

Met Life enters home, auto field

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Things look up for profit sharing

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'Non-standard' risks insured

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business insurance

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

Indictment claims fraud on official's broker fees

CHICAGO—Edward J. Barrett, Cook County clerk, has been indicted by a federal grand jury here on six counts of mail fraud alleging that he received rebates in the form of broker's commissions from Arthur J. Gallagher and Co., headquartered here, for the county's voting machines.

The indictment also cites Mr. Barrett on six counts of interstate bribery and four counts of income tax evasion, claiming that he received kickbacks for purchasing the voting machines from Shoup Voting Machine Co. of Bala-Cynwyd, Pa.

Mr. Barrett, who has denied the charges as being "absolutely ridiculous," has been a state-licensed insurance broker for over 30 years. The indictment, however, states that Illinois law requires all county officers to deposit in the county treasury all "fees or allowances" received in addition to their salaries and further stipulates that Mr. Barrett's \$25,000 a year income was the only compensation to which he is entitled "in the capacity of county clerk."

Robert E. Gallagher, president of Arthur J. Gallagher and Co., told *Business Insurance* that Mr. Barrett did indeed place the machine coverage through his firm, but denied that any secret deals or kickbacks were involved. The brokerage was not named as a defendant in the indictment.

"ARTHUR J. Gallagher and Co. has never been a part of any kickback, rebate or other illegal scheme. We take justifiable pride in our professional and business reputation. For over 25 years, Edward J. Barrett, as a licensed Illinois broker, has placed a small amount of business through our company. He never received anything other than the prescribed broker's commission on this business," Mr. Gallagher told this magazine last week after the Barrett indictment was handed down.

He continued, "Approximately ten years ago, we arranged for the placement of insurance on the Cook County voting machines. The legal broker's commission was paid Mr. Barrett on this business. During the ten years that we have administered this insurance, the coverage and



Lloyd's of London carries the liability insurance on a jet fighter which crashed into a Sacramento, Ca. ice cream parlor.—Wide World photo

Air disaster is insured under \$2 million policy

SACRAMENTO, CA.—Insurance coverage on the airplane that caused the worst aviation disaster in the nation's history in terms of ground deaths was written in the London market, *Business Insurance* has learned.

Aviation insurance industry sources revealed that the rebuilt F-86 fighter plane, owned by Spectrum Air Inc. of Novato, Ca., was covered by a policy written by Crump Excess in London. The plane's hull was insured for \$45,000 and the liability coverage had a limit of \$2 million, according to the sources.

The F-86 Sabre jet, a Korean war vintage fighter which had been rebuilt by its pilot, crashed into an ice cream parlor following an unsuccessful attempt to take off from Sacramento Executive Airport, killing 22 persons, 12 of them children. Twenty-six other persons, including the pilot, Spectrum Air's general manager, Richard Bingham, were injured when the flaming plane burst through the wall of the crowded ice cream parlor.

The plane, considered an "experimental" aircraft, had been on exhibition at the Golden West Sport Aviation Show at the airport. The show itself had a spectator's liability policy written by

the Aviation Office of America but a spokesman for that company indicated that the coverage would not be in effect for this crash.

"In the first place," the spokesman said, "the show had been over for about 90 minutes and, in the second place, the policy only covered people at Sacramento Executive Airport."

A spokesman for Cravens, Dargan & Co., a San Francisco-based brokerage, confirmed that his company handled the coverage for the airport.

Actual liability for the crash has not yet been ascertained and the National Transportation Safety Board has taken control of the investigation. However, Harold Lipska, president of Spectrum Air, was quoted as saying "apparent mechanical failure is now under investigation."

The ice cream parlor was located in a shopping center just beyond the end of one of the airport's runways. There was strong opposition to the construction of the shopping center at that spot near the runway but the proponents won their case in 1964. At that time, height variances were granted to builders allowing two of the center's buildings to rise into the airport height-clearance zone.

McGovern calls for full vesting after ten years

WASHINGTON—Charging that the Nixon Administration and the U. S. Chamber of Commerce teamed with the Senate finance committee to strip the Williams-Javits pension reform bill in an attempt to "cheat American workers," Sen. George McGovern has gone on record with his own pension proposals, which he says would "strengthen" the Williams-Javits measure, particularly regarding vesting. (See related story on page 28.)

The Democratic presidential candidate said an "appropriate compromise" between the effects of short vesting periods on employers and long ones on employees "would be a standard requiring the vesting of 50% of benefits after five years of service and an additional 10% for each year of service thereafter."

The Williams-Javits bill, after unanimous approval from the Senate labor committee followed by deletion of vesting, funding, insurance and portability provisions by the Senate finance committee, is awaiting Senate floor action. The measure calls for vesting of 30% after eight years on the job and 10% a year there-

after. The administration backs vesting starting when age and years of service reach 50.

On funding, Sen. McGovern says simply that "all pension plans should be fully funded." As a "last line of defense" against possible plan terminations, federal insurance should be extended from bank deposits, home mortgages and securities losses into the pension area, Sen. McGovern stated. His portability provision: "The worker should be able to take his vested pension benefits with him from job to job."

THE Williams-Javits bill, at least the Senate labor committee-approved version of it, would set up a "voluntary" portability fund that could be used only if employers participate. It is also less strict on employers regarding funding, requiring accumulation of assets at a rate enabling plans to meet their liabilities in full after 30 years.

Sen. McGovern said, however, that "many of the principles I have set forth" are included in the Williams-Javits bill, and he appeared to view the measure

Continued on page 2

Pensions & Investments

THIS special emphasis issue of *Business Insurance* contains a wide array of information for persons responsible for pensions and investments in U.S. corporations. Beginning on page 27, for example, are profiles of the nation's top 50 employe benefit and/or pension fund plans. The profiles detail asset value, employer-employe contributions, investment income, and include a breakdown of investment distribution. Then, on page 28, there's a report by our Washington editor on the current pension reform picture in Congress. Further on in the issue are updated articles on tax considerations affecting pensions (page 46), a story on "Helping your employes translate 'pensionese'" (page 48), a piece that addresses the question of pension regulation, state vs. federal (page 51), a story that considers the current state of profit sharing (page 54) and more.

Indictment...

Continued from page 1

rating structure have been constantly reviewed, updated and improved by our professional staff."

The policy is written by Centennial Insurance Co. of Chicago, a subsidiary of the Atlantic Mutual Insurance Cos. It is written on a marine form and insures for a \$5.394 million aggregate. The voting machines are insured for fire, extended coverage, vandalism and other all-risk perils. According to Mr. Gallagher, the policy was negotiated for a premium "43% below the published rates for comparable coverage."

As outlined in the indictment, the brokerage received, from 1968 to 1970, \$11,737 in gross commissions from Centennial, of which, Mr. Gallagher explained, Mr. Barrett would have received the customary two-thirds percentage or approximately \$8,000.

U.S. ATTORNEY James R. Thompson has claimed that the commission was 15%.

When questioned about the possible conflict of interest implications of the case, the brokerage president told this magazine that Mr. Barrett is "an old family friend" of the Gallaghers, and that the company had allowed him to place brokerage business and receive the commissions out of "loyalty" and tradition.

Mr. Barrett has placed one other large account through the Gallagher firm, an excess fire policy for the Chicago Transit Authority, and for which he still receives a commission. Federal attorneys have claimed that the policy carries a \$60,000 a year premium. The CTA, a public authority created by the state legis-

lature and invested with bonding powers, is not directly connected with Cook County.

W. A. Ashley, superintendent of insurance and pensions for the CTA, told *Business Insurance* that he did not know of Mr. Barrett's involvement in the excess fire policy placement and that he "was unaware that Edward J. Barrett was an insurance broker." He did say that the CTA used Gallagher as a broker, as well as other companies.

ASIDE FROM the Cook County voting machines and CTA accounts, Mr. Barrett has brokered only a few small personal lines accounts, through Gallagher, the firm's president asserted.

Mr. Barrett's defense attorney, Thomas A. Foran, a former U.S. Attorney who served as prosecutor during the 1959 Chicago conspiracy trial, told *Business Insurance*, "Mr. Barrett has been a broker in Illinois for years, long before he was in the county clerk's office, and did serve as a broker for the Gallagher firm. The government takes the position that even if the business was initiated before Mr. Barrett had the responsibility to remove himself from such activities, the renewal still constitutes fraud.

"There is no basis in law for such a charge," Mr. Foran said. "This is a totally new concept."

The attorney further commented that although Mr. Barrett has been accused of scheming to defraud, there is no evidence of excessive charges, of lack of competition in placing the coverage or loss of money to the public. The government, he said, seems to be prosecuting because Mr. Barrett's brokering activities "were not made public enough, and there's never been a case successfully tried on that basis."

\$2.7 million awarded in product liability suit

MILWAUKEE—What is believed to be the second largest product liability judgment ever handed down—\$2.7 million—was awarded to a 36-year-old electrician here late last month who was paralyzed from the neck down as a result of an accident involving a fall after an electrical shock.

The judgment went against Lear Siegler Inc. of Toledo, Oh., a mercury vapor light manufacturer. Lear Siegler is insured for product liability under policies written by Lumbermen's Mutual Casualty Co., Chicago; the Commercial Union Insurance Group, Boston; and underwriters at Lloyd's. Under the terms of the policies, Lumbermen's will pay the first \$500,000, Commercial Union will pick up the layer from \$500,000 to \$1 million, and Lloyd's will pay the remaining \$1.7 million.

The electrician, Robert Rothman, had installed a mercury va-

por light on a pole and had just tested it when he came into contact with the bolt that attached the light to the pole with a grounding wire.

Lear Siegler admitted that the unit had faulty wiring—a strand of wire was loose—and Mr. Rothman received a severe electrical shock before falling 25 feet to the ground, suffering spinal damage.

Attorneys for Lear Siegler and its insurers have not yet indicated whether or not they will try to have the verdict reduced or whether they will appeal it.

The award to Mr. Rothman and his wife is believed to be the second largest product liability judgment ever handed down. The largest was \$3.5 million awarded to a young Nevada workman who was severely injured when a 1,130-pound electrical control cabinet broke loose from a crane and struck him.

McGovern...

Continued from page 1

favorably, while not holding out much hope for passage this year.

Opposition from the Nixon Administration and the U. S. Chamber, he stated, "appears to have killed any chance for meaningful pension reform in this session of Congress." Senate finance committee sources have denied that committee members were pressured into stripping the bill.

In an attack that at the middle of last week had not drawn any response from the President or any of his campaign spokesmen, Sen. McGovern said a main provision in the administration's pension legislation, income tax deduction up to 20% of earned income for savings placed in individual retirement plans, "discriminates heavily in favor of the rich."

He added: "For a family with earnings of \$5,000, putting aside funds for retirement is almost impossible. Even if such a family is able to save 20% of its income for retirement, the tax savings are minimal—\$98. By comparison, families with \$50,000 incomes would have no difficulty using the full deduction, and could reduce their taxes by \$720."

Sen. McGovern also criticized the administration's measure for lacking funding, insurance, portability and enforcement provisions.

Some aviation rates exempted by council

WASHINGTON—The Cost of Living Council has exempted three sublines of aviation insurance from price controls—coverage for damage to an aircraft's hull, liability for property damage caused by an aircraft, and liability for personal injury caused by an aircraft to persons other than passengers.

The council, stating it will continue controls over all other forms of aviation insurance, said the three sublines "are highly specialized and are not easily subject to standard mathematical rate-making procedures. The losses incurred by such risks are of low frequency and high severity, and personal judgment is paramount in setting these rates."

The council noted that the sublines "frequently involve transactions in a highly competitive international market and continuation of controls could adversely effect a domestic firm's competitive position." A council spokesman said there had been concern among council members that under controls U.S. insurers might experience situations in which they would be unable to raise their rates "to bid effectively" for international coverage in the three areas.

Request for the exemptions came from the American Insurance Assn.

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Nader tells insurers: Crusade for loss prevention

By LESLIE MURRAY

CHICAGO—Ralph Nader wants the insurance industry to pull its head out of the profit mire and leap into loss prevention.

Addressing a reinsurance conference held here by Continental Assurance Co., the consumer advocate forecast that "the next five years will be the most revolutionary period for the insurance industry in its history," and urged insurers to actively crusade for health and safety advances. He further called for an industry-wide loss prevention conference and warned of increasing and increasingly ineffective governmental takeover of the insurance function in light of a growing tendency among insurers to restrict the availability of their services.

Mr. Nader cited a "preference for high premiums and higher residuals" as one reason for insurers abrogating their interest in loss prevention research and development. Loss prevention "makes waves and creates conflicts," two phenomena the insurance industry assiduously avoids, he asserted, adding that an insurance industry commitment to loss prevention "can create more safety and health than any other in the private sector."

While chastising the insurance sector for ignoring a multitude of auto safety crises, and possible solutions, for over 30 years, he praised the industry-supported Insurance Institute for Highway Safety, under Dr. William Haddon, as one example of what can be effected by a concerned group of insurers.

THE INSTITUTE, Mr. Nader said, had taken a firm step in the direction of auto safety by publicly disclosing the safety performance records of autos by naming specific makes.

Other institute achievements he mentioned were its bumper research and its stand on the auto industry's "engineering idiosyncrasy."

Allstate's experimentation with airbags and bumpers were a further "display of corporate courage," according to Mr. Nader, in that the insurance company had dared offend the auto makers; nonetheless, he continued, its safety crusade also showed real "dollars and cents savvy."

The consumerist stressed that the impetus for such loss prevention campaigns usually comes from an individual personality high up in a corporation. In the case of Allstate, he cited Judson Branch, that company's board chairman, who went "beyond a public relations display" to a degree of involvement that eventually put him before the Federal Communications Commission testifying against television network rejection of his company's airbag advertisements.

"**ANY INSURANCE** company can stake out its own exclusive area of concern," Mr. Nader said. "There are dozens of projects in loss prevention available." As possibilities, he mentioned fire prevention, hospital electrocutions, occupational health and safety and the health delivery system.

Mr. Nader commented that the Occupational Safety and Health Act was being eroded by a "giant lobbying effort," and cited the exemption from OSHA of those companies employing less than 15 workers as a clear indication of the erosion process. Workmen's compensation underwriters, he suggested, should stand up as a countervailing force against

OSHA-weakening lobbyists.

Occupational disease, the consumer advocate said, is another emerging problem area since statistics that illustrate the vastness of the problem are just now coming to the fore. "Job casualties and diseases are three times more important an issue than street crime," he said. "At least there are good statistics on street crime."

He enumerated five problem areas in the U.S. health delivery system that he thinks are in desperate need of attention:

- A lack of medical aid or proper nutrition to millions;
- The effect of hunger on both physical and mental health;
- A "conspiracy of silence" surrounding physicians and surgeons malpractice;

Continued on page 66



How to rent insurance

- 1 All Hamilton here. With a dollars and sense idea for corporate risk managers.
- 2 Never again do you have to tie up your company's capital in prepaid insurance premiums.
- 3 Because now you can lease your insurance. Just like you lease your company cars, trucks or whatever.
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IN CANADA: **CAPO**

HALIFAX EDMONTON MONTREAL TORONTO VANCOUVER

Senate oks new Social Security wage ceiling for those over 65

WASHINGTON—If a Senate vote of September 27th wins House approval, older workers in the United States will be able to earn up to \$3,000 a year without forfeiting any Social Security cash benefits.

Proposed by Democratic Sen. Mansfield of Montana, the increase in the earnings limitation won almost unanimous agreement, passing on a vote of 76 to 5. It represents far-reaching change, particularly for the so-called middle-income older American who continues to work after reaching the retirement age of 65.

Under the present limitations, a worker between 65 and 72 years old is allowed to earn just \$1,680 annually before forfeiting

Social Security payments. Over that amount, a worker forfeits one dollar of benefits payments for every two dollars of earned income up to \$2,880. Above \$2,880 Social Security benefits are reduced a dollar for each additional dollar earned.

THE HOUSE passed a Social Security bill 15 months ago which increased the earnings limitation to the level sought by the Nixon Administration—\$2,000. The Senate Finance Committee raised the figure to \$2,400. The proposal for \$3,000 earnings limitation will probably be debated by the House.

Any conference between the House and the Senate on their twin bills could end up in a com-

promise that sets the limit of earnings at a figure somewhere between the Senate's \$3,000 and the House's \$2,000—possibly \$2,400 or \$2,500.

The Senate Finance committee estimated that if the wage ceiling for pensioners is set at \$2,400, about 1,750,000 older workers would benefit at about a cost of \$1.1 billion annually.

If the Senate is successful in winning approval for its \$3,000 limit, an additional 400,000 older workers would benefit, at an increased cost of about \$600 million.

A PENSIONER would forfeit some or all of his Social Security cash benefits if he received substantial earnings, even under the

Mansfield amendment. A pensioner earning \$6,000 a year with \$1,800 in due benefits would forfeit \$1,500 of benefits, for a total Social Security payment of \$300.

This is how it works: The first \$3,000 in earnings would be entirely disregarded. However, under the \$1-for-\$2 formula, the worker would forfeit \$1,500 in benefits because of his second \$3,000 in earnings. This \$1,500 deducted from his original status of \$1,800 in benefits would leave him eligible for \$300.

Minutes before the Senate adopted the Mansfield proposal, it rejected an even broader proposal by Sen. Barry Goldwater to eliminate the Social Security earnings limitation altogether. The Arizona Republican argued that the earnings test is "wrong morally because Social Security should not be a contract to quit work." The Goldwater proposal was rejected 2 to 1, with only three senators present. ■

\$7.5 million advanced for flood loss

SAN JOSE, CA.—FMC Corp.'s American Viscose Division plant in Lewiston, Pa., was one of the businesses devastated during flooding caused by Hurricane Agnes during the summer. The corporation, headquartered here, has received an advance payment for that loss of \$7.5 million from the Appalachian Insurance Co.

Business Insurance learned that the plant was covered by a difference in conditions policy with a deductible of \$500,000. The coverage was written in layers and the \$7.5 million payment represents the entire first layer, which was totally written by Appalachian, an Allendale Insurance affiliate. Appalachian also participates on the third and fourth layers of the coverage. The broker is Marsh & McLennan of San Francisco.

According to an FMC spokesman, the exact amount of the loss is still not known. "It was a large plant, which made polyester and rayon fibers, and a goodly portion of it was destroyed by the flood," he said. "It was a real mess. They are still digging around, trying to come up with a figure."

Barton F. Curit, managing director and chief executive officer of the insurer, said that this was the largest advance payment in the company's history. While this was the largest single loss, Appalachian and Affiliated FM Insurance Co., another Allendale company, lost more than \$32 million as a result of Agnes.

The American Viscose plant is located on the banks of the Juniata River, which crested at 485.8 feet during the flood. Usually, its pool elevation is 443 feet. ■

Insurance is our business.

And we intend to stay in it.

Our business is providing insurance for America's businesses and families through the independent agents and brokers who share our belief that insurance is a business for professionals.

Our business is creating flexible plans of protection to meet the needs of most people and individualized coverages for

those whose requirements warrant them. All at costs as competitive as prudent management of the business will allow.

In short, we intend to stay in this business in the years to come by doing increasingly well what we have been doing since our founding in 1842.

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Insurance company liquidation

MILWAUKEE—A final settlement of 31% on each court allowed claim in the 1962 liquidation of Market Mens Mutual Insurance Co. will bring the payments up to 51% of losses incurred.

Stanley C. Du Rose, state insurance commissioner, announced that the 31% settlement would be added to the 20% partial payment which was made in 1970.

Circuit Judge Harvey L. Neelen, who declared Market Mens insolvent on May 9, 1962, approved the final payment. He said checks totaling \$750,000 would be mailed to 3,629 persons whose claims had been approved by the court.

Atty. Robert E. Tehan Jr., who was appointed special deputy insurance commissioner more than 10 years ago to supervise the liquidation, had already distributed \$478,581 to claimants in March, 1970.

When Judge Neelen ordered the liquidation in 1962, he canceled the policies of 47,000 policyholders in 10 states. Of the 7,200 claims filed against the company, the 3,629 approved ranged from \$1.20 to \$30,000.

The financial condition of Market Mens originally was thought to be so poor that the forecast of the eventual payment was projected cautiously at 10%. ■

Touchy Question #78

Is the “security program” you maintain for your employees a highly dangerous “insecurity program” for you?

Security or retirement programs are “owned” by the employees for whose benefit they are maintained. The firm is in a sense their trustee, responsible for the quality and continuing health of the program.

If you read the papers, you know that an employee benefits program can go off like a bomb in the hands of the employer. One nationally-known corporation was recently stung for over \$70,000 for giving an employee what turned out to be mistaken advice about which of several options to exercise. And in the wake of its discontinuance of a magazine, an

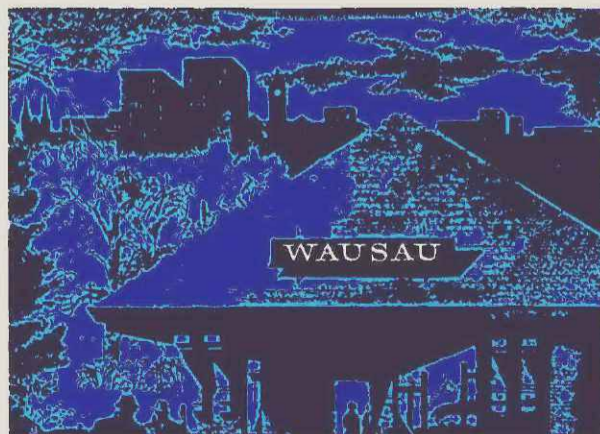
old established American publisher is currently confronted by half a dozen lawsuits alleging that the security plan has been mishandled.

Employee Benefits Liability Coverage can be added to your general liability policy. It covers your exposure to claims arising out of acts, errors, or omissions which are alleged to have impaired the value of the benefits, or the rights of

your employees, under any security program.

If you buy it from us, there's one catch to it.

It won't be long before we'll ask you to let us improve *your* security program.



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ought to work for
a living.**

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



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for the record

Insurance firm fined for using Linkletter ads

TALLAHASSEE, FL.—Florida's state insurance department has directed National Home Life Insurance Co. to pay a \$20,000 administrative penalty for using entertainer Art Linkletter as an "unlicensed agent."

State Insurance Commissioner Thomas O'Malley said the penalty probably is the largest ever assessed against an insurance firm operating in Florida. "This should be a warning to other companies," said Mr. O'Malley in announcing the consent order.

He made it clear that action

also would be forthcoming against other companies over their advertising practices. "I'm of the opinion that insurance should not require an advertising gimmick," Mr. O'Malley said. He contended that insurance firms should advertise with "comparisons of coverage and exclusions" instead of with show business personalities and catchy slogans.

In addition to the penalty, National Home Life agreed to give up its right to sell mail-order health and accident insurance in the state for six months.

IN ANNOUNCING the penalty, Mr. O'Malley also criticized the use of Paul Harvey, the radio newscaster, by Bankers Life and Casualty Co. "In my mind there's no difference between Mr. Linkletter and Mr. Harvey," he said, alluding to Mr. Harvey's advertising of health insurance for Bankers Life.

He emphasized that Mr. Linkletter is welcome to resume advertising in Florida if he obtains a state insurance license. "We'll be glad to have him back," he said.

Mr. O'Malley also took a swipe at Prudential Insurance Co. of America's "Buy a Piece of the Rock" advertising campaign. "In essence, a person is not buying a piece of the rock," he explained.

He noted that Prudential insurance customers hold no equitable interests in the company's many investments. "This is Madison Avenue gimmick type of advertising," he declared. "It's not fair to the person who is buying insurance."

Pa. legislature rejects no-fault proposal again

HARRISBURG, PA.—Gov. Milton Shapp and Insurance Commissioner Herbert S. Denenberg have taken it on the chin for the second time in their battle with the Pennsylvania legislature over no-fault auto insurance for the state.

Both houses of the legislature rejected efforts to attach the no-fault bill to motor vehicle bills, making the prospects for auto insurance reform in Pennsylvania somewhat dim this session.

Characteristically, Mr. Denenberg showed no signs of giving up the fight for his no-fault proposal. "No amount of high pressure lobbying by trial lawyers can continue to delay indefinitely the enactment of a good no-fault bill," he said. "We will do everything we can to mobilize public support and public pressure for the bill."

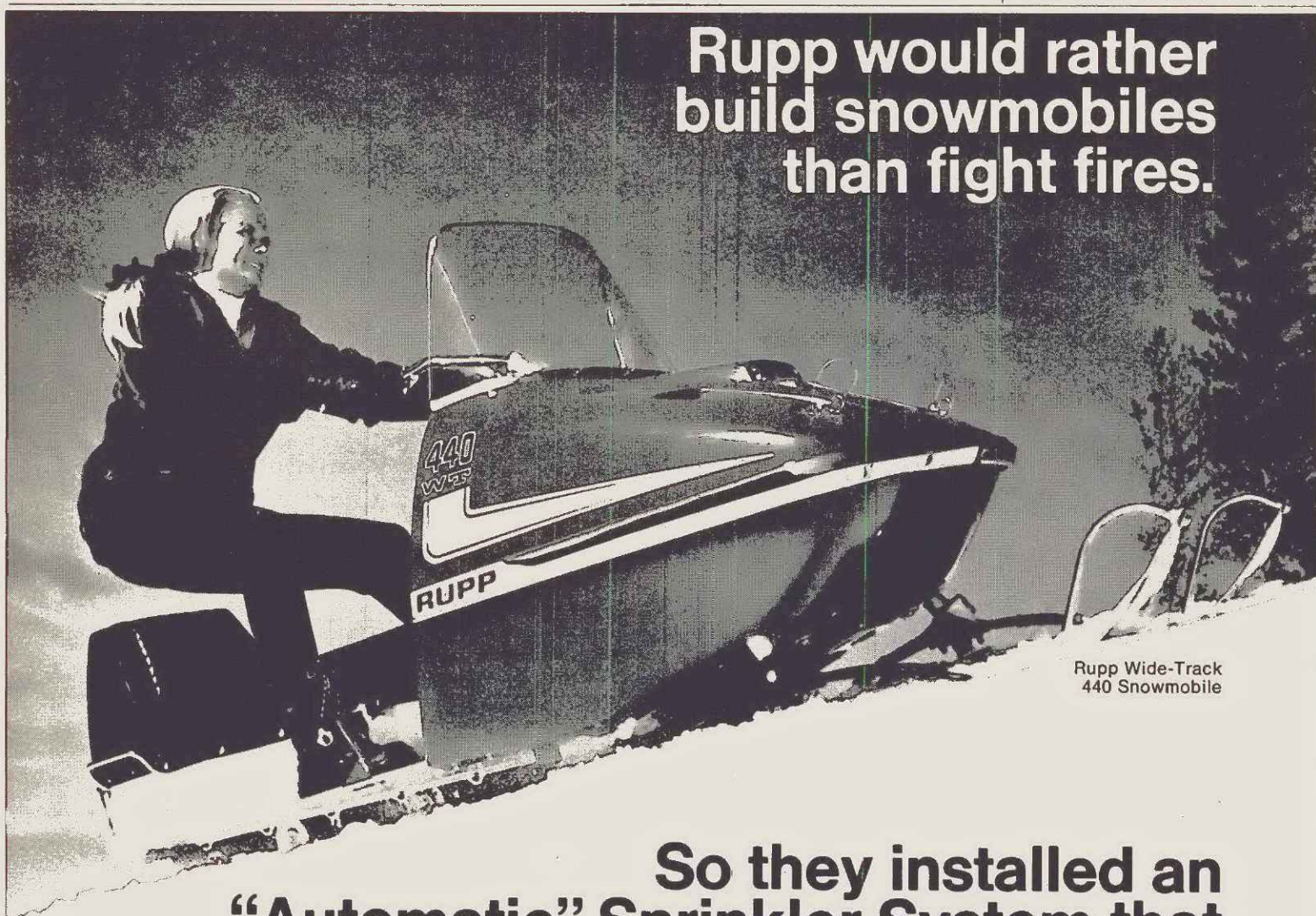
T. Lawrence Jones, president of the American Insurance Assn., mourned the defeat of the bill and pointed out that its passage could have saved Pennsylvania's drivers somewhere between \$38 million and \$76 million in auto insurance premium payments.

New York insurance council gets addition

NEW YORK—Benjamin R. Schenck, New York state superintendent of insurance, has named Rollyn L. Storey to the insurance department's consumer council.

Continued on page 24

Rupp would rather build snowmobiles than fight fires.



Rupp Wide-Track 440 Snowmobile

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

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

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

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

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

LOOK AT THE FACTS . . .

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

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



"Automatic" Sprinkler
CORPORATION OF AMERICA

Division of A-T-O Inc.

We'll help assure a good fit with all these no charge services. Complete IRS filing package upon installation, plus these annual tax forms prepared for you without charge:

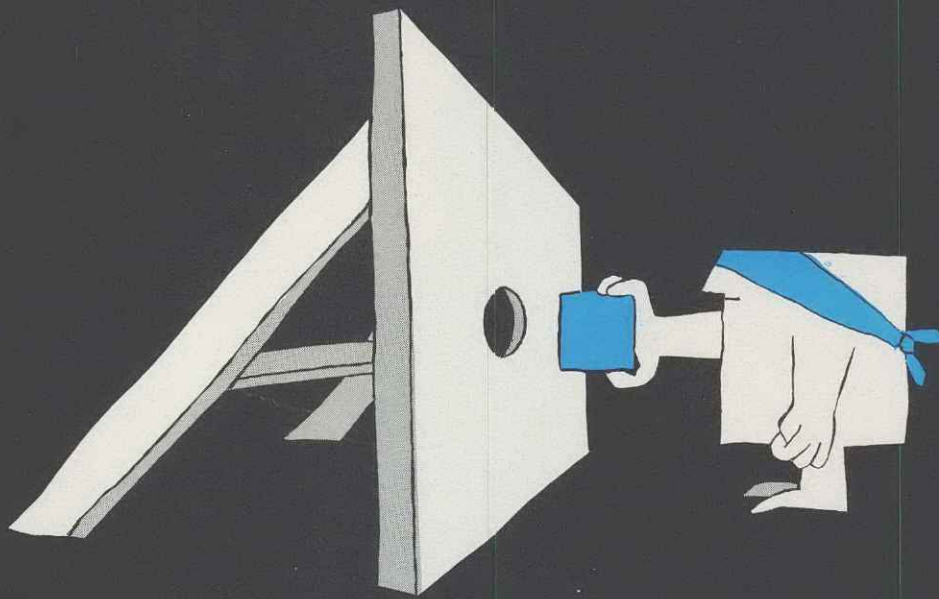
- 990P, 990PA, 2950, 4848, 4848A, 4849
- Annual Side Fund Valuations
- Flexible Prototype Plan (including your choice of trustees with full investment flexibility)
- Special Par and Non-Par Pension Trust policies

- PS-58 term costs provided.
- Employee booklets
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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, Ill. 60611.

• **Toward Effective and Equitable Pollution Control Regulation**, a research report published by the American Management Association, reveals that pollution control measures are causing U. S. industrial firms serious image and cost problems. The report is based on information furnished the AMA by 262 industrial firms. In addition to discussing the difficulties and problems industry is experiencing, the report also lists specific pollution control techniques currently employed. Copies are \$5.00 for AMA members and \$7.50 for non-members. Address orders to the association, 135 W. 50th St., New York, N. Y. 10020.

• **Auto Insurance Systems, a Comparison Chart**, has been published by the Insurance Information Institute. The chart summarizes the key features of the tort liability auto insurance system, various proposals for change and "first party" laws which have been adopted by several states. Included also are summaries of the no-fault laws scheduled to become effective in Connecticut and New Jersey and the proposed Hart/Magnuson National No-Fault Motor Vehicle Insurance Act. Single copies of the chart are available without charge from the institute, 110 William St., New York, N. Y. 10038.

• In its publication **Postscript to Johnson & Higgins Bulletins on National Health Care**, the company completes a three-issue series on national health care and related subjects. The bulletin contains quotations from the firm's testimony before the House ways and means committee late last year. Copies of the latest bulletin or of two earlier bulletins in the series may be obtained by writing Donald R. Marcy, consultant, Johnson & Higgins, 95 Wall St., New York, N. Y. 10005.

• A special OSHA portfolio, utilized at a recent Kindler, Laucci & Day seminar, contains a status review of OSHA covering its purpose, intentions, and implications plus sample policies, procedures, forms and records for business firms to use to comply with the act's requirements. For more information write Kindler, Laucci & Day, 1545 Wilshire Blvd., Los Angeles, Ca. 90017.

• **Aggressive Protection** describes a professional risk management service that can be purchased on an annual retainer basis by companies not large enough to require a full time risk manager. The service includes employe benefit reviews. The pamphlet is available through RM/i, a division of Alliance Brokerage Corp. For a free copy write Leonard R. Friedman, president, RM/i Services Division, Alliance Brokerage Corp., 2 Pennsylvania Plaza, New York, N. Y. 10001.

• **Introduction to Integrated Logistics/Product Support for Systems and Equipments** provides an insight to Department of Defense policies for prime contrac-

tors, sub-contractors and supplies related to product support requirements. The brochure defines what DOD agencies are responsible for procurements and management, and is designed to give contractors a perspective of contract requirements beyond design, manufacture and product delivery. For price information wire G. H. Lehman, Aerospace Consulting Engineering Co., P. O. Box 723, La Habra, Ca. 90631.

• The Atlantic Cos. have made available to *Business Insurance* readers a comprehensive booklet on **Meeting Occupational Safety and Health Act Regulations**, featuring sections on industrial hygiene, machine operations, medical facilities, personal protection and plant design and maintenance. For your free copy write John Shonemen, Senior vp, The Atlantic Cos., 45 Wall St., New York, N. Y. 10005.

• A print of the original **Cowboy after O. S. H. A.** may be obtained directly from the artist. The cartoon, suitable for framing



or posting on bulletin boards, is 16" x 20" on heavy stock. For your copy send \$2.50 to James N. Devin, 11906 E. 37th St., Independence, Mo. 64052.

• **Bankers' Kidnap/Ransom Insurance** describes a new policy designed to protect bankers in an area not now covered by standard bankers blanket bond. The policy protects officers, their families and deposits from extortion attempts. Bowes & Co. Inc. has made the booklet available. It can be ordered by writing Robert C. Green, exec vp, Bowes & Co. Inc., Boatmen's Bank Bldg., St. Louis, Mo. 63102.

• **How to Get the Most Out of Your Private Corporation**, a booklet by William B. Lynch, describes tax deductible and tax favored plans which the private corporation principal can turn to his personal advantage. For your free copy write Richard F. Hanly, 2nd vp, Creative Business Planning, Pacific Mutual Life Insurance Co., 523 W. 6th St., Los Angeles, Ca. 90014.

• **Residual Markets and Fire Insurance Rating**, an article by Warren G. Brockmeier which originally appeared in CPCU Annals, has been made available by the risk management department of Ebasco Service Inc. The article discusses such topics as the public right to insurance, FAIR plans, federal involvement in insurance, causes of market restriction and recommendations for a new rating system. For your free copy write the company at 100 Church St., New York, N. Y. 10007.

• **You Benefit when You Self-Insure with ESIS**, published by Employers Self Insurance Service Inc., discusses the nature of ESIS, possible reasons for self-insuring and how an agent or broker fits into a self-insurance program. For your copy write ESIS Inc., 4050 Wilshire Blvd., Los Angeles, Ca. 90005.

• **Everything You Always Wanted to Know About Insurance***, ***But Since You're a Woman No One Bothered to Tell You**, an illustrated booklet designed to inform women about insurance, has been made available by Insurance Co. of North America. The booklet discusses such topics as workmen's compensation, no-fault insurance and deductibles. Copies may be obtained free of charge by writing "Insurance for Women," INA Consumer Answer Service, 1600 Arch St., Philadelphia, Pa. 19101.

• **GAB's Little Red Book** provides a description of all General Adjustment Bureau Inc. services and lists GAB offices in the 50 states, the District of Columbia and Puerto Rico. For a free copy write Cliff Reedy, GAB, 123 William St., New York, N. Y. 10038.

• **A. J. Groesbeck Financial Advisors Inc.** has made available **Personal Financial Planning: The Executive Dilemma**, a brochure that explains the advantages afforded corporations and their executives through an advisory program designed specifically as an employee benefit for key executives. Copies may be obtained by writing Eugene Carella, vp of corporate services, A. J. Groesbeck Financial Advisors Inc., 1900 Ave. of the Stars, Los Angeles, Ca. 90067.

• **The Hartford Insurance Group** has issued **Insurance and Bonds**, a general information summary of the groups coverages. The booklet contains numerous definitions and explanations and a detailed table of contents. For a free copy write the Hartford Insurance Group, Hartford Plaza, Hartford, Ct. 06115.

• **Money**, a corporate brochure produced by the Oakland Financial Group Inc., describes the company's synergistic approach to executive financial planning, particularly as a corporate benefit. For your copy write the company at 20700 Greenfield Rd., Suite 320, Detroit, Mi. 48237.

• **A Glossary of Reinsurance Terms**, compiled by the Reinsurance Assn. of America's committee on terminology after a two-year study, updates definitions in accordance with changing trade conditions. Copies are available by writing the association, 1025 Connecticut Ave., N. W., Washington, D. C. 20036.

• **An Implementation Guide to the Occupational Safety and Health Act** has been produced by Risk Treatment Services Co. Inc., 3200 Wilshire Blvd., Los Angeles, Ca. 90010. The booklet, which can serve as a working guide for meeting OSHA requirements, discusses safety policy, procedures, factors reducing fines, employer's duties and the employee's rights and duties, as well as recordkeeping. For your free copy write the company.

• A pamphlet describing their board of education indemnity program has been produced by Stewart, Smith. The program has been devised expressly for the protection of school board members and school district employees. Copies of the brochure may be obtained by writing Stewart,

Smith Mid-America Inc., 141 W. Jackson Blvd., Chicago, Il. 60604.

• **It's Our Business . . . And Yours** is an article from the Brentco Corp. alerting employers to the pitfalls involved in communicating their company employee benefits package to their employees. The article points out that such pitfalls end up as hidden business expenses which are not necessary costs of doing business. Copies are available free by writing Anne H. Taylor, Dir. Client Services, Brento Corp., Box 10254, Elmwood, Ct. 06110.

• **Marotta Scientific Controls Inc.** has released information on its new design series of Flo-Fuses, which guard against such potential hazards as environmental contamination, injuries to personnel and destruction to equipment and property. Write to Edward Farley, Marotta Scientific Controls Inc., Boonton, N.J. 07005.

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AWARDS DINNER RESERVATION

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Those not registered for the Business Insurance Benefits Communication Workshop may still attend the Benefits Communication Awards Dinner, for which a separate reservation must be made. The dinner will be held at 7 p.m., Oct. 24, at the Hyatt Regency O'Hare. It is preceded by a cocktail reception at 6 p.m. The all-inclusive price is \$25 per person. Tables for 10 may be reserved. Reservations must be received by Oct. 19.

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Company _____
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Number of reservations at \$25 each _____
Total amount enclosed \$ _____

Table for 10 should be reserved in the name of _____

PAYMENT MUST ACCOMPANY THIS RESERVATION FORM

Awards dinner also set

Last chance for B.I. workshops

CHICAGO—There is still time for you and members of your corporate management team to register for twin *Business Insurance* workshops on product liability and communication of employee benefits.

Each one-and-a-half day session offers a chance to participate in an in-depth analysis of a pressing business question with the help of nationally recognized experts.

The Product Liability Workshop will begin on Monday evening, Oct. 23 and continue through Tuesday afternoon, Oct. 24.

A cocktail reception and dinner will open the Benefits Communication Workshop on Tuesday,

Oct. 24, and the sessions will continue through the afternoon of Wednesday, Oct. 25.

BOTH WORKSHOPS will be held in the Hyatt Regency O'Hare near Chicago's O'Hare airport. Full registration information and workshop schedules are in pages 68 and 69 of this copy of *Business Insurance*.

On the program of the Product Liability Workshop are faculty members chosen from a number of professional disciplines concerned with a corporate problem that now generates nearly 500,000 lawsuits each year.

• Legal aspects of product liability will be reviewed from the standpoints of both plaintiffs

and defendants by Leonard M. Ring, a prominent Chicago plaintiffs' lawyer affiliated with the American Trial Lawyers Assn., and by Michel A. Coccia, a renowned defense attorney who is chairman of the product liability committee of the Defense Research Institute.

• Government's view of product liability and the prospects for manufacturers under new consumer protection legislation will be presented by S. L. Sutcliffe, counsel for the U.S. Senate commerce committee which initiated much recent legislation dealing with product defects.

• The relationship between product testing and product liability claims will be the subject of Donal Breting, vp of Underwriters' Laboratories Inc.

• Insurance against product liability claims will be discussed by Robert Schaible, product manager-liability of Employers Insurance of Wausau.

• Roles risk managers play in controlling product claims and handling them when they occur will be discussed by panelists Edward D. Hansen, risk manager and attorney, Trans Union Corp.; N. E. Nilsson, assistant treasurer, Walgreen Drug Stores, and Ralph A. Parilla, administrative coordinator, Pepsi-Cola General Bottlers Inc.

• History and development of product liability and the role of employes in preventing product liability claims are included in "Product Liability—Loss Prevention and Control," a film produced by Kaiser Aluminum and Chemical Corp. that will be shown at the *Business Insurance* Product Liability Workshop.

ALL REGISTRANTS will have ample opportunity to discuss their product liability problems with faculty members and with their counterparts in other companies at roundtable sessions on various aspects of product liability.

Like the Product Liability Workshop, the *Business Insurance* Benefits Communication Workshop will be a "how to" session. It will send participants back to their companies better equipped to tell the benefits story.

Included in the workshop sessions will be discussions of the major functions of employe benefits communication: listening to employes, describing benefits and reporting benefits. Other sessions will include reviews of legal requirements for reporting and the ways in which in-company benefits communicators do their jobs.

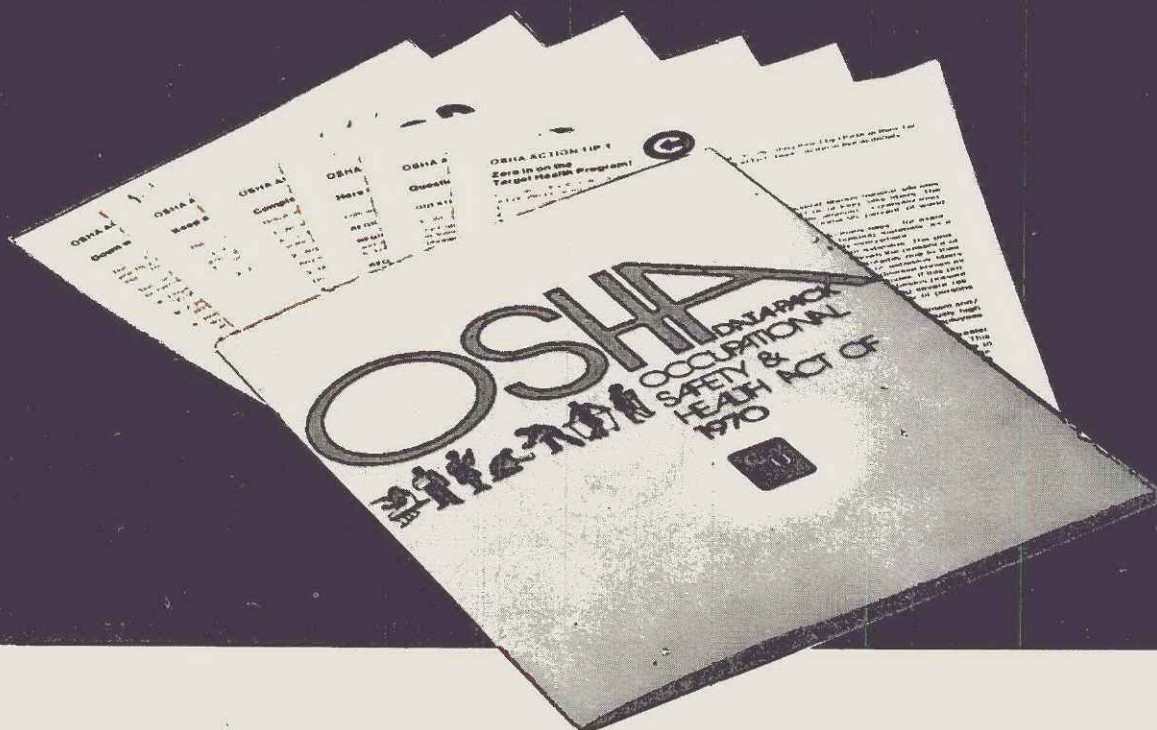
Albert Weisman, vp of Foote, Cone & Belding advertising agency, will keynote the Benefits Communication Workshop at an awards dinner on Tuesday, Oct. 24. Mr. Weisman, a veteran public relations and advertising executive, will view benefits communication from the vantage of the advertising industry.

AT THE AWARDS dinner winners of the *Business Insurance* Benefits Communication Awards Competition will receive recognition for excellence in the communication of employe benefits. Winners in the audiovisual category will be shown with explanations by corporate officials who supervised their production.

Winners in the booklet, letter, computerized report and employe publication categories will be on

Continued on page 65

Don't make a federal case out of it



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

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

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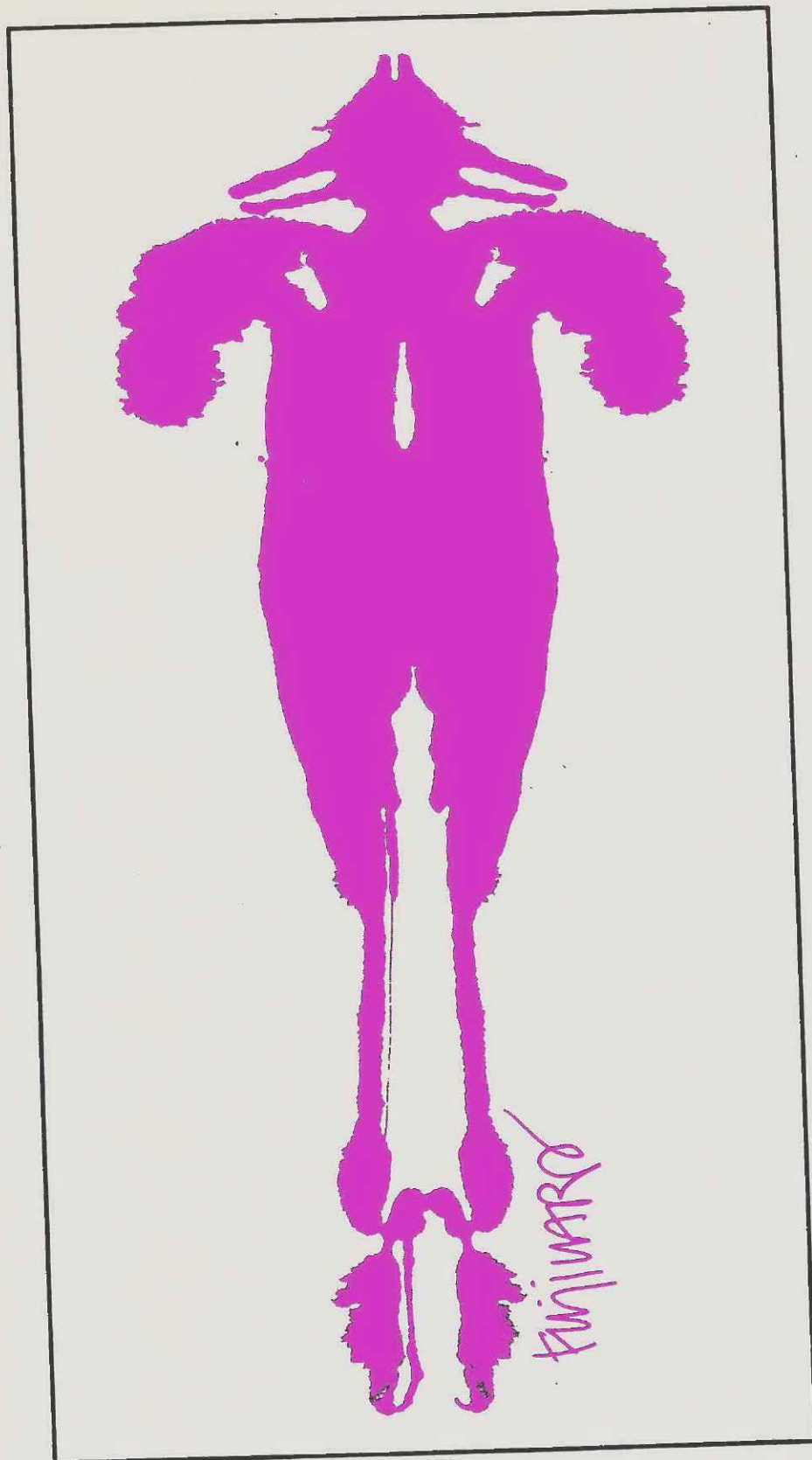
Write for your free OSHA Data Pack, or call your independent agent or nearest Commercial Union office for expert loss prevention assistance.



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Health care quality control outlined and Blue Shield hit at Pa. hearings

PHILADELPHIA—Dr. David D. Rutstein, professor of preventive medicine at Harvard medical school, testified at Pennsylvania insurance department hearings on health care that a quality control program to monitor and upgrade the quality of health care could be established using already available resources.

He asserted that the establishment of a quality control system which used the present resources of the National Center for Health Statistics in the Department of Health, Education and Welfare could accurately measure health care on the state level.

The National Center for Health Statistics, he pointed out, collects health data through direct, week-

ly interviews with a constantly changing sample of 40,000 families and medical examinations once every two years on another sample group of 32,000 persons. He said that the persons examined and interviewed were a representative sample of the U.S. population.

"A STATE health control agency," he said, using Pennsylvania as an example, "armed with these statistics together with the resources and expertise of the Commonwealth's health agencies, and its medical and dental schools; its medical and allied medical professions and other health-related groups, could be pooled for an effective

attack on obvious deficiencies in quality of medical care in Pennsylvania revealed by the quality control system."

He also noted that the information could be used to compare the quality of health care in the keystone state with that in other states and the nation as a whole.

At the same time, Dr. Rutstein advocated the creation of a federal health board to "convert the statistics into better health."

He felt that the nine-member board should be appointed by the president with Senate approval from medical and health care experts. The group, he said, would function as "a quasi-independent agency affiliated with the executive branch to provide a solid

scientific, professional and technical base and act as a balance wheel for a national health program."

THIS HEALTH board, a sort of supreme court of medicine, would be affiliated with a number of regional health boards, which would each control a medical care region with populations ranging from 1 million to 3 million persons.

"Pennsylvania," he explained, "would consist of five or six regions, each of which would contribute the information necessary to evaluate the quality of care being provided for the expenditures under Blue Cross as well as other governmental agencies (Medicare and Medicaid) and private insurance."

Also at the week-long hearings, insurance commissioner Herbert S. Denenberg attacked doctor domination of Blue Shield's board of directors and

said he would propose legislation which would force the insurer to increase the number of consumer representatives on its corporation and on its board.

Explaining that the laws governing Blue Shield require it to serve the public interest, Mr. Denenberg said, "Blue Shield's sole justification for existence is to benefit the public's interests. Instead, it seeks only to protect the special interests of the doctors."

"BLUE SHIELD is doctor-run from top to bottom," he continued. "A doctor-controlled corporation elects a doctor-controlled board of directors which appoints doctor-controlled committees. Machiavelli could learn a lesson by watching the doctors wage their successful efforts to consolidate and maintain their power over Blue Shield."

He felt that there would be no incentive for Blue Shield to do anything about rising costs and substandard health care until consumers were in control of the organization.

"Blue Shield's board should be entirely composed of consumer representatives. Instead, the corporation defeated last month a mild proposal which would have permitted consumer representation to rise to a mere 50%."

Stressing that the consumer should make the decisions, Mr. Denenberg said, "A doctor-dominated Blue Shield is a conflict of interest of the most incredible degree. The doctors make the trial lawyers look like rank amateurs."

Esquire uncovered on libel suit

NEW YORK—Esquire magazine is uninsured for the \$115,000 out-of-court settlement reached with editor William F. Buckley Jr. over an article that ran in the September 1969 issue of the men's monthly.

An Esquire attorney, Myron Davis, told *Business Insurance* that the magazine did not carry libel insurance nor any other kind of insurance which would cover the settlement costs. The \$115,000 paid to Mr. Buckley is to compensate his legal expenses incurred in a three-year battle of suits and countersuits with novelist Gore Vidal, author of the article in question, and with Esquire.

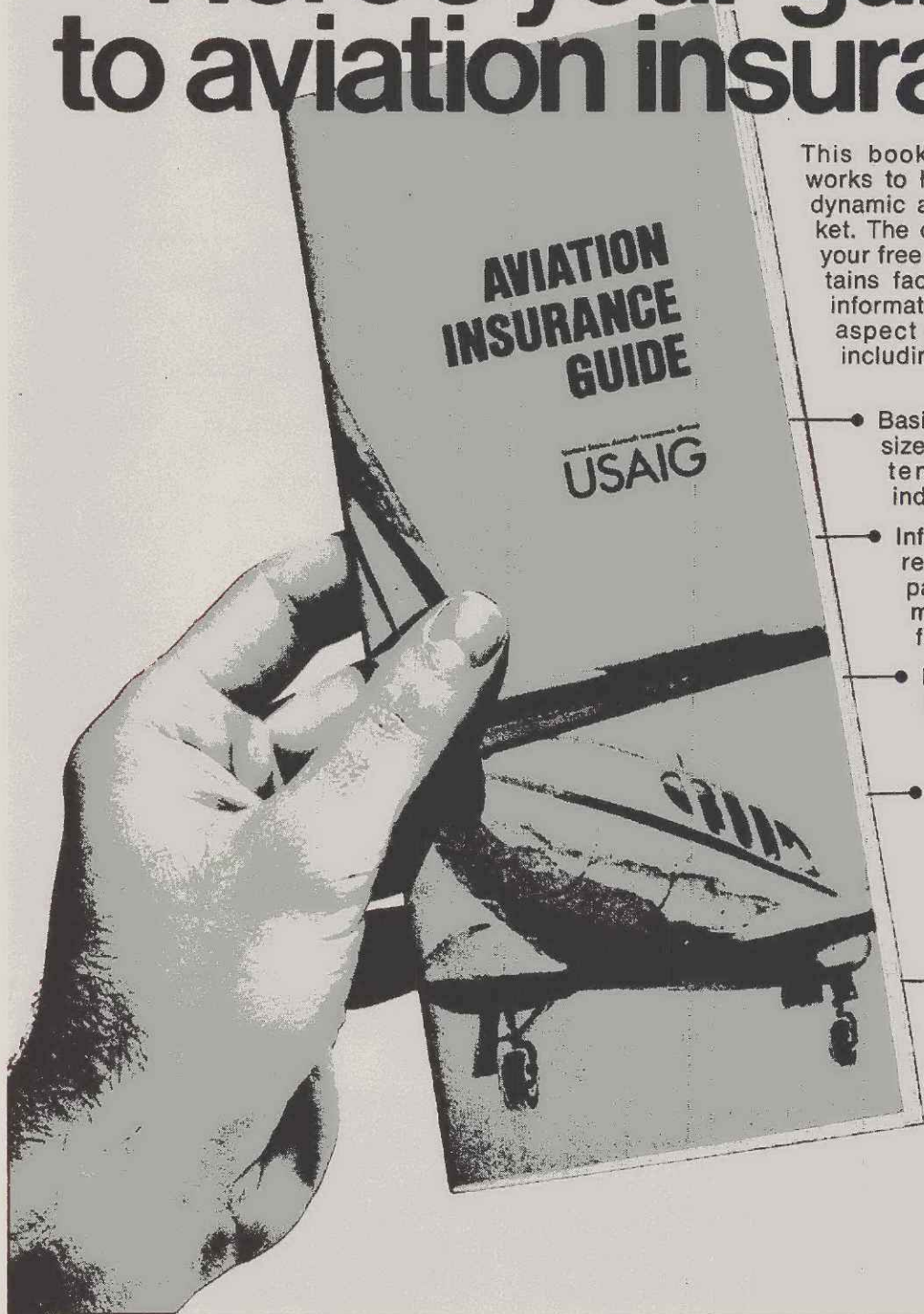
ENTITLED "A Distasteful Encounter With William F. Buckley Jr.," the article arose from a public exchange of affronts between the writer and the New York conservative. It contained references to Mr. Buckley's being a "racist, anti-black, anti-Semitic, and a pro-crypto Nazi."

Publisher Arnold Gingrich, in announcing the settlement, confirmed that Esquire would publish in its November issue a statement disavowing Mr. Vidal's "most vivid statements."

Safety council award

The Gypsum Assn. has been presented the 1972 Assn. Safety Award by the National Safety Council in recognition of its efforts in helping member companies develop programs to reduce accidents and employee injuries.

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Compensation board services will get government review in Canada

MONTREAL—Workmen's compensation board services in Canada are slated to undergo a federal-provincial review, a Quebec source has revealed. Although government and industry officials are not releasing information about it, a review of coverages seems imminent based on the apparent overlap of federal and provincial schemes.

Traditionally, Canadian workmen's compensation is the form

of industrial accident insurance administered by the 10 provinces, which provides for indemnifying wages, paying medical, hospital and rehabilitation expenses for workers hurt or laid up because of on-the-job accidents or an occupational disease.

But today, with modern medicare payments providing universal coverage, and with the expansion of supplementary benefits programs, there is difficulty in determining distinction between plans. As one Toronto management official put it, "No one really knows where workmen's compensation starts and the other programs end."

Unions are not likely to agree to a change in the present sched-

ule of premiums and benefits. Currently, only employers pay into the system set up by the compensation boards. But even labor forces recognize that government plans could be made more efficient by some consolidation.

ONE OF THE problems involved in administering a reform program to sort the provincial plans from the federal plans is that no one is really certain of the extent of the overlap of the various schemes. This would have to be one of the first main goals for any commission undertaking a study of possible remedies.

In many cases, the provincial

boards are still expanding their services, and increasing their payments. Ontario's agency, which is the largest in the country, with an estimated \$160 million annual cash flow, has added farm workers and retail store employees to those it will cover.

As it now stands, workmen's compensation provides a disabled worker 75% of his actual earned salary. Because these payments are made on a tax-free basis, this generally means that the worker's take-home pay remains the same. And then the board throws in medical, hospital and rehabilitative payments.

AN ONTARIO employer would have to pay between \$1.14 and \$1.20 a week per employe to provide 75% of an injured worker's salary for the period of his disability, plus medical, hospital and rehabilitation expenses and the board's overhead.

Governments have managed to

keep the premium this low for several years by raising the wage limits under which an employer must pay.

An industry-government conference on the problems of reviewing workmen's compensation could take up to two years to arrange. But the indication seems to be that such a confrontation will become a necessity if the proliferation of benefits schemes continues without coordination. Business and labor are mounting pressure to arrange such a meeting.

Any federal-provincial discussions on employe-oriented benefit schemes will probably find the provinces insisting on jurisdictional advantages. The provinces would take this hard line because they were first in the workmen's compensation field, and can point to low administrative costs which appeal to cost-conscious management groups. ■

New tax plan proposed for Britain

LONDON—Britain is planning a new tax system which will have a revolutionary effect on social security, says the London Sunday Times. The aim will be to combine taxes paid by citizens, and benefits paid out to needy people from public funds, under one "umbrella" operation.

The scheme will work this way: Everybody will be assigned a government "credit-rating," which will take all his family and personal circumstances into account. If the taxpayer is wealthy enough to be in good standing under the rating, he will pay taxes at the rates in force. If he is too poor, however, he will get refunds paid back to him.

Corporate employers in Britain already collect taxes from employes by deducting from their pay checks on behalf of the government. But if the new scheme is adopted, they will also be responsible for refunds. Pensioners and sick people will have special arrangements made for them.

The ingenuity of the new scheme lies in the fact that the government can adjust the national, or individual, credit-rating level at any given moment to allow for necessary taxation changes in light of the nation's financial situation.

COMMENTS the London Sunday Times: "If the new system is adopted, it will have the most profound social consequences, and will be as revolutionary in tax terms as the original invention of income tax."

The scheme, devised by the government's chief taxation adviser, Arthur Cockfield, will enable easy changes to be made in the personal positions of people right up and down the "prosperity scale." It would replace the present complex situation of various kinds of social security allowances, which have to be collected from public offices, and would streamline budgetary proposals.

Politicians of all parties are likely to study the scheme in the next few months before deciding if it can work, and it would then be up to Parliament to choose whether to adopt it or not. ■

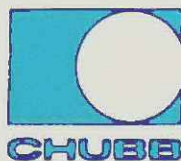
Increase in farm fires

Farm fires are on the increase in Britain to such an extent that insurance losses have risen by an estimated 400% in the last ten years, according to the Fire Protection Assn. It blames mechanization on small farms for the greater hazards, and lists perils that can arise from equipment such as grass-grinders, crop-driers and various types of agricultural vehicles.

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Canadian regulators work out rules distinguishing group and mass plan

MONTREAL—Representatives of Canadian life insurance companies and their agents' association have given their approval to new rules that differentiate between mass merchandised life insurance policies and group life plans. The subject was considered at the annual conference of the 10 provincial superintendents of insurance here.

According to Leo Beaudry, superintendent of insurance for Saskatchewan and chairman of the standing committee on life insurance legislation for the superintendents' group, the problem revolved around the identification of plans similar to group life insurance that might be appropriately made subject to

group rules.

The solution, approved by the insurance industry groups after recommendation by Mr. Beaudry's committee, provides that henceforth policies fitting the following descriptions will not be subject to rules for group policies.

- Where the insuring agreement is an individual contract with each life insured.
- Where the premium is fixed or, if it is subject to variation, some maximum is specified, such as that the premium must not exceed the current rate book charge of the insurer for a similar plan of individual insurance.
- Where the individual contracts may not be cancelled by

the insurer except for non-payment of the premium.

Officials of the Canadian Life Insurance Assn. and the Life Underwriters Assn. of Canada, which represents about 15,000 life agents in the Dominion, accepted the new rules with only a few suggested modifications.

J. W. Chivers, chairman of the Life Underwriters Assn. said his group generally agreed with the rules as written, but would prefer to see some modification in the fixed premium rule.

"If there is a variation in premium during the life of the contract," said Mr. Chivers, "then the maximum amount involved should be clearly stated at the time of issue.

"The Life Underwriters Assn. believes it is not in the public interest to issue individual contracts based on the group insurance concept of no guarantee of rates beyond a year. It believes it is both desirable and widely understood that a great virtue of an individual life insurance contract is the concept of guaranteed premiums and benefits that prevail throughout the duration of the contract," he added.

THE ASSOCIATION generally defines mass merchandising as a selling procedure for marketing individual life insurance in which premium rates and policy conditions are more favorable than in the company's regular contracts.

In a dissenting opinion expressed here, John Woolsey, an actuary with pension consultant William M. Mercer Ltd., Toronto, warned the superintendents that rules that are too strict regarding mass merchandising could lead to

polarization between true group insurance with options and pure mass merchandising.

Mr. Woolsey urged that flexibility be retained so that group insurance planners could choose between optional benefit riders to group insurance and mass merchandised individual policies to work out enriched group insurance programs.

The actuary also criticized the restrictions built into the Life Underwriters Assn. definition of mass merchandising.

"The definition implies that every mass merchandised policy must be equal to or more favorable than another individual insurance contract," he said. "Problems in creating new policies where there is no comparable policy in a company's portfolio are likely to develop."

IN AN UNRELATED matter taken up by the Canadian insurance regulators at their annual conference here, Mr. Beaudry said he is opposed to expanding savings and investment insurance into the area of farm loans.

"From my experience in Saskatchewan," said the regulator, "I find that these policies are usually sold to farmers rather than the farmer seeking out and buying the coverage."

Insurance to repay farm loans is relatively new in Canada, and only a few companies are selling it. In the U.S. there has been an active market for the coverage for some time. Premium volume in the U.S. is now about \$3 billion.

John Graham of Reliable Life Insurance Co., which has been offering the coverage for a year in the provinces, cited the example of the farmer who borrows \$25,000 for soil preparation and harvest. The bank makes installments on the loan as the need arises. If the farmer dies after borrowing \$13,000, said Mr. Graham, his survivors still need \$12,000 to complete the farming cycle.

"Insurance to repay the entire amount of the loan has proved in the United States that it fills a decided need," Mr. Graham said.

Mr. Beaudry said the superintendents would give further consideration to the matter. ■

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Chamber calls OSHA rules unfair

WASHINGTON—Provisions of the Occupational Safety and Health Act which fail to allow for on-site consultations between labor department officials and employers have been branded "unfair" by the U.S. Chamber of Commerce.

In testimony before the House committee on education and labor, Chamber of Commerce labor relations attorney, Richard B. Berman, cited objections to the OSHA laws. He said meetings with employers should be provided at the facility in question so that labor department officials can view conditions first-hand before advising an employer as to what his obligations are.

Mr. Berman also expressed the hope that the select subcommittee on labor would hold extensive legislative hearings to "uncover some of the latent defects" in the OSHA laws.

The attorney also recommended certain modifications for the existing legislation, including the prohibition of fines to employers on the first visit by inspectors. ■

Sees no need for federally controlled earthquake disaster insurance plan

SAN FRANCISCO—A federal government economist told a meeting here last month that at the present time the government does not believe "there is a case for a federal disaster insurance program."

Speaking to an American Management Assn. meeting on "Earthquake—A Major Insurance Risk," Theodore Levin of the Department of Housing and Urban Development (HUD) said, in essence, a federal disaster insurance program to cope with the problem of earthquakes should not replace good risk management.

Pointing out that the famous San Francisco earthquake of 1906 took 700 lives and caused property damage of \$500 million, Mr. Levin said that a repeat of an earthquake of the same size today might cause property damage of \$50 billion, depending on location, time and duration.

"The question is," he said, "What can we do?"

"THE ANSWERS follow logically," he observed. "In the first place, through the media and various municipalities residents should be advised of the possibility of an earthquake in their area.

"Second," he continued, "within these areas specific hazard zones should be identified and appropriate zoning and construc-

Security problem too big for police

NEW YORK—A fortune is being lost every year to American industry through theft and black marketeering, and it's too late to try to solve the problem with police and punishment.

This bleak outlook was given to seminar members of the American Society for Industrial Security, by Saul D. Astor, president of Management Safeguards Inc., and the Loss Prevention Institute.

Industries are now facing annual losses nearing \$10 billion, Mr. Astor estimated. He noted that this figure includes a \$1 billion loss from 75 million cases of shoplifting, and \$3 billion washed down the black market drain. He attributed much of the problem to the current attitude toward dishonesty, claiming that in American business, dishonesty is no longer considered deviant, but has become an accepted norm.

IMPLICATIONS for industrial managers who want to have effective loss control programs are complex. First of all, Mr. Astor stressed, the problem is too massive to be handled by police authority. Punishment simply doesn't work anymore, he indicated.

Mr. Astor proposed a program for physical security designed to minimize industrial losses and combat the increasingly sophisticated techniques of the criminals themselves.

Finally, the Loss Prevention Institute head had a warning. He feels that unless industry moves to protect itself, minimum standards of security would necessarily be imposed upon it by legislation, much as fire and safety regulations were ultimately imposed.

tion established. Third," he said, "there must be appropriate construction of schools and other critical installations." As fourth, Mr. Levin mentioned that all communities must be aware of the emergency preparedness plans with the federal government, and as fifth, "effective use of insured mechanisms must be made to pro-rate insurance over a period of years.

"Urban earthquake losses largely are unnecessary and preventable." Mr. Levin noted, quoting earthquake hazard specialist Dr. Charles F. Richter. He added that he feels the "responsibility lies with the individual citizen and property owner who must build wisely, paying attention to location and design. They must

also avail themselves of the insurance coverage offered and make sure they have adequate coverage rather than placing the burden on Uncle Sam."

Another speaker at the meeting, Dr. Robert E. Wallace, chief of the National Center for Earthquake Research, Menlo Park Ca., put much of the burden of good earthquake risk management on the construction industry.

"BUILDINGS can be engineered," he said, "to minimize dangers from shaking. And strict land use planning and land use controls can reduce damage from quakes. However," he added, "we cannot expect a process which has been going on for probably 25 million years to stop now just be-

cause man occupies the earth.

"Until the time comes, and even then," Dr. Wallace said of the possibility that accurate earthquake forecasting is near, "the better part of wisdom is to establish strong engineering controls, and for municipalities to adopt better building codes and to encourage better design. Improvements are still needed in zoning and grading codes for proper land use planning, as well as the long range attention given to where not to build."

Speaking on a similar note was Karl V. Steinbrugge, head of the earthquake department, Pacific Fire Rating Bureau here.

Mr. Steinbrugge, a civil and structural engineer, agreed that "building codes are improving, but they can be made even better as tools to reduce the structural damage from earthquakes."

THE ENGINEER said that any member of the construction industry, "whether he be architect

or builder, who just meets building code provisions with respect to earthquakes is right on the verge of simply asking for trouble and damage and perhaps death."

Most building code provisions, he pointed out, are designed "to protect life and not necessarily protect against property damage. This, he added, is an aspect "now going through agonizing reappraisal by engineers."

The AMA meeting also heard Robert New of Earthquake Risk Analysis, Glendale, Ca., describe a service now available to architects and builders which, he said, offers "a precise, scientific technique that accurately predicts what will happen to every member and joint of a building during any probable earthquake.

"It can," Mr. New contended, "take the financial jolt out of earthquakes by defining loss exposure and by indicating steps that can help reduce loss potential."

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editorial opinions

Time to get down to business

IN STRIPPING THE broadly-supported Williams-Javits pension reform bill of four of its major provisions—vesting, funding, reinsurance and voluntary portability—the Senate finance committee in one fell swoop late last month used a rather jagged ax to cut up one of the most carefully prepared and researched pieces of legislation ever to have been drafted on the subject.

After spending more than \$1 million, not to mention the three years of study and hearings and the countless hours spent drafting the measure, the Williams-Javits bill was routinely—"in keeping with Senate procedure," were the words used—referred to Sen. Russell Long's finance committee late in September. Earlier the bill had been sent to the Senate floor with the unanimous and bipartisan support of the Senate labor committee. The Long panel wanted to consider the measure because of tax-related provisions in the bill that it believed fell into its purview.

To be sure, the set-back will not permanently threaten whatever chances the Williams-Javits measure has, for almost certainly its backers will push for amendments to the finance committee's version. It has, however, delayed even longer the ultimate debate on the Senate floor that is sure to lead to pension reform.

Beyond this, though, is the manner in which the finance committee castrated the bill—quickly, premeditatedly and with political overtones. There is the obvious conclusion, of

course: Sen. Long and others on his committee that arbitrarily sliced the four major provisions of the bill did so in hopes of providing an "out" for senators who may not be all that hot for the Williams-Javits bill but wouldn't want to vote outright against pension reform in an election year. Under the circumstances, goes the reasoning, Senators walking the tight-rope might find it less difficult to vote against amendments by Williams-Javits people.

Whatever the politics behind the situation, whatever the next development might be—and last week the question of whether further Congressional action will be taken before the legislators adjourn this session was still unanswered—it is high time for the type of back room politics played by the Senate finance committee to stop.

This issue of *Business Insurance* amply illustrates the importance of the pension reform question. The \$150 billion now in the reserves of private retirement is the largest pool of private capital in the country and at this stage of the game reasoned and equitable reforms of the system should be taken out of the realm of politics.

Yes, perhaps there is still room for movement by the Williams-Javits people, as there is in the proposals drawn by other reformers of the private pension system. But there is no room for politically-inspired hatchet jobs.

It's time to get down to business.

It's the underwriters' move

"IHAVE READ your article regarding the abolishment of general average with great interest and must add that I agree with you 100%," the letter began. "In most instances we are the sole owners of the cargo, and, as self-insurers, must bear the entire burden of cargo's contribution (in general situations), amounting, in many cases, to tens of thousands of dollars.

"Perhaps the most bitter pill to swallow is the fact that so many general average claims involve breakdown of vessels due to crews' negligence. The manning of the vessels is the owner's responsibility," the letter continued, "Why, therefore, should the charterer be forced to contribute toward expenses incurred as a result of something over which he has absolutely no control, whereas the owner does have an obligation to furnish a ship that is seaworthy in all respects. . . ."

The letter writer, an insurance administrator with one of the nation's top corporations—a company that moves millions of dollars worth of goods on the high seas annually—was responding to a Viewpoint article in the Sept. 11 issue of this magazine. Written by James O. Moore, himself an insurance administrator of a large company that also uses marine transportation, the article called for the abolishment of general average, a procedure that predates marine insurance by several hundred years.

In short, Mr. Moore called general average needless and wasteful and asked that it be done away with post haste.

While it might be expected that a seemingly irreverent disregard of a marine tradition would provoke at least a few angry outcries, this has not been the case. In fact, the contrary has been true. Of several dozen responses to the article already received by *Business Insurance*, not one has urged that general average be kept as is. Only two respondents, moreover, called for reforms that might lead to correcting some of the abuses of general average. The remainder of the readers responding overwhelmingly urged that general average be done away with. Respondents included insurance management people from some of the nation's top shipping companies and other corporations that use marine transportation to move their products, brokers, underwriters and, yes, even claims settling agents themselves.

The question we now ask ourselves is this: "Why, given all the unanimity on the subject, hasn't general average been put out to pasture long before this?"

The answer, apparently, is that until now no one has made an issue of it. Mr. Moore is now addressing himself to that issue and we encourage him in it. The next move, he says, is up to marine underwriters.

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letters

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

Query answered

To the Editor: There was an article in the Sept. 11 issue of *Business Insurance* in connection with a new company being formed for nursing home insurance.

The company is to be called Conva Indemnity Insurance Co. and apparently is to be operated by Ralph D. Warne.

We would appreciate it if you could tell us who to write in order to obtain information about this company.

Thank you for your cooperation in this matter.

M. D. Rosenberg Jr.

Washington Insurance Agency Inc., Washington, D.C.

Editor's note: Mr. Warne may be reached at Warne & Associates, 2074 Arlington Ave., Columbus, Ohio 43221.

Reprints?

To the Editor: A series of eight articles by Mr. Bion H. Francis, "When Should You Retire?", are among the best of many good things *Business Insurance* has brought us, the readers.

Brilliant in insight, solidly based on a rich experience in practical business affairs, these writings by Mr. Francis have, figuratively, "exploded" in the minds of my better students.

I have used these articles in my classrooms at the University of Missouri since they first appeared (March 1 to June 7, 1971), with permission, of course. Inasmuch as your new readers may not be aware of this Francis series and your long-time readers may have forgotten them, I hope you will call attention to this series and make them readily available in a reprint form.

Mr. Francis was writing, in this series, about your future and about mine; he was also writing about the present of the young adults of today.

Robert E. Bray, C.L.U.

Associate Professor of Finance, University of Missouri, Columbia, Mo.

Editor's note: Business Insurance has not made this series available in reprint form but will consider doing so if enough requests are received from interested readers. Inquiries should be directed to Business Insurance, Reprints, 630 Third Ave., New York, N.Y. 10017.

However, Business Insurance is presently preparing in booklet form, a just concluded series by Mr. Francis on the buying of corporate insurance. That 13-part series ended in the Sept. 25th issue. Readers interested in obtaining more information on the booklet may write to Bookshelf, Crain Communications Inc., 740 Rush St., Chicago, Ill. 60611.

It's 'or' not 'of'

To the Editor: If people are confused about the second paragraph of "Risk Management Notes" on page 44 of your Sept. 25 issue, just tell them to change the third word of the sixth line of this paragraph from "of" to "or."

David Warren

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Giles on the law

Defective product causes injury, court awards \$3.5 million claim

By JOHN W. GILES
Attorney at law

WASHINGTON—If you cause a young workman to be relegated to the "living dead," how much should you pay? The supreme court of Nevada says that \$3,000,000 is a fair price.

Here the young workman was helping to reassemble a vehicle. The suit was against the manufacturer of the vehicle and the manufacturer of the 1,130 pound electrical control cabinet with which the vehicle was equipped. One of two eyebolts welded to the cabinet for the purpose of lifting it by crane broke; result-

ing in the plaintiff sustaining severe head injuries which put him among the "living dead."

Each of the eyebolts in question was listed as having a minimum breaking strength of about 4,000 pounds, but the one which broke was said to have been defective. The court also approved a \$500,000 consortium judgment in favor of the wife. The injury occurred when one of the eyebolts broke while the crew was aligning the cabinet with the fender. This caused the cabinet to drop at that end and slide toward the rear of the truck. The plaintiff, who was under the suspended cabinet, was

struck, and his skull crushed.

The lower court entered judgment for \$3,000,000 for the workman, \$500,000 to his wife for loss of consortium, and \$150,000 to their three children for loss of companionship. With respect to the defective eyebolt, the court said that a defective product is dangerous, if it fails to perform in the manner reasonably to be expected in the light of its nature and expected function. The doctrine of strict liability for an injury caused by a defective product applies even though the supplier has exercised all possible care in the preparation and sale of his product.

The supreme court upheld the award of \$500,000 for loss of consortium, pointing out that consortium covers loss of love, companionship, affection, society, sexual relations, solace and more. The basis of the wife's recovery is the anguish which she suffers when the injury to her husband destroys or impairs those components of the relationship she enjoys, and the right to support is not included nor is it a part of her claim. The court rejected the jury verdict of \$150,000 for the children. The evidence of special damage was not challenged at the trial. (*General Electric Co. v. Bush*, Supreme Court of Nevada, June 20, 1972)

* * *

DOES THE doctrine of strict liability in tort apply to a case where the accident was caused by the blowout of a defective tire? The plaintiff, on appeal, contended that he had met the required burden of proof by showing that he

sustained damages which were proximately caused by a tire manufactured by the defendant.

The supreme court of Arkansas disagreed and pointed out that under the doctrine of strict liability, the plaintiff has the burden of proving that the product was in a defective condition at the time it left the hands of the manufacturer. In the absence of direct proof that the product is defective because of a manufacturing flaw or inadequate design, the plaintiff must negate the other possible causes of failure of the product for which the defendant would not be responsible, in order to raise a reasonable inference that the dangerous condition existed while the product was still in the control of the defendant.

Since the plaintiff failed to produce sufficient evidence to negate all possible causes of the tire's failure other than a defect in the design or manufacture, the court held that the trial court's failure to instruct on the doctrine, which is not recognized in Arkansas, was not an error. However, the court did find that the trial court committed an error in instructing the jury that the manufacturer was in no way responsible to the plaintiff for any negligence of his employer. The instruction failed to make it clear that the third person's negligence must have been the sole proximate cause of the plaintiff's injuries before the tire manufacturer would be absolved from liability. It is a well-settled rule of law that the negligence of a third party, not a party to the lawsuit, is no defense unless it is the sole approximate cause of the asserted damages, and a plaintiff may recover if the negligence of the named defendant was a contributing cause. The case was sent back for a new trial. (*Gatlin v. Cooper Tire and Rubber Co.* Arkansas Sup. Ct. June 12, 1972)

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Competitive rating law investigated

SAN FRANCISCO—A "full, two to three month" investigation of the competitive rating law that applies to automobile and home owners insurance in California has been ordered by Richards D. Barger, state insurance commissioner.

The rating law, in existence since 1947, according to Mr. Barger, "has relied on competition as being the primary means by which the consumer is assured equitable insurance rates and an open, available market.

"In the past," Mr. Barger said, "we were relatively well satisfied that the rating law was accomplishing the purpose for which it was intended.

"However, recent controversies such as no-fault, fire insurance availability in brush and urban areas and proposed expansion of coverage available through the assigned risk plan, have raised questions of the effectiveness of the competitive rating system."

The investigation, Mr. Barger added, will place "particular emphasis" on the benefits or abuses that "may arise under this system for automobile or homeowners insurance policy holders."

A summary report of the investigation will be made public, Mr. Barger said. He expects "one of the by-products of the investigation" to be a comparison of the prices available in various insurance companies, for use by consumers shopping for insurance. ■

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Met Life moving into property-casualty field; home, auto covers first

NEW YORK—Metropolitan Life Insurance Co., the nation's second largest, said late last month it will begin selling homeowners and auto insurance in early 1974. The move will not immediately affect commercial insurance customers although a Met spokesman told *Business Insurance*, "I think eventually we'll be writing everything."

The announcement by Metropolitan did not come as a complete surprise, despite the fact that the Met has generally been considered to have been cool to the idea of getting into the property and casualty business. The Prudential Insurance Co. was the first life company to go the property-casualty route when it announced a similar move two years ago. The John Hancock Mutual Life Insurance Co. followed the Prudential 18 months ago when it made an agreement to write auto and homeowners insurance under an arrangement with the Sentry Insurance Group of Wisconsin.

While none of the life companies pursuing property and casualty lines have announced their immediate intentions to get into commercial lines and, thus, bring additional insurance capacity to the large corporate insurance consumer, it is believed that this is the way the insurance business

will eventually go.

The Equitable Life Assurance Society of the U.S. is also contemplating such a move. At Equitable, however, there have been indications that the company may be somewhat more interested in getting into commercial lines. March 27, for example, this magazine disclosed that Equitable was meeting with a "small sampling" of its employe benefits clients to learn more about their property and casualty insurance "needs and circumstances."

The announcement that the Met was moving into auto and homeowners field was made by Gilbert W. Fitzhugh, Met's chairman.

MR. FITZHUGH said that his company would form a new subsidiary to be called the Metropolitan Property and Liability Insurance Co. Next year Met plans to conduct development work. The first policy is likely to be written early the following year.

Met has already tapped a man to run the operation. He is J. Albert Burgoyne, formerly underwriting vp at State Farm Mutual Automobile Insurance Co. Mr. Burgoyne joined Met early this month and has been named a vp. Presumably, he will head the new property and casualty subsidiary when it is formed. ■

Barger asks insurers to publicize coverages

SACRAMENTO, CA.—Special efforts should be made to distribute information on the availability of flood, earthquake and crime insurance. This was the gist of Richard D. Barger's message to all insurers in California who are licensed to transact property insurance.

Mr. Barger, state insurance commissioner, stressed that advising the public of how it can obtain protection against natural disasters and man-made losses is a matter of self-interest to the insurance industry, as well as being in the public interest.

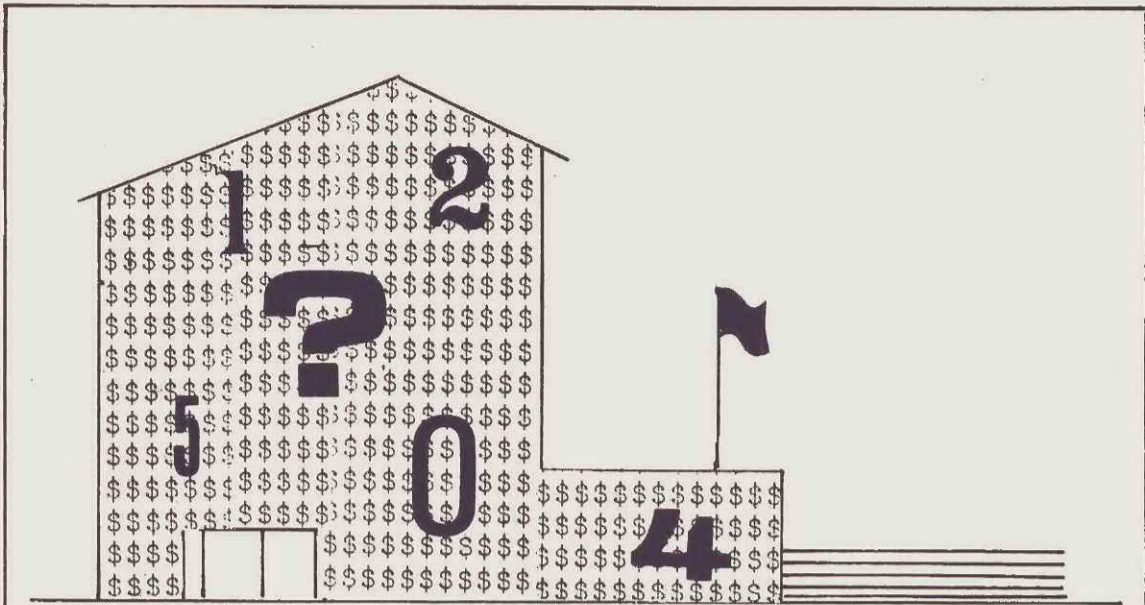
He illustrated this point by noting how a widespread purchase of windstorm insurance resulted from an industry campaign that publicized policies which would undercut losses in that area.

In contrast, Mr. Barger recounted how few flood or earthquake insurance policies have actually been bought, even though coverage is currently available to home and property owners.

RECALLING the 1971 California earthquake, and the devastating floods that swept many parts of the nation this past June, Mr. Barger cited the losses of property owners who had little or no coverage for their damages.

Drawing a parallel to the losses of urban dwellers, Mr. Barger said there is also an extensive need for more coverage to protect the city property owner against crime losses. He reiterated the pattern of how some crime insurance was available, but how few policies were actually purchased, due to a lack of information about them.

In closing, Mr. Barger called on California insurers to "simultaneously with the solicitation, issuance, or renewal of all property insurance policies—or the rejection of an application for crime coverage—advise home owners and businessmen of the availability and source from which these forms of insurance may be obtained." ■



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Bay bridge rammed again, but INA covers

NORFOLK, VA.—Gale winds and 14-foot seas slammed an abandoned tug and barge into the Chesapeake Bay Bridge-Tunnel here late last month, forcing the roadway to close for about a month, and causing damages estimated at \$1,115,000.

This was the third time in five years that the 17.6 mile-long structure has been hit and severely damaged by a ship. In 1971, after a Navy vessel rammed the bridge and caused \$2.5 million damages, the complex lost its ship collision insurance.

"All we can do now is pray," commented executive director Clyde Morris at the time. (*Business Insurance*, Feb. 15, 1971). One year later, early this February, the bridge-tunnel received a ship collision policy written by Insurance Company of North America.

According to Chesapeake Bay Bridge-Tunnel comptroller Donald E. Will, the INA policy provides excess coverage for \$3 million, with a \$500,000 deductible. The policy will also cover the revenue loss the bridge will suffer during repairs. Mr. Will estimates that toll losses could amount to about \$800,000.

THE COMPLEX carries regular insurance apart from the ship collision policy with a flock of insurers. INA carries the lead in this area as well as writing the total ship collision coverage. The regular insurance, which includes property liability and use & occupancy coverage has limits in excess of \$80 million, a brokerage source said.

The J.S. Frelinghuysen Corp. of New York is the broker on both the ship collision policy and the flock-insured regular policy for the bridge-tunnel.

A week after the accident, Mr. Will told *Business Insurance* that repair work to the damaged roadway that carries U.S. 13 over the mouth of the Chesapeake Bay was progressing rapidly. He was optimistic that the bridge-tunnel will only have to be closed down for three to four weeks for repairs.

Advisory committee

PHOENIX—The Arizona industrial commission has formally appointed 11 persons to its safety and health advisory committee, said chairman Bruce Thoëny.

Mr. Thoëny said five of the members are carry-overs from a similar group named about a year ago. The committee obtained statutory status under terms of legislation enacted this year. He said the group promulgates rules, regulations and standards for insuring that employment in the state is under safe and healthy conditions.

Representing the insurance industry are two committee members. Representing management are three corporate executives. Labor delegates number three.

There are three public members on the committee. ■

FIA consultant

Harold M. Engle Sr. of the structural engineering firm of Engle & Engle, San Rafael, Ca., and a consultant to the Factory Insurance Assn., was mistakenly identified as a seismology consultant to another insurance company in an article in *Business Insurance*. ■

The incident took place when high winds blew the tug Carolina and a 235-foot barge out of control. The tug started to take-in water, and the crews of both vessels were rescued by the Coast Guard. Nothing rescued the Bridge-Tunnel, though. The abandoned vessels battered it for nine hours until two 60-foot spans of southbound lanes, in different areas of the bridge, collapsed. Northbound lanes were also damaged but were left standing.

Mr. Will noted that no one was injured because the bridge-tunnel authorities were warned in advance of the hazard. They were able to move safely all traffic off the endangered structure before it gave way. ■



An empty 235-foot barge rammed into the Chesapeake Bay Bridge-Tunnel late last month, causing an estimated \$1,150,000 in damage. —World Wide photo

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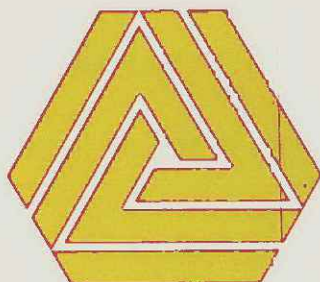
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Record...

Continued from page 6

ers advisory council.

Mr. Storey, director of insurance and safety for SCM Corp., is also an attorney, a certified safety professional and a chartered property and casualty underwriter. Mr. Schenck referred to him as a nationally known expert on the problems of purchasing adequate insurance coverages at reasonable costs.

He replaces William S. Mortimer, who left the advisory council when he resigned his position of risk manager at Norton Simon Inc., to become director of risk management services for the Insurance Co. of North America.

The consumers advisory council was established to advise and assist the insurance department in evaluating New York's property and liability insurance rating law. The law, enacted in 1969, was designed to encourage price

competition, better quality and greater availability in many property-liability insurance lines.

Penn Central won't end death benefits plan

PHILADELPHIA—The Penn Central Transportation Co. has decided not to discontinue a death benefits program for former employees.

The plan to drop the program, which would have affected about 500 former employees, was announced in August. It immediately drew fire from Herbert S. Denenberg, commissioner of insurance in the Penn Central's home state of Pennsylvania. Mr. Denenberg, admitting that his department had no legal authority in the matter, said, however, that his department had received numerous complaints from former Penn Central employees (*Business Insurance*, Sept. 11).

"We are delighted to see that

Penn Central has reconsidered its decision to discontinue its voluntary relief program and has decided instead to keep the program for the 500 former employees taking part in it," said Mr. Denenberg.

"It would have been a shame if these 500 elderly former railroad employees had found they could not expect to receive the death benefits for which some of them had been paying premiums for 40 years or more," he added.

Mr. Denenberg also noted that the company will not increase premiums for the former employees. However, premiums will still go up 10% to 40% as planned for active employees enrolled in the program.

Files suit against Denenberg regulation

HARRISBURG, PA—The Union Fidelity Life Insurance Co.,

Philadelphia, has filed court action to block new state regulations on mail order insurance drafted by state insurance commissioner Herbert S. Denenberg.

The company asked commonwealth court for an injunction preventing Mr. Denenberg from enforcing the regulation.

Union Fidelity charged the regulation exceeds the commissioner's authority and violates the Insurance Unfair Practices Act of 1947, as well as the constitutional guarantees of free speech, free press and free communication of thought and opinion.

John Cooney, Union Fidelity secretary, said, "While our company welcomes commissioner Denenberg's attempt to establish guidelines for the sale of direct response insurance, we believe those set forth in regulation 25 are unrealistic, unworkable and unauthorized."

The major section of regulation 25 requires mail order advertis-

ing to be submitted to the state insurance department, which can reject material it finds misleading or otherwise objectionable.

New coverages ready for condominium use

BUFFALO, N.Y.—Property and casualty insurance firms in Canada have come up with a new type of fire and other damage insurance policy which is aimed at providing coverage for condominiums.

It was pointed out that numerous condominium owners are not properly insured due to the fact there is no standard insurance form on the market for this type of structure.

Canadian insurance companies say they now are prepared to offer special condominium coverage as soon as the various provinces pass legislation enabling them to do so.

The conference of commissioners of uniformity of legislation has recommended a property, rather than a liability, approach in insuring condominiums. The commission is made up of legislative counsels from each Canadian province and meets regularly to prepare legislation aimed at unifying provincial laws.

One of the problems in providing special insurance coverage for condominiums is a lack of uniformity across the country. Some provinces state that condominiums must be covered by property insurance; other provinces insist that liability insurance be provided.

Package coverage for condominium owners

PHILADELPHIA—Harlan Inc. of Pennsylvania, an insurance agency, has developed an insurance package for Reliance Insurance Cos.' coverage on Philadelphia's new Washington Square East Condominium.

The project, a joint development of Denny Development Corp., a general partner, and Celanese New Communities Corp., a limited partner, stands one block south of Independence Hall and occupies land in an area called "the most historic square mile in America."

The "package policy," which was conceived by Harlan executive vp Jay Lavenson, is written as one policy to the condominium council, covering the building as a whole.

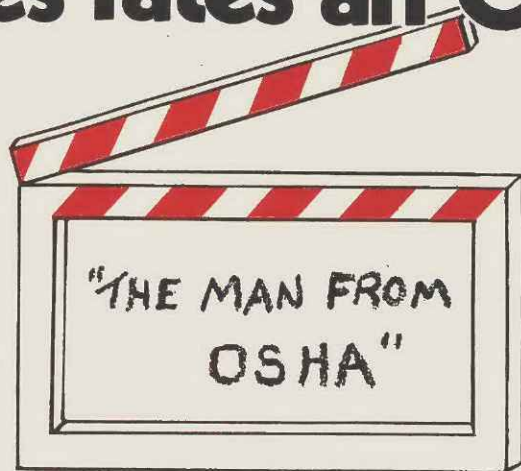
As Mr. Lavenson explains it, "The policy, which includes physical damage perils and liability, covers each person's interests according to his share in the building. The lower rate is passed on to all owners of the building who also benefit from the broader coverage."

Washington East Condominium will include two 22-story apartment towers, 330 double townhouses, an 800-car two-level underground parking garage and a three-story country club. Construction of the parking lot began a year ago and the first of the towers is scheduled for completion in June, 1973. ■

BOAC security costs

British Overseas Airways Corp., the U. K. state-owned airline, estimates that increased security against hijacking on its major international routes will cost it \$2.5 million a year. Profits will be severely hit by this new expenditure, which has been affecting the airline since 1970. The airline has already turned in a loss for 1972, the first time in the past eight years.

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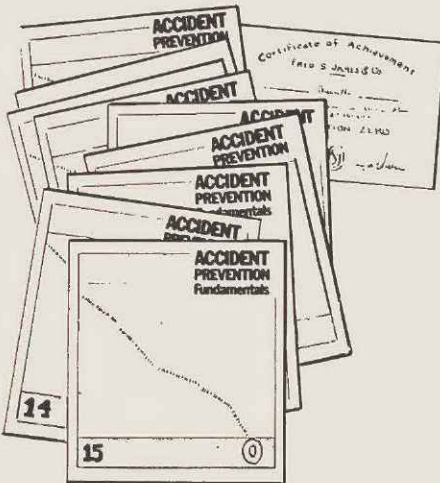


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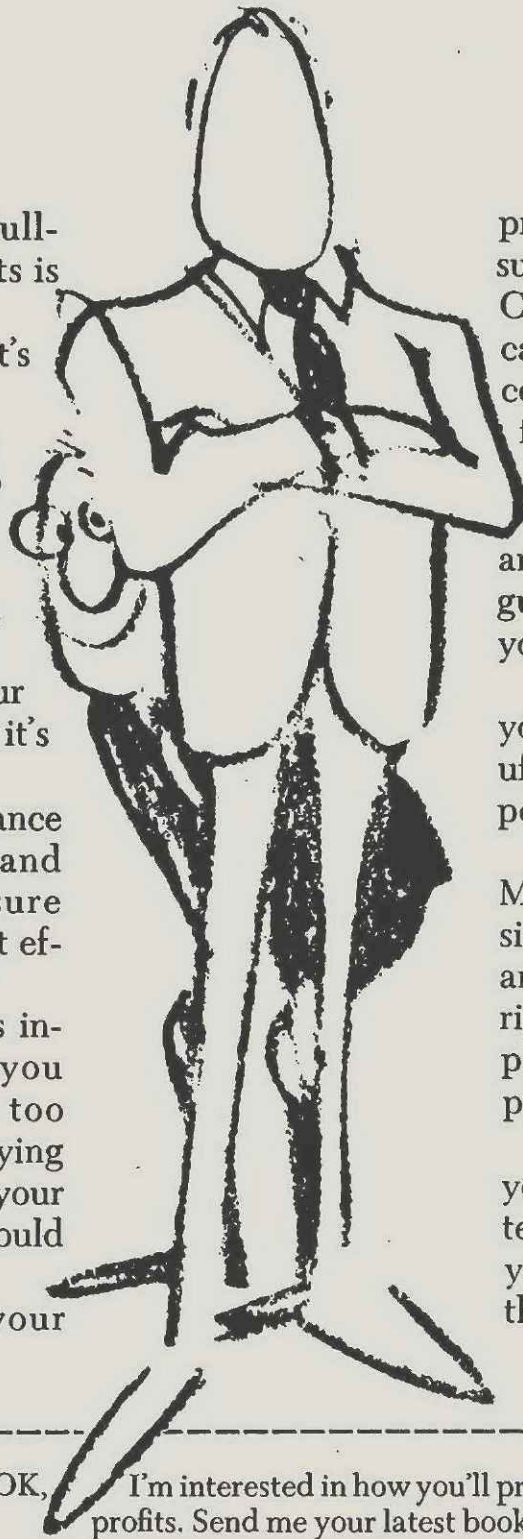
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Pensions & Investments

Top 50 funds had \$37.6 billion in assets at end of '71

This special emphasis issue of *Business Insurance* presents profiles of the nation's top 50 employe benefit and/or pension fund plans. On Dec. 31, 1971, the top 50 had assets totaling \$37.6 billion, or about 25% of the estimated \$150 billion that makes up the largest—and, indeed, fastest growing—pool of private capital in the United States and, yes, perhaps even the world.

Today, there is more pressure than ever for these funds to perform and provide benefits that employes and many legislators no longer consider a gift from the employer but an obligation. Those subjects are also dealt with in the section.

Data for the fund profiles that begin below was compiled by the editors of *Business Insurance* from information filed under the Welfare and Pension Plan Disclosure Act with the Office of Labor-Management and Welfare-Pension Reports, U.S. Department of Labor, Washington, D.C.

Index to fund reports

Company	Rank	Assets (millions)	Page
American Telephone & Telegraph	32	\$ 426	27
Atlantic Richfield Co.	30	453	27
Bell Telephone of Pennsylvania	36	381	27
Bethlehem Steel Co.	21	581	32
The Boeing Co.	31	439	32
Canadian Pacific Railway Co.	20	593	32
Chrysler Corp.-U.A.W.	26	475	32
Commonwealth Edison Co.	44	305	32
Dow Chemical Co.	49	293	32
du Pont & Co.	6	1,677	33
Eastman Kodak Co.	48	296	33
Firestone Tire & Rubber Co.	35	381	33
Ford Motor Co.			
General Retirement Plan	11	951	34
Savings and Stock Plan	25	486	34
Ford U.A.W. Plan	12	895	34
Garment Workers (ILGWU)	43	310	34
General Electric Co.			
Pension Plan	3	2,081	34
Savings-Security Program	19	605	35
General Motors Corp.			
Hourly-Rate Employes Pension Plan	4	1,955	35
Salaried Retirement Plan	8	1,209	35
Savings-Stock Plan	9	1,031	35
GTE Service Corp.	42	317	35
Gulf Oil Co.	40	344	36
IBM Corp.	13	842	36
Illinois Bell Telephone Co.	28	465	36
Inland Steel Co.	46	298	36
International Paper Co.	50	271	36
Lockheed Aircraft Corp.	33	411	36
Michigan Bell Telephone Co.	47	297	40
Mobil Oil Corp.	39	347	40
New England Telephone and Telegraph Co.	34	406	40
New Jersey Bell Telephone Co.	45	303	40
New York Telephone Co.	10	971	41
North American Rockwell Corp.	24	563	41
Pacific Telephone & Telegraph Corp.	14	838	41
Republic Steel Corp.	41	337	41
RCA Corp.	27	469	41
Sears, Roebuck & Co.	1	3,845	41
Shell Oil Co.			
Pension Plan	22	575	41
Provident Fund	17	638	42
Southern Bell Telephone & Telegraph Corp.	38	350	42
South Central Bell Telephone Co.	37	356	42
Southwestern Bell Telephone Co.	18	625	42
Standard Oil Co. (California)	29	462	42
Standard Oil Co. (Indiana)	23	563	43
Standard Oil Co. (New Jersey)	7	1,368	43
Teamsters (Central States)	15	807	43
U.S. Steel Corp.	2	2,192	43
Western Electric Co.	5	1,756	43
Westinghouse Electric Corp.	16	763	43

American Telephone & Telegraph Co.

	1971	1970
Asset value	\$425,519,000	\$389,864,000
Contributions	49,458,000*	42,500,000
Invest. income	15,178,000	13,300,000
*Employer pays all		

The American Telephone & Telegraph Co. Plan for Employees' Pensions, Disability Benefits and Death Benefits, New York, was the 32nd largest in the country at year-end 1971. Asset value of the fund rose 9.1%, while company contributions increased 16%.

The plan covered 46,799 employes last year, with 6,414 of these retired employes. Benefits shared by participants reached \$24.3 million.

The unfunded portion of the AT&T plan provided for certain death, accident and retirement disability benefits. Payments by the company but unfunded last year reached \$3.3 million.

Aetna Casualty and Surety Co. writes the \$500,000 primary fidelity bond. The Home Insurance Syndicate underwrote an excess policy with limits up to \$20 million.

INVESTMENTS	1971	1970
Gov't securities	\$ 1,755,000	\$ 1,241,000
Other bonds	178,419,000	184,167,000
Preferred stock	1,064,000	000
Common stock	205,832,000	158,178,000
Mortgages	10,138,000	10,412,000

Atlantic Richfield Co.

	1971†	1970
Asset value	\$452,742,000	\$332,768,000
Contributions	19,771,000*	18,100,000
Invest. income	15,821,000	15,200,000
†For fiscal year ending 6/30/71		
*Includes \$4,261,000 in employe contributions		

The Atlantic Richfield Co. retirement plan, Philadelphia, was the nation's 30th largest last year. Asset value increased a whopping 36% as a result of a merger with the Sinclair Oil pension plan on July 1, 1970. Contributions to the fund increased 9% during the year.

A total of 30,714 persons are covered by the fund. Employed or carried as active employes number 21,580, while 9,134 are retired and drawing benefits. The fund paid \$2.5 million in benefits during the fiscal year.

A pension and death benefit plan, it is a combined insured and self-insured program. All employes are eligible. Pacific Mutual Life Insurance Co. underwrites the insured portion of the plan, which covers 3,439 Atlantic Richfield employes.

The company reported that it spent \$64,090 on commissions and fees related to the management of the fund.

Federal Insurance Co. is the plan's fidelity underwriter. The policy limits are \$5 million.

INVESTMENTS	1971	1970
Gov't securities	\$ 1,596,000	\$ 6,013,000
Other bonds	98,368,000	114,814,000
Preferred stock	3,185,000	4,870,000
Common stock	334,886,000	197,566,000
Mortgages	000	000

Bell Telephone Co. of Pa.

	1971	1970
Asset value	\$380,624,000	\$342,389,000
Contributions	38,757,000*	34,100,000
Invest. income	12,860,000	11,200,000
*Employer pays all		

The Bell Telephone Co. of Pennsylvania Plan for Employees' Pensions, Disability Benefits and Death Benefits, Philadelphia, was the 36th largest last year. Asset value rose 11.2%, while contributions to the fund increased 13.6%.

The plan covered 41,918 persons last year, with 6,422 of those being retirees drawing benefits. The total benefits paid by the company last year was \$19.2 million.

Bell of Pennsylvania reported that \$4.8 million in benefits was unfunded. Included were certain death, accidental death and dismemberment and disability retirement benefits.

Aetna Casualty and Surety

writes a \$5 million primary fidelity bond on the funds; an excess policy up to \$20 million is written by the Home Insurance Syndicate.

INVESTMENTS	1971	1970
Gov't securities	\$ 1,966,000	\$ 2,342,000
Other Bonds	172,078,000	179,101,000
Preferred stock	747,000	633,000
Common stock	148,181,000	99,932,000
Mortgages	16,937,000	16,809,000

Continued on page 32

Is an employee expecting a Pension or Profit-Sharing Plan distribution? He may also get a big tax headache.

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Pensions & Investments

Committee chops Williams-Javits; status still unsure

By JOHN REVETT
Washington Editor

WASHINGTON—The pension reform picture in Congress is something like one of those "War and Peace" scenes in which forces are spread out over hill and dale, some resting, some fighting, some just watching and waiting.

In the middle of all this, at present, is a battle over the Williams-Javits pension reform bill, which in two weeks has gone from a reported sure thing to the center of a bitter controversy touched off by deletion—temporary at least—of four out of five of its major provisions.

The stripping of the Williams-Javits legislation, which had been reported out to the Senate floor unanimously by the Senate labor committee, took place in the Senate finance committee. Opponents of the bill, who had bemoaned what they felt was

nearly complete support for the measure in the Senate, began to brighten a bit at the first sign of a break for their side. It came when Sen. Russell Long (D.-La.) asked for, and got, "unanimous consent" (no vote; merely lack of an objection) from the Senate to have the bill referred to his finance committee for one week.

LABOR committee sources said Sen. Harrison A. Williams (D.-N.J.), chief sponsor of the bill with Sen. Jacob A. Javits (R.-N.Y.) and committee chairman, turned over the bill "in keeping with Senate procedure" in matters where one committee feels it may have some jurisdiction over all or part of a measure.

In the case of the finance committee, a majority of its members had been waiting for the appropriate moment to move in on what they felt were Williams-Javits tax-related provisions that were not within the labor com-

mittee's realm. The provisions removed, reportedly over the objections of Sen. Abraham Ribicoff (D.-Ct.) and possibly three other finance committee members (the action was taken behind closed doors by a voice vote that has not been released) were as follows:

- Vesting—starting at 30% after eight years on the job, increasing to 100% after 15 years.
- Funding—requiring pension plan managers to accumulate assets at a rate enabling them to meet liabilities in full after 30 years.
- Reinsurance—providing federal coverage of plan failures.
- Voluntary portability—permitting employees to take pension credits from one job to another provided employers are participants in a central fund administered by the labor department.

The main provisions remaining in the Williams-Javits bill are its requirements on uniform fiduciary standards and fuller disclosure of rights and obligations of plan participants under a section that amends the 1959 Welfare and Pension Plans Disclosure Act.

"WE'RE going to fight this with amendments putting those provisions back in when the bill reaches the floor," a labor committee attorney said. He described the finance committee action "a power play that won't work because we have the support in the full Senate." Another labor staff member said the bill may still go to the floor as reported by the labor committee, meaning opponents would have to introduce amendments.

Finance committee sources feel their version of the reform bill will hold up, if, indeed, the matter reaches the Senate floor at all this year. (If the controversy and uncertainty about House action causes the Democratic leadership to leave the bill off a list of measures to be acted on before adjournment for the election, it would have to be reintroduced in January.)

In the event of a vote in the Senate this year, finance committee attorneys hope to provide an "out" for senators who they say, "are not all that favorable to the Williams-Javits bill but wouldn't want to vote outright against pension reform in an election year. They might find it less difficult to vote against amendments by the Williams-Javits people. This has been done before and it's worked."

LOOKING on with interest are a variety of groups and coalitions ranging from backers of the Nixon administration's tax-deduction-based reform plan (some of whom have been in and out of the Williams-Javits fray) to liberal Democrats who want total reform along the lines of Ralph Nader's power-to-the-employees approach. In between are senators, congressmen, staff members and lobbyists who would prefer to see a bit of this and a bit of that—no overthrow of the present system but enough improvement to insure pensions for people who have worked for a living.

Not all of the Senate finance committee opposition to the Williams-Javits bill, for instance, is opposition to reform. A number of committee members are said to feel that the bill's voluntary portability provision gives employees short shrift by leaving the question of rights when one changes jobs up to the employer, who can either participate in portability or not.

They are also understood to favor a 40 or 50 year funding requirement for accumulation of

Continued on page 50

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Senate study hits unfunded liability problem

WASHINGTON—A study by the Senate subcommittee on labor says pension plans of many companies which fail are usually badly set up, are almost always underfunded and create hardships for the workers involved.

The study, released jointly by Sens. Harrison Williams Jr. (D.-N.J.) and Jacob Javits (R.-N.Y.), was the result of subcommittee hearings in St. Louis, Minneapolis, Newark, Philadelphia and Cleveland. These hearings heard reports on 11 terminated pension plans which involved 22,580 working persons, and were supplemented by studies of 115 other pension plan failures, conducted by staff aides, which covered about 200,000 employees.

One of the study's findings was that many of the pension plans which terminated were underfunded at the time of plant closings or mergers "causing one or more of the classes of employee participants to lose part or all of the benefits promised and due them. In certain cases, even retired employees who had been receiving pensions were cut off from future benefits."

As an example of this problem, the study said, "When the Gar Wood Division of Sargent Industries pension plan for hourly employees terminated in 1971, the fund assets were \$267,000 as opposed to unfunded vested liabilities of \$1,030,000. This meant that the 112 retirees at time of closing had their benefits reduced by 62% while there were no remaining funds to purchase annuities for the 75 vested participants, who lost everything."

REGARDING what it termed communication problems, the study pointed out, "Along with the desperation the employees felt as they faced their financially uncertain future went a feeling that the company had betrayed them. Because there are inadequate laws and regulations requiring employers to give full details of pension plans to employees, it was predictably found that employees did not know very much about their pension plan.

"Most employees generally knew what they could expect when they retired," the study continued, "but there was very little understanding of the concept of vesting and total ignorance of the fact that the pension plan was not required to be funded to meet its obligations. Although almost all pension plans provided specific provisions in the pension plan itself relating to termination, the simplified pension plan booklets provided to the employees invariably ignored this contingency."

The average age of pension plan participants at the time of termination was usually high, according to the study, making the prospects for employment elsewhere rather dim, not to mention the virtual impossibility of qualifying for a pension with another employer.

"Ironically," the study noted, "plan terminations usually hit hardest at employees from 50 to 60, a difficult age; they are too old to find other jobs and too young to qualify for Social Security. As one (P. Ballantine & Sons, Newark) worker put it, he would be able to exist on his savings for one more year and then he would have to apply to the 'four winds—the city, the county, the state or the federal government.'"

MOST OF THE terminations took place immediately after merger or acquisition by another

company, usually a conglomerate. Other terminations took place among businesses that had been hurt by foreign imports and/or cuts in government spending. Many plans were terminated following large benefit increases with the employers claiming that

the increases were the cause of the unfunded liabilities.

The report also offered answers to the pension dilemma.

"In each of the cases involved directly in the subcommittee's series of field hearings, it was concluded by the subcommittee

that the major problem of insufficient funding at the time of plan termination can best be countered by a combination of a mandated funding period (i.e., a specific period of time in which a pension plan is required to amortize its past service liability) and

a program of insurance for vested pension plan obligations. In this way a plan which terminates before it has reached full funding can still pay off its obligations to its retirees and vested workers" the study stressed.

Continued on page 45

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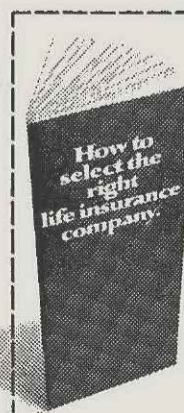
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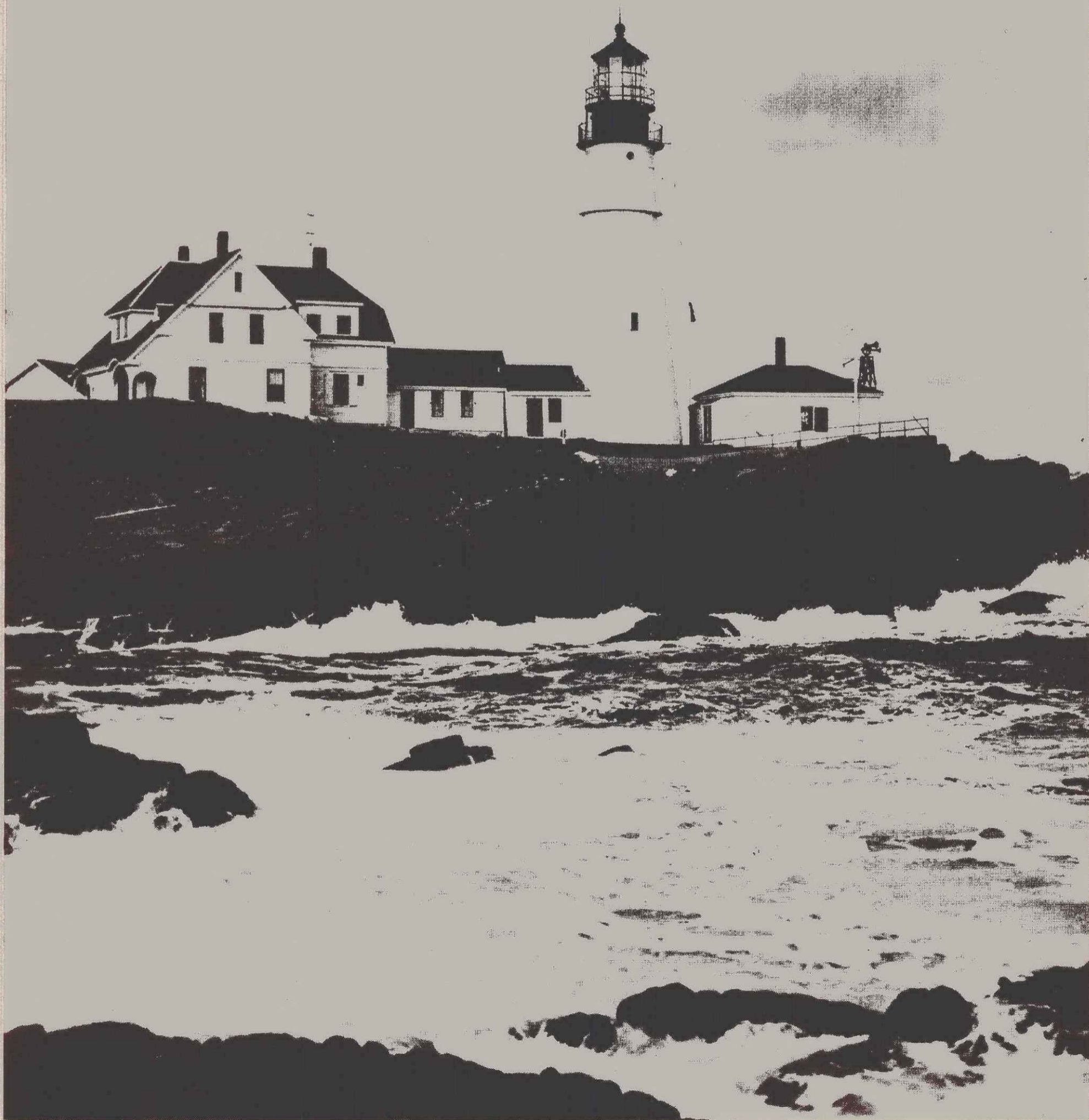
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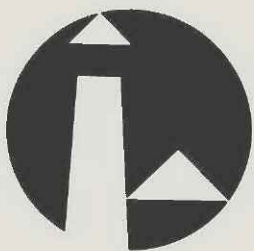
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Unionmutual

Pensions & Investments

Continued from page 27

Bethlehem Steel Corp.

	1971	1970
Asset value	\$581,195,000	\$562,472,000
Contributions	56,438,000*	40,900,000
Invest. income	20,814,000	19,900,000
*Employer pays all		

The Bethlehem Steel Corp. and Subsidiaries' Pension Plan, Bethlehem, Pa., was the nation's 21st largest at the end of 1971. Asset value of the fund increased 3.3% during the year. Employer contributions jumped 38%, while the total amount paid to Bethlehem retirees rose to \$67.5 million.

The number of participants covered under the plan at year

end was 154,000. Of this figure 123,000 are currently employed. The balance, 31,000 employees and vested former employees, drew benefits from the plan.

The Bethlehem plan covers all employees in the company and provides benefits for both retirement and disability. It is self-insured through a separately maintained fund.

Bethlehem's fidelity bond is written by Seaboard Surety Co. Maximum limits are \$500,000.

INVESTMENTS	1971	1970
Gov't securities	\$ 17,817,000	\$ 20,260,000
Other bonds	119,381,000	106,362,000
Preferred stock	17,356,000	17,025,000
Common stock	364,598,000	333,752,000
Mortgages	000	000

The Boeing Co.

	1971	1970
Asset value	\$439,495,000	\$408,010,000
Contributions	43,209,000*	34,300,000
Invest. income	12,623,000	12,500,000
*Employer pays all		

The Boeing Co. Employee Retirement Plan was the nation's 31st largest last year. Asset value of the fund rose 7.7%, and contributions increased 25.1%.

The plan is a separately maintained, self-insured fund providing benefits for retirement for age or service, as well as certain death benefits. About 69,400 employees participated last year, while 9,319 retirees drew benefits. Boeing paid \$7.1 million in benefits last year.

Lumberman's Mutual Casualty Co. wrote a \$1 million fidelity bond on the fund.

INVESTMENTS	1971	1970
Gov't securities	\$ 693,000	\$ 944,000
Other bonds	77,229,000	96,703,000
Preferred stock	5,854,000	5,456,000
Common stock	333,040,000	260,083,000
Mortgages	11,250,000	11,709,000

Canadian Pacific Railway Co.¹

	1971	1970
Asset value	\$593,036,000	\$565,395,000
Contributions	42,217,000*	13,100,000
Invest. income	29,726,000	27,800,000
*Includes \$13,129,000 in employee contributions.		

The Canadian Pacific Railway Co.'s Canadian Pacific Ltd. Pension Plan, Montreal, was the 20th largest pension fund reporting to the U.S. government at the end of last year. Asset value jumped 4.1% during the year, while contributions by employers and employees went up 222%.

The Canadian Pacific plan covered 64,229 employees last year. Of that amount, 22,229 were retirees drawing benefits. Benefits paid by the plan last year totaled \$38.4 million.

Self-insured, the plan covers all employees for retirement for age or service and for disability retirement. Amendments were made during the year.

Canadian Surety Co. writes a \$1 million fidelity bond on the plan's administrators.

INVESTMENTS	1971	1970
Gov't securities	\$317,077,000*	\$174,658,000
Other bonds	62,909,000	52,220,000
Preferred stock	9,285,000	9,607,000
Common stock	189,615,000	165,051,000
Mortgages	4,917,000	1,543,000

*Provincial and municipal securities
1. The Canadian Pacific Railway Co. files under the Welfare and Pension Plans Disclosure Act because it has employee-participants in its plan living in this country, primarily in the Great Lakes area.

Chrysler Corp.—U.A.W.

	1971	1970
Asset value	\$475,442,000	\$435,318,000
Contributions	83,784,000*	64,500,000
Invest. income	17,053,000	**
*Employer pays all		
**Not available		

The Chrysler Corp.—United Auto Workers Pension Plan, Detroit, was the nation's 26th largest at the end of 1971. Asset value of the fund increased 9.2% during the year, while contributions rose 29.1%. Chrysler's UAW pension beneficiaries received \$62.1 million last year.

At year end, 151,062 employees were covered under the plan. Active employees numbered 124,609; the remainder, 26,453 people, were retired employees receiving benefits.

Self-insured, the plan covers hourly and some salaried employees and provides benefits for disability retirement as well as normal pension benefits. The company reported that amendments were made to the plan last year.

Fidelity losses of the plan are insured by Federal Insurance Co., which writes a policy with limits of \$2 million.

INVESTMENTS	1971	1970
Gov't securities	\$ 4,031,000	\$ 4,684,000
Other bonds	129,881,000	150,342,000
Preferred stock	5,699,000	5,820,000
Common stock	295,970,000	244,579,000
Mortgages	15,768,000	14,277,000

Commonwealth Edison Co.

	1971	1970
Asset value	\$304,644,000	\$266,645,000
Contributions	19,472,000*	18,700,000
Invest. income	11,098,000	10,400,000
*Employer pays all		

The Commonwealth Edison Co. Service Annuity System, Chicago, was the 44th largest in the country at the end of last year. Asset value of the fund increased by 14.2% while contributions by the employer went up 4.1%.

The plan provides retirement benefits for age or service, with 19,330 employees participating last year. Included were 5,082 retirees. Total benefits paid by Commonwealth Edison—reached \$14.5 million last year. The plan covers all employees of the company.

Seaboard Surety Co. is the fidelity bond underwriter. The policy limit is \$2.5 million.

INVESTMENTS	1971	1970
Gov't securities	\$ 14,676,000	\$ 17,831,000
Other bonds	121,929,000	121,088,000
Preferred stock	000	000
Common stock	154,919,000	115,729,000
Mortgages	819,000	850,000

Dow Chemical Co.

	1971	1970
Asset value	\$293,150,000	\$262,034,000
Contributions	16,316,000*	14,762,000
Invest. income	11,476,000	**
*Employer pays all		
**Not available		

The Dow Chemical Co. Employees' Retirement Plan, Midland, Mi., was the 49th largest in the country last year. Asset values increased 11.1%, while contributions by Dow jumped 10.5%.

A total of 36,862 employees or former employees participated in the plan. Benefits to 3,963 retirees reached \$8.1 million at the end of the year.

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Fidelity losses are insured by Indemnity Insurance Co. of North America and by Lloyd's of London. Both policies are for \$250,000.

INVESTMENTS	1971	1970
Gov't securities .. \$	410,000	1,410,000
Other bonds	39,332,000	41,594,000
Preferred stock ..	1,857,000	3,544,000
Common stock ..	168,432,000	130,890,000
Mortgages	6,219,000	12,941,000

E. I. du Pont & Co.

	1971	1970
Asset value .. \$	1,676,545,000	1,565,795,000
Contributions ..	95,486,000*	94,700,000
Invest. income ..	70,841,000	69,800,000

The E. I. du Pont de Nemours & Co. Pension and Retirement Plan, Wilmington, De., was the nation's sixth largest private pension plan at the end of 1971. The fund's asset value increased 7% during the year, while employer contributions rose 1%. Benefits paid to du Pont retirees and their beneficiaries jumped to an all-time high of \$59.7 million.

The plan covered 121,417 persons at year end 1971. Of these 100,279 were active employees or vested terminees. The balance, 21,138, were retired employees receiving benefits or were survivors to the fund.

Self-insured, the du Pont fund covers all employees of the company for pension and retirement disability benefits. Certain amendments to the plan were made during the year, du Pont reported.

Liberty Mutual Insurance Co. wrote a \$1 million fidelity bond on the fund administrators for losses through fraud or dishonesty.

INVESTMENTS	1971	1970
Gov't securities .. \$	30,132,000	30,132,000
Other bonds	763,954,000	713,113,000
Preferred stock ..	000	000
Common stock ..	882,218,000	822,269,000
Mortgages	000	000

Eastman Kodak Co.

	1971	1970
Asset value	\$296,369,000	\$237,378,000
Contributions ..	46,652,000*	24,700,000
Invest. income ..	7,752,000	6,700,000

The Eastman Kodak Co. Group Annuity, Rochester, N.Y., was the nation's 48th largest last year. Asset value increased 24.1% during the year, while contributions by Kodak went up 8.8%.

The plan, providing insured death, medical, retirement for age or service and disability retirement benefits, had 76,155 participants last year. Retirees collecting benefits from the company numbered 9,355.

INVESTMENTS	1971	1970
Gov't securities .. \$	149,000	2,351,000
Other bonds	25,126,000	6,873,000
Preferred stock ..	3,194,000	5,117,000
Common stock ..	253,662,000	209,510,000
Mortgages	000	000

Firestone Tire & Rubber Co.

	1971	1970
Asset value	\$381,422,000	\$338,301,000
Contributions ..	38,945,000*	34,900,000
Invest. income ..	15,155,000	12,900,000

The Firestone Tire & Rubber Co. Retirement Program, Akron, Oh., was the 35th largest last year based on fiscal year figures the company reported as of Oct. 31, 1971. Asset value of the fund increased 12.7% during the year

while contributions rose by 11.5%.

A total of 67,117 employees participated in the plan; 10,048 of them drew benefits last year. Total benefits paid during the year reached \$18.3 million.

Covering all employees, the plan is a combination of insured and self-insured programs. The Prudential Insurance Co. of America writes the insured portion covering 1,108 active employees and 1,817 retired employees. Firestone paid Prudential \$148,446 for this part of the plan last year.

Fidelity and Casualty Co. of N.Y. writes a \$100,000 fidelity policy on the fund.

INVESTMENTS	1971	1970
Gov't securities .. \$	3,395,000	3,291,000
Other bonds	160,476,000	113,595,000
Preferred stock ..	4,091,000	5,349,000
Common stock ..	205,991,000	209,593,000
Mortgages	000	000

Continued on page 34

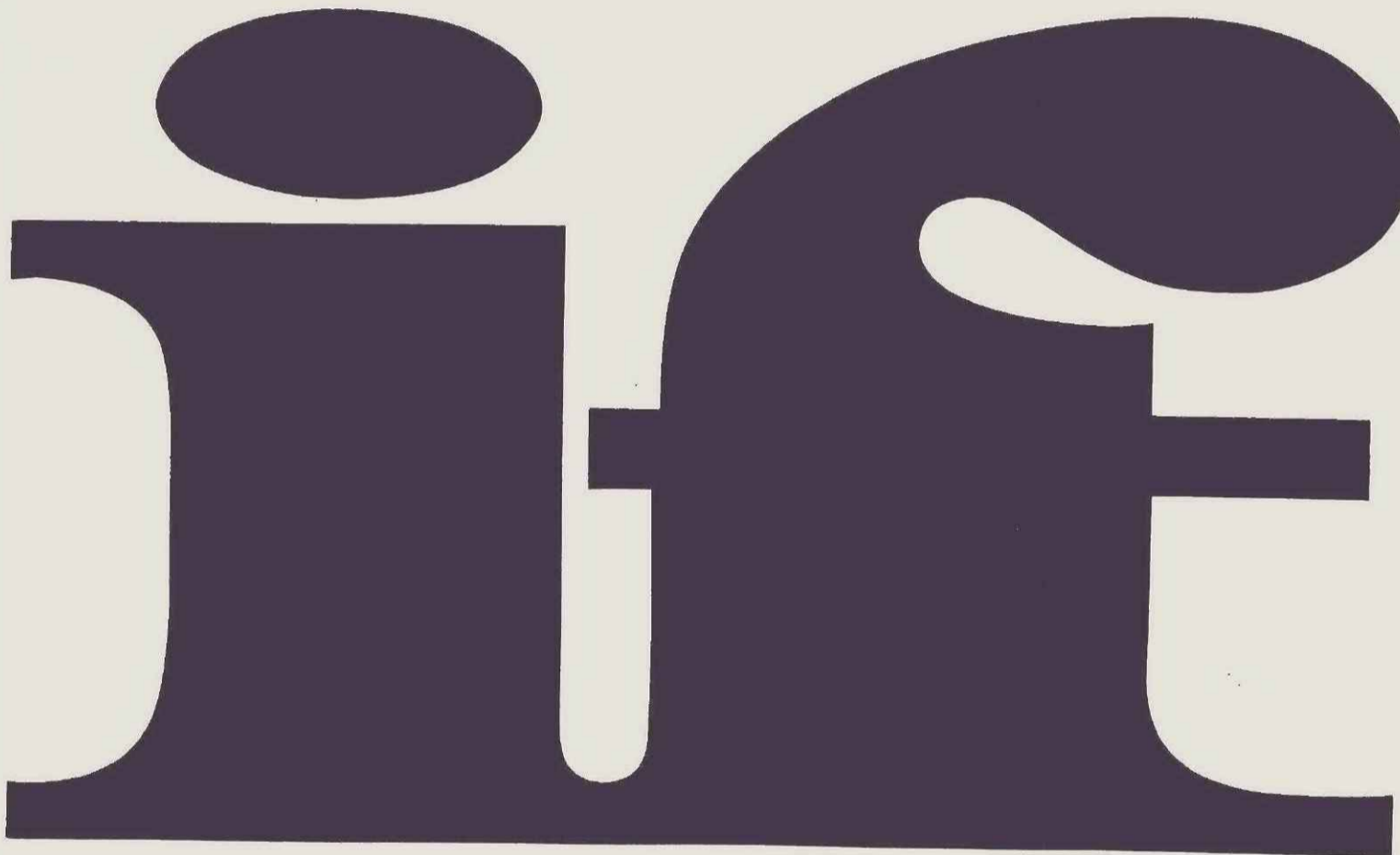
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Pensions & Investments

Continued from page 33

Ford Motor Co.

General Retirement Plan

	1971	1970
Asset value	\$951,000,000	\$801,000,000
Contributions	89,409,000*	50,200,000
Invest. income	37,862,000	36,300,000

*Includes 14,009,000 in employe contributions

The Ford Motor Co. General Retirement Plan for Salaried and Hourly Employees Not Covered by Other Plans (U.A.W. plan), Dearborn, Mi., was the nation's 11th largest at year end 1971. Asset value of the fund increased 1%, while contributions went up 78%.

The plan, which provides retirement benefits for age or service as well as disability retirement benefits, had 79,900 participants last year. Included were 9,900 retirees. Benefits paid by the fund last year totaled \$38,865,000.

The fund's fidelity bond totals \$51 million. Aetna Casualty & Surety writes the primary policy for \$1 million. Lloyd's has a \$20 million layer, and the Continental of New York Group and Insurance Co. of North America have the remaining \$30 million.

INVESTMENTS	1971	1970
Gov't securities	\$ 4,315,000	\$ 4,315,000
Other bonds	175,500,000	175,500,000
Preferred stock	9,987,000	10,081,000
Common stock	557,683,000	450,564,000
Mortgages	31,148,000	42,209,000

**Not available

Savings-Stock Plan

	1971	1970
Asset value	\$485,978,000	\$438,621,000
Contributions	97,170,000*	..
Invest. income	24,071,000	..

*Includes \$68,129,000 in employe contributions
**Not available

The Ford Motor Co. Savings and Stock Investment Plan for Salaried Employees, Dearborn, Mi., was the nation's 25th largest in 1971. Asset value of the fund jumped 10.1% during the year.

The plan had a total number of 54,087 active participants in 1971. The cash distribution to withdrawing members totaled \$1.1 million.

The plan's fidelity bond is for \$51 million, with Aetna Casualty and Surety insuring \$1 million; Lloyd's has \$20 million and the Continental of New York Group and Insurance Co. of North America complete the coverage with a \$30 million layer.

INVESTMENTS	1971	1970
Gov't securities	\$ 6,509,000	\$ 7,026,000
Other bonds	000	000
Preferred stock	000	000
Common stock	439,650,000	409,848,000
Mortgages	000	000

U. A. W. Plan

	1971	1970
Asset value	\$895,299,000	\$804,685,000
Contributions	115,997,000*	72,200,000
Invest. income	32,894,000	32,700,000

*Employer pays all

The Ford Motor Co.-United Auto Workers Retirement Plan, Dearborn, Mi., was the nation's 12th largest in 1971. Asset value of the fund jumped 11.25%, while contributions by Ford increased 61%.

The plan, self-insured under a separately maintained trust, had 210,113 participants last year. Benefits provided are for retirement for age or service or disability retirement. Retirees num-

bered 32,865 last year.

The fund paid benefits totaling \$73 million in 1971.

Ford also reported that it spent \$647,784 on fees and commissions during the year.

INVESTMENTS	1971	1970
Gov't securities	\$ 1,000,000	\$ 2,419,000
Other bonds	60,528,000	85,085,000
Preferred stock	10,099,000	8,396,000
Common stock	645,897,000	449,358,000
Mortgages	23,134,000	84,132,000

Garment Workers Union

	1971	1970
Asset value	\$310,060,000	\$301,140,000
Contributions	48,123,000*	44,300,000
Invest. income	16,033,000	15,200,000

*Employers pay all

The International Ladies Garment Workers National Retirement Fund, New York, was the nation's 43rd largest at the end of last year. Asset value of the fund jumped 2.1% during the year,

while contributions by employers of union members increased 8.1%.

The plan covered 460,398 union members last year. Of these 59,398 shared in benefits of \$52.8 million. Active employees still participating in the plan number 401,000.

The plan, self-insured, covers garment workers for death benefits, retirement for age or service and retirement for disability.

The union trustees of the plan reported that \$1.8 million was spent on fees and commissions relative to the administration of the plan last year.

Aetna Casualty & Surety Co. writes a \$1 million fidelity policy on the plan.

INVESTMENTS	1971	1970
Gov't securities	\$ 49,877,000	\$ 51,134,000
Other bonds	193,939,000	178,504,000
Preferred stock	000	10,375,000
Common stock	000	000
Mortgages	53,200,000	56,295,000

General Electric Co.

Pension Plan

	1971	1970
Asset value	\$2,081,396,000	\$1,892,377,000
Contributions	67,206,000*	47,157,000
Invest. income	91,156,000	87,000,000

*Includes employe contributions of \$6,243,000

The General Electric Co. Pension Plan, New York, was the nation's third largest at year end 1971. Assets jumped 10% during the year, while contributions rose 42.5%.

GE's plan covers a total of 345,388 employees. Last year 44,751 retired workers drew benefits of \$98.3 million.

Benefits for retirement for age or service and disability retirement are self-insured by GE. The company did make amendments to the plan during the year reported.

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INVESTMENTS	1971	1970
Gov't securities \$	000 \$	000
Other bonds	392,780,000	396,788,000
Preferred stock	22,790,000	13,614,000
Common stock	1,075,033,000	931,345,000
Mortgages	171,815,000	162,905,000

Savings-Security Pgm.

	1971	1970
Asset value	\$604,964,000	\$562,151,000
Contributions	**	**
Invest. income	7,065,000	**

**Not available

The General Electric Savings & Security Program, New York, was the 19th largest at the end of last year. Asset value of the fund increased 7.6%.

The plan had 224,741 participants last year, including 84,352 retired employees drawing benefits. Benefits paid last year totaled \$9.3 million.

Federal Insurance Co. writes a \$500,000 fidelity bond on the plan.

Of the total \$605 million asset value, \$170 million was invested last year in the General Electric S&S Program Mutual Fund.

INVESTMENTS	1971	1970
Gov't securities	\$181,378,000	\$169,057,000
Other bonds	6,997,000	5,085,000
Preferred stock	000	000
Common stock	237,203,000	236,276,000
Mortgages	000	000

General Motors Corp.

Hourly Employees

	1971	1970
Asset value	\$1,955,211,000	\$1,679,285,000
Contributions	368,956,000*	193,800,000
Invest. income	85,064,000	77,200,000

*Employer pays all

The General Motors Hourly-Rate Employees Pension Plan, Detroit, was the nation's fourth largest at the end of 1971. The plan's asset value increased 16.4% during the year, while contributions by GM rose 90.2%.

The plan, which provides for age, service, or disability retirement as well as survivor's benefits, had 536,000 members last year. About 80,000 of these were retired employees drawing benefits. GM paid \$182 million in benefits last year.

The Fidelity and Casualty Co. of New York and Lloyd's write a fidelity bond on the plan with coverage in excess of \$500,000.

INVESTMENTS	1971	1970
Gov't securities	\$24,365,000	\$11,593,000
Other bonds	19,787,000	419,627,000
Preferred stock	26,705,000	36,033,000
Common stock	957,051,000	825,771,000
Mortgages	71,565,000	120,643,000

Salaried Employees

	1971	1970
Asset value	\$1,208,643,000	\$1,041,687,000
Contributions	205,640,000*	**
Invest. income	53,460,000	48,800,000

*Includes \$44,113,000 in employee contributions
**Not available

The General Motors Corp. Retirement Program for Salaried Employees, Detroit, was the na-

tion's eighth largest plan at the end of last year. Asset value of the plan jumped 16%.

The General Motors plan includes retirement benefits for age, service or disability, as well as supplemental benefits such as death and survivor benefits. Certain portions are insured and others are self-insured under a separately maintained trust.

Last year 170,000 employees participated under the trustee portion of the plan with 25,000 of these drawing benefits. The insured portion of the plan covered 127,000 employees, with 23,000 retired employees receiving benefits. Total benefits paid by GM under the trustee plan were \$67.3 million.

The Fidelity and Casualty Co. of New York writes GM's primary fidelity bond of \$500,000. An excess policy is with underwriters at Lloyd's of London.

INVESTMENTS	1971	1970
Gov't securities	\$9,732,000	\$4,147,000
Other bonds	292,765,000	253,523,000
Preferred stock	15,200,000	22,622,000
Common stock	602,493,000	523,318,000
Mortgages	48,180,000	79,364,000

Savings-Stock Plan

	1971	1970
Asset value	\$1,031,000,000	\$954,000,000
Contributions	195,000,000*	**
Invest. income	33,050,000	**

*Includes \$137,481,000 in employee contributions
**Not available

The General Motors Corp. Savings and Stock Purchase Plan for Salaried Employees in the U.S., Detroit, was the 9th largest last year. Asset value of the fund increased 8% during the year.

The plan had 120,000 participants last year.

INVESTMENTS	1971	1970
Gov't securities \$	000	000
Other bonds	000	000
Preferred stock	000	000
Common stock	725,577,000	670,162,000
Mortgages	000	000

GTE Service Corp.

	1971	1970
Asset value	\$317,000,000	\$268,000,000
Contributions	37,516,000*	38,300,000
Invest. income	53,383,000	25,800,000

*Includes \$106,198 in employee contributions

The GTE Service Corp. Plan for Employees' Pensions, New York, was the 42nd largest at the end of 1971. Asset value of the fund increased 15.5%, while contributions declined 2%.

The plan, which includes insured, self-insured and unfunded benefits, had 78,434 participants last year. Retirees drawing benefits numbered 3,883. Retirement benefits for age, service or disability paid out by the company last year totaled \$4 million. Unfunded benefits paid by GTE amounted to \$126,081.

The insured portion of the company's pension plan is co-insured by The Equitable Life Assurance Society of the U.S. and Prudential Insurance Co. of America. Equitable is the administering carrier. Active employees covered under the plan last year totaled 1,715. Retirees drawing insured pension benefits numbered 1,864.

Lumbermen's Mutual Casualty Co. writes GTE's fidelity bond for \$2 million.

Continued on page 36

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Pensions & Investments

Continued from page 35

INVESTMENTS	1971	1970
Gov't securities ..\$	000	000
Other bonds	22,224,000	16,084,000
Preferred stock ..	5,789,000	6,158,000
Common stock	120,758,000	99,849,000
Mortgages	1,190,000	1,466,000

Gulf Oil Co.

	1971	1970
Asset value	\$344,424,000	\$348,736,000
Contributions	26,549,000*	25,439,000
Invest. income	14,135,000	**

*Employer pays all
**Not available

The Annuities & Benefits Plan of Gulf Oil Corp. and Participating Subsidiaries, Pittsburgh, was the 40th largest in the country at the end of last year. Asset value of the plan decreased 1.2% during the year while contributions

went up 4.4%. The plan covers 38,931 employees. Of this amount, 8,716 employees shared in benefits of \$18.3 million during the year.

The plan, self-insured, provides for retirement for age or service benefits as well as life, death and disability retirement benefits and covers all employees of the company. There were no amendments to the plan reported by Gulf last year.

Fees and commissions paid by the plan's administrators relative to the operation of the fund totaled \$329,990 last year, the company reported.

Aetna Casualty & Surety Co.

writes a \$1 million fidelity insurance policy on the plan.

INVESTMENTS	1971	1970
Gov't securities ..\$	000	000
Other bonds	117,821,000	125,887,000
Preferred stock ..	197,000	1,988,000
Common stock	201,597,000	168,020,000
Mortgages	22,881,000	24,385,000

IBM Corp.

	1971	1970
Asset value	\$842,175,000	\$772,600,000
Contributions	120,515,000*	93,100,000
Invest. income	31,044,000	28,100,000

*Employer pays all

The IBM Corp. retirement plan, New York, was the nation's 13th largest at the end of 1971. Asset value of the fund increased 9%, while contributions rose 30%.

The plan, which proves benefits for retirement for age or service or disability, had 163,731 active participants last year. Retirees drawing benefits numbered 3,490. Departed employees with vested rights numbered 1,416.

The funds fidelity insurance policy limit is \$4 million.

INVESTMENTS	1971	1970
Gov't securities ..\$	000	2,500,000
Other bonds	69,069,000	104,500,000
Preferred stock ..	9,009,000	11,500,000
Common stock	522,672,000	372,500,000
Mortgages	27,837,000	32,100,000

Illinois Bell Telephone Co.

	1971	1970
Asset value	\$465,286,000	\$430,337,000
Contributions	53,594,000*	45,500,000
Invest. income	14,945,000	14,000,000

*Employer pays all

The Illinois Bell Telephone Co. Plan for Employees Pensions, Disability Benefits and Death Benefits, Chicago, was the nation's 28th largest last year. Asset value increased 8.1%, while contributions by Illinois Bell rose 17.1%.

The plan covered 54,751 employees last year. Retired employees receiving benefits numbered 10,220.

Benefits paid by the company last year reached \$27.5 million. Unfunded benefits totaled \$5.9 million.

Aetna Casualty and Surety Co. writes the \$500,000 primary fidelity bond, with the Home Insurance Syndicate insuring losses beyond that, up to \$20 million.

INVESTMENTS	1971	1970
Gov't securities ..\$	000	000
Other bonds	136,392,000	169,376,000
Preferred stock ..	3,842,000	3,298,000
Common stock	276,550,000	212,161,000
Mortgages	2,894,000	8,318,000

Inland Steel Co.

	1971	1970
Asset value	\$297,662,000	\$250,600,000
Contributions	18,090,000*	14,600,000
Invest. income	8,395,000	9,200,000

*Employer pays all

The Inland Steel Co. Past Service & Pension Plan, Chicago, was the 46th largest in the country in 1971. Asset value of the fund rose 18.1%, while contributions increased 23.9%.

The plan, covering all employees of the company including one subsidiary, the Joseph T. Ryerson Construction Co., had a total of 35,109 participants at year end. Of this amount 4,789 drew pension benefits totaling \$12.1 million last year.

The plan is a combination insured and self-insured fund. The Equitable Life Assurance Society of the U.S. underwrites the insured annuity portion of the plan, which covered 981 retired employees last year. The company also reported that it spent \$672,000 in commissions and fees relating to the management of the fund last year.

Inland Steel did not make any amendments to its plan during 1971.

The plan's fidelity insurance underwriter is Maryland Casualty Co. The policy limit is \$1 million.

INVESTMENTS	1971	1970
Gov't securities ..\$	000	000
Other bonds	27,616,000	26,427,000
Preferred stock ..	721,000	1,128,000
Common stock	232,801,000	184,912,000
Mortgages	7,020,000	6,821,000

International Paper Co.

	1971	1970
Asset value	\$271,331,000	\$257,726,000
Contributions	15,619,000*	12,700,000
Invest. income	7,590,000	**

*Employer pays all
**Not available

The Employees Retirement Plan of International Paper Co., New York, was the nation's 50th largest in 1971. Asset value of the fund increased 5% while employer contributions increased 22.9%.

The fund covers employees for retirement for age or length of service. Employee participants numbered 25,401 last year, while International Paper retirees receiving benefits totaled 4,229. Benefits paid by the fund came to \$7.9 million.

Transamerica Insurance Co. writes a \$5 million fidelity bond on the International Paper plan.

INVESTMENTS	1971	1970
Gov't securities ..\$	000	2,250,000
Other bonds	83,136,000	89,729,000
Preferred stock ..	7,724,000	5,881,000
Common stock	177,643,000	157,212,000
Mortgages	000	000

Lockheed Aircraft Corp.

	1971	1970
Asset value	\$410,983,000	\$348,677,000
Contributions	47,036,000*	48,400,000
Invest. income	15,398,000	13,400,000

*Employer pays all

The Lockheed Retirement Income Plan for Certain Salaried Employees, North Hollywood, Ca., was the 33rd largest in the country at the end of 1971. Assets during the year increased by 17.8% while contributions to the fund dipped by 2.8%.

The Lockheed plan provides for self-insured death, disability retirement and retirement for

Continued on page 40

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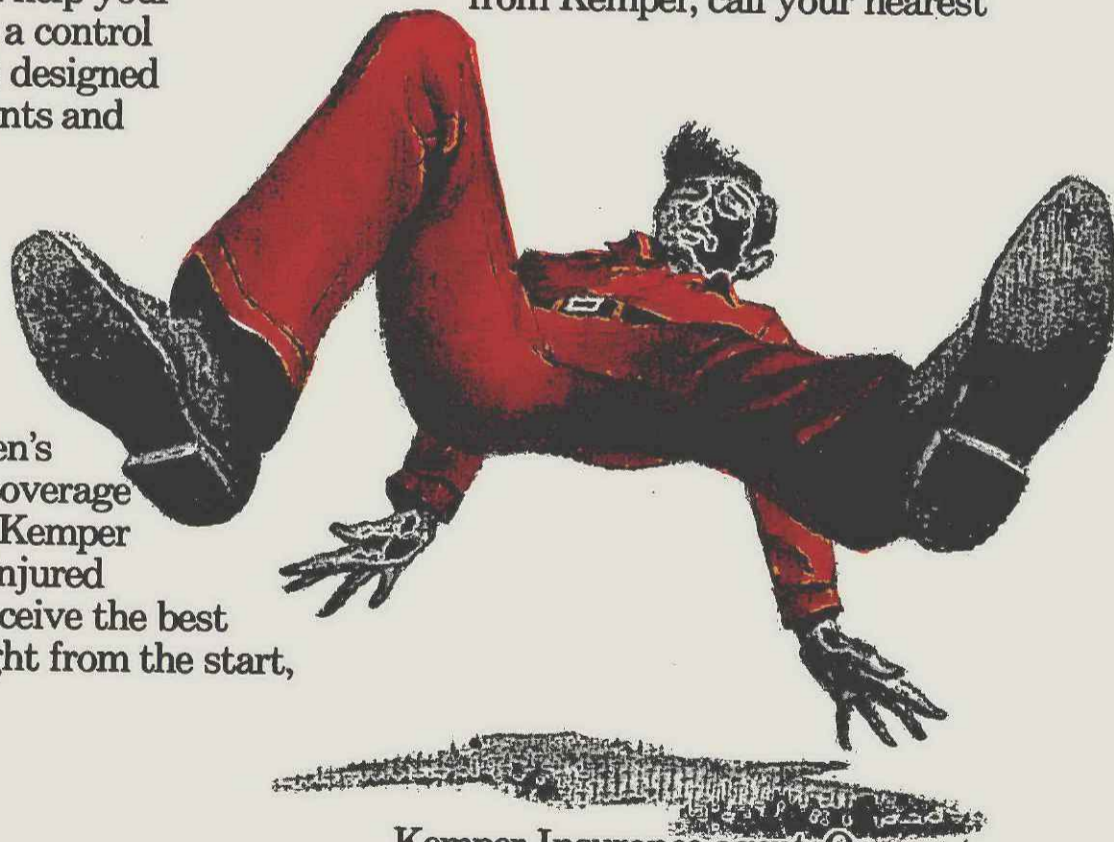
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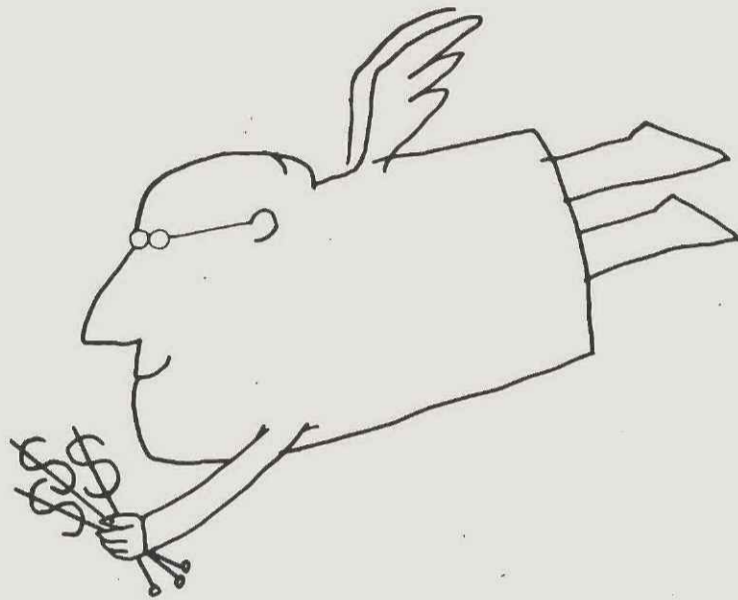
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Necessary light, heat and power	
Contractual obligations	
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Repairs and maintenance	
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Professional fees	
Other continuing expense items	

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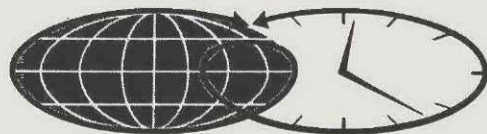
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Pensions & Investments

Continued from page 36

age or service benefits. Last year 36,664 employees participated, with 1,765 retirees drawing benefits. Total benefits paid by Lockheed last year were \$6.2 million.

Employers Insurance of Wausau and the Insurance Co. of North America write fidelity bonds amounting to \$4 million on the aircraft manufacturer's plan.

INVESTMENTS	1971	1970
Gov't securities	\$ 8,194,000	\$ 8,000,000
Other bonds	98,540,000	100,463,000

Preferred stock	4,493,000	5,888,000
Common stock	258,682,000	188,282,000
Mortgages	12,040,000	13,259,000

Michigan Bell Telephone Co.

	1971	1970
Asset value	\$296,888,000	\$266,281,000
Contributions	30,391,000*	26,300,000
Invest. income	10,581,000	9,600,000

*Employer pays all

The Michigan Bell Plan for Employees' Pensions, Disability

Benefits and Death Benefits, Detroit, was the nation's 47th largest in 1971. Asset value of the fund jumped 11.5%, while company contributions increased 15.1%.

The plan, which combines self-insured and unfunded retirement, disability retirement and death benefits, covered 34,927 employees last year. Retirees numbered 3,887. Michigan Bell paid benefits totaling \$11.4 million. Unfunded payments totaled \$4.2 million.

Aetna Casualty and Surety Co. writes the \$500,000 primary fidelity policy, with the Home Insurance Syndicate underwriting an excess policy up to \$20 million.

INVESTMENTS	1971	1970
Gov't securities	\$ 3,915,000	\$ 3,000,000
Other bonds	127,983,000	136,107,000
Preferred stock	4,967,000	4,990,000
Common stock	153,659,000	118,348,000
Mortgages	4,289,000	4,654,000

Mobil Oil Corp.

	1971	1970
Asset value	\$347,124,000	\$294,497,000
Contributions	26,291,000*	22,000,000
Invest. income	7,734,000	7,600,000

*Includes \$263,354 in employee contributions

The Retirement Plan of the Mobil Oil Corp., New York, was

the 39th largest in the country last year. Asset value of the fund rose 17.9%.

The plan covered 45,200 employees in 1971. Retirees included numbered 12,935. Benefits provided by the fund reached \$1.2 million.

A combination of insured and self-insured benefits, the plan provides for retirement at age or length of service and for disability retirement. Metropolitan Life Insurance Co. writes the insured portion of the plan.

Continental Insurance Co. writes a \$5 million fidelity bond on the plan.

INVESTMENTS	1971	1970
Gov't securities	\$ 3,567,000	\$ 3,000,000
Other bonds	2,573,000	6,967,000
Preferred stock	896,000	896,000
Common stock	33,317,000	27,724,000
Mortgages	000	1,258,000

New England Tel & Tel Co.

	1971	1970
Asset value	\$405,866,000	\$369,901,000
Contributions	43,327,000*	38,600,000
Invest. income	13,489,000	12,800,000

*Employer pays all

The New England Telephone & Telegraph Co. Plan for Employees' Pensions, Disability Benefits and Death Benefits, Boston, was the nation's 34th largest at the end of 1971. Asset value increased 12.2%, while contributions by the company went up 9.7%.

The plan, a combination of self-insured and unfunded benefits, had 57,071 participants in 1971. Retirees numbered 8,545 and benefits paid totaled \$21.8 million. Unfunded benefits paid

amounted to \$5.4 million.

Aetna Casualty and Surety writes a \$500,000 fidelity bond on the plan, with an excess policy up to \$20 million written by the Home Insurance Syndicate.

INVESTMENTS	1971	1970
Gov't securities	\$ 2,054,000	\$ 2,037,000
Other bonds	175,148,000	186,419,000
Preferred stock	1,720,000	542,000
Common stock	199,040,000	143,418,000
Mortgages	14,187,000	18,130,000

N. J. Bell Telephone Co.

	1971	1970
Asset value	\$303,463,000	\$275,682,000
Contributions	30,904,000*	28,200,000
Invest. income	10,402,000	9,700,000


*Employer pays all

The New Jersey Bell Telephone Co. Plan for Employees' Pensions, Disability Benefits and Death Benefits, Newark, was the nation's 45th largest last year. Asset value of the fund increased 10% last year, while N.J. Bell contributions rose 17.1%.

The plan covered 37,043 participants last year. Retirees totaled 5,197. Benefits paid under both self-insured and unfunded plans for retirement, death, accident and retirement disability totaled \$14.5 million. Unfunded benefits paid by the company amounted to \$3.6 million.

Aetna Casualty and Surety Co. writes the \$500,000 primary fidelity policy, with the Home Insurance Syndicate underwriting an excess policy with limits up to \$20 million.

INVESTMENTS	1971	1970
Gov't securities	\$ 15,911,000	\$ 9,624,000
Other bonds	153,710,000	166,453,000
Preferred stock	15,911,000	9,624,000
Common stock	118,160,000	80,922,000
Mortgages	2,775,000	2,948,000



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New York Telephone Co.

	1971	1970
Asset value	\$971,193,000	\$871,921,000
Contributions	109,799,000*	97,500,000
Invest. income	**	29,600,000

The New York Telephone Plan for Employees' Pensions, Disability Benefits and Death Benefits, New York, was the 10th largest at year end 1971. Asset value of the fund increased 11.5%, while contributions by the company rose 12.1%.

The plan, which combines self-insured and unfunded benefits, covered 125,069 employees last year. Retirees numbered 18,789; New York Telephone reported that it paid \$13.4 million in unfunded benefits last year.

Aetna Casualty and Surety Co. writes the primary \$500,000 fidelity policy on the plan, with the Home Insurance Syndicate underwriting an excess policy of up to \$20 million.

Republic Steel Corp.

	1971	1970
Asset value	\$336,770,000	\$311,193,000
Contributions	32,408,000*	**
Invest. income	15,279,000	14,600,000

The Pension Plan of Republic Steel Corp., Cleveland, was the 41st largest at year end 1971. Asset value of the fund increased 8.2%.

The fund provides death, disability and retirement for age or service benefits. Last year there were 63,019 participants. Retirees totaled 13,160.

Travelers Indemnity Co. writes a \$3 million fidelity bond on the fund.

INVESTMENTS	1971	1970
Gov't securities	\$ 1,096,000	\$ 1,096,000
Other bonds	167,642,000	162,860,000
Preferred stock	11,803,000	12,158,000
Common stock	112,007,000	107,375,000
Mortgages	000	000

RCA Corp.

	1971	1970
Asset value	\$469,448,000	\$413,538,000
Contributions	38,817,000*	42,700,000
Invest. income	17,329,000	15,900,000

The Retirement Plan for the Employees of RCA Corp. and Subsidiary Co. was the nation's 27th largest at the end of 1971. Asset value of the fund jumped 13.5% during the year, while contributions by both employees and employer dipped 9.1%. Beneficiaries of the fund received \$13.5 million during the year.

A total of 72,676 employees participate in the RCA plan. Employed participants or those carried as active numbered 65,606 last year, while retired members of the plan totaled 7,074.

The RCA plan is a combination of insured and self-insured programs. The Equitable Life Assurance Society of the U.S. underwrites the insured portion.

The plan covers all RCA

employees and the company noted that amendments were made during the reporting year.

A \$20 million fidelity policy protecting the fund from losses sustained through dishonesty or fraud is written by Lloyd's, Zurich and other insurers.

INVESTMENTS	1971	1970
Gov't securities	000 \$	1,500,000
Other bonds	106,379,000	98,787,000
Preferred stock	3,013,000	6,790,000
Common stock	289,338,000	232,244,000
Mortgages	13,190,000	14,229,000

Sears, Roebuck and Co.

	1971	1970
Asset value	\$3,844,910,000	\$2,974,086,000
Contributions	210,147,000*	**
Invest. income	63,453,000	**

The Savings and Profit Sharing Pension Fund of Sears, Roebuck and Co. Employees, Chicago, was the nation largest at year end 1971. Asset value of the fund

jumped 29.3% during 1971.

Last year the plan, described by Sears as a savings and profit sharing pension fund, had 222,866 participating employees. Total benefits paid out during the year amounted to \$86.1 million.

Lloyd's of London writes a \$1 million fidelity bond protecting the fund from losses through fraud or dishonesty.

INVESTMENTS	1971	1970
Gov't securities	000 \$	000
Other bonds	11,203,000	16,422,000
Preferred stock	11,249,000	9,378,000
Common stock	3,656,000,000	2,693,572,000
Mortgages	9,288,000	11,578,000

Shell Oil Co.

Pension plan

	1971	1970
Asset value	\$574,648,000	\$543,841,000
Contributions	24,693,000*	25,300,000
Invest. income	20,592,000	20,900,000

*Employer pays all
Continued on page 42

North American Rockwell Corp.

	1971	1970
Asset value	\$562,517,000	\$520,994,000
Contributions	21,008,000*	**
Invest. income	22,050,000	21,000,000

The North American Rockwell Corp. Retirement Plan for Salary and Weekly Payroll Employees, El Segundo, Ca., was the 24th largest in the country last year. (North American Rockwell's fiscal year ends Sept. 30.)

Asset value of the fund increased last year by 8%.

The plan, which provides for death, and retirement benefits for age, service or disability, had a participation of 31,458 employees. Retired workers drawing benefits numbered 4,466. Total benefits paid by North American Rockwell were \$9.3 million.

Fireman's Fund Insurance Co. writes a \$2.5 million fidelity bond on the plan's administrators.

INVESTMENTS	1971	1970
Gov't securities	\$ 757,000	\$ 1,964,000
Other bonds	134,460,000	171,717,000
Preferred stock	7,831,000	13,708,000
Common stock	331,409,000	234,963,000
Mortgages	25,521,000	27,933,000

Pacific Telephone & Telegraph Co.

	1971	1970
Asset value	\$837,898,000	\$737,826,000
Contributions	97,498,000*	84,500,000
Invest. income	31,056,000	25,300,000

The Pacific Telephone & Telegraph Co. Plans for Employees' Pensions, Disability Benefits and Death Benefits, San Francisco, was the nation's 14th largest last year. Asset value increased 13.1%, while contributions by the company went up 15%.

Pacific Telephone plans covered 11,274, or all employees. Of this amount, 11,943 were retirees. Total benefits paid by the company reached \$31 million last year.

The plans cover for death, disability and retirement for age or service, with certain of the non-retirement benefits unfunded by the company. The company reported it paid \$11.7 million in unfunded benefits last year.

Aetna Casualty & Surety Co. is the primary fidelity bond underwriter with a \$500,000 policy. Losses in excess of that, up to \$20 million, are insured by the Home Insurance Syndicate.

INVESTMENTS	1971	1970
Gov't securities	\$ 3,008,000	\$ 000
Other bonds	351,727,000	361,924,000
Preferred stock	3,408,000	491,000
Common stock	319,791,000	217,069,000
Mortgages	26,957,000	35,210,000

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Salomon Brothers

Market Makers and Investment Bankers

Pensions & Investments

Continued from page 41

The Shell Oil Co. Pension Plan, Houston, was the nation's 22nd largest at the end of 1971. Asset value of the fund increased 5.6%, while contributions by Shell dipped by 2.4%.

A trustee plan, the fund had 44,419 participants last year. Retirees drawing benefits numbered 10,665. Benefits paid last year totaled \$27.6 million.

Travelers Indemnity Co. wrote a \$5 million fidelity bond on the plan.

INVESTMENTS	1971	1970
Gov't securities	\$ 14,565,000	\$ 21,356,000
Other bonds	235,716,000	254,795,000
Preferred stock	3,512,000	4,262,000
Common stock	290,371,000	231,815,000
Mortgages	15,022,000	15,717,000

Provident Fund

	1971	1970
Asset value	\$638,336,000	\$611,117,000
Contributions	60,726,000*	**

Invest. income ... 24,615,000 **
 *Includes \$30,325,000 in employe contributions and \$55,095 in redeposits by pensioners and/or widows
 **Not available

The Shell Oil Co. Provident Fund, Houston, a retirement savings plan for all employes with specified years of service, was the nation's 17th largest at year end 1971. Asset value of the fund increased 4% during the year.

Plan participants numbered 27,209 last year. The fund provided \$67 million in benefits during the same period.

Travelers Indemnity Co. writes a \$5 million fidelity bond on the fund.

INVESTMENTS	1971	1970
Gov't securities	\$ 3,889,000	\$ 5,404,000
Other bonds	363,789,000	364,320,000
Preferred stock	000	000
Common stock	263,347,000	233,031,000
Mortgages	000	000

Southern Bell Telephone Co.

	1971	1970
Asset value	\$349,905,000	\$303,975,000
Contributions	43,390,000*	39,700,000
Invest. income	13,281,000	11,100,000

*Employer pays all

The Southern Bell Telephone & Telegraph Co. Plan for Employees' Pensions, Disability Benefits and Death Benefits was the 38th largest at year end 1971. Asset values jumped 15.1%, while contributions by the company increased 9%.

The plan covers all employes of the company and is a combination of self-insured and unfunded benefits. Disability retirement is unfunded, as are accident and certain life and death benefits.

A total of 70,448 employes participated last year, with 3,515 retired employes drawing \$9.2 million in benefits during the year. Of that amount, unfunded benefits provided by Southern Bell last year totaled \$5.8 million.

The company reported that it did make certain amendments to

its plan last year.

Aetna Casualty & Surety Co. writes a \$500,000 fidelity policy on the plan.

INVESTMENTS	1971	1970
Gov't securities	\$ 1,291,000	\$ 5,270,000
Other bonds	132,989,000	129,611,000
Preferred stock	730,000	286,000
Common stock	164,714,000	122,589,000
Mortgages	16,714,000	16,353,000

South Central Bell Telephone Co.

	1971	1970
Asset value	\$356,088,000	\$307,434,000
Contributions	39,884,000*	36,600,000
Invest. income	12,297,000	**

*Employer pays all
 **Not available

The South Central Bell Telephone Co. Plan for Employees' Pensions, Disability Benefits & Death Benefits, Birmingham, Al., was the nation's 37th largest at year end. Asset value of the fund increased 15.8%, while contributions jumped by 8.1%.

The plan, which covers all employes, is a combination arrangement. Life and retirement benefits are self-insured, while other portions of the plan, including disability retirement, are unfunded.

A total of 54,612 employes participated in the plan last year. Of this amount, 5,035 retired employes drew benefits of \$10.8 million.

Aetna Casualty & Surety Co. writes a \$500,000 primary fidelity policy on the fund, with the Home Insurance Co. carrying an excess policy with limits of \$20 million.

INVESTMENTS	1971	1970
Gov't securities	\$ 477,000	\$ 689,000
Other bonds	153,539,000	152,684,000
Preferred stock	2,438,000	399,000
Common stock	164,258,000	120,181,000
Mortgages	15,537,000	16,334,000

Southwestern Bell Telephone

	1971	1970
Asset value	\$625,301,000	\$564,986,000
Contributions	65,895,000*	58,400,000
Invest. income	23,367,000	20,800,000

*Employer pays all

The Southwestern Bell Telephone Co. Plan for Employees' Pensions, Disability Benefits and Death Benefits, St. Louis, was the nation's 18th largest at year end 1971. Asset value increased 10.1%, while contributions by Southwestern Bell went up 12.9%.

The plan, partially unfunded, covered 82,761 employes last year. Included were 10,476 retirees. Benefits paid by the company totaled \$25.9 million.

Unfunded benefits paid during the year totaled \$7.9 million, the company reported.

Aetna Casualty and Surety Co. writes the company's \$500,000 primary fidelity policy. Losses in excess of this, up to \$20 million, are insured by the Home Insurance Syndicate.

INVESTMENTS	1971	1970
Gov't securities	\$ 3,032,000	\$ 4,912,000
Other bonds	276,801,000	293,759,000
Preferred stock	15,725,000	13,226,000
Common stock	292,007,000	217,783,000
Mortgages	15,194,000	16,680,000

Standard Oil Co. (Ca.)

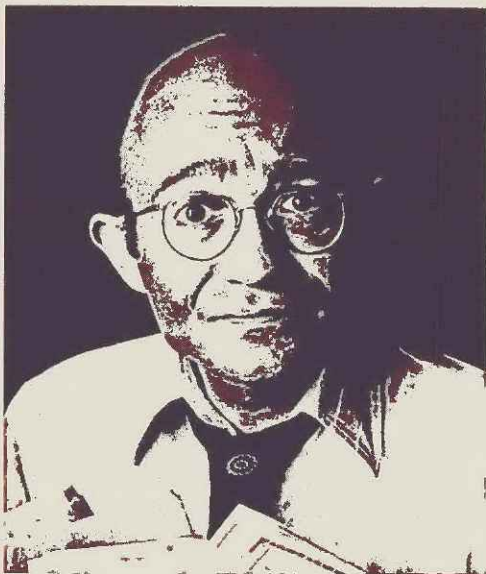
	1971	1970
Asset value	\$461,784,000	\$441,465,000
Contributions	12,283,000	**
Invest. income	12,867,000	12,300,000

*Includes \$2,083,000 in employe contributions
 **Not available

The Annuity Plan, Standard Oil Co. of California and Participating Cos., San Francisco, was the nation's 29th largest last year. Asset value increased 4.6%.

The plan covered 40,621 Standard Oil employes last year. Re-

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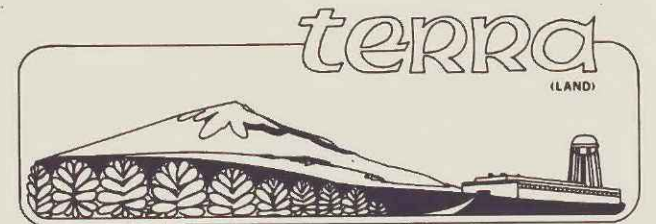
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retirees totaled 7,475. Benefits provided directly by the fund last year totaled \$21.4 million.

The company reported that it spent \$70,578 on fees and commissions last year.

Fireman's Fund Insurance Co. writes the company's \$500,000 fidelity bond.

INVESTMENTS	1971	1970
Gov't securities	\$ 8,075,000	\$ 7,050,000
Other bonds	76,230,000	82,862,000
Preferred stock	000	000
Common stock	311,828,000	282,299,000
Mortgages	12,198,000	13,005,000

Standard Oil Co. (In.)

	1971	1970
Assets	\$563,195,000	\$522,660,000
Contributions	35,701,000*	30,900,000
Invest. income	17,103,000	18,200,000
*Includes \$740,000 in employe contributions		

The Standard Oil Co. (Indiana) Retirement Plan, Chicago, was the 23rd largest private pension fund in the country at the end of 1971. The asset value of the fund jumped 7.1% and employer-employee contributions increased 15.5%. Standard Oil retirees and their beneficiaries shared \$25.7 million in benefits last year.

The plan covers 53,711 people or essentially all full-time employees. Of that amount 38,275 are now actively employed, while there are 15,436 retired employees collecting benefits. The company reported that \$51,387 in benefits paid last year was unfunded.

Standard Oil provides retirement and disability benefits through a combination of insured, self-insured and unfunded plans.

Fees and commissions paid by the plan's administrators last year totaled \$1,145,721.

Seaboard Surety Co. is Standard Oil's primary fidelity bond insurer, with a \$500,000 policy. The plan is also protected by \$75 million of excess fidelity coverage written by Lloyd's of London.

INVESTMENTS	1971	1970
Gov't securities	\$ 6,632,000	\$ 17,609,000
Other bonds	20,923,000	29,822,000
Preferred stock	4,084,000	2,903,000
Common stock	501,756,000	430,390,000
Mortgages	1,605,000	6,677,000

Standard Oil Co. (N.J.)

	1971	1970
Asset value	\$1,368,000,000	\$924,086,000
Contributions	6,951,000*	5,200,000
Invest. income	27,827,000	24,500,000
*Includes \$1,554,000 in employe contributions		

The Standard Oil Co. (New Jersey) and its Associated Affiliates' Annuity Plan, New York, was the seventh largest at the end of 1971. Asset value in the fund increased 48%, while contributions rose 34%.

The plan, which combines insured, self-insured and unfunded benefits, covered 68,159 employees last year. Standard Oil retirees numbered 19,700. Benefits provided during the year totaled \$37.5 million. Unfunded benefits paid amounted to \$13.7 million.

Equitable Life Assurance Society of the U.S., the Prudential Insurance Co. of America, Aetna Life Insurance Co., the Travelers Insurance Co. and John Hancock Mutual Life Insurance Co. are among Standard Oil's insurers.

Federal Insurance Co. writes a \$500,000 fidelity bond on the program.

INVESTMENTS	1971	1970
Gov't securities	\$ 13,307,000	\$ 16,405,000
Other bonds	23,058,000	13,054,000
Preferred stock	13,409,000	16,405,000
Common stock	954,938,000	791,036,000
Mortgages	9,043,000	16,377,000

Teamsters: Central States

	1971	1970
Asset value	\$807,200,000	\$717,996,000
Contributions	153,042,000*	**
Invest. income	33,597,000	**
*Employers pay all		
**Not available		

The Central States Drivers Council, International Brotherhood of Teamsters Pension Fund was the 15th largest in the nation last year. Asset value increased 12.4% during the year.

The plan, which is financed by trucking employers and administered by the union, had 401,071 participants at the end of its fiscal year, Jan. 31, 1971. Active employees numbered 366,340, while retired employees receiving benefits totaled 34,731.

A self-insured plan, the fund covers all Teamster employees in the Central States, Southeast and Southwest areas.

The Teamsters reported that some amendments were made to the plan during the last fiscal year.

The fund's fidelity insurer is Continental Insurance Co., which writes a policy with limits of \$500,000.

A total of \$609,436 was paid in

commissions and fees by the fund last year.

INVESTMENTS	1971	1970
Gov't securities	\$ 1,141,000	\$ 757,000
Other bonds	56,742,000	65,159,000
Preferred stock	1,119,000	1,815,000
Common stock	23,762,000	24,549,000
Mortgages	586,419,000	508,896,000

U.S. Steel Corp.

	1971	1970
Asset value	\$2,191,936,000	\$2,139,977,000
Contributions	116,522,000*	75,484,000
Invest. income	135,630,000	129,700,000
*Includes \$625,436 in employe contributions		

The United States Steel Corp. Plan for Employee Pension Benefits, Pittsburgh, was the nation's second largest fund in 1971. Asset value of the plan increased 2.4%, while contributions rose 54.3%.

The plan, self-insured for retirement for age or service and disability retirement, had 244,869 participants last year. There were 62,197 retirees. Benefits

paid by U.S. Steel totaled \$145.2 million.

The company has a comprehensive bond with limits of \$3.75 million. The Federal Insurance Co. is the insurer.

INVESTMENTS	1971	1970
Gov't securities	\$ 25,399,000	\$ 45,684,000
Other bonds	635,437,000	686,005,000
Preferred stock	33,320,000	37,327,000
Common stock	1,039,355,000	955,614,000
Mortgages	10,266,000	11,563,000

Western Electric Co.

	1971	1970
Asset value	\$1,756,486,000	\$1,633,484,000
Contributions	195,730,000*	187,200,000
Invest. income	61,385,000	57,200,000
*Employer pays all		

The Western Electric Plan for Employees' Pensions, Disability Benefits and Death Benefits, New York, was the fifth largest in the country last year. Assets increased 7.5%, while employer

contributions went up 4.5%.

The plan provides for a combination of self-insured and unfunded benefits. Last year a total of 224,069 employees participated, with 15,614 of these being retirees. Total benefits paid under all plans last year amounted to \$56.9 million.

Aetna Casualty & Surety Co. writes a \$500,000 fidelity policy on the fund, with an excess layer of \$20 million underwritten by the Home Insurance Syndicate.

INVESTMENTS	1971	1970
Gov't securities	\$ 35,476,000	\$ 20,073,000
Other bonds	481,002,000	675,351,000
Preferred stock	32,001,000	22,551,000
Common stock	1,020,140,000	733,119,000
Mortgages	26,961,000	48,934,000

Westinghouse Electric Corp.

	1971	1970
Asset values	\$762,917,000	\$720,939,000
Contributions	51,293,000*	38,700,000
Invest. income	26,606,000	28,000,000
*Includes \$7,892,000 in employe contributions		

Continued on page 44

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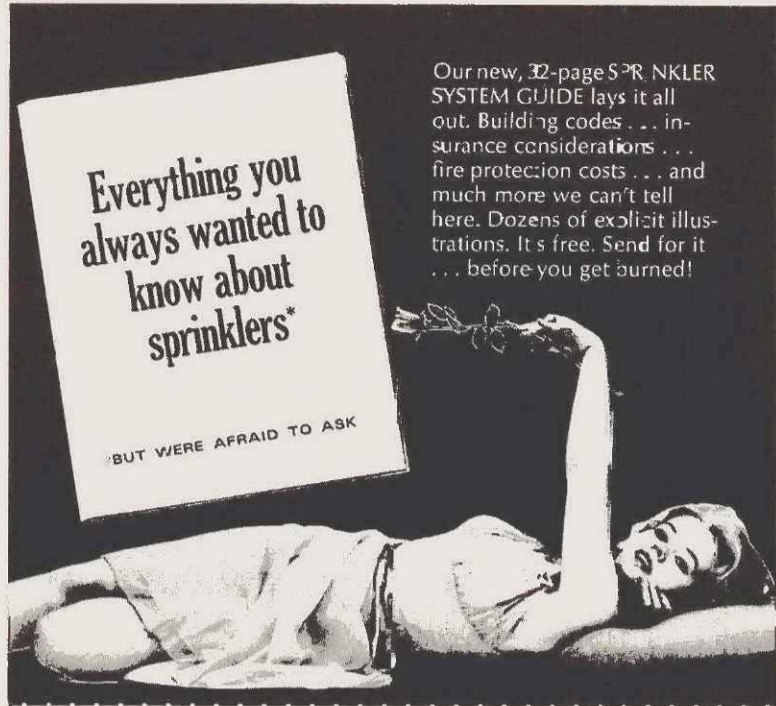
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Pensions & Investments

Continued from page 43

The Westinghouse Electric Corp. Pension Plan, Pittsburgh, was the nation's 16th largest at the end of last year. Asset values grew 5.8%, while contributions to the plan jumped 32.6%.

The plan, providing a combination of self-insured, insured and unfunded benefits, covered all employees other than those in excluded bargaining units. The total number of employees participating was 155,597 at year end, including 19,062 retirees. Total benefits paid amounted to \$39.4 million. Benefits unfunded last year totaled \$15,552.

The insured portion of Westinghouse's benefits is an annuity retirement contract which was discontinued in 1950 after being in effect since 1943 that is fully vested and completely funded. It is written by The Equitable Life Assurance Society of the United States. The total number of employees under this plan is 23,737, of which 4,300 are retired.

Lumberman's Mutual Casualty Co. writes a \$10 million fidelity policy on the plan's administrators.

INVESTMENTS	1971	1970
Gov't securities . . .	\$ 2,533,000	\$ 5,767,000
Other bonds . . .	148,163,000	154,777,000
Preferred stock . . .	1,481,000	1,239,000
Common stock . . .	444,627,000	372,559,000
Mortgages	33,397,000	67,944,000

White Motors-UAW disagree over pensions

MINNEAPOLIS—A federal court here has ordered arbitration of a dispute in which the United Auto Workers has charged White Motor Corp. with "improper and untimely termination" of a company pension plan.

The dispute involves the White Employee Pension Plan, which has assets of about \$3.4 million. The company disclosed earlier this year that it was closing its Minneapolis plant and reducing the work force of its nearby Hopkins, Mn., operation. With the disclosure the company announced it was terminating the pension plan June 30 and claimed its "sole right at any time to terminate the entire plan" under provisions of the plan.

It has been reported that the

terminated fund had pension obligations of more than \$20 million under employe cutbacks from the work force of 1,300 persons at the two plants.

In the dispute, the UAW-White Motor Council, which is composed of various locals whose members are employed by the company, has charged that White "failed to make contributions to the pension fund in the manners prescribed by the contract."

It has also been charged by the union that the company has made "unauthorized usage of the pension fund for purposes other than provided in the pension plan." The UAW also said it had been unable to get "vital information" from White regarding the fund's operation.

NLRB rules on pensions

ABILENE, TX.—The National Labor Relations Board has decided against C. G. Conn Ltd., a producer of band instruments, in a case involving alleged discrimination against union members in a company pension plan.

Shortly after Conn reopened the F. A. Reynolds plant here, the International Union of Electrical, Radio and Machine Workers filed charges with the NLRB. They claimed that Conn, as a successor employer to Reynolds, was obligated to recognize and bargain with the union, but that Conn had established a pension plan which

discriminated against union members.

The NLRB upheld the decision that Conn was indeed a successor employer, and as such, must recognize and bargain with the union as representative for employes.

The pension plan in question had as one of its provisions a requirement that an employe may not be covered by a collective bargaining agreement. Participation ceased if at any time, the employes' "salary and wages . . . are determined through collective bargaining (whether or not he is a union member)."

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Benefit fund tax slants**IRS on discrimination, vesting and termination**By JOSEPH ROBINSON
Attorney at law

tant bearing on pension and profit sharing plans, notably in the discrimination, vesting and termination areas.

QUALIFYING the plan: Let us say a company sets up a pension trust, deposits the first annual contribution and is then advised that it has not met code requirements. What then? A further attempt to qualify can be made in a future year, after the company has corrected the defects, while contributions to the trust can remain there until the qualification standards have been approved (Rev. Rul. 72-368).

Now take this situation: A company sets up two pension plans; one for union help, the other for

the remaining three stockholder-employees. Each plan provides for normal retirement at age 65 at 58% of pay with similar vesting and termination rights. However, in the plan covering the union workers, the salary range was \$6,300 to \$14,000, while the other plan embraced employees earning \$45,000 per year. So, standing alone, it was obvious that the plan for the executives did not meet the coverage requirement because it was patently discriminatory.

Yet, these pensions were saved. IRS permitted both plans to merge and be treated as one for qualification purposes.

Compare the above situation with the following: A company set up a pension plan for lower paid

hourly-rated employees pursuant to a collective bargaining agreement in which the firm was required to contribute 5% of each participant's annual earnings.

THE COMPANY also sought to install a separate profit sharing plan for its salaried employees, all of whom were highly paid in relation to the hourly workers. Here, too, the company would contribute 5% of each participant's annual compensation.

So far, it looks equitable but IRS says that equality of contribution is not the sole test. The other provisions of the plan must also be compared.

For example, the hourly-paid workers plan did not vest until

retirement at age 65. Also, the company had a history of high turnover among its workers. On the other hand, the salaried plan called for immediate vesting of all contributions. While IRS sanctions different plans for different groups, the plans should be comparable in benefits as well as contributions. Such was not the case here (Rev. Rul. 71-503).

How about a pension for a sole stockholder? If it meets all the requirements of I.R.C. Sec 401 (a), it's okay. For instance, a man incorporated himself and was his sole employee. IRS says it is perfectly proper to set up a pension plan for this one-man business (Rev. Rul. 72-4).

Continued on page 46

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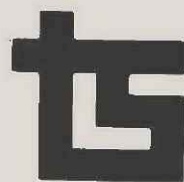
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Senate...

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It goes on to say that, regarding communications, improved legislation or the strengthening of existing regulations is needed "to better inform the participant at the time of termination concerning the status of the pension fund and of his right to a benefit, if any. The unawareness of pension plan administrators of the mental confusion of the participant at this extremely traumatic time in his working career was in evidence in nearly all of the cases studied."

IT POINTS UP the fact that the subcommittee has many pension reform bills pending before it.

"But legislation which addresses itself only to the establishment of vesting standards does not solve the basic problem in the private pension plan system: the unexpected forfeiture of benefits by workers who had been led to believe they were entitled to them. 'Liberal' vesting will not be of any use to a worker if there is no money in the fund to pay him his pension."

Regarding pension legislation, Sen. Williams, who together with Sen. Javits has been a prime mover in this area, pointed out, "It impresses me that some of the greatest tragedies we have seen have been plans with good vesting. This is why, if we are going to honestly legislate a requirement of vesting, we can only back it with requirements of funding and insurance for termination... to make it real." ■

IRS...

Continued from page 45

Benefits: What is the ceiling on retirement benefits under a qualified pension plan? IRS ruled that a participant may not receive more than his highest average salary covering any reasonable period of service, arriving at its decision this way:

A pension plan provided that, upon attainment of normal retirement age, each participant would be entitled to receive an annual sum equal to 200% of the highest average basic salary he earned during any three consecutive years of service. IRS concluded that, since the retirement benefits exceeded current compensation, this was not a true pension and could not be approved (*Rev. Rul. 72-3*).

Somewhat parallel restrictions exist in connection with death benefit provisions. For example, a pension plan cannot permit an

employee to elect to have all or part of his interest, which would otherwise become payable to him during his lifetime, paid to his beneficiary after his death (*Rev. Rul. 69-241, Part 2 (j)*).

NOR WILL a pension plan be approved if it calls for a pre-retirement death benefit equal to the amount of the pension benefit funded for a participant as of the date of his death.

Here is the story as presented to IRS in the latter case: The plan stated that participants would receive certain pension benefits upon retirement and that the sponsoring company would make contributions in an amount sufficient to provide the stipulated fixed benefits. Also, pre-retirement death benefits were available in the same amount as retirement benefits.

IRS rejected this plan because death benefits under a fixed benefit pension must either meet the

mechanical tests of the "incidental death benefit" rule or relate to definitely determinable benefits derived from sound actuarial assumptions. Since the pre-retirement death benefits in the plan under consideration depend upon the amount of pension benefits, funded as of the date of each participant's death, such benefits were not definitely determinable (*Rev. Rul. 72-97*). This ruling is similar to a previous IRS pronouncement with respect to early retirement and disability (*Rev. Rul. 69-427*).

FULL VESTING upon termination: A basic requirement of a qualified retirement plan compels the vesting of accrued benefits upon discontinuance. Indeed, the rules specifically require the trust to contain an express provision to that effect in the event of plan termination or complete discontinuance of employer contributions.

In a recent application, IRS rejected a pension plan which stated

that non-forfeiture of rights will occur only if the trustee receives written notice of the plan's termination or if all life insurance premiums remain unpaid for two succeeding years. These conditions did not satisfy the requirements of full and unconditional vesting upon plan termination (*Rev. Rul. 72-180*).

What are the tax implications upon distribution of benefits, as when a participant leaves the company? For instance: X Corp's profit sharing plan allocated stock in each employee's account. E, an employee, leaves the company and receives a total distribution from the plan which includes his share of the firm's stock. The distribution also includes an amount equal to the current cash dividend of \$2 a share that the corporation paid to the trustee on that stock.

Query: Can E count the dividend distributed to him toward his \$100 dividend exclusion on his income tax? The answer is "No,"

because when the corporation paid the dividend to the trust it lost its character as a dividend. A later distribution of this amount to an employee is eligible for the dividend exclusion (*Rev. Rul. 72-99*).

LONG-TERM capital gains treatment of benefits from a qualified retirement plan requires a 100% payout to the recipient within one taxable year. Suppose a profit sharing plan calls for an employee to receive his accumulated benefits as follows: 50% in a lump sum; the balance turned over to a separate trust for periodic distribution over his lifetime.

Does this arrangement comply with the tax rules? IRS says "No," holding that the different methods of distribution meant that the retiree could only recover one-half of his share in a lump sum. Therefore, he forfeited the favorable capital gains treatment (*Rev. Rul. 72-242*).

Pensions no substitute for savings plan

TEMPE, AZ.—Vincent P. Apilado, assistant professor of finance at Arizona State University here, says savings accomplished by contributing to a pension fund are not a substitute for other kinds of personal savings plans.

In an article published in the *Journal of Risk and Insurance*, Mr. Apilado said that study of the aggregate level of personal savings and the increasing amount of pension contributions showed that "people do tend to disregard pension contributions, continuing to save in other ways and amounts." His period of study was between 1955 and 1970.

Mr. Apilado pointed out that "pension funds are the fastest growing of all financial institutions. Highlighting the implications of this analysis is the virtual certainty that pension funds will continue to increase in scope and size."

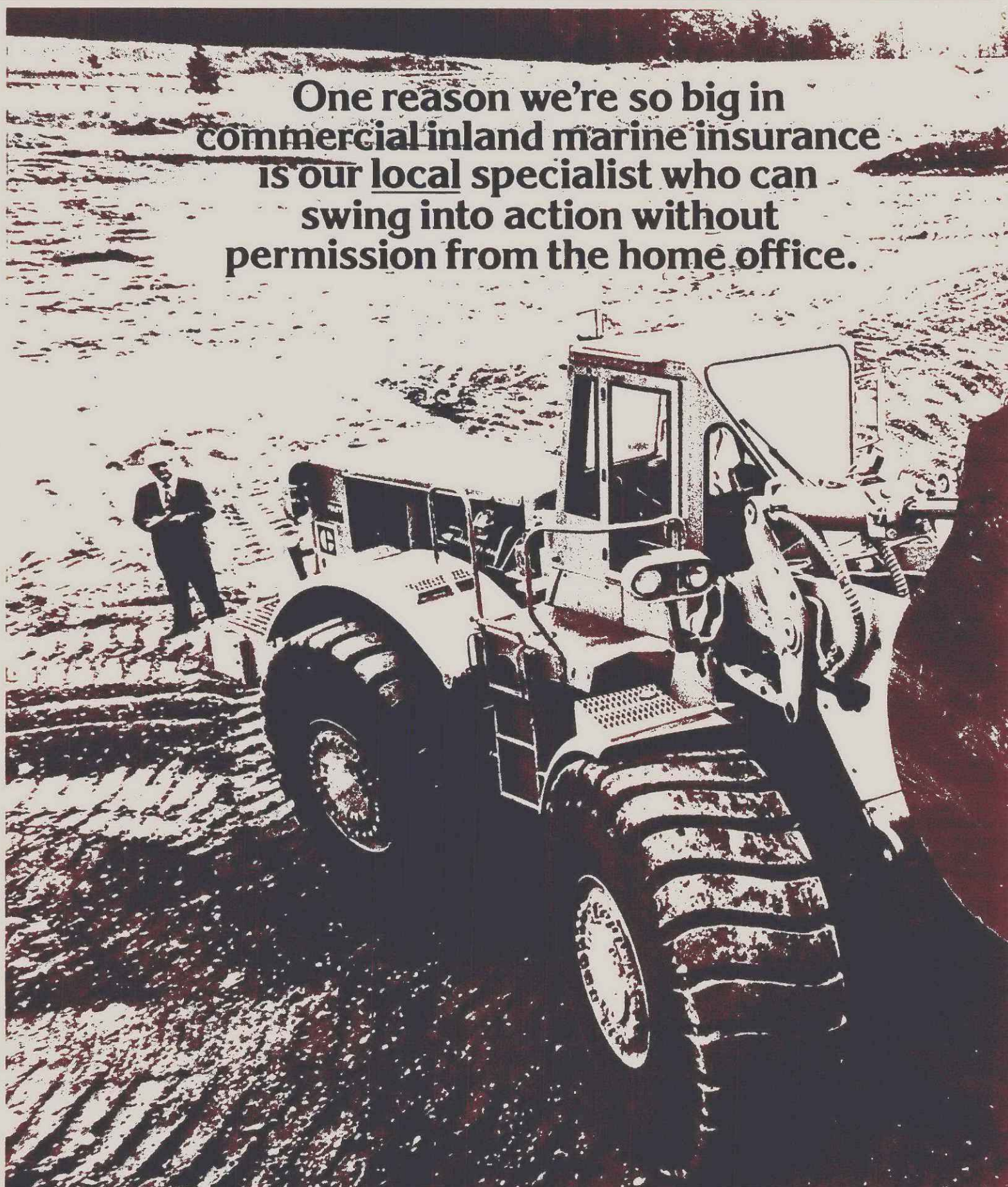
However, he noted that the conclusion that people were still relying on other forms of savings implied "that capital formation and investment are enhanced through the increase in total savings. The efficiency of pension funds as financial intermediaries can be questioned but this subject was beyond the scope of this paper."

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Chase Manhattan investment unit seeks an exemption from SEC reg

NEW YORK—The Chase Manhattan Corp. here has asked the Securities and Exchange Commission to exempt its new investment management subsidiary from SEC regulation.

The request by the parent corporation of the nation's third largest bank has not yet been ruled

ing and securities businesses in the Glass-Steagall Act of 1933.

Some officials of the SEC, moreover are believed to be concerned with the possibility of setting a precedent that might in effect exempt all banking-sponsored investment advisers from regulation at a time when banks are rapidly gearing their investment management operations in this direction.

The Chase request of the SEC concerns the Chase Investors Management Corp. formed earlier this year to take over the management of about \$9 billion in portfolios that Chase had been running. Chase asked the SEC to declare that Chase Investors Management Corp. is not an "in-

vestment adviser" within the terms of the Investment Advisers Act of 1940, and is not therefore required to register with the commission.

In effect, the bank has argued that since the same personnel would be running the new company as had been responsible for the same portfolios within the bank, and since the new firm and the bank were under common ownership, the new company was really no different from the bank.

Thus, Chase reasoned, the same exemption from SEC registration already enjoyed by banks acting as investment advisers should also apply to Chase Investors Management.

One thing Chase is said to be seeking through the new firm is greater ability to bid for top-flight investment management personnel. Talented investment management people, observers point out, are at a premium these days and banks are increasingly aware that good people are hard to come by and difficult to retain.

Chase, for example, has indicated that it would give good investment management personnel a chance to own shares in Chase Investors Management.

WHILE ITS request to the SEC argues that the new company is really no different from the bank, David Rockefeller, chairman of Chase, emphasized in April that separating the investment management from the bank would bring certain advantages.

Said Mr. Rockefeller when the new subsidiary was announced at that time:

"This plan to create an inde-

pendent investment management subsidiary would further expand Chase's already well-established capabilities for providing creative research services and investment management to corporate and individual customers throughout the world."

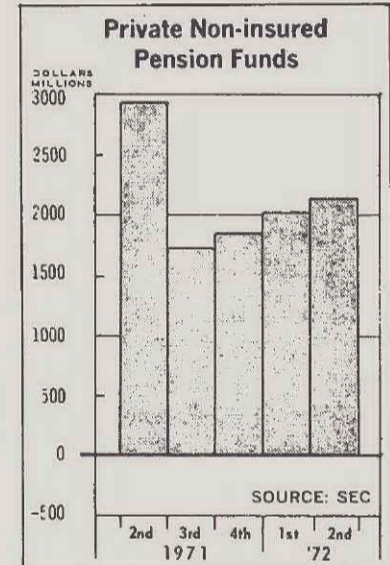
In its application to the SEC, Chase has also disclosed indirectly that it may sponsor the formation of an "investment company." Presumably it would be a closed-end investment fund similar to the Advance Investors Corp., the proposed \$107 million fund already announced by First National City Corp., Chase's arch competitor.

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on by the commission, but already it has evoked opposition from some securities men who maintain that Chase may be stepping over the line that Congress drew between commercial bank-

Acquisitions by funds up

WASHINGTON—More than \$2.1 billion was directed into common stock by pension fund managers in the second quarter of 1972, according to figures released by the Securities and Exchange Commission.



According to the SEC, net acquisitions have gradually increased over the past three quarters. But, the SEC notes, the second quarter 1972 net purchases were \$0.8 billion less than in the comparable quarter of 1971, when pension fund net common stock purchases were at a record high.



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Helping your employees translate 'pensionese'

By TERESA NORTON

CHICAGO—Pension communication is dull at its worst and complicated at its best—a fact that someone in every corporation must face because he or she is responsible for getting the job done.

Business Insurance surveyed several companies that have recently changed or updated their pension plans to find out what communication problems were perceived by executives, how they were perceived and what

changes resulted from them.

"I think people are intimidated by the complexity of pensions. They don't think about them until about five years before they want them—then they're awfully interested," commented a pension manager who is in the midst of reorganizing his company's pension plan and its communication. "Amos and Andy summed it up pretty well when they said: 'The big print gives it to you and the small print takes it away.' This is the way people feel, and what we have to overcome," he added.

ANOTHER executive said that he doesn't think increased coverage by the daily newspapers and television of pension inequities and court decisions holding employers liable for accurate and fair reporting of pension benefits to employees has made much of a dent on the general public. "People want to know the facts, but they care for personal reasons not because of what's happened to others," stated another pension manager.

The Upjohn Co., headquartered in Kalamazoo, Mi., recently revised and liberalized its funded pension plan and employee saving plan. According to Bill Kriebel, manager of employee communication and personnel research, the company ran an employee opinion survey four years ago that "demonstrated to us that employees had some concern over early retirement." As a result, early retirement benefits were liberalized this past March and the saving plan was renovated to permit large employee donations.

Communication of these benefit changes was treated independently but cross references were necessary because the saving plan contains an option for payout at retirement, as well as anytime before that. There are 6,000 employees participating in the saving plan and all 7,000 throughout the U.S. are automa-

tically covered under the pension plan.

The fact that Upjohn has one pension plan for all classes of employees eliminated quite a communication problem, said Mr. Kriebel, but the company did face the problem of letting a large number of people know that they were eligible for retirement earlier than under the previous plan.

THE COMMUNICATION process, he explained, started with a general announcement concerning the changes to supervisors, which was followed up with a bulletin board notification for everyone. Then supervisors were trained through the use of an explanatory slide program, with synchronized audio, to answer employee questions. At the same time, mailers announcing the plan changes went to the home of every employee, and later on, mailers listing the possible plan choices followed.

Thirty copies of the audio-visual program were sent to various offices for use by supervisors and this, noted Mr. Kriebel, made sure that the same story was told to everyone and eliminated the possibility of human error in the education process.

In order to communicate fully that part of the pension plan involving early retirement, meetings of all newly eligible employees were held in several locations. These meetings covered the changes more fully than the mailers did, he commented. Every Upjohn employee also received a booklet detailing the revisions in the pension plan and one devoted to changes in the saving plan.

"WE ARE now in the middle of another comprehensive employee opinion survey covering benefits and many other areas," said Mr. Kriebel, to obtain feedback on

reaction to and acceptance of the new plans.

INFORMATION feedback at White Castle Systems, Columbus, Oh., is mostly by word of mouth, Gail Turley, head of advertising told *Business Insurance*. "We operate very much on a one-to-one, personal-contact, supervisor-to-employee basis. Recent communication innovations within the company, he said, "are not a change per se, but just a realization that the employee needs and wants to know more about pensions.

"We're just putting more effort into communication because benefits are so complex today that the supervisor needs additional tools to communicate them. After all, he must answer the questions," he added.

White Castle is also using audio-visual aids to train supervisors but uses booklets and articles in the company magazines to disseminate the facts to employees. "I have a personal goal, which I haven't achieved

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yet," said Mr. Turley, "and that is to get on a repeating pattern in our quarterly so that every year we will have had one story on one segment of our benefit program." It's repetitious but educational, he believes.

The theory at White Castle has been that if you communicate to the entire family and get the informational material into their hands they will be allies of the company rather than enemies, Mr. Turley explained.

Continued on page 49

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Helping...

Continued from page 48

A COMMUNICATION problem that White Castle had to solve was in describing not only their funded pension plan but also the deferred compensation trust. The two plans can dovetail and employees had to be made aware of how to use them properly, he said. The communication was therefore handled separately but references were made throughout each to the companion plan. Emphasis was made on the fact that White Castle has always had pre-retirement death benefits.

"We want to communicate what we have that is better than most plans," said Mr. Turley, "and, surprisingly, ten years ago only 7% or 8% of pension plans had this. If you died your survivor received only a premium refund, in many cases."

Feedback on White Castle's new communication effort is incomplete because most of the pension information is not yet in the hands of the employees.

Two years ago Polaroid Corp., headquartered in Cambridge Ma., enlarged its employe benefits program by adding a savings feature to its deferred profit sharing plan along with additional investment options. A pension plan was also introduced. Ralph Law, manager of compensation and benefits research, told *Business Insurance* that a model plan was developed and test marketed in the company newspaper.

RANDOM samples of 200 to 300 employes were also selected to participate in meetings, in groups of 12 to 15 people, during this transitional stage. "Our main object was to describe rather than sell the plan," he said, adding that the meetings proved more productive than a somewhat complicated story that ran in their company newsletter in "testing the water" and, as a result, some changes were made in the plan. The meetings had revealed that some employes were more sentimental than Polaroid had expected about profit-sharing aspects of the old plan.

One communication tool that Polaroid is quite proud of, and which figured prominently in explaining its new pension program, is the "Plans and Progress" meetings it holds on a regular basis with all employes. These gatherings were utilized in the final stages of the communication.

Initially, all employes received a letter highlighting basic changes in the new pension program. This was followed by a meeting between top- and middle-management people and Polaroid's general manager during which an introduction to the program was obtained from the general manager indicating his full support. This introduction was coupled with a slide presentation used to train those executives who would present the entire program to Polaroid employes.

When the slide show was given during the Plans and Progress meetings employes also received a detailed book on the new plan. The book contained a question form to be returned if the employe desired additional information and Polaroid advertised that a "company hot line" was also open to handle questions.

The program was presented in June and Mr. Law reported that out of 10,000 employes, about 100 have returned written questions and the hot line has produced 100 to 150 calls. The company is about to go into a second communication effort concerning investment options open to employes and the saving plan. ■

Fund investment results parallel securities market, study points out

NEW YORK—The investment results of \$10 billion worth of pension and profit sharing plans, as averaged for the entire group, closely parallel the results of the securities market. This conclusion was reached in an annual employe benefit fund investment performance report prepared by A. S. Hansen Inc., actuaries and consultants here.

However, the report points out, separate funds making up the average showed a broad range of rates of return and fluctuations in market value.

The Hansen study is based on data provided by 114 banks and 28 insurance companies offering one or more mixed investment accounts for qualified pension and

profit sharing funds.

The common stock investments by 74 large pooled pension funds managed by banks and insurance companies, and for which data was available from the 1965 to 1971 period, had an average annual rate of return of 5.9% over the seven years, the Hansen report notes.

THIS FIGURE compares with Standard & Poors' 500 Stock Index return of 6.1% for the same period. Individual funds in the group of 74, moreover, had average annual rates of return for the period ranging from a high of 12.4% to a low of 1.2%.

During 1971, the average rate of return by bank and insurance

company common stock funds exceeded the market average, said the Hansen report. The 117 bank pooled funds whose rates were available had a return of 18.1% during the year, while 36 insurance company funds averaged 17.8%. This compares with 14.3% for the S&P 500.

According to Darrel J. Croot, New York manager for the national actuarial and consulting firm, the report studies 246 equity and fixed income funds managed by 114 banks in 27 states and the District of Columbia. Also included were 36 equity funds under the investment management of 28 major insurance companies. At year-end 1971 the total assets of the combined 282

funds was \$10 billion, noted Mr. Croot.

The odds of any one fund in the seven-year study substantially beating the market averages are extremely low, the study concludes. Over the period studied about one bank and one insurance company fund in eight was able to outperform by 30% or more the S&P 500's equivalent level annual rate of return of 6.1%. One in three banks and one in four insurance companies studied, however did achieve a more modest goal of 10% better than the S&P 500.

The study shows, he said, many funds with above-average rates of return and below-average fluctuations in return. The absence of a stronger relationship between rates of return and swings in rates, he said, is not consistent with the widely held belief that high rates of return are possible only by investing in securities with high volatility. ■

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89% of firms surveyed make their pension payments from payroll

WASHINGTON—A U.S. Chamber of Commerce survey of pension payments made by industry groups has revealed that of 885 manufacturing and non-manufacturing industries in this country, 790 firms, or 89%, made specified payroll percentage contributions to pension funds last year.

The study, entitled "Employee Benefits 1971" and prepared by a Chamber of Commerce economic analysis and study group, also showed that 8% of those surveyed paid 10% or more of payroll towards pensions. Over half of the firms studied, moreover, reported payments ranging from 2% to 9.9% of payroll.

AMONG all manufacturing industries, 12% of the firms made no pension payments, while of all non-manufacturing firms, 8% reported no pension payments. Six percent of the manufacturing firms paid 10% or more of payroll for pensions, while 14% of the non-manufacturing firms paid 10% or more.

Broken down into industry groups, the tabulations show that of those firms which have pensions, the highest payroll percent-

ages go to pensions in the non-manufacturing areas of public utilities and insurance, and in the manufacturing category of petroleum industries.

ALL 134 public utilities surveyed listed pension plans, averaging payments equaling 7.8% of payroll. Of the 61 insurance companies surveyed, three did not pay a specific percent of payroll for pensions, but the average payment of the remaining companies came to 7.3% of payroll. Among the 12 petroleum firms questioned specified pension payments were 2% of payroll or above, averaging at 7.2% of payroll.

The lowest pension payment percentages were reported by 17 department stores questioned for the survey. Four firms reported no pension payments, and the rest listed payments of 2.9% of payroll or less.

Among the manufacturing industries the lowest payroll percentages paid for pensions were reported by 29 textile products and apparel firms where the average percentage for the 25 companies paying pensions was 2.7% of payroll.

Pension Payments by Industry Groups, 1971

Industry group	Total companies in survey	Number of companies paying specified per cent of payroll for pensions							Pension payments as per cent of payroll				
		0%	0.1-1.9%	2.0-3.9%	4.0-5.9%	6.0-7.9%	8.0-9.9%	10.0% and over	Total	Premiums under insurance and annuity contracts	Payments to uninsured trustee pension plans	Payments under unfunded pension plans	Average pension payments as per cent of payroll for companies having pensions
Total, all industries	885	95	94	219	175	132	92	78	4.9	2.6	2.0	0.3	5.5
Total, all manufacturing	533	66	72	165	89	70	41	30	4.1	2.1	1.8	0.2	4.6
Manufacture of:													
Food, beverages & tobacco	35	3	2	11	6	8	3	2	5.1	3.1	1.7	0.3	5.6
Textile products & apparel	29	4	11	9	2	2	1	0	2.3	1.7	0.6	**	2.7
Pulp, paper, lumber & furniture	45	7	7	22	5	3	0	1	3.0	1.8	0.7	0.5	3.6
Printing & publishing	23	1	4	9	6	3	0	0	3.6	2.1	1.3	0.2	3.8
Chemicals & allied products	39	4	5	11	9	6	2	2	4.4	2.4	2.0	**	4.9
Petroleum industry	12	0	0	1	3	3	4	1	7.2	1.3	4.8	1.1	7.2
Rubber, leather & plastic products	12	1	1	6	0	1	1	2	5.3	2.1	3.1	0.1	5.7
Stone, clay & glass products	32	3	3	8	11	1	2	4	4.9	2.3	2.4	0.2	5.4
Primary metal industries	40	2	3	12	7	4	7	5	5.3	2.5	2.8	**	5.6
Fabricated metal products (excluding machinery & transportation equipment)	70	11	14	25	6	9	2	3	3.5	1.5	2.0	**	4.2
Machinery (excluding electrical)	90	17	9	21	23	12	5	3	3.9	2.0	1.7	0.2	4.8
Electrical machinery, equipment & supplies	46	10	7	16	2	6	4	1	3.6	2.0	1.3	0.3	4.6
Transportation equipment	36	1	2	6	6	9	6	6	4.6	2.0	2.4	0.2	4.7
Instruments & miscellaneous manufacturing industries	24	2	4	8	3	3	4	0	4.3	2.1	1.9	0.3	4.7
Total, all nonmanufacturing	352	29	22	54	86	62	51	48	6.0	3.5	2.1	0.4	6.6
Public utilities (electric, gas, water, telephone, etc.)	134	0	0	13	34	30	26	31	7.8	4.3	3.0	0.5	7.8
Department stores	17	4	5	8	0	0	0	0	1.8	0.6	0.4	0.8	2.3
Trade (wholesale & other retail)	25	6	4	11	3	1	0	0	2.3	1.8	0.4	0.1	3.0
Banks, finance & trust companies	69	6	1	6	26	13	13	4	6.2	3.2	2.8	0.2	6.8
Insurance companies	61	3	2	7	13	14	9	13	6.9	5.3	1.0	0.6	7.3
Miscellaneous industries (mining, transportation, research, warehousing, etc.)	46	10	10	9	10	4	3	0	2.9	1.1	1.5	0.3	3.8

*Includes net pension-plan premiums and pension payments not covered by insurance-type plan.
**Less than 0.05%.

SOURCE: U.S. Chamber of Commerce

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Continued from page 28

assets rather than 30 years, a limit which they feel doesn't do much for employees and puts unfair financial pressure on employers. Another complaint: Williams-Javits restricts but does little to promote growth of the pension plan system.

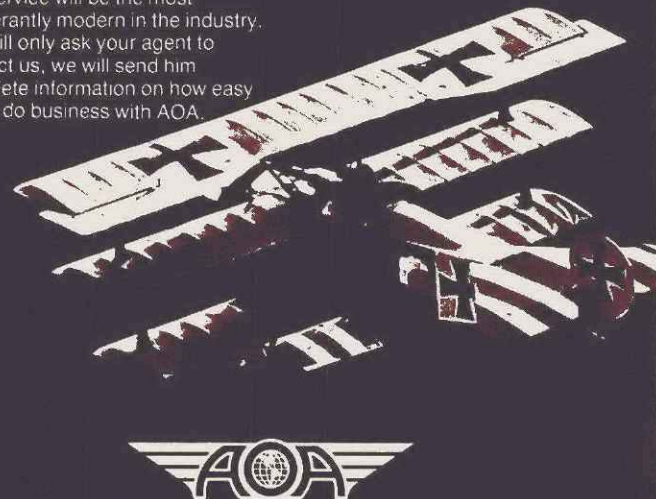
TO CRITICS who ask why the committee didn't simply make changes in the measure instead of gutting it, the reply of finance staff sources is that more study is needed, after \$1 million and two

and one-half years had been spent on studies and hearings by the labor committee.

But more research in this case may not mean added years. The study that may have the most bearing on the outcome of the pension battle is reportedly nearing completion in the House ways and means committee. The tax-related analysis by the ways and means staff of Rep. Wilbur Mills (D.-Ark.), due in January, could, in the view of some, change the complexion of the whole monumental struggle. To what degree it will lead to peace is another question.

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Level of pension plan regulation still a question

By PATRICK THOMAS

NEW YORK—Talking with persons in various states across the country who have become associated with the regulation or, at least, the auditing of pension funds can be an interesting experience. On many points they do not agree and their opinions would be hard-pressed to become more disparate.

But, on one point they compliment each other. It was unanimously agreed that someday, perhaps fairly soon, many of the unregulated aspects of the private pension system would come under the direction of some kind of law—at one level or another.

There was disagreement among the spokesmen, most of them from the state insurance departments, as to whether any laws should be passed on the state or federal level and as to which of these levels would be more effective if given the job of regulating private pensions.

"If I were to make a prediction," said a spokesman in the New Jersey Insurance Department, "I would say that when the federal government shows a tendency to start getting involved in a matter, you are bound to see the states get more active."

HE THEN explained that a bill which would set up mandatory vesting requirements had been introduced in the last session of the New Jersey legislature but had not passed. "It was precipitated by a number of plant closings in the state where the employees were left out in the cold," he said.

"It would have required 100% vesting after seven years of service and would have created a council to watch over the payment of pensions," he continued. "It was mainly designed as protection for employees disqualified from their pensions on technicalities. But it went nowhere."

"No bills were introduced in the Illinois legislature this year," said Michael Mory of that state's insurance department, "but we heard rumbles. The legislators are showing an increasing amount of concern and interest in this and they seem to be looking toward an Illinois state law."

"Now that the federal government is looking into the area, it's really starting to warm up on the state level," he noted. "You could really see a horse race between the states and the federal government in this field."

JOHN KELLY of the Massachusetts Health, Welfare and Retirement Trust Fund Board, the state unit which now handles pension problems, told *Business Insurance* that legislators in his state had come up with four different studies in the vesting area but, again, nothing had passed.

"I positively expect to see more activity in the legislature next year," he said. "We already have a law in this state which requires companies with 25 or more employees to file their plans with us and we do office audits. However, vesting is the main concern and that's where most of the activity will be."

On the other hand, a spokesman in the New York insurance department pointed out that a vesting bill had been introduced in the legislature in Albany but it, too, had died. "I wouldn't look for too much more state activity," he stated, "because a federal law, if passed, would pre-empt any state laws. The states would have no authority if the federal law gets through so there really

are no reasons for state laws."

John Vilberg, chief of the employee welfare division of the Wisconsin insurance department, explained that his state's legislature was studying a "vesting, funding and portability law similar to the Williams-Javits proposal" but that the committee studying it was divided in its feelings.

"SOME OF THEM feel that vesting and portability would be best handled on the federal level," he said, "while others say that the federal government is too slow and is bogged down in too much talk."

"I don't know how this bill will go but I really don't think there will be much of a race between the states and Congress because if the federal law passes, the fed-

eral government will have complete jurisdiction and we'd be out of business in the pension area."

And in California, a source within that insurance department indicated that his legislature had passed no laws regarding private pensions and that he did not expect to see much activity. "The states are keeping clear of pen-

Pensions & Investments

sion legislation, other than equity matters," he said. "There is a wait-and-see attitude. They just want to see what happens in Washington."

He also pointed out that, since "most pension plans are run by multi-state companies, employers

would probably run to the federal government for help if, suddenly, the states got very active and they had to comply with 50 different sets of regulations."

Illinois' Mr. Mory concurred. "Big industry usually fights state participation because they would like some kind of uniformity and I think they have a legitimate gripe."

"We will probably end up with the Williams-Javits approach but there should be some provision for the states to supplement the federal law," he said. "What we are looking toward in Illinois is legislation to set up a public service facility, something like a consumer complaint division to handle complaints on pensions. We just hope that if the federal law passes, there is some delegation of responsibility to the state

level."

When queried about the feasibility of such an approach, Mr. Vilberg seemed reticent. Pointing out that Wisconsin has the strongest pension filing regulations in the country, he stated, "Our experience shows that, when there is a complaint, we have to go to the file and check the plan's provisions, and there is not a pattern here, and then we have to decide if the employee has really been shortchanged. But remember, the federal law won't give us any jurisdiction so all complaints will have to be bounced to Washington."

"I quite frankly cannot conceive how the government is going to handle all the complaints it is going to get," he concluded.

Continued on page 52

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Regulation...

Continued from page 51

"SO FAR," said the New York spokesman regarding the question, "there has been no inclination on the part of the federal people to compromise."

On the question of who would be more effective in regulating the private pension system, the opinions ranged from violent support of the states to acceptance of direction from Washington.

"The federal government does not do a good job of regulating," said the New Jersey man, noting that this was his personal opinion. "The states can do a better job because, for the most part, the problems are localized. If the federal government decides to do it on a regional basis, what's the difference between that and state regulation? The states may have been derelict in this area but

their capabilities are better."

"This is hot in federal circles at the moment," Mr. Kelly commented. "I mean, at least they are conscious of the problem. I think a federal law would be more effective but, the way things happen, you may have to wait 20 years for a federal law to get through."

"I WOULD PREFER to have a federal law because I think the uniformity is needed, as long as the states had consumer services and enforcement functions under it," was Mr. Mory's opinion.

"The federal government's weakness here," he continued, "is that it is too centralized to be truly effective, which is why the states could help. The disclosure act is a perfect example because that's all it is—disclosure. All there is is paper, carloads of it, and that does not help the individual because it is far too technical."

Many of those interviewed felt

that, eventually, something similar to the Williams-Javits bill would become the law of the land. Others were not too thrilled at the prospect.

"I think we'll get the Williams-Javits bill piecemeal," Mr. Kelly indicated. "The vesting provisions will get through first and we'll probably get portability in four or five years. I just don't think they can get it through all at once."

"MOST OF THESE bills are designed to meet a political situation," said the New Jersey man. "Williams-Javits reports have been somewhat misleading, in my opinion, and have drawn unwarranted conclusions."

"The problem with the Williams-Javits bill," he continued, "is that it does not get into the soundness of the plans and any bill is meaningless without this. It's great to be able to vest in a plan but what do you do if it's bankrupt?"

A NAIC pension act? Maybe in December

MADISON, WI.—With all the activity in Congress, as well as a few efforts at the state level, in the area of private pension plan legislation, the National Assn. of Insurance Commissioners has been struggling, in the face of almost unanimous opposition, to establish a State Model Act which would clearly indicate its feelings on the subject.

"We felt that this was an area where there needed to be some state activity," Stanley C. DuRose, Wisconsin's insurance commissioner and head of the NAIC committee studying the problem, told *Business Insurance*. "We felt that pre-emption by the federal government was not desirable as far as the consumer was concerned because, in that circum-

stance, he would have to go to Washington or federal court to settle a grievance."

In an effort to aid him in establishing the model act, Mr. DuRose appointed an "industry advisory committee" comprised of persons concerned with the pension problem at various levels.

"THE ADVISORY committee's sentiment so far has been that this is not an appropriate area for state insurance commissioners and that the federal government has been doing a good job," he said.

"The make-up of the committee is pretty conservative," he continued, "and these people are absolutely opposed to anything that could even remotely become dual regulation. They are not used to any regulation at all in the pension area and the thought of having to file something with the federal government and with the different states is too much for them. I personally think it's more an imaginary problem than a real one."

Mr. DuRose feels, and has made his feelings known in Washington, that portability and vesting would best be handled on the federal level because "portability needs to be consistent and that would be difficult to tackle on a state-by-state basis. Vesting

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would create enormous negotiations problems for national companies if they had to conform to 50 separate state regulations."

He is also not totally against a federal pension reform law. "I just think the federal government will need help on the local level," he noted. "We have told Congress to go ahead and enact its federal law but asked them not to pre-empt us. We have suggested language for the bill which is similar to the Occupational Safety and Health Act, allowing the states to implement the law and participate with the federal government."

HE DESCRIBED his committee's progress toward a model act as "at an impasse. Our next meeting will consider language for the federal bill, not a state act. As it is, we must work on the compatibility of federal and state regulation before we do anything else."

When will the NAIC have a model act?

"Maybe next December," Mr. DuRose said hopefully, "but it might not be called a model act. The insurance commissioners on the committee want to do something but the opposition is unanimous and strong. So it might be some sort of compromise."

Profits from stock fund

Oregon state treasurer Robert Straub has announced that \$8,700,000 in actual and paper profits was made during August by the Oregon stock investment program. The program invests, in common stocks, portions of the funds owned by the public employees retirement system and the state accident insurance fund. The value of the investments increased from \$135,600,000 to \$144,300,000 during the month, Mr. Straub stated.

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Pension costs understated; promises hard to keep

By BION H. FRANCIS

NEW YORK—Funds accumulated to guarantee payment of pensions by private pension plans in the United States now total approximately \$150 billion. This is one of the greatest pools of private capital in the country.

What options exist in the operation of these funds? Should there be a long-term strategy to guide corporate financial officers in the decisions which add up to long-term corporate policy in the handling of pension funds? Consider two of the major problems involved.

First, the cost which is understated: Suppose we start with the statement that few large corporations in the U.S. know the amount of their pension liability. Before I am drowned by rising protest from financial officers and actuaries, let me point out that I am not talking about the liability involved in specific individual pension plans. Every large corporation has definite information concerning the cost of its specific plans.

What I am talking about is the amount of a corporation's general long-term pension liability. Suppose, for example, that your corporation has established a pattern of negotiation every three years with your major union. Under these negotiations, you have bargained a substantial increase in benefits every three years, and have made those benefits retroactive for all employees retiring after the date of the increase.

Your actuaries have worked out the costs and funding required for the increase in pensions which have become effective in the past. However, the pattern of periodic increases in benefits on a retroactive basis in itself represents a long-term pension liability which is usually not recognized in any specific cost figures.

There are other influences which may have a similar effect. In negotiating pensions, a union will usually put its emphasis on the amount of pension rather than upon the adequacy of the funding behind it. It is to the advantage of the union to obtain as large a pension as possible, regardless of the adequacy of funding. The union knows that strict requirements for funding will stand in the way of a substantial increase in benefits. Inasmuch as adequate funding will ultimately be required by federal law, why should a union waste its bargaining power on this? All of which would indicate that one proper strategy for the employer is to emphasize, during negotiations, adequate funding of the cost of pensions.

In any event, the net result of this and other factors is that many corporations have a long-term pension liability which is greater than the pension liability carried on their books for their specific plans. Long-term pension planning might include:

- An estimate of total wages and salaries for the years ahead, based on projected productivity and wage and salary rates.

- An estimate of pension levels for the years ahead, based on estimates of pensions as a percentage of wage and salary levels, and projections as to the percentage of employees who will receive such pensions (with allowance for the effect of new laws).

- An estimate of the actuarial cost of estimated pensions.

Some of the cost figures developed in this way may startle you, but this is not the kind of problem that will go away if you ignore it. In fact, some of your competitors may be working on this to see if they can use the problem to gain a competitive edge.

When you have obtained such a cost estimate of your long-term pension liability, what do you do with it? In general, you can not establish tax deductible reserves specifically for such liabilities. What you may be able to do is to establish the equivalent by using conservative assumptions—low interest and mortality rates—in your pension funding.

Second, the guarantee which is not a guarantee: When an increase in pension benefits has

been worked out, the resulting plan usually becomes a responsibility of the finance department, which must then develop a funding plan at the lowest possible cost.

Usually there are options under which the immediate cost of the pension plan may vary greatly. The complexity of pension plans and the competitive pressures on the corporation are such as to encourage the postponement of as much of the pension cost as possible. However, if a corporation does this repeatedly, it becomes increasingly difficult to hold down the cost of a pension plan.

There can be other problems. The emphasis on reducing cost encourages the finance department, or its pension fund managers, to select investments which offer maximum return. How can

the return from the pension fund be increased? In the recent era of "performance" stocks, this question may lead to the example of the young man I met a few years ago who saw no difficulty in guaranteeing a return of 15% on the investments of a pension fund.

SOMETIMES this can result in catastrophe, although the managers of pension funds may feel justified in incurring risk in order to obtain the maximum possible return in pension funds. They will point out to you that, after all, the employer guarantees the financing of a pension plan and is therefore justified in selecting the investments which will reduce as much as possible the cost of that financing.

That sounds like a reasonable argument, but let us take another

look at it. I have before me a retirement plan which states:

"The company shall have no liability for the payment of the benefit . . . and each participant and retired participant and his beneficiaries, if any, shall look solely to the assets of the trust fund hereinafter mentioned, for any payment or benefits . . ."

This does not seem like much of a guarantee. As long as the pension plan is operating normally and the employer remains in business, under those conditions, the cost of the pension plan is met by the employer.

BUT THIS is a period of mergers, stock purchase offers and sometimes even bankruptcies. A pension plan which seems well assured one year, may, in the next year, be unable to pay ben-

Continued on page 72

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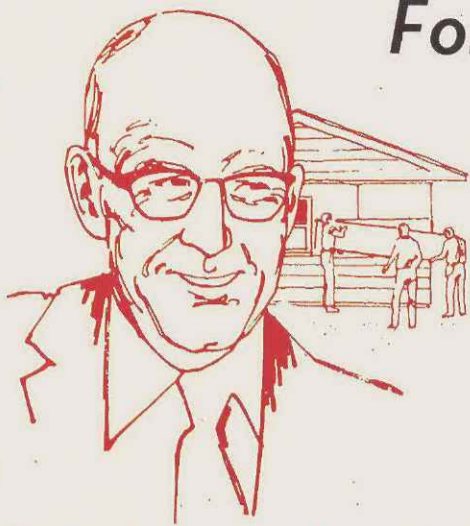
Motorola and Signode have good years

For profit sharing, things are looking up

By LESLIE MURRAY

MATT HAMMANG decided to put away his tools as a maintenance electrician when he reached age 57 in the spring of 1971 so that he and his wife could move to Mountain Home, Arkansas. There he designed his "dream house," supervised the construction of it, and did his own electrical work.

Matt took \$15,000 in cash from his final account of \$105,068 and reinvested the remainder in a participating account from which he receives \$500 monthly. He is free to modify the size of this payment if he wishes or to obtain a special payment in case of emergency. He hopes his investment experience in our fund will be as favorable in the future as it has been in the past.



"Signode's profit sharing plan," says Matt, "has made early retirement a reality for me. We are living comfortably on our income and enjoy a sense of security about the future."

From a Signode Corp. employe publication

CHICAGO—Despite wage/price controls and an economy just creeping out of the doldrums, most profit-sharing plans have kept their heads above water, with a good percentage of plans actually thriving, according to those who keep their eyes on such things.

Walter Holan, secretary of the Council of Profit Sharing Industries headquartered here, told *Business Insurance* that for the first six months of 1972, profits have gone up, investments are doing better, and so are the funds, although some "flattening out" took place a short time after June. "Scanty all the way around" was the term used to describe fund performance in 1971.

Both Mr. Holan and Stanley D. Noble, the council's president, predicted a bright outlook for the funds in the next two years, and noted that the number of company's instituting profit sharing continued to grow steadily, even during the control period.

What effect wage and price controls have had has been more pronounced on non-formula plans than on formula plans, according to Mr. Noble. Under wage/price stipulations, companies working without a prescribed formula (usually smaller concerns) have had to pay out a percentage of profits averaged over the last three years.

OTHER federal-control moves, particularly the Williams-Javits pension reform bill, with provisions applying to profit sharing, have drawn comments from the council. Mr. Noble pointed out that Congress "doesn't seem to know the difference" between pension and profit-sharing plans, and that the bill was insensitive to the purposes and unique features of profit sharing.

One objection both he and Mr. Holan voiced was that mandatory vesting, or a single vesting schedule, would take much of the flexibility out of profit sharing plans. "Here again," noted Mr. Noble, "they're looking at pensions, not profit sharing." Mr. Holan noted that the establishment of a singular federal vesting provision might very well discourage new profit-sharing companies from establishing more liberal vesting procedures. "They might be content," he said, "with just meeting the federal minimum."

Both men echoed the council's stance that strong federal fiduciary standards be established, with stricter accountability for fund trustees.

As for increased disclosure provisions, Mr. Noble asked, "Who's going to read all those disclosures? We have disclosure now and no one bothers to read the documents." He further mentioned that investment performances cannot be judged as good or bad at the time they are invested. "Times change," he said.

AND HOW DOES a poor fund performance affect employe morale, especially during a sagging economy? Mr. Holan maintained that employes in older profit-sharing companies realize from experience that the market does have its ups and downs, and are actually not that affected. Newer funds, on the other hand, may have a morale problem, since employes are more prone to worry about the indices without having an awareness of long-term variance.

"Informal communication," he said, "is one of the most effective ways of profit-sharing communication around. An 'old-hand' employe would probably tell a new one that he doesn't have that much to worry about, even in the face of an immediate slump."

Profit sharing, Mr. Holan asserted, "is all on paper. Paper losses, paper gains. You don't realize anything until you quit or resign. And the older employes usually realize this."

One company that has reason to celebrate 1972 as a very good year, if not a stellar one, is Motorola Inc. of Franklin Park, Ill. At the end of August, that fund reached a goal set 10 years ago to show a \$50,000 return for each maximum employe account (those begun with the plan in 1947).

WILLIAM F. BADGETT, manager of profit sharing and pension administration, told this magazine that about 200 employes have reached that goal, literally from stock boy to chairman of the board, and that 150 others are "very close" to the \$50,000 mark.

"It's a goal that might not look too impressive to some people," said Mr. Badgett, "but our plan is quite different from most. It's weighted heavily in terms of the lower-paid employes. In most

Continued on page 72

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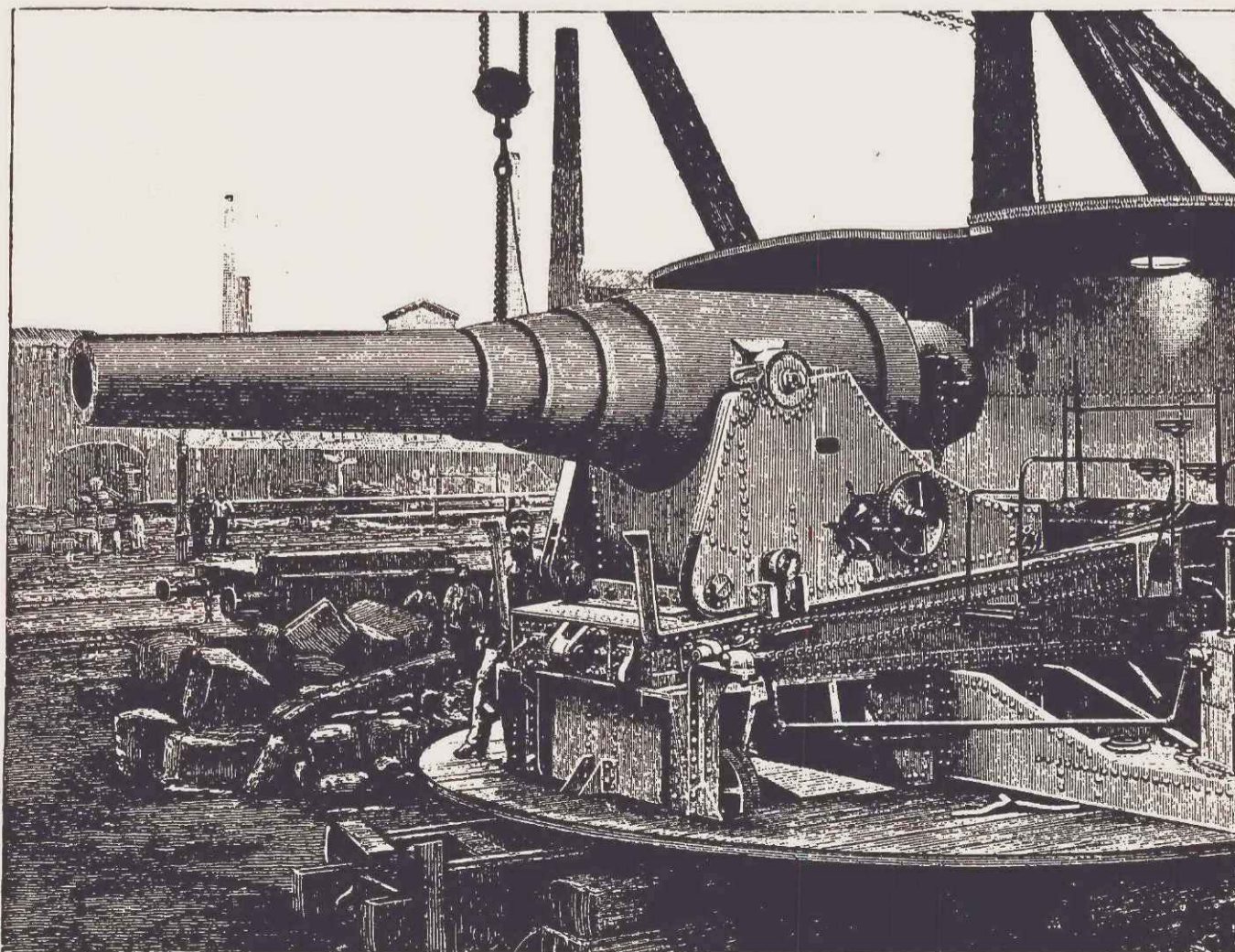
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Quebec provincial pension plan changes draw the ire of Ottawa

OTTAWA—A provincial-federal power struggle between Quebec and Ottawa appears to be developing over pension plans.

The Quebec Pension Plan was started in 1964, and intended to be almost identical to the Ottawa-administered Canada Pension Plan. Following the recommendations of a federal white paper, however, the Quebec plan provisions have been significantly altered.

The 1970 white paper had suggested changes for both plans. Quebec and Ottawa began negotiations last year to coordinate modifications in the pension plans, so that the suggested implementation date for changes for both, January 1973, could be achieved.

But last May, Claude Castonguay, Quebec's social affairs minister, discovered that Ottawa had decided to postpone its changes in the CPP. It was at that point, the minister disclosed, that Quebec had to choose between maintaining uniformity with the federal pension plan, or giving priority to its field of income security.

OPTING FOR income security, Quebec quietly passed legislation last month that will considerably vary the provisions of the Quebec

Disclosure Act booklets are available

WASHINGTON—The labor-management services administration of the U. S. Department of Labor has published two booklets which deal with the Welfare and Pension Plans Disclosure Act.

The "WPPDA Guide: For Plan Administrators and Insurance Carriers with Responsibilities under the Welfare and Pension Plans Disclosure Act," contains, within its 12 pages, general information about the act and its provisions. It was designed specifically to aid those having responsibilities under the act.

The other book is the Secretary of Labor's annual report to Congress concerning the WPPDA. Entitled "Administration of the Welfare and Pension Plans Disclosure Act: Calendar Year 1971," the booklet outlines the labor department's activities under the act last year.

IT POINTS OUT that 57 bills and 27 resolutions by more than 100 sponsors were introduced in Congress in 1971 regarding employee benefit plans.

The labor-management services administration's office of labor-management and welfare-pension reports received, processed and disclosed plan descriptions and annual financial reports. At the end of 1971, there were approximately 173,000 active plans on file, 43,700 of them retirement plans.

Also, during the year LMWP took care of 2,780 possible violations of the act, most of them deficient or late reports. LMWP referred 29 possible violations to the justice department and its personnel were involved with the Organized Crime Strike Force investigating employee benefit funds.

Both booklets are available without charge by contacting: Labor-Management Services Administration, U. S. Department of Labor, Washington, D. C. 20210. ■

pension plan from the CPP.

Although portability will not be threatened, subscribers to the Quebec plan in some cases will receive as much as \$50 a month more than CPP members.

Predictably, federal officials are not happy with the turn of events. "One thing which is important on the national scene is that comparability be maintained," said a senior official in the national health & welfare department.

John Munro, minister of that department, admitted that friction in the federal-provincial

relations was aggravated by the federal government's decision to increase old age security and guaranteed income supplements without provincial consultation. But Mr. Munro feels that tensions have eased, and he expects that negotiations will be resumed to maintain the similarities in the pension plans of the two regimes.

CONTRIBUTION rates, the pension index, and the level of maximum pensionable earnings are the key points for similarity that will be negotiated.

Citing a practical example of

why the pension plans should be made uniform, a federal official mentioned that an employer who had workers both in Quebec and in other parts of Canada would not want to have different rates of assessments for each group.

Changes that were made in the Quebec Pension Plan include:

- The pension index will rise in January 1973 from 2% to 3%. The pension index sets the ceiling on increases to compensate for annual cost of living increases.

- Maximum pensionable earnings, the highest wage level on which pension contributions are based, will rise from \$5,500 this year to 5,900 in 1973, to \$6,300 in 1975.

- The "flat-rate component," a basic payment unrelated to earnings and designed to assist low-income groups, will increase so that widow and disability

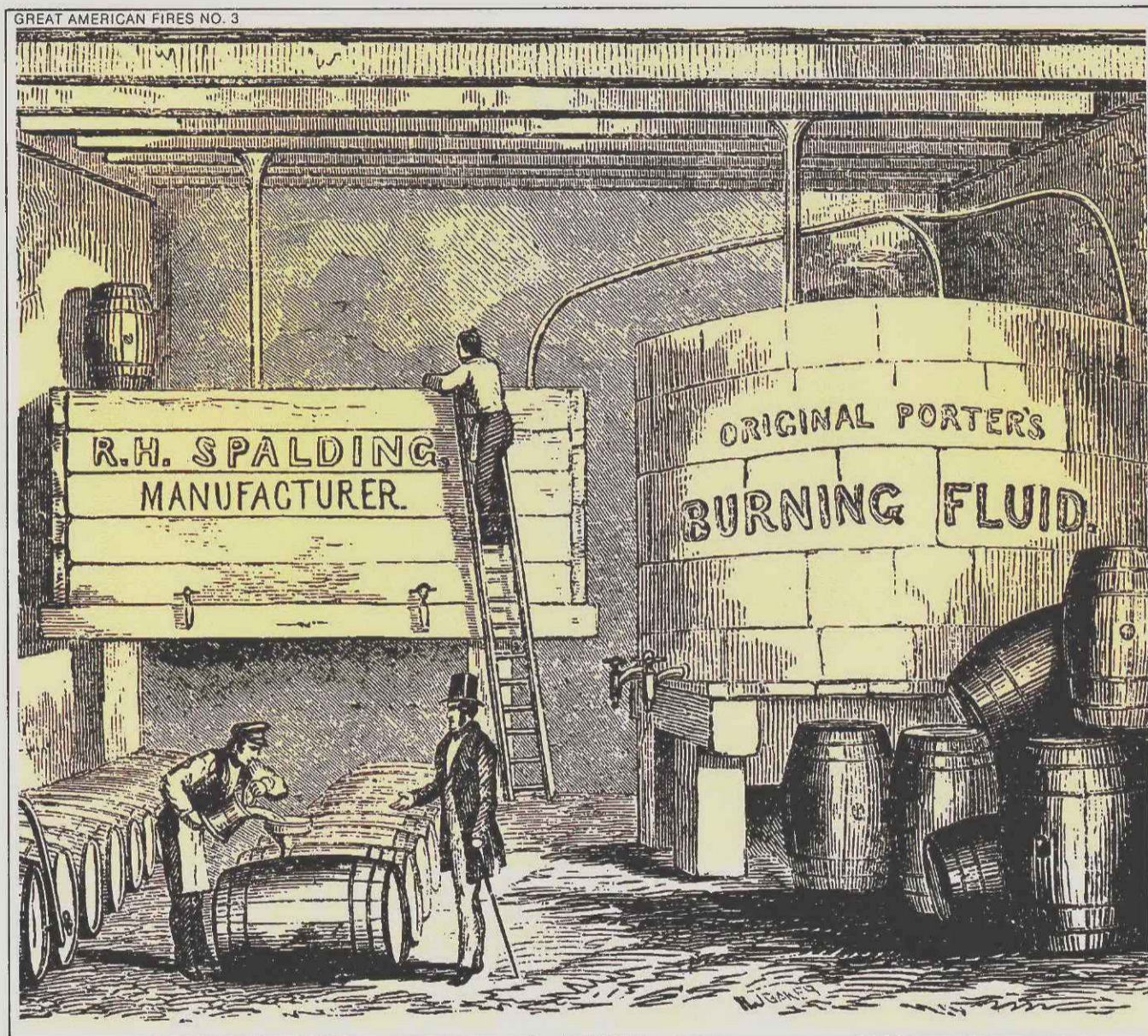
benefits rise from the current \$27.60 a month to \$80.

- Orphan benefits will increase in January 1974 to \$29, with benefits frozen at that rate for all orphans in a family. Currently, full benefits go only to the first four children, with smaller sums paid above that number.

- The earnings test required for pension-aged individuals who still work has been eased slightly. The first \$960 in earnings is unaffected, but above that, half of the pension is deducted. Previously, the entire pension was held back if a person earned more than \$1,500.

- The basic \$600 exemption of pensionable earnings will be raised in January 1973 to \$700 to assist low-income earners.

- The requirement of a two-year wait for amendments to the plan has been dropped. ■



Fire devastates chemical complex

Could Ansul Have Saved the Spalding Camphene and Fluid Works?

Prior to the disastrous fire which razed the firm's main plant, Spalding had been one of the great names in camphene—to say nothing of burning fluid.

The explosion and subsequent conflagration was traced to the "fluid" works (pictured above in happier times). Investigation later revealed that fire protection in this highly hazardous area was woefully inadequate.

Crazy Bob's Folly.

If the management of the concern had asked Ansul to conduct a hazard

analysis, the debacle might have been prevented. We might have recommended installation of a Light Water Sub-surface system in the Burning Fluid vat. Powered by nitrogen, the Light Water would have been injected at the base of the vat, risen to the top and formed a vapor blanket. This in turn would have extinguished the fire and prevented reflash.

A Formula for Success.

We would have recommended strategic placement of dry chemical hand portable extinguishers throughout the complex; and possibly the addition of a large dry chemical hand hose line stationary extinguishing system to protect the neighboring camphene

works. However, this dazzling array of equipment would still be inadequate without thorough training in its use for Spalding employees. And of course, we would have seen to it that the equipment was regularly inspected and serviced by local representatives of our nationwide dealer network.

Whether it's a chemical plant, an oil refinery or any other high risk hazard, Ansul approaches the fire protection job in just one way—professionally. The Ansul Company, Marinette, Wisconsin 54143.

IRS rules on payments from profit-sharing

WASHINGTON—The Internal Revenue Service has reversed its approach to taxing one type of profit-sharing payout by stating that payments from canceled profit-sharing plans will be taxed as ordinary income.

The payments were previously taxed by the IRS as long-term capital gains, which has a lower tax rate than ordinary income.

Under IRS rules, if an employee stops working for a company and within one year the employer pays him his share of the company's profit-sharing plan, in one lump sum, the payment is generally taxed as a long-term capital gain.

Until the new IRS decision, the same ruling applied to lump-sum

payments that followed a merger or acquisition where the new parent company terminated the profit-sharing plan and paid out the funds to eligible employees.

The IRS reasoned that staying on the same job under new ownership was the same as starting work with a new employer.

In reversing its old stand, the IRS now says an acquisition does not constitute a change of employer if the employee continues working for the new owner. Citing a number of court decisions that went against their old policy, the IRS said payments from canceled profit-sharing plans will be taxed as if they were ordinary income.

Commenting on the new rul-

ing, Walter Holan, director of communication for the Council of Profit-Sharing Industries, Chicago, said, "I'll be damned if I know what it means. I'm a little confused."

He added, "I don't know if it's that much of a change. It isn't that important a decision."

Mr. Holan explained, "There are ways to get around" the new ruling that seems to subject such payments to a higher taxation rate. He said by freezing the payments until an employee retires or quits, the higher tax rate can be avoided.

By having the owner pay the employee in installments, Mr. Holan suggested, the effect of the higher tax rate can be minimized by lowering the employee's tax bracket. "It isn't going to affect that many people," he said.

But the IRS ruling may not end discussion on the subject. A federal appeals court recently upheld IRS's old policy. ■

CNA markets fixed, variable annuity plans

By LARRY PERSILY

CHICAGO—Continental Assurance Co. has issued "at least three" of its "new, fixed and variable annuity contracts."

The new contracts were established by CNA Financial Corp., of which Continental Assurance is a subsidiary.

Thomas Polenzani, manager of retirement plans at CNA, would not identify the companies that signed contracts, but did explain, "The new variable annuity contract is a vehicle for accumulating deposits that are set aside for qualified pension or profit-sharing plans."

"The primary emphasis of the contract is investment," added

Mr. Polenzani. "It is designed to cut into competition from other funding vehicles by offering employees one-contract convenience for investment and benefit payment purposes."

HE EXPLAINED that employees will have the choice of investing in two funds:

- A guaranteed fund that provides for investments in debt securities, corporate bonds and mortgages;

- An equity accumulation fund that is placed by Continental Assurance in a separate fund that invests primarily in common stocks with a long-term goal of capital appreciation.

"The contract is somewhat unique," Mr. Polenzani described, "in that it's a single contract which provides" both fixed and variable investments. Employers may invest in just one, or both of the funds. He explained that other companies offer variable annuity plans, but few offer them in the same contract as a fixed investment fund.

"A full array of fixed and variable payment options" are also available to employers, explained Mr. Polenzani. The cost to employers will vary, he said, with the types and number of accounts to be maintained.

One feature of the contract, which may be used with almost

Pensions & Investments

any type of qualified corporate retirement plan, is that it is not considered a Securities and Exchange Commission registered security.

THIS MEANS that in all but a few states, the contract's producers will not be required to have an SEC registered representative license.

CNA's plan follows the sale of the country's first variable life insurance policy by Aetna Variable Annuity Life Insurance Co., a subsidiary of Aetna Life and Casualty Co.

Aetna's plan, like that of CNA, will be sold as part of qualified corporate pension plans. The life insurance policy marketed by Aetna is unique, in that its death benefit will vary with stock market conditions because premiums are invested in a separate portfolio of equity securities.

THE DEATH benefit will never be less than its initial face value, no matter how poorly the investments may perform.

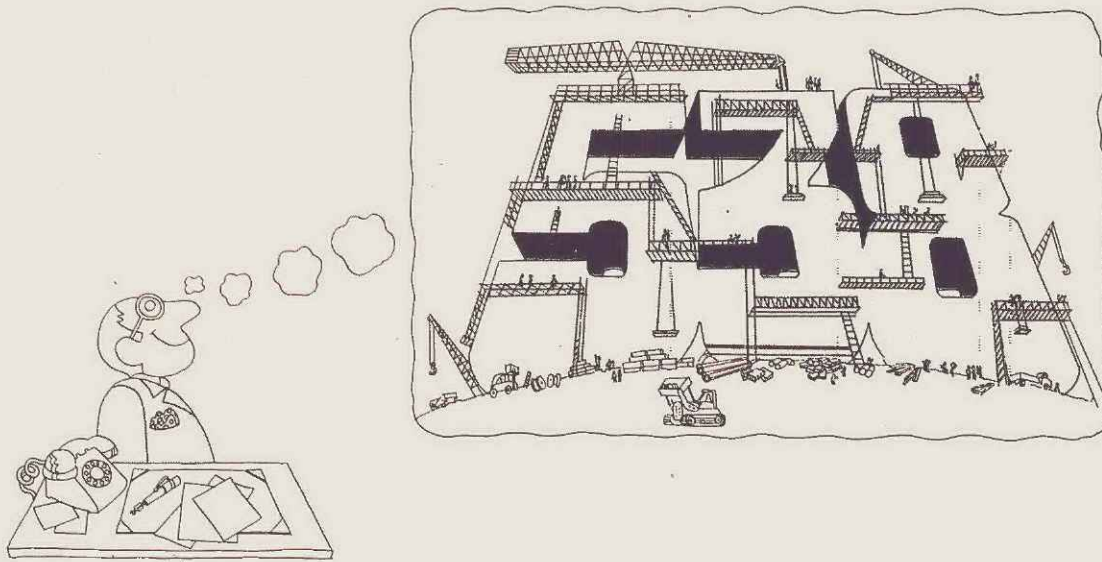
An Aetna spokesman described variable life as a policy which, hopefully, will reflect changes in the cost of living and guard against erosion of the policy's value caused by inflation.

Though CNA does not yet have a variable life policy to market, Mr. Polenzani said, "I'm sure we will. We get into everything, sooner or later." ■

Drilling rig covered

Cover of \$6.25 million, with a \$1 million deductible, is borne in the London market on the Transworld drilling rig which caught fire off Rangoon after a blow-out. According to messages reaching Lloyd's, which carries 45% of the risk, the platform may be a constructive total loss.

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



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Study of Canadian pension funds says Sun Life is top performer

TORONTO—A Sun Life Assurance Co. of Canada managed pension fund had the best performance record of 11 Canadian pooled pension funds during a 10-year period which ended last June 30, according to a completed study done by an actuarial consulting firm here.

The study, by B. J. Vincent Co. Ltd., assumes a monthly investment of \$1,000 and reinvestment of income. The figures are calculated before management fees are deducted. Along with the 10-year study, the report also covers one-, three- and five-year periods.

In the study, the Montreal-based Sun Life fund had a theo-

retical market value of \$200,914 and a 10.1% annual yield over the 10-year span. Funds managed by National Trust Co. of Toronto and North American Life Assurance Co. of Toronto were close behind the Sun Life fund with annual yields of 10%.

THESE TOP three funds were then followed by those managed by National Life Assurance Co. of Canada, Toronto; Canada Trust Co. of London, Ont.; Crown Trust Co. of Toronto; and Investors Group Trust Co. of Winnipeg, which came in with yields ranging from 9.7% to 9%.

An annual yield of 8.5% placed London Life Insurance Co. of

London, Ont. in the next position, followed by Royal Trust Co. of Montreal with 7%. Canada Permanent Trust Co. of Toronto was 10th in the study with an annual yield of 8.5% on the fund it managed and Montreal Trust Co. was last, showing a 5.2% yield.

The top three places of 22, in the five-year period study belonged to Standard Life Assurance Co. of Montreal, which was first with a theoretical value of \$85,820 for a 14.7% annual yield, Empire Life Insurance Co. of Kingston and Manufacturers Life Insurance Co. of Toronto. Empire, which was the top performing fund in the three-year study, showed a 14.3% annual yield in the five-year span and Manu-

facturers had a 14.1% annual yield.

In the three-year study, Empire came in ahead of 22 other funds with a theoretical value of \$46,725 and an annual yield of 18.7%. Standard Life Assurance was second with a yield of 17.8% and Manufacturers Life was again third with a 17.7% yield.

The one-year study, conducted among 23 funds, was a showcase for the past year's strong markets.

STANDARD LIFE Assurance ranked first with a theoretical value of \$13,856 and an annual yield 35.7% on the fund it managed. Empire Life was again second, yielding 30% annually. Guaranty Trust Co. of Canada, Toronto, squeezed Manufacturers Life out of the third spot with a 29.8% yield with Manufacturers right behind with a 29.7% yield.

The study also revealed that

funds managed by life insurance companies produced greater median yields than the funds managed by trust companies.

The life company-managed funds had a median yield of 9.8% in the 10-year study compared with 9% yield for the trust companies.

THE FIVE-YEAR study showed a life company median yield of 10.9% while the funds managed by trust companies came up with a 9.4% median yield.

The trust companies had a median yield of 12% in the three-year study and, again, were bested by the life company funds, which had a median yield of 13.2%.

The life companies came out on top again, though the results were closer, in the one-year study. The life companies had a median yield of 21.9% compared to the trust companies 21.3%. ■

Urges that funds be put into vesting

ATLANTA—Insurance industry personnel directors meeting here have been urged to "put every spare dollar into vesting company pension plans rather than increasing benefits."

Warning that passage of a bill to set federal standards for private pension plans is imminent, Frank Cummings, former minority counsel of the Senate committee on labor and public welfare and a draftsman of the pension reform bill, said those plans which provide the most benefits to the most people would be least affected by the impending legislation.

Mr. Cummings, now an attorney with the Washington law firm of Gall, Lane, Powell and Kilcullen, told the meeting—co-sponsored by the American Insurance Assn. and the American Mutual Insurance Alliance—that legislation would likely be passed within the next 24 months. He pointed out that on Sept. 15 the bill was voted out of the labor committee unanimously—and, he noted, this was the first major labor reform bill to get this kind of vote.

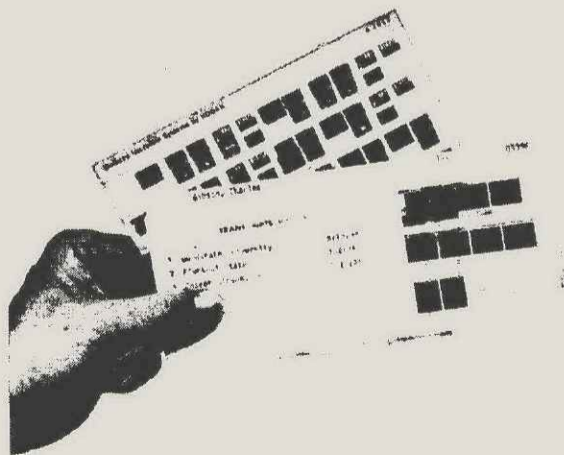
"**ALMOST ALL** labor reform is for the poor," Mr. Cummings said. "This bill affects the middle class and the wealthy . . . and therefore there is more pressure for passage."

Blaming apathy for the necessity of such a law, the attorney said that "the young people in the labor market do not think of pensions and growing old. When they reach 45 or 50 it's too late . . . they are in a minority. Congress has indicated that to protect those people, a law is necessary," he said. ■

France to up pensions

France's new cabinet has, in the face of substantial inflationary pressure, launched a welfare program which will provide an increase of 23% in the annual social security pension for destitute persons. That increase brings the total pension to about \$900 a year. The program will also lower the age at which a widow can claim her husband's social security from 65 to 55 and state-paid retirement pensions will become more generous. It was estimated that the plan would add close to \$500 million to France's 1973 budget.

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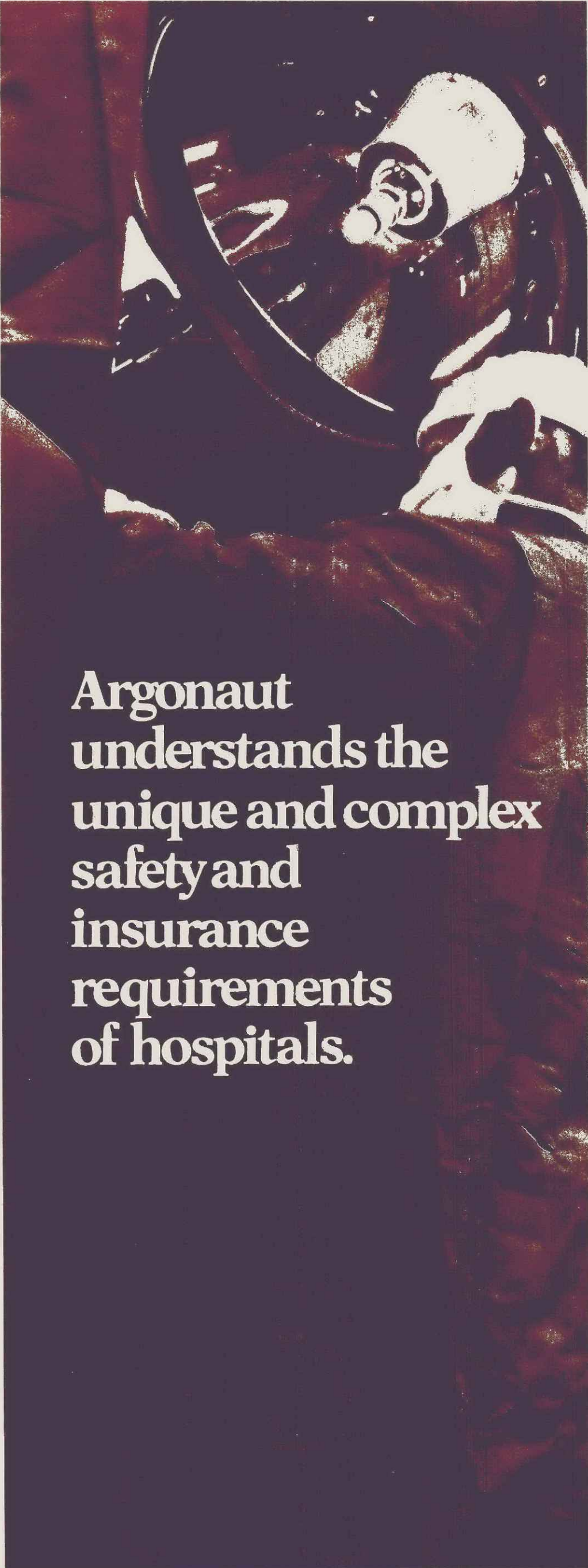
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Among the many hospitals that have taken the "Argonaut Approach" is Chicago's Wesley Memorial Hospital. The many complex operational problems of a modern hospital like Wesley produce

insurance problems of the same magnitude. The handling of workmen's compensation, liability and malpractice claims against a hospital requires unique skill on the part of the insurance company claims department. The individuals assigned to this work must understand how the hospital is organized and functions to perform satisfactorily.

Safety in a hospital is essential, so a 24-hour a day, 365 day a year safety program is needed for maximum results.

Argonaut specialists are trained to recognize safety and claims problems of the individual hospital. They work with management and safety committees to organize safety programs to include and educate all personnel, from the executive staff to each department level, encouraging willing participation by everyone. To further enhance the safety program, Argonaut provides frequent loss analysis reports as well as hospital safety material such as films, brochures and posters.

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Pensions & Investments

PERSPECTIVE



By FRANK CUMMINGS

member,
Gall, Lane, Powell & Kilcullen

THERE WAS A TIME, and not very long ago, when leaders in government, industry, organized labor and elsewhere were debating whether federal pension reform had the support for enactment. There remains some debate now over when such a bill will pass, some debate over the particulars of its contents, but very little over whether such a bill will become law. Within the next year or two it will pass.

The general outline of this legislation is fairly clear. It includes: Federal "fiduciary standards" (minimum standards of conduct for pension trustees, administrators and anyone else having the power of decision with respect to a pension plan); minimum vesting and funding standards

Be prepared on federal pension reform — it's a certainty

"There remains some debate now over when such a bill will pass, some debate over the particulars of its contents, but very little over whether such a bill will become law."

and federal reinsurance of unfunded vested liabilities.

There is no state which does not already have most of the substance of these very same fiduciary standards, if only by "common law" or the traditional law of equity, though enforcement of such standards is almost non-existent. The fundamental change produced by federal action would be that these standards will be enforceable by action of a government agency and no longer left to the vicissitudes of a private law suit. In consequence, it seems fair to say that in most cases a pension administrator who takes his lawyers' advice regularly and who is in the habit of obeying the law as he understands it now will have very little to fear from fiduciary standards at the federal level. Nonetheless, the standards may require that certain now-legal self-dealing transactions, for example, investing a pension trust fund in the stock of the employer, may go by the boards.

MORE FUNDAMENTAL, however, is the three-part reform generally referred to as vesting, funding and reinsurance.

Most private pension plans are ade-

quately funded now, and the new legislation would merely require them to keep doing what they are already doing. Current IRS requirements for funding are somewhat weaker than the new bill would require, for the Treasury department requires merely the payment into a pension fund of current service costs, plus an amount equal to interest on past unfunded liabilities; the new bill would require amortization of past unfunded service liabilities, but only over a period of 30 or 40 years.

There is much more disagreement as to vesting. The most active of the bills (S.3598—the "Williams-Javits Pension Reform Bill") would require "deferred grade vesting" of 30% after eight years, and 10% more per year thereafter until 100% is vested after 15 years. (The principal alternative proposal—the "rule of 50"—has received very little support in Congress.) The graded formula, however, is far from frozen, though it has strong support so far. The original version of S. 3598 was completely prospective in application, but the bill reported to the Senate floor from the Senate labor committee on September 15, 1972, is retroactive as to

employees over the age of 45.

THE LEGISLATIVE feature most strongly supported by organized labor is "reinsurance"—a federal reinsurance fund (modeled on the Federal Deposit Insurance Corp., which reinsures bank deposits) that would guarantee payment of vested pension rights even if an employer goes out of business and terminates his pension fund before fully funding it. The cost would be borne by a premium payable by each pension fund measured by the extent of its unfunded vested liabilities, and the latest proposal sets the premium rate at a figure of about .2% of those unfunded vested liabilities.

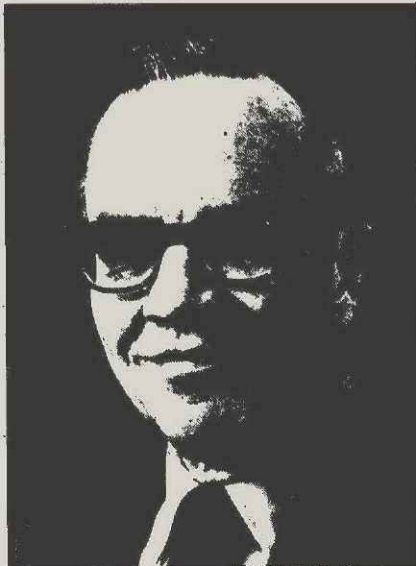
Taking the vesting-funding-reinsurance package in those admittedly over-simplified terms, what stake does a corporate pension administrator have in this legislation, what will it cost him, and what good will it do him?

Obviously, avoiding bitter disappointment after long years of service makes for good personnel relations. The converse argument, that delayed vesting helps retain

Continued on following page

Nader pension proposal holds disadvantages for both sides

"We may have received top-caliber research and suggestions on automotive safety from Mr. Nader, but somehow we fail to get first-class Nader when it comes to pensions."



By LOREN LOGAN

president,
CNA Actuarial Consultants Inc.

RALPH NADER and his associates have been notably successful in many battles for the consumer. Now, he is going to bat for those millions of retirees and workers who have not been or will not be adequately covered by private pension plans.

Mr. Nader indicates that one-half of all persons now participating in private pension plans will receive no benefits when they retire and that many retired Americans are receiving less than \$1,000 a year in private pension benefits.

What's his solution? In a speech before the Assn. of Private Pension and Welfare Plans in September, 1971, Mr. Nader put forth several proposals. He has amplified on these considerably in his consumer-oriented book, "You and Your Pension."

WHAT MR. NADER called for in his speech last year is a system of privately operated pension funds to which employers would contribute a tax-deductible percentage of their employees' salaries. The money would be vested immediately. The employee would select the fund for his

pension, and when he changed jobs—as most of us do in this mobile labor economy—he would simply have his new employer continue contributions to the same fund. At the time the worker retired, he would have benefits accumulated over the number of years he had worked.

Deceptively simple—and yet there are some problems. We may have received top-caliber research and suggestions on automotive safety from Mr. Nader, but somehow we fail to get first-class Nader when it comes to pensions. He does, however, have one significant point to make: That the mobile employee most often loses out when it comes to pensions. The private pension system was designed by those people who supported it, namely, employers seeking to recognize the loyalty of the lifetime employee, not the mobile employee who leaves when a more exciting job opportunity comes along.

The employee who has held a number of jobs with different employers over his lifetime has lost out, though he no longer belongs to a small minority. Many workers now change jobs several times during

their careers, and the private pension system is going to have to make some sort of provision for them. But Mr. Nader is not the first man to recognize this.

Over the years, there has been a conflict in the design of pension plans over the concept of adequacy and equity. A completely equitable plan would be exactly the type that Mr. Nader wants, wherein the employer contributes a fixed percentage of the employee's pay for use of that employee alone. That type of plan was common several decades ago, when pension plans were just coming into their own.

Since then, more employers have turned to the concept of adequacy, with pensions designed to give the long-term employee an adequate plan in relation to service and compensation. This has led many large corporations to adopt pension formulas based on final salary so that they could match retirement dollars with the standard of living, and most take Social Security benefits into consideration. Yet Mr. Nader seems to want to preserve these fixed benefits based on the adequacy concept while turning the clock back to the equity or money purchase concept for new and, most likely, mobile employees.

Can the typical American employer afford both? Can he step up the flow of dollars to new employees and give them 100% vesting while he pays out full fixed benefits to his old employees?

NADER has cited one specific example several times. He says that a 4% contribution will be enough to provide a reasonable pension—25% of pay—at age 65. He assumes that an employee hired at the age of

Continued on following page

business insurance

PERSPECTIVE

Prepare . . .

Continued from preceding page

employees, may work just the other way around, for it is at least as arguable that long-delayed vesting in pension plans keeps the worst employees, while the best employees will have no trouble moving on to a job with better benefits. The result does not improve the work force; it deteriorates it.

HOWEVER, one might answer, what stake does the government have in all this? If liberal vesting is good personnel policy, it would seem to be the personnel officer's business, and certainly not the government's. Whatever one's view of that controversy, it seems clear that Congress and the Administration have agreed that vesting is their business—at least up to a minimum level.

A word about administration. In the political maneuvers between the various sponsors of the bill, a significant feature of the original bill (S.2) was lost, at least for the time being—the notion that pen-

sion administrators should receive "one-stop service" in qualifying under all federal laws regulating private pension plans.

As of now, a pension administrator must deal with the Internal Revenue Service for purposes of tax qualification and again for purposes of tax deductions for contributions; he must deal with the Labor department for purposes of bonding and filing of annual disclosure forms; in many states he must deal with equivalent agencies at the state and local level. He may also have to deal with the Securities and Exchange Commission if his plan involves variable annuities or other items over which the SEC asserts jurisdiction, and he may have to deal with state departments of banking and insurance if funding is accomplished through either of those media. Should litigation arise at the private level, he may have to deal with courts in many different states in many jurisdictions, each with separate laws.

THE ORIGINAL bill (S.2) included the idea that enforcement of all these laws would be consolidated in a single agency, a new U. S. pension commissioner, which

would issue a single qualification certificate based on a single application. As a result of pressure from organized labor, the commission idea was abandoned and enforcement by the Secretary of Labor was substituted. That substitution, however, is inconsistent with the possibility of "one-stop service." For example, how could the Secretary of Labor decide questions of tax qualification? Furthermore, there is real doubt as to whether suitable expertise in financial and actuarial matters, investment policy and the like is likely to be developed within the Labor department, even assuming the most competent and skilled officials within that department are assigned to this function.

The commission idea, on the other hand, would be most likely to generate that kind of expertise, and to create at least some desirable insulation from the political pressures which are inevitable in a political department of the government.

Why was the commission idea abandoned? For one thing, it received no support from business, because business was evidently too busy opposing the legislation as a whole. But I would think, even at this late date, that if the business commu-

nity as a whole decided to accept the inevitability of some legislation in this field, and at least attempted to shape it in a way which would make it more workable in the business community, the commission idea might be brought back to life and reinserted in the legislation likely to pass within the next few years.

In sum, federal pension legislation is far from frozen into its final format, though it seems inevitable that it will pass within a year or two. In the meantime, the business community might be advised to take an active and constructive interest in it. ■

Mr. Cummings is a Washington, D. C. lawyer and a member of the firm of Gall, Lane, Powell & Kilcullen. He was formerly administrative assistant to U. S. Senator Jacob K. Javits and general counsel for the minority members of the Senate committee on labor and public welfare. He drafted the original pension reform bill introduced by Senator Javits (S. 2), which later became the basis for the legislation now under consideration in the Senate (S. 3598).

Nader . . .

Continued from preceding page

25 will have the same pay for the next 40 years. And he thinks a 3% investment return would be sufficient to provide these benefits.

Forty years at the same salary is a long time. I cannot think of any employee who would stand for it. But, ignoring this fact, we should take a look at some more realistic figures and some of the arithmetic involved:

Assume that the employe receives a raise of 3.5% a year, which is not an excessive amount since, in recent years, that kind of percentage has barely kept up with the cost of living. Then credit the pension fund with a more liberal 5% net investment return. On these assumptions, the pension provided by an employer contribution of 4% a year would end up as only 17% of final pay. That seems hardly a generous pension for 40 years of work. If you include Social Security benefits, a good many present programs provide 40% to 50% of final pay.

ANOTHER problem with Mr. Nader's proposals, one more basic, is that he suggests that employes now under a voluntary pension plan get whatever pensions were allocated to them before the changeover. New employes who are 35 or older would be put under the Nader money purchase plan; new employes under the age of 35 would receive no credits at all. Instead, contributions based on their pay would go to support the former plan for older employes. All of which creates a paradox: How can you establish a pension formula based on a 25- to 65-year accumulation period when employes will not start accumulating credits until they reach 35? With continuing inflation, how much more than 4% will the contribution have to be to meet an end goal of 25% of earnings?

Cost of living is a major factor in the establishment of any pension plan, and this hinders Mr. Nader's arithmetic even more. If an individual works five years at each of eight or nine companies, the money accumulated during the early part of his career will be based on a lower salary and on a lower cost of living. As long as the cost of living continues to rise—and I haven't seen any indication otherwise—an investment return of 5% on invested reserves will simply not provide an adequate pension benefit.

Furthermore, Mr. Nader proposes that each worker be allowed to pick the fund

that will invest the money credited to him. This choice would lie among a variety of funds all regulated by the Securities and Exchange Commission and with a variety of investment policies. Participating workers would be represented in the management of funds, meaning that if a worker really wants to make the money deposited for him in early years work, he will have to pick a fund with a strong equity position. Does the average worker have the knowledge to do this? Does he want to assume the risk for the success or failure of investments of his own pension reserves? In private plans, the employer assumes this risk.

ONE PROGRAM of this nature has succeeded: College teachers, who have shown a good understanding of the risks involved, have a fully-vested money purchase program under which each teacher matches the contribution of his school. (Would most workers be willing to kick in 5% of their salaries as these teachers do?) Part of their success may be explained by investments in common stocks, which have gone through a favorable 25-year growth period.

Risk management notes

Services create additional choices

By WARREN, McVEIGH & ASSOCIATES
risk management consultants,
San Francisco—Los Angeles

ONE OF THE significant trends of the past few years has been the rapid proliferation of noninsurance services by insurance companies and brokers. Looking at companies first, Kemper has National Loss Control Service Corp., a subsidiary offering a wide range of loss prevention services. Allstate owns Schirmer Engineering Corp., a fire protection engineering company. The INA group has long offered workmen's compensation self-insurance claims services but now coordinates the activities of various subsidiaries into a comprehensive, international risk management service program. General Adjustment Bureau, long owned by the insurers, actively solicits work for self-insureds. Many other large insurance groups have not established separate service entities but will offer some loss prevention and claims services on a fee basis.

Nonetheless, the biggest problem is whether or not employes can afford to continue their present programs and still provide the money purchase program that Mr. Nader advocates.

Right now, the typical plan has a substantial unfunded liability. If the plan is to be terminated, this would have to be paid off by the time the last employe under that plan retires. The continuing costs of the old plan could reach high levels in terms of the percentage of covered pay, and these continuing heavy costs might have no relation at all to the contributions diverted from employes under 35. This ratio would vary from company to company depending on the ages of the employes covered under the old program and on the numbers of new employes under 35.

What the Nader plan comes to, I think, is that employers who already have private plans will have to extend them to provide immediate vesting, and that will cost a good deal more. Those employers who have provided for their employes will have to increase their contributions; those who have provided generously must increase their outlay with equal generos-

ity—all to help the mobil worker. What about employes who are not mobile but who are not covered by an existing plan? What provisions will be made for them? The Institute of Life Insurance estimates the number of people in this group at over 40 million. Should we ignore these people, as Mr. Nader now does?

While Mr. Nader's plans provide for the mobile employe, surely there must be a better answer to the entire question of supplementary pensions. ■

Loren Logan has been president of CNA Actuarial Consultants Inc. since the corporation was first formed as a subsidiary of CNA Financial Corp. in 1970. He previously served as a pension actuary with Continental Assurance Co., another CNA Financial subsidiary. A Phi Beta Kappa graduate of the University of Missouri, he earned his master's degree from the University of Michigan in 1939. Mr. Logan is a fellow of the Society of Actuaries and a member of the Canadian Institute of Actuaries, the Institute of Actuaries (Great Britain), the Midwest Pension Conference and the Chicago Actuaries Club.

Of the brokers, Alexander and Alexander has provided an insurance consulting service for a long time, and Marsh & McLennan recently formed M & M Protection Consultants to consult on safety, fire protection, environmental hazards, and appraisals on a fee basis irrespective of insurance purchased. Fred. S. James & Co. provides workmen's compensation claims service. Arthur J. Gallagher & Co. (Chicago) has a national self-insurance service organization, Gallagher-Bassett Insurance Service, with claims and engineering facilities.

Quite a remarkable parallel growth is occurring in England. C. T. Bowring & Co., England's second largest brokerage firm, is now affiliated with Risk Improvement Ltd., an engineering service in fire protection and safety. The Bain Dawes group has formed a company called Risk Management Consultants Ltd. to work on a fee basis in the fields of fire protection, appraisals, safety, marine safety, environmental hazards, and security.

In addition, of course, are the many

firms who offer one or more of such services but are not associated with any insurance group.

Quite apparently, the risk manager now has a wide range of choices for structuring his total program. He can place insurance with one organization, claims handling with another, and various engineering activities with others, depending upon the particular needs of the company and characteristics of the organization providing services.

One important point to note in making choices is to differentiate between a firm offering professional or technical services and a firm offering advice with regard to what to purchase. There is a difference between how to perform a certain function and whether to perform the function. With respect to the "how," professional competence is the principal criterion. With respect to the "whether," in addition to professional competence, motivation should be assessed by determining the ownership and affiliations of the concern providing advice. ■

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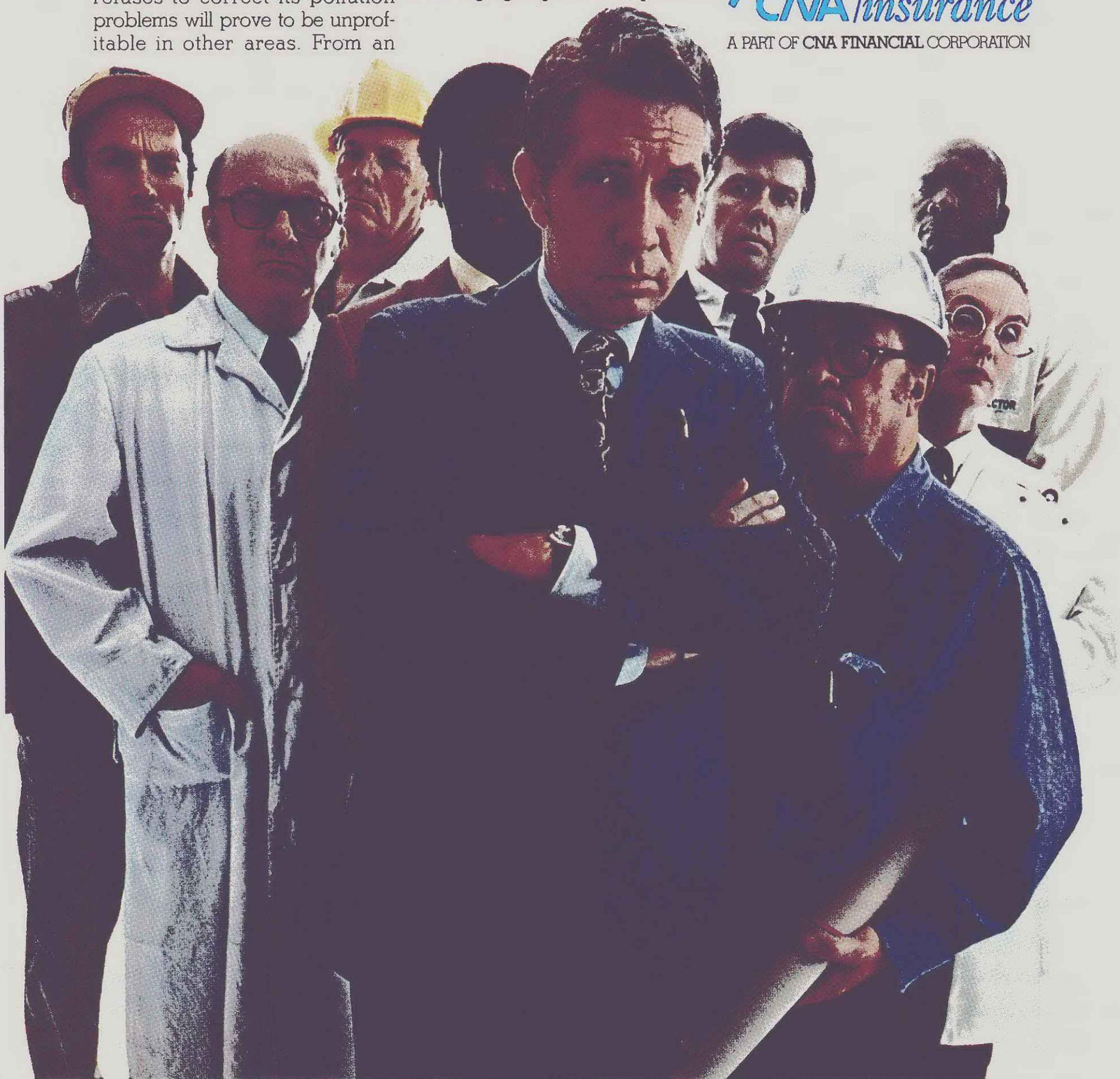
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Doctor attacks federal interests in health care

PORTLAND—Dr. Edward R. Annis of Miami, Fl., past president of the American Medical Assn., told the 98th annual meeting of the Oregon Medical Assn. that the health program before Congress would destroy the private health insurance industry.

"It will destroy by elimination," he said in an interview, discussing the legislation co-sponsored by Sen. Edward Kennedy, (D.-Ma.). "It would drastically alter the system of medicine under which we've made such fantastic progress," he asserted.

"I think the public and their representatives will recognize the positive efforts being put forth by medicine.

"They will insist we continue

to improve what we have rather than replace it with a totally new system not subject to pilot study."

HE SAID the U.S. Congress is not only concerned about cost, but "they're concerned about putting in programs before pilot studies and careful field testing are done. Medicare and Medicaid were quite an education.

"Their aims and objectives are as good as they ever were . . . quality care to all of the people . . . but the legislators found merely passing a law doesn't assure solutions to problems. Experience has proven efforts to implement can be very costly.

"The need for pilot studies in medicine is becoming increasingly apparent," he continued. "If I

were to predict legislation, I think we can reasonably expect the government to expand its role in providing medical services to the poor and do something about providing major catastrophic medical protection."

HE SAID such things as organization and computerized efficiency can help cut costs.

But the most expensive areas of medicine, Dr. Annis said, come with injuries from accidents on farm, home and highway, and such crises as kidney failure, which hit only a few but are enormously expensive.

He said he believes the private health insurance industry will make available catastrophic comprehensive coverage, with the government encouraging people to participate with tax incentives.

Government programs will attempt to cover expanded care to the poor and the elderly, he predicted. ■

Industrial safety plan demanded in Europe

LONDON—Strong demands for action in western Europe to reduce industrial accidents were made by a British trade union leader, George F. Smith, at a safety congress organized to study the effects of Britain joining the Common Market.

Britain will be joining the European Economic Community, or so-called Common Market next year, which will mean greater movement of industrial employees between its prominent member countries.

Mr. Smith, chairman of the trades union congress, told the conference, which was set up by the Royal Society for the Prevention of Accidents: "One of the first priorities of the European community ought to be the pro-

duction of standard safety regulations. We will be able to maintain strong pressure on governments and employers to see that accident prevention retains a high priority in their thinking."

He claimed that the building and construction industry will not tolerate "anti-social acts" on construction sites, and might seek to exclude both employers and employees from them if safety rules were broken.

"THE TRADE union movement will be using its influence for tougher penalties against individuals who ignore safety regulations," he declared.

"In Holland a factory inspector, for breaches in safety regulations, can stop a workman from working, and the man can be taken to court and fined. "But proof has to lie with his employer that the man knew the safety regulation involved, and had broken it intentionally."

He felt it was essential that every person entering the construction industry should get safety training, and this ought to be made compulsory by law.

Michael Godley, of the British Federation of Building Trade Employers, said in the field of accident prevention many European countries place greater emphasis on private insurance coverage than on public legislation.

Western Germany, for example, relies heavily on insurance companies, and safety supervisors are trained by accident insurers even though they are on the direct payroll of corporate management.

Create new post: Product safety head

STANFORD, CT.—Pitney Bowes, in a move reflecting industry's growing concern for meeting safety requirements, has created a new post, director of product safety.

Donald J. Reyen, a company veteran of 37 years, was named to the post in August. He will be responsible, on a corporate level, for coordinating the programs of Pitney Bowes and its subsidiaries to insure the safety of the company's products and their compliance with existing and anticipated product safety laws.

Mr. Reyen explained that much new legislation has been introduced to provide for safe conditions for all workers. Although he foresees little danger of any operational hazards with any of the Pitney Bowes business equipment, his job will involve making sure that all the products comply to the spirit of the safety laws, particularly the Occupational Safety and Health Act.

IN ADDITION to checking the business machines made by Pitney Bowes, Mr. Reyen's directorship will include safety checks on subsidiaries' products that are "different from, but related to" the parent company's goods. Among the subsidiaries are a credit card company, and Monarch Marking Machine Co. in Ohio.

The new director of product safety said he does not envision the need for any major changes in Pitney Bowes' continuing product safety programs. ■

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Parents of plane crash victim get \$600,000

MIAMI—A Miami couple, who won \$1.8 million earlier for the death of one son in a plane crash, has been granted \$600,000 in the death of a second son in the same accident.

A circuit court jury made the \$600,000 award to Mr. and Mrs. Charles Knapp after deliberating two hours. The jury was kept unaware of the previous verdict growing out of the June 1969 crash of a Dominicana Air Lines DC4 into Mr. Knapp's auto paint shop, where the boys worked.

Ten people were killed in that accident near Miami International Airport, including four crewmen of the Dominicana cargo plane and six victims on the ground.

The most recent verdict was handed down in the death of Clyde Knapp, 17. The earlier award—in May 1970—was for the death of Clifford Knapp, 15.

DEFENDANT firms appealed the earlier verdict to the Florida supreme court, where it was upheld. The final amount reached \$1,979,013 after inclusion of 6% interest. It was paid by 37 insurance companies, all underwriters

Hancock offers new group cover

BOSTON—An option for unlimited coverage for catastrophic illness or injury became available to John Hancock Mutual Life Insurance Co. group insurance accounts with 50 or more participants, effective Oct. 1.

Hancock's catastrophe cover has two major features—elimination of limits on the dollar amount of the total lifetime maximum benefit, and a limit set on the individual's out-of-pocket expense.

The new, unlimited (no maximum) lifetime benefit eliminates restrictions that existed on Hancock's former plan. Previously, Hancock offered major medical coverage to group policyholders providing lifetime maximum benefits up to \$50,000 with the ability to reinstate an individual's benefits on a gradual basis after his lifetime maximum had been reached.

Gordon W. Thomas, vp, of group, actuarial, claims and underwriting explained the out-of-pocket expense limitation:

"If, within a calendar year or benefit period, whichever is applicable, an individual incurs \$1,000 of covered expenses which are not reimbursed solely because of the deductible and coinsurance features of his plan, further covered expenses which are incurred during that calendar year or benefit period will be reimbursed 100%."

The vp also noted, "At the beginning of the next calendar year or benefit period normal application of deductible and coinsurance features will resume and will continue until the \$1,000 limit is again reached."

Although figures were not available, Mr. Thomas indicated that the added cost of including the catastrophe option to an existing major medical plan should typically be "normal" in relation to total plan cost and will depend on the design of the existing benefits.

at Lloyds of London.

The most recent trial was cut short when both Dominicana and Iberia Air Lines of Spain, which had sold the DC4 to the Dominican airline, admitted responsibility for Clyde Knapp's death.

But attorneys for both contended the \$4 million asked by the Knapps for their pain and suffering was arbitrary, unrealistic and unreasonable.

One attorney suggested \$25,000 to \$50,000 as a reasonable settlement.

THE KNAPPS had asked \$4 million in the earlier trial as well. Attorneys for the defendants sought to persuade the jury to base its decision on the law

alone. The Knapps' attorney argued that the companies involved "would like to sweep it all under the rug."

"It's their job to get out as cheap as they can," said J.B. Spence, the Knapps' attorney in both trials. "They would have you believe they walked in here graciously (and admitted liability)," he said. "I don't ask them to admit liability."

Iberia was not a defendant in the first case, but was added for the second because it had sold the plane to Dominicana.

Judge Joseph Nebbitt denied defense motions for a change of venue, requested by defense attorneys who claimed that pre-trial publicity was prejudicial. They cited a television station's report that the Knapps had given some of their first award to consumer advocate Ralph Nader to "improve safety requirements of foreign airlines operating in this country."

Liberty Mutual cuts rate 11.3% in Pennsylvania

HARRISBURG, PA.—Pennsylvania businesses holding special multiperil policies known as SMPs, will save \$81,000 a year in premiums as a result of an 11.3% rate reduction granted to Liberty Mutual Insurance Cos. of Boston by the Pennsylvania insurance department.

MORE THAN 740 firms will benefit from the premium decrease, made effective Sept. 16. SMP's are packaged policies for comprehensive business insurance. They afford protection similar to a homeowner's insurance policy by covering a variety of risk that range from fire and theft to lia-

bility. They are basically casualty coverage, and do not include employe benefits.

Insurance Commissioner Herbert Denenberg indicated that the rate cuts were a continuation of his department's efforts to reduce insurance costs in the state.

He also said the SMP policies demonstrate a "basic consumer guide to buying economical insurance—buy one policy with broad coverage instead of breaking up coverage into separate policies."

A spokesman for the Pennsylvania insurance department noted that the rate cut had been requested by Liberty Mutual. ■

(No. 6 of a Series)

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Manitoba truckers say plan costs them more

WINNIPEG, Manitoba—A hassle has broken out in this Canadian province over Manitoba's compulsory insurance program as it affects the trucking industry.

The Manitoba Trucking Assn. has charged that the province's compulsory, government-operated "Autopac" insurance plan costs provincially-based truckers more for coverage and does not permit discounts for fleets with a good accident rating.

But this charge has been countered by a spokesman for the Manitoba Public Insurance Corp., who said the truckers are unfairly comparing the plan with private insurance because they are not considering equivalent coverages.

A survey of the 42 members of the trucking association has been released which shows that a majority believe the insurance they formerly secured from private companies provided better liability, collision and all perils coverage than the basic Autopac program.

Twenty-eight companies responding to the survey said they pay more for insurance now than they did prior to Autopac. Four big fleet operators reported they were paying an additional \$13,000 or more for insurance under the government system.

On the other hand, 10 of the trucking firms in the survey maintained they are paying less under Autopac. The remaining

four said they pay about the same.

Of the 42 trucking firms surveyed, only five said they felt Autopac should continue to be the only auto insurer in Manitoba.

Thirty-one of the firms felt that private insurers should be allowed to compete with the government plan for basic as well as supplementary coverages. It was the contention of six truckers that Autopac should be junked and three of this group were large fleet operators.

ON THE OTHER side of the fence, J. P. Pereira, director of underwriting for Autopac, maintained there has not been enough time for the government to assemble extensive claims experience information on the trucking industry. But he denied the truckers' claims that the government plan is costing more. ■

Quebec gets tough with firms lagging on safety

MONTREAL—A newly-created merit system of payments to the Quebec Workmen's Compensation Commission has resulted in \$1.6 million fines so far this year against companies which have violated safety regulations.

A workmen's compensation commissioner, Roger Mathieu, told the annual meeting of the Industrial Accident Prevention Assn. here that about 1,200 firms had been fined for their apparent laxity and that the commission had no intention of letting up.

"These companies have been hit where it hurts most and we will continue our hard line as long as there are negligent employers in the province," he said. "Other companies have been giv-

en terse warnings and if their attitude does not change, they will also be fined."

Calling for employers to join forces with labor in the effort for safer workplaces, Mr. Mathieu emphasized, "Bad employers must come to realize that employees are not to be treated like pieces of lumber. The time must cease when the ends of fingers become part of the fabrication of sausages."

The merit-demerit system under which the firms have been fined went into operation the beginning of this year and levies penalties against firms which have higher accident rates than other companies in their employer groups. As the companies pay into the workmen's compensation fund, the employers with improving safety records are reimbursed while those with bad records are penalized.

THE ADDITIONAL penalty is 50% of what the company normally pays into the fund. If the company is fined the second year, the penalty becomes 75% of its base rate and 100% if it has violations the third year.

In 1971, the commission received a total of \$78.8 million in payments from the employers, of which \$16.5 million went toward hospital and medical expenses for injured workers. Another \$30 million went to employees with temporary disabilities and \$23.6 million to those with permanent disabilities. ■

Agnes suit filed against flooded city

ROCHESTER, N.Y.—The legal backwash from last June's disastrous floods in the Southern tier of New York State is starting to appear in the courts.

The city of Corning is being sued for \$5 million for deaths, injuries and property losses resulting from the flood. Robert F. Wood, Rochester attorney, says the legal action charges that Corning Mayor Joseph Nasser and other Corning officials "carelessly" assured area residents that the Chemung River would not overflow its dikes and that there was no reason for them to take preventive steps.

The claim was filed in Corning as a class action on behalf of four Corning residents and other residents of the Steuben County community, represented by Mr. Wood.

After the river poured over its dikes on June 23, 16 persons died and widespread property damage resulted. The court action asks damages for deaths and injuries as well as reimbursement for ruined or lost "portable" property which could have been moved before the flood struck.

The claim alleges that city officials and employees should have known the river "would be reasonably likely to overflow its banks and levees" and hence should have warned area residents.

Mayor Nasser is expected to refer the claim to the Corning city council. Mr. Wood said that if the city does not settle the claim within 30 days, claimants plan to take the matter to state supreme court. ■

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• The 3rd annual **Employee Benefit Fund Investment Performance** report is available from A. S. Hansen, Inc. The report includes investment results for 246 equity and fixed income funds managed by 114 banks located in 27 states and the District of Columbia, and 36 equity funds under the investment management of 28 leading companies. Data in the report was compiled over a 7-year period, from 1965 to '71. For a free copy write the company at 200 Park Ave., New York, N.Y. 10017.

• A 370-page book covering the proceedings of its 17th annual educational conference have been published by the National Foundation of Health, Welfare and Pension Plans. Titled **Textbook for Welfare, Pension Trustees and Administrators**, the book is

Workshop . . .

Continued from page 10

display for inspection by workshop participants.

Listening to employees will be the subject of Dr. Charles McDermid, president of Management Psychologists Inc., Chicago, who conducts surveys and interviews to determine what benefits employees are interested in.

Describing benefits will be reviewed by Howard Peck, partner in Hewitt Associates, benefits consultants in Deerfield, Ill., and a contributing editor of *Business Insurance*.

BURTON SEEKER, manager of branch communications for 3M Co., St. Paul, Mn., will tell of his company's program for getting instant answers on benefits problems to employees in far-flung branch offices.

A panel of in-company benefits communicators will review what methods and media they use to tell the benefits story. Panelists will include Raymond A. Orth, director of employee services for Motorola Inc., and Robert Hall, director of industrial relations for Allied Mills Inc.

New communications problems generated by cafeteria benefits for executives will be discussed by Ned A. Miller, vp of Compensation Planning Corp., New York.

Thomas F. Finch, attorney with the Chicago law firm of McDermott, Will and Emery will discuss legal requirements in benefits communication.

REPORTING on benefits will be the subject of the two closing workshop sessions.

Edward T. McCaffrey, manager of Halltech Associates, New York, describes the ingredients of computerized benefits statements, and Robert E. Eilertson, vp of Benefacts Inc., Baltimore, discusses the pros and cons of producing computerized benefits statements within the company.

The registration fee of \$140 for each workshop entitles the registrant to admission to all workshop sessions, a complete workshop notebook, a cocktail reception, dinner, continental breakfast, lunch and two coffee breaks.

Those who register for both workshops pay a reduced combined registration of \$250. ■

easy to understand explanation of why securities, both equity and fixed, fluctuate in market value. Sample copies are available by contacting Roger E. McVeety, at the company, 1624 Cargill Bldg., Minneapolis, Mn. 55402.

• **How Should Management Appraise Current Pension Legislative Issues?** is a bulletin discussing mandatory vesting and funding standards, portability, pension fund reinsurance and the Administration's "Rule of 50" position on vesting. Copies are available free by writing Donald R. Marcy, consultant, Johnson & Higgins, 95 Wall St., New York, N.Y. 10005.

• **What Every Businessman Should Know about Pension and Profit-Sharing Plans** has been released by the Provident Mutual Life Insurance Co. The booklet discusses the factors which induce an employer to install a pension or profit-sharing plan,

the factors which help the employer decide between a pension or profit-sharing plan and the various methods of funding the selected plan. For your copy contact the advertising and public relations department, Provident Mutual, 4601 Market St., Philadelphia, Pa. 19101.

• The Travelers Insurance Co. has released **Your Employee Savings & Investment Plan**, a brochure describing the company's new plan offering a wide variety of options for both employers and eligible employees in groups of 25 or more. Copies may be obtained by writing Group Sales Promotion, the Travelers Insurance Co., One Tower Square, Hartford, Ct. 06115.

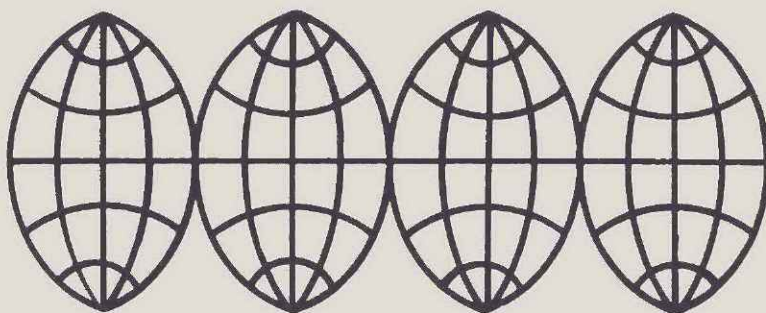
• Union Mutual Life Insurance Co. has made available a series of forms, or "spread sheets," designed to simplify a company's analysis of group pension funding vehicles. The forms outline

all pertinent information with regard to any company's deposit administration, immediate participation guarantee, investment contract or segregated accounts and lays the information out in a format that is easy to understand and evaluate. Direct requests to Joel P. Brightman, Union Mutual Life Insurance Co., 2211 Congress St., Portland, Me. 04112.

• **Managing and Investing Short Term**, published by the National Foundation of Health, Welfare and Pension Plans, discusses short term investments through the concept of money market segmentation. Also included is a discussion and tables covering the effect transaction costs can have on the net yield of short term investments. Copies are \$3.75 for foundation members and \$4.75 for non-members. Quantity prices are available. Address orders to the foundation, P.O. Box 69, Brookfield, Wi. 53005.

organized into the categories of pension, welfare, administration, legal and general. Non-members of the foundation can purchase the book for \$12.50, members for \$10. For copies or more information write the foundation, P.O. Box 69, Brookfield, Wi. 53005.

• **What's That Man Doing with My Money?** is a booklet designed for distribution to profit-sharing and money purchase pension plan participants. Produced by Deferred Compensation Administrators Inc., the booklet affords an



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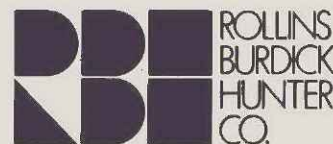
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Because of the demand for the profiles tables, charts and analyses contained in the July 31 issue, this information has been published in the form of a 6" x 9" desk-top directory. The annual *Business Insurance Directory of Commercial Insurance Agents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

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Nader...

Continued from page 3

- The proliferation of unnecessary surgery—some have estimated that as many as 2 million unnecessary operations are performed in this country each year;
- The lack of physicians and adequate hospitals, and "gross misallocation of resources."

INSURANCE COMPANIES could take up these cudgels, Mr. Nader stated, "for they certainly have enough clout in state legislatures and in Washington."

Active loss prevention campaigns by insurers, he continued, could pay off in profits eventually rising, as well as in good public relations. However, he warned, the going could be rough in that insurers would have to stand firm against other industries. "In a pluralistic society," he said, "one industry must curb the excesses of another."

Perhaps he tolled a more serious warning in cautioning that companies had restricted or abandoned so many coverage areas (nuclear and crime insurance, flood cover, "red-lining and the emergence of FAIR plans) that the government would soon be taking over more of the insurance function. If the government can do it better, the consumerist warned, it will. Government, he said, is perfectly set up for the insurance function since it draws from a huge pool of people.

"Insurance must move in faster than other industries," Mr. Nader urged, as more and more risk perils become "off-limits as the society deteriorates."

GOVERNMENT regulation of insurance, according to Mr. Nader, is illustrated at its best in the person of one Herbert S. Denenberg, insurance commissioner of Pennsylvania. Mr. Denenberg, he said, has had "a greater effect than 20 other insurance commis-

sioners combined. He's taking traditional insurance law and applying it seriously." Mr. Nader stressed the commissioner's emphasis on disclosure as epitomized by his department's "shoppers' guides" which illustrate the differential between companies to the consumer.

"Complexity does to consumers what a labyrinth does to lab mice," the consumerist said; it confuses them and forces them to put all their faith in their agents. Since the unwitting consumer cannot possibly see the comparative potential on such issues as completeness of coverage and rates, Mr. Nader asserted, insurance companies compete over other, less essential topics such as agents and availability, "which gets away from dollars and cents."

Life insurance, he stated, has been spared scrutiny only because of the glaring spotlight placed on auto coverage, though the life insurance industry can expect more intense scrutiny soon. He warned of the strong possibility of passage of life insurance disclosure legislation.

Commissioner Denenberg's one failure to date in an erstwhile valuable effort, Mr. Nader said, was his stipulation that insurers file their records of product defects with his department. While insurance companies have been quite sluggish in complying, he did point out that such disclosure is still another important area where the industry could assert its loss prevention function.

MR. NADER suggested that the first step the insurance industry could take in promoting loss prevention was the organization of a loss prevention conference, including participation by consumer groups, to discuss such topics as rating policies, research and development, public disclosure and the leverage possibilities of stock ownership.

"Most government regulatory agencies put together do not have the resources of one large insurer," he pointed out, adding that the most effective change pattern for any industry is still systematic self-patrolling. ■

Workmen's comp law

HARRISBURG, PA—Legislation has been introduced in the Pennsylvania house that would provide unemployment compensation benefits to workers laid off in anticipation of a strike.

The measure would amend the state's law to provide benefits for employees laid off more than one week prior to a work stoppage.

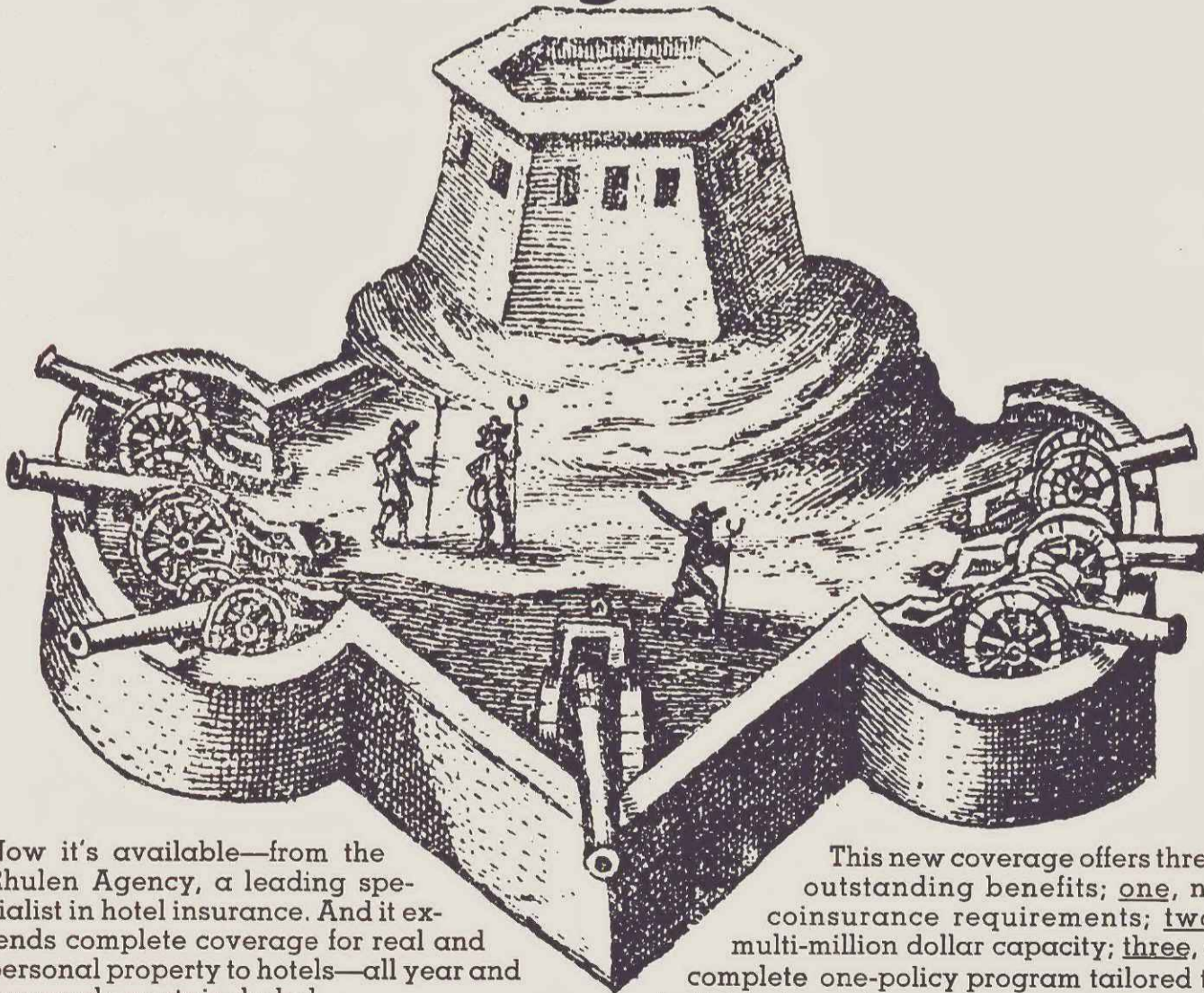
Under present law, employees may be laid off in anticipation of a strike at such times as may be necessary to accomplish an orderly closing of the plant.

THE AMOUNT of time required before the strike deadline is determined by the nature of the industrial process. Employees who are in layoff status because of lack of work when the strike begins are entitled to benefits, regardless of the amount of time they have been off.

The legislation drew criticism from the Pennsylvania chamber of commerce, which claimed it would "encourage industrial brinksmanship."

"Employees who were separated even a few days before a strike deadline might become entitled to benefits if the strike were called off at the last minute," the chamber said. ■

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Disabled in Britain seek better social security

LONDON—Disabled people in Britain are seeking better grants under social security schemes than the government is providing at present. They want to get fuller benefits to meet the twin burdens of financial hardship and mental suffering, whether the cause be ordinary ill-health or industrial injury.

Lobbyists backing their claims declare: "In practice people injured at work are treated more favorably than those whose disability cannot be directly attributed to their work. But modern justice should compensate for the loss of ability to lead a normal life, for loss of earnings, and for the extra cost of disabled living, whatever the cause."

In a new type of "no-fault" approach to the social problems involved, lobbyists contend: "The last two items should be the concern of the community, not the courts, and should be covered by the social security system in the

form of a national disability income.

"This should include a taxable pension for loss of earnings and a tax-free allowance for extra expenses. The cause of the disability, and whether it is anyone's fault, are irrelevant."

THE GROUP is working to improve statutory benefits for all disabled and handicapped people, including many who have never been able to take up full employment, and so do not necessarily qualify for the whole of state-run pension plans or for comparable pension rights in industry.

In a brochure on the situation, the Disablement Income Group states: "Many employers of clerical

labor—especially those such as the civil service, banks and insurance companies which are generous in their treatment of employes whose health breaks down—require a high standard of physical fitness before they will put an employe on the permanent staff and include him (or her) in the company pension scheme.

"This makes it difficult for people to obtain this kind of work if they have an unstable condition such as diabetes, which is likely to shorten their working lives. It could be argued that many more employers would be selective in recruitment if their pension schemes had to cater for the risk of invalids, and it would be against the public interest to put obstacles in the way of employing people with impaired health."

The group claims that several other European countries are more advanced than Britain in dealing with the problem. ■

New 'pro' ratings honor fleet management men

UNIVERSITY PARK, PA.—seven new professional rating awards have been presented to fleet management men by the National Committee for Motor Fleet Supervisor Training. In the 16 years since the awards have been made, only 578 fleet management and supervisory men have met the requirements.

The seven new "pros" are: Directors of Safety—Alan W. Maislin, director of industrial relations, Maislin Transport Limited, LaSalle, P.Q., Canada; James R. Grove, regional safety supervisor, American Courier Corp., Lake Success, N.Y.; Alan R. Wills, director of safety and personnel, Herman Brothers, Inc., Omaha, Neb.; Ambrose M. Cullen, director of safety, Fast Motor

Service, Hodgkins, Ill.

Directors of Equipment and/or Maintenance—A. J. Ponstingel, maintenance director, Shayne Bros. Inc., Washington, D.C.; William R. Gateley, equipment specialist, U.S. Postal Service, Norman, Ok. and Spencer B. Glascock, superintendent of automotive services department, North Carolina State University, Raleigh, N.C.

The purpose of the awards, according to Will Johns, chairman of the certification committee, is to recognize men who are capable of carrying out effective fleet safety or maintenance programs. The recent awards have taken into account the applicant's knowledge of the Department of Transportation and OSHA regulations. ■

Denenberg: Potential rate cut of 19%

PHILADELPHIA—Insurance Commissioner Herbert S. Denenberg opened week-long health care delivery hearings here late last month by outlining reforms he said would "cut Pennsylvania Blue Shield premiums by 19%."

Declaring that Blue Shield has adopted a "public be damned attitude," Mr. Denenberg told the hearing:

"We can easily save \$15.8 million in Blue Shield premiums by ending unnecessary surgery and the payments for such surgery. Then," he added, "we can save another \$11.6 million in Blue Shield premiums by stopping other unnecessary hospitalization. Still another \$6 million could be saved by prohibiting hospital-based physicians (such as anesthesiologists, radiologists and pathologists) from billing directly and instead making them bill through the hospital. Finally," he estimated, "\$500,000 could be saved by paying doctors for customary fees based on the 60th percentile rather than the 90th percentile."

MR. DENENBERG said that these economies would generate \$33.9 million in savings in funds paid out in claims, and \$38.6 million when both Blue Shield claims and expenses of doing business are considered. "This," he said, "would permit a 19% Blue Shield premium cut. With these economies, premiums could still be slashed about 10% even if doctors' fee schedules were raised about 15%."

In addition, Mr. Denenberg said that his projection was a "conservative estimate" based on the enactment of a handful of 45 guidelines prepared recently by his department for bringing about reforms in Blue Shield and the health care delivery system in Pennsylvania in general. ■

New insurance firm

A new stock insurance company, Industrial Indemnity Co. of the Northwest, has been formed in the state of Washington by Industrial Indemnity Co., which has headquarters in San Francisco.

Developing highly insurable risks and better rates, while conserving human and material resources is what Gulf's "Loss Control" service is all about. Its one of the best tools risk managers can use today!

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Unquestionably, Gulf's "Loss Control" service can help you gain greater value from your insurance dollars. It's also another step toward meeting the challenge of change successfully. If you'd like more information about our "Loss Control" service, call me at 214-526-5281.

Charles J. Perutelli
C. J. Perutelli
Manager, Loss Control
Gulf Insurance Company

Meeting the challenge of change



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business insurance

product liability workshop

October 23-24, 1972 Hyatt Regency O'Hare Chicago, Illinois

Monday, October 23rd

- 3:00 **REGISTRATION**—Product Liability Workshop opens for 1½ day session. You pick up your workbook and other materials and meet with other registrants.
- 5:00 **COCKTAIL RECEPTION**
- 6:00 **DINNER**
- 7:10 **WELCOME**—Alfred Malecki, publisher, and Stephen Gilkenson, editor of *Business Insurance*.



RING

- 7:20 **THE PLAINTIFF'S LAWYER'S VIEW ON PRODUCT LIABILITY**—Leonard M. Ring, an active plaintiff's lawyer affiliated with the American Trial Lawyers Association, will discuss the attitudes and techniques employed by attorneys who represent complainants in product liability suits.



COCCIA

- 8:15 **THE DEFENSE LAWYER'S VIEW ON PRODUCT LIABILITY**—Michel Coccia, attorney with Baker and McKenzie, explains the corporate stance in product liability suits and how corporate executives can cooperate with the defense counsel.



SCHAIBLE

- 9:10 **HOW TO ENSURE PRODUCT LIABILITY INSURANCE FOR YOUR COMPANY'S PRODUCTS**—Robert Schaible, Product Manager—Liability, Employers Insurance of Wausau gives the underwriters' view of product liability and the relationship between the insurer and the policyholder.

Tuesday, October 24th

- 8:00 **BREAKFAST**
a.m.



SUTCLIFFE

- 9:00 **HOW THE GOVERNMENT VIEWS PRODUCT SAFETY**—S. L. Sutcliffe, council, Senate Commerce Committee.



VALOVIC

- 9:50 **PRODUCT LIABILITY—LOSS PREVENTION AND CONTROL**—An audio-visual presentation of the history and nature of product liability and its impact on corporate managers, presented by Stefan Valovic of the Kaiser Aluminum & Chemical Corporation.

- 10:20 **BREAK**



HANSEN



NILSSON



PARILLA

- 10:35 **CORPORATE MANAGERS' RESPONSIBILITIES IN PREVENTING AND HANDLING PRODUCT LIABILITY CLAIMS**
Edward Hansen, risk manager and attorney for Trans Union Corp.; N.E. Nilsson, assistant treasurer Walgreen Drug Stores; and Ralph Parilla, administrative coordinator for Pepsi Cola General Bottlers, Inc.

- 12:00 **LUNCH**



BRETING

- 1:15 **HOW PRODUCT TESTING CAN REDUCE PRODUCT CLAIMS**—Donal Breting, Vice President, Underwriters Laboratories, relates testing and testing procedures to possible prevention of product liability claims.

- 2:15 **PRODUCT LIABILITY MINI-SESSIONS**—An opportunity for workshop registrants to attend one of the three concurrent sessions where, in small groups, they'll be able to take part in the discussions on:
1. The Corporate Manager's Responsibilities with Edward Hansen
 2. Product Testing with Donal Breting
 3. Product Liability Insurance with Robert Schaible

- 3:15 **BREAK**

- 3:30 **PRODUCT LIABILITY MINI-SESSIONS REPEAT**—A repeat of the three mini-sessions, so that you'll be able to attend two out of three discussions.

- 4:15 **CONCLUSION AND ADJOURNMENT**

business insurance

product liability workshop

- Please enroll me in the Business Insurance Product Liability Workshop to be held on Monday, October 23 and Tuesday, October 24, 1972, in the Hyatt Regency O'Hare in Chicago, Illinois.
- Also, please send me _____ tickets at \$25.00 each for the Business Insurance Benefits Communication Awards Dinner, including cocktail social, to be held on Tuesday, October 24 at the Hyatt Regency O'Hare. I am enclosing _____ (See details on Dinner on facing page.)
Table of 10 should be reserved in the name of:

Payment enclosed Bill by company
(Dinner reservations must be accompanied by payment)

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Title _____

Company _____

Street Address _____

City _____ State _____ Zip _____

Please make checks payable to Business Insurance Workshops, and mail to Business Insurance, Workshops, 740 Rush Street, Chicago, Illinois 60611.

ATTEND BOTH WORKSHOPS AND SAVE

\$30.00

COST

Product Liability Workshop \$140.00

Product Liability Workshop
and \$250.00

Benefits Communication Workshop

Fee for each workshop includes participation in all sessions; one dinner, breakfast, cocktail social and coffee breaks; plus detailed workbook of the meetings. Accommodations at Hyatt Regency O'Hare are not included in the fee, and should be arranged separately. Hotel information will be sent automatically with registration acknowledgement. There will be a \$25.00 service charge for cancellations received between October 6 and October 13.

To enroll, use
the coupons
on either page

A 1½ day briefing that will make you an expert on one of the most explosive problems facing business today...

business insurance

benefits communication workshop

October 24-25, 1972 Hyatt Regency O'Hare Chicago, Illinois

Tuesday, October 24th

- 3:00 p.m. to 6:00 p.m. **REGISTRATION**—Benefits Communication Workshop opens for 1½ day session. You pick up your workbook and other materials and meet with other registrants. At this time you may also view entries in the Benefits Communication Awards Competition.
- 6:00 p.m. **COCKTAIL RECEPTION**
- 7:00 p.m. **BENEFITS COMMUNICATION AWARDS DINNER**—Announcement of winners and presentation of the Business Insurance Benefits Communication Awards. Presentation by winners of top audio-visual employe benefits communication program along with commentary on problems faced and how these were solved.

Wednesday, October 25th

- 8:00 a.m. **BREAKFAST**



McDERMID

- 9:00 a.m. **LISTENING TO EMPLOYEES ON BENEFIT**—Dr. Charles McDermid, President of Management Psychologists, will discuss methods of listening to employes about benefits through the use of surveys, individual interviews and group discussion.



PECK

- 9:45 a.m. **DESCRIBING BENEFITS TO EMPLOYEES**—Howard Peck, Partner in Hewitt Associates and a contributing editor of *Business Insurance* will review the different methods available to effectively communicate your employe benefits program to the diverse segments of workers and management in your company.

- 10:30 a.m. **BREAK**



SEEKER

- 10:45 a.m. **HOW TO COMMUNICATE TO BRANCH OFFICES**—Burton Seeker, Manager, Branch Communications, 3M Company, describes his company's system of keeping employes in domestic and international branches informed and excited about their benefits programs.



ORTH



HALL

- 11:15 a.m. **HOW WE COMMUNICATE BENEFITS IN OUR COMPANY**—A four member executive panel of in-company benefits communicators, including Raymond Orth, Director of Employee Services, Motorola, Inc., and Robert Hall, Director of Industrial Relations, Allied Mills, Inc., will discuss day-to-day benefits communication challenges brought about by changes in benefits programs, hiring of new employes or acquisition of additional companies.

- 12:15 p.m. **LUNCH**



MILLER

- 1:45 p.m. **COMMUNICATING CAFETERIA BENEFITS TO EXECUTIVES**—Ned Miller, Vice President, Compensation Planning Corporation, will discuss communications problems related to pick-and-choose benefits for corporate executives.



FINCH

- 2:15 p.m. **LEGAL REQUIREMENTS IN BENEFITS COMMUNICATIONS**—Thomas Finch, attorney with McDermott, Will & Emery, details the importance of recent court decisions involving disclosure in employe benefits, and how these cases may affect your company's communications program.

- 3:00 p.m. **BREAK**



McCAFFREY

- 3:15 p.m. **HOW TO USE COMPUTERIZED BENEFITS STATEMENTS**—Edward McCaffrey, Manager, Halltech Associates, shows you how to design them, process them, use them, get feedback on them and upgrade them.



EILERTSON

- 3:45 p.m. **DO-IT-YOURSELF BENEFITS STATEMENTS?** Robert Eilertson, Vice President, Benefacts, Inc., will give examples illustrating the pros and cons of producing benefits statements within the company or having them prepared by outside consultants.

- 4:15 p.m. **CONCLUSION AND ADJOURNMENT**

If you can't make it to the workshop, you can still come to the Awards Dinner. Tickets, including the cocktail reception, may be purchased at \$25.00 each; tables of 10 may be reserved. All reservations must be accompanied by payment and be received by Business Insurance by October 19. Send in the coupon at the right with your payment today!

or... phone 800-243-6000 toll free from anywhere in the U.S.

Connecticut registrants should call 800-882-6500. An operator will make all necessary information and your enrollment will be confirmed immediately.

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	COST
Benefits Communication Workshop	\$140.00
Benefits Communication Workshop and Product Liability Workshop	\$250.00

Fee for each workshop includes participation in all sessions; one dinner, breakfast, cocktail social and coffee breaks; plus detailed workbook of the meetings. Accommodations at Hyatt Regency O'Hare are not included in the fee, and should be arranged separately. Hotel information will be sent automatically with registration acknowledgement. There will be a \$25.00 service charge for cancellations received between October 6 and October 13.

A blazing response to sinking ship coverage

NEW YORK—An ad that ran in this magazine has triggered a friendly but pointed exchange of correspondence between a Pennsylvania building supplies company and Frenkel & Co. Inc., a broker here.

The ad, reproduced here, told the saga of how insurance was supplied for the cargo of a sinking ship—while it was actually sinking.

To the ad's claim, "Now that's an insurance broker at work!", Frenkel & Co., the advertiser, received a letter that countered: "... when his boss found out, we are certain that was an insurance broker out of work!"

This retort was the handiwork

of Jay B. Claster, vp and general manager of Claster & Sons Inc., Bellefonte, Pa. Seemingly taking the broker at its word for possibly finding naive underwriters, Mr. Claster's letter continued, "... we have a Xerox copy of the ad pasted on all of our phones and intend to call you as soon as we learn that one of our lumber yards is on fire. Would you be kind enough to give us a number we might use for nights and Sundays?"

IN RESPONSE to Mr. Claster's cheerful but incredulous reaction to the ad, Charles W. Pachner, president of Frenkel, thanked Mr. Claster for his keen sense of humor, and explained the details

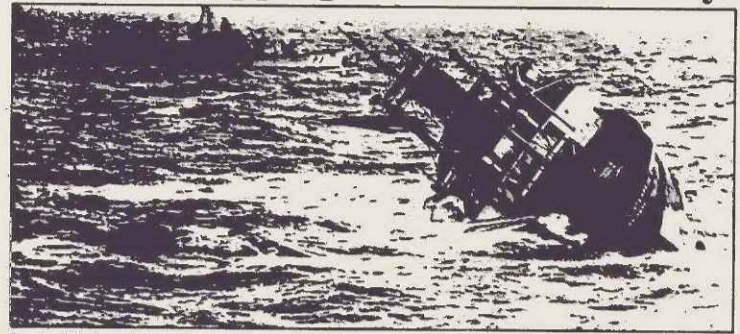
of the Flying Enterprise case. He wrote:

"When it developed that the Flying Enterprise was foundering, we received a call from a client who asked if it were possible to place insurance. . . . we approached the domestic market and by the time we did so, the vessel was under tow. We convinced underwriters that some quotation should be available for a vessel under tow based on the probabilities of it making port safely, and I am glad to say we were successful."

MR. PACHNER told the Claster man: "... I also would like to think that we might consider you as a potential client because, really this episode is characteristic of our philosophy and handling of insurance problems."

The Frenkel man, however, did not supply a phone number for nights and Sundays.

Another gripping Frenkel case history:



As the Flying Enterprise was actually sinking a shipper with uninsured cargo aboard the stricken vessel phoned for help. Acting swiftly, Frenkel's marine specialists were able to arrange the required coverage at a reasonable premium. The ship ultimately sank and all the clients recouped the full value of lost cargo. **Now that's an Insurance Broker at work!**

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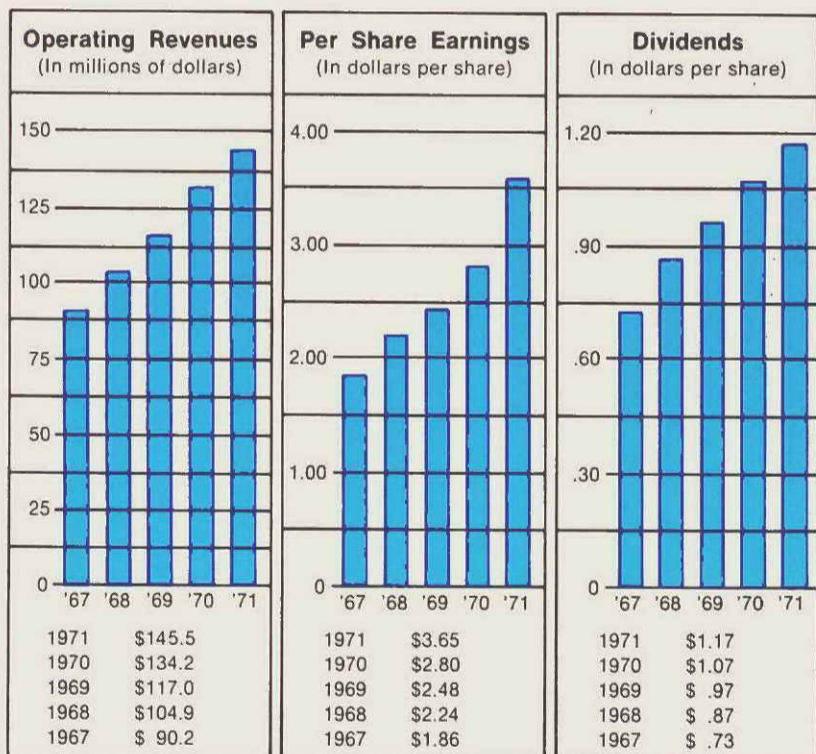
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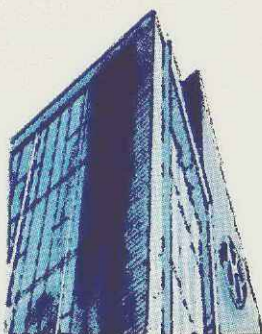
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Potential for growth in risk management

LONDON—Future potential for risk management was explored at a European seminar by Lawrence J. Meldrum, former president of the Assn. of Insurance Managers in Industry and Commerce in the U.K. He is now a director with Risk Management Consultants, Ltd.

He said, "There is no doubt that in recent years top management has become seriously concerned at the increasing size of losses and liabilities and at the escalating cost of insurance.

"I think the areas with which risk management is concerned are already widening, for example in the control of pollution. Its methods are also developing, as in the case of loss control programs prepared for the guidance of management," he said.

"Many major companies have realized the wisdom of centralizing their insurance management, and I believe the wider concept of risk management should also be recognized as an independent business discipline and put under the control of a specialist manager.

"**THE METHODS** of risk management will change," he added, "and it seems reasonable to suppose that statistical procedures employed by the risk manager will develop and become more sophisticated.

"As the expertise of the risk manager grows, he will look for fresh material to which he can apply his tools and his skill. He will begin to look at those risks which can bring either profit or loss.

"I refer to the speculative or business risks, risks arising from such matters as political changes, marketing, and even finance. Such excursions may not at first be welcomed, but the risk manager will have experienced that before in the field of pure risk," he explained.

"If it becomes clear he has something to offer, something that will plainly help towards the main objective of his company, he and his discipline will in time gain yet wider recognition."

Mr. Meldrum pointed out that the growing number of industrial accidents was fostering wider interest in risk management, and that in Britain nearly five times as many working days were lost because of accidents than were lost through strikes and industrial disputes.

NN Corporation is the parent company of the Northwestern National Insurance Group and of rapidly growing subsidiaries in investment management, computer facilities management and leasing, financial services, and mutual fund reporting. NN's corporate reputation for stability is underscored by its record of 98 consecutive years of dividend payments.

For complete NN story, write William R. Johnson, Executive Vice President, NN Corporation, 731 North Jackson Street, Milwaukee, Wisconsin, 53202. Or phone (414) 271-8570.

Hartford and Bowman Co. settle on cover for drug clinic, daycare sites

By MARIE KRAKOWIECKI

NEW YORK—Where do you go if you need insurance for a drug clinic that treats heroin addicts with the controversial drug, methadone? Or where do you get coverage for 400 vitally-needed city daycare centers? Well, first you might turn to Ernesta Bowman Procope.

Founder and president of the E.G. Bowman Co., reputedly the largest black-owned insurance brokerage in the nation, Mrs. Procope is no stranger to handling accounts for "non-standard" risks that are anathema to most insurers. (*Business Insurance*, July 19, 1971).

The \$6.5 million brokerage, located in the heart of Brooklyn's Bedford-Stuyvesant section, is working with the Hartford Insurance Group on some new "break-through" accounts. Together they are providing insurance for Addiction Research & Treatment, a drug rehabilitation clinic in Brooklyn, as well as for 400 daycare centers scattered throughout the city.

What were some of the diffi-

culties involved with starting insurance programs for the drug clinic? Mrs. Procope and her vp, Harry Ennover, talked about them with *Business Insurance*.

MR. ENNOVER, who handles the administrative duties for the subsidiary Bowman-Procope Associates, stressed that the time factor is crucial in understanding the obstacles Mrs. Procope faced when she attempted to get insurance for the clinic in 1969. "Back then," the administrator said, "nobody knew what methadone was all about. To insurers especially, it was extremely suspect. They just didn't want to underwrite."

Mrs. Procope recounted how she launched a six-week investigation to evaluate the hazards connected with Addiction Research & Treatment. During her investigation, she approached the Hartford as a prospective underwriter. She and her staff wanted the Hartford because they "thought the Hartford would be the most liberal in considering coverage for a narcotics clinic."

Bill Santore, the Hartford's

casualty manager in the Tri-Boro regional office, joined forces with Mrs. Procope in investigating methadone. He even explored the chemical composition of the drug to see whether or not it causes euphoria. (Administered orally, as in the clinic's treatment, it does not).

THE HARTFORD agreed to take on the account, and has been handling it since September, 1969. The policy includes workmen's compensation, fire cover for contents, general liability, burglary, and plate glass. Some malpractice cover for the corporation also is included in the policy. Individual physicians are covered under their own policies for malpractice.

The limits of the policy for property cover are \$500,000/\$1 million. There are no deductibles. The policy expires annually. At each expiration it is reviewed, updated if necessary, and renewed.

Created in part by the Vera Institute of Justice, an organization that researches the problems of those in prison, Addiction Re-

search & Treatment has its insurance policy paid for mostly by federal funds, and partially by city and private contributions.

An estimated 100 out-patients a day are treated at the methadone clinic. During the three years the insurance policy has been in effect, only one claim has been presented. And the claim that was presented was only a minor burglary. This, according to Mr. Ennover, is a surprisingly good claims record, especially since the clinic is located in the much-publicized, high-crime-rated area of Bedford-Stuyvesant.

IN A RELATED move, the Bowman Co. has recently placed insurance for another drug program. According to Shirley Clark, commercial accounts supervisor, the brokerage has gotten insurance for the Narcotics Institute, at two Manhattan locations.

Just this past July, 400 city daycare centers centralized under the Agency for Child Development (ADC) placed insurance accounts through Bowman Co.

Again, the Hartford is writing a great deal of the policy. The Hartford covers the portion of the insurance package which pertains to fringe benefits, fire cover for contents, general liability, and in some cases, health benefits.

Lloyd's of London writes the accidental death and dismember-

ment portion of the daycare centers' insurance. This is because, Mrs. Procope candidly admitted, "Lloyd's was the only company who would write the policy for the price the city was willing to pay." (The daycare centers are funded entirely by city and federal funds.)

THE POLICIES for the daycare centers involve some 7,800 employees. The policy limits for property are \$100,000. The limits for liability are \$500,000/\$1 million. There are no deductibles on the casualty coverage.

Health benefits are handled by Blue Cross, Group Hospital Insurance and Hospital Insurance Plan.

Both Harry Ennover and Ernesta Procope said that their biggest problem with the daycare center insureds is getting the employees to understand their coverages. "We are involved with the job of educating the people about this," Mrs. Procope said.

"With an ordinary business, you wouldn't have to worry about this sort of thing. But most of the people involved with the daycare centers don't fully understand what they are entitled to get. We are debating whether to start a slide projection program to explain the benefits to the people, to teach them what their coverages are, and how to use their health benefits."

dates for buyers

October 19, Midwest Regional ASIM seminar, "Creative management of the risk dollar," Sheraton-O'Hare Motor Hotel, Rosemont, Ill. For more information write Geoffrey J. Burns, Continental Ill. Nat'l Bank of Chicago, 231 S. LaSalle St., Chicago, Ill. 60690.

October 23-24, Business Insurance Product Liability Workshop, Hyatt Regency O'Hare, Chicago. **October 24-25**, Business Insurance Employee Benefits Communication Workshop, Hyatt Regency O'Hare, Chicago. For more information write Workshops, Business Insurance, 740 Rush St., Chicago, Ill. 60611.

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

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

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

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Profits . . .

Continued from page 54

cases, the person making, say, \$5,000 will receive the same amount of compensation as the higher-up executive."

The Motorola plan requires an employe to work one year before joining, at which point he must contribute 2% to 5% of his total income. The equalizing factor, as Mr. Badgett explained it, is that no more than \$200 per year may be contributed by an employe. The company then allocates 20% of net profit before taxes (after deducting a 5% return on stockholders equity) which is divided among the fund members.

Immediate vesting at 50% with the other 50% graduated over a 10 year period is also part of the Motorola plan's provisions.

MR. BADGETT noted that Motorola is very concerned about employe involvement in the plan, and though such involvement is "time-consuming and expensive, it's well worth it." The plan's advisory council, consisting of its trustee (Motorola's board chairman), two members appointed by the board and two members elected at large from the company's 28,000 plan members, makes all major decisions, including investments. However, Mr. Badgett commented, a profit sharing council, consisting of 25 members (one each from major Motorola facilities) is elected and encouraged to propose plan changes.

The profit sharing council meets three times yearly, and at its fall meeting in Phoenix developed four proposals now being considered by the advisory committee. Any change in the profit-sharing plan must be approved by vote of the total plan membership, Mr. Badgett said, noting that very few plans incorporate such a provision.

Each elected council member, he said, is "the prime contact between plan members and the plan administration." According to Mr. Badgett, they play an active role in communicating the profit-sharing benefit and are given considerable freedom on a local basis to promote the plan and explain its provisions.

Loans are permitted to be made to plan members, he noted, and it is the local council member who handles all such loan applications.

THE FUND manager said that 1971 had been a very good year for his company's profit-sharing plan, though 1970 "was not the best of years." He thinks the rest of 1972 "looks good," and said that others he has talked to involved in profit sharing agree.

Another company fund that has done well in the past year is Signode Corp. of Glenview, Ill. According to Roger H. Cushman, executive director of the Signode Employees Savings and Profit Sharing Trust Fund, "We were very fortunate. A large proportion of our investments (35% to 40%) are in our own stock,

which has done quite well."

Signode manufactures metallic and nonmetallic strapping for typing bundles of all descriptions. The company has 3,200 employes scattered throughout the country.

An employe is eligible for profit sharing after six months service, with vesting at 50%, Mr. Cushman said. He or she reaches full vesting after 15 years of service. An employe, under the plan, contributes 4% of his total earnings with the company matching his contribution.

Signode, like Motorola, is an older plan, having begun in 1941, according to Mr. Cushman. Communicating the profit sharing benefit, said Mr. Cushman, "is done in every way possible." Annual meetings are held at major company locations with "as many people as we can get together." Mr. Cushman and the chairman of the board, address each meeting.

"Everything else we use is in written form," the administrator noted.

Mr. Cushman forecasted a "very sanguine outlook" for the fund in the near future, and noted that, in terms of possible federal reforms, "most of the reform features are already in our Signode plan. We offer portability, liberal vesting and extensive communication of benefits."

As for how profit sharing in general would be affected by such legislation, he added, "Our results (profit sharing) have been and will continue to be better than most pension plans." ■

Pensions . . .

Continued from page 53

efits to a large number of employes who have been released. Accordingly, the plan and money managers should keep in mind that, in effect, they are trustees of employe equities.

This whole subject is now being investigated by Congress. The ultimate result will probably be federal requirements in the operation of pension plans and federal insurance for the financing of such plans.

In all of this I do not imply large scale wrongdoing in the administration of pension plans. The planning and administration of such plans in general is efficient and well-intentioned. If you have any doubts about this, stop and consider the \$150 billion dollars accumulated to protect pension plans. This is an enormous financial guarantee, which is at the same time an important fac-

tor in the financial and social underpinning of the nation.

However, I recently saw a television program on the subject, "Pensions, the Broken Promises," which depicted the plight of hundreds of older people who have arrived at retirement age and who, because of defective funding, administration, or rigorous plan requirements, have not received the pension benefits they expected.

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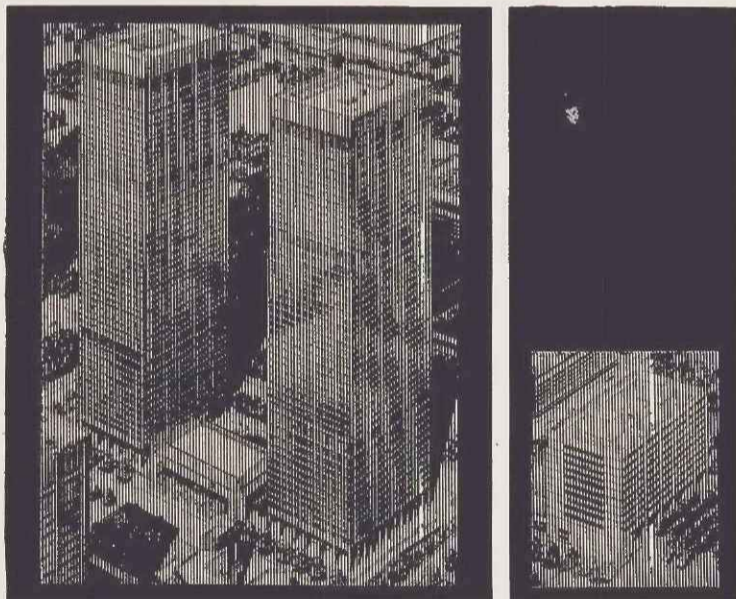
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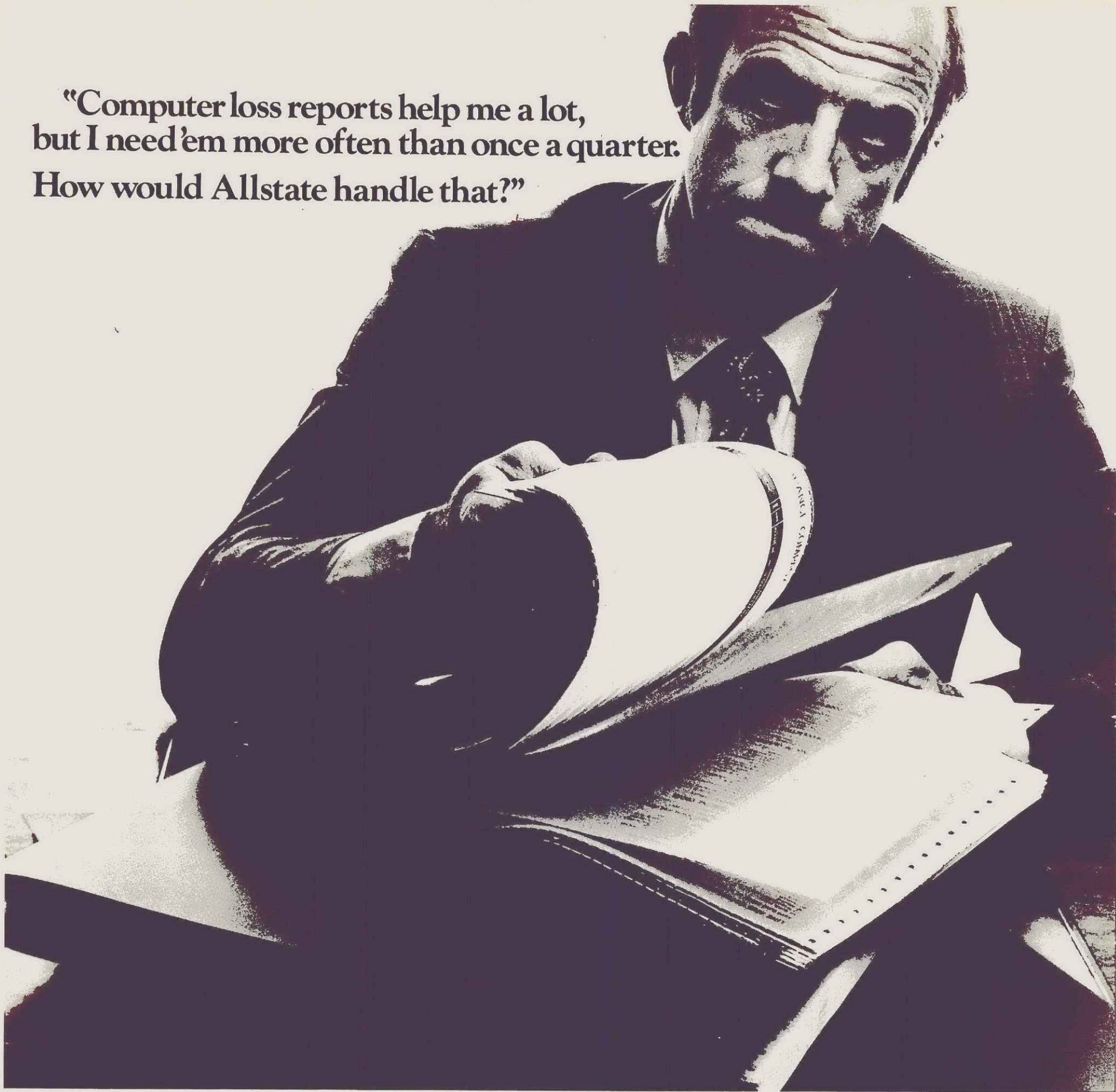
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