new fast-acting sprinkler. For a free copy contact the Star Sprinkler Corp., 4545 Tacony St., Philadelphia, Pa. 19124.

• The American Home & National Union has published a booklet defining over 20 types of specialized property coverages. Some of these coverages are: builders risk, contractor's equipment, depreciation insurance, utility insurance, hospital operating income insurance and data processing insurance. For a free copy write Michael Morrison, American Home Assurance Co., 102 Maiden Lane, New York, N.Y. 10005.

• **Captives: Bermuda, Colorado, Taxes and Beyond**, an article by Marianne Burge originally appearing in *Business Insurance*, discusses captive insurance companies as one alternative for risk managers. Reprints are available at \$1 a copy by writing Reprint Manager, *Business Insurance*, 708 Third Ave., New York, N.Y. 10017.

• Chemetron Corp. has published a folder, **Cardox Halon 1301 Fire Extinguisher Systems and Equipment**, which describes its new fire-fighting system. For a free copy write Chemetron Corp., 111 E. Wacker Dr., Chicago, Il., 60601.

• The 1973 edition of the **Analysis of Workmen's Compensation Laws** has been made available by the Chamber of Commerce of the United States. The 48-page analysis charts details on workmen's compensation laws in every state, District of Columbia, Guam, Puerto Rico and the Canadian provinces. Legislative changes and judicial and administrative interpretations of laws through 1972 are part of the new edition. The 1973 edition also includes a special summary of the report of the national commission of state workmen's compensation laws. Single copies of the analysis can be obtained for a \$1.50 from the Chamber, 1615 H St., N.W., Washington, D.C. 20006.

• A brochure describing **Sta-Put Wheel Chocks** has been released by Sta-Put Enterprises Inc. The booklet describes how ramp construction uses the weight of the vehicle as a lock brake. For a free copy, write M. L. Vigilante, Sta-Put Ent., 201 Willow St., Massapequa Pk., N.Y. 11762.

• Mass Insurance Consultants and Administrators Inc. has published a booklet entitled **Fundamentals of Jointly-Managed Health and Welfare Fund Operation**. The booklet describes the basics of operating a welfare fund and may be obtained by writing Allen Whiteside, vp, Mass Insurance Consultants and Administrators Inc., 209 S. La-Salle St., Chicago, Il. 60604.

• Eagle Manufacturing Co. has released a safety can catalog featuring type 1 and type 2 safety cans, safety storage cabinets, laboratory cans, faucet safety cans, disposal oily waste, safety bench, safety plunger, drip, drain and daub cans. Also featured is a discussion of preventive safety and terms of the federal OSHA law. For copies contact James Paull, Jr., Eagle Mfg. Co., 24th & Charles Sts., Wellsburg, W. V. 26070.

• The Ansul Co. has released a brochure, **Sentry Fire Extinguishers**, describing how dry chemical fire extinguishers can be used to protect against light industrial and commercial fire hazards. The brochure features photographs of actual fires and shows the correct extinguishers used to control them. For a free copy write Phil Alman, The Ansul Co., One Stanton St., Marinette, Wi. 54143.

• **Continuous Service For Property Control and Current Values** is a brochure prepared by The American Appraisal Co. which discusses a systematic method of recording property changes as they occur. The service is an adjunct to insurance and property record appraisals. For a free copy write the Public Relations Dept., American Appraisal Co., 324 Michigan St., Milwaukee, Wi. 53201.

• The Atlantic Companies have produced a companion booklet to a previous publication, **Meeting Occupational Safety & Health Act Regulations**. The new booklet, entitled **Meeting Occupational Safety & Health—Revised Record Keeping Requirements**, covers accident, illness and other records that OSHA requires an employer to keep. A summary and updated corrected copy of the OSHA record keeping law and actual examples of completed required records are parts of this free booklet. For a copy contact J. Robert Adams, Secretary—Engineering, The Atlantic Companies, Atlantic Building, 45 Wall St., New York, N.Y. 10005.

• General Adjustment Bureau has made available **Nature's Destructive Forces**, a 48-page illustrated booklet which reviews past disasters, gives safety tips, explains forecasting, storm control and monitoring and provides a glossary of weather terminology. To order a free copy contact Management Services, GAB, 123 William St., New York, N.Y. 10038.

• **Rain Rain Go Away**, a new booklet on precipitation insurance, is available from American Home Assurance Co. They can't stop it from raining (snowing, sleeting or hailing) on your parade or other outdoor event. But they can tell you how to insure against it. For a free copy write the company, Dept. 12, 102 Maiden Lane, New York, N.Y. 10038.

• Alexander & Alexander has announced that a revised edition of its brochure, **Notes on Old Age Benefits Under Social Security**, is available. It incorporates the 20% increase in benefits which became effective last September

and the increase in covered earnings to \$10,800 for 1973 and \$12,000 for subsequent years. Single copies are available by writing Consulting Actuarial Division, Alexander & Alexander, 2 N. Riverside Plaza, Chicago, Il. 60606.

• **Airkem Emergency Smoke Odor Removal Service** is a brochure describing how Airkem's service removes residual smoke odors from buildings and contents after fires. It describes the network of service outlets who perform the service as well as the types of buildings that can be effectively deodorized. For your free copy write Art Tutela, Airkem, 111 Commerce Rd., Carlstadt, N.J. 07072.

• **A Condensed Burglary Insurance Manual** put out by the Mosler Safe Company provides a brief "what the labels mean and how to identify" for fire resistive

and burglary resistive rated safes and their relative insurance classifications. For a free copy, write Robert W. Myron, Director of Advertising, Mosler Safe Company, 1561 Grand Blvd., Hamilton, Oh. 45012.

• The Aetna Life and Casualty Co. has made available a kit concerning the Occupational Safety and Health Act entitled **Obligation or Opportunity**. The kit includes an introductory booklet pertaining to OSHA in general and three individual booklets; Sources of information, Premises inspection guide, and How to avoid duplicate recording keeping on workmen's compensation. The kit may be obtained by writing William F. Madison, Commercial Lines Sales Div., Aetna Life & Casualty, 151 Farmington Ave., Hartford, Ct. 06115.

• Universal Health Care Inc. has prepared a brochure of ques-

tions and answers about self-funding group health care. For a free copy write William D. Alcott, Exec vp, Universal Health Care Inc., 18301 E. Eight Mile Rd., E. Detroit, Mi. 48201.

• **Meeting Occupational Safety & Health Act Regulations** is available from the Atlantic Cos. Prepared in cooperation with the AIA and the National Safety Council, the 7-part manual suggests specific, realistic ideas for plant safety, security and protection. For your free copy write, OSHA, The Atlantic Companies, 45 Wall St., New York, N.Y. 10005.

• Metropolitan Life Insurance Co. has released **Publications and Films on Health and Safety**, a descriptive catalog about Metropolitan's current publications and films on health and safety, the conditions under which they are available and a request blank. For

a free copy write the Health and Welfare Div., Metropolitan Life, 1 Madison Ave., New York, N.Y. 10010.

• **OSHA Data Pack**, a concise information kit published by Commercial Union Cos., is designed to familiarize agents and insureds with the problems and policies of the Occupational Safety & Health Act of 1970. The kit includes fact sheets, safety information and other related materials. For a free copy write the company, 110 Milk St., Boston, Ma. 02107.

• **Babaco: The First Name In Motor Cargo Protection**, is a full description of burglar alarm and anti-hijacking warning systems available from Babaco Alarm Systems Inc. For free copies write W.E. Blatz, Babaco, 1775 Broadway, New York, N.Y. 10019.



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# Pension losses called 'skulduggery' by workers in New York hearings

NEW YORK—The morning after the state senate approved a bill for vesting of pension benefits, officials at a state hearing here heard testimony from dozens of workers who said they had been cheated of their retirement pay by their unions or their employers.

"It's skulduggery!" a 72-year-old radar technician thundered to New York Attorney General Louis Lefkowitz, after describing how after meeting all the qualifications for retirement from the International Union of Electrical Workers, he had received a 20% cut in benefits when his former company went out of business.

Mr. Lefkowitz held the hearings to dramatize what he said

was the "shocking inadequacy of the private pension plan system and laws." He has sponsored state legislation to effectuate vesting after 15 years of service by 1974, and after 10 years of service by 1977. (*Business Insurance* Nov. 20, 1972).

The legislation, introduced to the state assembly, would extend the supervision and control by state agencies over 90% of the pension plans which are presently under no government regulation.

**IT ALSO** would impose a disclosure requirement to require all pension plan trustees to furnish copies of plans and reports to employ beneficiaries.

Assisting the attorney general

in the hearings was Daniel Polansky of the New York labor bureau. Mr. Polansky acted as interrogator, posing questions to the witnesses, many of whom gave their case histories in a highly-charged emotional tone.

Taxi drivers were among the most hard-pressed of the pension-deprived New Yorkers. Their union requires 25 years of consecutive service before any benefits will be given—regardless of age of the driver. Consequently, some men in their seventies are forced to either give up their pensions or keep driving, even though they no longer feel physically capable.

"It's all or nothing," said the wife of one driver. "My husband

is 67. He wants to retire. He's been a union member for 21 years. But there are no proportionate benefits if he quits now. They told him he has to work four more years, or he'll collect nothing. As a citizen, I feel it's not even safe for him to keep driving at his age, but what can he do?"

**A 45-YEAR-OLD** medical chemist had a different pension plight. After working for 23 consecutive years for a company with a pension plan, she left to take a better job with a firm that has no plan. When she attempted to collect her vested pension benefits from the original plan, she was informed her coverage "was caught in a grey area between two plans" and that she would get no benefits.

When she requested disclosure of the plan terms in writing, the company officials refused. They eventually attempted to make

her sign papers saying she would forfeit all right to pension benefits if she got a refund of her contributions to the plan. When she refused to sign, she was pressured, and the case has still not been settled.

Many other workers testified. Most had been steadily employed for a considerable length of time, and then lost their pension benefits completely when their jobs were terminated through no fault of their own.

Mr. Polansky and Mr. Lefkowitz said they would go ahead in trying to get the state legislation enacted even though they did not know whether the plan just approved by the Senate would have a supremacy clause overriding state law.

"We just don't know what will come out of Congress, or how long it will take," the attorney general said. "In the meantime, we want to do something to help the workers of New York to keep the pension benefits to which they are entitled."



## You can't tell a bad egg by its shell—

and it is not just with eggs that appearances are deceptive. As many companies have learned through disastrous losses, it is often the most innocent-looking employee that turns out to be the biggest thief. New and improved controls can lessen the risk, but the fact is that corporate stealing is increasing at an alarming rate. Only adequate insurance guarantees a company against critical financial loss. Our dishonesty bonds are exceptionally broad in coverage. The form, which provides money and forgery coverage, not just dishonesty coverage, is brief and clear. To provide this much needed protection we offer expert fidelity underwriters to analyze your needs, and a staff of commercial fidelity claimsmen whose sole area of responsibility is crime claims from commercial assureds. Before you are faced with a catastrophe, call a Chubb agent or broker and find out what you can do now to avoid it.



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## Motorola tries new work week

PHOENIX—An experimental three-day work week involving about 300 employees has been in effect since May at Motorola's semi-conductor division plant in Phoenix, Az.

Robert Novascone, a spokesman for Motorola, said the results of the three-day week experiment would be analyzed in October. "We want to wait until the 'halo effect' has worn off," he commented.

The new work schedule applies only to employees in the materials handling department, Mr. Novascone said. Work shifts on each of the three days lasts 11.6 hours, but the employees are paid according to the 40-hour week equivalent. The day is split into four different shifts, and once a worker's week and shift schedule have been established, change requests must proceed through traditional channels.

If the experiment is judged successful, Mr. Novascone noted, Motorola may expand the three-day work week program to other work areas.

## NAIC offers actuary study

MILWAUKEE—The final report of consulting actuaries Milliman and Robertson Inc. on the cost estimating system for no-fault automobile insurance is now available, according to the National Assn. of Insurance Commissioners office here.

The report, according to an NAIC spokesman, describes the origins of the study, groundwork, and development of the costing system, preliminary applications, and the implementation of the system.

Also included in the compendium, the spokesman said, are appendices which deal with cost per injury, injury frequency, systems cost, model input, bill review and input assumptions.

The cost of assembling a model bill to demonstrate the working of the system is also analyzed.

Detailed actuarial back-up data in the form of supplements are also being made available by writing to the NAIC at its Milwaukee office.

## Groups participate in refund from Blues

MILWAUKEE—Federal Judge Robert E. Tehan has approved a plan under which Wisconsin Blue Cross and Surgical Care Blue Shield have agreed to return more than \$2 million in alleged overcharges to subscribers of the two health insurance plans.

The agreement resolves a civil complaint which had been filed by the Justice department on behalf of the Cost of Living Council, charging Blue Cross and Blue Shield had violated Phase 1 and Phase 2 provisions of the economic stabilization program in late 1971 and early 1972.

The resolution of the dispute ended more than a year of CLC-Blues negotiations.

**THE REFUND** will be in the form of credit when contracts are renewed for the estimated 26,000 individual and family plan subscribers.

Leo Suycott, president of Associated Hospital Service Inc., operator of the Blue Cross plan, said the credit will be somewhat less than \$1,515,000 by Blue Cross and \$645,000 by Surgical Care-Blue Shield, which is operated by the Milwaukee County Medical Society.

The money amounts to less than 1% of fees collected from subscribers by the two plans, he said.

Subscribers to conversion policies—those which had been group plans and later were converted to individual plans—and nongroup

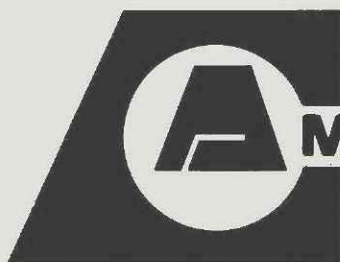
policies will receive an adjustment of less than one month's premium, according to the agreement.

Some groups subscribing to the plans will receive credit but whether or not a group qualifies depends on how much it has used medical services.

Those with heavy usage probably will not qualify, according to Norman S. Jaques, a spokesman for Blue Cross.

Credit will apply when policies are renewed to the accounts of businesses which qualify, not the accounts of individual employees.

Medicare subscribers are not affected by the agreement because their rates were not raised during the period covered by the complaint. ■



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## East Coast rehabilitation plan begun

NEW YORK—State Supreme Court Justice Hyman Korn has approved a plan to rehabilitate East Coast Insurance Co., according to the state's insurance superintendent, Benjamin R. Schenck, who has been appointed rehabilitator.

The agreement is between Superintendent Schenck, the insolvent firm, and Robert Plan, Inc., New York.

Robert Plan, in a separate agreement, has contracted with the Royal Atlas Corp., the East Coast parent corporation, to acquire about 99% of the East Coast stock.

The insolvent firm is licensed only in New York and wrote personal injury liability and property damage liability lines. In June, 1972, East Coast was placed under the jurisdiction of Superintendent Schenck for rehabilitation, following a finding of insolvency by department examiners which was effective Dec. 1, 1970.

**ROBERT PLAN** will make periodic cash contributions under the terms of the agreement and will also take a number of other steps designed to eliminate East Coast's capital impairment, which was \$754,312.50, as of Dec. 31, 1970. He is also to provide East Coast with an additional \$525,000 in working capital.

Robert Plan's final contribution is scheduled for Nov. 15, 1974. Should Robert plan default on any payment, the agreement will automatically be terminated, and Robert Plan will forfeit all contributions made up to that time into the East Coast rehabilitation, according to Superintendent Schenck. ■

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# Kennedy-Griffiths act applauded by Denenberg

CAMP HILL, PA.—Pennsylvania insurance commissioner Herbert S. Denenberg placed his vocal support behind the Kennedy-Griffiths National Health Security Act, calling it the best of the national health insurance bills now being considered by Congress.

"The Kennedy-Griffiths bill is the strongest bill, the most comprehensive bill and the bill which would force the greatest changes in our present interrelated systems of health insurance and health delivery," the outspoken insurance regulator told the Harrisburg chapter of the International Personnel Management Assn.

He listed some of the bill's provisions, such as scrapping Medicare and Medicaid as separate units, establishing national cost and quality control standards, establishing health maintenance

organizations and doing away with the private health insurance system, adding, "It would use the health insurance system to reform the health delivery system."

"The Kennedy bill is not perfect," he commented, "but its analysis of the cause, dynamics and cure of our problems is right on point."

**TURNING HIS** attention to some of the other national health insurance proposals, Mr. Denenberg spoke of the bill sponsored by the American Medical Assn. in less than complimentary terms.

"The AMA has sponsored its own proposal—called Medicare—but in reality its goal is to calm the public outcry without making any substantive change whatever," he commented. "It would make no basic changes in the

health insurance system; it adopts the money shovelling theory of insurance lock, stock and barrel." (He had earlier described the money shovelling theory as merely collecting premiums and shovelling out dollars to pay losses with no real interest in cost control.)

"And to nobody's surprise," he continued, "the AMA isn't interested in reforming the health delivery system. They think it's working pretty damn well . . . and for doctors it is."

After pointing out some of Medicare's features, like receiving federal tax credits, based on income, in return for the purchase of standardized health insurance policies, Mr. Denenberg said, "The inefficiency, waste, poor quality and spiralling costs of the present health insurance and health delivery systems

would continue unabated under Medicare."

**THE NIXON** Administration bill, now in the process of revision, was "soundly and deservedly criticized for its coverage gaps and its inequities to the poor" when it was first introduced, he said. The original bill would have excluded 34 million persons from coverage, Mr. Denenberg noted, and persons who were not working would have received lower benefits than working people. He felt it was too early to speculate as to what would be in the new bill, though it has been reported there will be a number of changes in it.

"The Health Insurance Assn. of America—the lobbying arm for private health insurers—has a proposal which tries to use tax

deductions to encourage the expansion of employer-run insurance plans," Mr. Denenberg said while examining other proposals. Not surprisingly, that plan relies heavily on private health insurance companies. The American Hospital Assn. has sponsored a similar plan of its own.

"A bill introduced by Sen. Jacob Javits would provide nationwide coverage by expanding Medicare to cover everybody, not just senior citizens," he continued.

"And finally, Sen. Russell Long, chairman of the Senate finance committee, which has jurisdiction over the matter, has sponsored one of several proposals that limit coverage to catastrophic illness."

**EARLIER** in his speech, the insurance commissioner explained national health insurance was hardly a new issue—Harry Truman had proposed it nearly 30 years ago—and during the past three years it has been a rather hot legislative topic.

The problem, according to Mr. Denenberg, is while the national health proposals have stagnated, the health situation has gotten worse. The cost of health care continues to rise dramatically and the system (or "non-system" as former HEW Secretary Elliot Richardson once called it) of health care delivery remains "fragmented, disorganized and inefficient."

"We have a health delivery system that provides vastly different qualities of health care to different economic, racial and demographic groups," he said. "The poor, the rural dwellers and the inner city resident all suffer from the effects of a two-class medical system—a medical system which rivals education and the legal system in its inequities to the poor."

"But the health delivery system isn't the only system which isn't working. The health insurance system is as fragmented, inefficient and inflationary as the health delivery system it finances."

**WHILE** 85% of all Americans under 65 have some form of health insurance, for which they spend an annual \$20 billion, much of that coverage is inadequate or uneven, he said. Health insurers and health insurance programs have contributed to the health care problem, he said, because they have been perfectly willing to pass on any increased costs to taxpayers or policyholders.

"Properly designed and administered," he said of a good national health insurance system, "it will change the way the health insurance system works, and as a result it will change the way the health delivery system works. Poorly designed, it will do neither."

He felt the "right" system would make comprehensive medical care available to all Americans and improve the quality of health care through control system. And cost controls under the system would keep costs down.

"We need a national health insurance bill which will bring reform to two health systems—the health insurance system and the health delivery system," he stated. "We need a bill which recognizes that both systems have failed to deliver and recognizes also that these failures are directly related to one another. Any approach which tries to reform the health delivery system without first reforming the health insurance system will inevitably, tragically, and expensively fail." ■



## Budding ski buff.

His name is Bill Hanley and he's the owner of Wm. C. Hanley Associates of Pittsburgh, Pennsylvania, an independent insurance agency that is one of the northeast's leading producers of general aviation insurance business.

□ That Beech Bonanza also belongs to Bill. He bought it about three years ago and logs well over 200 hours a year visiting clients on weekdays and relaxing on weekends. □ Although he's still a novice on the ski slopes, don't be surprised if he'll soon qualify as an expert. He's that type of guy.

□ When it comes to insurance, there's not much you can teach Bill Hanley. He's a pro. That's why he has his own aviation insurance with USAIG, the pros in aviation insurance. □ "USAIG is a lot more than just another insurance market", says Bill. "Their people really know their business and it shows in everything they do. If I have a problem, they usually have a solution. They really take an interest in your business. And when it comes to paying claims, nobody's any quicker. They're tops in my book."

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## Energy crisis . . .

Continued from page 18

"We are also demanding a 10% reduction in fuel use in 1974," he said.

ITT's Continental Baking Corp. might be critically hit if there were an energy depletion, Mr. Krauter said, so ITT is checking with the vendors to see what they are doing to conserve energy.

The emergency measures at Continental Baking would include immediate conversion of the natural gas ovens to coal. In the meantime, all of the other processes associated with the baking company are switching from natural gas to alternative fuels so that the gas can be saved for the ovens, he said.

"It means a \$700,000 investment for equipment, but if there is an emergency, it would pay itself off very quickly," Mr. Krauter noted. "If the emergency never comes, it becomes a payment on an insurance policy," he added.

"We began to plan in fall 1972 and fortunately we had no major interruptions that year," he said. "We created the energy advisory board in June, and hopefully we'll get funds to hire some specialists when the new budget goes into effect."

KENDALL WHITE, vp of TRW, Inc., a diversified, technology-based company, said that even though energy costs, even including water, equal only about 1% of the cost of sales, TRW has been involved over the years in energy conservation programs. "We have urged our plants to see what potential there is in such programs," he said.

Until several years ago, there was very little information on the kinds and costs of fuels," Mr. White said. "When we compiled our figures a little over a year ago, we were amazed to find that all plants (which are allowed to remain independent unless a major problem arises) had dropped coal as a fuel and only the oil-fuel plants had organized a back-up system. That left steam and electricity unprotected sources of energy."

He cited the emergency conditions which can arise when the flow of natural gas is interrupted and noted legal interruptions will be more and more frequent as the crisis grows more serious. He noted that one of TRW's plants was forced to close temporarily last year, and others may run into supply problems this winter.

"GOD WILLING, we may squeak by this year," Mr. White said.

Joseph Rorick, director of design and engineering at IBM, said his company "is not too high in energy consumption but like everyone else, we need energy to stay in business."

"Our machines are very sensitive to voltage changes, however," Mr. Rorick added.

The energy management program was founded after the summer brownouts of 1970, he noted. With 1972 came more concern and IBM decided it would like to take a continuing look at its energy problems.

In February 1973, the IBM Energy Council was announced, and along with a target 10% fuel reduction, employees have been asked to consider the availability of fuel, storage space, transportation fuel costs, utility costs, pollution, as well as evaluating old buildings and new designs," he said.

"We study all our figures in the light of our rival companies," Mr. Rorick added.

## Judge halts takeover of insurer

SAN FRANCISCO—A \$6 per share bid by American Mutual Liability Insurance Co., of Wakefield, Ma., for 350,000 shares of Eldorado General Corp., Palo Alto, has been halted by a restraining order issued here by U.S. District Judge Oliver J. Carter.

At the same time, Judge Carter also issued an order restraining Eldorado from continuing any effort to acquire Fremont Indemnity Corp., Los Angeles.

Both orders resulted from court actions filed by American Mutual against Fremont, Eldorado and nine directors of the Palo Alto firm. American Mutual accused Eldorado of "illegal" efforts to prevent its tender offer and Eldorado, in turn, charged American Mutual with having "used confidential data" to establish the stock offering price.

AMERICAN MUTUAL began acquiring Eldorado shares with a 1971 purchase of 737,355 shares or 35% of the stock outstanding. Three executives of the Massachusetts firm were seated on the Eldorado board. In turn, Eldorado chairman and president J. Martin Payne was named a director of American Mutual companies, which are headed by president R. Earl Roberson.

Eldorado stock, which in 1972 traded for as much as \$11 per share, have currently been priced between \$4 and \$5 a share, with a 1973 high of \$8.

Eldorado's purpose in bidding for Fremont Indemnity was to merge that carrier with Eldorado Insurance Co. Both are major workmen's compensation carriers.



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## \$40 million in comprehensive cover bought to secure firm's export lines

NEW YORK—Foreign Credit Insurance Assn. has issued a \$40 million master comprehensive policy to the international trade division of Champion International Corp. here.

In other FCIA news, Irving Trust Co. has purchased a \$20 million short term comprehensive policy, which enables the bank to offer a program of direct credit to foreign importers of American goods and services.

Champion's master policy, which insures against commercial and political risks abroad, is based on the company's projected \$40 million export sales of plywood, lumber, paper products, pulp, and building materials this year. The policy is renewable an-

nually.

Through its international trade division, Champion deals with 60 countries on every continent, with a majority of exports shipped to Western Europe and Latin America. Annual export sales have soared from \$20 million in 1970 to \$31 million in 1972. Total 1972 sales, including Champion's domestic markets, reached \$1,871,735,000.

"WE ARE growing rapidly in the international field and the protection of our export receivables offered by FCIA master policy will allow us to expand our overseas marketing efforts into new areas," said William Ziegler, president of the international

trade division, who negotiated the terms of the policy for Champion. A company spokesman said the new marketing efforts would be in the Far East.

The Irving's short term policy covers commercial and political risks in the sale of U.S. products on terms up to 180 days. An FCIA spokesman said the policy is one of the largest short-term bank policies issued by FCIA to date.

Edward K. Lantz, vp of the Irving's international division, said the bank will now be able to act as a middle man promoting foreign trade. The bank can give credit to foreign importers and even to American exporters.

"By insuring on a direct basis

with FCIA, Irving Trust will maintain a closer working relationship with both U.S. exporters and foreign buyers," said Wolfgang W. Koenig, regional vp of the Irving's international division. "The exporters utilizing our program will be able to treat their overseas transactions as tantamount to sale on a cash basis," he added.

BEFORE THE blanket policy went into effect, Irving Trust could only offer coverage to importers on an individual basis. Irving Trust has 22 overseas branch offices and 1500 correspondents, according to Mr. Lantz.

FCIA, an association of 50 marine, property, and casualty companies, was established in 1961 to assist in the expansion of U.S. export trade by providing export credit insurance, in cooperation with the Export-Import Bank of the United States.

Export credit insurance protects U.S. exporters against the risks of non-payment by foreign buyers for commercial or political reasons. It enables exporters to arrange financing of the receivables created by extending credit terms on sales abroad. ■

## Risk group to specialize in toll area

WASHINGTON — Insurance problems affecting toll facility investment, management and operations throughout the world will come under the scrutiny of a new functional risk management committee set up by the International Bridge, Tunnel and Turnpike Assn., Inc.

The IBTTA has 85 member agencies internationally, including such well known operations as the Port Authority of New York and New Jersey and the Golden Gate Bridge Highway and Transportation District. The new risk management committee, announced by IBTTA president E.R. Foley, initially will represent about 20 member agencies in the United States.

A. Gerdes Kuhbach has been appointed chairman of the committee. Mr. Kuhbach, acting executive director of the Port Authority of New York and New Jersey, was a principal founder of the risk management committee, working about eight years on its formation, a Port Authority spokesman said.

ACCORDING TO William Rusch, executive director of the IBTTA, the new risk management group will largely determine which problems it will deal with. Priorities, Mr. Rusch said, would probably line up behind questions of the amount and cost of insurance coverage.

The scope and complexity of insurance problems affecting IBTTA members have soared in the last decade, prompting a heightened interest in risk management concepts, the Port Authority source said. "Insurance problems have always been a sort of stepchild before, but things will be changing now. And for the IBTTA, the risk management committee will be the beginning of this change," he commented.

Committee members have been slated to work with Mr. Kuhbach on the IBTTA's risk management problems, but a final roster will not be available until all make a formal acceptance.

IBTTA's William Rusch said while the committee initially would represent only 20 member agencies, its active membership might be expanded substantially to include more national and international agencies in the future. ■

## Broker firms merge

Integrated Resources Inc., New York, has purchased the Chicago-based property-casualty brokerage firm of Bergman-Lefkowitz Inc. and will merge the 30-year-old broker into the operations of Lubin Associates Inc., an existing subsidiary of Integrated in Chicago. Lubin will become one of the larger property-casualty brokers in the Chicago area when the merger is completed with over \$10 million of insurance volume. The acquisition will send Integrated Resources' property-casualty division over the \$100 million annual mark.

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# BI reader service to hit problems, give answers from top risk experts

NEW YORK—*Business Insurance* will begin offering to readers in January a bimonthly series of "Risk Management Reports" which will zero in on specific risk management problems or ideas and discuss them in depth.

At least 15 topics are already on the drawing boards for the Reports. They range from "Risk Management in Europe," which is the subject of the first, to "Product Liability Control and Funding" and "The Risk Management Function in Management."

H. Felix Kloman, a former insurance broker who is now president of a consulting firm, will be editor of the Reports. He will draw on an editorial advisory board made up of corporate risk and insurance managers, safety specialists and consultants, agents, brokers and insurance company representatives.

The advisory board includes: Edgar S. Clark, vp, Risk Planning Group, San Francisco; Jean-Paul deCottignies, partner, Risk Factoring Sarl, Paris; Peter Downes, insurance manager, American Production and Trading Corp., Baltimore; S. Peter Law, vp, insurance, U.S. Industries, New York; Stanley R. Tarr, director, risk management services, Rutgers University, New Brunswick, N.J.; and Stefan J. Valovic, director of fire protection and insurance, Kaiser Aluminum & Chemical Corp., Oakland, Ca. Three others, including an insurance company representative and a broker, are still to be named.

ACCORDING TO Mr. Kloman, the six-times-a-year reports will be published in 8½ x 11 size. A loose-leaf binder will be included as well as a cumulative index. Each report will average between 30 and 40 typewritten pages. The reports will be available for \$60 per year. However, a charter rate of \$45 is being offered if ordered with payment by Nov. 30. The coupon accompanying this article may be used.

Commenting on the reports, Mr. Kloman, who is president of Risk Planning Group, Darien, Ct. had this to say:

"Since we live in a day of the information explosion, is yet another 'report' necessary? All of us involved in the general field of risk management (including financial officers, risk and insurance managers, safety specialists as well as consultants, agents, brokers and insurance company representatives) have different specialized inputs, many of which we depend on to assist in decision making. However, there is no single one source which can give current, up-to-date and lucid comment in-depth on a particular topic of current importance to the risk manager. He needs a resource which is objective and on which has been researched all of the pertinent material which applies to a given subject. Risk Management Reports will be this research and intelligence arm for the risk manager."

In addition to the first report, "Risk Management in Europe," which will be a practical guide to risk management exposures in Europe, how they differ from those in the U.S. and how the U.S.-based risk man should deal with them, the first year's schedule includes the following five: (Mr. Kloman notes, however, that RMR will have the capability of staying flexible so that it might react to vital, current topics when they arise.)

- Product Liability Control and Funding: Identifying product liability control areas, with emphasis on the Consumer Product Safety Act. Report will detail how one major U.S. corporation dealt with the problem.

- How to Deal With Those Who Provide Risk Management Services, Agents/Brokers, Claims Organizations and Engineering Facilities: Report will zero-in on the care and feeding of those you depend on for services, and how to get the most out of them.

- Risk Management Cost Allocation: An effective risk management program must be understood and implemented at the operating unit level. How do you create cost incentives at that

level to make your risk management program more effective?

- Managing Risks at Data Processing Facilities: How to apply risk management techniques to the ever-important—and costly—data processing facility.

- The Risk Management Function in Management: Given the evolution of the risk management function where should today's risk man belong in the organizational structure of his company?

While Risk Management Reports is being published under the aegis of *Business Insurance*, a Crain Communications publication, the editing and development of the material to be used in them will be done in complete independence of the magazine. ■

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# California pension payments up 22% annually

SAN FRANCISCO—Payments by California employers into union-management pension trust funds have been skyrocketing upward at an annual rate of 22%.

California's department of industrial relations, headed by Director H. Edward White, has completed a survey of union agreements which averaged pension fund payments of 47.3 cents per hour in October, 1972.

This was double the average hourly payment of 23.6 cents in March, 1969, just three and one-half years earlier.

The proportion of California union workers whose collective bargaining agreements provide employer-financed retirement benefits also edged up from 87% to 92%, with the most noticeable increases in coverage since March, 1969 being in the hotel and restaurant industry, 16,000 of whom obtained newly negotiated pension benefits.

**THE STUDY** reviewed 1,436 collective bargaining agreements, covering an estimated 1,490,000 California workers and including 1,186 contracts affecting 1,372,000 workers which made some provision for retirement benefits to supplement Social Security.

"Most commonly," Mr. White points out, "for 66% of the workers with retirement benefits, the union contracts call for a cash contribution by the employer to a pension trust fund administered jointly by labor and management.

"These contributions," he adds, "are usually specified as a cents-per-hour amount, or in terms convertible to cents per hour."

Collective bargaining agreements of the remaining 34% of the workers with retirement benefits, according to Mr. White, obligate the employer to provide annuities of a specified type and amount, rather than contribute to a jointly run fund.

This type of commitment predominates in the rail and air transportation industries, communications, electric, gas and sanitary services, professional, educational and related services and in most manufacturing industries.

Meaningful average employer payments to pension funds could be calculated for several manufacturing industries in which such payments were specified for a large majority of union workers with retirement benefits.

These were highest, according to Mr. White, in construction, with 83.2 cents per hour; and water transportation, at \$1.45 per hour. Both these industries, Mr. White explains, are characterized by relatively high wages and irregular employment.

Other significant non-manu-

facturing average payments were: 34.1 cents in trucking and warehousing; 26 cents in motion picture production; 18.7 cents in both wholesale and retail trade; 17.4 cents in business services and repair services, except automobile repair; and 11.5 cents in laundering, cleaning and dyeing plants.

**EMPLOYER** payments to pension funds in the three manufacturing industries, with such payments specified for at least a majority of workers with negotiated retirement benefits, averaged 32.6 cents per hour in food and kindred products; 17.8 cents in furniture and fixtures and 13.7 cents in lumber and wood products except furniture.

In three additional manufacturing industries, pension fund

contributions were specified for a substantial number less than a majority of union workers with retirement benefits.

Average payments per man-hour in these three industries were 27.6 cents in printing and publishing, 26.1 cents in canning and preserving and 23.6 cents in machinery and other fabricated metal products, except for transportation equipment and ordinance.

In all four of California's major metropolitan areas, Mr. White reported, average payments rose sharply between March, 1969 and October, 1972.

"They continued to be somewhat higher," he said, "in the San Diego and San Jose areas, which have proportionately more construction workers, with higher contribution rates."

For the state as a whole, the

increase from 1969's 23.6 cents to 1972's 47.3 cents represented a 100 per cent jump.

The Los Angeles increase was 107 per cent, from 1969's 22.1 cents to 1972's 45.7 cents.

The San Francisco-Oakland increase was 91 per cent, from 22.2 cents in 1969 to 42.4 cents in 1972. The San Diego jump was 121 per cent, from 23.6 cents in 1969 to 52.2 cents in 1972 and the San Jose increase was 77 per cent, from 27.5 cents in 1969 to 48.8 cents in 1972.

Excluding the high construction industry payments, the average hourly payments in 1972 amounted to 30.6 cents in San Francisco; 28.9 cents in San Jose; 25.3 cents in Los Angeles; 24.2 cents in San Diego; and 26.7 cents in the state as a whole. ■

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Home Secretary Sterling Chapman (right) discusses an aspect of the coverage provided Guardian Industries in its Carleton, Michigan, glass manufacturing plant with Wayne G. Basler, Director of Technical Development. In the center is Robert Brown, Vice President of Blumberg Brothers Co., insurance agents.



## Benefits hike soldiers' pay over civilian

WASHINGTON—When all the fringe benefits afforded to career military personnel are translated into dollars and cents this nation's soldiers may be earning as much as \$1,500 more each year than the average civilian.

A Library of Congress research group recently released a study showing that, with benefits, the average career soldier is being paid the equivalent of \$12,062, the average civilian, on the other hand, is earning \$10,566.

The military figure cited includes compensation paid both to enlisted men and officers, including retirement pay. Soldiers who do not stay in the military long enough to collect retirement pay earn an average \$10,796, the study says.

The benefits and their respective dollar values as used by the research group include medical care, \$770; post exchange and commissary discounts, \$98; retirement credits, \$1,266; tax breaks on quarters and subsistence allowances, \$473, and "special items" such as incentive and hazardous-duty pay, bonuses for re-enlistment, foreign duty and sea pay, \$831.

Civilian compensation, as computed by the research group's admittedly "rough" figures, average \$9,404 in wages and \$1,162 in benefits and pension credits. ■

# House pension battle due if committee bottles bill

For more coverage on Congressional pension activities, see pages 28, 29 and 30.

WASHINGTON—The House ways and means committee has been handed the pension reform issue, but, unless it hands it back to the House, a legislative fight may erupt.

The powerful tax committee was presented with the House version of pension reform legislation after the committee on education and labor reported the bill 36-0 following months of intensive debate within the general subcommittee on labor. It has also received the recently-approved Senate pension bill in the form of an amendment to a previously-passed House bill dealing with military retirement funds.

Holding both versions in hand, ways and means members can opt either to pass the House bill along for a full House vote or attempt to resolve the differences between the two pension bills in conference on the military bill.

"I THINK an effort to resolve this through conference, without giving the House a chance to vote on a bill of its own, will anger the members of the Labor committee," Vance Anderson, general counsel to the general subcommittee on labor's pension task force, told *Business Insurance*.

"There are some questionable tax-reform provisions in 4200 (the House bill to which the Senate attached its pension reform bill) that apparently some people feel they can slip through with this nice, sexy reform vehicle,"

he said. "But, I think that, if they try that, they'll be in for a fight, and a fight they may not be able to handle."

If the House finds itself unhappy with the ways and means committee strategy, Mr. Anderson predicts it will do what it can to either prevent a conference resolution of the issue, or defeat the bill when it comes back from conference.

AS REPORTED by the education and labor committee, the House bill contains vesting provisions that, unlike the Senate bill, provide three vesting options. The Senate bill's vesting proposal provides for 25% vesting at the end of five years of plan participation and 100% vesting at the end of 15 years. The House bill allows either straight 10-year

vesting, a graded 15-year program or a "rule of 45" that provides 50% vesting when employee age and service add up to 45 and 10% annual vesting thereafter.

DESPITE efforts by the Nixon Administration to strip the House bill of its termination insurance provisions, the full committee voted to retain them. The Administration has long contended the cost of operating such an insurance system would be too high and its use too infrequent to justify its existence.

The Senate bill says the termination program will be funded through excise taxes charged against unfunded liabilities and an annual premium—\$1 for the first three years and variable after that—charged for each plan participant. The House bill back-

ers estimate the cost to employers for its brand of termination insurance will be between 75 cents and \$1.

The House bill contains no provision for portability. The Senate bill, on the other hand, establishes a Labor department corporation to act as a clearing-house and bank to aid transfers of pension credits.

Funding provisions contained in the two bills also vary somewhat. The Senate bill requires plans to amortize unfunded liabilities over 30 years. The House bill sets forth a formula based on the average age of plan participants and the average age at retirement that allows unfunded liabilities to be amortized over 20 to 40 years. ■

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## Motor firm will appeal pension rule

DETROIT—A White Motor Co. official told *Business Insurance* his company "will probably appeal" an arbitrator's ruling to restore full pension benefits to 1,100 United Auto Worker retirees who have been receiving partial benefits since White ordered pension plans at two of its farm equipment plants terminated in 1972.

While H.R. Morse, insurance manager for the Cleveland-based motor company, said he was not ready to discuss benefit and cost angles until he could "see what direction (his) company would take," UAW spokesmen were not similarly hesitant.

"THE arbitrator's ruling will cost the White Co. about \$6 million. That's more than they would have paid if they had just kept the pension plans in force as outlined in the contract we have with them," a UAW source declared. He continued:

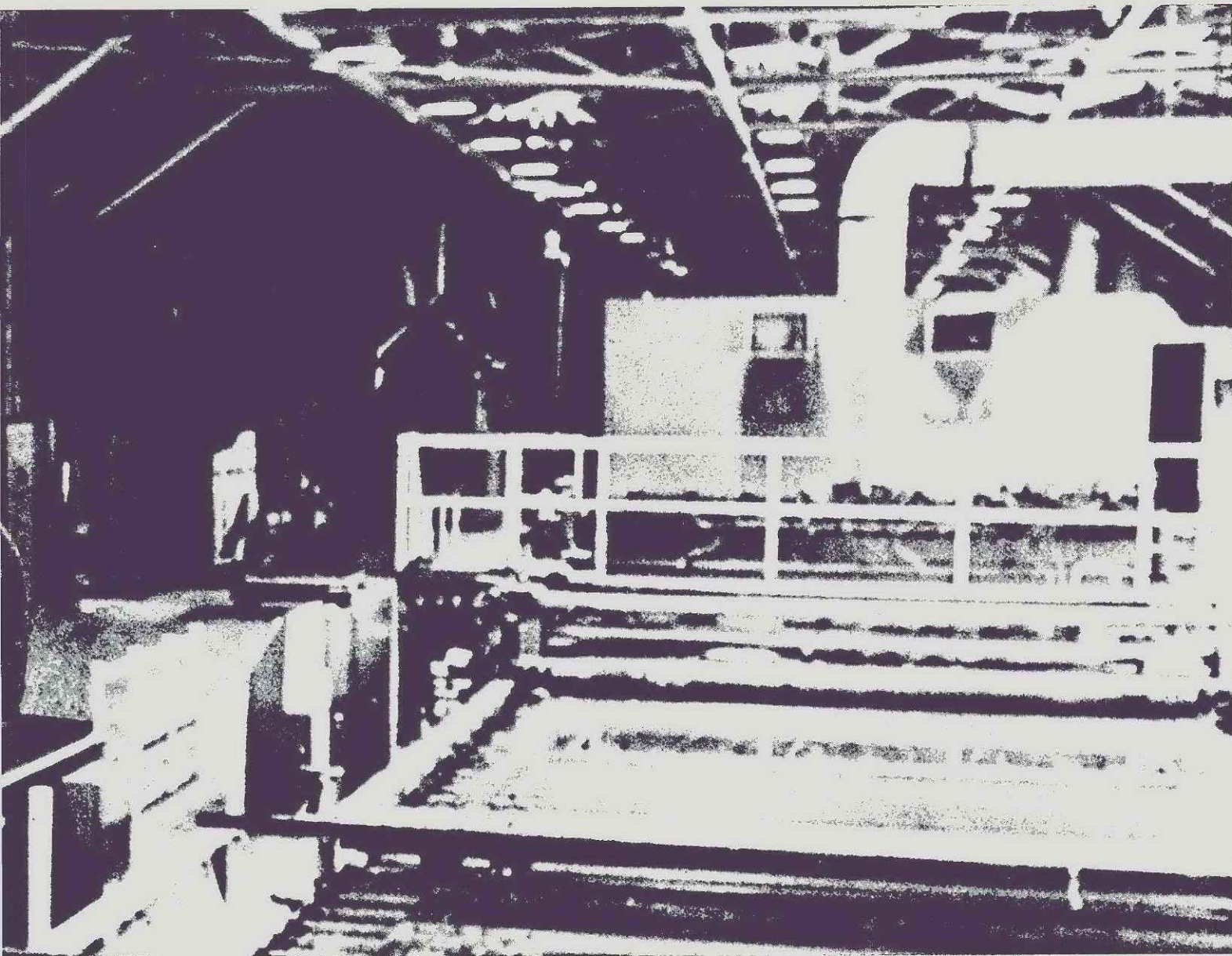
"Under the arbitrator's ruling, benefits which will awarded to individual retirees go up as high as \$6,000 over a three-year period."

According to the union, the White Co. cut off the pension plans at two Minneapolis plants, one of which closed down. Instead of continuing to pay retirees full benefits until the union contract expired, the motor company made payments at a reduced rate. When the UAW protested the move, a court handed the matter over to an arbitrator who upheld the labor position that full pension benefits must remain in effect until the pension fund kept by the White Co. was exhausted.

UNDER the ruling, the pension plan can't be terminated during the period the workers' current labor contract is in force. This period now stretches to May, 1974.

In addition, the arbitrator ordered, full pension benefits must be paid to retired White workers for at least three and one-half years.

The UAW source said contract language gave the White Co. the right to terminate a pension plan if a plant closed down, and he indicated this had been the company's rationale for reducing pension benefits. However, he asserted additional contract language obligated the company to exhaust the pension fund it kept before it made reduced benefit payments to retirees. ■



# editorial opinions

## Safety and security: The complexities

READING BETWEEN the lines of this special emphasis issue focusing on corporate safety and security it is readily apparent that the challenge facing those who specialize in these areas is broader than it has ever been. And far more complex.

First, in the area of safety there have been two major new dimensions added to the responsibility of "the compleat risk manager" in the past several years. One, of course, is the Occupational Safety and Health Act. The other is the Consumer Product Safety Act.

Elsewhere in this issue there's an article disclosing the fact the Consumer Product Safety Commission is currently holding a series of "informal meetings" with the American Mutual Insurance Alliance and the American Insurance Assn. In a word or two, the meetings are exploring the possibility of some form of mutual cooperation between product liability insurers and the commission. The commission clearly would like to get a regular pipeline of input relative to product liability claims experience, as it occurs.

Naturally, this is a very touchy subject, for insurers and insureds have long treasured confidential relationships.

Nonetheless, it is good to hear these meetings are at least taking place. We hope the commission and the insurance industry, with the full support of their insureds, will come to grips with this very vital question of disclosure.

While it is a complex and touchy question, we believe that with proper safeguards mutual cooperation between the commission and insurers and their insureds would have a very positive effect. Indeed, it could turn out to be the early warning system which saves many lives, reduces claims experience and, in time, lowers skyrocketing product liability insurance rates.

On the security side of things, this issue also highlights another new dimension for the corporate security officer: The emergence of white collar crime.

Business suit crime has always been around, of course, and although the nation's prisons are hardly filled with those who've bilked millions from corporate and stockholder assets, it does take an Equity Funding to bring it to the forefront.

In New Orleans last month, the American Society for Industrial Security held its annual meeting and a *Business Insurance* staffer on the scene reports both formal and informal discussions of white collar crime permeated the atmosphere.

It is not surprising that one of the biggest threats to corporate security is the very thing which has helped U.S. business and industry grow and flourish in the second half of this century—the computer. Millions have already been lost to

computer error, manipulation and sabotage. Take, for instance, a recent experience at Arrow, the shirtmakers. While it was apparently the result of a bonafide equipment breakdown—and not poor security—the computer was responsible for substantial overstocking, which led to a nationwide sale and, consequently, profit losses or reductions. It was pointed out in New Orleans such overstocking, understocking or merchandise re-routing might just as easily be the work of someone bent on hurting a company—even, say, a competitor. It's something to think about.

Computer data is vulnerable. And the theft of it is only one security aspect to be considered. The risk manager should play an important role in computer security, but not the only role. The job is just too big for any one person. He must draw on the knowledge and advice of many, from on-the-line security and electronic data processing people to legal and EDP auditing minds.

## Benefits issue

**B**USINESS INSURANCE will publish its annual Employee Benefits special issue Dec. 3.

Employee benefits have been described by some risk men as a "headache," while others feel that providing for their company's employees is a challenge worthy of a good bit of creative effort. But whether benefits are headache-producing drudgery or a satisfying part of the risk and benefit manager's day, employee fringes are a fact of corporate life. And a costly one at that.

National health insurance, which could alter the picture for everyone involved, will be looked at in depth in this year's special issue. Our editors will report on other trends in employee benefits, such as the spread of group dental insurance and the arrival of variable life coverage.

This year's special issue will look at more than the latest group life and health products. The progress of mass marketing and newer phenomena, like group legal insurance, will be explored by our editors.

Stories on health maintenance organizations, medical rehabilitation and mental health insurance are also on the list for the forthcoming issue.

Readers with suggestions on employee benefits problems, solutions and trends are asked to submit their ideas for possible inclusion in the issue to Patrick Thomas, special issue editor, *Business Insurance*, 708 Third Ave., New York, N.Y., 10017.

# letters

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

## Group legal

To the Editor: The editorial comment in "States too slow" in your July 16 issue refers to a provision of legal services to a group of workers as a fringe benefit.

You quote a successful experimental program operated in Shreveport, La.

It would be much appreciated if you could put the writer into contact with a source of detailed information about this new coverage, possibly the Shreveport group.

Francis Tierney

The Bath Group, Toronto, Ontario

*Editor's note: The legal services offered to a group of workers as a fringe benefit is a plan undertaken and subsidized by a special committee of the American Bar Assn., in cooperation with the Ford Foundation, in Shreveport, La. The union members involved are those of the International Laborers' Union, Local 229. We suggest you contact either of the three above sources for further information.*

## Factory Mutuals

To the Editor: I note on page 82 of the September 10 *ITT-Longuenesse* article, *Business Insurance* states, "In Europe, where no counterpart to the Factory Mutuals and their type of operation exists, fire protection as a concept has little credibility."

Factory Mutual International has just celebrated its tenth anniversary in Europe and currently protects about \$12 billion worth of preferred risk property overseas, including such giants as Ford of Europe, ITT and Royal Dutch Steel. We find that considerable headway has been made in recent years throughout Europe in sound loss prevention practices and that there is a growing understanding that the best form of prevention of all is adequate protection.

If *Business Insurance* readers would like to know more about our Factory Mutual International operations, a booklet about our facilities is available by writing to me at Box 688, Norwood, Massachusetts 02062.

Bruce P. Mattoon

Vp and director, public information division, Factory Mutual Engineering, Norwood, Ma.

## On Longuenesse

To the Editor: I have read with interest the comprehensive article in your September 10, 1973 publication on the "notorious Longuenesse (ITT) fire" (as you identified it) in France Nov. 27, 1971. I also noted your editorial commenting on the loss and indicating criticism of various parties for having failed to detect and/or communicate about the hazard and proper protection.

There probably will be general agreement about the sense of your articles. However, there is one major point you neglected to cover; to wit, why did such a "notorious" loss, as one of the largest insured fire losses in history with significant impact on the world insurance market, re-

Continued on page 32

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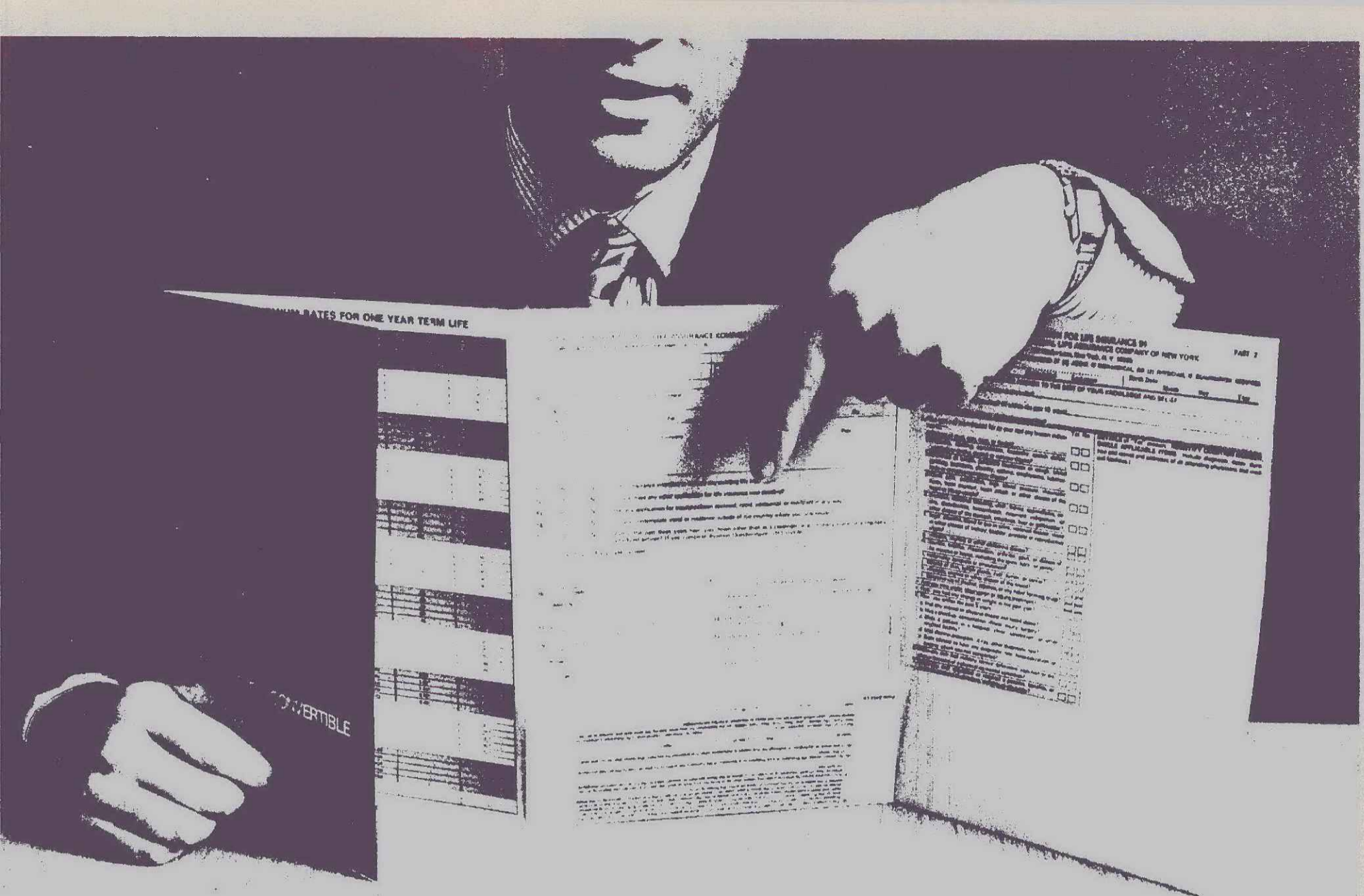
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# Taxpayers to foot bill for pension compromise

By TOM WALSH

WASHINGTON—Gaylord Nelson minces no words.

"What we are talking about here is a very fundamental principle: How many dollars—tax-deductible dollars—should we allow to be set aside to pay pensions for highly salaried executives?"

"That is the question."

The Senate gave him an answer: Enough dollars to pay no more than \$75,000 in annual benefits.

Now he was on the Senate floor to fight for a lower figure.

The Wisconsin Democrat had originally authored an amendment to the Williams-Javits pension reform bill (S.4) that would have placed a \$45,000 ceiling on annuities . . . all annuities . . . those paid municipal sewer

workers and those paid the president of General Motors.

"If General Motors or IBM or IT&T or any of the rest of the great American corporations want to pay \$100,000 a year or \$200,000 a year in pensions, they are free to do so," Mr. Nelson told the Senate. "We let them put in tax-deductible dollars sufficient to pay up to \$45,000 a year in pensions, and, if that is not sufficient, they consider the executive they have hired or desire to hire worth much more, fine. He may very well be worth much more money. But they ought to take that from money on which they pay taxes."

**WITH THE** fervor and the impact of an Abbie Hoffman, Sen. Nelson—flailing his arms through the air for emphasis—trans-

formed the up-to-then lifeless debate on the pension bill to a people's issue.

"**THERE** are many people that corporations figure are worth more than \$45,000 in pensions," he said. "I have a list here of random examples of pensions provided certain executives. Dow Chemical, for example, paying one of their executives an annual salary of \$322,257, is making contributions which will allow him to have a pension of \$157,400."

"I have no complaint about that as long as it is not a pension paid from tax-deductible dollars in excess of \$45,000. That is what the debate is about."

"I would not like to be on a platform before any audience of American citizens and try to defend the use of tax-deductible

dollars to pay pensions of \$137,000 a year. It is unconscionable to spend that amount of tax-deductible dollars for pensions. The whole tax structure is shot through with gaping loopholes, and this is another huge loophole."

To Sen. Nelson's extreme right, up jumped Sen. Carl T. Curtis, a Republican from Nebraska.

"**I THINK** the issue involved here is whether the government shall embark upon a program of determining what retirement benefits shall be," he told Mr. Nelson. "If we say that pension contributions can be regulated because the contributions are tax-deductible then it follows that the government can put a ceiling on salaries because they are tax-deductible."

"Are we to say to our potential geniuses, whether they are 15 years old, five years old, 25 years old, that the government of the United States is not going to have the sky as the limit, but that this is going to be the limit."

"That," Mr. Curtis, said "is the issue involved".

Sen. Nelson obviously didn't feel the principles of life, liberty and the pursuit of sky-high pensions were at issue at all.

"I am a little puzzled," he said, "by the argument, because the Senator himself, in the finance committee, voted for exactly the same principle, except at the level of \$75,000. The finance committee adopted a principle precisely the same as in this amendment, and the Senator from Nebraska supported it."

"**THE DISTINGUISHED** Senator rests most of his argument on the ground that we should not set a limit on salaries. I think it is a very fine argument, but it has nothing to do with this amendment, because we are not setting any limits on salaries. We are just simply saying we are not going to ask the working man, who is making \$7,000, \$9,000 or \$12,000 a year, to make up the billions of dollars of deficit in the Treasury through supporting pensions of \$137,000 a year. It is as simple as that."

Nearer to his right, Hugh Scott, the Senate's minority leader from Pennsylvania and a Republican like Sen. Curtis, jumped to his feet.

"**THE SENATE** is the greatest magic show in the world," he told the handful of Senators gathered to debate Sen. Nelson's amendment. "We ought to charge admission because what we are engaged in here is the act of prestidigitation—now you see it, now you do not. I expect to see" Sen. Scott continued "my distinguished friend from Wisconsin pull more rabbits out of the hat, more canaries out of his pocket and more silver coins out of the hair of his colleagues, because what his amendment proposes to do, it does not do, and the reason his amendment does not do it is simply because he forces those people who have to arrange the pensions to go to a deferred payment or deferred income system, and it simply eliminates the pension plans of many people throughout the country."

The yeas and the nays were ordered, the buzzers buzzed and the Senators slowly began to file in until 59 yeas and 32 yeas gathered to vote down Sen. Nelson's amendment.

"**NOW THAT** the Senate has done its duty and taken care of the rich and the affluent with the defeat of the last amendment, let us adopt this amendment that at least says you cannot raid the Treasury for any more money than it takes to pay a \$75,000 a year pension," Sen. Nelson began again.

After the introduction of an amendment to the second amendment offered by Sen. Nelson, the ceiling was rewritten so that its \$75,000 limit affects both small and large corporations.

The yeas and nays were ordered again, the buzzer buzzed again and, this time, 89 yeas and only two nays were collected to approve the amendment as amended.

Senator Nelson—two amendments, a little magic and a mere \$30,000 concession later—won the people's battle to eliminate hefty, tax-sheltered pensions. ■



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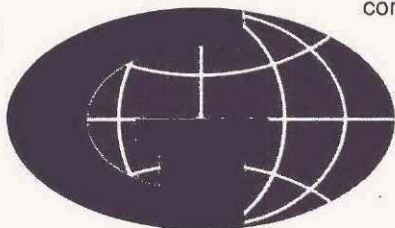
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# Old pension forms may be axed under new law

WASHINGTON—Now that pension fund administrators are getting used to the demands of the D-1, D-1S and D-2 disclosure forms required under the Welfare and Pension Plans Disclosure Act, a new set of standards may be introduced soon.

The disclosure and fiduciary standards section of the recently-passed Senate pension reform bill vastly rewrites present disclosure laws and requires fund administrators to provide detailed information of investments, transactions, loans and leases.

Pension fund administrators must now file a plan description (D-1), a description supplement (D-1S) and an annual financial report (D-2). In the event of pension plan amendments, a description of the changes must be filed (D-1A). Should the pension plan terminate, the government requires information explaining why (D-2).

UNDER the standards contained in the Senate bill, administrators are required to see that an annual audit of their funds is made by an independent certified or licensed public accountant. The opinions of the auditors with respect to the fund must be submitted to the government.

As defined by the bill, the new annual report would include disclosures of amounts contributed by both employers and employees; the number of employees covered; the amount of benefits paid; a statement of assets, liabilities, receipts and disbursements of the plan; a detailed statement of the salaries and fees and commissions charged to the plan, to whom paid, in what amount, and for what purposes, and the name and address of each fiduciary, his official position with respect to the plan, his relationship to the

employer of the employees covered by the plan and any other office, position or employment he holds with any party in interest.

AN INVESTMENT schedule breaking down assets into detailed accounts is also required. It, under the demands of the Senate bill, requires a breakdown of the aggregate cost and aggregate value of each security, by issuer, and all other investments. In addition, each investment with a value of more than 3% of the fund and each investment in securities or properties of any party interest must be separately identified.

Administrators must list the aggregate amount—by type of security—of all purchases, sales, redemptions and exchanges of se-

curities made each year and include the name of the issuer and the gross purchase price or, in the case of sale, redemption or exchange, the gross and net proceeds and the net gain or net loss.

The bill also sets forth similar requirements for transactions involving assets other than securities and special disclosure rules for transactions which involve known parties in interest.

NEW DISCLOSURES for pension fund-related loans and leases are also included. An annual report of all loans, including a schedule of principal and interest payments received, must be filed. That report must show which loans were made to parties in interest, which are in default, which were written off as uncollectable and those exceeding 3%

of the value of the fund.

Lease information must disclose the type of property leased, the identity of the persons leasing the property, the terms of the lease and financial information relating to the property.

In addition, administrators must detail the actuarial assumptions used by the fund in determining contributors and benefits.

Peter Chiregotis, the resident legislative expert with the Labor department's Labor-Management Services Administration, told *Business Insurance* the proposed disclosure rules "considerably expand by requiring a lot of detail" the information currently kept on file.

"THE WAY it's set up now, we have no disclosure of investment portfolios," he said. "The new

provisions would provide that information and break down any sizeable transactions so that at least somebody who was checking on a fund would then be able to know what's going on.

THE STAFF at the Pension Reports Office is still being swamped with more of the presently-required forms than can be easily handled. The new Senate-proposed requirements—with their added disclosure requirements and the additional paperwork inherent in filing and maintaining those reports—will, Mr. Chiregotis admits, be somewhat of a burden.

"Sure it'll be a headache," he said. "But I think it's needed. Now there is very little in the way of detail required. These new rules will provide much, much more."

## Rush seen on federal retirements

WASHINGTON—The latest cost-of-living figures released by the federal government seem to indicate another federal employee retirement rush will soon begin.

Federal pensions paid to more than one million retired federal workers, military personnel and their families are increased when the Consumer Price Index climbs over 134.7. The most recent figure calculated by the government's economic wizards is 135.1, well above the level needed to trigger annuity increases.

IF THE level stays above 134.7 for the months of September and October, pension benefits will increase Jan. 1, 1974, by a minimum 4.4%. Should the figures for those two months climb above the August figure of 135.1, the benefit increases will rise even more.

Government employees eligible for retirement will no doubt wait through October to see if the creeping octopus of inflation is halted short of the necessary consumer price index figure. If so, the government can expect another retirement rush.

Some 800,000 federal employees opted for retirement by July 1 this year to cash in on a 6.1% cost-of-living increase. The year before, more than 68,000 workers retired to benefit from a 4.8% benefit increase.

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# 'Prudent man' rule, prohibited list in pension bill

WASHINGTON—The fiduciary standards and prohibited transaction provisions contained in the recently-passed Senate pension reform bill will force pension fund managers to become even more "prudent" men if the bill's dictates eventually become law.

Essentially, the bill's "prudent man" rule is as vague as the rule it amends, now contained in the Welfare and Pension Plans Disclosure Act. The new rule states: "A fiduciary shall discharge his duties with respect to the fund with the care under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims . . ."

In telling fiduciaries what conduct is permissible, the bill largely outlines what conduct is not. The bill also empowers the Labor department to file civil suits against non-prudent fiduciaries and allows the Internal Revenue Service to impose excise taxes as penalties for prohibited transactions.

The bill further empowers the Secretaries of Labor and the Treasury to grant exemptions from the prohibited transaction rules, but not if such an exemption would be potentially harmful to the fund in question.

**A PERSON** who has been imprisoned as a result of a conviction of robbery, bribery, extortion, embezzlement, grand larceny, burglary, arson, drug-related felonies, murder, kidnapping, perjury or assault is not considered a prudent individual by the federal government and cannot serve as an administrator, officer, trustee, custodian, counsel, agent, fiduciary or employe (other than clerical or janitorial) with any fund.

The same category of non-prudent behavior also will apply to

pension fund consultants for a five-year period after conviction or at the end of imprisonment.

The penalty contained in the bill for violating the eligibility requirements is \$10,000 or a year in jail, or both.

**THE MOST** sweeping change in the prohibited transaction section of the bill enjoins trustees from investing more than 5% of the value of the fund in employer securities. Many plans now invest higher levels in their own securities, the bill's authors admit, and the Senate consequently provided "easy and long-term transaction rules."

Simply stated, those rules say one-half of the excess holdings must be disposed of within five years and the other half over the next five years.

Profit-sharing and stock bonus plans generally can be invested in employer securities without limitation, the bill says. Certain real estate may also be held by the pension, profit-sharing or stock bonus plan where it is leased back to the employer. In the case of pension funds, such holdings would be subject to the 5% limit.

**MOST TRANSACTIONS** between a fund and "parties in interest" are prohibited under the bill. Those persons include fiduciaries who benefit from prohibited transactions, persons providing benefits, employe organizations whose members are plan participants or persons (and groups of persons) who control more than 50% of the outstanding stock in the company provid-

ing benefits.

The Internal Revenue Service is empowered by the bill to enforce prohibited transaction standards, and, beginning Jan. 1, 1974, the IRS will impose a \$1 tax per pension plan participant to fund its auditing operation. The tax, the bill states, will be paid by employers.

The bill requires annual actuarial reports on all funds be submitted to the IRS so it may check the financial health of any fund. The bill further empowers the government to establish "reasonable standards and qualifications" for persons performing actuarial duties, and, once they are established, only persons enrolled with the government will be allowed to file fund reports. Any such enrollment may be suspended or terminated after a

hearing, the bill says.

The bill also contains provisions which allow both employers and their employes to disagree with IRS decisions relating to their plans through appeal to the U.S. tax court.

At present, employers tend to agree with IRS determinations, the bill's authors said, because they are afraid of losing the tax-exempt status of their fund if they do not comply. The only avenue open to employers now is to defy the IRS ruling and run the risk of losing tax-exempt status and disqualifying their plan should the IRS ruling be upheld.

The new procedure, the bill's sponsors claim, will permit all interested parties in a dispute to have an opportunity to participate "in a realistic manner" in its judicial determination. ■

## Labor man joins GLC advisor unit

WASHINGTON—Bert Seidman, the AFL-CIO's resident expert on group health insurance matters, has been appointed as a new member of the Cost of Living Council Health Industry Advisory Committee.

The director of the giant union's department of Social Security, Mr. Seidman has previously been an advisor to the National Conferences on Medical Costs and Private Health Insurance, a member of the Advisory Council on Health Insurance for the Disabled, the Task Force on Medicaid and Related Problems, the Advisory Council on Social Security and the Federal Hospital Council.

Mr. Seidman is also a member of the Group Health Assn.'s board of trustees.

The council committee was established early this year by the President to keep an eye on the operation of the Economic Stabilization Program within the health industry. ■

## S & H unit chief named

Robert E. L. Flournoy has been named President of the Western Division of Risk Treatment Services Co., a wholly owned unit of the commercial insurance services group of the Sperry & Hutchinson Co.

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# Pension plan maze seen as chaos for Canada

OTTAWA—If the Canada Pension Plan fails to work out its differences with the seceded Quebec pension plan, the CPP may find itself replaced by an unwieldy network of up to 10 provincial pension programs, two employe benefit specialists believe.

A. J. C. Smith, executive vp of William M. Mercer Ltd., and Dudley Funnell, president of Tomensen-Alexander Ltd., base their belief on the current three-way breach between the two programs over the issues of income limits, inflation allowances and survivors' benefits.

The issues, plus the reluctance so far of at least two other provinces to agree to terms which would reunite the federal and Quebec plans, convince Mr. Smith "there's a significant chance it's (breakdown going into provincial pension plans) going to happen."

He and Mr. Funnell warn provincial plans would cause chaos in the employe benefits industry.

Walter Keln, CPP director of planning and development, said "Everyone is hopeful a solution will be reached," when a special meeting of government officials is held in mid-October here.

**THE QUEBEC** program has been autonomous since 1965, when the province took the option of designing its own pension plan rather than join the federal plan. Although it has been independent for eight years, its rates and requirements have been consistently identical. All that changed with 1973.

According to Mr. Keln, although the matched contribution rate for each program is 1.8%, the scale of benefits is considerably wider in the Quebec plan.

In the federal plan, the maximum income on which the contributions are based is \$5,600 annually, while the Quebec ceiling is \$5,900. The federal inflation allowance is 1%; the Quebec allowance is 3%. Survivors' benefits under the CPP for widows and orphans amount to \$28.15 plus a percentage of income; under the Quebec plan, \$80 plus the same percentage, Mr. Keln said.

In a position paper last spring, CPP suggested new income ceilings of \$5,800 in 1975, compared with \$6,300 Quebec has set for that year.

Before they are accepted, the new federal ceilings would have to be approved by two-thirds of the provinces having two-thirds of the population, Mr. Keln said, but British Columbia and Ontario reportedly want the

ceiling raised to \$10,000 in 1975. If CPP accepts their counter proposal, it will fail to match the Quebec plan.

**MR. FUNNELL** said it appears Ontario and British Columbia will refuse to accept the Quebec income ceiling and so the forces pushing toward a split are in place. As president of the Canadian Pension Conference, he says, he has warned Marc Lalonde, minister of National Health and Welfare, of the problems such provincial pension plans would create for employers and employes.

In Mr. Smith's view, the importance of uniform government contributory pension plans can hardly be overstated.

"People in the business community haven't realized what a mess this (lack of uniformity)

would make," he said.

Companies would have to do different sets of calculations for payrolls and possibly run different company pension plans in different areas, since many company pension plans are integrated with the government pension plans in setting benefit levels.

**IN THE END**, a worker who had moved from one area of the country to another in the course of his career might find himself receiving pension checks from various government and employer pension plans when he retired.

All of it, Mr. Smith stressed, would add to the costs without gaining any real benefit.

Mr. Funnell added labor mobility would probably be reduced because large companies would tend to slow the pace of transfers to branches around the country. The companies would also have great problems explaining their benefits programs to employes, he said.

Mr. Keln said there would be no immediate financial drawback to either the CPP or British Columbia and Ontario or Quebec proposals for 1975, since each pension program presently takes in more money than it pays out. This capital trend is expected to last until the mid-1980s, he said. ■

## Auto worker pension pact outstrips US

TORONTO—The United Auto Workers has chalked up a landmark achievement in the corporate pension field under its new contract with Chrysler Canada.

One major breakthrough is a six-year separate pension pact which gives 12,000 production workers a pension of \$700 a month by Oct. 1, 1978, at the age of 55 after 30 years service.

Under the agreement, the "30-and-out" non-contributory pension payments will increase progressively from \$550 on March 1, 1974, to \$625 on Oct. 1, 1974, \$650 in 1976 and \$700 on Oct. 1, 1978.

It was pointed out the immediate pension increases won by the Canadian workers will be higher than those won by the U.S. employes of Chrysler. Under the current agreement in the U.S., union members were entitled to a pension of \$500 a month at 56 after 30 years employment while the pension for Canadian workers started at \$442.50 when the worker reached 58.

**THE NEW** pension formula also does away with cutbacks in payments at 65 which are included in the present contracts. But the decrease in the U.S. was larger than that in Canada.

The new pension agreement will cost it plenty, says Chrysler. It will be paying out more in pension in one year than it has spent on combined pensions over the past 23 years.

New benefits also accrue to current pensioners under the agreement. Their pension payments will increase over a six-year period for a total gain of \$2.70 a month, multiplied by years of service prior to retiring. Thus, a worker with 30 years of service would receive an increase of \$80 a month over the six year period. ■

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# New York consultant law occupies formation meeting of new group

CHICAGO—If you want to be a risk management consultant in New York, just go ahead and take the test—no lines, no waiting, and no appointment necessary.

That's the way Bernard Salwen of S.B. Ackerman and Assoc., a New York-based consulting firm, described the current situation in his state to 37 other risk management consultants at the first annual meeting of the Institute of Risk Management Consultants held Sept. 14-17 in the LaSalle Hotel here.

Mr. Salwen told of the relaxed situation in the state following the passage of legislation which went into effect Apr. 1 making the licensing of risk consultants possible following the passing of

a state-administered examination and the payment of a fee.

"When the law was passed," Mr. Salwen related, "I sent a man from our office down to take the test. He was told he could come in any time since there had been no requests for the exam from the industry to date."

MR. SALWEN felt the reason for the lack of interest in the matter was the one-year grandfathering of all practicing consultants in New York until April 1, 1974. "Prior to that time, there's not going to be any rush and I'm not even sure the state has a test ready." He expected a full examination to be ready in New York in the future but probably

not before February of next year.

Previous to the newly enacted legislation, New York consultants were under a registration system which Mr. Salwen labelled a "farce." Brokers and insurance agents, who derive income from commissions on insurance they place, unlike the true consultant, who works on a fee basis only, probably had a lot to do with changing the system from simple registration to that of an examination requirement—and rightfully so, he said.

Mr. Salwen expressed the hope the state would require a test difficult enough to serve as a screen for unqualified persons seeking to enter the field. "Few of the examinations," he said, "are

tough enough in New York, despite the state's reputation for strict regulation."

IN OTHER parts of the session, Toronto-based consultant Peter D. Norman of P.D. Norman and Associates told the group its code of ethics membership requirement would probably enable the group to qualify for professional errors and omissions coverage at favorable rates from a Canadian carrier and urged members and would-be members to investigate the possibilities.

The promulgation of ethical standards occupied other parts of the seminar and several members sparked discussions concerning the level of education in the field, risk control and consulting practices.

THE GROUP is currently engaged in a membership drive centered around the self-imposed, written code of ethics statement

which eradicates professional income from sources, such as commissions fee-only system.

Each applicant will be interviewed by a membership committee, according to a group spokesman, in order to determine his professional competence as well as to ensure his future adherence to the group's fee-only philosophy of professional compensation. ■

## Letters . . .

Continued from page 26

ceive little, if any, press coverage here? For example, your magazine had earlier knowledge of the loss (an obscure article in your January 31, 1972 edition), but apparently you failed to detect the significance of the loss and failed to promptly communicate it to your readers.

D.D. Gaitley

Manager-Insurance, Chrysler Corp., Detroit, Mi.

Editor's note: Mr. Gaitley is right. We did fail to detect the significance of the ITT Longue-nesse fire at the time.

## Private & confidential

To the Editor: In the lead editorial of the September edition of *Business Insurance* you report that Johnson & Higgins "would rather not talk about" a particular situation involving one of its clients.

May I be permitted to emphasize that it is the deliberate policy of Johnson & Higgins never to discuss a client's private business affairs. We believe that absolute confidentiality is a cardinal element of the duty we owe to each of our clients. Any client entrusting us with the handling of its insurance can expect and will continue to receive the benefit of our strict observance of this precept.

Gardner M. Mundy

Corporate secretary, Johnson & Higgins, New York, N.Y.

## Metromedia cover

To the Editor: There was a material error in the corporate profile appearing in *Business Insurance* Sept. 10, concerning Metromedia coverage.

The salary continuation program, as provided by Metromedia, is on a voluntary basis with Metromedia bearing the entire cost in premium for the first \$100 of benefits. Benefits are provided at 60% of salary up to a limitation and may continue until age 65.

Additionally, the article indicates a life insurance amount of 1.5% of salary subject to a maximum of \$150,000. Actually, the life insurance amount is 1.5 times salary subject to a maximum of \$150,000.

Mario P. Catuogno

Assistant treasurer, Metromedia Inc.

## Dental plan in pact

In a mail ballot, Seattle teachers have given a 98% "yes" vote to a new three-year agreement with the Seattle school board which will affect some 4,200 certificated employees. The agreement which averted a strike possibility, includes a 5.5% salary boost, 2.5% for increments and a 1.4% increase in fringe benefits. One element in the new contract includes dental insurance for all employees and their dependents at district expense, equal to \$14.50 a month for each employee.

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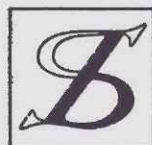
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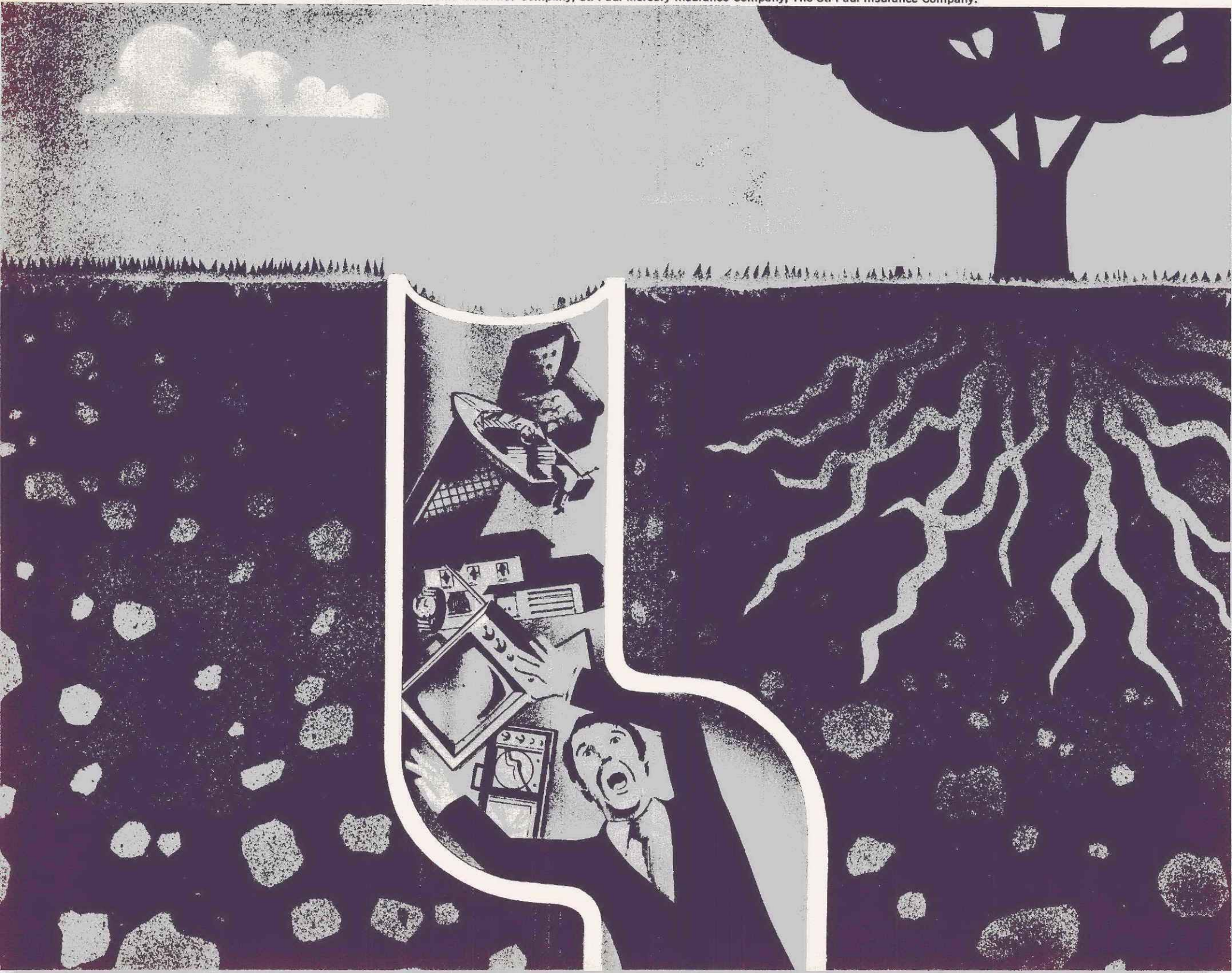
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# Safety for 'sandhogs' is a sometimes thing

By MARIE KRAKOWIECKI

NEW YORK—"Tunnel stiffs," they're called around the country. In New York, they answer to "sandhogs." And as a group of organized workers, they suffer an appalling safety record in their risky labor of blasting reluctant rock from the bowels of underground tunnels.

"Probably the largest skilled reservoir of tunnel workers anywhere in the country," Edward Cross says, is Local 147 of the Compressed Air and Free Air Shaft Tunnel, Foundation Caisson, Subway, Cofferdam Sewer Construction Workers, headquartered in Manhattan.

Mr. Cross, the union's secretary-treasurer, is very unhappy with the safety record of the 2,100-member local. One project, Water Tunnel #3, winding from Yonkers, through Manhattan and to Queens, has been particularly perilous. In the last three years, the blasting of the 14-mile tunnel has claimed the lives of 11 sandhogs. "We've had more accidents on this job than in the previous 20 years," he said.

**BLAME** for the violent, swift deaths on a job the city board of water supply terms the "biggest private construction contract let in the United States in peacetime," (\$223 million) lies in two main areas, according to Mr. Cross.

To a high degree, he says,

fatalities can be pinned to inexperience and lack of safety skills among new workers. These men have to learn safety discipline and tunneling procedures on the job, not in the security of an above-ground classroom situation.

**FOR A** new sandhog starting at Tunnel #3, this means his first exposure to the intricacies of rock blasting will come with his first science-fiction-like descent into a 800-foot darkness populated by Conway muckers, high power explosives and voltages of up to 4,100. ("Actually, a voltage of 220 or 440 is enough to kill you without too much trouble," Mr. Cross remarked drily).

Perhaps not surprisingly, many of the on-the-job deaths suffered by the 670 sandhogs working Tunnel #3 came to younger workers. In February, a 20-year-old was crushed to death when a block of ice, loosened by warm weather, hurtled down the shaft at him. Three more have died since, one in an explosion and two others from falling down deep shafts.

The second major reason Mr. Cross indicated for a glut of accidents and fatalities is "an apparent lack of interest on the part of employers to support industrial safety programs." He conceded some companies were trying harder since the latest sandhog deaths, but said the record was far from satisfactory.

"Everybody in the employers'

supervisory staff is presumed to know Code 30 (the state industrial codes, rules and regulations for tunneling operations). Unfortunately, much is just ignored," he charged.

A whole issue of union-employer conflict comes up at this point. Commenting on the problems of tunnel-worker safety, Nicholas DiArchangel, area director of the Occupational Safety and

might not receive training when they most need it, at the outset of their underground careers. Instead, they might have to rely on older workers to teach them as they go along.

**"OSHA RELATES** to the fact that employers should provide safety training for employees," Mr. DiArchangel said, "but an employer might not give such a

we're a maverick local and don't have too many friends floating around. We haven't been successful in getting funds," Mr. Cross admitted.

He illustrated his dissatisfaction with employer compliance of safety measures by an example of how anti-carbon monoxide devices called "self-rescuers" were distributed. These devices, worn on the face, can save a worker

## SAFETY/SECURITY REPORT

Health administration, New York City office, said there has been a continuing point of conflict between unions and employers about who will pay for an employee's safety training and how it will be handled.

**"COMPANIES** emphasize production, and if a worker isn't 'producing' while he's taking safety programs, they figure he's not valuable to them. The biggest hang-up of all involves when a man might receive his safety training," Mr. DiArchangel explained.

He indicated new workers

program in the early stages of a worker's career."

And the question of who will pay for safety training drags on. Although the OSHA man recalled the commission regulations which hold an employer responsible for such programs, Mr. Cross said the tunnel workers union was under pressure from various employers to provide training.

"On-the-job training was a natural and expected thing in the past, but now employers are not satisfied. They want us to set up a pre-job training program. We have been trying to get funds from Washington to do this, but

from carbon monoxide released in a tunnel fire.

**TO BE EFFECTIVE**, the worker must have immediate access to them in the event of a fire. The OSHA regulations for employers state that self-rescuers "must be available near the advancing face to equip each employe. Such equipment shall be on the haulage equipment and in other areas where employes might be trapped by smoke or gas and shall be maintained in good condition."

Mr. Cross said some employers, while complying with having the

Continued on page 90

# Safety board, FAA clash on proximity device . . .

Continued from page 1  
warning by citing, "unforseen problems in the manufacture and distribution of the altitude alerting equipment which seriously affects orderly installation and scheduled operations."

"And then," the safety board source said, "during the duration of the extension, the minimum performance standards for the bastardized device ordered by the FAA were derogated by a combination of industry and airline pressures to keep the costs down. What we finally wound up with was a device with tolerances so low that it couldn't be used under 2,500 feet. Like I said before, we found ourselves working with a device that had nothing to do with what we were after.

**"ON THE** one hand we have the FAA pushing a mandatory requirement for a device to tell the pilot when he is deviating from assigned altitude, and, on the other hand, saying it doesn't think a pilot needs a device to prevent his aircraft from inadvertently intersecting with the earth. What kind of logic is that?"

"If you ask me, it's a little incredible," he said.

"Even now, the FAA is saying, 'Who needs it?' I, for one, would swap everything the present altitude alerting system does for a good terrain device."

A 1971 intra-agency study detailing a NTSB investigation into the in-flight use of the required alerting systems through jump-seat observation and interviews with pilots and flight engineers said:

"It is apparent from contacts with the air carrier operations personnel that the altitude warning device envisioned in (an FAA notice) has evolved into a device to indicate flight level deviations rather than a true ground proximity warning device for use in descent during approaches to airports."

At that point, the study said, none of the airlines checked—Delta, National, American and Eastern—"had established procedures for use of the altitude warning device." The study also showed that alerting variances in the equipment ranged from 200 to 300 feet.

The study concluded with the finding that, "Flight crews observed are not well trained in the use of the altitude warning equipment installed."

The ground proximity warning concept was first envisioned by engineers of the Scandinavian Airlines System and later developed in the mid-60s by Sundstrand Data Control Inc. of Redmond, Wa. Its system now sell for \$4,000 to \$5,000 and has been certified by the FAA.

**ALTHOUGH** yet uncertified, the Boeing Co. also has a system it is offering to B-747 customers. On March 1 of this year, the company sent letters to its jumbo jet customers offering a "retrofit master change kit" of parts and

instructions to enable installation of ground proximity warning systems on previously purchased 747 aircraft. The company further offered a production change to facilitate installation of the device in new 747s if commitments to proceed were received by March 15.

The company would not say how many customers requested the device, but did say that it will now come as standard equipment on all 747-ST models ordered by new customers. The Boeing version of the system costs roughly \$10,000 more than the Sundstrand device.

**"THE BOEING** system, aside from the normal lights, buzzers or bells, also includes a voice that comes through the headphones and says, 'Pull up,'" the NTSB source said. "The next step, as far as we're concerned, is pushing for development of a terrain avoidance device that would take the plane out of control of the pilot and drive it on an evasive maneuver."

The major aviation insurance pools are far from convinced that ground proximity warning devices could have prevented the accidents cited by the board. Officials of both AAU and USAIG charge the two federal agencies are "riddled with politics" and say their operations have little effect on insurer-air carrier relations.

**"THEY'VE** been into this sort of thing for years," Frank Steel, AAU vp, told *Business Insurance*. "Again and again they get into a controversy about the worth and reliability of these devices. We don't have the expertise to determine who is right and who is wrong."

Mr. Steel said insurers are not in a position to pressure air carriers into utilizing such devices simply for the sake of loss prevention.

"Unless there had been a tremendous amount of research, we couldn't seek to require anything," he said. "If we did and the device failed, we're likely to be sued. If we ask them to install these devices, they'll be asking us how much we are going to reduce our rates by. Besides, for an airline with 200 to 300 planes, a device that costs \$15,000 is not cheap."

The fact that the FAA has already certified such devices does not, Mr. Steel said, mean "that they are either good or necessary."

**"WE'RE** insurance people," he said. "Evaluating a device like this would be a long, drawn-out, expensive process. If the airlines don't like the device, who are we to tell them they should have it? We're in a secondary role."

USAIG—a pool which has sustained many of the losses in crashes cited by the safety board—officially has no position on the ground proximity warning system. Unofficially, however, a

pool source contends the safety board's argument is "not as strong in fact as it appears."

"This feud," one USAIG official said, "is ridiculous and has its basis only in politics. At present, there is no magic device available to prevent accidents. If there was, we'd do something about it."

Although admitting the safety board's investigations of aviation accidents are considered by the group to be "accurate," the official warned of "accepting at face value anything NTSB says."

**"IT'S COMMON** knowledge the FAA is, perhaps, closer to the aviation industry than it should be," he said. "There is a lot of contact that may not be in the public interest, and the question has come up more than once whether the FAA and the industry hopped into bed together long ago. The FAA isn't foolhardy; it realizes the industry will not invest a lot of money in testing these devices."

The safety board, he said, is filled with "people who have no knowledge" of the demands of the air industry and who "enjoy putting the cat on the back of the FAA with their judgments."

"I'd say that right now the government isn't doing half the job the old Civil Aeronautics Administration did," he said.

In the meantime, bills have been introduced in both houses of Congress calling for the reorganization of the safety board as an independent government agency to be known as the National Agency for Transportation Safety.

The bills' sponsors claim the present safety board must be divorced from its current affiliation with the Department of Transportation to "insulate it from pressures to change or modify its tough safety suggestions in order to obtain its budget requests."

### Air Disasters

The National Transportation Safety Board has cited the following aviation accidents as examples of some of the disasters which might have been prevented if ground proximity warning devices had been in operation:

Carrier	Type	Place	Date
TWA	CV-880	Cincinnati	Nov. 1967
Frontier	CV-580	Great Falls, Mt.	Nov. 1967
Allegheny	CV-580	Bradford, Pa.	Dec. 1968
Allegheny	CV-580	Bradford, Pa.	Jan. 1969
Texas Intl.	DC-9	Harlingen, Tx.	Jan. 1970
Learjet	L-23-A	Pelston, Mi.	May 1970
Southern	DC-9	Huntington, W. V.	Feb. 1971
Northeast	DC-9	Martha's Vineyard	June 1971
Eastern	L-1011	Everglades, Fl.	Dec. 1972
Delta	DC-9	Boston, Ma.	July 1973

# Product commission taking a look at insurers' role in data disclosure

BETHESDA, MD.—The not-quite-year-old Consumer Product Safety Commission (CPSC) and representatives of the product liability insurance industry are in the midst of a series of "informal meetings" called to discuss the insurers' roles in providing information to the federal agency.

The CPSC and both the American Mutual Insurance Alliance (AMIA) and the American Insurance Assn. (AIA) are studying a proposed federal "insurance survey" that would provide the government with product-related injury and death data while retaining some elements of insured confidentiality.

"The information we would re-

ceive from the insurance industry would be used to supplement data we receive from our other sources," Mrs. Evelyn Spiro, the commission's health statistician, explained.

"Some persons—our general counsel, for one—would say that the Consumer Product Safety Act's disclosure requirements are broad enough to encompass the insurance industry," said Robert D. Verhalen, the director of the commission's epidemiology division and a doctor of public health.

"OUR CONCERN, though, is about confidentiality and the jeopardy involved for insurance companies if they release infor-

mation relating to product liability," he said. "The companies they insure might be upset.

"We've been waiting for the two associations to provide us with the names of insurers so we can go through their records to see what information they have. All we want to do is go through the files, see if the information we want is there and find the best way to get it without violating confidentiality.

"We're not trying to want to make it hard on the insurance companies," Dr. Verhalen said.

"The information we would want would be insurance company records on product liability lawsuits and claims," Mrs. Spiro said. "We'd like to know what

the extent of the damage or injury was, what the product implications were and some information about the victims."

"We'll also be looking for information on the economics of product liability," Dr. Verhalen said.

SOME OF the information, he admits, may not be there.

"I think it's accurate to say I'm appalled at the primitive record systems used by some insurers," he said.

Dr. Verhalen and his staff feel both insurers and insureds stand to come out ahead if the CPSC data-gathering system evolves as planned. The insurers, they say, stand to benefit from loss information gathered through constant nationwide fact-gathering, and manufacturers who buy product liability coverage may reap the profits of lower premiums.

"We didn't approach this sur-

vey idea with the idea of serving the insurance industry's advantage," Dr. Verhalen said. "We approached it out of our responsibility to the consumer. But we see possibly enough feedback to plug our system into rate-setting procedures. If they can reduce claims, too, by making products safer, they'll save money, although they'll have to lower their premiums."

"The information we gather through NEISS (National Electronic Injury Surveillance System) will determine whether a product should be banned or modified in some way," Robert Frye, the director of the division of injury surveillance, said. "Obviously, some companies will be monitoring us very closely."

THE NEISS system provides the commission with injury data directly from 119 hospital emergency rooms nationwide. The hospitals represented in the system were selected on a statistical basis to yield valid national data. Each day the commission can update information on, for example, how many consumers were injured by lawnmowers, as well as figures on the frequency and severity of lawnmower-related injuries.

"You take a product liability insurer that covers a company like Sears," Dr. Verhalen said, "or any company that deals in a wide variety of products. Unless the insurance company is aware of the potential hazards of those products, it can't accurately compute rates. In the past, these companies have not been collecting information sufficient to do this."

The insurance industry, Dr. Verhalen suggested, could never establish a similar system of its own.

"After what we've been through, I recognize the difficulty in setting up a national data-gathering system," he said. "The sheer cost is staggering and much too high for any individual interest to undertake. To even suggest that the insurers could get it together would, I think, be naive. Besides, the industry doesn't have doors opened to them—state health departments, hospitals—as the federal government does."

THE commission is now exploring ways to expand its NEISS operation with new data-gathering procedures.

"We are now contracting with the states to provide us with death certificates soon after they are filed," Dr. Verhalen said. "We're also involved in data-gathering from doctors' offices, household surveys and manufacturer reports."

"We're now involved, too, in a national household survey on the incidence of fires," Mr. Frye said. "It's being conducted by the bureau of census—this winter we hope—as part of the current population survey of 50,000 homes."

Once the system is in full operation, Dr. Verhalen feels the insurance industry will no longer have any reason to, as he put it, "rest on its laurels with statements like 'Our records show.'"

"THEY (insurers) originally would not believe our hospital data," he said.

Dr. Verhalen said he did not believe the information generated by the commission would prompt a rash of product-liability lawsuits.

"Our purpose is not to foster or promote suits," he said, "although, our investigators are required occasionally to file depositions of our own. The new Consumer Protection Agency laws now being considered by Congress may do that."

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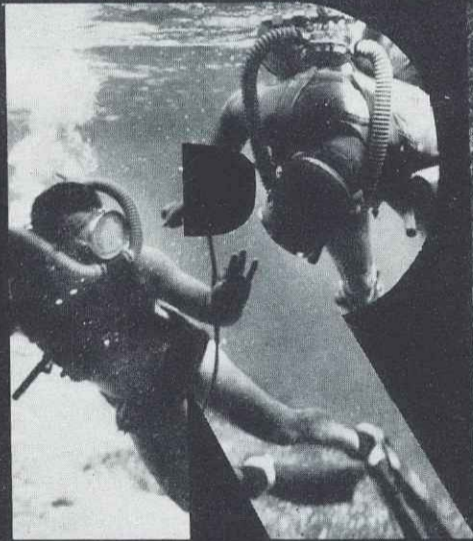
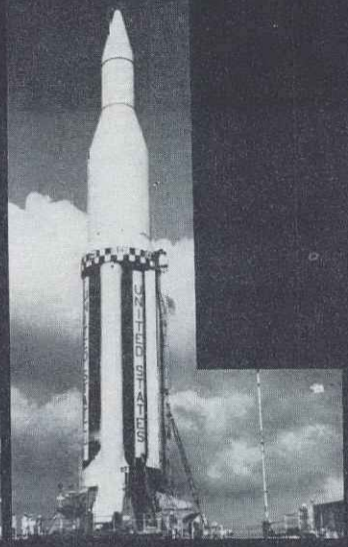
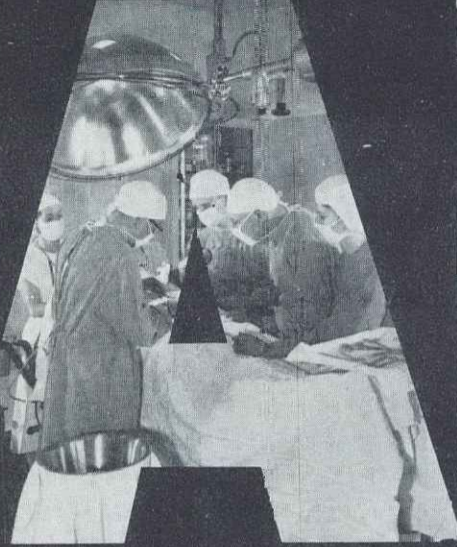
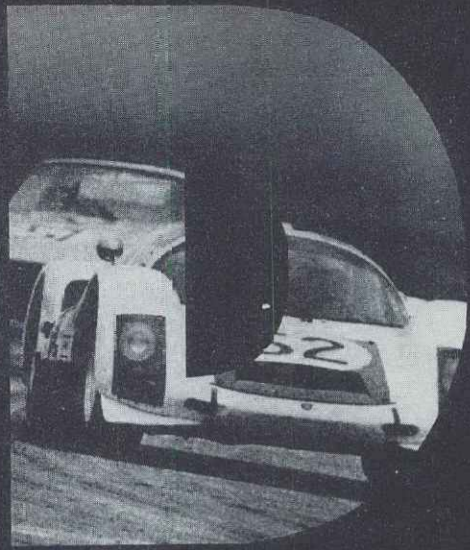
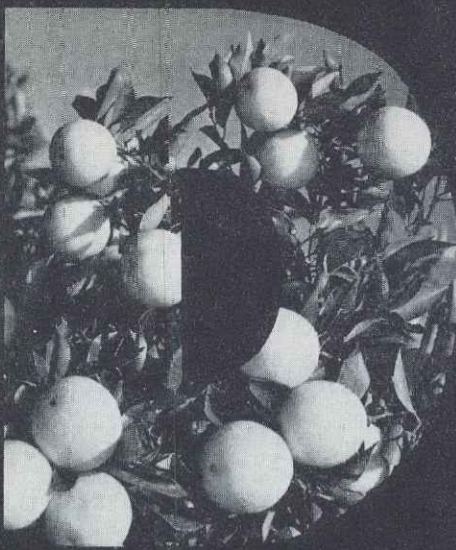
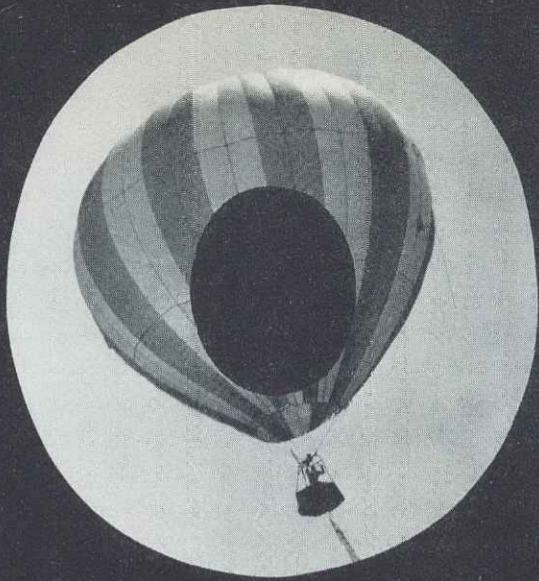
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# Businessmen exaggerating OSHA: U.S. agency

By MARY ANN CALLAHAN

WASHINGTON—The National Federation of Independent Business Inc., an organization with a reported 350,000 membership, apparently is resorting to lies and gross exaggerations in its crusade against the Occupational Safety and Health Act, a U.S. Department of Labor spokesman has charged.

In a telephone interview with *Business Insurance*, the Labor spokesman refuted charges of excessive compliance costs, arbitrary and unwarranted safety standards, unfair pressure on retail businesses and summarily-imposed penalties attributed to OSHA in NFIB press releases.

The first charge, that it will cost the nation's 5.5 million independent businesses over \$16 bil-

lion to comply with the law, is such a serious misrepresentation, the spokesman said, that it was rebutted in the May issue of DOL's official publication, "Job Safety and Health."

Based on NFIB's field survey of its members, the average cost to comply with the law was reported to be \$3,826; or in the retail business, \$2,783; wholesale, \$3,618; manufacturing, \$2,895; construction, \$5,711; service, \$4,416; and transportation, \$3,535.

AN NFIB release said that using those figures, based on the number of its members who had been inspected, \$16 billion becomes the scaled estimate for independent businessmen nationwide.

"The \$16 billion figure was based on a survey of only about 280 NFIB members out of a pos-

sible 350,000," the spokesman noted, "so the study is statistically invalid. It's hard to believe they would make use of figures gleaned in such an unscientific manner."

"There really is no feasible way of determining the costs of compliance, because an employer can relate almost any improve-

## SAFETY/SECURITY REPORT

ment to OSHA," he said.

"In addition, NFIB does not mention any saving effects of the improvement. For instance, if he (a proprietor) buys a new machine, he may get greater productivity, reduced insurance premiums, or less workmen's compensation bills," he noted.

"The positive side of the coin is never mentioned."

IN THE same press release, NFIB reports "under the regulations drawn by the Labor Dept., employers can be cited and fined if an employe spits on the floor; if there are no illuminated exit signs of a prescribed size over doorways; if drinking water is cooled with ice; if toilet doors lack coat hangers, and usually several fines are levied if the establishment does not have posted the official labor department poster."

A New York area DOL spokesman denied each charge: "There is nothing in the law about spit, so that is not a violation, and as for the sign, we require it to be at least five candle power so that employes will be able to see it, but that's all."

"The ice regulation has since been revoked, but it was part of the consensus safety standards adopted by OSHA," he admitted. "It was an obsolete throwback to the days when they used pond ice to cool the water supply," he noted, stressing that it had never been enforced by OSHA.

"You can't get a citation if there is no condition which endangers the safety and health of employes," he said, "so there is no regulation about coat hangers on toilets, and you can only get one citation for not displaying the poster."

"FURTHERMORE, in every instance where it is called to our attention that a regulation is obsolete, we move to delete it," he said.

NFIB claims, in another press release, "Labor Dept. agents enforcing the department's interpretation of the (OSHA) have apparently made retailers the prime target." DOL denied it.

"There is no way within our system of priorities that we can put emphasis on retailers," the spokesman said, "and the specific dangers we watch out for are usually not those we have any control over."

"First on the list of priorities is any catastrophe which kills one person or hospitalizes five or more. We try to get there as quickly as possible to see if the accident was caused by not following OSHA's guidelines. In this, we are trying to preclude the chance of another accident."

"OUR SECOND priority is complaints about working conditions, which also cannot be predicted," he said.

He said the third category, which involves 85% of all scheduled inspections, includes a target health program and a target industry program. "Target health keeps an eye on the level of carbon monoxide, cotton dust, asbestos, and other ventilation dangers," the spokesman said, "while target industries, which seem more accident-prone, are the long shore, refrigeration and sheet metal, meat and meat products, lumber and wood, and manufacturers of miscellaneous transportation equipment, everything from snowmobiles to mobile homes."

"We do single these businesses out, along with what we call our special emphasis programs which investigate highly hazardous types of work. We only stress these because of the safety elements," he said.

"The emphasis right now—and this is a publicly announced emphasis—is on trenches and excavations at construction sites, where there is danger of cave-ins," he added.

"AFTER WE have looked at all of these, we do a random selection of establishments of all types and sizes from our 50 or so regional offices," he said, "and any concentration in an industry or geographical area is purely accidental—certainly not a concerted effort."

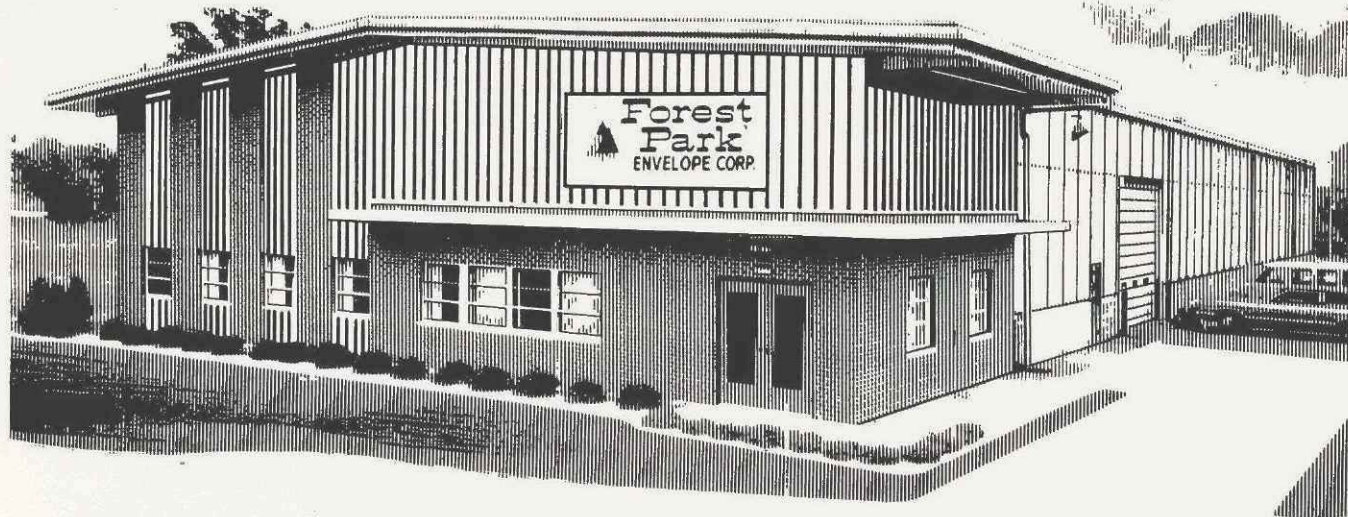
"Actually, it seems well-nigh impossible to have any concentration the way NFIB charges," he added.

In fact, he said, the DOL has a commitment to avoid heavy and reasonable stress on small businessmen. The Small Business Administration, through DOL's intervention, will arrange long term loans to help owners bring their companies into compliance with the law, the spokesman said.

"They can get free advice, by  
Continued on page 61

# "Automatic" Sprinklers mean automatic savings

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Forest Park Envelope Corporation, Bridgeton, Missouri is an excellent example of how small and medium manufacturers can protect their plants from fire, and at the same time, reduce their insurance premiums substantially. They are typical of the rapidly growing list of businesses now enjoying "Automatic" Sprinkler's fire protection-plus-savings package.

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Annual savings .....	\$ 3,257.00
Total cost of installation .....	10,952.00
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# Female safety director cares for her truckers

ROCHELLE PARK, N.J.— Even the burliest of the truckers have now agreed they are no match for Evelyn Pernot, the 71-year-old who has been a trucking company safety director for more years than can be remembered by most people around the eight depots which she “mothers.”

One accolade came from Martin S. Salpeter, Fireman's Fund American Insurance Cos., who declared, “I've watched Evelyn crawl under tractor trailers many times to check air lines, coil and

leaf springs, rims and other vital components and neither sex nor age ever kept her from fulfilling her responsibilities as safety director.”

**MISS PERNOT** moved into the job in the mid 1930s when, as she explains, “women were much further away from liberation than they are now.” More than a few eyebrows were raised when the Arrow Carrier Corp. here made her one of the first female safety executives in the nation as well as in the trucking industry.

Arrow is a class A carrier with revenues of more than \$8 million a year. The carrier operates a fleet of more than 200 trucks throughout New York, New Jersey and Pennsylvania.

“My taking over the job,” Miss Pernot admitted, “didn't exactly start a trend. There just aren't very many other females holding down this role in the trucking industry, even though safety is one of the most important business factors.”

Miss Pernot's retirement this year was marked not only by a

celebration and a few tearful goodbyes, but also with the award of a special placque prepared by the San Francisco-based insurance company which carries the cargo firm's insurance.

**SHE BEGAN** her career with Arrow as secretary to its founder, the late John E. Ackerman, in 1922. When she became safety director some dozen years later, she not only had to contend with a generally negative reaction to the idea of a woman executive but also with the fact

that at that time safety was virtually a new concept in industry. Today, much as a result of her work, Arrow's accident rate is one of the lowest in the trucking industry, at one-quarter of the national average.

Arthur Thompson Jr., resident vp of the insurance firm's Newark branch, pointed out that “the kinds of accidents Arrow has experienced have all been relatively minor, with most claims averaging less than \$100.”

**ONE OF** Miss Pernot's first projects when taking over as safety director was to begin building a sound relationship with all of Arrow's employees. “Safety will result,” Miss Pernot



Evelyn Pernot

emphasized, “when a person cares about his job, and an employe will care more about his job when he knows that management is genuinely interested in him and in his safety.”

“Being a safety director,” she added, “is a 24-hour-a-day vocation and you wind up acting as sort of personal counselor to the drivers, the loading dock workers and to the office staff.”

Of necessity, some of Miss Pernot's methods and procedures, in the early days, were improvised. “When I first became safety director,” she said, “there were not many standards to follow. Nowadays, however, there are rules and regulations governing most phases of our operation and it's almost a full-time job to keep up to date on government regulations and proposed legislation.” ■

## Prevention is way to cut costs: Nader

ATLANTA—Arguing that “the only proper cure for a crushed jaw is prevention,” Ralph Nader urged members of the American Society of Oral Surgeons (ASOS) to become involved in accident prevention.

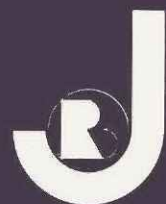
Unless the American health care profession places more emphasis on prevention of accidents and illnesses, health care costs will continue to soar, the consumer advocate told the 55th annual meeting of ASOS here.

“I wish a group of oral surgeons would have visited the president of General Motors a few years ago with examples of what surgeons have to deal with in trauma cases due to automobile accidents and the design of cars,” Nader said.

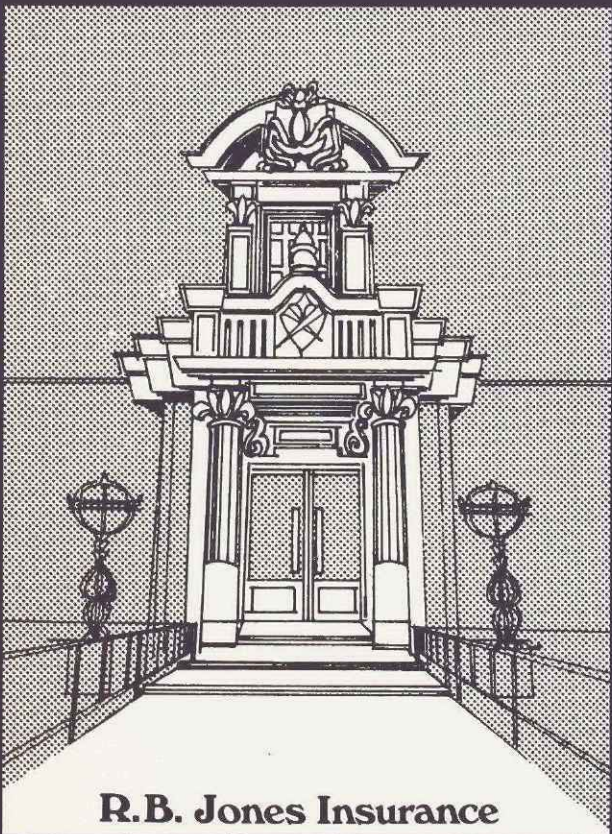
He said if prevention of accidents had been stressed years ago many persons would have avoided emergency surgery to save their lives.

The preventive ethic should start at professional and graduate schools, he added, charging many medical schools are “sadly far behind” in teaching preventive medicine to prospective doctors and dentists. ■

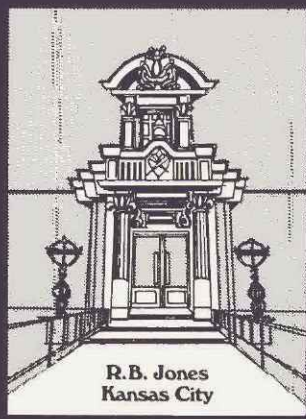
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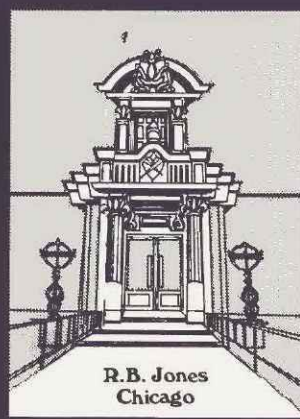
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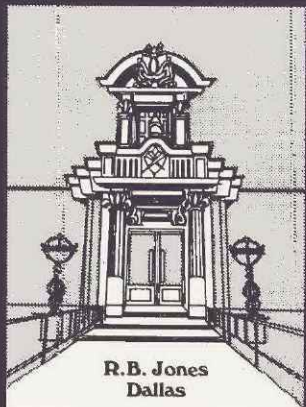
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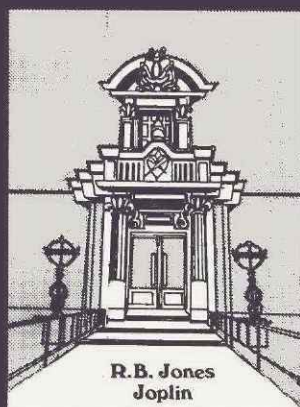
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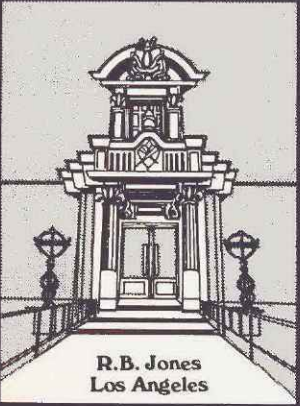
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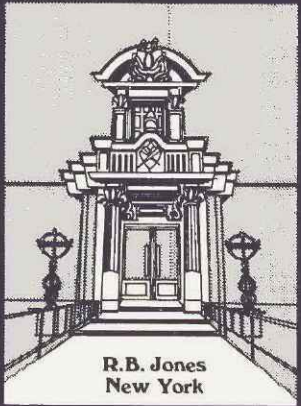
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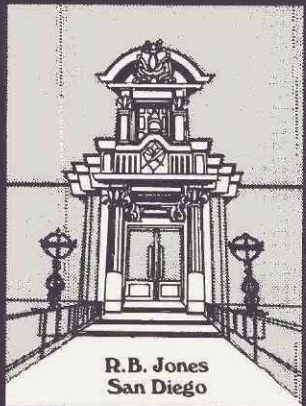
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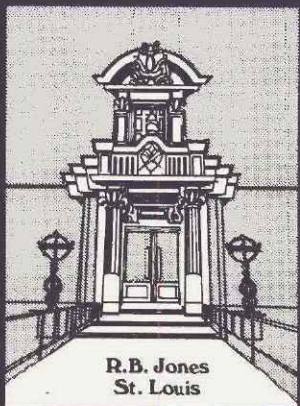
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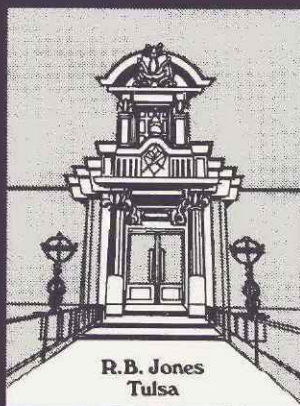
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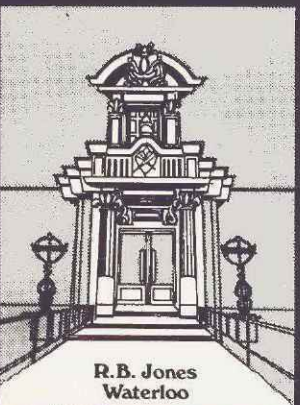
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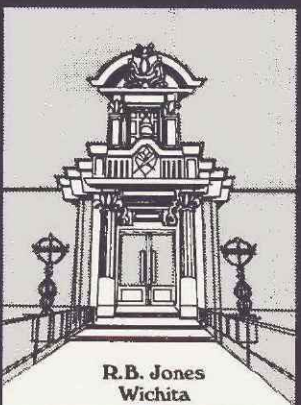
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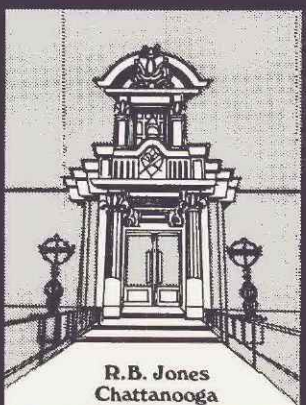
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# Critics claim reactor safety years behind

By PATRICK THOMAS

NEW YORK—There are times when puns just aren't funny and listening to well-spoken critics of nuclear power discussing how safety problems have been mushrooming in the nuclear power plant industry is one of them.

(According to Atomic Energy Commission figures, there were 30 nuclear reactors in operation in the United States as of April 1; 59 were under construction and another 97 were either planned or on order. Almost all of them are water-cooled reactors.)

"The problem is that the utilities are operating ever larger and ever newer types of nuclear power plants," said Daniel Ford, spokesman for the Union of Concerned Scientists, Cambridge, Ma. "That and technological immaturity in safety. The design of safety systems for reactors just hasn't kept pace with everything else in this mad rush to construct new plants."

As an example, though he said there are any number of serious problems, Mr. Ford pointed to the controversy surrounding the emergency core cooling system (ECCS), the last line of defense in a loss of coolant accident. Loss of coolant could lead to a core melt-down within the reactor and release deadly radioactivity into the atmosphere.

MR. FORD told *Business Insurance* the ECCS had never been fully tested by the AEC, or anyone else, and, for that reason, its effectiveness was definitely open to question. Even in an AEC study on power plant safety released in July (The Safety of Nuclear Power Reactors and Related Devices—WASH 1250), the ECCS received short shrift, he said.

Frank Ingram of the AEC acknowledged the ECCS had never been fully tested but quickly pointed out all its various components had been. He also said the AEC would conduct tests on the system, though not full scale, beginning the end of this year and continuing through 1975.

"This is not as big a problem as the critics say it is," Mr. Ingram noted. "We are reasonably positive the ECCS will work if it has to and we don't think it will ever have to."

A spokesman for the Atomic Industrial Forum Inc., a not-for-profit association of companies, organizations and individuals interested in the peaceful development of nuclear power, concurred.

"THE ECCS is the ultimate safeguard," he commented. "There are umpteen safety devices which would be called on before the ECCS. True, it has never been tested but, logically, it can't be, not under operating conditions. No one is going to destroy a nuclear power plant to see if the ECCS works. It's the same thing with bridges. You don't build a bridge and then knock it down to see if it will withstand certain wind conditions."

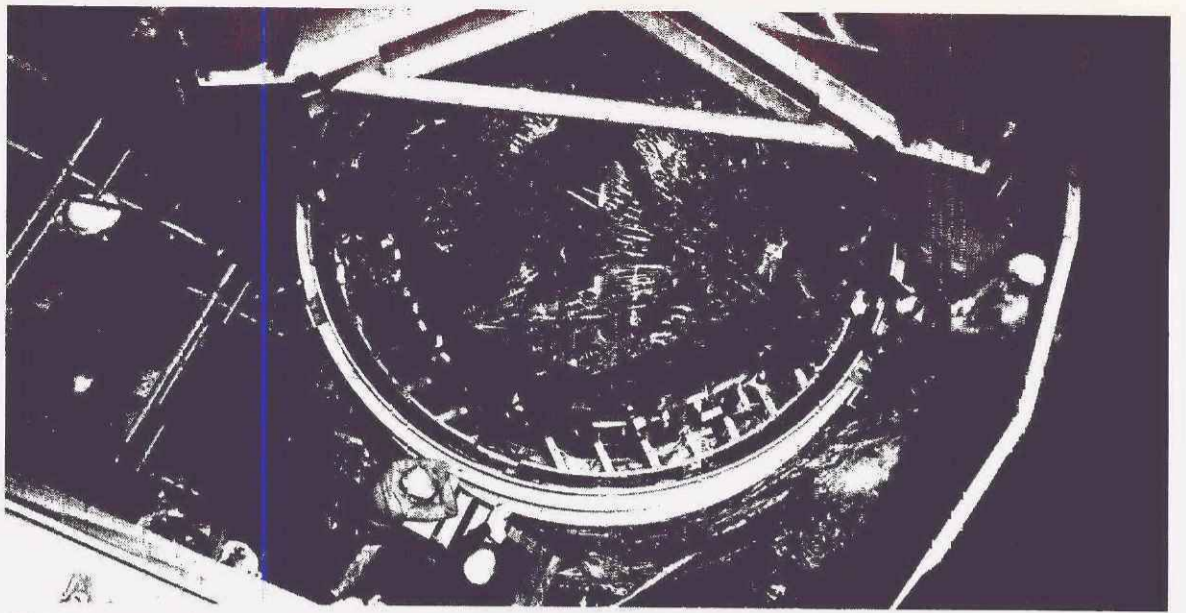
The ECCS is just one of many areas where critics and the industry fail to see eye-to-eye. Before touching on some of the other sore spots, it would be well to establish that, as far as most persons are concerned, nuclear power plants are probably as safe as they can be. They are inspected constantly by the AEC, the property and liability insurance pools responsible for part of the

coverage on them and the safety staffs of the various utility companies and manufacturers involved.

Licensing is the AEC's trump card when it comes to safety. According to Mr. Ingram at the AEC, the average length of time from the moment a construction is applied for to when the operating license is approved is between six and seven years.

During this time, the AEC regulatory staff reviews the application and passes it on to an independent body, the Advisory Committee on Reactor Safeguards, which conducts its own review. Public hearings are held

*Continued on page 77*



White-capped technicians stare into the Duke Power Co.'s first nuclear generating unit at the Oconee Nuclear station near Clemson before its recent initial loading.

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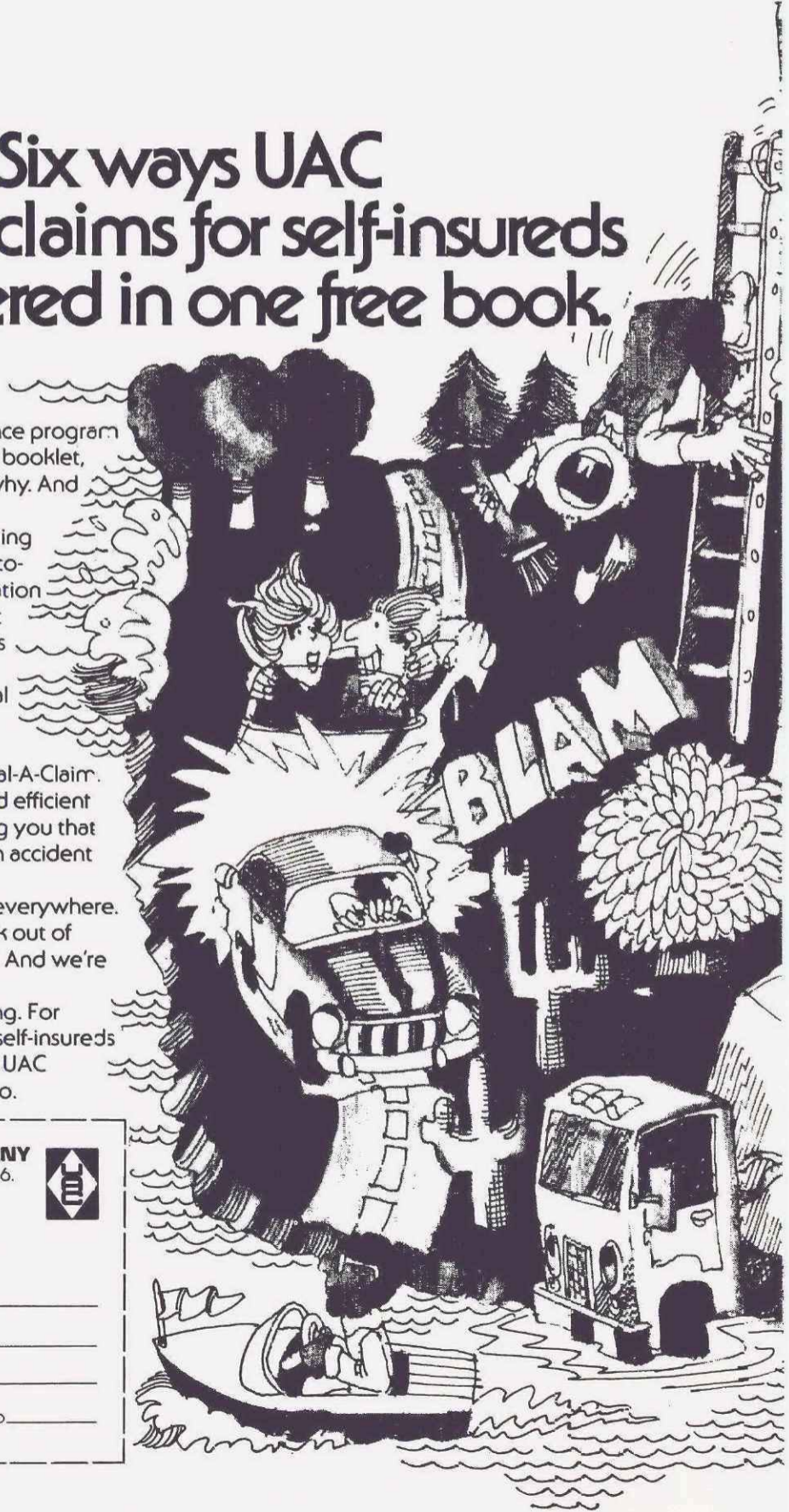
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# Nuclear paradox: If it's foolproof, why insure it?

NEW YORK—Insurance coverage on nuclear power plants is an issue employed by both sides in the nuclear power safety debate to establish their separate causes.

Defenders of nuclear power like to note the various nuclear insurance pools have never received a claim stemming from the operation of a reactor. They highlight the fact the pools annually, almost as a matter of course, refund premiums to insureds because of good experience.

In July, for example, the Nuclear Energy Liability Insurance Assn. (NELIA) and the Mutual Atomic Energy Liability Underwriters (MAELU) refunded \$1,393,156 to some 300 insureds. Over the past seven years, the two pools have refunded more than \$5 million.

Critics, on the other hand, contend the \$560 million limit on recovery in case of a nuclear accident set by the Price-Anderson Act is not only ridiculously low but is tantamount to admitting manufacturers, utilities, insurers and the government are simply protecting themselves against an inevitable catastrophe.

**AS ARCH-CRITIC** Ralph Nader phrased it at hearings on nuclear safety conducted by the Pennsylvania insurance department (*Business Insurance*, Aug. 27): "If nuclear power plants were safe they would be insurable. The utilities and the insurance companies won't take the financial risk of nuclear power . . . The lack of full insurance coverage against nuclear power plant accidents is the clearest warning the public can have

about the unresolved nuclear power plant safety problems."

At those same hearings, NELIA's general manager, Joseph Marrone, and F.J. Goodfellow, general manager of the Nuclear Energy Property Insurance Assn. (NEPIA), testified as to their pools' activities.

Mr. Marrone pointed out NELIA or MAELU had received claims arising from 24 incidents over the last 16 years, none of them stemming from the operation of a reactor. Nine of the incidents occurred during the transportation of nuclear material. The other 15 he characterized as "nontransportation" incidents.

"Five of the nine transportation incidents involved claims for property damage caused by contamination," he said. Two of the remaining claims, he added,

involved alleged bodily injury to transportation workers and another involved contamination of a warehouse and truck weigh-in station.

**THE OTHER** transportation incident "involved alleged bodily injury from a shipment of a small quantity of depleted uranium delivered to the wrong address." This, he said, was covered by conventional insurance, not the nuclear pools.

After testifying that five of the non-transportation incidents involved leaks of encapsulated radioactive isotope sources, Mr. Marrone said, "One reported incident involved possible radiation exposure to children who had stolen a radium source." Jaws dropped in the hearing room.

The other incidents, he re-

ported, involved bodily injury claims from persons who had come in contact with radioactive material, in one way or another, in the course of their employment. One of these was a fatality after an accident at a facility processing enriched uranium.

"The total of incurred losses since the inception of the nuclear liability pools (1956) is \$1,098,299," Mr. Marrone said. The pool has cancelled two risks over the years and refused to write one, he added.

Mr. Goodfellow testified that NEPIA had received some 200 property claims but none of them arising from the operation of a nuclear reactor. Most of them, he added, were "small stuff."

NEPIA covers the construction phase of the nuclear plant and its most expensive claim stemmed from a fire at a plant under construction. This fire, an arson-caused blaze at Consolidated Edison's Indian Point Two plant in New York, produced a \$4.5 million loss for the property pool. ■



## Three-day safety meet scheduled

CHICAGO—Occupational safety and health laws will be one of the topics discussed in three days of meetings by the Labor Conference of the National Safety Council, scheduled in conjunction with the National Safety Congress and Exposition, October 29-31 in Chicago.

**JOHN H. STENDER**, assistant labor secretary for the Occupational Safety and Health Administration (OSHA), Gordon T. Snyder, Saskatchewan labor minister, and John J. Sheehan, legislative director for the United Steelworkers of America will speak at the safety and health law session, October 30.

Other topics to be discussed during the conference include: "Respiratory diseases of the workplace," and "Traffic accident emergency rescue procedures" on October 29, "Workmen's compensation" on October 30, and "Product and consumer safety" on October 31. ■

## Farm labor work comp bill passed

SACRAMENTO—Governor Ronald Reagan is expected to sign into law a measure introduced by assemblyman Jack R. Fenton to give an estimated 225,000 California farm workers coverage under the state's unemployment insurance program.

Final legislative approval came on a 56 to 12 assembly vote in concurrence with senate amendments which eliminated an extra unemployment tax on farmers.

Under the proposal, farm workers would receive unemployment insurance benefit payments of up to \$75 a week for a maximum of 26 weeks.

Opponents charged the new law would drain California's unemployment insurance fund of up to \$35 million a year. Supporters argued the state would save money by taking farm workers off welfare. ■



Credit card companies have begun to strike back at fraud.

## Security awareness, mailing ban aid in credit card fraud decrease

By JUDI TALIT

NEW YORK—A security-consciousness that hit the credit card industry two years or so ago, along with stricter legislation guarding against the number one source of fraud—the unsolicited mailing of credit cards in the U.S.—has apparently had its rewards for the industry, a *Business Insurance* survey shows.

An exorbitant amount of money has been lost through credit card frauds. Of the more than 300 million credit cards in circulation, at least 2%, or 3 million cards are reported lost or stolen each year. More than \$30 billion is spent annually on charged merchandise and services. Included in this fig-

ure are gasoline credit cards, department store cards, airline, auto rental company cards and telephone company cards.

Children cut them up, housewives throw them out. Businessmen forget to remove the card from pants pockets before sending them to the cleaners. Credit card companies find it necessary to treat these and all other missing cards as stolen.

American Express, Diner's Club, Carte Blanche, and BankAmericard offices are all equipped with phones manned 24 hours a day, seven days a week for the purpose of receiving reports of stolen or lost credit cards and for authorization calls from department stores, gas stations and other merchants.

All employ the "warning list" or "hot list", which compiles all the credit card numbers reported as lost or stolen by cardholders. Carte Blanche issues a list every other week, updating it constantly. The division director in the New York office, William Sentner, told *Business Insurance*, when asked whether the list was an effective security control, "there isn't an effective security control."

At BankAmericard, vp of corporate security, Raymond Litman, expressed his support for the effectiveness of the "hot list" in cutting down credit card frauds. Their list is issued every other week.

"HOT LISTS are one of our lifelines," said Larry Schumacher, security man at Diner's Club. Their list is issued bimonthly.

At American Express, the "warning bulletin" is always being updated. When cards expire they are taken off the list. New numbers are added. As a call comes in reporting a missing card, the number is automatically listed. However, the vp of security explained, the lists are subject to the same problems as a newspaper or magazine. "By its very nature, it has a deadline," he said.

It takes time to compile the lists and have them printed up and distributed. This gives the thief time to make fraudulent use of the card.

"Hot lists" are distributed through the mail, which makes them easily accessible to thieves. But, the larger credit card firms seem unperturbed by this fact, as they know that many of these lists are furnished to thieves. Naturally, this list either reassures the thief that his number has not yet been reported, or contrarily warns him not to continue using the stolen card.

In embossing the credit cards, companies use strict security devices. Potential employees are first subject to an intensive investigation before they are hired. Credit cards are treated much like currency and the setup at most credit card companies looks very much like a bank vault.

AT CARTE BLANCHE, the cards are embossed behind triple locked doors with maximum security. A buzzer alarm system is employed in case an unauthorized person seeks entrance into the vaultlike workroom.

All embossing at Diner's Club is done at their data processing center in Denver, Co. All employees are bonded and subject to a full security check. In order to gain entrance into the workroom, an employee must place his identification card into an electronic slot which acts as a key to the door. This is the only way he may enter the room.

The larger credit card companies have noticed a definite trend toward lower fraud rates in the last few years. They attribute this to a crackdown in mail frauds which began with the introduction of a law prohibiting unsolicited mailing of credit cards.

DINER'S CLUB mails credit cards directly to a designated post office. Cards are then sorted according to zip codes, packed, given a receipt and distributed.

As a second security control, American Express follows their cards up with a "postmailer" system. Three or four days after the card is mailed, a notice is sent to the prospective cardholder. It

Continued on page 47

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## Credit card frauds . . .

Continued from page 46

reads, "Three days ago we mailed your card, if you have not yet received it, call American Express and tell us. If the card arrives a few days later, do not use it, because it will all ready be entered on the blacklist." A new card is then issued and forwarded to the cardholder. The cycle of the postmailer continues until the card is safely received.

By law, the cardholder is liable for \$50 worth of merchandise or services charged to their card in case it is lost or stolen. This law went into effect less than two years ago. "There had been no similar laws before that," noted Larry Schumacher at Diner's Club. Although, he said, other companies have held the cardholder responsible for this amount, his firm has never brought suit against a cardholder.

"As far as my company is concerned, the key to our defense . . . is notification to us that the card has disappeared," noted Mr. Lipson security vp at American Express. "We can contain the loss with or without the notice, but it's easier and more economical if notice is given."

AMERICAN EXPRESS found the "authorization system" to be an effective security control. They have been using it for years. It was born from the old hand-operated index card system. The system is activated by a phone call from the merchant when the charge is over the limit. It may be \$15 or \$75. When the

According to sources at the larger credit companies, this practice of "merchant collusion" is not widespread. However, Mr. Sentner at Carte Blanche admitted that "it does exist, but not a great deal."

Credit card companies have given thought to endorsing the picture identification card as a further security control. Many companies, however, are reluctant to put this practice into effect. Some feel it is not worth the bother of dragging customers in to take their picture.

This view, however did not hold true at New York's Bankers Trust Company. During the initiation of the photo identification card there, Polaroid cameras were greeted by smiling and ex-

Continued on page 50

### SAFETY/SECURITY REPORT

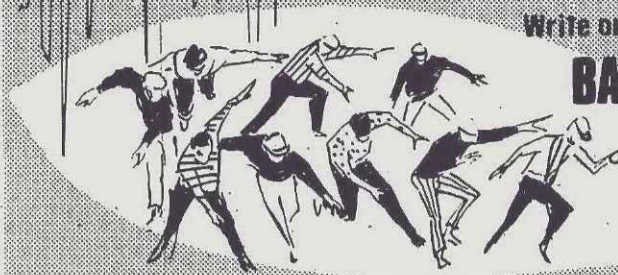
call comes through, the computer receives the information. If the card number is not on the "hot list" then the sale is okayed. If not, the computer will ask the caller to hold the line. The call is then transferred to someone posted in front of a cathode tube which flashes the entire history of the card on the screen. If the card is stolen, it will show up. The person will then ask the caller for further information. Is the person in the store a man? How old is he? If the cardholder is obviously a fraud, the person at American Express will ask the merchant to please call the police immediately and have the thief arrested. The merchant is then entitled to a reward for the arrest ranging from \$25 to \$50 depending on the credit card company.

MR. LIPSON also explained another aspect of the "authorization system". All calls made to American Express are recorded and accumulated in the computer. "All people have a certain spending pattern. If that pattern changes, then it automatically stimulates an inquiry from the computer to the human," he noted.

Thieves as consumers, are aware of the authorization practice, so they try to keep their spending limit below the amount requiring a phone call. Diner's Club has a contract with its merchants. They have a full limit ranging from \$15 to \$750. Over this limit the merchant is required to call Diner's Club for authorization.

However, this is not always the case. Often, a dishonest merchant or employe will process a card even though he is fully aware that the card has been stolen. If the cost of the purchase is above the limit, he will attempt to cover it up by writing out various credit slips, all below the calling limit.

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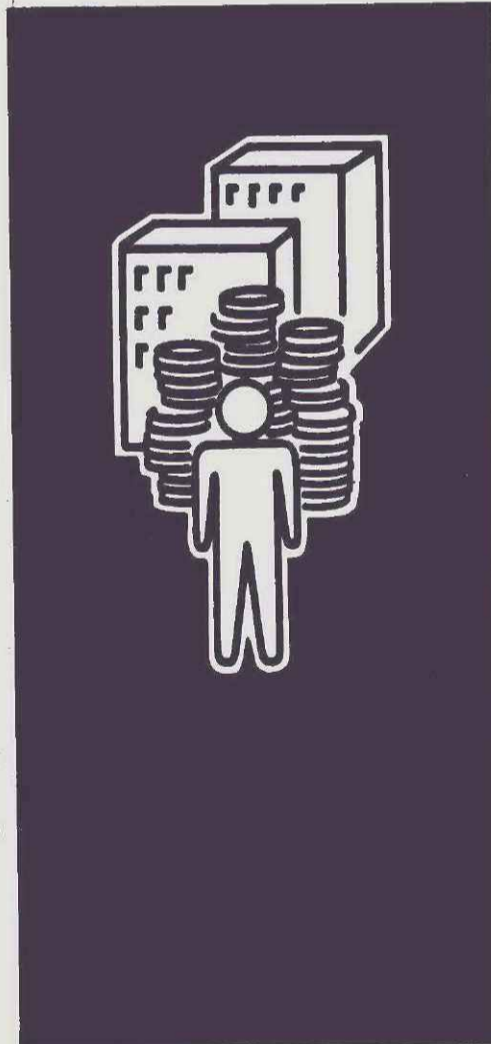
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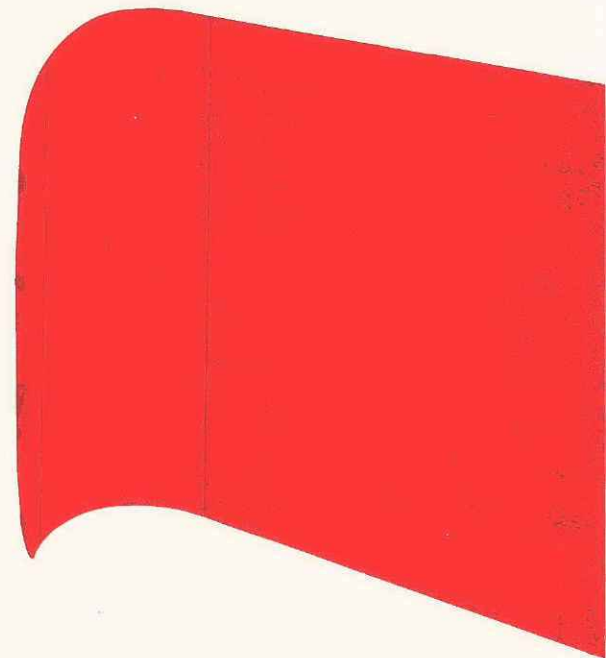
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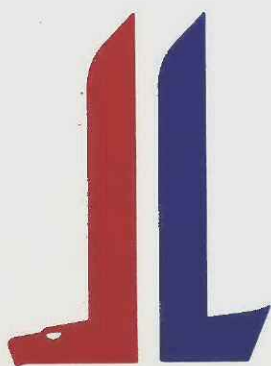
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# Garment center teams to battle theft, hijacking

CHICAGO—The garment industry in New York City is working hard to keep from losing its shirt, and all its clothing, to street theft and truck hijacking.

The garment center, located between the Madison Square Garden complex and Times Square in downtown Manhattan, is squeezed into a tight grid-pattern of streets with poor parking and loading facilities. The streets, sidewalks and building storage areas in the garment center are tempting to cargo thieves.

Carl Berkowitz, director of education and development for the New York City Transportation Administration, said in a speech here last month that loss

claims in New York's garment center are alarmingly high. For the third quarter of 1972, paid loss claims in the New York Commercial Zone amounted to 15% of the United States' total. And the clothing sector accounted for 19% of the zone's loss claims, the highest rate among all commodities.

In the nation at large, Mr. Berkowitz added, clothing made up about one-fourth of the loss and damage claims paid to common freight carriers.

"Thefts in the apparel industry are not new to New York," Mr. Berkowitz said. "In recent years though, all types of crime, especially hijacking and street

crimes, have had a damaging effect on New York as the major apparel market place for the country. Many out-of-town buyers are apprehensive to come to New York, mainly because of the city's growing reputation, via the news media, as a crime capital."

AS WELL as losing apparel to theft, Mr. Berkowitz said, New York's garment center has been losing business to other cities like Miami, Houston, and Los Angeles, where theft losses are not as severe and shipping facilities are more modern.

In a concerted effort to analyze and reduce garment industry

theft losses, the New York City Transportation Administration (TAD), the police, and the U.S. Department of Transportation (DOT) organized a study of the garment center facilities. From this developed the New York Garment Center Cargo Security Project funded by the U.S. Department of Justice through the Law Enforcement Assistance Administration. TAD will develop new loading and shipping methods that can be used by the city's apparel firms, Mr. Berkowitz noted, and the police will intensify security programs.

In addition, TAD and DOT have a demonstration project using a small anti-hijacking de-

vice, Mr. Berkowitz pointed out. This device, manufactured by the Transport Security Corp. and called "Load Guard," will be lent to 20 trucking firms in the garment center. The device is attached to a garment truck's ignition with sensors on the doors and running board. Anyone attempting to climb into the truck while the device is set will trip a switch and stall the engine, leaving the truck stalled.

The Nelson Distribution Corp., a trucking subsidiary of Nelson Resources Inc., has installed its own truck anti-hijacking devices. A chartered helicopter follows the loaded trucks between New York and its terminal in New Jersey. In case of a hijack attempt the company headquarters is radioed and the truck's ignition is destroyed by remote control. This operation, Mr. Berkowitz commented, is one that not many apparel companies can afford. ■



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## Ansul Solves Fire Protection Problems



## Credit card . . .

*Continued from page 47*

cited customers. Many customers felt safer carrying around a picture I.D. card than any other kind. "The percentage of fraud is negligible," noted BankAmericard's Mr. Litman, whose company's cards are used by Bankers Trust.

The Polaroid Corp. has reported "more than 300 banks across the country have driven their fraud rates far below the national average by adopting a photographic credit card. A study of the use of more than one million photo cards turned up only 30 cases of attempted fraudulent use."

Wilmington Trust Co. in Delaware found a definite drop in its fraud rates since the induction of the Polaroid I.D. card in April, 1970, for example.

**THE FIRST** bank in the world to issue a hard credit card featuring "a composite of an instant full-color photograph of the customer and printed information" was the Commonwealth National Bank, Harrisburg, Pa. The new Polaroid Mastercharge card is one of "the most secure and sophisticated portrait credit cards in the industry," said Polaroid.

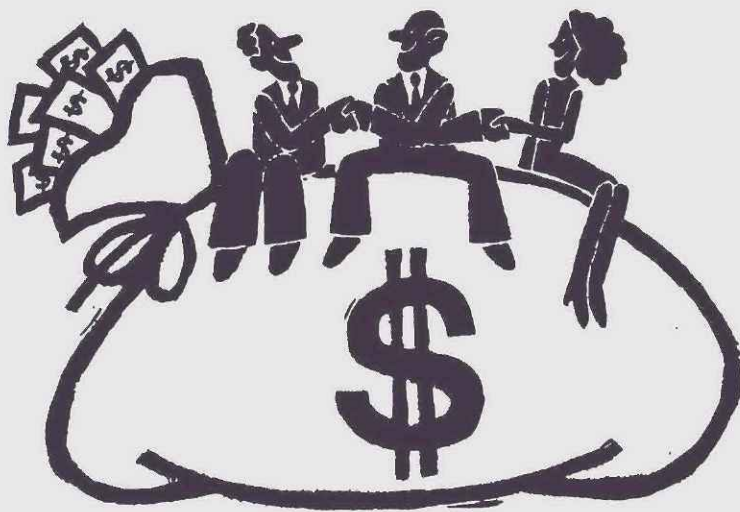
Looking toward a "cashless society," the major credit card firms reiterated that we have entered a "credit society" but were hesitant to make plans for a cashless future.

A pathologist offered an opposing viewpoint. Dr. Sidney Auerbach, an associate of International Image Data Corp. in New York, enthusiastically explained his firm has "a capability now based on technology to move into this society." He, along with Alfred Lovitz, developed an "automatic commodity coding system" which can recognize personal data.

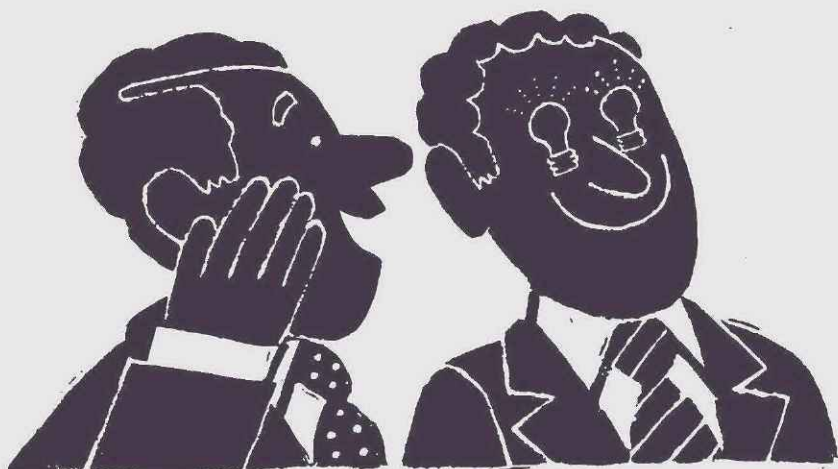
The doctor explained the system's basic elements. "Using the original visual key we can automatically retrieve his name and other data," he said. The visual key is an embossed credit card which includes the cardholder's portrait. The data is then optically scanned and stored in the computer for retrieval. At a later time, if the same photo is placed in the machine, the device will write out the owner's name.

With this system, Dr. Auerbach said, "we can detect immediately if the card is used." The fraud can then be tapped electronically preventing any further corruption. "This device," he continued, "has the capability of changing the way people buy and sell things." ■

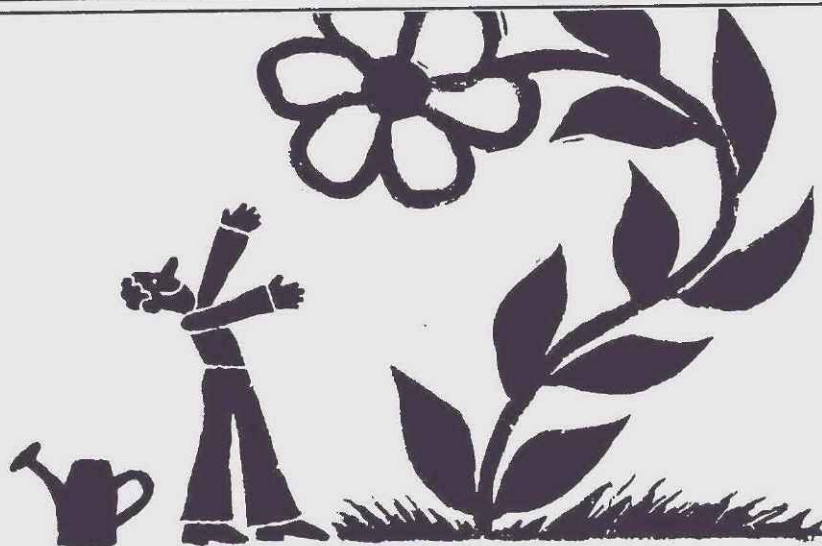
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# Cargo security a long way to go, underwriters learn at conference

VENICE, ITALY—While anti-loss and anti-crime measures by government agencies, cargo carriers and terminal operators have become more effective over the past few years, there is still a great deal to be done in the cargo security area, according to American marine underwriters.

At the meeting of the International Union of Marine Insurers here late last month, Hartford Fire Insurance Co. secretary John E. Greene submitted the

## Standards set to combat cargo crime

CHICAGO—In an effort to combat the high cargo theft losses suffered by the trucking industry each year, the Department of Transportation (DOT) has chosen to establish "advisory standards" for security control rather than impose any mandatory security regulations on the industry.

"We would oppose regulation authority at this time," Daniel Ward, deputy director of transportation security said in a phone interview with *Business Insurance*. "We feel that the proper role of the department is leadership, technical assistance, guidance, and motivation."

DOT has already issued advisory standards on sealing techniques and another on storage of high-value cargo. A third set of advisory standards on accountability was issued for public comment on Sept. 3, Mr. Ward said, and will be released in its final form in October.

The advisory standards for accountability procedure are broken down into numerous topic headings: Equipment controls; outbound freight procedures, including stripping, loading, and return freight; responsibilities for part-load transport; and consignee procedures. Mr. Ward added the emphasis of the accountability standards is to make the cargo security a full-time responsibility.

The total number of cargo security standards will reach 10, Mr. Ward said, covering every aspect of cargo storage, loading, and transport.

Although there is no direct pressure for the trucking industry to comply with the advisory standards, government shipping contracts now include their mention. There is no stipulation, Mr. Ward added, that shippers must accept the standards if they accept the contract.

**BENJAMIN O. DAVIS JR.**, assistant secretary of transportation, said recently before the Cargo Security Conference in Chicago that the trucking industry must bear the ultimate responsibility for its cargo security.

"The government effort is meaningless unless it compels the industry to act," according to Mr. Davis. "Unless the message gets through to the front office of the transportation industry, then we are all operating on a treadmill. We have to reach the kind of management that looks the other way and chalks it up to being 'just part of the business;' cargo crime feeds on that kind of attitude." ■

cargo security report of the American Institute of Marine Underwriters to the IUMI cargo loss prevention committee. Mr. Greene is also treasurer of the AIMU and chairman of its loss prevention committee.

**THE REPORT** pointed out all parties involved in the international movement of cargo have finally come to realize the extent of waste associated with widespread theft and needless cargo damage. And, more importantly, these parties are moving to curb the extraordinary losses, the report said.

Mr. Greene's report, though congratulating numerous parties for their increased efforts in se-

curity and loss prevention, made it clear underwriters' loss prevention goals were still quite a way off.

Looking at the progress and problems of new methods of protecting, packaging and handling cargo, the report emphasized the proper stowage of both palletized unit loads and containers. "The use of 'shrink wrap' on palletized loads continues to grow and shows increasing promise of good results," it said.

Also along those lines, it was recommended that computer shipments be firmly palletized, especially in air shipments, because of the top-heavy tendency of individual computer packages, as well as the "frequent disastrous results"

of rough handling.

Another area highlighted in the report was the inland transit of cargo from air and ocean terminals and the report noted a decrease in hijackings and thefts due largely to new Federal laws and increased cooperation between law enforcement entities. It also noted the effectiveness of certain new deterrent devices, such as photographing vehicles, drivers and license plates as a routine part of pick-up procedure.

**THE SHIPMENT** of currency, securities and other valuables showed an improved loss experience, the report said, because of better security arrangements and the more effective speed, continuity and timing of movement. The report advised a number of measures in this area, including the use of armed guards, armored cars, strong-room storage, non-stop movement and restric-

tion of detailed information to key personnel.

The significant decline in air cargo losses was attributed by the report to many gains in security at most major air terminals. Isolation of passengers from cargo areas, fencing, better night lighting, more covered storage, special storage for high-risk cargo and segregation of employee parking from cargo areas were all listed as factors in the drop, as was the continued growth of sophisticated electronic safeguards at terminals.

Mr. Greene, in his survey, singled out for praise the U.S. Congress for its efforts over the past two and one-half years and the gains made by the Department of Transportation's cargo security program. He specifically mentioned the Joint Conference on Cargo Security, the Interagency Committee on Transportation Security and the Transportation Cargo Security Council. ■

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# Rising thefts could bring federal carrier legislation

CHICAGO—Due to the soaring rate in cargo theft losses, Congress may soon pass legislation granting the Department of Transportation (DOT) authority to impose regulations on the motor carrier industry.

This dire warning was made by Carroll J. Hunt, director of security for the McLean Trucking Co., at the 1973 National Cargo Security Conference in Chicago last month.

"Unless the motor carrier industry becomes even more involved in theft prevention, it is inevitable that we face some governmental control," Mr. Hunt said.

This concern over the security of cargo shipments is well-founded, Mr. Hunt added. DOT calculated that theft and hijack losses amounted to about \$900 million

in 1972. But these losses could be reduced drastically by updating the design, operations and security systems of cargo terminal facilities.

**THE MAIN** considerations for cargo terminal security are terrain, building design, lighting,

## SAFETY/SECURITY REPORT

fencing, parking, and alarm systems, Mr. Hunt said. The high cost of security can be kept down substantially by designing security systems into a cargo terminal while it's still on the drawing board. But much can be done to improve security on any terminal, regardless of its present condition.

In the cargo terminal building,

the dispatcher's office should overlook the main gate, Mr. Hunt said. The supervisor's station also should be in a vantage position with toilet facilities and locker and lunch rooms within easy view.

Lighting is essential, Mr. Hunt said, both inside and outside. Sodium or mercury vapor lights are the brightest and most economical for outdoor areas. They should be directed downward and out away from the terminal as well as towards the building's walls and doors.

A chain link fence about eight feet high with at least three strands of barbed wire angled from the top should surround the grounds of a well-protected terminal. And parking spaces for employees are best situated outside the fence with all traffic

flow through the gates checked.

More suggestions on security control and alarm systems were offered by William W. Rhoton Jr., traffic manager of the Eastman Kodak Co. At Kodak's central cargo terminal in Rochester, N.Y., independent drivers are not allowed access to the warehouse. All cargo is loaded onto trucks by company employees, Mr. Rhoton said. On trucks taking only a partial load, a company employee is assigned to check and verify the loading of each shipment.

**SECURITY** measures are even extended to phone orders and parcel post shipments, Mr. Rhoton noted. Proper identification of persons making phone orders is often required. And random audits are performed on mailed

shipments to determine the validity of the order.

Once a shipment is loaded, security measures are continued, Mr. Rhoton continued. "Seals are entrusted only to responsible employees who affix them to each volume load. Incidentally, we are conducting a trial on cable seals by applying them to all (railroad) carloads."

On some trucks left overnight in marshalling areas, goods were stolen while the seals were left intact, Mr. Rhoton commented. Doors had been simply unhinged. "When the hardware is installed with the nuts on the fastening bolts exposed, they can be easily removed. We began welding all exposed nuts and bolts," he said.

Highway hijacking of truck cargoes, which Mr. Rhoton said were "frequent" in the past, have been less of a problem in the past year due to increased surveillance, truck alarm systems and good police work. But sometimes the tightest security is broken.

"**MINOR ACCIDENTS** have been staged to halt the trucks," Mr. Rhoton said. "In one instance an outbound truck was hijacked less than one-half block from our shipping platform."

Railroad piggyback freight yards share the same theft problems with trucking terminals, according to Thomas R. Barrett, police superintendent for the Erie Lackawanna Railway Co. In 1971, before electronic surveillance equipment was installed in the freight yards, \$205,000 was paid in freight claim losses. This was a jump of almost 84% from the year before, when freight claim losses for the railroad totaled \$112,000.

Mr. Barrett blamed the losses on "poor internal yard security" at the piggyback terminals in Chicago and Jersey City, N.J. "These piggyback yards . . . were fair game for internal plunder by people legally on the property," Mr. Barrett pointed out. "Suspected collusion between employees—ours and theirs—seemed to indicate that we needed to 'control the controllers.'"

**WHEN A** "Watchguard" electronic alarm system was installed at the Jersey City freight yards in March, 1972, police reported a drop in the average number of thefts from four to one a month. The security system used motion sensors that detected unauthorized door or trailer movement and sent alarm signals to security patrols.

Security systems on the railroad yards are being expanded constantly, Mr. Barrett said. Erie Lackawanna is presently planning a "theft prevention umbrella" to be used over the railway's entire New York system. One new tool to be used in the surveillance: Helicopters. ■

## Extra jobless benefits

Supplemental unemployment insurance and health benefits became available this month to members of San Francisco's Sheet Metal Workers Union Local 104. Under new union-employer contracts members will receive a \$30 a week supplement to the regular \$75 in state unemployment insurance as well as guaranteed health care during the period of unemployment. Most construction unions provide health care coverage for only a limited period of unemployment, based on earnings during prior periods.

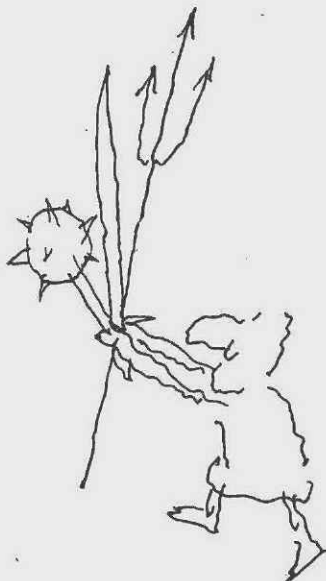
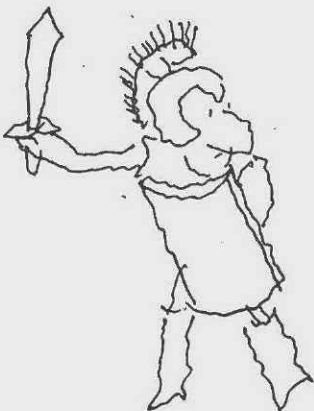
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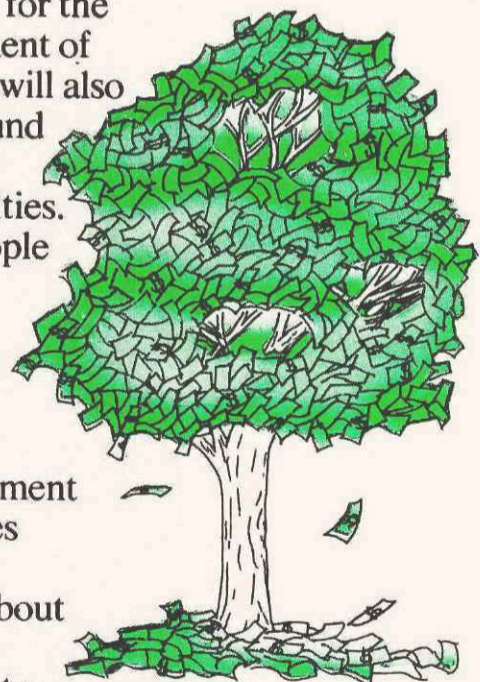
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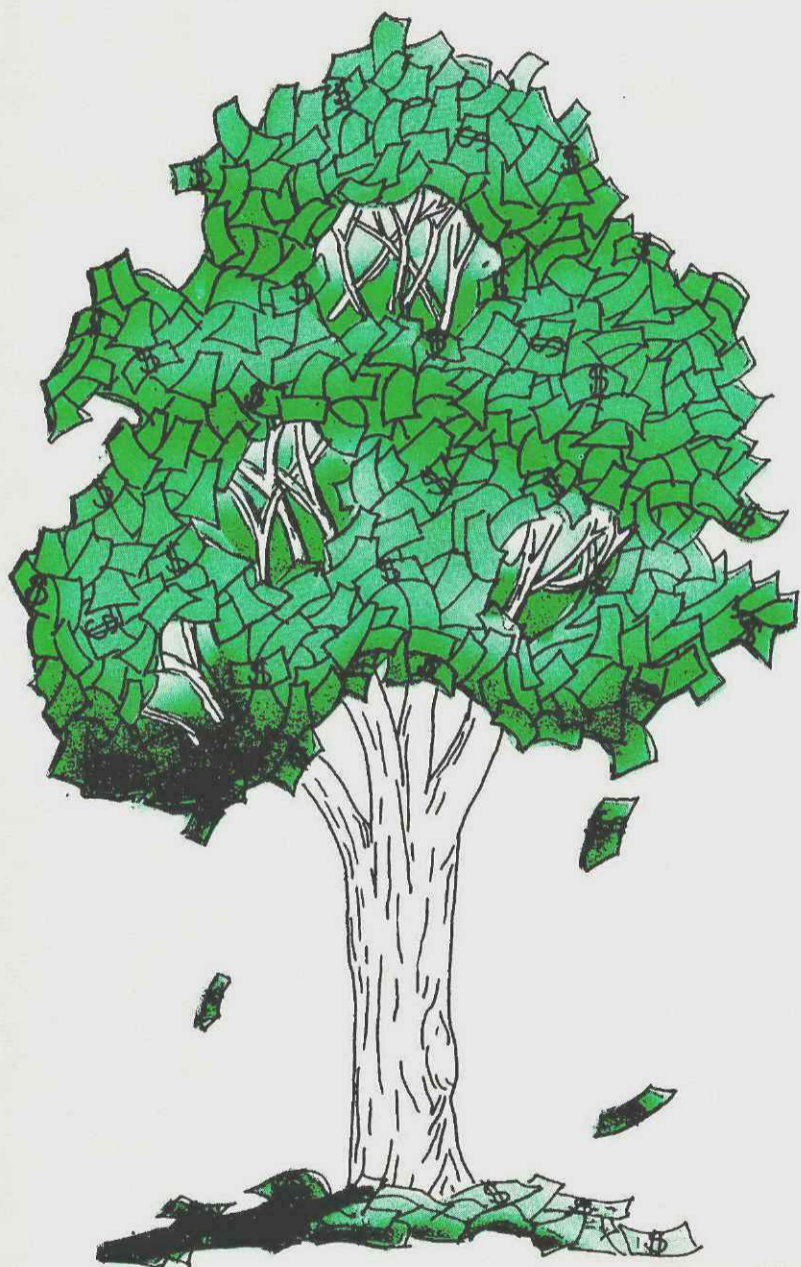
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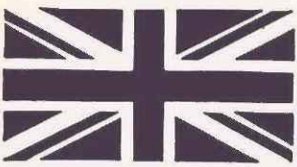
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## Plutonium poisoning case readied in Britain; many legal implications

LONDON—Nuclear illness will become the center of a major lawsuit in Britain following the deaths of two men at an atomic energy plant in the north of England. Their deaths are being blamed on plutonium poisoning.

Safety precautions to obviate this type of fatality may be probed during the lawsuit, and already medical experts are starting to collect evidence which may have repercussions in many other

countries where plutonium is used.

Trade unions representing the victims have briefed lawyers to present the cases in court.

British Nuclear Fuels, which runs the plant at Windscale, in Cumberland County, is denying that any of its employes have suffered illness caused by plutonium poisoning.

So the litigation is likely to be long and expensive, and will

raise new legal points, as well as producing material for medical men to study.

"The case is quite unprecedented as far as we know, and will be fiercely contested," commented a trade union legal counsellor who is preparing the case for hearing at Carlisle law court.

\* \* \*

**EXTENSIVE** new laws to protect the health and safety of industrial workers throughout the

country are being planned by the British government.

This legislation will be put to Parliament early in 1974 and its main aim will be to place further legal obligations on employers to safeguard their employes and the public from hazards arising from modern industrial processes.

A safety and health commission will be set up, and will be able to enforce, immediate remedies for unsatisfactory conditions.

Management and workers will be asked to co-operate more closely with each other in framing and developing the concept of safety and health at work.

Britain already has many laws designed to achieve plant safety, but the system has been under review so as to achieve more success in this field.

Maurice Macmillan, the British government's secretary of state for employment, has declared: "The new laws will affect every-

one in the country, because for the first time we will combine safety of the public living in the vicinity of industrial plants with occupational safety regulations in those plants. It is one of the biggest developments of the century in Britain's industry."

\* \* \*

**THE GOVERNMENT'S** department of employment is undertaking a major overhaul of its employment services for disabled people in order to provide a better and more effective service.

Industrial rehabilitation units are being expanded to help persons recover their fitness for work after long periods of illness, and training centers will concentrate on their basic problems.

Special government-appointed officers will seek out jobs to be done by disabled people. For example, a blind man has recently been found work in South Wales straightening rods to an extremely fine tolerance with the aid of sound.

A department spokesman explained: "The structure of industry and commerce has changed radically and society generally has come to recognize more clearly, and sympathetically, the needs of disabled people and their families."

\* \* \*

**BRITISH INSURERS**, operating through the war risks rating committee, have declared Chile a special war risk area after the military coup in the country. They imposed a rating of 12.5

### SAFETY/SECURITY REPORT

cents per \$100, or .125%, for cargo risks under their usual marine clauses.

This also covers strike, riots and civil commotion, and is the first war risk move of its kind in South America for a long time. Normal basic rate is half a cent per \$100, except in strife-torn areas in the Middle or Far East. It was not indicated how long the special rates for Chile would last.

\* \* \*

**MORE THAN** 100 million has been paid out by the British government for claims for property damage in Northern Ireland in the past four years.

Riots and bomb blasts have been responsible and demands for many more millions of dollars are still to be met. Claims for death and personal injuries in the same period have been met by the government at a cost of nearly \$11 million.

It is estimated that the Ulster violence has cost the nation \$300 million when the indirect toll of communal disruption, and the cost of troops to control terror-hit areas, is taken into account.

\* \* \*

**TOURIST RESORTS** in Britain have been hit by a spate of fires which are forcing the government to think of stricter legislative controls on structures in holiday centers.

Recent examples include Oban, Scotland, where nine people died in an hotel blaze because no fire escape system had been installed; a tourist camp in North Wales, where \$2.5 million damage was caused without loss of life; and the Summerland amusement complex at Douglas, Isle of Mann, where fifty people died in a \$5 million disaster (*Business Insurance*, Aug. 27).

Pressure is being brought on the government to ensure that fire precautions for hotels be more effectively enforced in keeping with the two-year-old Fire Precautions Act. ■



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# 'Hung' jury acquits job supervisor in fatal Virginia building collapse

CLINTWOOD, Va.—A jury hung by the conflicting testimony of an assortment of "expert" witnesses has acquitted a concrete job supervisor of manslaughter charges brought against him after a high-rise condominium collapsed March 2 in suburban Washington, D.C., killing 14 workers and injuring 34 others (*Business Insurance*, March 12).

The state of Virginia had charged that Roger G. Arnold, 30, a supervisor with the Miller & Long Concrete Co. of Bethesda, Md., had ordered the premature removal of shorings from beneath the newly-poured 23rd floor of the structure. The removal of the shorings, the prosecution's experts claimed, caused the building

to collapse.

Mr. Arnold's attorneys produced their own experts who testified the building collapse was caused by faulty design that did not meet the standards of the American Concrete Institute code.

**THE HARTFORD** Group apparently stands to absorb the death and injury claims resulting from the collapse. It writes Miller & Long's workmen's compensation coverage, and, under Virginia law, the survivors of each worker killed can collect a maximum \$75,000 and injured workers may collect a minimum disability benefit of \$62 weekly and medical benefits for at least three years.

Mr. Arnold's trial—which some lawyers say was without legal precedent—was moved from the metropolitan Washington area to this small, coal-mining community after a Fairfax County judge ruled pre-trial publicity may have prejudiced the outcome.

The prosecution charged it was Mr. Arnold who had ordered the removal of the shorings prematurely. That fact, though, was never actually established, only hinted at by a Miller & Long official who said, "I suppose you could say that he did give the order."

A member of the hung jury told reporters none of the jurors was convinced Mr. Arnold had indeed ordered the shorings re-

moved from the structure.

University of Illinois professor and structural engineer Ingvar Schousboe testified he conducted a series of tests on the concrete used in the building and found it had reached a strength of 700 pounds per square inch after setting four days. The concrete 23rd floor, he claimed, should not have been left unsupported until the concrete had reached a strength of at least 1,000 psi.

**ANOTHER** structural engineer—Richard Elstner—testified for the defense the concrete had reached the 1,000 psi level at the time of the collapse. A third structural engineer called by the defense charged the buildings floors were designed to be eight inches in thickness rather than the eight and one-half inches required by American Concrete Institute standards.

In his summary remarks, Mr. Arnold's attorney told the jury,

"I can't say beyond a reasonable doubt that one of these experts is right and the other is wrong, and I don't believe you can."

**IT TOOK** the jury less than 10 minutes to decide 9-3 that Mr. Arnold should be acquitted. The nine members then spent more than five hours trying to convince the other three members to vote for acquittal. They could not, and the jury reported to the judge that it was hung. He then ordered acquittal on a motion from Mr. Arnold's attorneys.

Mr. Arnold's attorney also told the jury the Charles E. Smith Co.—the company that owns the building—and Miller & Long are the parties which should have been on trial.

"It's not this boy (Mr. Arnold) that's building the buildings too fast," he said.

The Virginia States Attorney, however, says as far as he is concerned, the case is closed. ■

## Texas halts work comp field revises

AUSTIN—Final standards which will apply to workmen's compensation field safety representatives have been caught up short by the Texas Board of Insurance, *Business Insurance* has learned. The board, instead of inaugurating stiffer standards, has approved a system of temporary permits for the inspectors.

Recent changes in the Texas workmen's compensation laws have led to a shortage of qualified representatives available to service all employers carrying workmen's compensation insurance. Anyone with risks over \$2,000,000, in accordance with recent legislation, has had a tough time being serviced by the workmen's compensation field men who can comply with stiffer state legislative standards.

**THE NEW** rules require, among other things, one of the following: a bachelor's degree in science or engineering, registry as a professional engineer, certification as a safety professional, certification as an industrial hygienist, or 10 years experience in occupational safety and health.

To avoid the loss of services and prevent confusion over persons qualified to offer such services, and since the affected companies are required to furnish the inspectors, the insurance regulatory group decided to install the temporary permit system.

According to the alternate system's regulations, "an individual employed by an insurance carrier licensed to do business in the state of Texas, by an independent, private occupational safety consultant recognized and approved by the board, or by a policyholder under contract with an insurance carrier for accident prevention services" may apply by paying a \$10 fee and supplying a statement as to his competency sworn to by his employer. ■

## World venture begun

Fred S. James, Chicago-based insurance brokers, and Minet Holdings Ltd., London, will form a joint venture to supply worldwide insurance brokerage and management services. The new company will be called Minet-James International. The new venture will be Holland-based and will consist of 18 owned or party owned subsidiaries of the Minet firm.

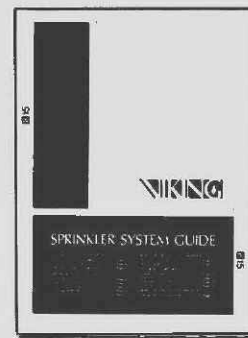
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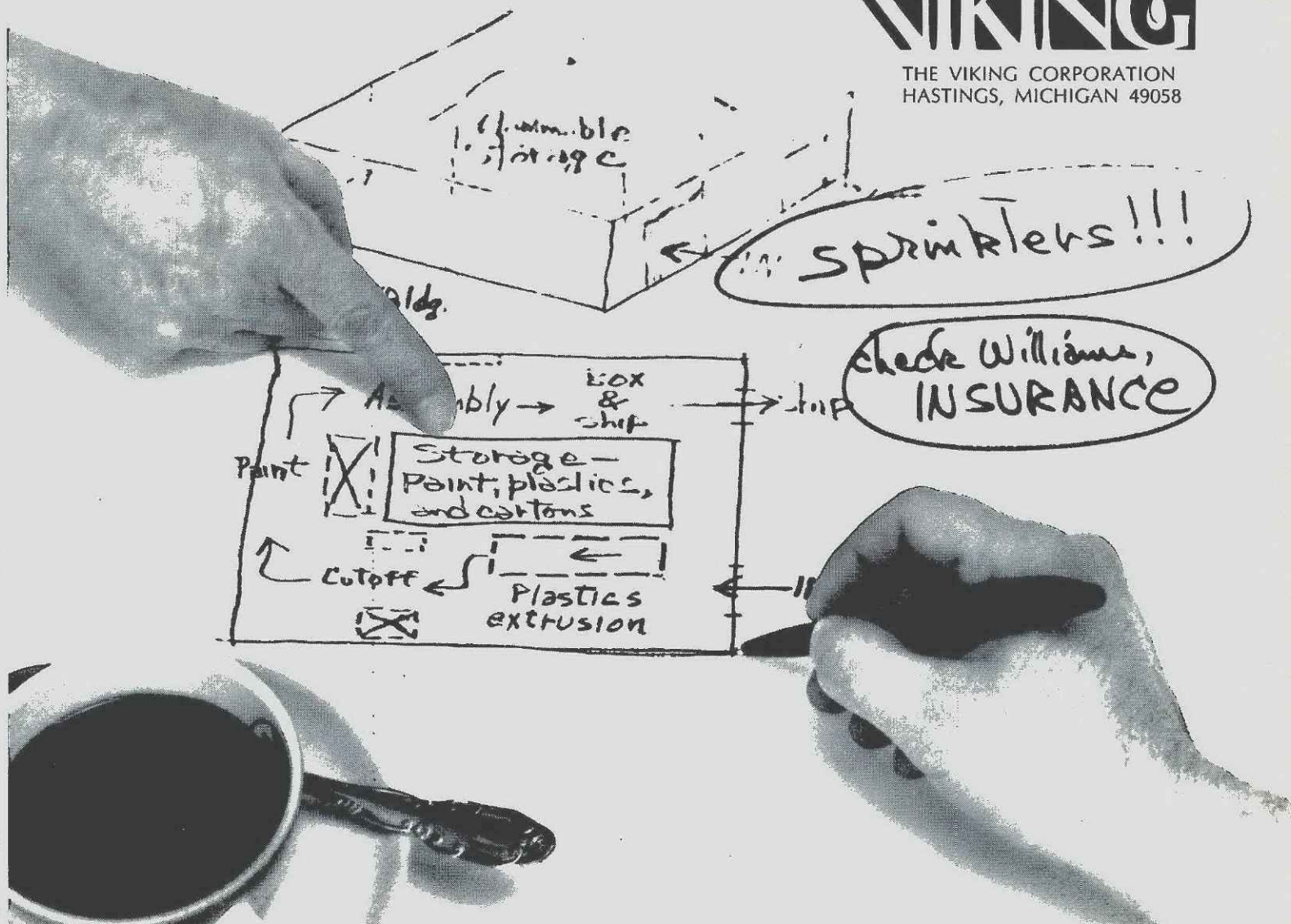
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# Computer experts eye future Equity Fundings

By LESLIE MURRAY

NEW ORLEANS—The green-visored bookkeeper skulking around the ledger books after hours won't be skulking much more.

He's being replaced by a brilliant young man sitting all day in your computer facility, or miles away at a terminal reaching smack into your central data bank. White collar crime's changing—today, it's white smocked.

On this, speakers at several computer security panels at the American Society for Industrial Security's annual seminar were in pessimistic accord.

Their consensus: Expect more Equity Fundings.

Donn B. Parker, senior information processing analyst at the Stanford Research Institute, Menlo Park, Ca., has just completed an intensive two-year study of computer abuses. "Computer crime cases are typified by being highly unique," he noted. "There's always some surprise element in each incident."

ACCORDING to Mr. Parker, the "typical" computer criminal is young, bright, energetic and does not deviate much from the rest of his associates. He may very well be motivated by the "Robin Hood syndrome," feeling his behavior is justified for moral reasons, or by an intense hatred of the technological world of inanimate machines in which he's functioning. "Computer crime perpetrators," he added, "are highly skilled people with access to the equipment and systems and knowledge of what's in it."

The danger of his being caught, the researcher noted, is still quite high, but the stakes involved are high enough to justify the risk. Mr. Parker related the results of one part of his investigation, in which 161 case studies of old-fashioned bank embezzlement resulted in an average loss of \$105,000 per theft. Twelve cases of embezzlement by computer, however, resulted in an average loss of \$1 million or more per incident.

"Once you've gained access to the system," he said, "you've got it made."

Edward Bride, general news editor of Computer World magazine, prophesied future computer thievery techniques. "A year ago, I would have found many computer crimes hard to believe," he commented. "But we're all older than Equity Funding now."

HE RELATED one actual incident in which a student, enrolled in a high school computer course, stole computer time from a time-sharing system by gaining access to the test code. The student's parents, as others in that particular school district, had purchased a small computer terminal for him—to help with his homework.

Hypothesizing on other crimes well within the range of the possible, he noted, "What's to keep a guy—say a researcher—from talking to a few honest EDP (electronic data processing) people, telling them he's studying computer security, and tapping into the machine? Suppose he figures out the company's codes, then makes them available for a price.

"Or what's to keep someone at a point-of-sale terminal from pulling information out of the main data center?" he added. "Remember, without precautions, anything stored on a computer from a remote terminal can be taken off just as easily."

Sabotage, too, will find a fer-

tile medium in the computer bank, according to Mr. Bride. Mini-computers, growing in popularity, could intercept information from the main bank, hold it in storage with important codes, send the messages along to the computer, then sabotage the system later at some sensitive point, he said.

SIMILARLY, and perhaps more simply, vast damage could be done to a company by purposely feeding false information into its computers.

He cited the recent nationwide Arrow shirt sale, resulting from a computer breakdown that programmed inventory overstocking. Such overstocking, understocking or merchandise re-routing, he said, could be done just as easily on purpose—most likely by a

competitor.

The stock market, where computers have been heralded as the only solution to securities theft, may be in for trouble, Mr. Bride warned. "Unless computer operations there are closely safeguarded, they can do more damage than the stacks of paper

## SAFETY/SECURITY REPORT

now being stolen in the traditional method." It would not be that difficult, he told his audience, for false quotations to be transmitted, or for stocks to be illegally transmitted from one account to another.

On an even more drastic, and perhaps Orwellian, note, Mr. Bride envisioned the possibility

of computer crime affecting political public opinion polls, where, in these days of the galluping Harris, even a point or two dropped might make the difference between a nominee and a loser. Even if the poll results are computed correctly, he continued, there's always the danger of their being intercepted between media points.

FURTHERMORE, he related, the possibility exists of the media itself being sabotaged, or sabotaging itself from within, by garbling transmissions, or transmitting purposely erroneous stories through terminal or mini-computer interception.

Peter S. Browne, superintendent of computer security and standards for State Farm Mutual Auto Insurance Co., Bloomington,

Il., pointed out that resource sharing, or computer time sharing, contributes heavily to the computer security problem since it involves multiprogramming, multiprocessing, centralization and a distributed data network.

He, as all other panelists, pinned hopes of stemming the computer crime wave on risk management techniques. "We need computer systems designed with built-in protection," he commented, adding that prevention is far preferable to apprehension, and careful personnel screening is still a good way to guard against internal sabotage.

"Don't panic!" warned Joseph J. Wasserman, president of Computer Audit Systems, East Orange, N.J. "Take the rational approach to computer security or

Continued on page 61

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## New white collar criminal emerges ...

Continued from page 60

you'll be running scared to a multi-million dollar security program you might not need at all."

**HE SUGGESTED** the first step be a careful look at one's present computer security system. "Are your security guards aware of what they're guarding?" he asked, "Or will they let someone sneak out of the center with a handful of tapes, thinking they can't be all that valuable? Your guards aren't working in a warehouse anymore and should be instructed, in writing, what their priorities should be."

Mr. Wasserman then suggested a committee be formed to determine what kinds of security are indeed necessary. It should be composed of security people, EDP auditors, legal representa-

tives, EDP employed and—he stressed repeatedly—the company's risk manager.

"Determine your stratifications of security," he noted, "and keep in mind that all data is not top secret. Then consider your main exposure components—fraud, theft, disclosure, loss, delay and human error."

"The risk manager must check lease agreements and be fully aware of who is liable for what," he added. "Try for all-risk clauses in your insurance policies and in your lease agreements, and bring in your insurance company to make sure you're meeting their requirements. And beware the fine print."

**AS ONE** preventive measure for computer crime, Mr. Parker and Mr. Wasserman urged that

EDP people rotate work shifts and job duties to avoid possible collusion, for, as Mr. Parker pointed out, "Almost all cases of computer abuse were discovered purely by accident." Mr. Bride suggested utilizing forced, or short-notice, vacations, and data scrambling was mentioned as another possibility.

**ONE** seminar participant observed that as different applications were put on to the computer in a piecemeal manner, any checks and balances were lost. "With the differing designs of each application," he said, "we do not have an interface between the programs."

Computer audits, naturally, were mentioned as another method of control, although most panelists were not ready to rush

to the defense of auditors. Equity Funding wasn't discovered, Mr. Parker said, because the primary means of covering up their activities was in fooling the state auditors. "The auditors were taking computer output as documents of record," he commented, "rather than seeking out the actual documents. The auditors just didn't have the technical expertise to check out the computer process."

He, and others, predicted a revolution in the auditing field, foreseeing a new vocation evolving. As Mr. Parker put it, "There are hundreds of committees meeting right now trying to figure out what auditors should be doing."

**MR. BRIDE** reminded his audience that "auditors presume they're looking for mistakes—not fraud. They're just going to have to change their attitudes."

Said Mr. Wasserman: "Audi-

tors are basically afraid of computers, as are a lot of security people. They'll have to face this soon: It's a lot easier to take an EDP guy and turn him into an auditor than to take an auditor and turn him into an EDP guy." ■

## NYU plans OSHA meet

**NEW YORK**—New York University's Center for Safety will hold a five-day conference beginning Monday, October 15, on "Working with OSHA," a spokesman has announced.

The course is directed toward persons who must create an industrial environment compatible with the Occupational Safety and Health Act, including industrial managers, plant and facility engineers and industrial hygiene technicians, the spokesman said.

The instruction will also be valuable, the source said, to middle management people who have the responsibility for assembling and costing compliance programs, and to those in upper management who evaluate them.

The classes will go beyond the occupational safety and health standards into the areas of implementation problems, state plans, measurement, recordkeeping, variances and advantageous uses of the law, standards and the Departments of Labor and HEW. ■

## Agency ...

Continued from page 38

just calling or writing to us," he noted. "If anyone contacts the regional OSHA offices, and is denied, we'd sure like to hear about it."

**NFIB INFERS** OSHA brings the nation closer to a police state: "The power of a government inspector to arrive unannounced, inspect a business, and summarily impose fines for violations of any of the hundreds of safety and health standards has stirred strong protests among many employers."

"Again, it's just not true," the DOL spokesman said. "Agents cannot cite violations, only allege them; and they can only suggest penalties. If an employer feels he is innocent he has the right to appeal his case to the OSHA Review Board. The board is completely independent of OSHA—it is a separate body appointed by the President."

"If the employer accepts the violation as charged, it becomes the final order of the OSHA Review Board, however," he said.

"If he contests the charge, he must abide by the ruling of the board, unless he goes on to the Court of Appeals."

Before the OSHA agent even alleges the violation, he returns to his office and discusses his findings with the area director, the spokesman noted.

"**AN INTERESTING** sidelight to the story might be some of our Labor Dept. statistics," he said. "Out of 86,469 inspections from April, 1971, to July, 1973, there were 55,040 citations covering 274,180 violations," he said.

"The 55,040 citations carried fines of \$7.2 million or an average of \$175 each," he noted, "and only 5% have ever contested the citations."

"In addition," he said, "we have found overall that nearly 30% of the establishments we visit are in compliance with OSHA, which is a statistic NFIB never asks about."

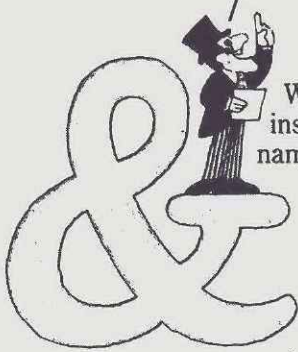
"All in all, we find the criticism a little unfair," he added. ■

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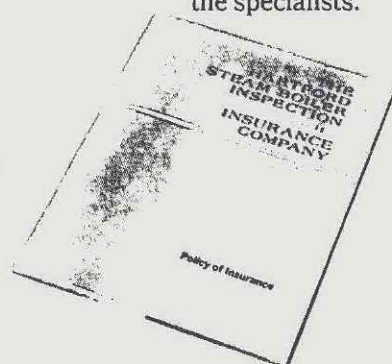


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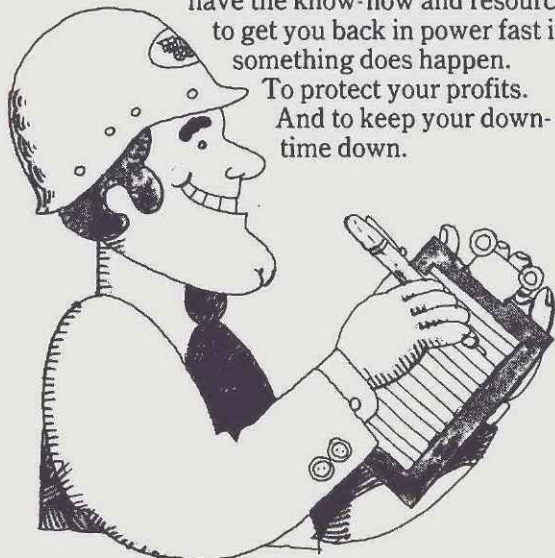


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# J. P. Stevens aims beyond OSHA in company-wide safety program

NEW YORK—The Department of Labor has stressed the need for voluntary action and the importance of "good faith" on the part of the employer. In deter-

## SAFETY/SECURITY REPORT

mining penalties for OSHA violations, management's involvement with and attitude toward safety are among the most important factors considered in the final determination.

J. P. Stevens & Co. Inc., a large textile firm, utilized a company-wide safety and accident prevention program long before OSHA became the law of the land, and has maintained an ex-

cellent safety record throughout its history. As of August, 1973, 26 plants in its ten divisions had one million or more man hours without any lost time from accidents. And one, the Clemson Fabricating facility in South Carolina has had 9 million man hours without lost time. The company's lost time frequency in 1972 was 1.73 compared to 4.32 for the textile industry as a whole and the national average of 10.17 for all industries.

"When OSHA became law," explained Joseph W. Jelks, vp of industrial relations, "top management decided we would make our safety program even more effective. We would make it the best possible program we could." With the assistance of the com-

pany's workmen's compensation insurance carrier, Liberty Mutual Insurance Co., the corporate insurance department, Mr. Jelks and his division industrial relations managers developed the plan, organization and control system for implementing programs necessary to meet OSHA requirements.

A committee was established in each division of the company consisting of a division engineer, a division industrial engineer and a member of the division's personnel staff. Each plant manager appointed a similar committee for his plant made up of a plant engineer, a plant industrial engineer and the plant's personnel manager. Within each plant, the

department overseers appointed employe committees. In addition, a loss prevention representative from Liberty Mutual was assigned to work with each division for assistance and guidance.

EARLY in 1972, the insurance company held training meetings for these committees or teams in preparation for conducting in-depth evaluations of every plant in the manufacturing divisions. The purpose, requirements and administration of OSHA were explained thoroughly. Liberty provided guidelines for evaluating plant conditions in accordance with the safety standards set forth in the Federal Register. Additional technical aids were provided for meeting standards in two vital areas—means of egress and toxic substances.

These teams were then responsible for surveying their plants and evaluating the existing safety programs. The insurance com-

pany loss prevention representatives assisted in compiling and analyzing the survey results as well as making recommendations for appropriate loss prevention actions in compliance with OSHA regulations. After each evaluation, the representative worked with the plant manager in reviewing the results and in assigning priorities for correction of deficiencies.

This self-inspection program has been instituted as an on-going part of the company's safety effort.

The structure of J. P. Stevens safety program easily accommodated management's efforts to help assure the company a minimum number of violations as new standards are promulgated. The authority and responsibility for the overall program has always been clearly established in each plant. Line management has the ultimate responsibility for safety, while staff management is responsible for the functioning of the accident prevention program.

Safe operating procedures and employe education programs had long been established by the Company. Providing additional safety information and training concerning OSHA regulations for all employes including management was begun. At the moment, Liberty Mutual is conducting one day safety training programs for the managers and safety coordinators of every plant. The participants in all such programs pass their increased knowledge on to their staffs and see that updated techniques and safe practices are utilized on the job.

ALTHOUGH safety-oriented operating procedures and employe education programs had long been utilized by the company, a new training program geared to OSHA regulations was begun for employes at all corporate levels. Liberty Mutual is currently conducting day-long safety training programs for managers and safety coordinators at each plant. They, in turn, are expected to pass the information along to their staffs and see that up-dated techniques and safety practices are utilized on the job.

As part of J. P. Stevens' commitment to the intent of OSHA, a hearing conservation program was undertaken two years ago after thorough review and approval of top corporate management. It was developed under the technical guidance of the director of the Doctors Memorial Hospital Hearing and Speech Center in Atlanta.

"We knew that the success of this program," said Robert Shelburne, assistant to Mr. Jelks, "would depend on the way it was presented to our employes, the attitude of management and the supervision of the program. We asked for and received the complete acceptance and support of management at all levels."

MEETINGS were held with division management and staff personnel on the outline of the program, how it would be communicated to supervisors and employes and how it would be implemented. Training meetings were conducted for personnel directors, hearing program coordinators and individuals designated to conduct group meetings of employes. Technical personnel identified areas in every plant in which noise exceeded the limit of ninety decibels (dB) per eight hours of exposure established by OSHA.

Plant supervisors and staff personnel held group meetings with employes in which an audio-visual presentation was used to explain the necessity for the program and what would be expected from all employes.

Continued on page 63



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## Report claims airline fatality rates drop 50%

NEW YORK—Among the items discussed at the annual meeting of the Society of Actuaries here last week was the increase in safety shown by this country's major air carriers.

A study prepared by the society's aviation committee noted the rate of fatalities on the major airlines has dropped some 50% in the last 10 years—from a rate of .0008 per 1,000 passenger hours to .0004.

A spokesman for the society told *Business Insurance* the .0004 rate was earned during the period 1968 through 1972. "If you were to look at a comparable five year period centering around 1960," he said, "the drop in the accident rate would actually be more than 50%."

During the 1968-1972 period, there were 22 accidents which caused the deaths of passengers on U.S. Certified Route Air Carriers. Five of those accidents occurred in 1972. The committee's report said flying on the major air lines was still much less dangerous than any other type of air transportation.

**FOREIGN AIR** carriers also exhibited a significant drop in their accident fatality rates but, according to the report, their rates were considerably higher than those of the U.S. airlines. "During the period from 1968 through 1971," the spokesman said, "the foreign carriers had a fatality rate of .0014 per 1,000 passenger hours, as compared to the .0004 for the domestic carriers."

He added that over the last 10 years the foreign carriers' fatality rate would average about three times higher than the U.S. carrier rate.

While the major airlines have improved their fatality rates over the last few years, the aviation committee found that the death rate for aviation in general—personal and business flying exclud-

ing that done by the civil air carrier fleet—had not improved at all.

Federal Aviation Administration surveys, according to the committee, point out that persons flying for personal reasons or pleasure experience higher fatality rates than persons flying for business or commercial purposes.

As for the military, the committee noted a slight improvement in the fatality rates, excluding deaths due to hostile action. The results, however, were viewed as inconclusive. The study also showed that pilots flying small, high speed aircraft had a much higher fatality rate than those flying larger, slower planes. ■

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## A one shot approach to OSHA could be a shot in the dark.

### Stevens . . .

*Continued from page 62*

Audiometric hearing tests were given to all manufacturing employees. Initially, some 40,000 were tested and provided with protective ear plugs, and Doctors Memorial Hospital now conducts annual tests for every employe who works in areas having sound levels exceeding the limit. Company technicians who have been trained and certified test new employes who will work in excessive noise areas and fit them with ear plugs following their initial test. Some employes at first were resistant to wearing the ear plugs, but on the whole their response, particularly to management's concern with their health, has been very good, according to Mr. Shelburne.

**J. P. STEVENS** has established its safety effort history by carefully documenting the established procedures conducted in each plant. Records are kept of safety surveys and inspections; minutes of safety committee meetings; positive action on safety recommendations; safety training activities; accident investigations; job safety analysis and company, department and job safety rules.

Many of the company's plants have been inspected and recommendations which were made receive immediate attention. ■

These days there's a lot of talk about the Occupational Safety and Health Act—a lot of alarming talk. Everyone claims to know everything about OSHA, but you. And everyone's ready to sell you products and services designed to bring you into compliance.

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To date, our OSHA assistance programs have met with widespread client approval because we approach each client's situation with a blend of creativity and innovation and the sound, professional advice of our consultants.

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## IDSO Investments Inc.

# Education is the foremost task for Gary LeGros

By LESLIE MURRAY

NEW ORLEANS—As risk manager of IDSO Investments Inc., a fledgling construction-oriented conglomerate, Gary LeGros views his primary job as "one of insurance education," alerting personnel throughout the company's small, autonomous subsidiaries to loss prevention.

"OSHA actually gave risk managers some muscle," he told *Business Insurance*. "It took away a lot of the burden of convincing management of the need for loss control."

Mr. LeGros, however, has already received "a tremendous amount" of support from H. D.

(Sonny) Hughes, IDSO's board chairman, and is now spending a lot of his time on pre-acquisition analysis.

As Percy Mayeux, of Armistead Miller Wallace, one of IDSO's brokers, noted, "It was Mr. Hughes' idea to establish a risk management department in the first place. He realized—early—the need for it."

**BESIDES** the problem of a conglomerate's diversity, with "working parameters suitable for one company but not necessarily for another," Mr. LeGros is faced with the "very serious human problem" brought about by acquiring old, established com-

panies which retain a high degree of autonomy. This, he noted, underscores the very important need for top-level support of the risk manager.

The risk manager cited, as his worst safety nemesis, the attitude among employees (and humans in general) that "It just can't happen to me." People develop an insulation to accidents and it's a constant hassle to get them to use their safety gear.

"OSHA combined standards that existed for years and really codified what risk managers have wanted for years," he added. "Remember, there's always a time lag in relating accident prevention to money, and the risk

manager's loss prevention arguments tend to get lost in the lag."

And Mr. LeGros has quite a loss prevention argument: Hot wire work, power line transmission and distribution, substation construction, aerial seismography, salvage operations, barge work and over-water conversion and repairs all contribute to his safety problems, compounded by a high labor transiency in some of the subsidiaries.

**HE ATTEMPTS** to get out to the sites as much as possible, and works with field safety coordinators and each subsidiary's own safety engineer.

All claims, of any nature, are

routed through the risk manager's office, and foremen, he noted, provide a good sense of stability in terms of safety communication.

Furthermore, he said, although the wanderlust nature of the "Wichita linemen" may create some safety problems, "these are highly skilled people, and that helps. It might take ten years to develop a really good Class A lineman."

Employers Insurance of Wausau carries IDSO's workmen's compensation coverage on a retro-rated basis, and "in terms of broad OSHA compliance, they've done a great deal with our safety engineers, who are in charge of the specific OSHA regulations," Mr. LeGros noted.

IDSO's various subsidiaries employ some expensive, and unique, equipment, including Pittman pancakes, Texoma diggers, marsh buggies and a colossal lathe. An all-risk equipment

## corporate profile

floater is written through Armistead Miller Wallace by the Hartford for \$2.5 million covering equipment from \$1,000 to \$100,000 to a \$1 million aggregate. A deductible of 3% applies, subject to a minimum of \$500 and a maximum of \$3,000.

All-risk coverage, including flood and earthquake, is placed for a total of \$4 million, with a primary, first loss layer of \$100,000 written through London. Flood risks carry a \$10,000 deductible, while other perils carry a deductible of \$1,000. Liability coverage currently includes a \$10 million umbrella.

Construction surety bonds are written through Armistead Miller Wallace.

On the benefits side, hospital, major medical and group life are written through Massachusetts Mutual. "Some subsidiaries have picked up additional benefits," Mr. LeGros said, "and pension plans are left to the affiliates."

**WHEN ASKED** by *Business Insurance* if a captive is in the young conglomerate's future, Mr. LeGros commented, "I really don't see that for us right now. Insurance companies are acting a lot more maturely, and they're thinking ahead. Compared to ten years ago, the industry has gotten a lot more innovative."

"We just don't have to get into 'escape' techniques as we did during the capacity crunch."

Mr. Mayeux commented that "one exposure of a company such as IDSO is admiralty liability. In the past, some harbor workmen injured on the job would try to make a Jones Act case out of it. But," he continued, "the 1972 Longshoremen and Harbor Workers' Act clearly stated that such employees come under that, rather than Jones. The question is now much more clear cut. There's been a switch in claims, and now the coverage is the same but for less money."

How did Mr. LeGros manage to enter the harried world of Texoma diggers? "I was in the brokerage business," he explained, "and a broker doing his job properly is really an independent risk manager. It's just a natural progression to the corporate risk management job itself." ■



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# SAFETY

# \$25 million paid to crime victims in past nine years of British program

LONDON—Britain will soon have nearly nine years' experience compensating victims of violent crimes with government funds.

More than \$25 million has been paid out since the plan was initiated in 1964.

Compensation has been paid to robbery victims, victims of rape and sexual assault, civilians hurt while aiding police, and people involved in such diverse crimes as arson and poisoning.

Traffic offenses are excluded from the scheme, unless there has been a deliberate attempt to run the victim down.

The Criminal Injuries Compensation Board, consisting of lawyers and other experts, runs the scheme. Its decisions can be challenged in the high court and larger amounts awarded if superior judges think fit.

Police officers injured in the

line of duty are also covered, and have frequently benefited by awards.

The principle of awarding damages is roughly similar to that which would apply if the victim were able to get compensation in court lawsuits, but "case histories" which have built up over the years give unique examples of awards.

The highest pay-out has been \$125,000 for a woman who was

blinded, and lost her sense of taste and smell, after her ex-boy friend attacked her in a jealous rage.

This is quite high by U.K. standards, and most awards are much lower. They can also be affected if the victim himself has been partly responsible for his injuries.

For example, a 16-years-old youth got less than he sought after being stabbed in the back,

because he had provoked his assailants.

Applicants are normally excluded from the scheme if they are able to sue their attacker directly in the courts for damages, or if they can recover from insurers. But in the majority of cases before the board, there is no commercial insurance coverage available.

One unusual case was that of a 21-year-old woman employed at a bowling alley. Late at night she accepted a ride home with a regular customer. He began to make advances when he got near her home and she threatened to jump out of his auto. He ignored her, drove on, and she opened the door

and jumped out. In falling from the auto she was badly hurt—and got \$8,000 damages from public funds after he had been indicted for assault.

The principle of the scheme is to make quick awards thus relieving victims from anxiety over their future, and hastening recovery. Interim awards are often made to help victims, until the full amount of their injuries can be determined.

Since the plan started to operate in 1964, 42,000 people have sought money from the board. More than 36,000 of them have received it. And the number of applicants is growing higher every year as crime increases. ■

## Safety belt strangulation crux of suit

PITTSBURGH—The family of a suburban psychiatrist, who apparently strangled in the safety belt in his convertible when it rolled down an embankment, filed a \$300,000 damage suit against two insurance companies.

The suit, filed in Allegheny County common pleas court names the Security-Connecticut Life Insurance Co. and Mutual Life Insurance Co. as co-defendants.

It was filed by the widow and the three children of Dr. Carmen A. DeChesaro.

**HE WAS** killed Oct. 12, 1972, when his convertible plunged 100 feet down an embankment on a road in North Fayette township.

Dr. DeChesaro was found hanging from the vehicle tangled in his shoulder safety straps.

An autopsy by the coroner's office listed cause of death as asphyxiation due to strangulation.

The suit charged the insurance companies refused to pay accidental death benefits because "accidental death was not proven."

Dr. DeChesaro's family is seeking \$250,000 from Security-Connecticut and the other \$50,000 from Mutual Life. ■

## Benefits up for Ohioans

COLUMBUS—The disability benefits for injured Ohio workmen will be increased from \$86 to \$110 weekly under terms of a new law signed this month by Gov. John J. Gilligan. The law substantially updates Ohio's workmen's compensation system.

Funeral expense reimbursement for work-connected fatalities was also hiked from \$750 to \$1,200 and, for the first time in Ohio, the surviving spouse will receive the same earnings level in death benefits as the worker would receive for total disability.

Maximum death benefit is currently \$17,000.

The new law's eligibility section includes employers hiring one or more persons, compared with the present statute which excludes employers with less than three workers. ■

*"Liberty lies in the hearts of men and women; when it dies there, no constitution, no law, no court can save it ... While it lies there, it needs no constitution, no law, no court to save it."*

—LEARNED HAND

During Judge Hand's lifetime he was described as "The Great Judge", "Tenth Justice of the Supreme Court", "unquestionably first among American judges". Of him it was said that "his comment upon any legal question carried such great weight that an expressed doubt by him was a source of danger to the acceptance of any proposition ..."

Judge Hand earned his reputation, in over 42 years on the bench, by building evidence of the depth and penetration of his knowledge and wisdom. This reputation was not the creation of image-makers or the manipulation of media. He was what he said and did—a master of his art.

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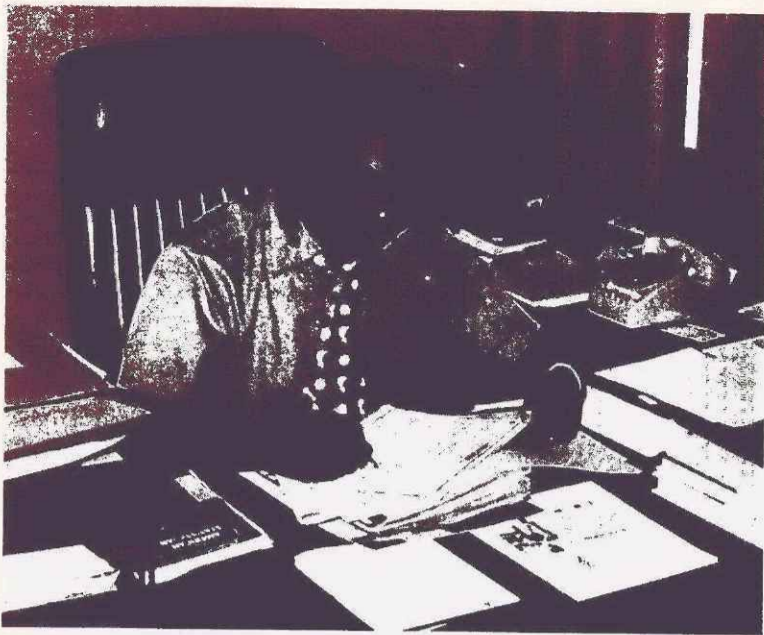
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Photo by Dan Weiner



Charles F. Williams, vp, product safety and quality assurance for Mattel Inc. contends "you can't over-test a toy."

# At Mattel Inc., toy safety means never having to say you're sorry

By ROBIN SOHRBIER

LOS ANGELES—Toys must be fail safe

"If they break they must break without leaving a child confronted with dangerous parts," said Charles F. Williams, vp, product safety and quality assurance for Mattel Inc. Toys marketed by Mattel run through a battery of stiff tests before the first product rolls off the production line. The manufacturer of such well-known toys as the Barbie Doll, the Putt-Putt Train and Tuff Stuff toys leaves nothing to guesswork about safety. Every toy part—from varnishes to doll hair to car wheels—is tested for

physical, chemical, electrical or microbiological characteristics.

"When you are dealing with children from toddlers to teenagers you can't over-engineer or over-test a toy," Mr. Williams contends.

**MATTEL'S** concerted effort to thoroughly test its toys has paid off for both children and the company itself. The number of product liability cases involving toys—about 10 a year that exceed \$25—has run about the same for the last five years. And in this day and age, when products liability cases are increasing in number, "that is favorable testimony for the effect our toy test-

ing program has had on our product liability," commented John G. Pinner, assistant treasurer for Mattel, whose responsibilities include corporate risk management.

The Kemper Insurance Group underwrites general liability, auto and product liability coverage for Mattel.

Mattel's toy safety program begins while a toy idea is still on paper and continues through a quality control inspection before the toy is packaged. Mr. Williams and his staff employ many tests to check all facets of a product. Tests are run both at Mattel and at independent test laboratories. Since each toy has its own unique characteristics "we use as many tests as necessary to make sure that a particular toy meets all of the safety requirements," Mr. Williams said.

**"WE NEVER** compromise on safety; if a proposed toy can't be made safely we abort the project," he added.

Mr. Williams cited the Putt-Putt series as an example to illustrate the testing program. One member of this group is the Putt-Putt train, a hardwood windup train for preschoolers. The concept was in design and test stage

## SAFETY/SECURITY REPORT

for about a year before it went into final production.

During the design stage, a prototype of the toy was taken to a Los Angeles pediatrician who is a member of the American Academy of Pediatrics accident prevention group. He reviews each of Mattel's new ideas in terms of potential hazards, and his recommendations are fed back to Mattel's engineering department for implementation. After the changes have been made, the doctor sees the product again; once he deems a product satisfactory, it becomes part of the product's record.

**DURING THE** design stage of a toy, the research and design department brings in a group of children to play with the product, giving the department an idea of how children view a new concept and how the product will be used in an actual play situation. It also affords an idea of what age range will be attracted to a toy.

If a toy is intended for one particular age but attracts younger children, the toy may have to be modified to be more durable and reliable for a younger child.

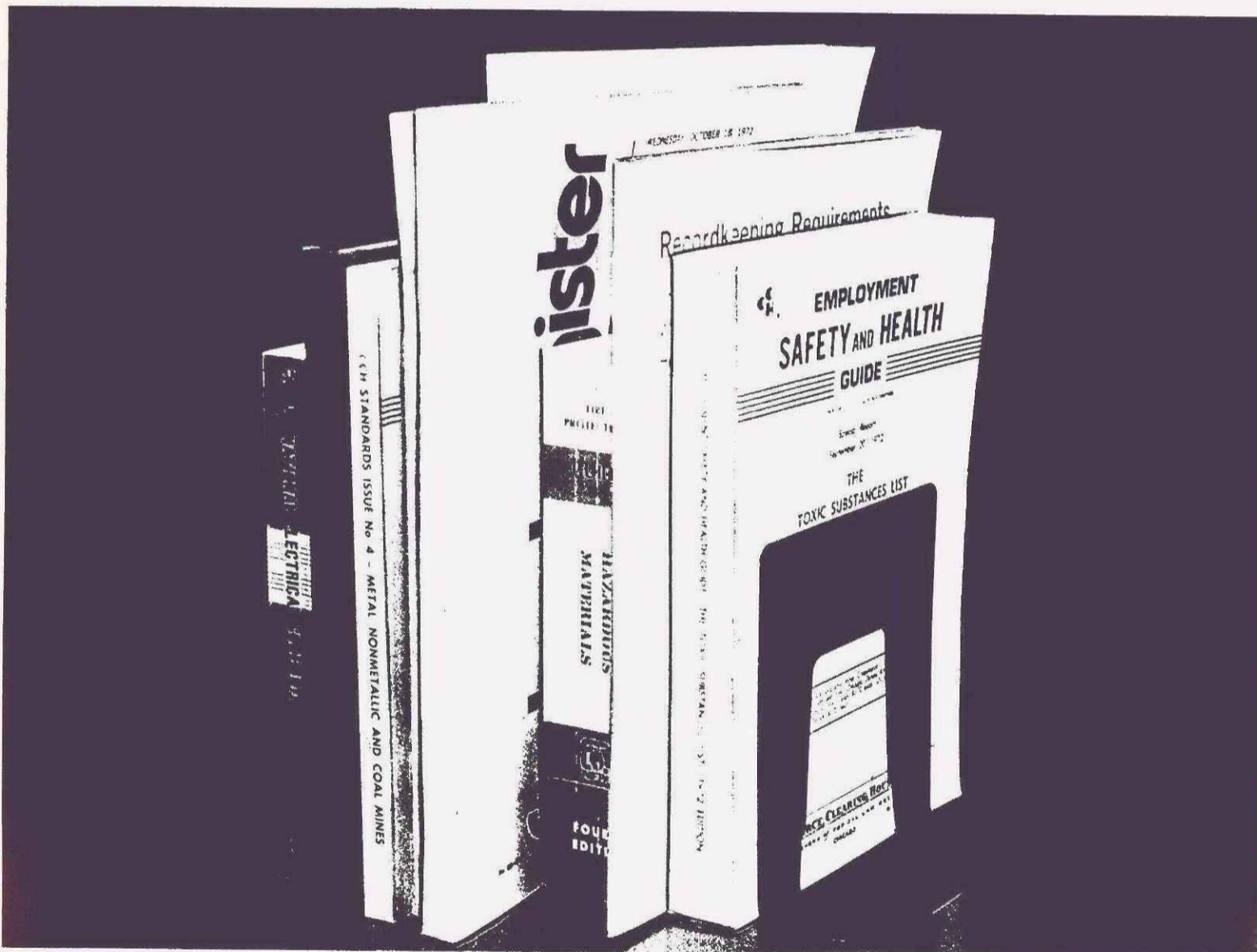
After a concept has been designed and refined and the pediatrician has given his approval, a toy starts a series of physical, chemical, biological and electrical tests. With the Putt-Putt train, the basic material used in construction is wood finished with a varnish.

The varnish is supplied by a vendor who must send with each batch of varnish a letter certifying that the product meets federal standards.

**MATTEL**, by using an atomic absorption test checks the varnish for metals or foreign matters in the material. Because the varnish contains a solvent, it is tested organically at a Los Angeles laboratory outside the company, where samples of the varnish, which is baked onto the train, are scraped off and fed to white rats.

"We are looking for anything

Continued on page 84



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## 29 subway contractors hit for OSHA violations

WASHINGTON—An Occupational Safety and Health Administration (OSHA) inspection of techniques being employed in construction of a massive subway system here has resulted in the issuance of 39 citations to 29 contractors.

The OSHA compliance inspection teams allege 120 violations of federal construction safety and health standards, 11 considered "serious." The citations carry with them proposed fines of \$11,180.

The most serious violation alleged was filed after a surveyor plunged 17 feet from a beam to his death. OSHA charges the S&M Construction Co. and Taylor Bros. Construction Inc. of Washington with allowing an employe to work on the beam without personal protective equipment. OSHA has recommended the two contractors be fined \$950.

**THE WORKER'S** death was the sixth fatality since subway construction began in January, 1970. Some 5,000 workers are involved in the project, and almost 500 injuries have been reported over the 15 million man-hours logged on the project to date.

Other "serious" violations cited include failure to place guard rails on suspended platforms and

## OSHA plans distribution of materials

WASHINGTON—Course materials used by the Occupational Safety and Health Administration (OSHA) to train its compliance officers are now being made available to the general public.

Prompted by a recent U.S. court of appeals ruling, the training materials can now be viewed and copied either at the OSHA Standards Office here or at the administration's National Training Institute in Rosemont, Ill.

OSHA will soon begin distribution of additional copies of the training materials to its 10 regional offices, the Washington standards office and the Rosemont training institute for short-term loan to the public.

**MATERIALS** now available in Washington and Rosemont include:

- Slides, rationale and volumes one and two of the instructor's manual for the basic OSHA training package;
- Student and instructor's manuals for the OSHA compliance officers' course on ventilation, sanitation & hazardous materials and heat stress;
- Instructors manual for compliance officer refresher course;
- Student and instructor's manuals for the construction safety and health course;
- A 10-hour narrated version of the construction safety and health course, including slides, tapes and an instructor's guide;
- A 30-hour construction safety and health training course with manuals and slides;
- A seminar course, with slides and manuals, on employee's rights and responsibilities plus similar materials for employers;
- Student and instructor's manuals for the industrial hygienists (CSHO) course;
- An updated version of student and instructor's manuals for the OSHA CSHO maritime course.

runways, unguarded floor openings, open circuit breaker boxes and cluttered work platforms.

**DESPITE** the 120 alleged job safety violations, OSHA's supervisor for the inspection project termed the overall conditions at the subway construction sites "fairly good."

Many of the violations uncovered during the two-week inspection were corrected while the inspections were going on, an OSHA official said.

The inspection of the \$3 billion subway project was the largest yet undertaken by OSHA. Other aspects of the project will be inspected over the next few weeks, officials said. ■

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# Security in a vertical, small city: It's all a question of organization

CHICAGO—"The unpleasant incidents that happen here are pretty much the same sort of thing that you'd have in any small city of 6,000 population," insists James M. McNamara, manager of building security for CNA Financial Corp.

Unlike a sprawling residential community, however, this "small city" is a vertical one in the south end of Chicago's "Loop". Until recently it consisted principally of two towers—the "east" building at 30 stories and the "west" building at 22 stories. Its residents have been primarily employees of CNA Financial or its subsidiaries.

Presently, most of the 6,000 people are in the process of mov-

ing into a third tower next door to the other two: a 45-story skyscraper—the "south" building—that will be CNA's new home office.

**RE-LOCATING** 6,000 people does create additional security problems, Mr. McNamara admits, but he added this would be the case in any small city if everyone in it packed up and moved out at virtually the same time.

"Certainly things are more hectic and confused during this transitional period," he said. "Doors are kept open more often, workmen are coming and going, employees are finding their way around their new environment, equipment is being hauled in and

out. The building is busy from 6 in the morning until midnight, in contrast to the other buildings, which have more typical business hours of 7:30 a.m. through 6 p.m."

So far, though, Mr. McNamara reports, the move hasn't produced any unusual problems—just some minor thefts and some briefly misplaced pieces of office furniture.

Once the 6,000 employees have been re-located in the new building, according to Mr. McNamara, security should be tighter than it had been in the older buildings. A strong emphasis was placed on security in planning and constructing the new home office. Furthermore, since CNA will be

the only tenant, "more effective security measures can be implemented than in the other buildings, which had been partly rented to other companies and to professional people."

A security control center in the lobby of the "south" building is one of the new measures. Television monitors within the room are manned continually and enable security personnel to observe many areas of the building and detect potentially dangerous situations. TV monitors also have been placed in the dining, lounge and dock areas.

**OTHER** security precautions also are being taken to safeguard the dining facilities and lounge on the second floor. Both are accessible only from an escalator in the lobby, and elevators are programmed not to stop at "2". A guard checks the security card of every employee taking the "up" escalator from the lobby.

"This step was necessary," Mr. McNamara explained, "because we took spot checks in the dining area shortly after it opened. We found a relatively high use of it by non-employees. For the safety and convenience of our employees, we've instituted this screening procedure."

A long-time restriction in the two older buildings has been extended to the new one—and facilities have been set up to insure that it will be more vigorously enforced. No employee is allowed to use a stairway unless an emergency situation occurs. Motion and sound detectors have been installed at various locations within the stairwells, and anyone using a stairway activates the detectors. His movements are then recorded on the television monitors in the lobby's security control center.

The most carefully guarded area of the new building is the complex that houses the electronic data processing division, a section that operates on a 24-hour-a-day schedule. "In addition to the guards, we have a system that requires everyone authorized to enter this area to present a coded badge with his or her photo on it," he said. "The code on the badge has to be 'read' by a card-reading device before the latch to the door will be released."

**MR. McNAMARA'S** full-time security staff is composed of 20 Pinkerton guards, including a captain and three sergeants. "This is not a private police force," McNamara emphasizes. "They are here to act as a deterrent. We do not pretend to be crime solvers. We do hope to avert crime and other trouble and to be able to respond quickly to any emergency that arises."

Deterrence, he claims is effected largely by maintaining surveillance in key locations, by ascertaining that doors that are to be kept locked at certain times are indeed locked, by periodically examining alarm systems and fire extinguishers to be sure they're operative and by "trying to channel groups of people past guards whenever possible."

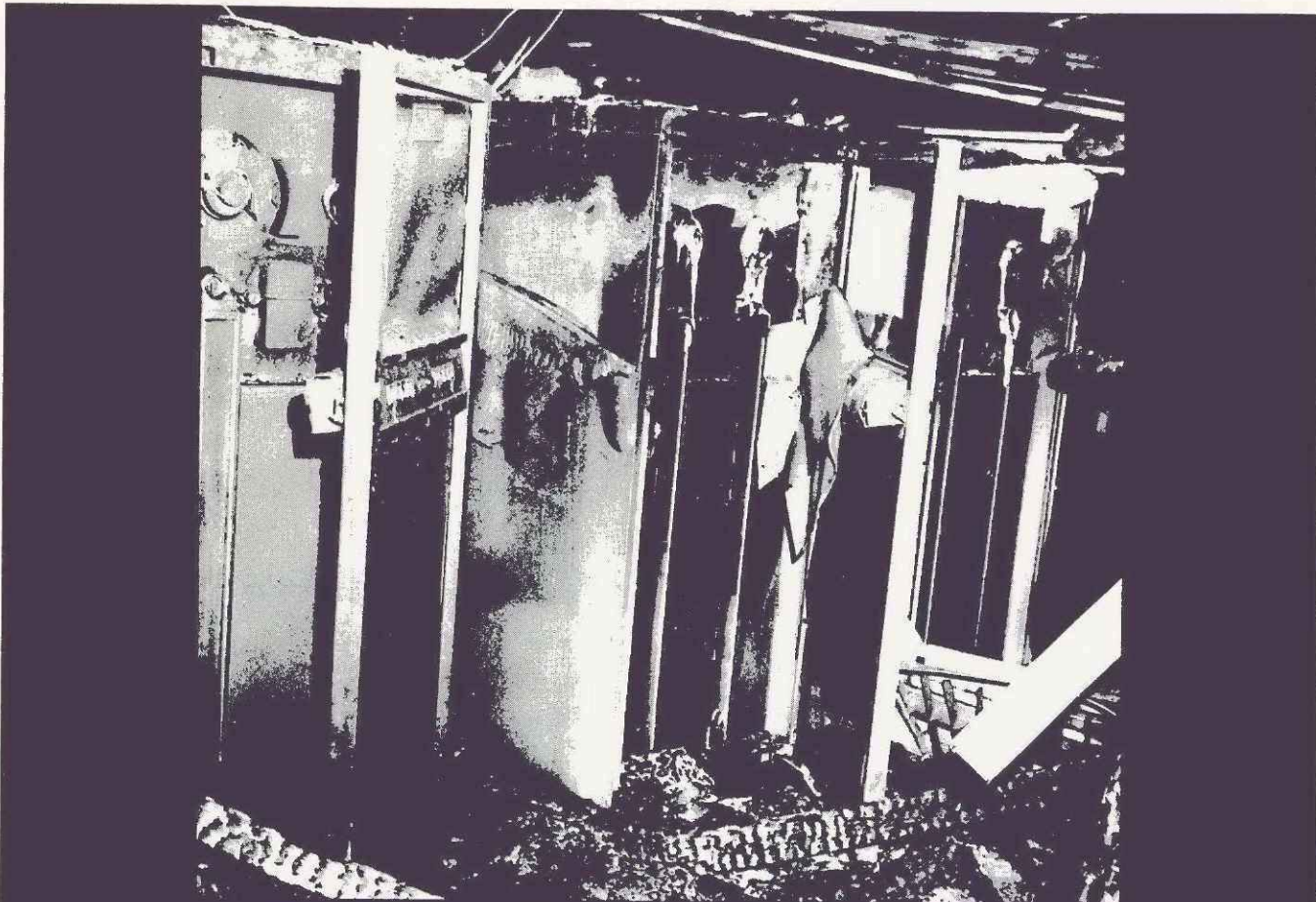
Lobby guards are instructed to stop and check anyone leaving any of the buildings carrying large packages or bundles that by size or shape could contain company property. "We've hardly ever found any stolen goods this way, but any would-be thief knows he might have to undergo this inspection and he could very well be headed off from taking the item in the first place."

**ALSO ASSISTING** Mr. McNamara are the "captains" and alternates on each story of each building in the CNA complex. These are employees with fulltime jobs in insurance or other sectors of the corporation who have the additional responsibility of being security's eyes and ears on their own floor and reporting to Mr. McNamara or his aides any actual incidents or suspicious situations that they observe.

"The floor captains have been particularly valuable the few times we've had bomb threats," says Mr. McNamara. "Naturally, we'd call the police if we were to find anything at all. Neither the floor captains nor our guards are trained to dismantle or dispose of a bomb."

Despite statistics indicating a rise in employe theft nationally, Mr. McNamara reports that the pilfering rate has gone down the past few years at the CNA complex—even with the in-

Continued on page 69



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## Vertical small city...

Continued from page 68

created problems created by the move to the new building. "That's probably due to our increased vigilance and more sophisticated security techniques. Sure, we have major crimes at times. Just a few weeks ago we caught a man—a professional burglar, it turned out—making off with a \$500 calculator. But usually it's more routine."

### SAFETY/SECURITY REPORT

To illustrate his point, Mr. McNamara flipped through a pile of 20 to 30 small slips of paper—the reported incidents for the month of August. They read like the unremarkable complaints chronicled on the police blotter in a small, comfortably settled city: A clock radio stolen, \$28 stolen from a desk drawer ("anybody who leaves cash in an unlocked drawer gets no sympathy from me"), four wallets stolen, attempted break-in at the medical center, a purse stolen (the thief timed it so he could immediately hop on a descending elevator), a bicycle stolen from the rack outside the building.

"Usually, when personal items are stolen there's not much we can do beyond urging the employe not to leave valuables around loose in the future. We also advise them to call the police and report the theft if they wish. Of course, if it's company property we call the police ourselves.

"Naturally," Mr. McNamara asserted, "protecting property is a terribly important part of this job—especially when it comes to property that's worth a considerable amount of money. But what's more important is the people who work here—keeping them from harm and maintaining a safe environment for them. Our record, I believe, has been quite good."

**THERE HAS** been only one incident involving loss of life in the complex. Two years ago, an employe was shot to death by her estranged husband in the downstairs lobby of one of the buildings. "It happened so fast that no one could have prevented it," said Mr. McNamara. "Our guards did precisely the right thing. They didn't approach the gunman themselves. Any attempt at heroics could have resulted in more shooting and in somebody else getting hurt. The city police took the man into custody right away.

"We're here," Mr. McNamara commented, "to deter and to prevent incidents. We cannot compete with the police in solving crimes, nor do we have any desire to do so. That simply isn't our function."

He has been with CNA—principally through Continental Casualty Co.—for 12 years and "most of that time in the area administrative field. My job is administrative and managerial, not that of a criminologist or in-

vestigator. People with those talents can be helpful to us at times, of course, but that's really outside the scope of our department as it's presently set up."

Industrial espionage has become a popular subject in business circles, so do Mr. McNamara's duties include preventing the theft of secret plans and documents?

"No more than preventing any other kind of theft," he answers. "I know that there's a lot of rivalry in the insurance business and a lot of hush-hush research going on regarding future projects. But somehow there don't seem to be any James Bond types prowling around trying to snoop out these secrets. If you do see anybody prowling around, he's more likely trying to steal something less glamorous—like a typewriter." ■

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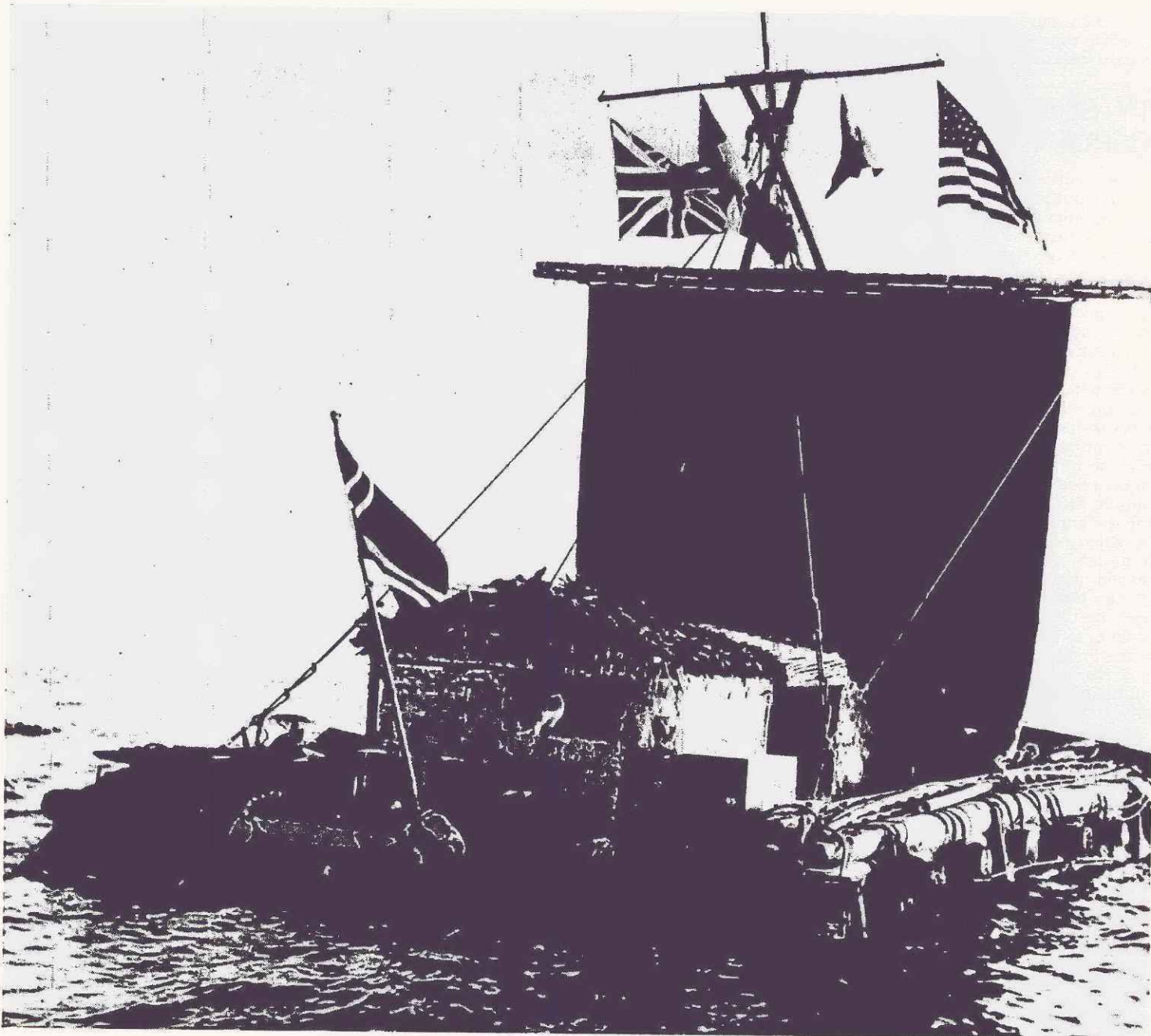
Andrew M. Anderson, Pittsburgh office

### Injury rate declines

The Labor department has adjusted downward an earlier statistic claiming the rate of occupational injuries and illnesses in the private, non-farm sector for 1971 is 13.8 per 100 man-years of work. The correct statistic, the department now says, is 12.1. New figures also show the rate of nonfatal cases not involving lost workdays is 8.4 for 1971. Lost workday cases occurred at a frequency of 3.7.

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## business insurance

## PERSPECTIVE

## OSHA could be strengthened through assistance to employers

"Beyond humanitarian reasons, or what today is called 'a sense of social responsibility,' a concern for employe safety and health made good economic sense."

BY FRED T. ALLEN

Chairman of the Board and President,  
Pitney Bowes, Stamford, Ct.

THE VARIOUS PROPOSALS for federal legislation which culminated in the enactment of the Occupational Safety and Health Act of 1970 received a generally negative reaction from business and industry. On the one hand, there were those individual companies or industry groups with good employe safety and health records, and those who had been operating under effective state programs, who saw no need for additional laws and regulations, and for an additional enforcement "bureaucracy."

On the other hand, there were those who, from a legitimate and fundamental commitment to a laissez-faire philosophy, or who, from a self-interest concern over the cost or other problems of operating under legally-enforceable safety standards, saw just one more uneconomic and unwarranted governmental intrusion on the affairs of private enterprise.

This initial and general reaction, as logical as it might have been, tended to obscure the fact that the leadership of American business and industry has long been committed to providing safe and healthful conditions of work for their employes. Without going into the statistical details, it should be sufficient to note that the average office or factory is safer than the average kitchen or highway.

Beyond humanitarian reasons, or what today is called "a sense of social responsibility," a concern for employe safety and health made good economic sense. Companies established their own programs, and as appropriate, hired employe safety and health specialists. Insurance carriers provided invaluable help to all employes, particularly to those who could not justify their own full-time safety and health staffs. Industry associations did important work in establishing guidelines and in encouraging safety and health programs. And, finally, many states and local jurisdictions enacted laws, promulgated regulations and provided support and assistance to those who wanted to maintain safe and healthful work places—as well as penalties for those who did not.

EVEN SO, the results were not satisfactory. The horror stories that came out of the extended Congressional hearings shocked the conscience of our nation. The result was an acceptance, though grudging in many instances, of the need for a federal role in occupational safety and health. At the same time, there was a concern over the possibilities of unwise standards and arbitrary enforcement and of the possible abuse of the considerable powers vested in OSHA.

It is too early to render a definitive judgment of OSHA, but on the basis of the evidence to date, it seems fair to say

that it has been effective—in many ways remarkably effective. And it also seems fair to say that OSHA has been administered, under the U.S. Department of Labor, with equity and reasonableness.

We hear and read about an occasional apparently arbitrary fine or capricious ruling, but it is apparent that most employes have found OSHA regulations and inspections reasonable and fair. More important, while little statistical documentation is yet available, it is apparent there is a greater concern for employe safety and health, and that important strides have been made toward insuring that the American worker has the safest and healthiest occupational environment possible.

WHILE NOTING that some of the worst fears of OSHA have, to date, proved groundless, and that some of the highest hopes for this legislation seem increasingly achievable, it is still appropriate to point out some areas in which OSHA legislation, regulations and administration might be improved. On the basis of our own experience at Pitney Bowes, substantially confirmed by our discussions with other companies and industry organizations, we have formulated four proposals. We believe they will reduce some of the unnecessary burdens on employers who are attempting to comply with all OSHA requirements, and, at the same time, improve OSHA's effectiveness as a vehicle



Fred T. Allen

for improved occupational safety and health. Some of the changes we propose could be effected administratively, but for the sake of uniformity and to get them before the most effective public forum—Congress—we have expressed them in terms of legislative amendments to the Occupational Safety and Health Act of 1970.

Specifically, we are proposing the act be amended so that (1) greater emphasis would be given to training, education and assistance and to helping employers comply with OSHA regulations through "consultative inspections;" (2) standards would be rewritten with due consideration to office versus plant environments and in terms of acceptable tolerances rather than absolute standards; (3) OSHA could evaluate and "certify" products; and (4) OSHA, at the federal level, would have the sole responsibility for standard setting and enforcement.

Our proposals, in greater detail, are:

#### Training, Education and Assistance

Considerably greater training, education and assistance is required if OSHA's goal of creating a safer work environment is to be achieved in a smooth, orderly and reasonably economic manner. The scope and complexity of OSHA requirements make them difficult, if not impossible, to interpret and implement without such guidance.

It is imperative that OSHA involvement with organizations seeking to conform their operations to its requirements be broadened beyond the current, essentially punitive approach. Many companies proceeding in good faith to upgrade their operations are doing so with little or no assurance that the steps they are taking will, in fact, lead to compliance.

We propose, therefore, that while the present inspection system be continued, a mechanism be created through which companies could seek and obtain guidance, including on-site inspection and consultation, that would enable them to move safety measures forward with reasonable certainty that these measures will be productive. This would maximize the benefits to be derived from the safety-related expenditures being made and, at the same time, have long-term beneficial effects as an educational program that will upgrade the professionalism of safety personnel and speed full compliance with OSHA regulations.

We propose such consultation be provided at company initiation, and that the companies using the consultation pay for the costs of the service on the basis of a formula that would take into consideration the size of the company.

There is rapidly growing support for "consultative inspections." Assistant Secre-

## OSHA standards rewrite effort needed to stem current chaos

"OSHA is directly or unknowingly attempting to bypass section 6(b) of the Occupational Safety and Health Act which requires the Secretary of Labor to provide public notice and an opportunity for a public hearing . . ."

BY ROBERT D. GIDEL  
President, Occupational Safety and  
Health Consulting Assoc. Inc.,  
Silver Spring, Md.

OSHA INSPECTORS, through lack of awareness or on purpose, are citing employers with being in violation of consensus standards, when the situation being cited was not within the scope, application or purpose of the consensus reached by the standards development committee.

I would estimate that more than 25% of all citations issued are unsupportable by OSHA because of this. In some cases we have been involved with, more than 50% of the citations were improper in that regard.

In this way, OSHA is directly or unknowingly attempting to bypass section 6(b) of the Occupational Safety and

Health Act which requires the Secretary of Labor to provide public notice and an opportunity for a public hearing whenever he wishes to promulgate, modify or revoke any OSHA standard.

Section 6 (a) of the act allowed the secretary to adopt by rule, without public notice or hearing, any national consensus or established federal standard. Whenever an OSHA inspector or approved state inspector tries to apply a consensus standard, so promulgated, beyond the scope, purpose and application stated in that consensus standard by the committee reaching the consensus, his proposed action is improper and should be vigorously contested.

Let's look at an example:

ANSI A12.1-1967, safety requirements for floor and wall openings, railings and toeboards, was developed to be applied to

factory real estate and physical facilities to prevent workers from falling. However, OSHA is citing it as a panacea for keeping workers from falling in all sorts of processing and fabrication activities. This standard does not apply to processing and fabrication operations, and the consensus reached by the standard committee did not contemplate such an application. It is inconceivable that any group of experts would agree that a standard railing, mid-rail and toeboard should be built around operation four feet or more off the ground.

THE SOURCES of standards paragraphs at the end of each sub-part of title 29 tell where standard provisions were obtained. When provisions from consensus standards were adopted under section 6(a) of the act, they were adopted subject to the limitations and proscriptions stated in their scopes, purpose and application provisions. Until OSHA takes some sort of action under section 6(b) of the act to expand or modify them, they cannot legally be cited beyond such contemplated scope of application.

Continued on following page

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## business insurance

## PERSPECTIVE

## Employers . . .

Continued from preceding page

tary of Labor John H. Stender, who oversees OSHA, went on record as favoring "consultive inspections" during his confirmation hearings before a Congressional committee, and stated his continued support for such a provision in an interview that appeared in Nation's Business.

**MOST LEGISLATIVE** proposals, however, would limit consultive inspections to small businesses. While acknowledging the special problems of many small businesses in complying with OSHA, we feel anything that would help one company insure a safer and healthier work environment for its hundred or fewer employees should be available to any other company equally concerned for its employees, whether they be numbered in the hundreds, thousands, or hundred thousands. Obviously, the larger the company, the larger will be the potential economic and safety-improvement benefits of such assistance.

Present standards are based on federal standards and national consensus standards. Many of the latter were conceived as ideals, or goals to be sought voluntarily, rather than as compulsory, absolute rules. In addition, many of the existing standards are outdated or otherwise invalid, and many are ambiguous. In many cases, current standards are arbitrary and not truly necessary in the interest of safety. In other cases, more stringent restrictions may be called for.

We propose that existing standards be maintained until a thorough updating can be accomplished, but that as soon as feasible, all existing standards be rewritten and new standards be formulated.

New standards should, to the extent appropriate, establish tolerances that are acceptable, rather than the absolute "no-variance" standards that now exist in many instances. They should incorporate, in their wording rather than in their interpretation, precise parameters of safety that should be complied with. Proper care should also be given to fully specify the types of machines or equipment covered by each standard and, as appropriate, differentiation should be made between various types of equipment which are subject to different uses and used in different environments.

We feel this approach of specified tolerances is preferable to so-called free-form standards, which leave too much to the judgment of the individual inspector, or to the practice of allowing vaguely defined "variances" from specified standards.

#### Product Certification

We feel OSHA should continue to be concerned primarily with the safety and health of the total work environment, but we also feel that it should establish a system of product certification, or limited certification. Many types of equipment common in the work environment, including many office machines, are "standard items" that are used, unmodified, in a standard manner. It would be of great benefit to the manufacturer of such equipment, but more significantly to its user, to be able to establish that, "used as intended" and with any prohibitions on its use spelled out, the equipment meets OSHA standards.

This in no way would relieve the employer of responsibility for the safety of the total work environment, but it would significantly assist him in evaluating the elements that make up that environment. We propose this certification process be initiated at the request of the manufacturer and be conducted at his expense, possibly by private scientific testing laboratories that could be accredited by OSHA to make such examinations.

#### Administration and Enforcement

While many states have long-established,

professionally staffed and effectively administered occupational safety and health programs, the fact the federal government now has an active role in this area argues for an all-federal program despite the traditional advantages of fixing responsibility and authority at the lowest levels of government.

Under present OSHA legislation, which permits states to establish their own standards and enforcement programs provided

**"In many cases, current standards are arbitrary and not truly necessary in the interest of safety. In other cases, more stringent restrictions may be called for."**

they are deemed "equal to or better than" the national standards, it is inevitable that a great deal of diversity will exist in the standards and programs developed by the various states. Conscientious employers, who have been finding it difficult to learn and keep abreast of the national OSHA requirements, will find it tremendously more difficult, and more costly, to conform their operations to differing stan-

dards enforced by the various states.

The more states that adopt their own programs, the more serious this problem will become. For the employer who operates in several states, this cannot help but lead to confusion, possible inadvertent standards violations, and unnecessarily raise the cost of safety to the detriment of the employees the program is intended to protect.

The problem of the equipment manufacturer who markets products in several states also is acute. He is forced either to incorporate into his products all of the characteristics required by all the states or to manufacture various versions of the same products. This would complicate and make more costly the manufacturer's distribution, marketing, and service programs and, ultimately, would unnecessarily increase the cost to the purchaser of his products.

The increasingly sophisticated technical

knowledge required to deal with newly recognized problems also dictates that standard-setting and enforcement would be both more effective and more economical if controlled at the federal level.

**IN EXPRESSING** our general satisfaction with the administration of OSHA, and in stating that we have had very few problems in compliance, we do not mean

to minimize the problems faced by many companies and several specific industries. We have been fortunate because the nature of our operations does not present the problems faced by many other companies, and because for many years we have had a professionally directed health and safety program. For these reasons, our accident rate is substantially lower than the average for comparable companies, and we have virtually no problems with job-related health impairment.

Similarly, in presenting our four proposals, we do not mean to suggest that there are not other ways in which OSHA might be improved—both to make it more effective and to reduce some unnecessary burdens on employers. Our proposals reflect our experience and circumstance.

We nevertheless are confident that what we are proposing will to some degree benefit all employers, and that it will help us effectively and economically reach the goal we all share—the safest and healthiest work environment feasible for all American employees. ■

*Fred T. Allen is chairman of the board, president and chief executive officer of Pitney Bowes. He joined the business systems and equipment company in 1938, serving in a number of production management positions until his election as vp for manufacturing in 1955. He was elected exec vp for products and a director in 1963, exec vp for operations in 1968 and president and chief operating officer in 1969. He has been chief executive officer since Jan., 1973, and chairman of the board since Aug., 1973. Mr. Allen was born in Providence, R.I., graduated from Brown University and was in the advanced management program of Harvard Business School.*

## Standards . . .

Continued from preceding page

A good example of specific limited scope is the various special industries listed in sub-part R of Part 1910. By the same reasoning that sub-part R only applies to those industries who reached a consensus as to provisions which should apply to them, other consensus standards only apply within the parameters agreed to by the consensus committee. Once OSHA tries to go beyond them, they are no longer consensus standards under 6(a) law.

A cloud has even been cast over performance type standards and the right of an employer to select on a performance basis from several alternative means of control. There is an inference of a performance type application, but there is no performance criteria to test against.

Let's consider the standard that says a worker may be protected against falling by use of railings, safety belts, lifelines or some other equally effective safeguards (1910.252e(1) (i)).

**FIRST**, whenever you have alternative procedures to select from they are seldom, if ever, equally safe. To select properly, an employer should undertake a value engineering analysis to be sure and consider all aspects of the problem. Even then, if you select one of the procedures, what is to protect you if the OSHA inspector disagrees with you? What if the union disagrees with you? If one OSHA inspector agrees, what is to keep a new OSHA inspector from disagreeing?

An employer is not really protected unless he utilizes a variance request procedure and gets it approved. Neither the OSHA inspector, area director, regional administrator or chief of standards has authority to finally approve such things. One or the other might turn his head for the time being, or give tacit approval, but that is not good enough.

Some other problems requiring consideration indicate the non-precise nature of the standards.

The standard says that "suitable" eye protection shall be provided where machines or operations present the hazard of flying objects, radiation, glare, liquids and so forth (1910.133a). The ANSI standard Z87.1-1968, provides a selection table to help you make a "suitable" selection. Yet,

what happens if the OSHA inspector disagrees with your selection? The union disagrees?

**WHAT IS** meant by "readily accessible" and "immediately available" when fire extinguishers are provided?

What do you do about a situation cited which was not observed by an OSHA inspector, or was not observed in a working condition? How can an inspector state with "specific particularity" what was violated, as the act requires, if it was not observed operational?

Should an inspector be allowed to sniff his way through a plant and cite for hazardous materials?

When are passageways or aisles permanent enough to require them to be marked

**"At the same time, the act made every one of the established federal standards and the national consensus standards totally obsolete."**

and kept clear?

When skilled employees have to be relied upon to alternate guarded grinding wheels for external grinding with unguarded grinding wheels for internal grinding which is protected by position, how much supervision is required to prevent a citation if the worker fails to help provide for his own safety?

What do you do about phasing out several hundred costly portable pneumatic tools which cannot be retrofitted to provide for tool retainers?

What would you do if you were cited for a willful serious violation, with a multi-thousand dollar proposed penalty, and the willfulness was predicated upon a paper the union had presumably discussed with you several months previous—and not upon any previous notices or citations issued by OSHA itself?

These are just some of the operating problems faced by employers dealing with OSHA, which are raising their heads now. What does the future hold in store beyond this?

The Occupational Safety and Health act

allowed the Secretary of Labor to adopt by reference, without notice or public hearing, all established federal safety and health standards and all national consensus standards. At the same time, the act made every one of the established federal standards and the national consensus standards totally obsolete. How did the act do this?

In section 6(b) (5) it states that in promulgating standards dealing with toxic materials or harmful physical agents, the Secretary of Labor shall set the standard which most adequately assures, to the extent feasible, on the best available evidence, that no employee will suffer material impairment of health or functional capacity even if such employee has regular exposure to the hazard dealt with by the standard for the period of his working life.

Lawyers will spend the next 100 years arguing over what this paragraph means—but irrespective of what it means, no existing federal standard or national consensus standard can meet it. Therefore they all are obsolete, and a lot of employee standards writing and re-writing is necessary.

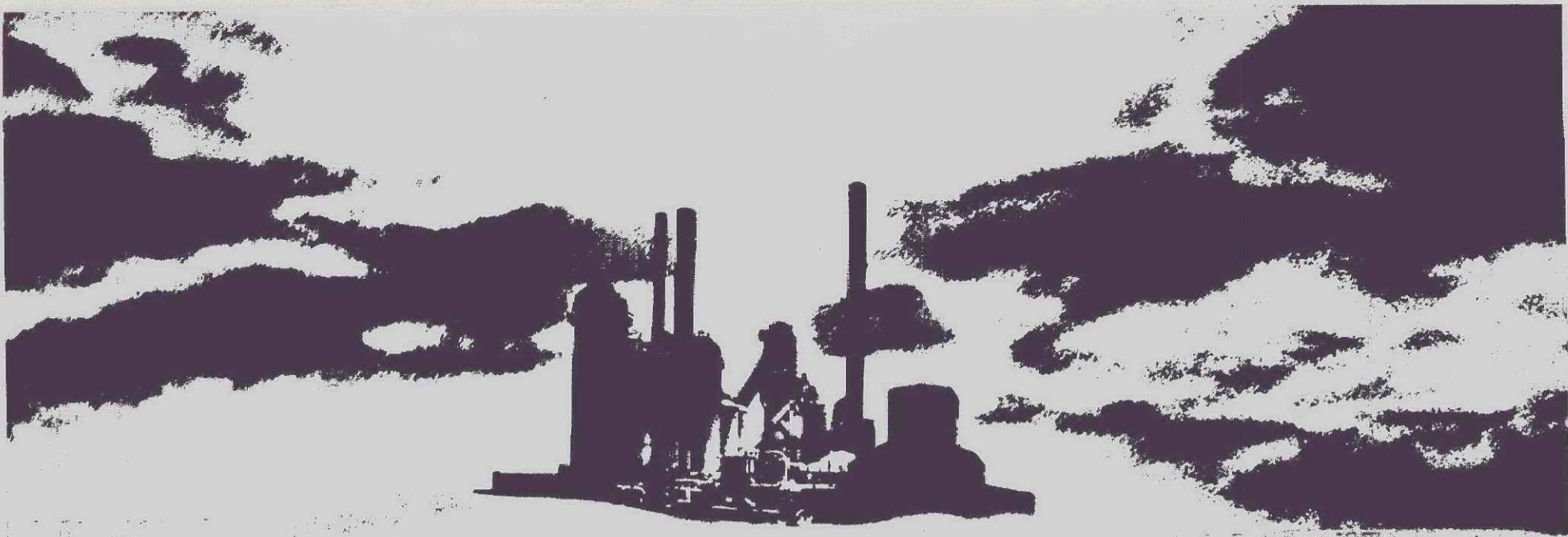
The same section also states whenever practicable, the standard promulgated shall be expressed in terms of objective criteria and of the performance desired.

**IS ANYONE** aware of a master plan to re-write existing standards to meet these requirements? There should, I think, be such a plan.

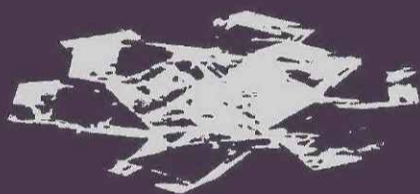
Another major section of OSHA, making everything adopted by the Secretary of Labor obsolete, is section 6(b) (7). This section says that any standard promulgated under this subsection shall prescribe:

- The use of labels or other appropriate forms of warning as are necessary to insure that employees are apprised of all hazards to which they are exposed;
- Relevant symptoms and appropriate emergency treatment;
- Proper conditions and precautions of safe use or exposure;
- Suitable protective equipment;
- Control or technological procedures to be used;
- Provide for monitoring or measuring employee exposure, at such locations and intervals, and in such manner as may be necessary for the protection of employees;
- Prescribe the type and frequency of medical examinations or other tests to be

Continued on page 74



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# Standards rewrite effort needed to stem chaos...

Continued from page 72

provided, where appropriate, at the employer's expense.

No standard in existence can meet these criteria, except the new asbestos standard, which comes the closest. Here, again, a lot of employe standards writing and rewriting is necessary.

On top of these requirements, the act also tells the Secretary of HEW to develop criteria dealing with toxic materials and harmful physical agents and substances which will describe exposure levels that are safe for various periods of employment, including but not limited to the exposure levels at which no employe will suffer impaired health or functional incapacities or diminished life expectancy as a result of his work experience.

What another grand statement for the lawyers to argue over for the next 100 years, not to mention the many technical experts who have not even been able to easily agree upon exposure levels in the past under our very loose voluntary standards development system.

So, the OSH act provided a means to adopt standards quickly, initially, but at the same time made them all obsolete. And what does this mean? It means

we all have a lot of work cut out for us. Lawyers, engineers, industrial hygienists and all other related technicians. Work in rewriting all of these obsolete standards.

ONE area included in the standards, but not yet stressed in enforcement activities, is coming to life. This involves numerous training requirements interspersed throughout the standards. Parts 1910, 1926, 1915, 1916, 1917 and 1918 contain such training requirements for workers which OSHA will somehow require employers to meet.

It seems to me that if you have to train employes under some parts of the regulations, you would be expected to train them in all instances. If inspections, maintenance programs, records and tests are required in some instances, they would be required in all instances. If operators are to report defects and discontinue use of defective equipment in some instances, they should do so in all instances. If designs, instructions, registered professional engineers, qualified, competent and designated personnel are required in some situations, they would eventually be required in all similar situations not yet spe-

cifically stated in the regulations to date.

Furthermore how are you going to prove to the OSHA inspector that you have met these training, instruction, authorization and qualification requirements? A valid first aid training certificate from the American Red Cross or the U.S. Bureau of Mines is one easy example. But, what must you provide to show proper training of welders, crane operators, power press operators, lift truck operators, painters and others using toxic or flammable materials?

WHAT might happen if a person is injured because of not being properly trained or instructed? Because of no formal inspection, maintenance or recordkeeping program? Because of not using qualified, competent, designated personnel, or registered professional engineers?

What might happen if a person is injured as a result of any sub-standard machine, material, process, method or means?

Will he have recourse to legal actions other than workmen's compensation?

I think OSHA has opened up a whole new battery of legal lia-

bilities for those foolish enough to ignore the new national standard of conduct which the OSHA regulations establish. The tip of the iceberg of additional costs and liabilities is barely perceptible now, but you had better believe that those liabilities are there and won't be going away. The full impact of OSHA, I think, has not even scratched the surface yet.

To illustrate how most employes don't even recognize the real problem—let alone know the answers—I was asked recently what the chances were of an OSHA or CSA inspector appearing on the job. The person said, "With Nixon cutting back on government programs and with only 500 inspectors country-wide, we don't have much to worry about, do we?"

My answer was, "An OSHA inspection—and even a penalty—might be the nicest and cheapest thing that could happen to you. It gets your attention, and forces you to get organized before the real problems start."

What are the real problems we must get organized to meet? In my opinion, they are:

- Legal actions above and beyond the workmen's compensation;
- New standards which will outlaw or force complete re-design of operating processes and procedures;
- New stands which will outlaw or force the complete re-design or retrofitting of machines and equipment.
- Health standards which may outlaw the use of certain

materials or require such costly control measures that the same effect results.

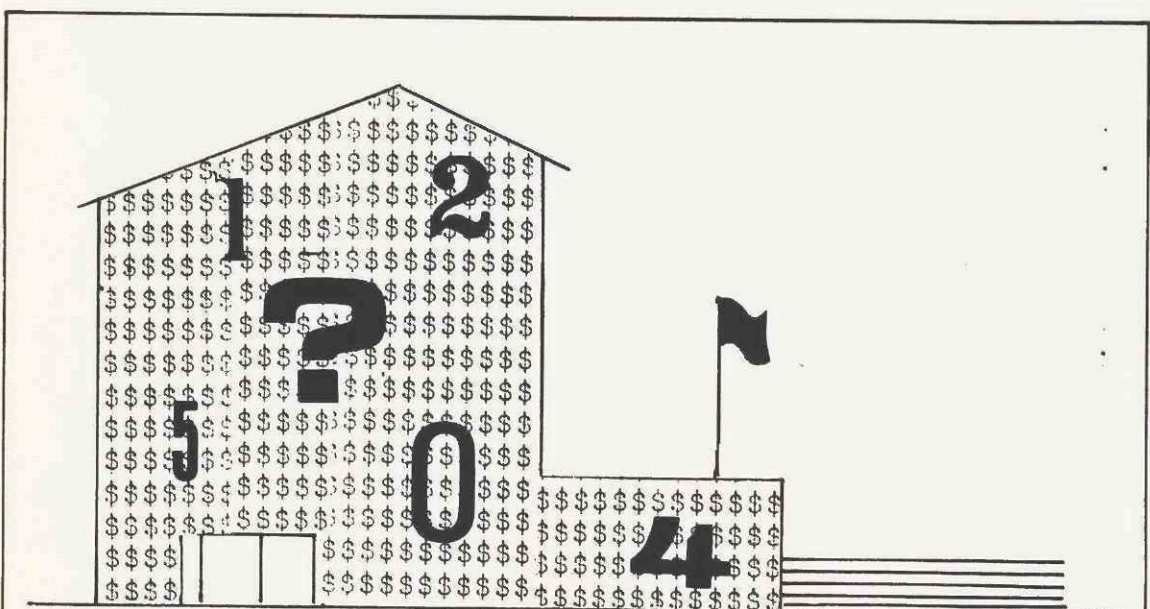
An injured worker has workmen's compensation insurance going for him automatically. Now, however, if injured on the job due to a machine or piece of equipment which doesn't meet the standards, materials which aren't labeled, stored or processed in the standard way, non-standard work practices or procedures, or some other method, condition or situation which the standards say are not acceptable, he may be inclined to try to take other legal actions.

A \$1,000 fine from OSHA now, forcing you to control a hazard, may protect you from a \$50,000 legal action later.

THE NEW national standard of conduct on the job is spelled out by the safety and health standards promulgated under OSHA and the Construction Safety Act. My opinion is, that employers and their suppliers, lessors, contractors and others, who choose to ignore those standards, may have new areas of liability coming up in common law tort, negligence, breach of express or implied warranty, fraud and misrepresentation, as well as violation of statutes to think about. There is little basic case law established yet, but such actions in the future may involve:

- Failure to warn an employe or citizen of the hazards and dangers of chemicals, machines and actions;
- Failure to instruct in how to

Continued on page 85



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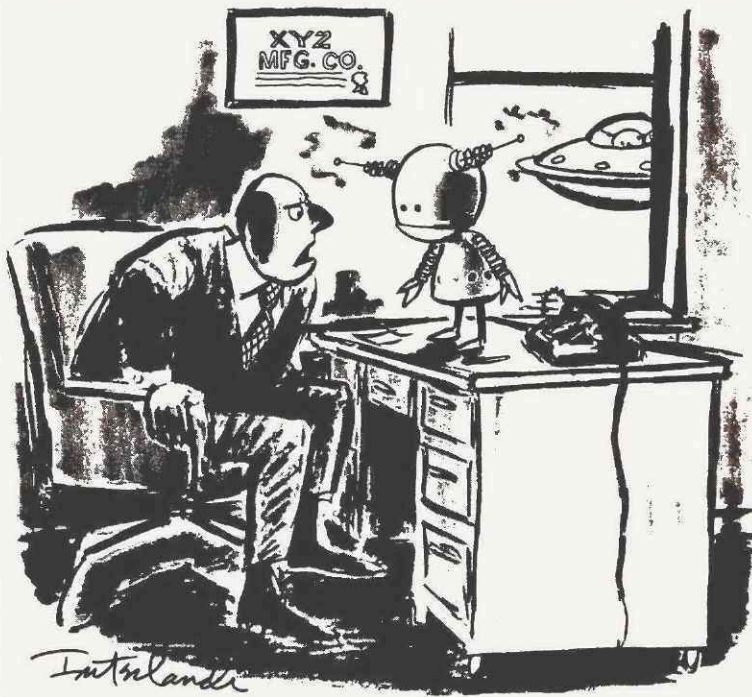


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From the redwood forests . . .

# Ampex plugged into vast security network

REDWOOD CITY, CA.—The world's longest security "hot line"—stretching from San Francisco to Albuquerque to Colorado Springs—is saving Ampex Corp. \$65,000 a year and providing enhanced protection as well, according to Ken Wilson, corporate security manager.

## SAFETY/SECURITY REPORT

A sophisticated security network laces together a score of Ampex buildings scattered some 1500 miles apart. The "brain" behind the security network is a Honeywell console in Ampex headquarters here, just south of San Francisco. By touching push-buttons on a typewriter-sized keyboard, the operator can check, correlate and control some 150 fire and security checkpoints in 21 buildings scattered from San Francisco to Albuquerque, and up to Colorado Springs.

Seated at the console, the operator can tell who just entered the Albuquerque plant, or unlocked a building entrance just across the street in Redwood City. He can "read" the card of an employee working after-hours in the Sunnyvale plant 40 miles south, or monitor the microwave security system in Ampex' Los Angeles warehouse 400 miles further away.

AMPEX manufacturers and markets a wide range of intricate electronic equipment. Probably best known are the Ampex videotape recording equipment and "instant replay" systems used in TV, and the professional audio recording equipment used in radio stations and recording studios worldwide.

In addition, Ampex furnishes core and semiconductor memories and tape and disc drives for computer manufacturers and users; instrument recorders and systems for aerospace, industrial and government research groups; audio, video and instrumentation tapes and recorded stereo tapes for homes and automobiles.

Ampex headquarters, comprised of a dozen buildings in Redwood City, is the administrative center for the company's domestic and foreign operations as well as research and development laboratories, some manufacturing facilities, and the famed Ampex training center which draws recording and TV technicians from all over the world.

Other key manufacturing and warehouse operations are located in nearby Sunnyvale and Burlingame; Glendale and Marina del Rey (Los Angeles); Albuquerque; Colorado Springs; Elk Grove Village (Chicago), and Opelika, Al. In addition, the company has a half dozen regional offices and service centers scattered around the country.

**NOT ALL** these facilities are tied into the Honeywell security network at the moment. "But more will be," predicts Mr. Wilson. "After all, there's no reason why we couldn't operate our Chicago plant from here just as easily as we do the one in Albuquerque."

Key to the security network is Amnet, Ampex' own telephone hookup linking its major facilities in the U.S. Unlike a WATS line arrangement, Amnet tielines go direct to each Ampex facility, not through a telephone company

switchboard. This means Ampex already had the communicating capacity. All that was needed was linking remote fire and security detectors in each plant to an encoder, then relaying the information to the console.

Mr. Wilson first considered such a setup to handle the dozen buildings in the Redwood City corporate complex. When the area Ampex service center was moved down to Sunnyvale, 15 miles away, it too was tied into the security network, using leased telephone lines.

Later the Albuquerque plants were nearing completion. Since there was no easy way to guard them, for the plants are miles outside the Albuquerque city

limits, meaning limited police protection, and there is no central-station security service nearby. Those two buildings, then, were linked to the security network using the Amnet system.

Next, Ampex buildings in Los Angeles, Burlingame, Sunnyvale and Menlo Park were tied into the security network, enabling cancellation of existing central-station protection contracts for those buildings.

**THE MOST** recent addition is the Ampex manufacturing plant in Colorado Springs.

The type of protection varies by building and, to some extent, location. Some use microwave detection units to guard specific

areas. The instant they spot any movement, an alarm flashes on at the Honeywell console miles away. Other buildings have foiltaped doors and windows, also tied into the electronic security network.

In the Redwood City complex, certain classified areas are protected with capacitance systems. These detectors work somewhat like a television antenna in that both radiate an electromagnetic field. Anyone coming within 3 feet of the protected object disturbs the field, much like coming too close to the television antenna disturbs the picture. This slight change in capacitance triggers an alarm at the console.

Credit-union offices have

money-clips in the cash drawers, removing a certain bill turns on an alarm. Vault areas are guarded by infrared detectors.

**ENTRANCES** and loading docks are fitted with automatic cameras that begin snapping the moment a protected door is opened. Fences between buildings have taut-wire detectors that spot anyone trying to climb over or cut through. All such alarms are fed to the console.

The first line of security for all buildings, however, is access control of entrances. At the Albuquerque plants employees use special keys to get inside after hours. Besides unlocking the

*Continued on page 76*



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Your right hand should know what your left hand is doing.

# Honeywell

# 1,500 mile eagle eye at Ampex . . .

Continued from page 75

door, the key triggers an immediate alarm at the Honeywell console 1000 miles away. Once inside, the employe has 90 seconds to call the console operator on the Amnet line, giving his name and identification number.

For buildings in the Redwood City/Sunnyvale area, Ampex uses two types of card readers. With one, the employe touches four pushbuttons in a certain sequence to turn on the reader, then inserts his ID card. If the card is valid, the console operator touches a pushbutton to unlock the door. At the same time, a Honeywell printer at the console automatically raps out time, location and employe identification number.

With the other card reader, inserting an ID card into the slot

alerts the console operator, turns on a two-way intercom, and triggers the alarm printer to note time, building number and employe identification. Over the intercom the console operator asks the employe his Social Security number, then checks this against a master log. If the number is correct and the employe is authorized to enter, the console operator touches a pushbutton to unlock the door. If something is amiss, the operator locks the identification card in the reader, then dispatches a guard patrol to check out the situation.

**BESIDES** electronically watching over employe entrances, the system keeps a constant eye on all other exits. If any are opened, the operator gets an immediate alarm, then dispatches a patrol to

see what happened. At the same time, any alarm signal—door, intrusion, fire, security—is automatically noted by the printer which puts down time, type of alarm and location, making a permanent record of what happened where and when.

This record has proven valuable in unforeseen ways. Some employes have grumbled about waiting five minutes before the security operator unlocked the door but, armed with the printout, Wilson can quickly counter such complaints. The printout also verifies employe overtime, since it notes time in and out.

But the Honeywell setup does far more than monitor Ampex security; it handles a number of other functions as well. For example, it keeps a beady eye on the heat-treating oven where instant-replay discs are baked, making sure temperatures don't go over 700 degrees; it monitors acid levels in a discharge sump, automatically dumping in an alkali solution if the sump gets too acidic; it watches over a 43-point alarm board in the tape laboratories, immediately reporting any off-normal condition.

**THE MOST** dramatic benefit from the system so far has been the money it's saved Ampex. With it, the company has eliminated 10 guard positions in the Redwood City complex alone, cutting outlay by more than \$90,000 a year.

In addition, Ampex has been able to cancel some protection services for its Sunnyvale, Los Angeles and Colorado Springs facilities, meaning additional savings of around \$2,000 a month. Altogether, the company has saved \$110,000 a year. Against this, the lease-purchase cost of the entire system—including the security console—plus various maintenance costs and charges for alarm-response services by private patrol companies in certain outlying areas, come to around \$45,000, meaning Ampex is netting around \$65,000 annually on its security operations.

Despite its advantages, Ampex doesn't rely on electronic security alone. In Redwood City, for example, guards are on duty all night long. One mans the console (in effect, guarding all 21 buildings) while the others make regular patrols of the complex.

"The system has worked out beautifully," Mr. Wilson noted. "Naturally, we've had a few problems in various buildings in our sprawling system, as must be expected of any electronic installation. But most of this has been connected with the access-control part of the operation. Our alarm-monitoring to our buildings has been on line more than 99% of the time over the past year."

**WOULD HE** make any changes? "Yes, a few. I'd standardize on one type of card-reader. We've got two types, and both work all right. But I'd rather have just one.

"And I think I'd have two printers," he continued, "one for alarms, the other for access information." Now our printer sometimes falls behind on access printout; two could share the load.

"One thing I do plan to do is tie more functions into the system. I'd like to monitor our generators and our air-conditioning systems and other mechanical equipment.

"But we're satisfied, more than satisfied," he said. "It's a good system that's really paying its way at Ampex."



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The Knowledge Broker

# 'Defense in depth' designed into reactor sites . . .

Continued from page 44  
near the proposed site of the reactor.

During the four or five year construction period, the regulatory staff reviews a final safety analysis report from the utility. The ACRS does the same and informs the public another hearing may be held if anyone who feels his interest will be adversely affected petitions for one. After the hearings, which, if there are any, will probably be lengthy, the operating license will be granted or rejected.

**IF THE** license is issued, the plant is monitored regularly by the AEC to insure compliance with specifications as set forth in the license and other regulations.

The manufacturers of the plants practice what is called "defense in depth" when designing and building their reactors. In written testimony at hearings on nuclear power plant safety in Philadelphia earlier this year, James Moore, a high-ranking nuclear engineer with the Westinghouse Corp., basically outlined the defense in depth concept which he said operated on three levels:

"The first level addresses prevention of accidents through the design of the plant, including quality assurance, redundancy, testing and inspection. The approach is to design and build the plant so it will operate as intended with a high degree of reliability.

"Despite the care taken at the first level, we prudently anticipate that some failures or op-

erating errors will occur during the life of a plant which have the potential for safety problems. Accordingly, we provide a second level of protection by means of protection devices and systems which assure that these incidents will be prevented or arrested in a safe manner. Here again conservative design practices, built-in safety margins and redundancy in both the detection and actuation equipment are incorporated into the plant.

"The third level of safety, which supplements the first two, is designed to add even further margin by postulating for design purposes the occurrence of extremely unlikely circumstances. We take a severe hypothetical accident far beyond that which anyone expects to occur and which could only occur in the event of failures in both the first and second levels of defense.

**THIS DESIGN** basis accident is then studied in detail, with an arbitrary compounding of combinations and sequences of events to make more demanding the safeguard performance objectives. From an analysis of these postulated events, we design and incorporate into the plant the third level of features and equipment to safely control the situation and protect the public health and safety."

But, the critics contend, all this is not enough.

Quality assurance has really fallen down over the last little while," Mr. Ford contended. "The type of errors have been severe, such as the failure of valves

to function. If this happens, the AEC asks for documentation about the valves from the company and is told the documentation doesn't exist. The licensing process is supposed to catch things like that.

"What it all amounts to," he continued, "is that if quality assurance is your first and main line of defense, you've got problems."

**BOTH THE** AEC and nuclear industry sources admitted certain problems had arisen in quality assurance.

"There are bound to be problems in any large construction project," the AIF man noted. "There have been some frankly embarrassing bungles but nothing which would cause serious safety problems. For example, the manufacturer of a plant noticed control rods in a plant had been installed correctly but the material inside them had been inserted incorrectly. It was an expensive headache for the manufacturer to correct the situation but it was never a hazard."

Mr. Ingram said the AEC was "not particularly happy" with certain quality assurance procedures at the present time—he specifically mentioned valve failure and management controls—and was "cracking down hard." The crackdowns usually involve fining a less than diligent

firm.

As mentioned, most reactors in operation today are of the water-cooled variety. When the industry moves to the "fast breeder reactor," safety problems will be lessened or horribly compounded, depending on who is talking.

The breeder, while not exactly a perpetual motion machine, creates its own fuel as it creates energy. It also creates a great deal of plutonium, which is potentially one of the worst poisons ever.

Commenting on the cancer-producing capabilities of plutonium, Dr. John Gofman of the University of California, a co-inventor of plutonium-239, told Pennsylvania insurance commissioner Herbert Denenberg's hearings on nuclear safety that the breeder would increase safety hazards.

"The very nature of the fast breeder reactor means they are inherently more difficult to control," he testified. "Second, the fast breeder reactor simply hastens the day of a plutonium energy economy, the worst possible fate for mankind. Moreover, the economics dictate more cycles of shipment of plutonium in a fast breeder economy."

**OTHER CRITICS** like Mr. Ford, feel the safety problems of the breeder are certainly severe, such as the possibility of a "low-order nuclear explosion," but also feel the breeder is a long way off and concentrate their efforts on today's watercooled reactors.

On the other side, James Line-man of the AEC felt the breeder  
*Continued on page 82*



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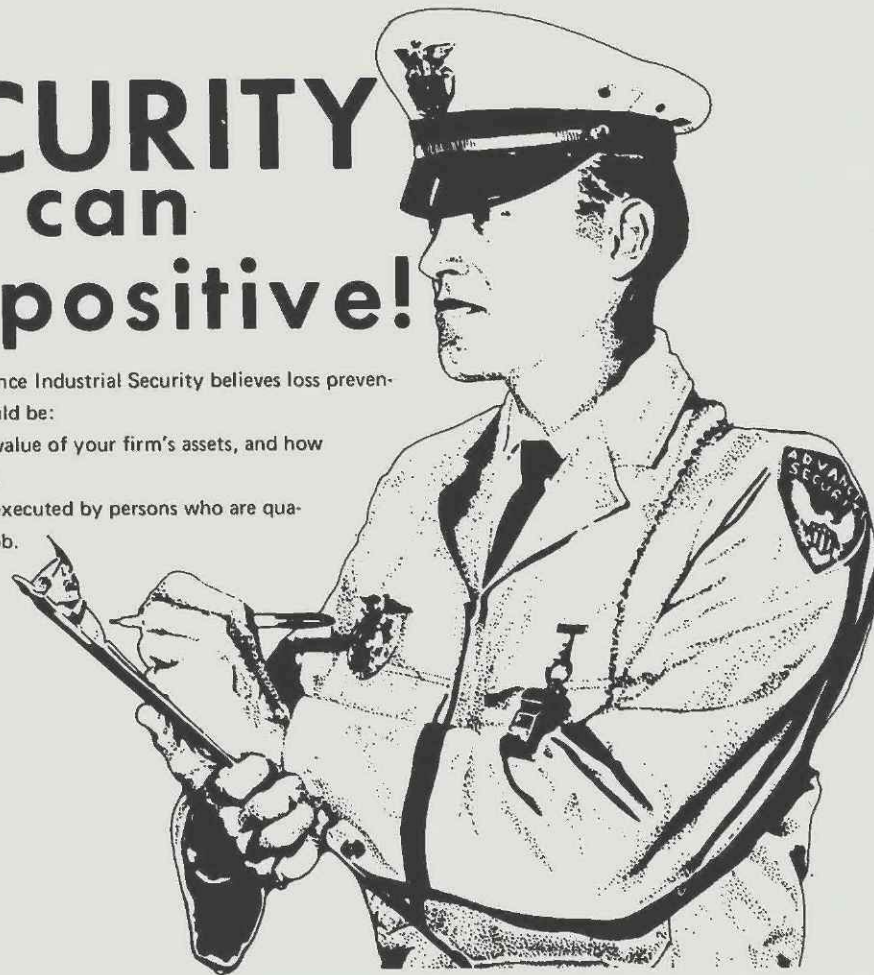
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# Mass marketing offers safety for special children

By ROBIN SUHRBIER

LOS ANGELES—For Libby Jonson, being part of a commercial mass-marketing program affords her some of the expertise of a safety engineer.

Miss Jonson is administrator of the Intercommunity Home for Special Children, a residential home and day school for the mentally retarded in Long Beach, Ca. The insurance needs for the home are met by a comprehensive insurance program mass marketed by Osterloh and Durham, a Los Angeles insurance broker, through the National Assn. of Private Residential Facilities for the Mentally Retarded (NAPRFMR).

According to A.F. Osterloh III, president of the 50-year-old firm bearing his name, the insurance package covers the whole gamut of risk needs from property and liability protection to employee benefits. Great American underwrites the property, liability and workmen's compensation coverages; American Home underwrites the directors and officers liability protection. Besides offering basic insurance coverage, the commercial mass-marketing program offers a wide range of risk analysis and loss prevention services.

A brochure and letter outlining the program and its coverages is the initial contact Osterloh and Durham has with each of the 1,100 homes in the association. If a home indicates an interest in the program, an account representative from Osterloh and Durham makes a personal visit to that home. He performs a semi-engineering analysis of the risks, makes recommendations for improvements, then submits an engineering report to Great American.

**THE MAKE-UP** of a franchise or association determines the amount of loss control engineering required from Great American's loss prevention department. In the case of accounts where individual members are almost identical, Eugene Cole, assistant vp for Great American, said, "After we have visited a few we know what we are dealing with."

For such accounts each member is sent a checklist of safety items, then runs a check of his premises. Suggestions are also sent for implementing a good loss control program to protect both employees and physical properties.

With an account such as the residential homes, where each home has its own needs, Great American's safety engineers and Osterloh and Durham work with the homes in designing loss prevention programs.

Mr. Cole contends that, through personal visits, "we can zero in on specifics for each member. Working with the members individually we can tailor-make a safety program to meet their needs and help them implement the program in their daily routine."

**RAY JOHNSON**, vp at Great American, agrees that "the heart of a good mass-merchandising program is the safety expertise it affords a smaller employer. Commercial mass merchandising has allowed companies like Great American and Osterloh and Durham to develop a high degree of knowledge about specific accounts.

"It allows a specialization of producers which means more expert advice for the client," he said. When a franchise or association works with the Great American "we tailor make each

insurance package to the needs of that group; there's no basic program."

Mr. Johnson explained that the franchise or association as a group sets the general tone of the basic program but an individual member can choose what he wants in coverage and limits. The amount of engineering service will depend on the nature of the risk; "a lot of our clients are perfectly capable of doing their own loss prevention work," he added.

Miss Jonson has welcomed the help of a Great American safety engineer. By listening and working with W.N. Herman, senior safety specialist, she has been able to round out her safety program to touch all bases.

"Mr. Herman," she said, "has made us see our safety responsibility on a daily basis. He has

made us aware that we must be totally committed to a safety program to make it work."

A safety team of three employees makes regular inspections of the building and listens to recommendations of staff members. A full report of their findings is made to the administrative staff.

What this team is looking for are such things as good house-keeping practices, location of poisons, proper handling of the children by the staff and fire safety practices.

Miss Jonson explained that at her facility poisons are stored in locked cabinets and medicines are locked in the nurse's station. Since over 90% of the children are on some type of medication, complete medical histories are kept on each child detailing exactly what kind of medicine each

takes and how often. Because there are more than 100 children living under one roof, there is a nurse on each of the three shifts. A doctor visits the home three times a week and is on call on a 24-hour basis.

**THE NURSING** staff is responsible for hygiene and safety programs. Just knowing which soap to use for which job is important to the staff and children; the nursing staff provides this type of direction.

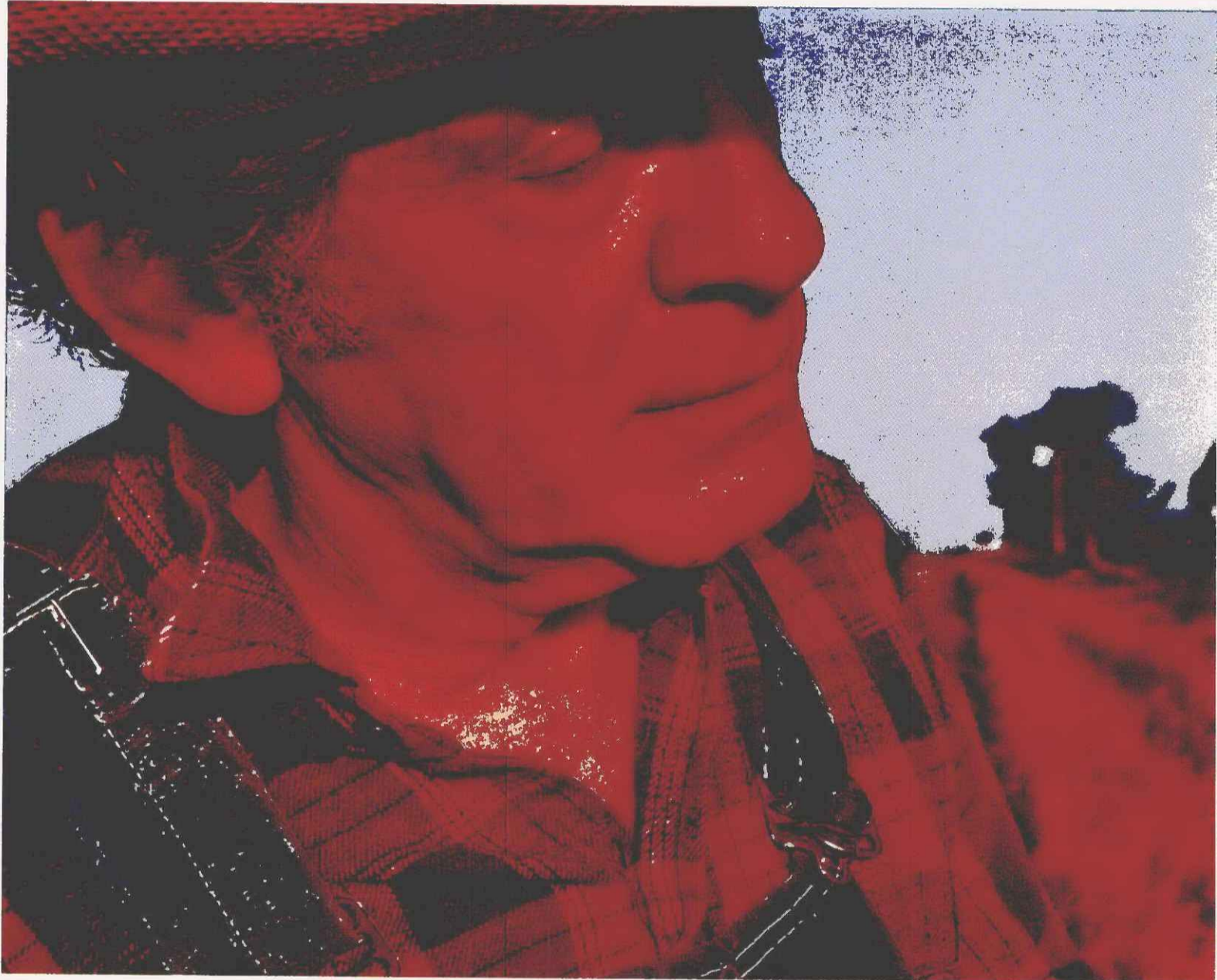
The entire staff receives first aid training conducted by the nurses, as well as training in the proper procedure for lifting to prevent back injuries. Mr. Herman has provided the home with educational material to communicate this to the staff.

Certain staff members are

versed in life saving techniques. A swimming pool located in the building is only open when a licensed swimming instructor is present. Only five children are allowed in the pool area at a time and staff members accompanying the children to the pool area must be familiar with life saving procedures.

For many of the recreational and educational programs, the children are bussed to various community facilities. The residential home maintains a 40-passenger bus and two vans. Just recently, according to Miss Jonson, "we, with the help of Mr. Herman, started a defensive driving school for our drivers."

"**IN THE** past," she explained, "we relied on a person's driving  
*Continued on page 79*

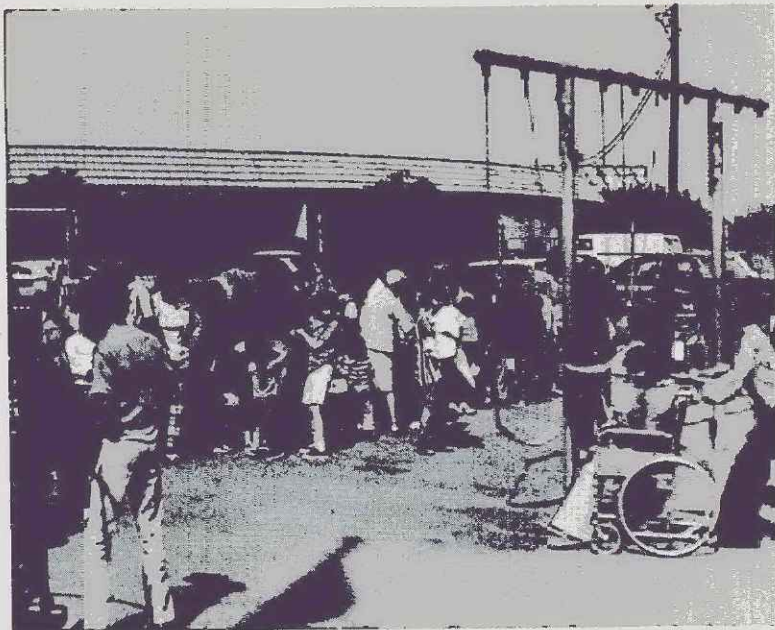


## For years, health insurance wasn't available to those who needed it most.

The year was 1957. The problem was the same throughout the nation. People who needed hospital and medical insurance the most, people 65 and over, were the very ones who found it least available everywhere. Everywhere, but Iowa.

## Until that day CNA made news in Iowa.

Because there, in the September 8, 1957 edition of the Des Moines Sunday Register, Continental Casualty Company, a member company of CNA/insurance, placed an ad. The headline! "Now! A Plan That Pays Hospital Bills for Anyone 65 and Over . . . ! No medical exam! No health questions! Nothing like it ever before!" Two days later, the Register's editorial page commented, "An interesting experiment is starting in Iowa. The Continental Casualty Company of Chicago, Ill., announced . . . that it would provide health insurance protection for elderly



In a minute and a half the children of the Ina Community Home for Special Children clear the building during an unannounced fire drill.

## Extra care in loss prevention...

Continued from page 78  
 record as an indication of his driving ability but this really doesn't tell much about a person's skills."

The course, which extends over a two-month period, is taught by an instructor licensed by the state to teach. The curriculum includes such areas as road conditions, vehicle conditions, how to handle bigger vehicles and first aid training.

THE residential home has two full-time drivers and 20 additional people checked out to drive the vans. If a staff member intends to use his own car to transport the children he must go through this course and must have his car inspected by the state.

What's the incentive for get-

ting staff members to take the course? "Our philosophy is to get the kids into the community and we can do this by either driving or walking," Miss Jonson said.

The 104 employees working the three shifts are trained in the use of fire extinguishers. During practice sessions each employee, Miss Jonson explained, has had an opportunity to actually use an extinguisher. Fire drills are conducted at the facility every month and "we clear the building in one and one-half minutes," the young administrator proudly added.

She went on to explain that all materials, such as curtains and bedspreads used in the rooms, are made of fire resistant materials and that by 1976 the entire building will be sprinklered.

Miss Jonson added that further safety precautions are employed

at the residential home such as using only plastic dishes to prevent broken glass, checking all foods coming into the home for spoilage or contamination and using only commercially prepared foods.

ALL ELECTRICAL outlets in the rooms have been disconnected to prevent injuries. Floors are polished with a nonskid wax and signs warn staff and residents of wet floors.

Miss Jonson contends that because of the precautions taken to prevent injury and because of the close relationship between staff and residents, the facility has kept its injury rate down.

"We've had only one broken bone in seven years," she added.

The coverages Miss Jonson purchased through the commercial mass marketing program include a \$750,000 blanket property coverage on buildings and contents, \$500,000 general liability coverage, including professional liability, a \$1 million umbrella, \$1,000,000 directors and officers li-

### SAFETY/SECURITY REPORT

ability, \$150,000 business interruption and workmen's compensation.

The other options included in Mr. Osterloh's program are group medical, group retirement, 24-hour accidental death and dismemberment, life insurance and electronic data processing. The agency maintains a toll free (800) reverse WATS number so any association member can receive prompt service nationwide.

This account is one of many mass-marketing programs Osterloh and Durham has developed over the past decade. Mr. Osterloh contends that because "commercial mass marketing allows us to become experts in a particular field, we can offer better service to the client."

For administrators like Libby Jonson, being part of such a program gives her total risk management services and an opportunity to develop creative safety programs that work to reduce employee injuries.

## OSHA hits contractor in 2 deaths

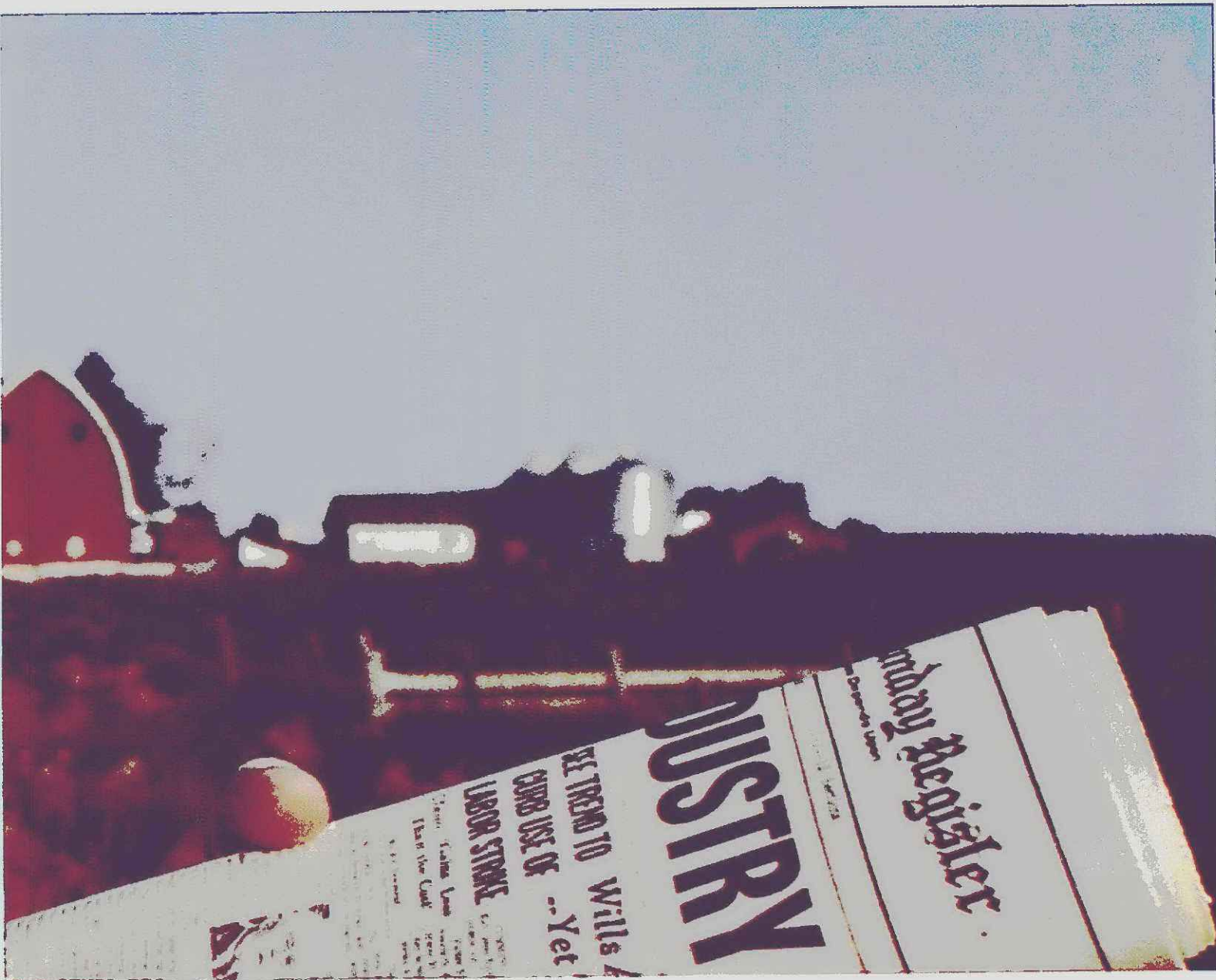
WASHINGTON—A local contractor working on an annex to the Library of Congress has been charged by the Occupational Safety and Health Administration (OSHA) with willful violation of safety procedures in connection with the deaths of two workers.

Williams Industries Inc. of Merrifield, Va., has said it will appeal the citation, which carries with it a maximum penalty of \$10,000.

The two workers were crushed to death when two crane counterweights weighing more than 21 tons each overturned on top of them. The weights were being readied for mounting at the time of the fatal accident.

The OSHA citation charges the company with "willful failure to secure in place or fasten" one of the weights "in a manner that would prevent it from endangering . . . employees."

The contractor has appealed the citation and asked for a hearing before the OSHA review commission. No date for the hearing has been set.



people who most need such protection but who find it most difficult to obtain . . . It's encouraging to find a company which is willing to risk some financial loss in an effort to make a contribution to the solution of a major national health problem."

Thus was recorded the beginning of '65-Plus," or Golden 65 as it is now known. For the first time, a major insurance company approached prospective policyholders through newspaper advertising to enroll thousands quickly and efficiently.

Today, tens of thousands, including people under 65, own health and accident insurance policies purchased from CNA and other companies through mass enrollment techniques. In this area, CNA continues to develop new and improved plans offering the best hospital and medical coverage possible. Coverage that affords the best value for each insurance dollar.

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# info for buyers

• **Advanced Security Techniques**, a booklet available from Advanced Computer Techniques Corp. describes the company's services for assessing the internal and external vulnerability of automatic data processing systems and facilities and developing individually designed practical and cost-effective corrective measures for their security. For a copy write the company, 437 Madison Ave., New York, N.Y. 10022.

• **Pneumatic Controls for Worker Safety and Industrial Environmental Improvement** has been made available from Ross Operating Valve Co. The report reviews some of the latest developments in double valves, two-hand control circuits, lock-out valves, mufflers and direc-

tional control valves. To obtain a copy write the company, 120 E. Goldengate Ave., Detroit, Mi. 48203.

• A full color, sound film entitled **Crisis Management** is available from Charles S. MacCrone Productions. The film deals with

## SAFETY/SECURITY REPORT

the process of evaluating business risk exposure, realigning preventive priorities and capabilities, and utilizing business and police resources to deal effectively with the risk of criminal confrontations. The film may be either purchased or rented. For complete information, write

Charles S. MacCrone Productions, 8048 Soquel Dr., Aptos Village, Aptos, Ca. 95003.

• **Friskem Magnetic Detection Devices**, a division of Infinetics Inc. has made available a folder of material describing the company's hand-held, walk-thru and intrusion detectors. The literature includes descriptions, applications, specifications, and price information. For copies write Infinetics Inc., 1601 Jessup St., Wilmington, De. 19802.

• **Guidebook to Occupational Safety and Health**, published by Commerce Clearing House Inc. is designed to help employers meet their obligations and understand their rights under OSHA. The book is written in nontechnical language and treats every aspect of the law, with emphasis on the employer's general duty, standards, inspections, citations and penalties. The guidebook is \$6 a copy and may be obtained by writing the company, 4025 W. Peterson Ave., Chicago, Il. 60646.

• **High Rise Fire Safety**, a brochure from Honeywell, spells out the company's "control tower" philosophy of security and fire protection. The Honeywell control tower brings all intrusion and fire alarms to one central command post. The 20-page booklet covers the basic systems; electronic security and fire alarms, closed-circuit TV, card-reader access control, patrol tour and audio intercom. Copies of the brochure are available without charge from Honeywell's commercial division, 2727 South Fourth Ave., Minneapolis, Mn. 55408.

• The General Scientific Equipment Co. has published **Eye and Hearing Safety**, a booklet dealing with many methods of reducing eye and ear risks and injuries. The pamphlet deals extensively with noise standards under OSHA. Free copies are available by writing the company, Limekiln Pike and Williams Ave., Philadelphia, Pa. 19150.

• **Flimdex Chex System Inc.** is offering a selection of literature illustrating and describing the company's photographic security



systems and business and industrial radios. For complete information write the company, 15500 Lee Highway, Centreville, Va. 22020.

• The Alarm Lock Corp. has a pamphlet out on **Digilock Access Control**, the door or wall applied electronic combination access control for restricting access to sensitive or confidential areas. The system has thousands of combinations and can be instantly re-programmed by the user at any time. For a free copy write R.W. Foster, Alarm Lock Corp., 5411 Telegraph Rd., Los Angeles, Ca. 90040.

• **Fire Protection Capabilities**, published by the Ansul Co. is a comprehensive description of Ansul's total fire protection capabilities. The brochure features a summary of the company's activities in fire protection research, development and training. For free copies contact Phil E. Alaman, The Ansul Co., One Stanton St., Marinette, Wi. 54143.

• Literature from Mosler details the company's concept of lock security and explains the variety of lock systems available. Seven different types of locks are shown and their function and applications are explained. For a copy of the literature write Mosler, Dept. LF-73, 1561 Grand Blvd., Hamilton, Oh. 45012.

• A brochure from Cardkey Systems analyzes five different levels of security in terms of the types of access controls best suited for each level. Access controls covered range from the simplest mechanical type to sophisticated electronic multiple access control systems. For a free copy of the brochure contact Cardkey Systems, 20339 Nordhoff St., Chatsworth, Ca. 91311.

• **The Occupational Safety & Health Act, Where It's At and Where It's Headed**, has been published by The Research Institute of America Inc. The study is designed to provide the smaller businessman with all the information he needs to comply with OSHA requirements. An index of all sources of information and a full table of contents is provided. The report is available at \$7.50 a copy and can be obtained by writing Dept. 111, Research Institute of America, Mount Kisco, N.Y. 10549.

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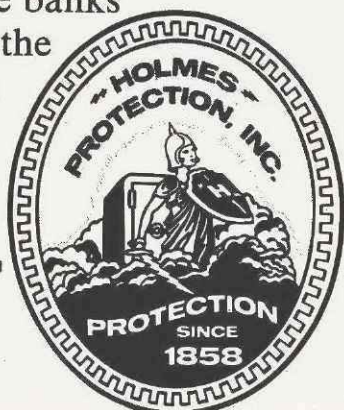
To the point where, today, we are by far the largest security and fire detection service in the East, protecting among other things, a majority of the banks and brokerage houses in New York City and unnumbered billions in the diamond and jewelry centers of New York, Philadelphia, Pittsburgh and Los Angeles. The best, most modern protection.

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• **Du Pont Safety Management Services** is a booklet describing Du Pont's safety consulting service, a program being offered to firms desiring to improve their safety performances. For free copies write J. B. Partain, Education & Applied Technology Div., Du Pont Co., Wilmington, De. 19898.

• If you need to protect an area from fire where business interruption or water and smoke damage is intolerable, CBF Systems Inc. has published a booklet describing applications of its **FE1301 Fire Protection Systems**. For a copy, write Erwin L. Ackerman Jr., CBF Systems Inc., 1267 E. Edna Pl., Covina, Ca., 91724.

• Advisor Security has released **Advisor III**, a brochure describing the Advisor III ultrasonic intrusion detector, a single zone unit with multi-zone capability. The brochure outlines the electrical and mechanical specifications, and discusses application and installation. For free copies write E. J. McLeod, Advisor Security, 130 Lincoln St., Boston, Ma. 02135.

• Transport Indemnity Co. has made available **What is OSHA?**, a descriptive folder explaining the basics of the law, mainly from the point of view of the employer. Free copies may be obtained by writing J. A. Vizzard, Transport Indemnity Co., 3670 Wilshire Blvd., Los Angeles, Ca. 90005.

• **The Man from OSHA**, available as a slide presentation or a 16 mm film from Fred. S. James & Co. is an aid in alerting supervisory personnel to OSHA compliance regulations. The film includes examples of frequent violations and offers specific suggestions for avoiding them. For more information write the Corporate Safety Director, Fred. S. James & Co. Inc., OSHA Information Center, 230 W. Monroe St., Chicago, Il. 60606.

• Security Services Inc. has issued a booklet called **Total Security—12 Tests**. It describes the security available from a private contractor and defines the terms used by Security Services. For a free copy write Allen Silverman, Exec. vp., Security Services Inc., P.O. Box 123, Southfield, Mi. 48075.

• **Creative Property Loss Prevention Engineering** describes a new independent property loss prevention engineering consulting service from RM/i Consultants Inc. for the risk manager, insurance consultant and insurance broker. The service is used to pre-engineer new construction and newly acquired and existing properties to qualify them for highly protected risk or special risk insurance treatment, as well as for self-insurance programs. Copies are available free and may be requested by contacting Harvey Sanders, President, RM/i Consultants Inc., 450 Seventh Ave., Suite 4302, New York, N.Y. 10001.

• **This is OSHA**, a U.S. Dept. of Labor film on job safety and health, is available on a free loan or purchase basis throughout the country. The 16mm color film reports progress in the agency's first two years and covers standards-setting, inspections, training and education, state programs and voluntary compliance. The film may be obtained by free loan from any of 27 film libraries of the Modern Talking Picture Service in 19 states and D.C. For additional information

write the U.S. Dept. of Labor, Occupational Safety and Health Administration, Washington, D.C. 20210.

• **Fire Protection Trends**, a bi-monthly newsletter published by the Sierra Group, a nationwide fire protection consulting engineering organization, contains news items concerning developments in the fire protection field. To be placed on the mailing list without charge, write Kenneth E. Berg, The Sierra Group, 145 Natoma St., San Francisco, Ca. 94105.

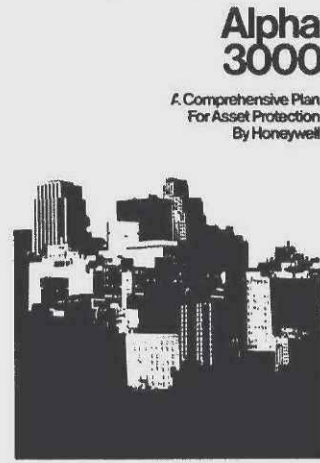
• Sargent & Greenleaf has released a catalogue, **Builders Security Hardware**, which includes security access control, the SM8480 electro-mechanical lock, manipulation proof and standard combination locks for hollow doors, the SM181 sliding lead bolt, chex-it II exit alarm and impregnable padlock. The cata-

logue is free. Write Barnett G. Benard, Sargent & Greenleaf Inc., 24 Seneca Ave., Rochester, N.Y. 14621.

• A booklet published by the Royal-Globe Insurance Cos. entitled **What Does OSHA Mean to The Business Owner Or Employer** describes the standards, enforcement procedures, citations and penalties under OSHA. For a free copy, write Joseph Venturelli, Royal-Globe Insurance Co., 150 William Street, New York, N.Y. 10038.

• Pyrotronics has published a brochure called **Computer Fire Detection Systems** which describes how fires start in and affect computers. A fire detection check list for computers is also included. For a free copy write W.A. Columbus, Pyrotronics, 8 Ridgedale Ave., Cedar Knolls, N.J., 07927.

• **Alpha 3000** describes Honeywell's new system for protecting physical assets from loss by fire, intrusion, burglary vandalism and equipment breakdown.



For a copy write Honeywell Commercial Div., 2727 South Fourth Ave., Minneapolis, Mn. 55408.

• **Security Locking Systems & Controls** explains a locking/security system developed by Alarm Lock Corp., that establishes control of all doors in all locations from a single, central master source. The lock mode may be changed from locked to unlocked, alarmed to nonalarmed, universal access to limited access for individual doors, groups of doors, complete buildings or entire complexes. For a free copy write R. W. Foster, Alarm Lock Corp., 5411 Telegraph Rd., Los Angeles, Ca., 90040.

• Burns International Security Services Inc. has released **Complete Scope of Investigative Services**, a booklet summarizing the organization's full scope of investigative services, including laboratory capabilities. Insurance investigations are included. For a free copy write A. W. Burner, Burns, 320 Old Briarcliff Rd., Briarcliff Manor, N.Y. 10510.



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# Reactor sites . . .

Continued from page 77

would actually be more safe because it would be more efficient, among other things. "The breeder reactor itself won't be pressurized," he said, "and that lessens the chance of accidents. The coolant will be circulated naturally. In other words, in the unlikely event of a reactor shut-down, the coolant will flow naturally instead of relying on a system to force it into the core."

Nuclear wastes are a problem everyone admits and critics point to incidents like the leaks at the AEC's Hanford facility in Washington state. The AEC admitted

115,000 gallons of liquid nuclear waste had leaked and that it took six weeks to discover the leakage was occurring.

**BUT, IT** should be noted, wastes from commercial nuclear power plants will not be in liquid form.

"There is very little commercial experience with waste as yet," the AIF man stated. "The AEC has not announced what the final disposition of these wastes will be. It could be surface storage, it could be injecting the solid wastes into rock strata, there are many alternatives. Until the final

decision is made the wastes will be stored in man-made structures.

"The wastes at Hanford were liquid and they were AEC wastes, primarily from the weapons program," he continued. "They were not commercial wastes and that is not the way commercial wastes will be stored. Whatever is decided on, the waste material will be in a solid form, not liquid."

So what it comes down to is just who one wants to believe.

"Nuclear power plants are safe," said the AEC's Mr. Lineman. "If they weren't we wouldn't license them."

**THE AEC** admits the possibility of a catastrophe, but feels the possibility is so remote it should not stand in the way of the further development of nuclear power. The nuclear industry takes pretty much the same stance.

"We can only answer our critics by pointing to our performance," commented the AIF spokesman. "True, we do not have a comprehensive record yet. We worked first with small reactors and are starting to work with larger ones now."

"Yes," he continued, "there have been accidents at nuclear power plants, there have even been fatalities. But these serious accidents did not come about because of the operation of the nuclear plant. Nuclear power had nothing to do with them. There have been construction fatalities and there have been steam fatalities but there have been no nuclear fatalities."

"Nuclear reactors are safe,"



The nuclear power plant of the Connecticut Yankee Atomic Power Co.

stated Mr. Lineman. "The ones in operation now have racked up a combined total of 165 years without a single radiation death."

Defenders of nuclear power plants also like to point to the experience with the nuclear insurance pools (Nuclear Energy Liability Insurance Assn. and the Mutual Atomic Energy Liability Underwriters provide some \$95 million in private liability coverage under the Price-Anderson Act. The U.S. government provides another \$465 million. The Act limits all liability to \$560 million. Property coverage to \$100 million is provided by the Nuclear Energy Property Insurance Assn. and the Mutual Atomic Energy Reinsurance Pool.)

The critics, however, feel the experience is not adequate to flatly state the nuclear technology is safe because in 20 years there has not been an insurance claim.

"We feel that plants should not continue to be built until the many safety problems have been attended to," said Mr. Ford. "This will be a large task. The

AEC and the industry simply don't know what the hell they're doing, particularly regarding wastes, which are enormously toxic and persistent poisons. Before another plant is built there must be an absolute condition that the safety problems be cleared up."

**ONE INDUSTRY** source told *Business Insurance* the quarrel the industry had with the critics was over the interpretation of reports and figures.

"They cite safety problems, mainly relying on WASH-740, a safety study conducted by the AEC in the 1950's but released later," he said. "The AEC, in the report, said a nuclear power plant accident could kill 45,000 people outright and cause \$7 billion in property damage. What they don't say is the AEC based those figures on the hypothetically worst accident imaginable. And an accident like that could happen."

"It's just a matter of who you believe," he said.

The critics agree.

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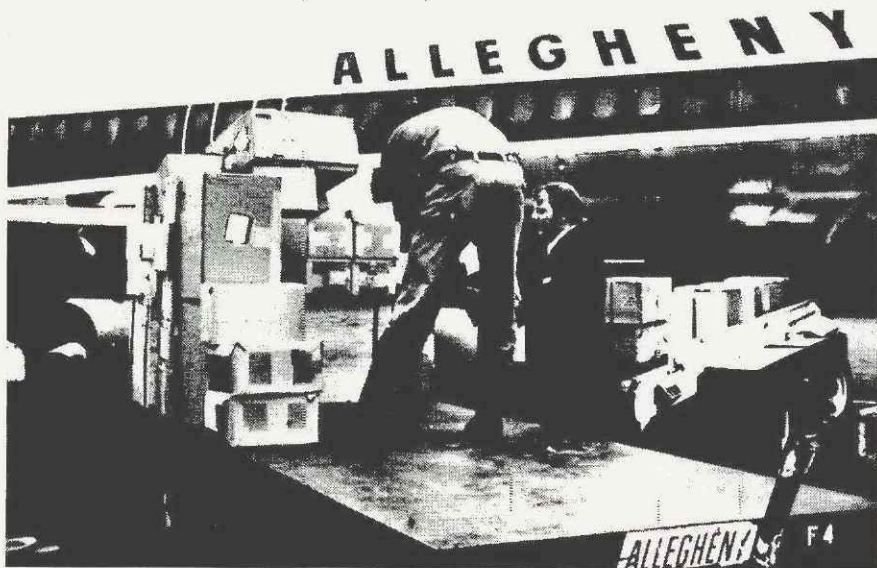
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## Proper cargo stowage 'critically important'

**VENICE**—Proper cargo stowage aboard container ships is a matter of critical importance to shippers and they should be educated by underwriters to this effect.

This was the recommendation of E.A. Murphy, of Chubb and Son, Inc., chairman of the International Union of Marine Insurance, given during the IUMI's annual conference here last month.

Containers, Mr. Murphy said, with ineffective seals, holes in their roofs, sides, and floors, are siphoning off more in claims dollars, pounds, and lira in claims than all the claims on containers lost overboard or in hijackings.

Mr. Murphy also listed problems with vibrations at high speeds in containerships, train damages aboard LASH vessels, the use of LASH lighters on coastal and open waters, dangerous cargoes in containers and containers on deck as all offering a substantial number of problems for underwriters.

**PERFORMANCE** in the past year, meanwhile, also came into the review spotlight and there was specific mention of containerships and the container vessel *Sea Witch* which was a total loss after a collision and fire in New York's harbor last June.

In advance of any official investigation, Mr. Murphy said, underwriters could only speculate on causes of the loss, then added, "it seems evident the fires

on the *CV Sea Witch* were not controllable by ordinary methods."

"It would also appear" he said, "it would be well to give a thought to the installation of an alert gas system to flood the holds of a cellular container ship such as the *CV Sea Witch*."

Mr. Murphy took the liberty of berating his colleagues for failing to supply his committee with the necessary information on losses. The group's poor response, he contended, made it impossible to establish a reliable catalogue of losses and claims paid.

"These sketchy reports have been more misleading than helpful," he said.

Other business at the session included reports on cargo insurance, cargo loss prevention, and the general average. The conference also heard a paper delivered on the preparation of liquid natural gas carriers by the French Assn., and a report on navigation on the Rhine, the Seine, the Weser, and the Elbe rivers in Europe, as well as the Mississippi waterway system in the United States.

### Pesticide Findings

The Occupational Safety and Health Administration will consider the record of hearings held by the Environmental Protection Agency on pesticides in its own rulemaking procedures to develop health standards for agricultural workers.

# dates for buyers

**October 23-25**, Bolt Beranek and Newman Inc., three-day course on "Noise control in manufacturing plants," Memphis, Tn. Same course will be repeated **November 5-7** in Miami, Fl. For more information write Miss Gloria Cianci, Bolt Beranek and Newman Inc., 50 Moulton St., Cambridge, Ma. 02138.

**October 25-26**, American Insurance Assn. and The Bureau of National Affairs Inc., seminar on "Consumer safety and product liability," Marriott Motor Hotel, New Orleans, La. The seminar will be repeated **November 14-15** at the Americana Hotel in New York City. For more information write the Seminars Secretary, 1231 25th St., N.W., Washington, D.C. 20037.

**October 26-27**, Practising Law Institute, program and workshops, "Products liability—1973," Fairmont Hotel, San Francisco, Ca. For more information write Practising Law Institute, 1133 Avenue of the Americas, New York, N.Y. 10036.

**October 29-31**, National Safety Council annual "National Safety Congress and Exposition," Pick-Congress Hotel, Chicago, Il. For more information write the Council, 425 N. Michigan Ave., Chicago, Il. 60611.

**November 5-7**, American Management Assn., 3-day meeting, "Advanced EDP auditing, controls & security," Americana Hotel, New York City. For more information write AMA Headquarters, 135 W. 50th St., New York, N.Y. 10020.

**December 10-12**, American Management Assn., 3-day meeting, "EDP auditing: concepts and techniques," AMA Management Center, Chicago, Il. For more information write AMA Headquarters, New York City.

## Union hits coke hazard

CHICAGO—Steel union demands in the future will include a shorter work week and early retirement plan for coke oven workers because of health and safety hazards, I. W. Abel, union president, said recently in Chicago.

Speaking at the United Steel-

### SAFETY/SECURITY REPORT

workers of America's third safety and health conference, Mr. Abel said the shorter work week is a fair demand for workers exposed to industrial pollution.

"In jobs, such as those performed in coke ovens, the work hazards are multiplied as the duration of exposure is lengthened," Mr. Abel said. "A work schedule of fewer hours each week would do much to help control the effect of such hazards."

**COKE IS** an ingredient used in the production of steel from raw iron ore. Mr. Abel said that medical experts have noted a relatively high incidence of cancer, especially lung cancer, in coke oven workers.

"Another legitimate and important goal for coke workers is

### Firemen's pact ok'd

Firefighters in Littleton, Co., will receive a 10.3% salary and fringe-benefit increase under a new 1974 contract including a 7% salary hike and another 3.2% in medical insurance payment increases. In addition the city has raised its contribution to Blue Cross-Blue Shield payments from \$22.60 a month to \$32.60 a month.

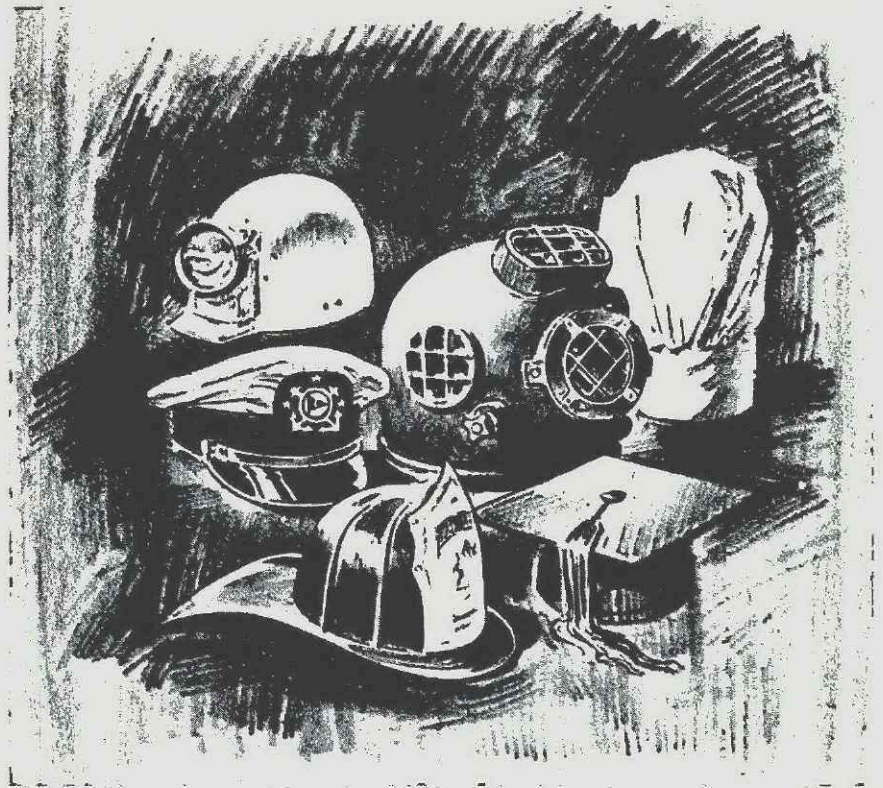
### NAI meeting set

U.S. Senators Barry M. Goldwater and Herman E. Talmadge will be the featured speakers at the National Assn. of Independent Insurers' 28th annual meeting to be held in Los Angeles, Nov. 12-15. Theme of the meeting will be "A New Environment for Insurance." Fletcher Bell of Kansas, president of the National Assn. of Insurance Commissioners, and Gleason L. Payne of California will also speak.

to liberalize benefits to permit early retirement," Mr. Abel said. "Those that undergo the rigors of such work clearly deserve an early pension."

An estimated 125,000 members of the 1.4 million member steelworkers union are coke oven workers or perform related jobs.


In praise of the Occupational Safety and Health Act (OSHA) of 1970, Mr. Abel said it was "the first dramatic step in the direction of making workplaces less dangerous to life and limb." He added that labor unions must press for stricter standards under (OSHA). ■



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# Mattel's toy safety program . . .

Continued from page 66

that might make the rats look sick over a period of 14 days," Mr. Williams explained. Then the rats are sacrificed so an autopsy can be performed to check for any internal reaction. Any sign of damage from this can rule out a product.

Scrapings of the dried varnish are placed in eyes of albino rabbits for up to 72 hours to test for eye reaction, skin patch tests are also run on the rabbits to test for a rash reaction. Dermotoxicity tests are run by placing samples under the first layer of skin.

**TO FIND** out if certain materials produce allergic reactions, a dermatologist comes to the laboratory to conduct tests on human beings. Patch tests of a material are placed on the body and ex-

aminations are made after 24, 48 and 72 hours. About a month later the same tests are run on the same participants for further evaluation.

Mattel uses the outside lab to test products for toxic, microbiological, allergenic and flammable defects.

"For our dolls we use materials that are common around the house. The nylon or saran that we use for hair is self-extinguishing and the cotton fabrics are treated to make them non-flammable," Mr. Williams said.

Any dyes used are put through the same battery of tests as the varnish. Such was the case with the colorants used in the plastics for the Putt-Putt series.

The wheels of the Putt Putt train have been put on in such a manner that it takes 20 pounds of

force to pull them off. The Putt Putt train was tested for abuse, checked for sharp corners and splintered wood and child-tested for ability to cope with the toy.

Once the train completed this battery of tests, the first production run was made. Production was then quarantined while the train again went through similar probes to back up the findings of the initial tests.

**SUCCESS** at this point means a toy goes into full scale production and quality control checks are made during production and before packaging.

"We have a final test for our electrical toys during production. There's a self-destruct test that automatically destroys any electrical toy that fails to perform properly. This self-destruct test

assures us that any improperly working toy doesn't reach the public," Mr. Williams explained. He added that Mattel has very few electrical toys on the market.

**MATTEL'S** latest entry into the toy market has been its line of Tuff Stuff products, the first toys to carry a five year warranty.

"When we came up with this product we had to design new tests and build new test equipment to adequately evaluate the product," Mr. Williams said. The material is a foam polyolfin and has proven to be such tough stuff that "we can guarantee it for five years."

Mattel beat the material with a crowbar, tested it under extreme heat and extreme cold conditions, dropped a steel balloon on it and ran a number of other endurance tests on the product. It came through all of them in good condition, according to Mr. Williams.

Each toy leaving Mattel is packaged with a set of simple instructions and the box is marked with the recommended age limit. "Products designed for an older age group are built in such a manner that they could be safe in the hands of a younger child," Mr. Williams pointed out. However, if there are small parts, a warning is placed on the package telling buyer that this particular toy is not recommended for a child under a particular age.

**THE INSTRUCTIONS** included with a toy are translated from technical wording into layman's language by Mattel's packaging personnel. This department works closely with the engineers and technical employees to see that the instructions are accurate.

However knowing that instructions may not be read by the buyer or user "we try to do as much assembly of a product as we can at the factory rather than relying on a consumer to assemble a toy," Mr. Williams noted.

The standards which Mattel has set for its toys have evolved over the years. Mr. Williams, who came to the firm in 1962, explained that much of the groundwork for the toy safety program had already been set, giving him a solid base from which to expand. Much of what Mattel has done in toy safety was the basis from which proposed federal standards were developed, asserted Mr. Williams, who is a member of the Toy Manufacturers of America committee on standards for safety. He explained that with the help of the Arthur D. Little management group, a set of standards was drafted and is currently being evaluated by the members of the Toy Manufacturers of America.

**ONCE THE** standards are accepted, all toy manufacturers involved in interstate commerce and importers of toy parts must adhere to the standards.

Mattel stipulates that its toys manufactured in foreign countries must meet all "our toy safety standards." From its main headquarters here, the manufacturer can audit safety and quality control groups at its foreign locations. "To aid our foreign offices, we have them send their toys to us for complete safety testing," Mr. Williams said.

He has become involved at the international level in a quasi-governmental role as the chief delegate from the U.S. to the International Electrotechnical Commission. The commission is addressing itself to developing safety standards for electrical toys, based on U.S. standards.

When Mr. Williams looks at a Barbie Doll or winds up the Putt-Putt train he knows "everything that's humanly possible has been done to make that toy as safe as possible for all children. There's no room for negligence in the manufacturing of toys."

And there's no question in Mr. Pinner's mind that the emphasis on toy safety has had a positive effect on Mattel's corporate liability coverage. ■

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### Teacher benefits up

Spokane, Wa., school district 81's board late last month approved a one-year contract with the Spokane Education Assn., providing 1,500 certificated teachers with an average salary boost of 5.8%, all from state funds. Dr. Cecil L. Johnson, the district's assistant superintendent for program support services and chief negotiator, said the agreement also increases the district's contribution from \$13.20 to \$20 a month for approved medical plans for full-time employees.

# Standards rewrite effort needed to stem chaos . . .

Continued from page 74

eliminate or control a hazard;

- Failure to require workers to follow the safe practices and procedures they are trained in;

- Failure to provide approved and adequate personal protective equipment and devices to protect the employe from hazards which are not engineered out;

- Failure to require the wearing of personal protection which compensates for a hazard which has not been engineered out;

- Failure to maintain machines, equipment and the work area in a safe and healthful condition;

- Providing machines, equipment or materials which may be defective in design causing failures of various types;

- Failure to fabricate, install and test equipment before turning it over to others in an unsafe condition;

- Allowing incompetent, unauthorized certified, unlicensed or non-designated persons to operate machines or equipment;

- Providing or requiring the use of tools, machines, equipment and materials which are not reasonably safe for the foreseeable uses to be made of them;

Breach of express or implied warranties that equipment is safe for the use to which it is put.

All this means that technical standards of the government must be met, job standards must be developed and employes must be trained and required to follow the technical and job standards. Doing anything less is leaving yourself open to all types of charges.

Since OSHA and the CSA create a whole new ballgame, we have to also get rid of some old common operating philosophies. For example; superintendents and foremen can no longer say to management, "What do you want, production or safety?" It isn't an either/or election and never should have been.

Foremen and workers can no longer pass the buck to the safety man on safety matters, and say those matters are his responsibility. Control of hazards must be built into operations on an hour-to-hour basis, and not only on an ad hoc basis, after incidents occur.

Management cannot only see to it that the technical requirements of OSHA or CSA are met, and then stop. They will have to see that workers carry out and follow the technical requirements, as well as safe practices and procedures. This may be the hardest part requiring maximum employer—employe cooperation and education.

**ANY MANAGER**, design engineer or supervisor should also start thinking of possible legal questions which he might be asked in the future, in a case involving injured workers or others due to standards not being met. For example, questions might include:

Were you paid to perform certain job duties, and did these duties involve the detection of certain defects or conditions which would cause injury to workers? Did others have to rely on your technical judgement and your job performance? Your

evaluation, approval and acceptance? Did you have or should you have had, any knowledge of certain potentially dangerous conditions? Did you fail to realize or did you disregard the possible consequences of certain defects?

Was there a calculated and conscious indifference which permitted unsuspecting persons to be injured? Was there a reckless disregard for the safety of the person injured, or a calculated and conscious willingness to permit the injury to occur? Does the state statute provide for exceptions to the immunity normally given by the workmen's compensation law (where reckless disregard is shown)? Are there remedies under other laws?

The OSHA standards provide a kind of measuring device to determine exactly what should be considered as a reasonable, a negligent, or a grossly negligent departure from acceptable job performance by those charged with the exercise of "due care" in the performance of their assigned job duties. Everyone in the job picture should become aware of them.

**WHAT** therefore, should we be setting as our goals in coping with OSHA? Employers, design engineers and architects had better get more acquainted with the OSHA standards' potentials for the future, as well as the present. Standards development committees had better become more legally oriented to the new OSHA specifications for standards and get busy re-writing them.

Some organized national master plan for standards reorganization, re-writing and research should be initiated by OSHA—or others—so an organized approach to the problem can be initiated.

If one looks at the types of standards projects and committees getting attention now, one wonders if there is any real sense

of priority or direction in mind. It appears as if fires are being put out based on political, social or economic pressures rather than based upon a positive action plan. And, with the states getting in on the act, more confusion will result. No one will be directing anything, and a major purpose for OSHA in the first place was to attain national uniformity in safety and health.

For example, so much time, manpower and publicity has been given to certain exotic and highly technical and specialized health hazards, which may cause cancer in 20 years, concerning which few experts agree, and to which relatively few workers are exposed. At the same time, little time has been allotted and manpower in OSHA left, to work in standard areas killing or injuring many persons every day.

**ARE THE** priorities in proper order? First things first, I would recommend. I sometimes get the feeling that the exotic areas appeal most to those who may not understand the big picture that we must begin dealing with.

To conclude, we must begin a massive job of re-writing standards to bring them in line with specifications of the act itself.

Everyone must get involved in this massive re-writing job in order to assure all voices are heard and feasible standards result and, employe protection standards must be developed to assure no employe will suffer material impairment of health or functional capacity because of his work.

Don't get complacent about the existing standards or what the government inspectors may or may not have done to date. ■

*Mr. Gidel, president, Occupational Safety and Health Consulting Associates Inc. (OSHCA Inc.), was the first program operations*

*director of the Occupational Safety and Health Administration for the U.S. Department of Labor. Previous to government service, Mr. Gidel was a staff senior consulting engineer with the National Safety Council and a specifications and installation engineer*

*with the Western Electric Co. He holds a BS degree from Washington University and a JD degree from John Marshall Law School. He is a member of the Illinois bar and a registered professional engineer in the District of Columbia.*

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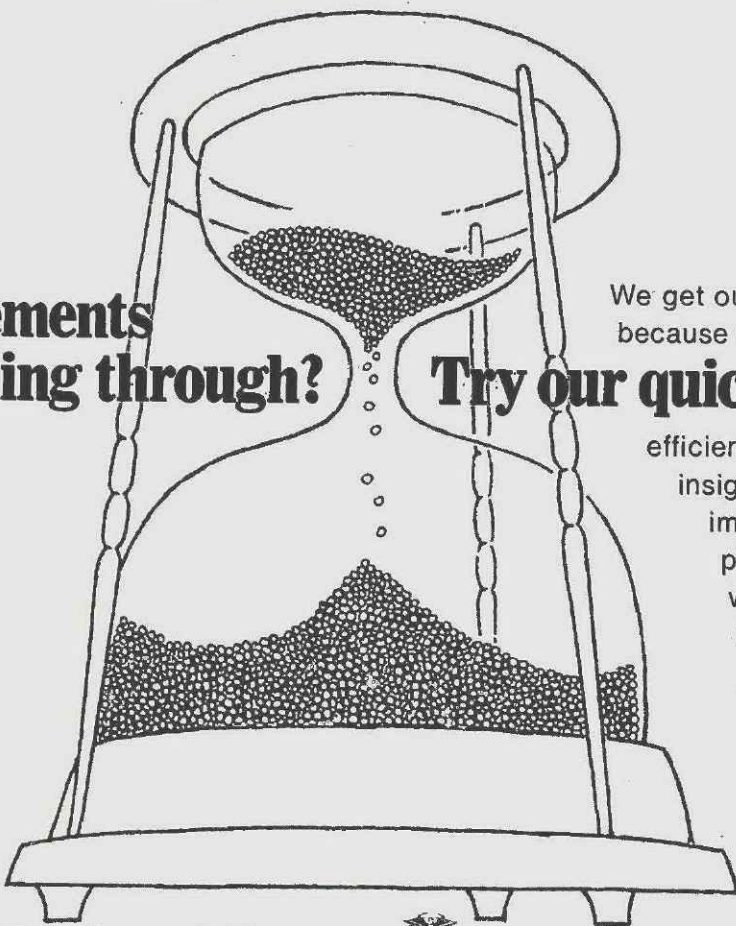
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## Firm consolidates

Adams, Scott & Conway Inc. is consolidating its New York City offices as of October 1, 1973, at 127 John St., New York City. This location will become the firm's national headquarters, according to Asher Schapiro, president.

# Claims cost cuts lead to high-rise death traps

SAN FRANCISCO—Construction practices designed to cut building costs convert high-rise buildings, particularly apartment structures, into "death traps," California members of the National Safety Council were told here by Aulton D. Mullendore, loss control executive for Fireman's Fund American Insurance Cos.

"The now-popular concept of constructing either a fire-resistant building without complete sprinkler and alarm systems or a not-so protective structure with sprinklers and alarms," Mr. Mullendore warned, "has become a dangerous compromise, to the point where we must stop trading off dollars when lives are at stake."

"Hundreds of deaths could easily occur in a single high-rise fire," Mr. Mullendore said, "because some builders and some building owners value dollars over lives. It has taken as long as 70 minutes to evacuate a 50 floor building, yet only 14 of the nation's 52 largest cities are following model code construction rules."

Mr. Mullendore recommended "all building codes" require sprinkling systems tied into air conditioning systems, with early warning smoke and heat detectors, as well as fire resistant materials, fire stops, ample exits,

elevators which will return to the ground floor instead of going to the hottest floor, and a communications network in all such buildings.

He also urged laws to require automatic controls to prevent air conditioners from spreading smoke throughout a structure.

**MR. MULLENDORE** praised a new Massachusetts law which will require automatic sprinkler systems and alarm devices in all buildings more than 70 feet high which will be constructed after this year.

He suggested "one comprehensive national model building code" be developed to replace several "good but incomplete" existing codes.

"It is of equal importance," Mr. Mullendore added, "that city officials be persuaded to use the model codes. Even an ultra-safe structure will not prevent deaths if tenants are permitted to fill a structure with flammable materials or with synthetic furnishings such as are in so many modern office buildings. These produce toxic gases when burned."

Mr. Mullendore suggested a series of methods, once a building is completed, to preserve life safety:

- Inclusion of occupancy standards in all lease and rental agreements; the inspection by building

management for flammable materials, explosive mixtures or hazardous procedures and overcrowding;

- Distribution of emergency plans to all tenant managers;

- The appointment and instruction of floor monitors and the staging at regular intervals of fire drills;

- Frequent testing of alarms;
- Maintenance of first aid facilities and of fire fighting equipment;

- Establishment of a close relationship with the fire department so firemen know the layout and emergency plans of buildings within their community.

Mr. Mullendore charged the types of leasing and rental agreements which building owners enter into "will make the situation even worse."

"**THESE** lease and rental agreements," Mr. Mullendore explained, "are written with two main factors dominating the contract; dollars and duration. Too often, little consideration is given to fire loading, which is soon imposed on a fire resistive building."

"The new tenants move in and proceed to decorate the premises. They install drapes, synthetic carpets and overstuffed furniture. They bring in plastic items such as waste baskets, plaques and furniture upholstered with

eye appealing plastics.

"Stock rooms are loaded with a variety of paper forms, printing supplies and paperboard cartons.

"The building owners may even overlook the necessity of providing adequate fire extinguishers and of prohibiting smoking in areas with serious fire hazards. And to top it off, highly combustible materials often are brought into buildings for display and exhibition to clients.

"Then, later, tenants will expand operations to a point where it becomes expedient to block exits. And most tenants fail to train their employees in fire safety and fire control. Yet, such a high rise building is regarded as a big success. After all, it is 90% leased and occupied. The owners conclude that they have it made.

"Complacency tends to settle over everyone," Mr. Mullendore continued. "The tenants see no problems. They exist in a prestige building because it is one of the tallest in town and the view is nice. The owners are satisfied because the rents are coming in.

"**ANY FIRE** which occurs in such a structure may be undetected at first because the location of the origin may be well removed from human occupancy.

"Such compromise with safety," Mr. Mullendore insisted, "thus is transformed into an emergency and the lives of several hundred people are put at peril. The owners will probably find that their liability exceeds insured limits and that the replacement value of their property exceeds the limits of property coverage!"

Mr. Mullendore urged a safety officer be named even before construction of a new high rise building begins, "to work with the architect and contractor, not just with the building managers and tenants. Such safety officers also should be given the authority equalling their tremendous responsibilities.

"**ALL PROVEN** structural safety features should be designed and built into new structures," Mr. Mullendore added, "and, if possible, be added to older buildings and all areas must be protected by sprinklers, heat and smoke detectors. Occupancy standards must be developed, incorporated into lease agreements and be enforced."

Even as Mr. Mullendore made his speech, the California division of industrial safety announced it was planning to adopt strict new regulations requiring an elevator shutdown at the first warning of a fire in any building.

Elevators would be taken out of service by an automatic fire sensing device installed on each floor or by a key switch in the main lobby for use by firemen or by fire control officers of the building.

"What the regulations will provide," explained William Calderwood, elevator safety engineer for the division, "will be a method to prevent elevators from responding to calls from any floor where there is either fire or smoke."

The division also is "studying" new regulations which would require all building elevators to withstand earthquake shock. ■

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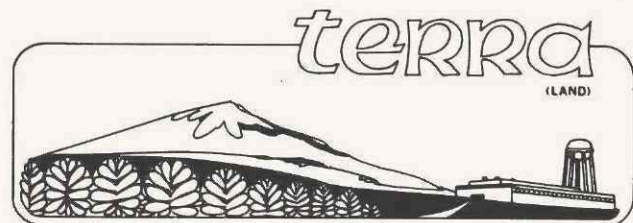
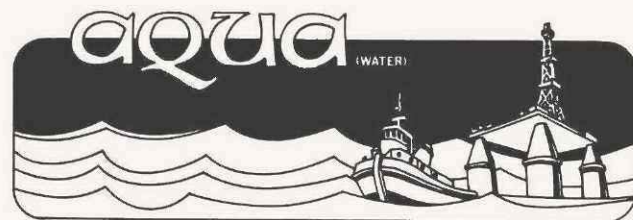


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# National commission on work comp laws lauded

OMAHA, Ne.—The National Commission on State Workmen's Compensation Laws has provided a "powerful impetus" for improvement in state legislation, according to Andrew Kalmykow, counsel for the American Insurance Assn.

Mr. Kalmykow, a member of the national board, made the statement at a meeting of the International Assn. of Industrial Accident Boards held here last month.

"A tremendous impetus for the very significant improvement made in state workmen's compensation laws since the commission's report in July, 1972, has resulted in the passage of over 200 new pieces of legislation," he said.

Besides the laws themselves, 22 states now have workmen's compensation study units, and broad occupational disease coverage is now provided in all but four states. All but five states now

provide unlimited medical benefits, he stated.

The insurance industry's viewpoint "completely coincides with the objective of a good, efficient, and equitable workmen's compensation system administered by the states," he said. "Insurance is an integral part of the system, so the industry is bound to be affected adversely if the system doesn't operate properly."

**IN 30 STATES**, he pointed out, maximum weekly compensation for temporary total disability now equals or nearly equals two-thirds of the average state wage, and several states have already provided for an increase of maximum weekly benefits to 100% of the average state wage.

Also, Mr. Kalmykow said, in 22 states maximum weekly benefits are now or will be periodically adjusted in relation to the average state wage or cost of living.

"These automatic increases of

workmen's compensation in relation to wages," Mr. Kalmykow said, "are an important innovation in statutory benefits systems. They avoid the necessity of legislative approval, which is often difficult to obtain.

"Although attempts have been made to introduce this system into Social Security, these efforts haven't as yet succeeded. This is one of the many firsts which can be credited to workmen's compensation, with some of the others being income benefits regardless of fault, unlimited medical and physical rehabilitation services, and full occupational disease coverage."

**IMPROVEMENTS** have also been made, he said, in the scope of coverage with virtually all industrial employment now covered and numerical exemptions eliminated in all but 13 states.

Mr. Kalmykow noted 40 jurisdictions now have compulsory

workmen's compensation insurance laws and few, if any, employers, in the remaining jurisdictions exercise the option of not operating under the law.

"The main employe groups," he stated, "in which substantial coverage problems still exist are agricultural and domestic employes and some public employment, but even here progress is being made."

Mr. Kalmykow said while progress has been made, the degree of protection recommended by the national commission remains to be

achieved in many states, particularly in respect to permanent disability and death.

Another problem area which is, in some cases very acute, is permanent partial disability.

"There is no doubt," he concluded, "the national commission's report has shown the way toward improvement of the operation of the workmen's compensation system. However, the question remains whether this impetus has been sufficient and whether action will be taken soon enough." ■

## New DOT railroad testing ground to debug high-speed trains, tracks

WASHINGTON—The Department of Transportation (DOT) has stepped up its railroad safety program with the approval of a Train Dynamics Track and Impact Track recently constructed at DOT's high-speed ground test center near Pueblo, Co.

### SAFETY/SECURITY REPORT

The two tracks are part of a 19.5 mile conventional railroad test track being built to test rolling stock and roadbed, and their interaction, under controlled and closely-monitored conditions.

The remaining portion of the track—a high-speed, closed loop capable of accommodating train speeds of up to 160 mph—is now being installed.

**THE DYNAMICS** track, a 5.5-mile-track to be used in investigating passenger and freight train dynamics at speeds up to 80 mph, was completed and approved in late July. Its grade-curve sequences are sufficiently severe to study, also, the dynamics of long trains.

The impact track was also completed and approved this summer.

This track is a straight 0.8-mile stretch which branches off the dynamics track. It will be used by DOT to study factors influencing derailments and for train car collision simulations. Both the Federal Railroad Administration and DOT will use the impact track in their joint investigation of railroad-highway grade crossing accidents.

The joint study is expected to begin soon and will consist of accelerating a locomotive on the dynamics track and switching it to the impact track where a standard-size sedan will have been placed across the track.

"All we know is that the loco-

motive will win," said John W. Ingram, Federal Railroad Administrator. "The purpose of the test will be to acquire base-line data that can be fed into a mathematical model. We want to test some theories that suggest design changes which might lessen such an impact."

The standard gauge conventional tracks consist of 136-pound-per-yard rail used in main line operations. The rails have been installed in 39-foot bolted sections, representative of 75% of main line track mileage. The track contains size five timber toes and employs slag ballast found around Pueblo. ■

## Fair plan for Oregon is statewide

SALEM—Lester Rawls, Oregon insurance commissioner has announced fire insurance companies doing business in Oregon have agreed to extend to the entire state a program of covering all eligible property against fire losses.

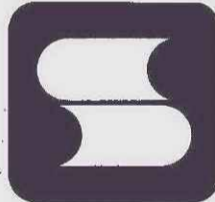
He said the Oregon FAIR plan until now has only covered the Portland metropolitan area.

The insurance is made available through a pool of private insurance companies, working with the insurance commissioner and the federal Department of Health, Education and Welfare.

Coverage under the FAIR plan is available to persons who have not been able to get fire insurance through the regular means, it was reported. ■

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# Wild, woolly life claim is still hogtied in courts

ATLANTA—Three years after the Mafia-linked slaying of a prominent Oklahoma cattle and oil figure, two Atlanta companies are locked in an \$8 million lawsuit over who should absorb the cost of paying off his huge life insurance policy.

United Family Life of Atlanta, which wrote a \$15 million life policy on E. C. Mullendore III in September, 1969, says it agreed to write the insurance because of a report by the Retail Credit Corp., which estimated Mullendore's net worth at \$37 million,

based on a probably-erroneous newspaper clipping.

Shot and beaten to death a year after the insurance policy went into effect, Mr. Mullendore, one of the biggest insurance risks in the world at the time, turned out to have been in desperate financial straits.

United Family Life settled with Mr. Mullendore's widow for \$8 million from a previous \$15 million plus \$3 million late claim damages, then sued Retail Credit for that amount in a Georgia court. The original suit had been

one of the largest in life insurance history up to that time.

Retail Credit denies liability in the matter.

However, wild, woolly documents filed in connection with the suit during recent weeks show that Retail Credit has given notice and asserted coverage against its own liability insurers, in case United Family Life should win the suit.

**THE DOCUMENTS** do not show how much coverage each of Retail Credit's insurers provides, but identify the insurers as Travelers Indemnity Co., Firemen's Fund-American Insurance Co., Employers Commercial Union Insurance Group and CNA Insurance Co.

The tangle of claims and counterclaims began, the litigation papers indicate, in early September, 1969, when an Atlanta insurance broker, Leon Cohen, telephoned Retail Credit on behalf of a financial report on Mr. Mullendore.

At that time he was 31, known around the tiny Oklahoma town of Hulah as the heavy drinking, fast-driving, hell-raising heir to an empire of oil wells and registered beef cattle.

Retail Credit says insurance broker Cohen informed its representative United Family Life was considering writing a \$10 million

life policy on Mr. Mullendore and needed financial reports on him and members of his family.

Although Retail Credit subsequently advised United Family Life that Mr. Mullendore was worth \$37 million, based on an agent's report gained by perusing an erroneous clipping on a wall in Mr. Mullendore's office, information that surfaced after his death showed his financial condition had drifted into red figures. Indeed, depositions taken in connection with a suit filed against United Family Life by Mr. Mullendore's widow indicated that in a frantic attempt to find capital with which to shore up his over-mortgaged empire, Mr. Mullendore had turned to the Mafia.

**NOT KNOWING** these things in the fall of 1969, United Family Life agreed to write three separate insurance policies on Mr. Mullendore, each worth \$5 million. On Sept. 26, 1970, he was murdered in his expensive Hulah ranch home.

After Mrs. Mullendore's suit against United Family Life was settled out of court for \$8 million, the life insurance company announced it had reinsured almost all of its coverage of Mr. Mullendore and had sustained an actual loss of only \$25,000.

On June 15, 1972, as a representative of the companies providing reinsurance, United Family Life sued Retail Credit in Fulton County Superior Court in Atlanta, alleging that the faulty financial report led it to write a policy it would have avoided, had it known the facts about Mr. Mullendore.

Retail Credit replied that its contract with United Family Life included a disclaimer clause and a release from liability for "any loss or expense suffered by (the insurance firm) resulting directly or indirectly from reports of Re-

tail Credit Co."

Whether the disclaimer insulated Retail Credit and its liability insurers from the disastrous consequences of Mr. Mullendore's insurance policy has not been taken up by the court.

Instead, the two parties to the suit have spent more than a year filing preliminary arguments and interrogatories with the court.

One of these interrogatories, filed by United Family Life, inquires whether Retail Credit had liability insurance to cover the affair.

"The defendant has given notice and asserted coverage with respect to any recovery under this action under the following policies of insurance," Retail Credit replied. Then it named the four liability insurers.

All denied liability, Retail Credit added.

## OPIC has new chief

WASHINGTON—The Presidential nomination of Marshall T. Mays as president, chief executive officer and a director of the Overseas Private Investment corp. (OPIC) has been confirmed by the Senate.

Mr. Mays was nominated for the position in July and has worked with the government insurance and financial corporation since its formation in 1971 as a general counsel and vp-insurance.

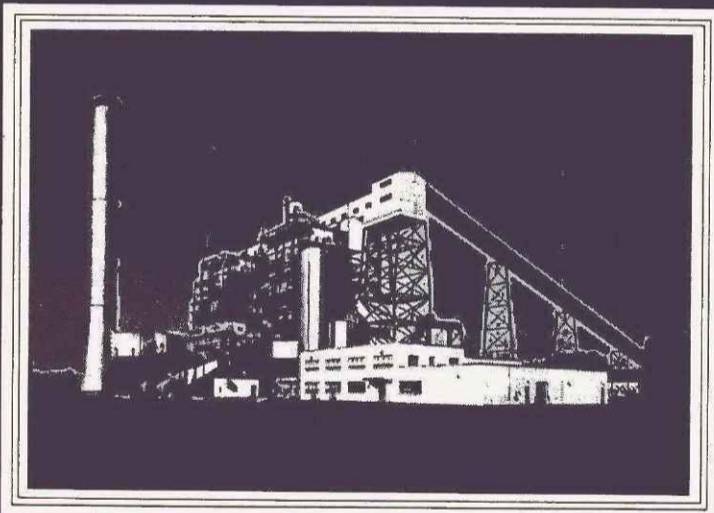
Also confirmed was the nomination of Herbert Salzman, former OPIC executive vp, as a director. Bradford Mills, a former OPIC president, and Dr. Allie C. Felder J., director of the Outreach Division of the Cooperative League of the U.S.A., were also approved as directors.

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## Accord lost in musician's pay dispute

NEW YORK—Labor disputes involving Local 802 of the American Federation of Musicians have turned Fun City's cultural wonderland into something more resembling an unpopulated desert of late.

Just as the New York City Opera signed a contract with its orchestra members, ending a 24-day strike which threatened to close the opera season for the remainder of the year, the 106 members of the New York Philharmonic Orchestra walked off the job.

The union's agreement with the opera was almost totally taken up by wage improvements. A spokesman for the union, Lester Solomon, told *Business Insurance* the only benefit improvements were a small increase in vacation pay and improved sick-leave arrangements.

The opera musicians, who now earn \$300 a week, will earn \$310 the first year of the three-year contract and an additional \$15 a week during the next two years. Most of the 45 musicians will also receive guaranteed pay for 11 weeks in addition to the opera's 21-week season. However, that pay will only be full during the first year. They will receive \$175 a week for those 11 weeks during the second and third years of the contract.

**TOP OFFICIALS** of the union were reportedly happy with the opera settlement but that glee did not extend to the situation at Avery Fisher (formerly Philharmonic) Hall. Max Arons, the local's president, termed the Philharmonic Society's 3% over three years wage increase offer an "insult." The musicians in the Philharmonic receive a base wage of \$320 a week. The union wants an increase of \$10.

Also at issue in the Philharmonic strike are pensions and welfare benefits.

"The orchestra members now receive a pension, after 30 years of service, of \$240 per year of service at age 65," a union spokesman explained. "That's \$7,200 a year after 30 years and that is quite simply not enough."

He said the union would like a pension of at least \$8,000 a year at age 60, a benefit he said that had been offered the Chicago Symphony, which is also striking. "The Chicago Symphony has been offered more at age 60 than we get at age 65," he noted. "What we'd really like is \$400 per year of service."

**THE PHILHARMONIC** Society, which pays \$209,000 into the pension fund annually, he said, had made no offer whatsoever in this area as negotiations progressed.

The spokesman said Philharmonic musicians received group life insurance benefits of \$6,000 with an option to purchase another \$5,000 worth. The union would like group life benefits of \$25,000. Again, he said, no offers from management.

The union is also asking for improvements in group health insurance benefits. "Right now, we have a \$10,000 maximum on our major medical," the union man said. "We can raise that to \$20,000 if we pay for it ourselves. We'd like the limit raised to \$25,000 or \$50,000. That hardly costs a thing but they haven't even mentioned it." ■

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# Safety for 'sandhogs' is a sometimes thing . . .

Continued from page 35

devices, refused to have them close enough to the workers access to be of any value. "They have them in the shafts," he told *Business Insurance*. "If a guy could make it to the shaft during a mine fire, he would already be saved, and would hardly need the self-rescuer then. When he needs it is on the way to the shaft."

Not all the accidents and perils facing the sandhogs are of the swift and violent variety. Many sandhogs suffer death in creeping installments from silicosis, the dreaded "black lung" disease that afflicts miners and takes from five to 15 years to develop. Still others get caisson disease, a rotting of the bones that comes from working in the compressed-air atmosphere of underwater tunnels.

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Workmen's compensation is a sore point for the men afflicted with black lung disease (Mr. Cross estimates about 25% or 30% of the 2,100-member local have silicosis in varying degrees of seriousness). The state benefits, which provide \$80 a week as opposed to the sandhog's customary \$376 weekly salary, are not supplemented by any employer or union workmen's compensation benefits.

**MOST IMPORTANTLY**, no partial disability benefits are available under state law. If a worker has silicosis, he has 90 days to file a claim, and must then quit work completely in order to collect his benefit. He may not work at another job, even a desk job or one in an industry which would not worsen the silicosis, because he is classified as "totally disabled."

This system breeds a situation in which many workers don't report their silicosis at all, but continue working and making themselves sicker and sicker just so they and their families don't have to live on an \$80 subsistence level. Mr. Cross said a man who follows this pattern, a common one among sandhogs, would quite likely die by the time he was 45 or 50, although some make it to their 60's.

For the last 12 years, Mr. Cross, a former tunnel worker himself, has been a member of a committee trying to persuade Albany legislators to cover silicosis on the basis of partial as well as total disability.

"We take silicosis victims to Albany. The lawmakers see the men wheeze, stop every few steps to catch their breath and cough. We get a lot of sympathy but no action because big foundries and steel mills oppose partial disability.

## Truck device to help curb hijackings

WASHINGTON—Buck Rogers space-aged technology may be coming to the rescue of the motor carrier industry in its latest attempt to establish methods of quick recovery of stolen or hijacked trucks.

The Department of Transportation (DOT) has successfully tested an electronic system designed to work with an airborne unit broadcasting a radio signal addressed to a specific truck. The signal activates a small "electronic license plate" in or on the truck, confirming its identity and indicating the direction and relative distance from the aircraft.

**TESTS** of the system at the DOT's Transportation System Center in Cambridge, Ma., proved successful in excess of one-fourth mile on the ground, meeting the airborne slant range requirements for helicopter operations. The system will next be tested in a live environment—perhaps in the New York City-Northern New Jersey area where truck hijacking is considered a serious problem.

The tests were part of the DOT's search for "simple and relatively inexpensive methods of identifying and locating vehicles from police helicopters, small aircraft and ground units."

It is estimated that cargo theft losses cost the motor carriers over \$1 billion annually. ■

ity benefits for silicosis victims," the union secretary asserted.

**WHILE IT IS** waging a battle on the legislative front for the welfare of silicosis victims, the union is also trying to shape up a program of safety precaution and training to help its other workers stay free of industrial accidents.

"In the past, the union was somewhat lax in recognizing safety hazards, particularly those that accompany tunnel fires," Mr. Cross revealed. "But we're trying to fix that now."

Part of the new union awareness of safety training included its sending of 10 representatives to Pittsburgh for a six-day intensive underground safety program given by the Bureau of Mines. Mr. Cross says the program, started in May, has already resulted in heightened concern of the men on the jobs for increased safety measures.

Other than the 10 men sent to the Bureau of Mines course, the union is training all its shop stewards in any problem arising out of tunnel construction. First aid, electrical safety, blasting and explosives, mine rescue, roof and rib (falling rocks) control, underground transportation, ventilation and gas detection will all be covered.

"**THEN WE** hope to get the men from this training course to teach our new members how to take care of themselves, and to give our established members a safety refresher course," Mr. Cross said.

The union has also struck a contractual first in the area of safety. Contracts with the multi-employers specify that the union may have full-time safety men on duty in the tunnels.

Although this is a concession the union has never before won, it does have limitations imposed by contract language. The safety inspectors, union men with at least 10 years' experience, can make recommendations to supervisory management if they see a tunnel condition they feel is unsafe, but they are not allowed to take unilateral action.

That is, if they spot rocks

which are about to fall, or some other perilous condition, they would technically be breaking the contract if they went ahead and evacuated workers from the tunnel without first making recommendations to company management.

**ADMITTEDLY**, the likelihood of such an occurrence is dim. "The chances of such a thing happening are one in a million," Lawrence Carvey, OSHA's senior assistant for standards in the New York regional office, said in discussing hazards of tunnel workers.

Nonetheless, Mr. Cross said a safety inspector recently evacuated 24 men from a section of Tunnel #3 when he saw some loose rocks. After the men left the tunnel, the rocks came crashing down, Mr. Cross said, and the inspector presumably saved a lot of lives. He indicated the inspector would have risked punitive action by the management if he evacuated the men and the rocks did not fall.

OSHA's Mr. Carvey explained that in most cases, hazardous conditions can be spotted by an experienced tunnel man in time for recommendations to be made. "If the inspector sees some rock loosening, he can get a man in there to bar it. Rock bolting is also done to make sure the remaining rock is set," the OSHA tunnel safety expert explained.

Mr. Carvey said if an inspector made a recommendation that was not heeded by management, the situation could be reported to OSHA for swift attention. Compliance officers are sent to sites about which the commission receives complaints. "If the complaints are of a serious nature, if an employee indicates lives might be lost, OSHA can have someone there in a matter of minutes," declared Alfred Barden, assistant regional director for Occupational Safety and Health of the U.S. Labor department.

**MR. BARDEN** stressed that his agency was anxious to work with unions in setting up training programs in OSHA regulations pertaining to tunnel safety. "Mere promulgation of laws is no good

unless training and supervision play a part in tunnel safety," Mr. Barden said.

Local 147 has set up a working program with OSHA so its members can stay abreast of the government agency's regulations. But Mr. Cross is not altogether happy with what OSHA has accomplished in the area of tunnel safety.

"OSHA lacks a force of skilled men in underground safety," the union man claimed. "They don't regularly send inspectors into the tunnels. They share jurisdiction with the New York Department of Labor which has the same shortcomings. Their men are afraid to go underground. That's nothing you can hold against them, of course. Some of our men are afraid to go above ground."

The OSHA spokesmen allowed that there is no regular schedule devoted to tunnel inspection, but they maintain their staff of trained construction inspectors is alert to any complaints made on tunnel conditions, and that spot checks are a part of the regular routine for evaluating the safety of the conditions for New York sandhogs.

"**OSHA BY LAW** cannot become involved in contractual agreements," Mr. Barden explained, noting the agency would not join in any frays between union personnel and management regarding division of safety responsibilities.

"OSHA has punitive measures against employers, but unfortunately not against employees," the OSHA representatives concurred. "Many accidents are caused by the employees' own bad habits and a lack of supervision."

Mr. Barden softened this assessment somewhat. "That's not to say sandhogs don't have dangerous work. They do. But when you're talking about tunnel work, you're talking about a specialized field of knowledge.

"You have to consider variables like geological conditions and operations. Training and supervision are required to do the job right." He observed:

"There is no such thing as just plain 'safety' for a sandhog." ■

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# Liability issue in military school fire heating up

WAYNE, PA.—The liability question in a \$759,768 fire loss at the Valley Forge Military Academy here seems to be moving toward a three-way duel.

The legal hassle involves two former students convicted of setting the 1971 blaze which destroyed the administration building and damaged a dormitory, the two carriers of their families' homeowners' policies and the eight underwriters of the academy's \$500,000 fire coverage.

Harry P. Begier, Jr., attorney for the academy, said late last month U.S. District Judge A. Leon Higginbotham's \$759,768 ruling against the two former students has precipitated new legal action against the carriers of their families' homeowners' policies, Continental Insurance Cos., and the Hartford Insurance Group.

Although their policy limits are \$100,000 and \$25,000, respectively, Continental and Hartford may, through an intricately-reasoned legal hitch, be held responsible for the entire loss, Mr. Begier said.

CONTINENTAL and Hartford have both reportedly filed disclaimers in federal court, contending the youths deliberately set the fires, and therefore, their actions cannot be considered negligence. Negligence is the basis of

the claim against the homeowners' policies, Mr. Begier indicated.

However, in sworn depositions, the young men insisted although they started the fires, they had no intention of causing the extensive damage and characterized their act as a prank which got out of hand. Their criminal conviction on the arson charge was based only on their admission that they intended to start the fire, and not on their possible intention of causing the results.

**TO DO AWAY** with the civil claim of negligence, however, Continental and Hartford need to prove their clients intended the results of their crime, Mr. Begier noted, and ultimately the companies' disclaimer could work against them if they cannot prove that intention. It is a legal principle, he said, "that when a company disclaims, it does so at its peril. In other words, if they are wrong, they are in big trouble," he said.

Mr. Begier said he sent a letter to Continental and Hartford offering to settle the case for the combined \$125,000 policy cover limit, but said their apparent refusal to accept the offer now opens the possibility of a full recovery for the academy, through another point of law.

"In a situation where a claim is made against the insured

which is in excess of the policy limits of the insurance policy, and an offer is made to settle the claim for an amount equal to or less than the policy limits, and the insurance company refuses to settle," he said, "the insurance company is subject to a charge that it dealt in bad faith.

"If bad faith is found and providing the factual situation justifies it," he added, "the insurance company then is responsible for the full amount of the damages even though it is greater than the policy limit.

"What can be of interest to institutions which suffer similar losses is that there can be potential for recovery even if the loss exceeds the policy limits," Mr. Begier noted. "Nobody realized, until very recently, the potential for recovery in this case.

"What has to be decided here is what the obligations of the homeowners' policies insurers are," he stated, "and it seems to be boiling down to an all-or-nothing proposition.

"THEY HAD until Sept. 27 to accept the offer," he said, noting he had not heard from Continental or Hartford. Spokesmen for both insurance companies declined comment.

"And so we will go ahead with the litigation," Mr. Begier said.

Meanwhile, the school has been

at least temporarily reimbursed on a pro rata basis by eight insurance companies who held the school's \$500,000 fire policy. Continental and Hartford ironically are two of the eight companies, although Mr. Begier noted their interest in the school policy is insignificant. "Continental's share is only about three per cent, for example," he said.

The eight insurance companies, which include Cambridge Mutual Fire Insurance Co., Farmers' Reliance Insurance Co., Eastern Mutual Group, General Accident Fire and Life Assurance Co., Jamestown Mutual Insurance Co. and Norfolk & Dedham Mutual Fire Insurance Co., would have the same right as the school in collecting on the losses, if Continental and Hartford eventually pay the \$759,768 to Valley Forge

and would presumably be reimbursed.

Mr. Begier said there is no serious intention by the academy to collect the damages from the former students themselves. "There is no attempt at vengeance and anyway, you can't get blood from a stone," he observed. ■

## State CPCU election

Joseph E. Hirsch, C.P.C.U., corporate risk manager for the department store chain of Rich's Inc. and Richway Inc. in Atlanta, Georgia and Charlotte, N.C., has been elected president of the Georgia Chapter of the Society of Chartered Property and Casualty Underwriters. Prior to joining Rich's Inc., Mr. Hirsch was director of insurance and claims for Rollins Inc. of Atlanta, Georgia.



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## 'Insured in Hong Kong' is common benchmark

HONG KONG—The insurance business, along with almost everything else, is booming here.

The size of the fleet owned by the crown colony is growing, along with cargo shipments through its port. Sources estimate the size is more than 350 vessels and expected increases in all forms of trade with China isn't expected to hurt anything either, particularly since containerization is expected to play a major role in the burgeoning trade.

But it is the political aspect of the situation which is drawing the most attention. Indeed, the first contacts between American businessmen and Chinese bureaucrats regarding the opening of trades and other ties between the two nations began around the Marine Insurance Assn. of Hong Kong.

According to a member of the committee, the relationships among its members have always been amicable, despite any political differences the insurers' home nations might have. Communist members, for instance, have always been "most cooperative.

They have always had the best interests of the market at heart and their integrity has always been high."

This may have something to do with the absence of Taiwan-owned marine insurance firms in Hong Kong and on the marine insurance committee.

Prior to the take over by the communists in the late 1940's, the big Chinese insurers, Ming An, Tai Ping, and China Insurance, were privately owned. The firms, under their pre-Red owners have companies of the same name in Taiwan, according to the committee spokesman.

**THE INSURANCE** business, understandably, isn't free from the long arm of political ideology. Rates are set in Peking for the Hong Kong insurers, of which the Hong Kong offices serve in the usual function as brokers.

The Communist firms also refuse to sell hull coverages to any ship docking in Taiwan and policies are invalid for accidents in that island's territorial waters, even if the vessel is blown there

by typhoon.

In like manner, the Chinese firms have refused to insure cargoes or hulls bound for the Khmer Republic. They have also taken the Russians to task for entering into the lucrative war-risk business, something the Chinese claim isn't "Communist."

But the Communists draw few lines at competing, as American insurers have found, often to their chagrin. The Communists set rates and write premiums based on the recommendations of the Institute of London Underwriters. Their policies don't mention Taiwan.

At the last Canton trade fair, American dealers found Chinese insurers competitive but not unusually so. Chinese manufacturers were quoting prices c.i.f., that is, including insurance, but for some breakables, the Chinese asked insurance be secured separately. A marine surveyor in New York also handles any problems.

**HULL INSURANCE**, for the most part, is confined to small coastal freighters traversing the Chinese or North Vietnamese coast, or the Hong Kong-Macao routes. Small pleasure vessels are also being sought as insurance candidates by the Chinese.

It's been a very good year for the capitalist-owned insurers as have been the years as far back as any of them care to remember. Wheelock Marden Stewart, the largest hull insurer in the colony, does about \$15 million in premium annually, about 60% of the estimated market.

Most of Hong Kong's hull cover is placed in Britain through Lloyd's and other companies, although American firms are beginning to do some business. The American Hull Syndicate, based on its aggressive actions, is beginning to write policies based on London terms.

Because of the important "held covered" clause and other London terms, lack of familiarity has bred contempt for the American markets and kept business almost totally in London. Neither Japanese nor mainland China insurers use the term and, as a result, the AHS is opening broad market.

**SOURCES INDICATE** the AHS will get a big chunk of Y.K. Pao's mammoth World Wide Fleet this year. Pao's control is expected to encompass more than 100 million tons during the next three years, and is generally acknowledged to be the biggest ship owner in the world.

In Hong Kong, most of the marine insurance business is done on a brokerage basis, part going to London and part going to New York. However, within the last year, local firms have been taking a larger share of the business. Maximum is still about \$10,000 for each policy. Shipowners find there is little local underwriting experience or rate-setting expertise available.

Claims settlement has drawn few complaints and a number of European-owned shipping firms are buying insurance through Hong Kong rather than dealing directly with the London market.

Hong Kong-owned ships have been growing in seaworthiness in recent years, according to hull experts, and a large portion of the fleet is of very recent construction. A movement to establish a "flag" has potential for bringing more ships to the port.

There are few legal restrictions to a firm's locating or establishing a branch in Hong Kong, experts note, but the local government requires each firm post a bond which demands they comply with regulations of the United Kingdom.

## New international unit will 'take on' London

NEW YORK—"It is my pleasure to give London all the competition I possibly can," said Jorge E. de Cespedes with undisguised glee. "That's why we are here—to try to compete with the London market."

Mr. de Cespedes was referring to Central International Underwriters, a new international risk insurer headquartered here. He is in charge of the insurer's operations.

Central International opened its doors for business in mid-August, a joint-venture of the Fidelity Corp. of Richmond, Va., and the Calvert Cavalier Group of Baltimore. The operation is backed by substantial, and "completely new," international insurance capacity, according to the youthful Mr. de Cespedes.

The company will write, through brokers, all classes of international risks, except for aviation, surety and fidelity, and will also be available for reinsurance business.

**WORKING FROM** its only office at 20 Vesey St. here, the company is in contact with, according to Mr. de Cespedes, "a network of friendly companies throughout the world," which will both add capacity and enlist and service new business.

Mr. de Cespedes anticipates few problems in getting the firm established. "The international insurance community in New York is rather small," he commented. "And we have a good staff where everyone is already well-known among brokers."

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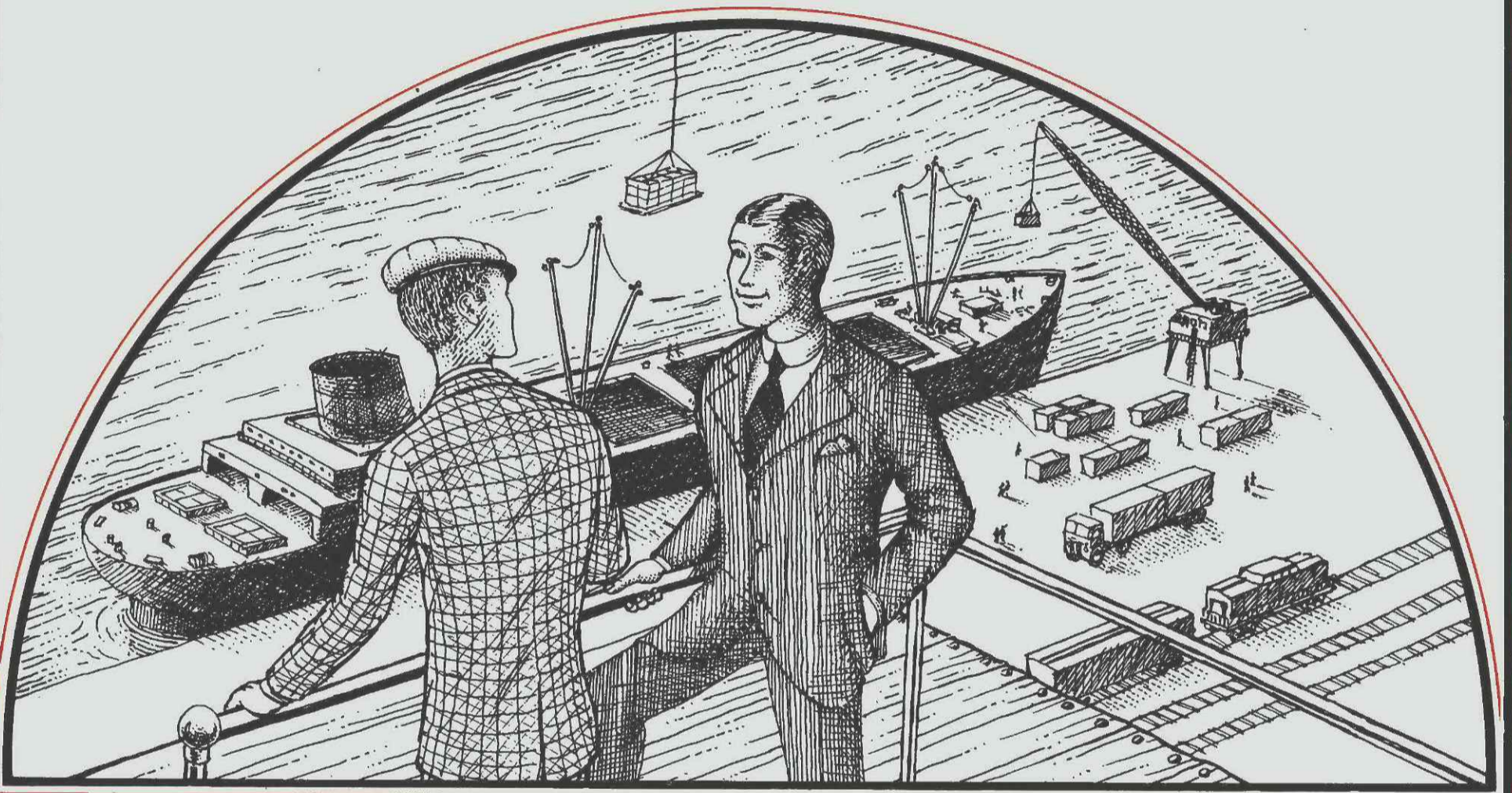
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# TOM SWIFT and The Law of the Waterfront



“The smartest thing I ever did was to take your advice and call Midland, Tom.” Tom Swift was being addressed by his friend Ned Newton as the two of them stood on a promontory observing the hectic waterfront activities.

“I knew that when it came to stevedoring, terminal operations, ship repair and maintenance, dredging and just about anything else that goes on around the waterfront, Midland could offer you exactly the coverage you needed,” said Tom broadly. “Midland has the highest level of experience of any insurer in the field of Maritime risk management,” he added loftily.

“True enough, Tom,” said Ned, “but what I appreciated most of all was the way Midland guided me through the intricacies of the new Longshoremen’s and Harbor Workers’ Act.”

“It’s not a new law,” amended Tom, “but there certainly is a great deal of confusion about the changes and about what the future will bring.

“We all know there are some companies who go in and out of the Maritime field,” Tom interjected inconsistently. “But today you have to have an outfit that stays on top of the changing situation, one you can count on to have all the facts you need to know. And that describes Midland,” he concluded authoritatively.

John Downey, Midland’s Port Claims Control Manager, recently spoke to the AMA on the meaning of the changes in the Longshoremen’s and Harbor Workers’ Act. If you’d like a copy of his valuable comments, just drop him a note at 160 Water St., N.Y., N.Y. 10005.

## Have you sent in your Swifties yet?

“There’s been a veritable outbreak of Swifties around here lately,” said Tom rashly.

It’s time you caught the bug, too. Come up with a Swiftie that has something to do with insurance and submit it on your company letterhead. Every quarter, the five best entries will win Tom’s latest invention. Everybody who enters will win a Tom Swift poster.

“So sharpen your pencil,” reminded Tom pointedly.



P.S. Watch this space next month for names of first contest winners!



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