Aetna hit with 'hand holding'
page 12

Lawyer attacks product safety
page 32

Servicemen's rights perilled
page 37

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business insurance®

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Hot item in New Jersey city: Insurance bungles

By MARIE KRAKOWIECKI

ATLANTIC CITY, N.J.—Controversy and confusion are clouding the issues in a continuing, heated investigation of Atlantic County insurance bungles that have cost local taxpayers thousands of dollars.

Items:

- Forty lawnmowers have been insured on policies that have $50 deductibles.
- A Caterpillar tractor valued at $31,735 has been insured even though it can't be found.
- Two rented cars still have liability premiums paid up although they were returned to the rental agency in 1971.
- A rusted Nelson bucket loader found abandoned in a gravel pit is still on county inventory as an operating vehicle to be insured.

THE ABOVE are just a sample of the alleged ineptitudes uncovered since freeholder Michael Matthews initiated a probe into the apparent mismanagement of county funds spent for insurance. (A freeholder is an elected county official with a position similar to that of a city or town councilman.)

"The county spends approximately $500,000 a year on insurance," Mr. Matthews told *Business Insurance*. "I felt there were certain areas where money was being spent unnecessarily every year. It seemed like the same agencies year in and year out got our accounts, and these accounts were excessive in terms of services that the county actually received."

He said he began a one-man investigation when he became suspicious of the county's insurance program early this August, because "everything was $50 dollar deductible."

Also being insured as "vehicles" on policies with $50 deductibles, he discovered, were such hand equipment items as chain saws, tar pots, and flexible sewers.

A report from broker Donald Cost later revealed that the county spends $24,602 yearly on automobile liability and physical damage insurance. An additional $7,490 is poured into the $50 deductible collision policies on such things as the tar pots.

MR. MATTHEWS tried to locate the insurance policy to check county figures. He said his search was complicated by the uncooperativeness of other freeholders, and the reluctance of county administrator Robert Cannon to let him see insurance records.

When the policy was found, Mr. Matthews did a study which determined that the county was also insuring 56 vehicles not listed on county inventories. Eight

Continued on page 2

Prudential of England insured the Montreal building housing the Bluebird Club where 37 patrons lost their lives in a Labor Day weekend firebombing. The policy, for $50,000 with no deductible, was written through Lukis, Stewart, Price, Forbes & Co. Ltd., Montreal brokers. Sources said they believe the operators of the nightspot also have coverage on equipment and tenants' improvements, as well as liability coverage. —Wide World photo

viewpoint

General average termed needless and wasteful

By JAMES O. MOORE

The author of this article proposes to do away with general average adjusting. The proposal, he admits, would put a lot of adjusters out of work; however, he contends, countless now-wasted dollars would be saved by corporate marine insureds. Readers with similarly thought-out viewpoints on other subjects affecting the corporate insurance consumer may submit them for possible future features in this magazine.

General average is an albatross around the collective necks of marine cargo shippers, their underwriters and their claims settling agents and, in the final analysis, works to the disadvantage of vessel owners and the entire insurance industry. Thus, it is not constructive in any way, but, rather, is a drain on time and effort that could be better used producing goods and services beneficial to all of us. Therefore, only one conclusion can be reached: General average must go!

Most readers are probably familiar with general average, but for those who are not here is a brief definition:

General average is the intentional and reasonable sacrifice (jettisoning) of cargo or expenditure of money for the common safety and/or to preserve from loss the property involved in a common maritime adventure. In insurance, it is the total of all applicable expenses resulting from the mishap which are then pro-rated in final settlement among freight, cargo and vessel as their respective values are percentages of total value.

General average is generally thought to have its origins around 900 B. C. in the maritime community of Rhodes. However, some find its antecedent in the Biblical story of Jonah and the whale since Jonah became, in effect, the first recorded instance of "jettisoning for the common safety of the maritime adventure."

TO BEGIN WITH, let us examine some aspects of general average starting with "jettisoned cargo" which, although it seldom occurs today, is integral to the subject. It is generally agreed that the owner of jettisoned cargo (or his underwriter) should not have to absorb the full loss of his cargo. The other cargo owners and the owner of the transporting vessel should share in that loss which was brought about in a "reasonable attempt" to preserve the remaining assets of all concerned. That is where general average comes into the picture under the present system and is the basic point of my departure toward its logical elimination.

It is the thinking of many average adjusters that it is only fair that cargo interests should pay their share of value of jettisoned cargoes or, if no cargo was jettisoned and only expenses were incurred in salvaging the vessel and its cargo, then their share of such expense. (These expenses, of course, were not anticipated at the inception of the voyage.)

I do not agree. In fact, I take the opposite view, namely, that it is grossly unfair to the cargo interests. Why? Simply, this: The cargo interests have paid freight charges to have their cargoes transported from load ports to designated destinations and they have a right to expect the ship to be able to do so. In fact, if the vessel was unseaworthy at the start of the voyage and if this can be proven (which has been done, though rarely) then new rules come into effect and general average does not apply with the result that the owner of the vessel becomes fully responsible for all expenses that would have otherwise been pro-rated under general average.

Hard though it is to prove, this has occurred often enough to warrant such attempts by cargo interests and most often results in lengthy and expensive court battles.

ONE OTHER STRONG argument against general average is the fact that it applies nowhere else in the transportation industry. It does not apply on air freight, railroad freight or truck freight, nor does it apply at sea when a vessel is in ballast even if all rules for declaring general average are otherwise met. Thus, if no other interests are available to share expenses, the vessel owner's only recourse is to his underwriter.

Now let us assume general average has been eliminated from maritime procedure but we have a jettisoned cargo. We can all agree that the owner of the jettisoned cargo is entitled to be compensated for his loss. Where would he get his reimbursement? From the vessel owner. Where would the vessel owner get the money to pay for his loss? From his underwriter. Naturally, the underwriter would want premiums to cover this exposure. Where

(Continued on page 45)

New Jersey...

Continued from page 1

vehicles had been insured twice, resulting in premium overpayments of $900 for one year. The freeholder estimates that $25,000 has been lost to the county since 1969, as a result of the nonexistent vehicles insured and the duplicate policies.

Atlantic County's vehicle insurance is written by the Philadelphia office of United States Fidelity & Guaranty Co. The agent on the business in Atlantic City is Wilson-McNally Inc.

Mr. Matthews said he tried to find out from USF&G when an audit had last been taken to determine the amount of premium payments made by Atlantic County. The firm maintains that an audit has been taken every year. However, when pressed for the name of the county employe who had assisted in the 1972 audit, the company told Mr. Matthews it had been Mrs. Sylvia Lieberman. Mrs. Lieberman died in 1970.

FREEHOLDER Matthews said that upon disclosure of this error, ("which kind of discredits the audit") the Wilson-McNally agency admitted that no audit had been done since 1969.

When *Business Insurance* questioned USF&G about the audits, a company official, Mr. Harold Williams, general manager of the Philadelphia office, was firm in insisting that the company took an audit every year.

Mr. Williams laughed at Freeholder Matthews' estimate of a possible loss of $25,000 to Atlantic County. He said that no one had records to prove those figures. When asked if his audit records would not clarify them, Mr. Williams said his company had no records of those figures. "It's not unusual that we have no records. It's a matter for the county. We're not inventory specialists."

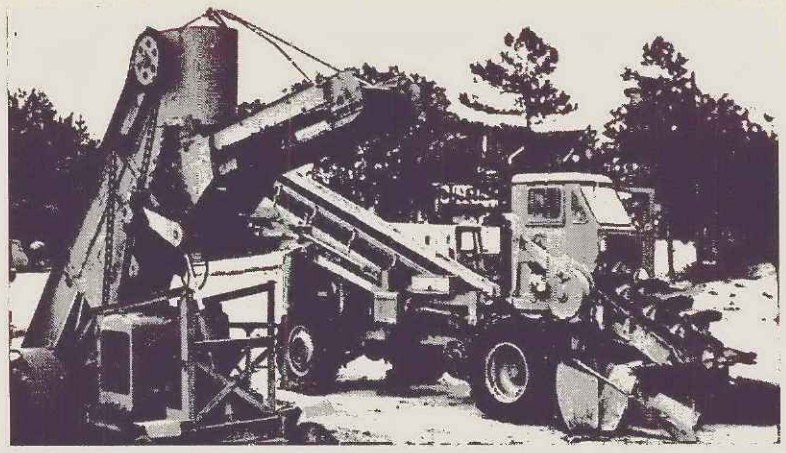
Mr. Williams declined to comment on what the distinction was between the audit records he claimed to have, and the inventory records he claimed no one had. "You're asking me to put someone else on the hot seat if I answer that," he responded.

Mr. Williams asserted that his company had sent representatives to a meeting with the freeholders of Atlantic County. "We have discussed this matter with the freeholders and it was fully explained to them, apparently to their satisfaction. Any questions that have arisen have been fully answered."

Mr. Williams would not say what the explanation had been, and referred *Business Insurance* to county officials for information.

An aide to county administrator Robert Cannon, however, said that the administrator did not wish to discuss the matter. Similarly unresponsive were director of the board of freeholders Robert Gasko and representatives of Wilson-McNally Inc., the Atlantic City insurance agency involved.

The number of insured vehicles that the county does not have on its inventories has still not been determined. As the investigation proceeded, estimates of 35, then 56, then 60 missing vehicles were arrived at. Inventories were changed, a "missing" crane mysteriously reappeared in a county lot, along with a $6,450 1971 Oldsmobile. It is still unknown how much the missing vehicles are worth, or what they have been costing the county in terms of insurance.



Insured but unused for years: Rusted construction equipment.

HIS MAIN objective, Mr. Matthews said, is to get the county to switch to a policy of obtaining insurers by yearly competitive bidding. He would also like to see the county adopt $250 deductible policies on its insured autos, drop insurance on inexpensive items, and self-insure pieces of large, expensive equipment, such as cranes. He estimates that over a five-year period, the county could save $46,750 if it follows his guidelines.

The furor has resulted in some positive action for the county, however. Freeholder Director Gasko has set up an insurance advisory board to help study the entire matter so that similar mistakes may be avoided in future. According to Mr. Matthews, the board has compiled a physical inventory, and is ready to present its first claims to the insurance company. The company had offered reimbursements to the county for over-insured items, if the county could prove its facts.

BESIDES reimbursements, other means to save county money are also being undertaken. Mr. Matthews' proposal to introduce competitive bidding for insurers is expected to be adopted by the freeholders. Several private insurance firms have already anticipated the action by submitting bids for the 1973 contracts and accounts.

One company even sent a letter to Mr. Matthews demonstrating how it could reduce county insurance expenditures 30% annually. With an entire insurance package of $500,000, this could represent a substantial yearly saving to taxpayers. ■

Price Commission cracks down

WASHINGTON—After nine months of routinely granting insurance rate hikes, the Price Commission is beginning to crack down—and could roll some increases back.

CNA Insurance, subsidiary of Continental Casualty, has been denied any part of a 24.5% rate increase it had sought for group accident and health coverage of First Chicago Corp. and the First National Bank of Chicago Government Employes Insurance Co. has been turned down on proposed hikes of up to 19% for auto liability in California.

These were the first flat denials by the commission—which has approved nearly all of several hundred insurance increase requests since Phase II of economic controls began. Other denials are possible.

Currently pending before the commission are close to a dozen insurance requests ranging from 53.9% by Aetna Life Insurance Co. for Connecticut group accident and health, down to 10.5% by Travelers for similar coverage in the same state. Commission sources say delays of more than a month in decisions on a number of other requests indicate challenges are either being made or are contemplated. Companies in this category include Connecticut General, which is seeking 34% and 26% medical care increases in Connecticut, and State Mutual Life Insurance Co. of America, which has asked for a 21.6% raise in Massachusetts medical care and disability coverage.

The denials were made under a regulation the commission set up for itself last month. It permits the commission to require insurers to "show cause" why their requests should not be turned down or proposed higher rates reduced if they appear excessive. Previously the commission had granted increases on the basis of acturial computation supplied by the insurers. If loss experience seemed in line with the raise request, it was granted.

"IT WON'T BE quite that easy any more," said one official in the commission's insurance unit. "We now have the right to question any rate and have the companies supply more evidence."

The commission said in announcing the regulation that it had "no specific procedure for the investigation and review of an insurer whose financial results indicate that its level of rates may be excessive."

In addition to giving the commission rights it felt it needed to deal with new requests, the regulation provides for reduction of past increases that the commission might now consider excessive. "We can now ask the company to show cause why the rate shouldn't be reduced," the insurance unit spokesman said. He added that "cases like this will raise some legal questions."

There have been no rollbacks, and as far as could be determined, no serious challenges of past increases were in the works as of the middle of last week.

While denying increases for CNA and Government Employes Insurance, the commission has granted rate hikes this month to several other insurers without change in the percentage requested. Among these were Equitable Life (31.6% for group disability and group medical for FMC Corp.'s Link Belt division), Blue Cross-Blue Shield of Texas (21.79% for hospital and medical for a senior citizens group), and Allstate (10.5% for other-than-passenger-car liability and physical damage coverage in Michigan). ■

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GUIDE TO FEATURES

Washington Watch	4
Info for Buyers	8-9
Opinions	16
Giles on the Law	24
For the Record	36
London Line	36
Perspective	45-46
Dates for Buyers	49

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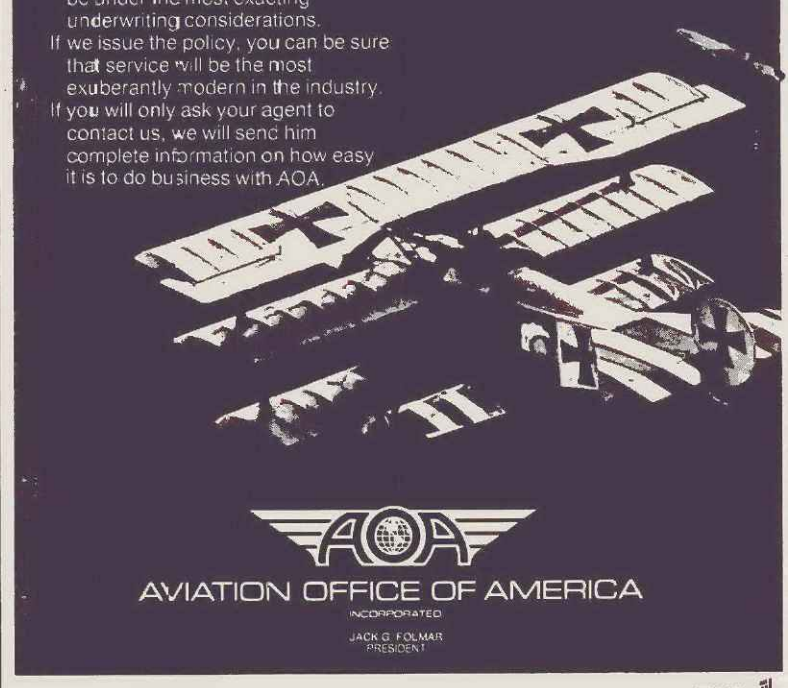

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ONE MANAGEMENT

Feuding, fighting editor sees coverage vanish but will keep crusading

MADISONVILLE, TN.—Dan Hicks Jr. has a problem with insurance. He can't get it. In fact, underwriters think he's too hot to handle.

As crusading editor of the Monroe County Democrat, Mr. Hicks has been threatened, robbed, shot at, beaten, and twice burned out of his newspaper plant by arsonists. The latest disaster that befell him was the late August fire-by-arson that ravaged his plant, causing damage estimated at $25,000. He was not insured.

Mr. Hicks, 50 told *Business Insurance* that the violent acts against him have caused the cancellation of his much-needed property damage insurance.

"The only insurance they haven't taken away from me is my vehicle insurance—and that's only because it would be illegal to do so," Mr. Hicks commented. He said he had sought coverage from agents throughout Tennessee, but all refused or have been unable to get his business underwritten.

LIBEL INSURANCE is also out of Dan Hicks' reach. He explained that the premiums local agents would charge him are far in excess of his financial capability. "I simply can't afford libel insurance," he summed up.

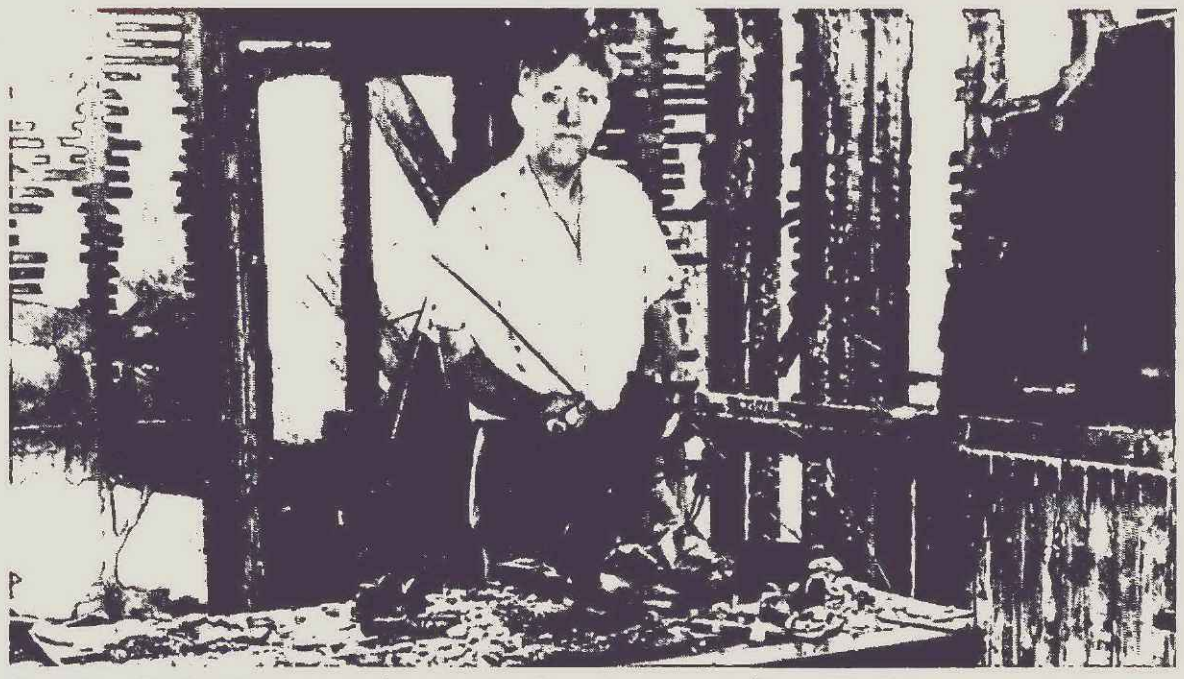
Two libel suits totaling $700,000 were brought against him last year. He fought them in court, again without insurance. He won both cases, but it cost him $3,000 in legal fees. "As you might guess," Mr. Hicks said, "I'm not in this business for the money."

When asked if his personal insurance policies were also jeopardized by his reputation as a target for radical elements, Mr. Hicks claimed that so far he has been able to retain his life insurance. "But that's only because they probably haven't thought to take it away from me yet."

Mr. Hicks has stirred controversy on such topics as parking meters and political corruption in this southeastern Tennessee community of about 1,800. He has criticized the local sheriff's office for the way it identified county jailmates, and he recently violated a judge's order against a news report on a marijuana case, saying, "No judge has the right to tell me what I can or cannot print."

FORTUNATELY for Mr. Hicks, community members have rallied to his support, volunteering desks, chairs, adding machines and hard work in helping him move to a new building in neighboring Athens, Tn.

He expects to begin getting his paper out on time again, and to continue his policy of "printing the truth" despite efforts by what he called organized crime and corruption to put him out of business. ■



Crusading editor Dan Hicks surveys damage in his charred newspaper office.—UP photo

Penn Life has tentative merger plan

NEW YORK—Pennsylvania Life Co. has reached a tentative agreement to merge with The National General Corp., a diversified insurance and movie company.

Pennsylvania Life would be the surviving company in the deal. National General is a film distributor, which owns almost 300 theaters and publishes books through Bantam Books and Grosset & Dunlap. However, most of its income has been derived in recent years from the Great American Insurance Co., the nation's fifteenth largest property insurer.

Under terms of the agreement, Joe D. Bain, chairman and chief executive of Penn Life would be named to the same posts of the surviving company.

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washington watch

Air turbulence incidents prompt rule suggestions from safety panel

By JOHN REVETT
Washington editor

WASHINGTON—One of the battles airlines are fighting—and some critics feel not enthusiastically enough—is against an unseen foe of smooth and safe flights: clear air turbulence.

It's a major cause of injury to passengers, pilots rarely detour enough from storm areas to avoid it completely, insurers have it well up on their list of risks that keep airline insurance rates high, the government seems not to be shaken up by it, and it can't be seen or picked up by radar.

Moreover, there's been an alleged business-as-usual attitude toward the phenomenon among airline crews; including jumbo jet stewardesses, who are getting a good deal of the blame for a knockabout on a National Airlines 747 flight from Miami to Los Angeles in January.

The "accident incident," as the National Transportation Safety Board described it in a report labeled "National Airlines Inc., Boeing 747-135, N77772, Near Lake Charles, La., Jan. 4, 1972," occurred at about 1:15 p.m. when National flight 41, with 317 passengers and a crew of 13 aboard, experienced "one jolt of turbulence." Crew members forward in the plane called it "light to moderate in intensity," said the report. It added that shortly thereafter the head stewardess "called the flight deck to advise the captain that several persons were injured in the rear cabin."

In this scantly-publicized occurrence, 38 passengers, including one child under two years of age and four stewardesses, suffered "minor to serious" injuries. Four passengers and one stewardess were hospitalized and the others received emergency room treatment and were released after arrival in Los Angeles. The NSTB report says the plane's captain decided to continue the flight after talking to National's flight control people, the injured passengers and two physicians who "assured that no one with severe injury was in immediate danger."

Handling the pilot and flight control situation with care, the NTSB, a unit of the Department of Transportation, whose members speak of eventual independence, has recommended as a result of the turbulence encounter that the Federal Aviation Administration issue stricter rules about seat belt "discipline" and take action of some sort on "air carrier policy on deviation of flight" to avoid turbulence.

THIS IS one indication in the report that the safety board has doubts about the advisability of planes plowing ahead, 30-seconds-over-Tokyo style, when the planned route is potentially hazardous. In the case of the National flight, a pre-flight chart noted that "moderate to greater turbulence and icing" lay in the path of the 747. National also had a U.S. weather service advisory on "weather of such severity as to be potentially hazardous to all categories of aircraft." And the airline took heed, though apparently not enough. While National and its flight captain were not admonished in the report, the board did state that "even though the aircraft was clear of the heaviest precipitation areas depicted on the aircraft's radar at the time of the encounter, the aircraft was within the influence of the strong vertical wind currents commonly found in and around thunderstorm activity."

The four injured stewardesses will no doubt be especially interested in the NTSB's analysis and "probable cause" finding. About 30 minutes before the jolt, the seatbelt sign had been turned on, said the report. But since the flight was smooth until the turbulence impact "the captain had no reason to instruct the stewardesses to suspend meal service and be seated. Consequently, four stewardesses in the aft coach sections were preparing meal service when the jolt was encountered" instead of urging passengers to fasten and tighten their seatbelts. (Most of those injured were "in their seats with the seatbelts either unfastened or fastened loosely.") "Accordingly," said the report, "the board concludes that preoccupation with an attempt to provide acceptable meal service and an extensive time period of seatbelt sign illumination prevented the coach section stewardesses from maintaining effective seatbelt discipline."

FOR A MOMENT, the board seemed to let the stewardesses off the hook for the injuries to themselves and 34 others. But under "probable cause" in the report the board "also determines that a number of passengers were injured because priority was given by the stewardesses to regular passenger service duties rather than to the enforcement of seatbelt usage."

The board left pretty much to the imagination concerning the details of what happened to the 747 riders, who were covered by the airline's flight injury insurance to an extent that the FAA hopes is adequate ("Neither you nor I want to see airline rates go up because of lawsuits over broken fingers," was the comment of an FAA spokesman). The report did say, however, that the incident pointed to medical supply deficiencies on big aircraft, "in particular regarding adhesive tape, large gauze compresses, large triangular bandages, and material for splints."

It wasn't the first time a 747 has been shaken up by turbulence. The safety board report referred to other turbulence encounters involving injury in the big jets. One occurred earlier off Nantucket, and Pan American was cautioned about undue delay in deciding to turn back for medical help. The board expressed concern that the planes might have "special sensitivity to turbulence," but appeared satisfied

Continued on page 51

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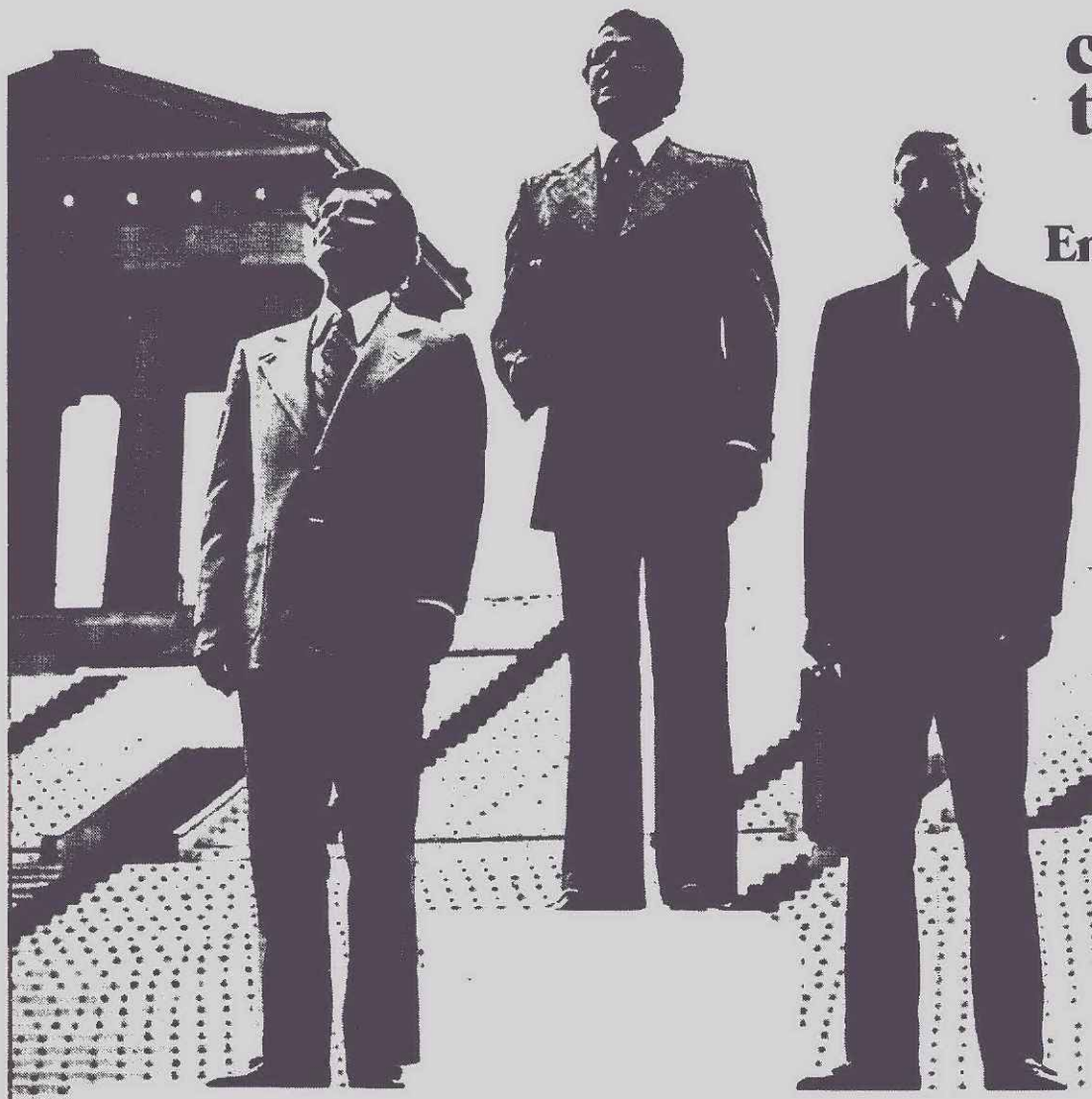

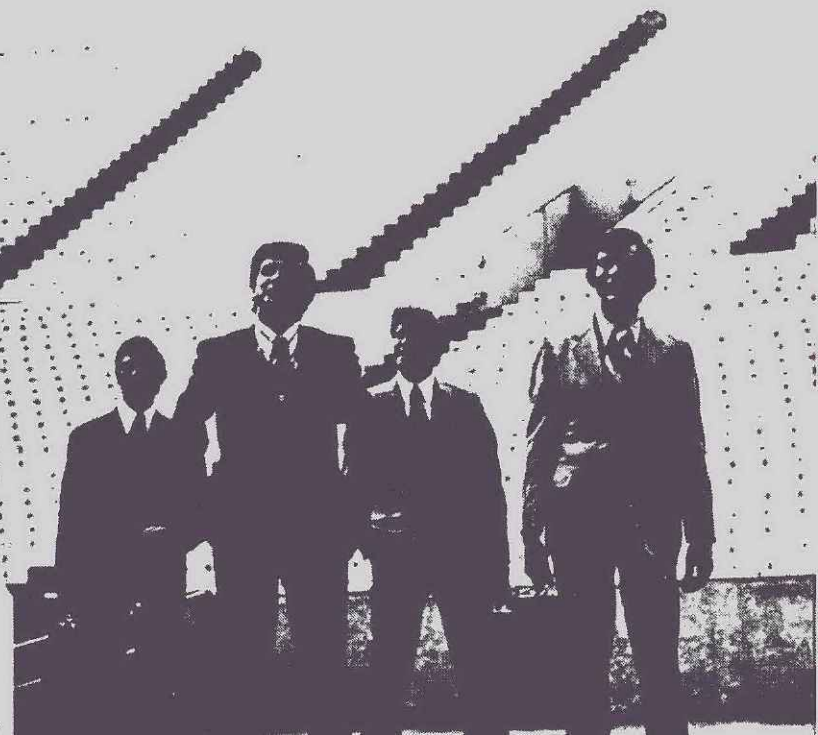

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• The Machinery and Allied Products Institute has published a memorandum reviewing compliance activities of the Department of Labor under OSHA. Copies are available for $2 for members of MAPI, $3 to all others by writing MAPI, 1200 18th St., Washington, D.C. 20036.

• **UK Medical Plans—Group Cover for Employees** has been issued by Marsh & McLennan Benefits International. The booklet analyzes and describes the current medical situation in Britain and includes an analysis of why employers adopt private medical plans in the UK. For your copy write Marsh & McLennan Benefits International, 1221 Ave. of the Americas, New York, N.Y. 10020.

• **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. 100015.

• Health Screening Centers Inc. has made available its brochure describing the company's multiphasic health screening centers. A number of facility options are offered, including HSC operation or client operation of either a mobile unit or fixed-site facility. For your copy write Lou Cilento, controller and director of marketing, Health Screening Centers Inc., Suite 500, Executive Club Bldg., 1776 S. Jackson St., Denver, Co. 80210.

• An **OSHA Compliance Operations Manual,** outlining government safety rules for stores and plants, has been made available by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. The manual costs $2.

• The American Insurance Assn. has published a booklet describing how to store, distribute and use liquified petroleum gas. Prepared by the AIA's engineering and safety service, copies are available for $1 by writing the AIA, Publications Dept., 85 John St., New York, N.Y. 10038.

• **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.

• Three brochures—aimed at the sole proprietorship, the partnership, and the closely held corporation—describe a new approach by CNA insurance to fund a buy-sell agreement in the event of the death, disability, or retirement of the business owner. For copies write Steve Hirsch, Continental Assurance Co., 310 S. Michigan Ave., Chicago, Il. 60604.

• **Professional Counsel in Risk Management,** produced by Warren, McVeigh & Associates, describes the scope of risk management and the sequence of actions used in a consultant's evaluation of a corporate insurance program. For your complimentary copy write Warren, McVeigh & Associates, 680 Beach St., San Francisco, Ca. 94109.

• **Employee Benefit Communications** is a brochure produced by Towers, Perrin, Forster & Crosby describing a comprehensive survey of employe benefit communications procedures in over 200 major American companies and other organizations. For copies write Joseph A. Banik, TPFC, 3 Penn Center, Philadelphia, Pa. 19102.

• **Insurance for the Uninsurables** is a manuscript prepared by the H. Malcolm Teare Agency describing health coverages available to persons who may have had cancer, diabetes, heart disease or over 100 other substandard conditions. Copies may be obtained by writing Scott M. Taylor, H. Malcolm Teare Agency, 500 Fifth Ave., New York, N.Y. 10036.

• **Financial Counseling,** an article by Arthur S. Hummel, president of The Aims Group Inc., discusses what the author believes are legitimate and profitable advantages to the corporation and its stockholders through the corporation's making available financial counseling services to executives. For a free copy make request to Arthur S. Hummel, President, The Aims Group Inc., 919 Third Ave., New York, N.Y. 10022.

• Illinois R. B. Jones Inc. has made available **Seedmen's Errors and Omissions,** an explanatory brochure as to the need for this coverage, citing examples of losses that would be covered as well as an explanation of the insuring agreements in layman's language. To order, write Thomas Cath, Illinois R. B. Jones, 175 W. Jackson Blvd., Chicago, Il. 60604.

• **Boiler and Machinery,** a booklet released by the Maryland Casualty Cos., is a comprehensive guide to boiler and machinery insurance. The brochure includes sections on the basics of boiler and machinery insurance, types of boiler or pressure vessel objects, basic coverage on boiler or pressure vessel objects and types of machinery objects. For your free copy contact Larry G. Collins, Sup. of Advertising, Maryland Casualty Cos., P.O. Box 1228, Baltimore, Md. 21203.

• **Organ Transplant Benefit,** is a flyer describing a new coverage for organ transplants, and artificial devices to function as organs, offered as a rider to basic group

hospital and major medical policies by Continental Casualty Co. The coverage is available in all states but New York. For copies write Robert J. Hoffman, Group Division, CNA Financial Corp., 310 S. Michigan Ave., Chicago, Il. 60604.

• 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 employes. 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 employe benefits package to their employes. 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, Brentco Corp., P.O. 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, destruction to equipment and property and lost production time. Write to Edward Farley, Marotta Scientific Controls Inc., Boonton, N.J. 07005.

• **Occupational Safety and Health Reporter,** published by the Bureau of National Affairs, is a weekly notification and reference service covering standards, legislation, regulations, enforcement and research. For more information write the Bureau of National Affairs Inc., Washington, D.C. 20037.

• **Equal Employment Opportunities in the Insurance Industry,** a monograph by Arthur H. Barnes, vp of the Consolidated Insurance Cos. manpower resources division, offers a reasoned, step-by-step program for the hiring and training of minority group members. The booklet is available, in quantities, from the company at 345 Adams St., Brooklyn, N.Y. 11201.

• **Self-Insurance . . . Management's Powerful Cash Retention Tool** is a brochure from Assurer's Service Inc. covering the aspects of self-insurance for workmen's compensation and the role of the service company in supplying the necessary tools to bring about a successful conclusion to the program. For copies contact Alvin J. Sims, manager, Assurers Service Inc., 22 Batterymarch, Boston, Ma. 02109.

• The National Safety Council has published a complete and comprehensive report on an occupational safety and health act briefing session, held in cooperation with the U. S. Bureau of Labor Statistics, covering the record keeping requirements of the new law. The book covers OSHA regulations in detail, with additional emphasis on a comparison of the old Z16.1 standard to new OSHA standards. A special question-and-answer section, alphabetically indexed, is of particular value. Copies of the publication can be ordered from the council, 425 N. Michigan Ave., Chicago, Il. 60611, by referring to stock number 099.40. The price is $3 per copy, and payment should accompany any order of $5 or less.

Small businesses buy insurance on a hit-and-miss basis, meet told

ST. JOHN'S, Newfoundland—Many small companies in Canada buy property and casualty insurance on a hit-and-miss basis and may have difficulties when a claim is submitted. This was an accountant's warning at the 70th conference of the Canadian Institute of Chartered Accountants here last month.

W. I. Hetherington, a partner of Thorne Gunn and Co. of Toronto and president of the Thorne Group Ltd., which specializes in accounting aspects of insurance underwriting and claims, told the meeting that insurance agents and brokers can only do a satisfactory job when they are given correct and adequate information. "This is where the auditor can be of assistance," said Mr. Hetherington.

Noting that chartered accountants can "point out areas of coverage unknown to the client, particularly if he is new in his field of business," the accountant told the meeting:

"Sales entrepreneurs, for instance, may decide to enter manufacturing or jobbing knowing nothing of fidelity bonds, product liability insurance, third party liability, even boiler insurance or business interruption."

HE ALSO SAID that too many businessmen don't know they may insure certain things, noting for example that it is possible to insure against loss at a supplier's plant if the supplier makes components essential to the finished product.

"Even more important," he said, "is knowledge of the value of what is to be insured." Inventories may be insured either at cost or at selling price, but cost price insurance is less expensive, he explained. Moreover, he added, higher premiums may be charged if the goods can be "replaced only by purchasing from a competitor."

The accountant explained that there are three basic types of inventory insurance.

The first, he said, is a policy with a stated value of insurance. This suits small retailers, wholesalers or manufacturers who cannot afford to absorb any portion of a total loss, he said.

The second is a reporting policy and this eliminates the problem of fluctuating inventory values. "It sets a maximum limit of coverage and then insures only the value reported to the insurance company. The insured person must report monthly inventory values" to the insurer, he noted.

The third type of inventory coverage carries a co-insurance percentage and a stated value. As an example he used the case of a company with $100,000 worth of stock with a 90% co-insurance clause. The insured company, he pointed out, would have to have at least $90,000 in coverage and if the inventory value dipped to $70,000 the insurer would pay only seven-tenths of the loss. ■

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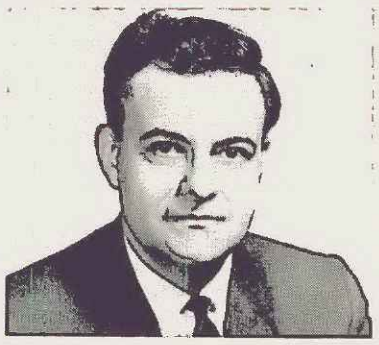
Attorney to tackle legal problems at Business Insurance workshop

CHICAGO—Participants in the *Business Insurance* Benefits Communication Workshop will hear experts on the legal requirements in benefits reporting and the production of computerized benefits report statements. They will also see an exciting awards ceremony at which employers will be honored for excellence in employe benefits communication.

The one-and-one-half day workshop will open at the Hyatt Regency O'Hare on Tuesday, Oct. 24, with a cocktail reception and awards dinner at which there will be a display of winning entries in the *Business Insurance* Benefits Communication Awards competition. A Product Liability Workshop will be held Monday and Tuesday in the same hotel.

Additions to the workshop faculty include Thomas F. Finch, an attorney with the Chicago firm of McDermott, Will and Emery, who will review legal requirements in benefits reporting set down by disclosure acts and case law.

Also on the faculty will be Robert E. Eilertson, vp of Benefacts Inc. of Baltimore, who will discuss with participants the pros and cons of producing benefits statements within the company or having them prepared by outside consultants.



Donal Breting

A highlight of the workshop will be the awarding of prizes in the Benefits Communications Awards competition that has drawn more than 100 entries in five categories —booklets, employe publications, computerized benefits statements, letters and other special written material, and audiovisual aids.

Judges of the competition are Harold Gully, manager, public relations department, Leo Burnett Co. Inc.; George K. Gunderson, vp, Lithographers & Photoengravers International Union local 245; Louis A. Lerner, publisher, Lerner Newspapers, Chicago; Ned A. Miller, Compensation Planning Corp. and a contributing editor of *Business Insurance;* and William A. Robinson, president

N. E. Nilsson

William A. Robinson Co. marketing consultants.

At the awards dinner, citations will be given to consultants, advertising agencies, insurance brokers and other who assisted with winning entries.

OTHER FACULTY members for the Benefits Communication Workshop include:

- Dr. Charles McDermid, president of Management Psychologists, Chicago, a consultant to industry on listening to em-

Continued on page 57

Register by telephone

CHICAGO—Listfax telephone numbers have been established for *Business Insurance*'s Product Liability and Employe Benefits Communications Workshops. Those who call in may have their reservations confirmed immediately at early registration prices stated on this page.

To register toll-free, call **800-243-6000.** Connecticut registrants have their own number: **1-800-882-6500.**

An operator will confirm your registration in either or both workshops.

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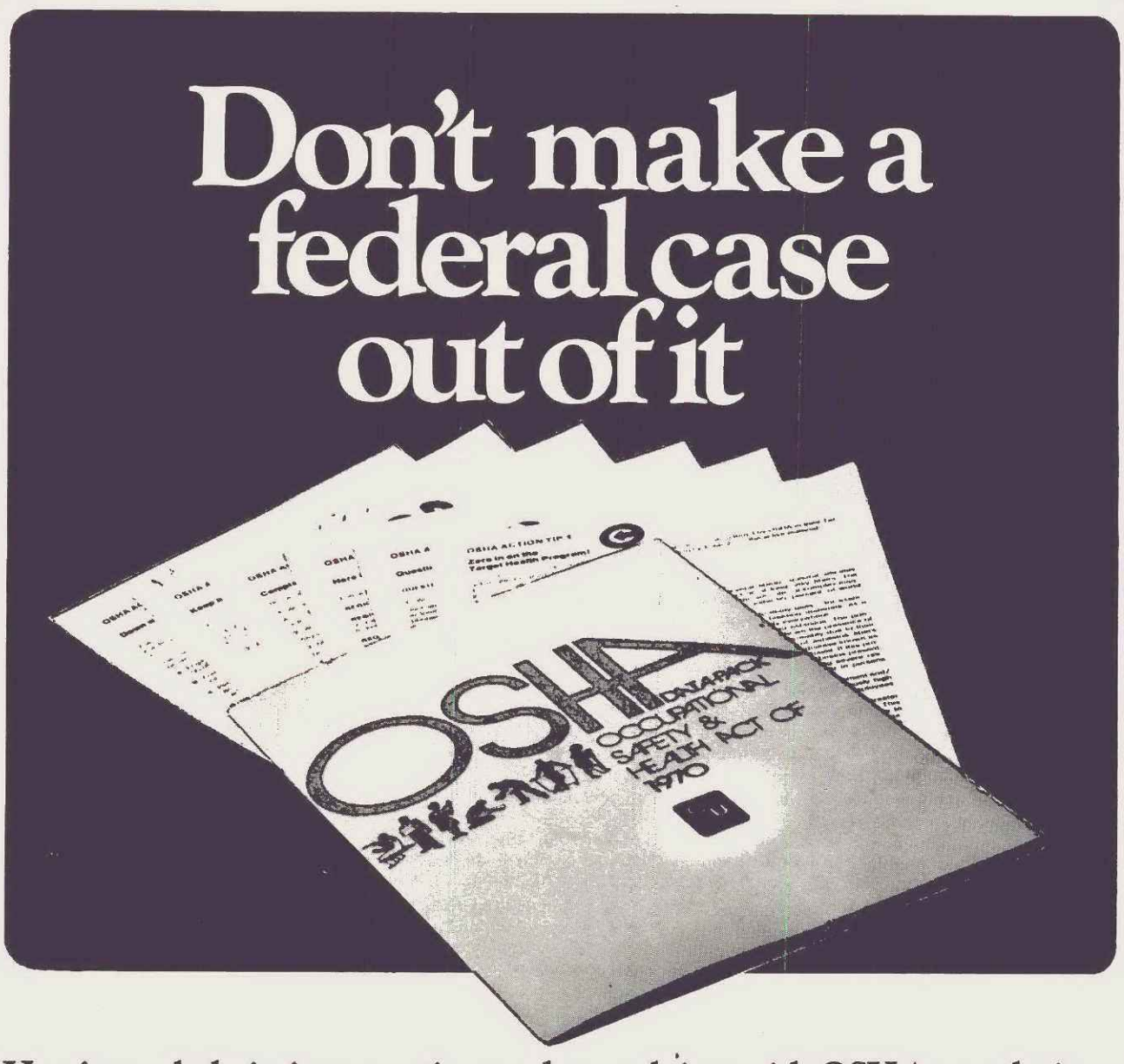

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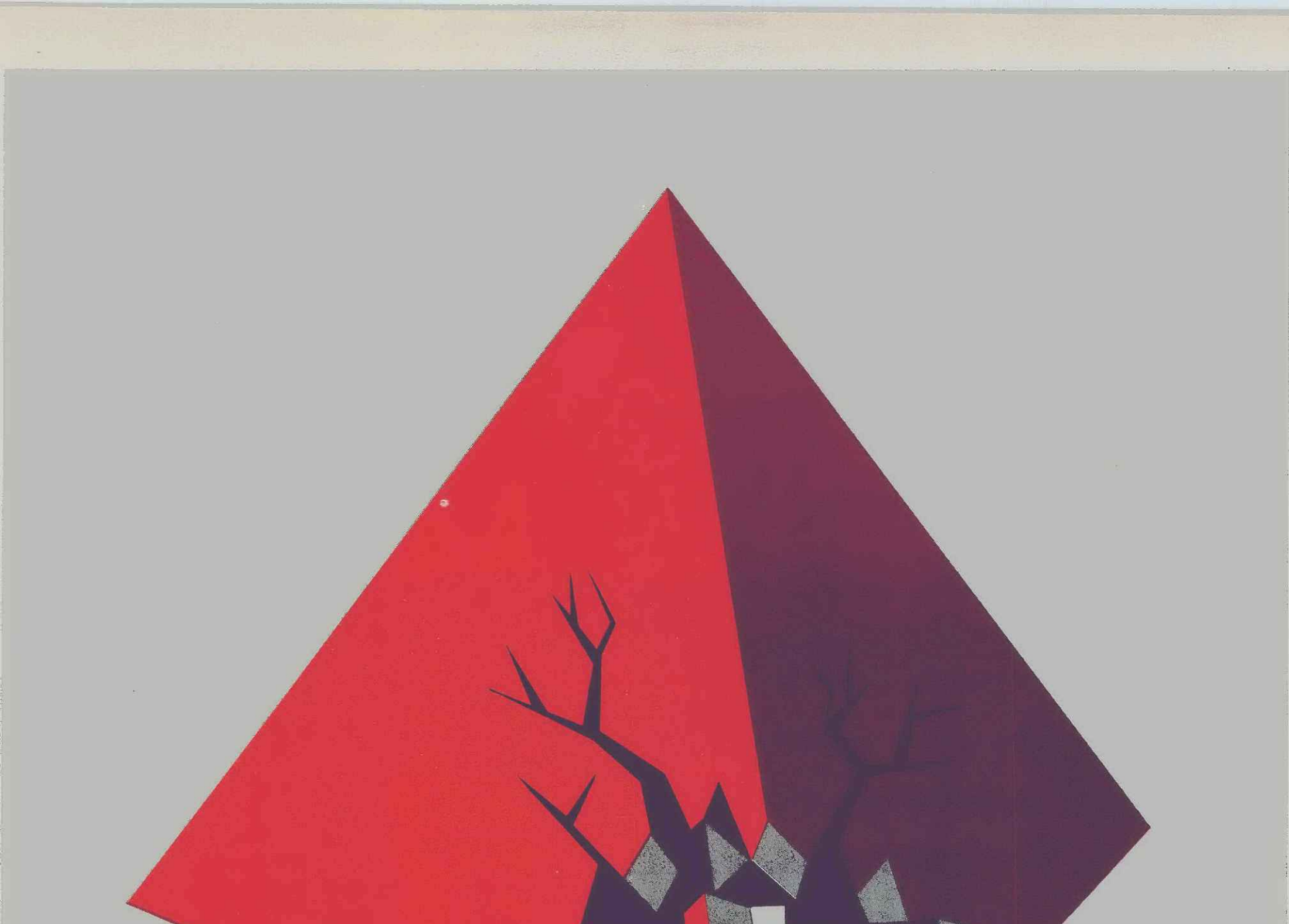

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Aetna plan attacked as 'hand holding' with AMA

NEW YORK—An agreement hammered out last month between the American Medical Assn. and Aetna Life & Casualty Co., which would give medical doctors greater control over the size of payments the insurer makes in disputed medical insurance claims, has been attacked broadly on several fronts.

(See "Opinions," page 16.)

One employe benefits man here declared that he thought the agreement would ultimately lead to increased health insurance costs and would have "a very definite impact" on group insurance premiums for his company and others. Another, while admitting that he is no legal wizard, suggested that the agreement might, in fact, be in violation of antitrust laws.

Under the new agreement, physicians' bills that Aetna feels are out of line with "usual and customary" charges for particular procedures will be reviewed by "peer reviews committes" made up entirely of physicians from the doctor's own city.

The usual and customary fees, or prevailing rates, have until now been determined by Aetna and other insurers on the basis of past claims experience. However, the new Aetna policy, which many feel will also be adopted by most other independent health insurers now that Aetna has broken the ice, in effect will let doctors themselves say what those prevailing fees will be.

"THERE IS no question in my mind," said the employe benefits manager of one large New York-based company after he had been informed of the agreement, "that this sort of thing will ultimately lead to increases. Under the set-up it appears that Aetna is changing its policy from 'what the insurer deems reasonable and customary based on hard claims experience' to 'what a group of doctors in, say, Duluth feel the prevailing rate for a tonsillectomy is after they have discussed it among themselves for an hour.' "

The benefits man, obviously provoked at soaring medical premiums his company pays for more than 6,800 employes, added that he thought Aetna was engaging in "hand-holding" with the AMA and said that he thought it was "extremely inappropriate" that the insurer had "coddled" the AMA, especially in view of "what will surely be national health insurance reforms in the near future."

Another employe benefits man here nodded his head to the comments of his counterpart and added that he thought the agreement between Aetna and the AMA might have some antitrust implications.

"This, I think, is the equivalent of price-fixing," he said. "It's almost like a steel broker asking the three top steel producers to sit around a table in Pittsburgh and decide what the 'reasonable and customary' charge is for a ton of steel."

Aetna, in the meantime, has denied that the agreement with the medical association will lead to higher insurance costs and has asserted that it is "unequivocally committed to programs developed in recent years to control the rapid rise in medical care claim costs."

The company, moreover, stated that its "aggressive pursuit of these efforts had saved group insurance policyholders an estimated $5 million in the past year alone."

Labeling as "erroneous" reports that group insurance premiums could ultimately increase as a result of the Aetna-AMA agreement, the insurer maintained that it has made no change in its basic claim cost control program as a result of pressure from the AMA, "nor has it been asked to do so.

"The company is obligated under its group health insurance contracts to make the final determination of the payment on the basis of all the facts," said the Hartford-based insurer.

THE DISCUSSIONS held in Chicago last month that led to the Aetna-AMA pact apparently grew out of tactics the insurer began using on high-priced physicians about a year ago in an attempt to control rising medical costs.

At that time, Aetna—which writes about 7% of the health insurance sold in the U. S., most of it group coverage—began fighting the estimated 10% of doctors whose bills consistently exceed the prevailing fee schedules by telling policyholders whose doctors' bills were above reasonable and customary limits that Aetna would not pay more than prevailing rates. Moreover, Aetna began telling those policyholders who were "unreasonably" charged that it would pick up the patient's legal fees if the doctor sued to get the balance of his bill.

At the AMA's annual convention held in San Francisco last June this policy was strongly criticized. The association represents about 75% of the 200,000 office-based doctors in the country.

Apparently, what angered the doctors most about this Aetna offering was not the offering itself, for it has been done by insurance companies in the past, but Aetna's firm offer, in writing, of such legal aid from the very start of a dispute without first consulting the physician.

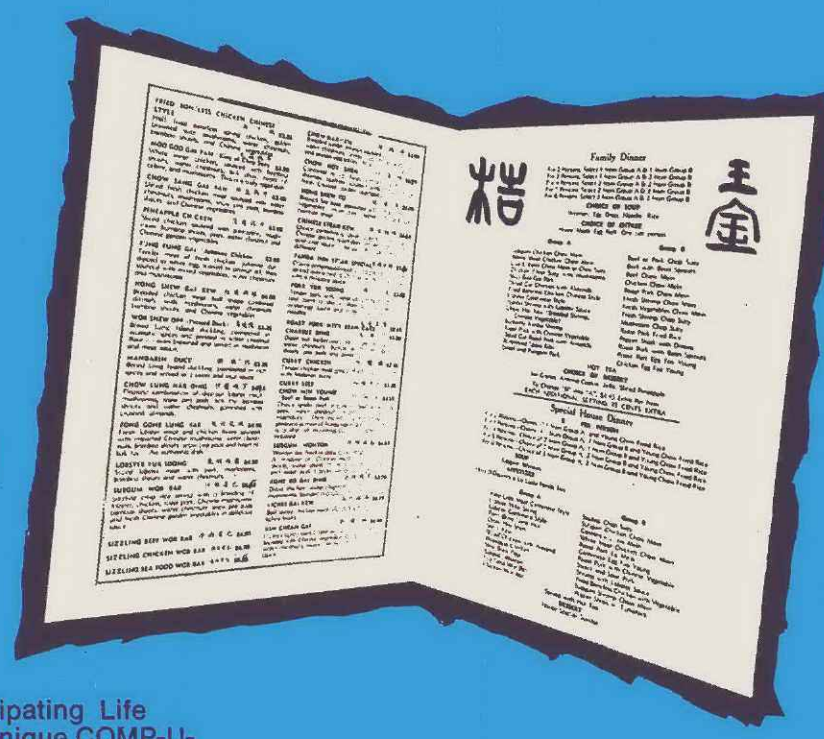
THE ANGER expressed by the doctors in San Francisco in June led to the AMA-Aetna meeting last month. The results of the meeting were later reported in the AMA Newsletter, a weekly report from the association's executive vp. In the newsletter it was noted that Aetna had agreed to "alter several claims practices and procedures that many physicians have found objectionable."

As reported by the medical association, Aetna agreed not to correspond with patients until it first discusses a question about fees with the physician who billed them. In addition, said the AMA, when Aetna does correspond with a patient, the doctor will also get a copy of the letter. The insurer also agreed to eliminate any reference in early letters to claimants about paying for litigation.

Considered more significant than those concessions, however, is the agreement by the insurer to allow local peer review committees to decide if a doctor's charges exceed the prevailing fees.

Peer review committees are already established in some communities—largely to review a doctor's performance and in some cases mediate malpractice cases —and, presumably, they would now become an official fee re-

Continued on page 52



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Settle $6 million insurance claim in swindle

NEW YORK—A long and complex legal battle has apparently been resolved with the agreement by Fidelity & Casualty Co. of New York, to pay $6 million to the bankruptcy trustee of Ira Haupt & Co., a securities and commodities firm that collapsed as a result of the salad-oil swindle in the early 1960s.

The settlement, which must be approved by the state court here in which the suit was filed in 1965 and the federal bankruptcy court, would resolve a $48 million suit originally brought against the insurer.

The suit alleged that Haupt's losses resulting from the swindle were covered by insurance policies and bonds written by Fidelity & Casualty, a Continental Insurance Co. subsidiary. The insurer, however, denied liability and refused to pay, alleging among other things that Haupt's management was negligent in overseeing the operations of the firm.

The proposed settlement noted that the case had been dragging on for seven years. "Substantial (more) time, effort and expense may be required to litigate fully and comprehensively all of the sharply disputed issues of fact and law pertinent to the various claims, defenses and cross claims" in the case, papers filed with authorities noted.

THE SECURITIES and commodities firm was the principal victim of the salad-oil swindle masterminded by Anthony De Angelis, president of Allied Crude Vegetable Oil Refining Corp. He obtained financing from Haupt and others by pledging as collateral warehouse receipts for vegetable oil which was supposedly stored at his company's Bayonne, N.J., tank farm. However, when Allied filed for bankruptcy in November 1963, it was discovered that huge oil shortages existed.

It was estimated that Mr. De Angelis fraudulently bilked his company's creditors for about $150 million through the scheme. The Haupt firm, noted papers filed by its bankruptcy trustee, lost $48 million in the swindle. Mr. De Angelis, now 57, was paroled in June after serving seven years of a 20-year federal prison term for his role in the case.

The proposed settlement between Fidelity & Casualty and the Haupt bankruptcy trustee also provides for the abandonment by the insurer of counter claims against Chase Manhattan Bank; Bunge Corp, a commodities importer-exporter that was a major financial backer of Allied; and Walter Klein, a Bunge principal.

The insurance company, which had named the three third-party defendants, alleged that Chase helped convince Haupt to do business with Mr. De Angelis and Allied, and it also charged that Bunge and Mr. Klein knew of Allied's troubles before the problems became generally known but that they concealed this knowledge.

IT IS understood that the $6 million settlement proposed will be used to help satisfy creditor claims against the Haupt estate. The principal claims include $18 million by 10 banks whose loans to Haupt were jeopardized when the firm collapsed.

Subordinate to those claims is a $9.5 million claim by the New York Stock Exchange, which assessed its other members that amount to assist the bankrupt NYSE member's customers when the firm failed.

If a somewhat related case earlier this summer, the New York state court of appeals ruled that Bunge Corp. would have to bear the loss of a $3 million cashier check swindle rather than Manufacturer's Hanover Trust Co. of New York, because a Bunge employe was involved in the deception (*Business Insurance*, July 31).

That loss, which a Bunge official earlier told this magazine is substantially covered by fidelity insurance, occurred when $3 million in cashiers checks were issued by Manufacturer's Hanover to Mr. De Angelis's Allied Crude Vegetable Oil Refining Co. to supposedly reimburse Bunge for oil stored in a leased warehouse.

After the checks were turned over to Bunge, a company employe returned them to Mr. De Angelis, who redeposited them with the bank. ■

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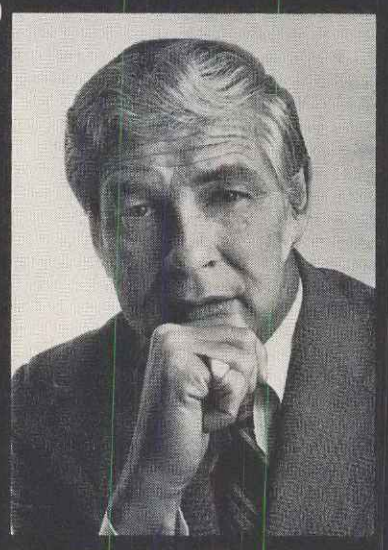

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Agents hear legislator's prediction

PHOENIX—The Independent Mutual Insurance Agents of Arizona heard Howard Baldwin, state senator, predict an increase in group programs as a potential answer to rising auto insurance rates.

"It is being tried on an experimental basis in several places, apart from no-fault programs," he explained. The voters probably would have to amend Arizona's constitution before a broad no-fault system could "become a reality here," he added.

"Specifically, we cannot deny a person's right to sue for damages under the law," the senator said.

Some no-fault provisions are included in policies sold by two companies in the state, he added. They relate to medical expenses and disability income. ■

Fund reports 1971 surplus

MADISON, WI.—The state insurance fund here reported a surplus of $32,298 for 1971, aganist a deficit of $807,326 for 1970.

The state's self-insurance program climbed out of the red by collecting $1 million in premiums and receiving claims for $314,653, according to B. E. Hogoboom, administrator of the fund.

The 1970 deficit resulted from the bombing of Sterling Hall, a University of Wisconsin building here, and a fire on the university campus at Whitewater.

Most of the $2 million Sterling Hall bombing claim has not been paid because proof of loss documents showing building damage have not been submitted, Mr. Hogoboom said.

He added that more than $800,000 has been paid from the fund for damaged equipment. ■

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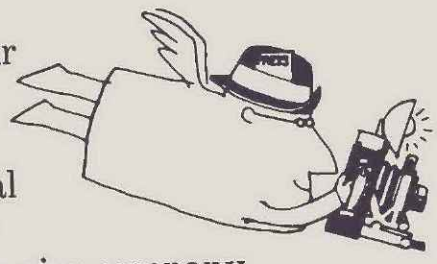

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editorial opinions

Holding the AMA's hand

ELSEWHERE IN THIS ISSUE is a report on a conciliatory agreement made by Aetna Life & Casualty with the American Medical Assn.

It seems that a year ago, Aetna, the nation's leading independent underwriter of health insurance, took a bull by the horns when it announced that to help stem rising medical costs it would exert a little pressure on doctors it thought were charging excessively for their services. For one thing, Aetna began telling policyholders whose doctors' bills were above the "reasonable and customary" bounds that the insurer would pay legal fees if the doctor used the patient to get the balance of his bill.

Applause.

A few weeks ago, the AMA held its annual meeting in San Francisco and, among other business on the agenda, the good physicians proceeded to get very angry with the year-old Aetna tactic. The outcry from the medical men led to a Chicago powwow between Aetna and AMA officials.

Aetna, understandably perhaps, did not formally report the outcome of the discussion. The AMA, however, did. Said the AMA: Aetna has agreed "to alter several claims practices and procedures that many physicians have found objectionable." In addition, noted the powerful medical association, the two parties had come to grips with the question of who was to decide what "reasonable and customary" means. Henceforth, bills considered unreasonable or uncustomary will be reviewed by "peer review committees" made up entirely of physicians from the community of the disputed bill. Aetna, presumably, will take the committee's "advice," except perhaps in all but the most extraordinary cases.

When the AMA let the agreement out of the bag it naturally provoked immediate outbursts from already established critics of the medical/health insurance complex. The insurer has since bounced back with this:

"Aetna affirm(s) that following discussions with various medical societies it recently modified certain procedures and communications followed (previously) to eliminate any possible misunderstanding and to avoid possible improper interference with the traditional physician-patient relationship."

Even forgetting for the moment that "traditional" physician-patient relationships rarely exist these days and forgetting that certain abuses (i.e. physician excesses) do exist and that it was these Aetna began addressing itself to a year ago, it strikes us that Aetna's move to placate the AMA was an ill-advised cop-out of sorts.

As one employe benefits man told this magazine, it smacks of "hand-holding" by Aetna. The AMA needs no one holding its hand.

Making an issue of it

AT THIS STAGE of the game it would indeed be presumptuous of us to tell the Democrats and Republicans how to run their election campaigns in the weeks ahead. But anyway. . . .

The two major parties have wrapped up their convention business and their platforms have been written. Not surprisingly, both have considered in their platforms two matters that affect readers of this magazine deeply—pensions and national health insurance.

On the matter of pensions, for example, last month's Republican meeting in Miami saw a platform approved that, among other things, commits the GOP to "continue to press for improved pension vesting and other statutory protections." Earlier the Democrats called specifically for portability and reinsurance for pension plans. In this respect, of course, the Democrats have taken the issue a step or two beyond the Republicans. Interestingly, however, the general campaign positions of both parties are not that far apart on pension reform. For while the GOP platform gives preferential treatment to Nixon Administration proposals for pension improvements the platform document itself is sufficiently broad to accomodate the Republican—and many Democratic—backers of the Williams-Javits reform measure. (On the matter of national health, however, the battle lines are more clearly drawn, with the Democrats supporting the sweeping Kennedy-Griffiths national health proposal; the Republicans sharply attack this approach in their document.)

WHAT INTRIGUES us more than the platform positions on pensions themselves, though, is the question of how the issues will be used in the heat of the campaign. For a candidate in search of votes it is a golden opportunity to use, and, perhaps even abuse, the pension issue.

Consider for example that there are 20 million voters in this country over 65 years of age. Consider also that these elderly voters have historically turned out at the polls in higher numbers than any other segment of the electorate. Consider as well that while most voters over 65 are of a politically conservative leaning very few of them care about protecting the status quo when it comes to pensions. Consider, too, that about 25% of these 20 million voters live below the poverty level, while millions more eke out a modest existence from pension systems that in years past may have promised more than they delivered. Consider also that millions of more voters in the 45- to 65-year-old category are beginning to think very seriously about what life—and pensions—will be for them after they retire.

It could be interesting—if someone makes an issue of it.

letters

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

Risk study book

To the Editor: Your Aug. 14, 1972 edition of *Business Insurance* carried an article (page 7) by Edward D. Hansen based on "A Case Study in Risk Management."

We would like to secure a copy of this book by Jerry S. Rosenbloom for our library and would appreciate receiving the address of the publisher.

Frank D. Polatty
Assistant Cashier, Atlantic National Bank of Jacksonville, Jacksonville, Fl.

Editor's note: The publisher of "A Case Study in Risk Management" is Appleton-Century-Crofts Educational Div., Meredith Corp., 440 Park Ave. S., New York, N.Y. 10016.

Datsun dealer cover

To the Editor: In reading your Aug. 14, 1972 issue, page 49, we were interested in the article titled "Travelers has comprehensive cover package deal for Datsun dealers." From the information you have, could you advise us if Travelers is going to be writing coverage on a brokerage basis, or will only Travelers agents be writing coverage?

We would appreciate receiving whatever information you may have.

Mrs. Gwen McGuire
Secretary, Corporation Insurance Agency Inc., Washington, D.C.

Editor's note: A spokesman for Travelers says the coverage is not open only to its producers but will be brokered through Dealer Cover Inc., a separate agency. For further information on the insurance write: David Baird, Dealer Cover Inc., 9601 Wilshire Blvd., Beverly Hills, Ca. 90201.

Burnham report copies

To the Editor: I found the article on the "Burnham" report in *Business Insurance,* July 31, very interesting. As I would like to obtain a copy of this study, will you please advise me from where it can be obtained?

Harold Hudd
E. A. Whitehead Ltd., Vancouver, B.C.

Editor's note: For further information readers may contact Leonard Wilson, author of the report, at Burnham & Co., 60 Broad St., New York, N.Y. 10004.

A 33% increase?

To the Editor: Intentionally or unintentionally, the recent Social Security increase publicized as a "20% increase," in reality turns out to be much closer to a 33% increase in actual benefits to each covered worker, since not only was the benefit increased 20%, but the applicable average monthly earnings limitation due to age was also increased 20%. As a result, actual benefits, according to tables recently supplied us, show an increase of from 30% to 37%, rather than the publicized 20%.

Without expressing any comments, positive or negative, on the increase and its merits, I do believe a hoax has been commit-

Continued on page 48

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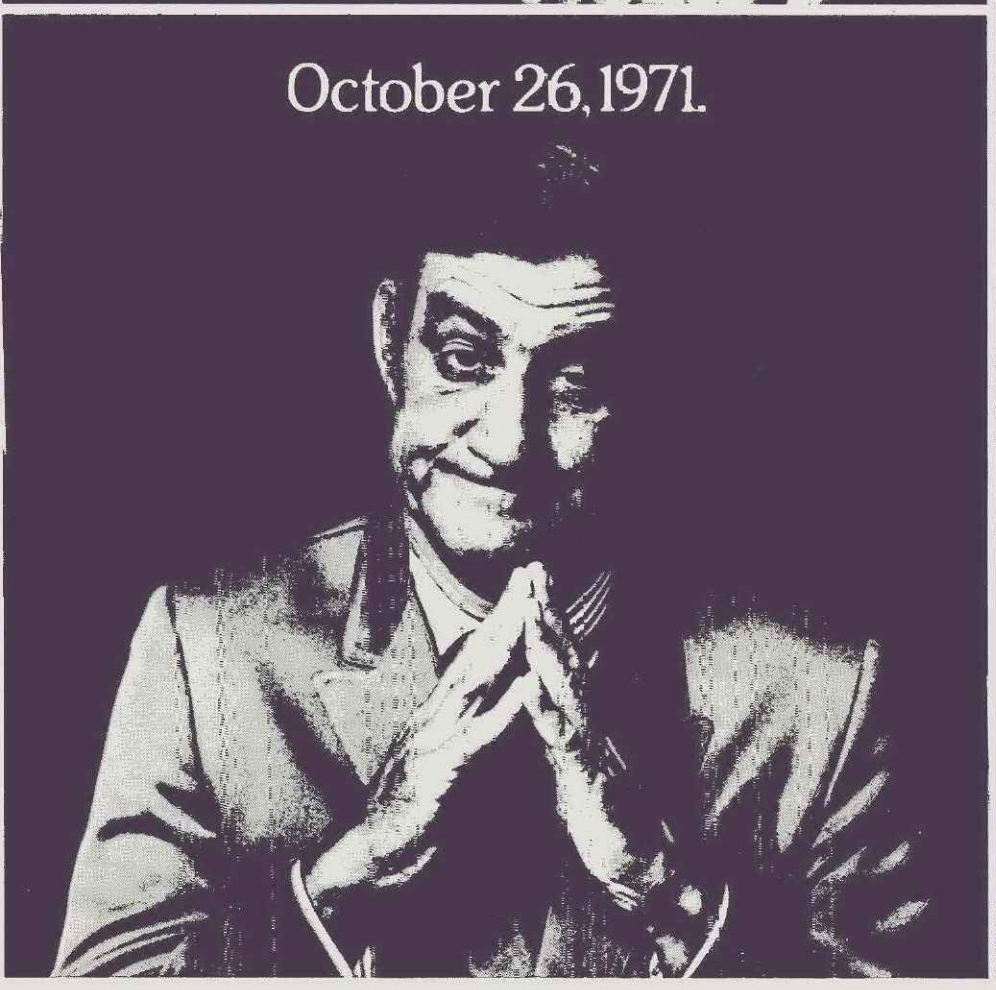

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Special Issue

Publishing Date: October 9

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Nader pension book due this month

WASHINGTON—Plan-by-plan pension reform through employe groups as a supplement to national legislation will be suggested by Ralph Nader and an associate in a book due out in mid-September.

The book, to be titled "You and Your Pension" (definitely not an admonishment, according to the authors), begins with a general discussion of how pension plans operate. It then gets into areas that are currently being debated.

"We talk about all the ways people can lose out in the private pension system as it is now," said Kate Blackwell, a free-lance journalist who co-authored the book with Mr. Nader. "And we discuss the different legislative approaches being considered," she added. "We make it clear why we think a measure with strong vesting, funding and portability provisions should be supported."

BUT, HAVING DOUBTS that legislation will "do enough," even if passed, the authors also suggest how employes can organize in plants and offices to improve their pension plans.

In addition, "We discuss how they can enlist ministers, senior citizen groups and other civic organizations to help their cause," said Miss Blackwell. "We also get into how to use local media to publicize pension problems. It amounts to a community problem when people aren't adequately covered."

She said the book, to be published by Grossman Publishers, New York, will be out in hardbound "and in a cheap paperback version which we hope will get to a lot of people."

Penn Central move to drop benefit fund draws Denenberg's ire

HARRISBURG—Pennsylvania's insurance commissioner, Herbert S. Denenberg, has attacked a decision by Penn Central Railroad to discontinue death benefits for about 500 former employes.

At the same time, Mr. Denenberg also strongly criticized a related announcement by the railroad that premium rates for present employes covered under a death benefits plan would be upped from 10% to 40%. Among other things, said the insurance regulator, members were given less than 10 days notice of the two changes.

Officials of the Pennsylvania Railroad Voluntary Relief Dept. which administers the program have since decided, however, to delay the effective date of both actions until Oct. 1, and Mr. Denenberg has asked them to use the delay period to consider more equitable solutions to the problem

Said the commissioner:

"THIS IS YET another example of the callous attitude some large companies take toward their employes. I only ask that Penn Central treat its blue collar workers as fairly as it treats its former executives. Unfortunately, they are treating them more like stockholders." Mr. Denenberg, who admitted that he has no legal authority to regulate the relief association, was obviously referring to former directors and officers of the company who continue to collect generous pensions from the company even after having been involved in alleged mismanagement that led to the Penn Central Co.'s bankruptcy petition last year.

"The insurance department," said the commissioner, "has received complaints from present and retired workers in recent days, as have insurance departments in neighboring states. One of the complaints," he noted, was from a "78-year-old former employe who has contributed to the fund since 1913. A double amputee, the former employe had expected the fund benefits to pay his funeral expenses. On July 22, he received a letter, dated July 20, that announced the program was being cancelled—effective Aug. 1," related the commissioner, adding that the letter expressed no regret over the sudden decision to drop the plan.

MR. DENENBERG said that he had received another letter from a 63-year-old foreman with 40 years of service with the railroad. He, said the commissioner, would be forced to pay 40% extra in premiums or forfeit his accumulated benefits—"all for a $500 death benefit he has more than doubled in contributions."

Association officials administering the fund, which covers about 47,000 present and former Penn Central employes, cited the fund's deficits as the cause of the terminations and the premium rate increases. Penn Central, it was said, has been subsidizing the relief fund in amounts of up to $1.4 million a year. ■

Raises for pensioners

PHOENIX—A new three-year contract negotiated with the Cyprus Mines Corp. of Bagdad, Az., and three labor unions provides not only a 97¢ an hour wage boost but also provides fringe benefits, including higher pension payments.

Former employes, under the new contract retroactive to August 1, will receive a $15 monthly pension increase.

The benefits, said Lloyd Dayton, steelworkers international representative, are 9.4% higher than the previous rates. Because this exceeds the federal Pay Board's 5.5% guideline, the company and the unions will ask the board to approve the agreement, Mr. Dayton noted.

Unions involved are the United Steelworkers of America, the operating engineers union and the Teamsters union. ■

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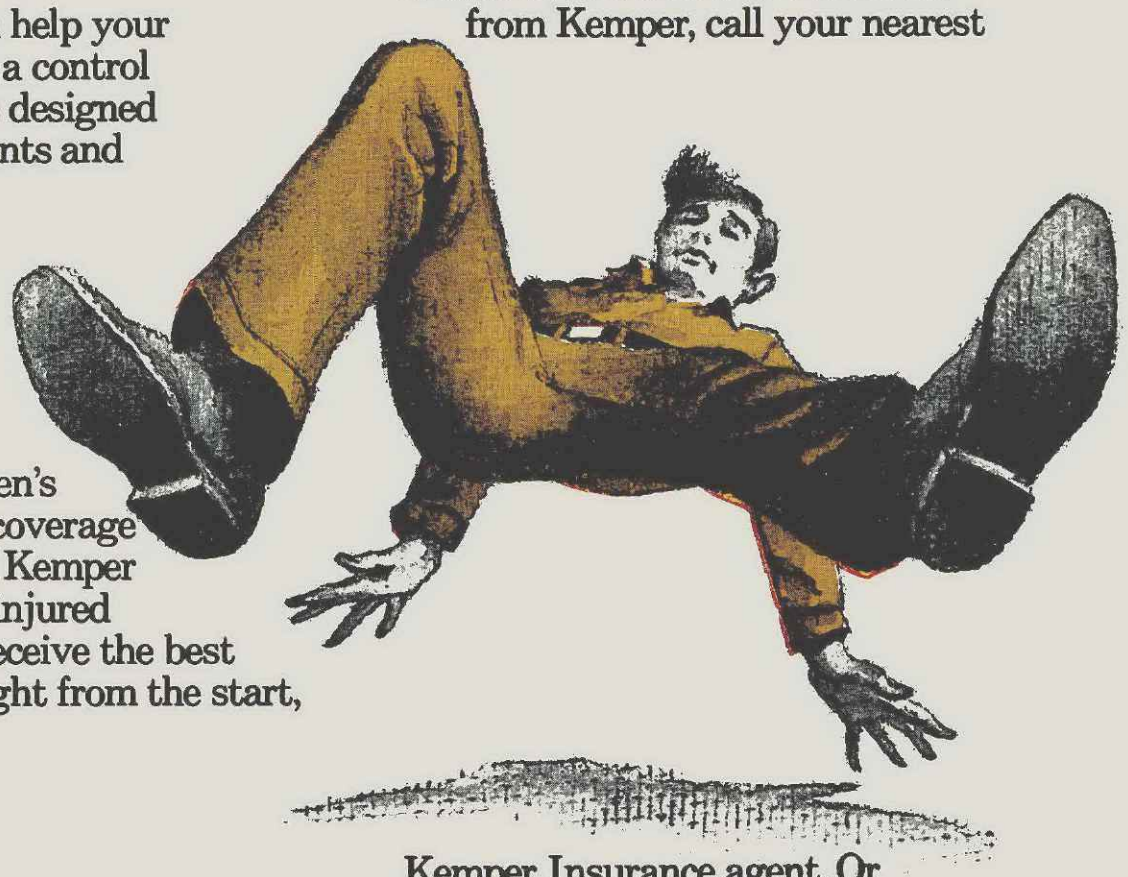

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Insurance manager has many roles to play in product liability prevention

NEWARK—The corporate insurance manager must play the roles of communicator, coordinator, expediter and enforcer in product liability prevention, a meeting here was told late last month.

Speaking to the annual Product Liability Prevention Conference, W. R. Metzgar of Aetna Life & Casualty, said that it is important for the man sitting in the corporate insurance manager's chair to "know just what the company is all about and what the products it manufactures are supposed to do."

The insurance manager, he added, must act as liaison between the insurer and the manufacturer, and must be the chief organizer behind quality control, testing, advertising, legal matters, engineering and research and design that back up his company's products.

From the insurers standpoint, Mr. Metzgar noted, three basic product liability problems now exist. First, he said, there is considerable delay between the time claims occur and the time they are reported to insurance companies. The delay, he said, is usually more than a year.

SECOND, because of this delay, control of losses is not what it should be.

As a third problem, he cited the fact that product liability losses are extremely expensive in terms of both settlements and dollars spent on the defense of claims.

The Aetna man also pointed out that insurers can and should perform a vital role in product liability prevention. Loss control, he said, is one area where insurance companies have enormous capabilities. Insurers, moreover, should examine and test a product before underwriting product liability coverage.

"Having seen similar products before," said Mr. Metzgar, "the insurance company believes it can anticipate the kinds of losses which may result. Therefore, the goal is to try to avoid those losses."

Mr. Metzgar also called for the establishment of claim defense programs by manufacturers. The manufacturer, he said, must recognize that his product is likely to cause a claim at one time or another. He should anticipate these and prepare for the defense of them well in advance of their occurrence, Mr. Metzgar said.

"The magic word," he said, "is 'teamwork.' Insurance carriers and corporate insurance managers need to work with that word to develop it to its full meaning and connotation."

In another presentation made to the conference, Leonard A. Seder of L. A. Seder Associates, Malden, Ma., said that the "prevention of product failures at the source must be the core of any successful product liability prevention program."

Noting forces which he thinks have driven today's manufacturer into a new era of product quality—increased legal and financial responsibility for product failures, rapid expansion of government regulation of quality and safety and the growth of the consumer movement—Mr. Seder pointed to additional financial pressures on manufacturers.

AMONG THESE, he said, are the legal fees and insurance premiums associated with new liabilities, the expense of recalling unsafe products, the uncalcuable financial loss to a company as a result of damage to its reputation and the cost of sustained customer dissatisfaction as a result of initial quality, performance and repair service.

Mr. Seder noted tht the automobile industry is perhaps the first major industry to respond to these new pressures.

As a result of consumer and governmental pressures in the auto industry, he said, there is now a high level of determination to meet standards. In addition, forward-looking automotive managements have begun taking the initiative in influencing government standards. Automotive companies have also begun to divorce "design acceptance from design creation" thus making safety more important than appearance.

A third speaker at the conference, Michael J. Coleman, corporate counsel of American Chain and Cable Co., Bridgeport, Ct., said that product liability prevention is an area in which the corporate counsel can be of more benefit to a company than outside counsel.

THE CORPORATE counsel, he said, has the opportunity to look at a product with both legal expertise and with an expert knowledge of the company's business.

In addition, Mr. Coleman said that the corporate counsel should play three distinct roles in the defense of product liability actions: liason officer with his company's product liability insurance carrier, assistant to trial counsel and investigator and coordinator with his own company.

"Corporate counsel can—and I believe should—play the pivotal role in solving problems both by helping establish prevention programs and adding the legal defense of product liability lawsuits." ■

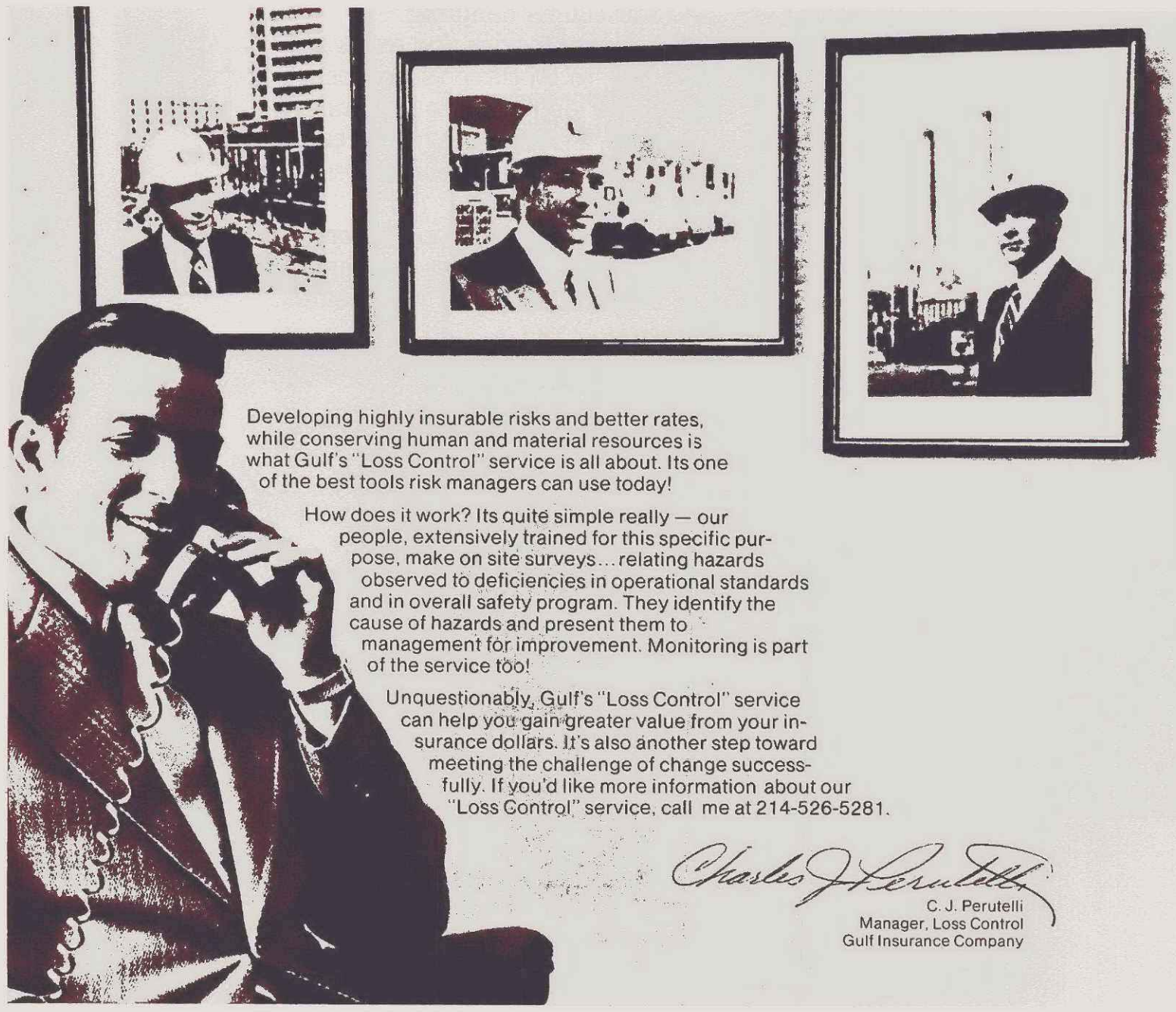
Bankers blanket bond threatened

NORTH BRUNSWICK, N.J. —Fidelity & Deposit Co. of Baltimore, Md., has threatened to cancel a bankers blanket bond policy on Middlesex County Bank here following the disclosure that former bank president Santo Santisi had converted more than $500,000 in unauthorized bank loans for his personal use.

According to bank executive vp Valentine Del Negro, actual loss to the bank has been almost completely recovered, and the insurance company has not yet acted on its threat to cancel.

The bank's primary policy was written through Cantore Agency of New Brunswick, N. J. According to Mr. Del Negro, the primary policy, which has a $500 deductible, has a limit of $500. There is also a $1 million excess policy with a $500,000 deductible.

Following an investigation by state banking officials, the attorney general's office, and the Federal Deposit Insurance Corp., Mr. Santisi was arrested in late August as he vacationed with his family at Point Pleasant, N. J. ■



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C. J. Perutelli
Manager, Loss Control
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YOUR INSURANCE AGENT

River academy's new loss control training center joined by Hartford

HARTFORD—The Hartford Insurance Group, following "severe" losses due to river mishaps has become the first U.S. insurance company to join the National River Academy in Helena, Ar. This newly-formed, nonprofit training center will work on developing loss control procedures for both marine insurers and industry personnel.

Until legislation was signed this summer, tow boat operators were not even required to have licenses to pull their cargo-laden barges across the country's 23,000 miles of inland waterways. Consequently, crews often did not receive adequate training in equipment operation and safety procedures.

According to John L. Pickens, manager of the Hartford's loss control department, some river accidents required reunderwriting by his company. Mr. Pickens cited examples of cargo damage, as well as the sinking of entire barges when tugs ran aground.

CAPTAIN PIERRE Becker, director of the National River Academy, explained that the training center was founded in 1970 as a direct response to urgent demands from the river industry to provide its crew members with the background skills they needed for safe navigation.

Insurers want a better knowledge of the workings of marine operations, Mr. Pickens stressed. He feels that membership in the academy, and support of its programs, will help achieve this end.

"As a big insurer of the river marine industry, we want to put our support in as members of the academy, and get people in there," Mr. Pickens said. An estimate from his company places the annual market of marine insurance premiums in the $10 to $15 million dollar range. Mr. Pickens noted that better training, as taught at the academy, would likely reduce losses and therefore result in lower insurance costs.

The Hartford will send agents from its loss control staff to alert crews to hazards which have in the past resulted in insurance losses, including personal injury. At the same time, selected Hartford employes will train along with the boat crews to become conversant with marine equipment, safety techniques, and industry problems.

Grounding, said the Hartford man, is the "number one hazard in river shipping." Because of the narrow, shallow and twisting nature of many inland channels, tugs pulling barges run a high risk of running ashore, or "grounding," if their pilots are unaware of channel hazards. Fire, pollution leakage and men overboard were also listed among dangers causing loss problems.

The program at the National River Academy is geared to handle all these disasters by teaching preventive measures to the crews. Navigational chart reading, rescue techniques, care and operation of fire equipment, welding and valve control to avoid oil spillage are some basic categories taught. In all, 50 separate subjects pertaining to marine safety are offered by the academy.

Most crew members in training come to the National River Academy from large companies which staff river operations and are anxious to update their safety records. And if they want to stay insured, they may have to continue attending the program.

Asked whether training at the academy might eventually become a prerequisite for a company seeking marine insurance from the Hartford, Mr. Pickens said "it might in some cases become mandatory" for a crew to be trained at the academy before the Hartford would consider insuring the company.

FOR THOSE already insured by the Hartford, the training programs are projected to "suggest" better marine techniques to crews and companies.

Mr. Becker, the academy's director, says six projects will begin when the academy moves into its new building on a 60-acre site along the Mississippi.

The first cadet program, a two-year endeavor, is scheduled to begin in October. Fifty per cent of the training will take place in the academy, while another 50% will be navigation of tow boats. Work at the academy, the theory portion of the program, is to precede onboard training. This will insure that crews are thoroughly instructed in safety procedures and equipment control before they test their skills on actual boats.

Although only 50 crewmen are presently being trained at the academy, Mr. Becker anticipates a boom. He predicted that some 5,000 men will pass through the academy's programs within the coming two-year period. This increase will be due in part to stricter marine safety legislation. But it is the river industry's growing awareness of the need for proper crew training which will also pad the academy enrollment.

"We don't have a monopoly on recognizing the value of this program," Mr. Pickens replied, when asked if he thought other insurers would also join the National River Academy.

Regarding prospective new members for the academy coming from other businesses and insurance companies, Mr. Becker echoed the likelihood of increased industry-wide participation.

"The academy," he assured, "welcomes others who care to join." ■

New transit program cannot find insurance

KLAMATH FALLS, OR. —A proposed $70,000 experimental school bus program here has been delayed indefinitely because of a lack of insurance. Jack Graham, manager of Klamath Area Transit, said, "We've been trying for months to obtain the necessary insurance but with no success because the project is so new the insurance carriers are unwilling to get involved."

Mr. Graham's organization is financed through federal funds, 66.5%; state funds, 20%; and local revenue, 13.5%. It will provide transportation to anyone from suburbs to downtown Klamath Falls. School buses will be utilized in off-hours during school days but on a daily basis all year.

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Kramer warns of losses incurred by U.S. reinsurance companies

LONDON—Problems of claims severity are worrying the U.S. reinsurance market, Henry T. Kramer, president of the North American Reinsurance Corp. told an insurance seminar on liability risks.

He advised delegates: "It appears that no U.S. reinsurers writing a book of these covers made a profit on liability excess reinsurance last year, or for that matter over the preceding five years.

"There may well be those who will contradict me with facts and even published figures, but I do not concede this. I am satisfied that such business is generally in a deficit position.

"Despite the general upswing in the U.S. insurance results, excess casualty reinsurance is not enjoying good results, but the reverse."

MANY THINGS were happening to the whole system of indemnifying third parties and corporations against legal liability for loss or damage caused to other people and the property, Mr. Kramer suggested.

This was "the hurricane of social reform." He explained it this way: "There is a change in public attitude to the insurance business in our society. It is that insurance is, or ought to be, a conduit for compensation.

"To the extent this is true, insurance against strict legal liability is becoming an outmoded concept. The most familiar example is the surge towards no-fault auto insurance.

"Reinsurers will do well to pay attention to claims severity since this consideration will survive, and indivdual claims are already affected by these changing public attitudes.

"I WOULD guess that there have been perhaps ten cases in the U.S. in the last eighteen months where individual awards exceeded $1 million, and many more just below that level. The frequency of late claims is on the increase, and in the fidelity field, I observe that a number of serious potential claims for the 1963 Salad Oil affair remain to be settled."

To deal with reinsurance problems, professional reinsurance companies are establishing active, meaningful claims departments, Mr. Kramer said at the meeting arranged by the Reinsurance Offices Assn. of London. Dealing with his own company, he explained, "We firmly believe in claims prevention and mitigation as an active role for a reinsurer. We find it absolutely necessary to seize any opportunity for specialized assistance where the nature of a claim distinguishes it from the general run.

"A few years ago it came to our knowledge that it had become possible to keep catastrophically-injured people alive for a much longer life expectancy than before, but that a general hospital normally does little more than keep such an individual alive, confined to bed and living the most useless life imaginable.

"The potential expenses attached to this increased life expectancy presented themselves with considerable force to us, and we decided to see whether something could be done for such people, by using new medical techniques. The results have been dramatic and far in excess of expectations, and we have taken on a number of such cases." ■

May have compulsory auto cover

TORONTO—Compulsory automobile insurance could become a reality in Ontario early next year.

An Ontario government subcommittee on auto insurance reform has recommended that Ontario pass legislation to introduce compulsory third-party liability and no-fault accident benefits car insurance.

The subcommittee, under the guidance of Gordon Grundy, superintendent of insurance for Ontario, said in its report that it "is unanimous in its opinion" that the time has come for Ontario to require compulsory auto insurance.

"It is the feeling of the subcommittee," the report continued, "that motorists should be compelled to carry insurance for protection of innocent third parties."

OTHER subcommittee members who made the recommendation are Walter Atkinson, president of Shaw and Begg Insurance Group; Merlin Donald, chairman of Robert Hampson and Son Ltd.; J.R.A. MacKenzie, chief agent, State Farm Insurance Cos.; Walter Famme, past president of the Ontario Insurance Agents Association, and R. M. Jamieson, manager for Canada, Zurich Insurance Co.

The subcommittee acts as a steering agency for a larger 17-member minister's advisory committee made up of insurance executives, lawyers, academicians and government departments. It operates through the Ontario department of consumer and commercial relations.

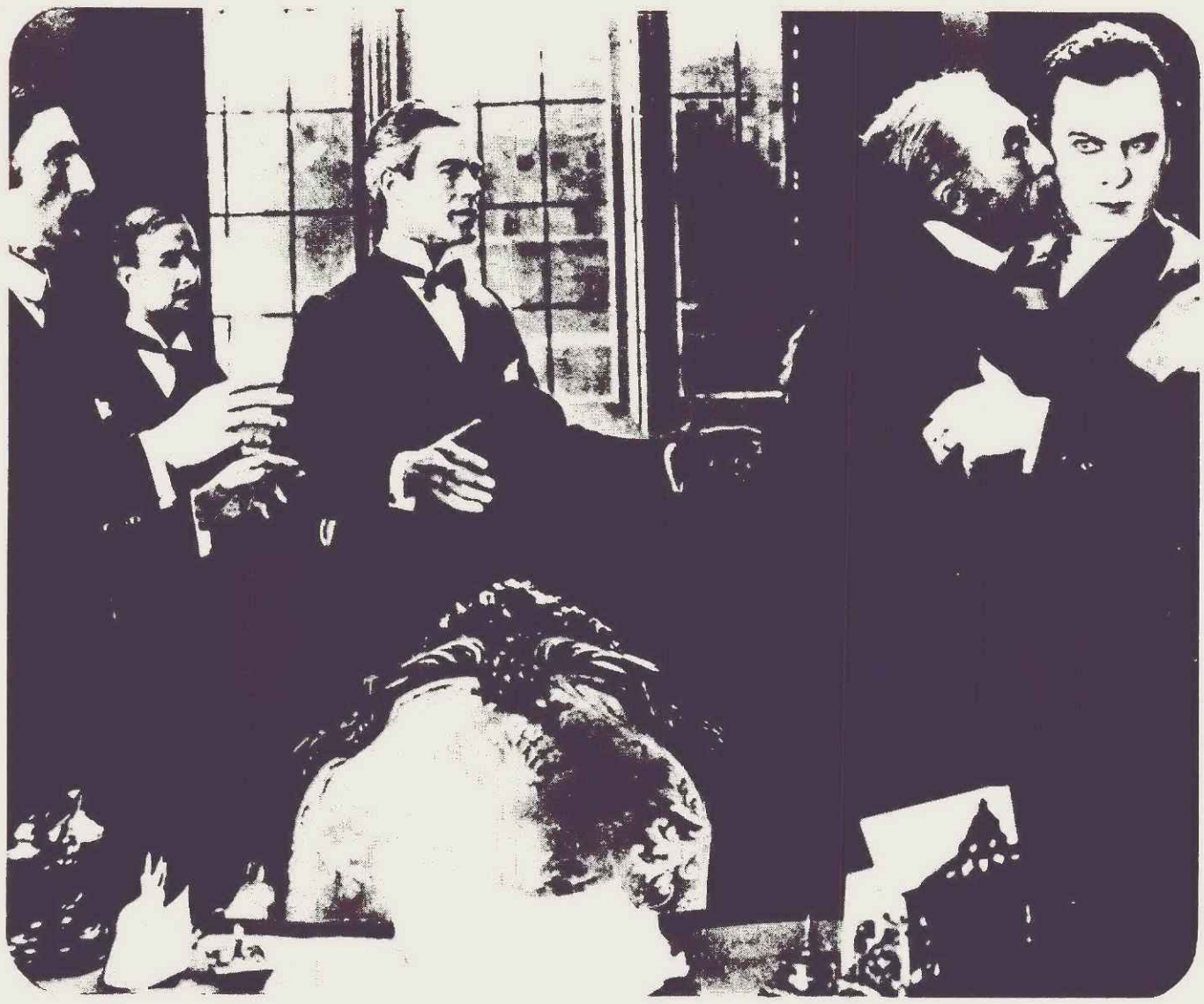
The subcommittee stated that the introduction of compulsory insurance is in keeping with the wishes of the majority of the public as indicated by various polls.

"The introduction of compulsory insurance in itself should not involve any cost consideration, as at the present time well over 95% of motorists are insured in Ontario.

"In introducing compulsory third-party and accident benefits insurance, we strongly urge that no complicated or expensive methods of policing it be used. This should be taken care of through spot checks and sufficiently severe penalties for non-compliance," the report noted. Compulsory insurance is now in effect in British Columbia, Alberta, Nova Scotia, Manitoba and Saskatchewan and there is a growing trend towards such mandatory insurance in the United States. ■

More Agnes claims

At least one British insurance company has been heavily hit by claims from Hurricane Agnes. This is the Royal Insurance group, which disclosed that claims totaling $5.5 million were made on it after the hurricane hit the eastern states. Commercial Union group is believed to be paying out about $3.8 million.



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Giles on law

Consumers denied credit cards cannot collect from credit bureau

By JOHN W. GILES
Attorney at law

WASHINGTON—What is the rule when a credit bureau fails to adopt evaluation procedures for cross checking adverse consumer credit information? Can the consumer who is denied a credit card on the basis of adverse credit information, obtain damages? "No," says the District of Columbia court.

In the spring of 1971, John Miller applied to the Humble Oil Co. for a Humble credit card. Humble, in requesting the Credit Bureau of Washington to conduct investigations of Mr. Miller, instructed the bureau that a "Z" rating be given to any consumer with one or more items of adverse credit information on file within the last seven years.

During the investigation, the credit bureau received erroneous credit information from the Virginia National Bank, involving an individual of the same or similar name as that of the plaintiff.

There was also information concerning an alleged delinquent account with a hospital. On the basis of this information, one erroneous item and one incomplete item, the defendant gave the plaintiff a "Z" rating in its report to Humble, and Humble declined to issue the credit card. The plaintiff was then asked by the defendant to complete a form entitled "Request for in person disclosure." The plaintiff refused to complete the form on the ground that such request was not authorized by the "Fair Credit Reporting Act." The defendant refused to produce the plaintiff's credit file, and the plaintiff brought this suit.

While the court here held that the defendant did not fully comply with "Fair Credit Reporting Act," the act provides for the recovery of actual damages by the aggrieved consumer in the event of a negligent non-compliance by a credit reporting agency. In this case, the plaintiff had suffered no actual damage. However, the court did say that the failure of the credit bureau in the future to institute a reasonable cross checking procedure will be considered wilful. (D.C. Sup. Ct. *Miller* v. *Credit Bureau of Washington D.C.* June 22, 1972.)

* * *

DOES THE FATHER of a deceased seaman who is neither the personal or legal representative of the son, have any standing to bring suit for wrongful death, under general maritime law? The court said, "No."

It is well established that under both the Death on the High Seas Act and the Jones Act, none but the personal representative of a decedent may bring suit. And under the Longshoremans and Harbor Worker's Compensation Act, it is the "legal representative of a decedent" who must bring the suit.

Clearly the plaintiff, who is admittedly neither the personal representative nor the legal representative of the decedent here, has no standing to sue under by virtue of these three statutes. Consequently, when other federal laws are looked to for guidance and where uniformity is sought, it must be concluded that in order for the plaintiff to sue for Moragne-type damages, he must be a personal representative of the decedent. (U.S. D.C. M. La. *Futch* v. *Midland Enterprises Inc.* June 22, 1972).

IF YOU ARE a retailer, selling children's nightgowns, you may be liable for the death of a child if the nightgown is flammable.

The plaintiffs here alleged that the retailer was negligent when he sold a garment that he knew or should have known was dangerous, without a proper warning that it might be flammable. The retailer denied that he knew of the nightgown's dangerous nature.

The court said that whether the retailer knew or should have known of the article's flammable nature was a question for the jury. The court indicated, in allowing recovery, that the state courts have accepted negligence as a basis of recovery against the vendor in a case of this type. Thus in Louisiana, upon proper proof, a vendor may be held liable for injuries caused by a defective product, if he knew or should have known of the defect at the time of the sale. (CA 5. *Ross* v. *John's Bargain Stores Corp.* July 7, 1972.)

* * *

IF YOU ARE trying out for a job and are injured, are you entitled to workmen's compensation? Here the applicant for a job as city refuse crew worker fell from a raised, horizontal telephone pole and severely fractured his right foot. The agility test the applicant had to pass, including an obstacle course, was supervised by two city employes, apparently physical education instructors.

As the claimant ran across the raised telephone pole, three feet off the ground, he slipped and fell, causing the injury and subsequent medical expenses amounting to $800.

The supreme court of California, in holding that compensation should be granted, agreed with the New York case of *Smith* v. *Venezian Lamp Co.* 168 N.Y.

Continued on page 56

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Wisconsin rule requires value comparison index

MADISON, WI.—Life insurance companies doing business in Wisconsin must give their customers an index of the policy's surrender value under a rule which has been approved by Stanley C. Du Rose, state insurance commissioner.

The rule, which will go into effect Jan. 1, is the first of its kind to be adopted by a state, Mr. Du Rose said.

Companies will be required to calculate a surrender value comparison index for most forms of life insurance policies. Excluded will be term and group policies with less than $5,000 face value and some other forms of life insurance.

THE INDEX will take into account the cost of the policy's premiums, the cash value at the end of 10 or 20 years, the amount of dividends received and other factors.

A formula for such an index has been developed by the insurance industry and some companies voluntarily use it. But up to now, none have been required to disclose the index.

The rule is not as broad as one which Mr. Du Rose proposed about a year ago. He originally described it as an insurance price index rather than a cash surrender value comparison index. He became convinced at hearings at which industry representatives presented criticisms, that the formula reflected comparative worth of surrender values, not the worth of the policy itself if held to termination.

The index, plus comparative premium costs, should give policyholders an accurate gauge of the true value of their policies, Mr. Du Rose said.

Work will continue on development of an index to register true comparative insurance values, Mr. Du Rose added. He recently was named chairman of a National Assn. of Insurance Commissioners task force to study insurance cost comparisons.

Travelers signs pact with Japanese insurer

HARTFORD—The Travelers Corp. has signed an agreement with Nippon Life Insurance Co. of Japan to provide additional group insurance facilities for Travelers' U.S. corporate clients that have operating companies in Japan.

Nippon, which writes the largest volume of life insurance in force in the free world and has over $4 billion in assets, will henceforth service Travelers' group insurance clients in Japan. "There will now be someone on the spot available to these clients," a Travelers official told *Business Insurance*. "In addition," he noted, "Nippon will also reinsure a portion of the liabilities involved."

For the moment, however, the agreement will not be reciprocal. That is, Travelers will not be servicing or reinsuring Nippon clients who may have group insurance for Japanese firms that have facilities in the U.S.

The agreement with Nippon is similar to those already made with Riunione Adriatica di Sicurta of Italy, Guardian Royal Exchange Assurance Group of Britain and the Nationale-Nederlanden of the Netherlands.

The Travelers official noted that these arrangements further extend the company's capabilities on the international employe benefit scene.

Britain to give awards for loss control plans

LONDON—The British safety council proposes to award special citations to firms who show good results from total loss control programs. Fourteen areas of safety activity and performance have been allocated for participants in the contest, which will be open to corporate managements throughout the U.K.

James Tye, director general of the British safety council, explained, "Many companies consistently win safety awards, but these new citations will not be judged solely on accident frequency rates. The new scheme will identify effort, rather than results, and will benefit companies who demonstrate that their safety organisation takes into account the many areas of activity outlined in total loss control programs."

Aetna sells second variable life policy

HARTFORD—Aetna Life & Casualty's new subsidiary, Aetna Variable Annuity Life Insurance Co., has made its second sale of a variable life insurance policy tied to a corporate pension plan.

Earlier, Aetna announced the sale of the first such policy in the nation to the Arkansas Neurological Clinic Ltd. (*Business Insurance*, Aug. 14).

Last month's plan was purchased by Smilex Services Inc., an East Hartford type-setting firm, which is using the policy as part of a qualified corporate pen-

Continued on page 26

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Continued from page 25

sion plan for its employes.

Variable life insurance tied to corporate pension plans is one of the newer developments on the pension scene. The policy's distinguishing characteristic is that its cash value and death benefit will vary with the investment performance of a separate portfolio of equity securities in which premiums are invested.

Employes, moreover, are guaranteed that the death benefit may never be less than the initial face value of their policies, regardless of investment performance.

At the moment, variable life may only be sold as part of qualified corporate pension and profit-sharing plans, based on certain exemptions in the federal securities laws passed by Congress in 1970. Sales of variable life on any other basis is still awaiting a Securities and Exchange Commission decision on how the product should be regulated.

The question now being weighed by the SEC is whether or not varial life contracts should be treated as securities under federal securities laws.

16.7% rate cut in Illinois FAIR plan approved last month

CHICAGO—Changes in Illinois FAIR plan operations have resulted in a 16.7% rate cut, effective Sept. 1.

Almost 100,000 Illinois property owners will save money because of the rate cut, which was approved in August by Illinois' insurance department.

Lloyd Shook, of the FAIR plan's Chicago office, estimated that 10% to 15% of the policyholders' properties are one- and two-family dwellings, 25% apartment buildings, with the remainder being businesses.

Changes initiated last December in FAIR plan operations resulted in a lowering of overhead expenses and the subsequent request for a rate cut, explained Clarence R. Rauter, chairman of the Illinois FAIR plan governing board and assistant vp of Kemper Insurance Group.

"For example," he cited, "we lowered our overhead expense from 32¢ of every premium dollar to 23¢." Based on the plan's volume of premiums, "we saved policyholders roughly $1 million in expenses alone," he added.

Mr. Rauter explained that before the change in operations, the plan used 76.3¢ of every premium dollar to cover claims. This has since been cut to 57.6¢, he said.

"This dramatic reduction in loss costs can be attributed to the centralization of our entire system," and a thorough inspection system, asserted Mr. Rauter.

Mr. Rauter explained that onsite knowledge gives the plan three avenues: "First, we can insure the property; second, we can inform the applicant that we will insure the property if he improves it to accepted standards; third, we can refuse to insure it."

The Illinois FAIR plan has requested, in 4,743 cases that the owner improve his property and in 285 cases, has refused to insure the property.

Ford, UAW begin educational war against drug abuse

DETROIT—In a step to cope with drug abuse problems among workers on more than a punitive basis, UAW and the Ford Motor Co. have launched a joint program aimed at eradicating drug use through information services, referral and treatment resources and apprehension of narcotics dealers.

Union-company efforts to help workers afflicted with alcoholism are also included in the program, according to Ken Bannon, UAW's vice president and director of the union's Ford department.

The program will be significant in helping to keep the job security of individual workers. Rather than losing their jobs because of drug or alcohol related problems, those workers who voluntarily seek treatment will have a chance to achieve successful rehabilitation.

They will be helped by the company's medical personnel who are being kept informed on new developments in the field in order to cope with any employe problem which might arise.

"Ford is to be highly commended for a more enlightened approach to this problem," Mr. Bannon said. The company is believed to be the first in the giant auto industry to use such a comprehensive program as an employe benefit for workers with drug and alcohol problems. ■

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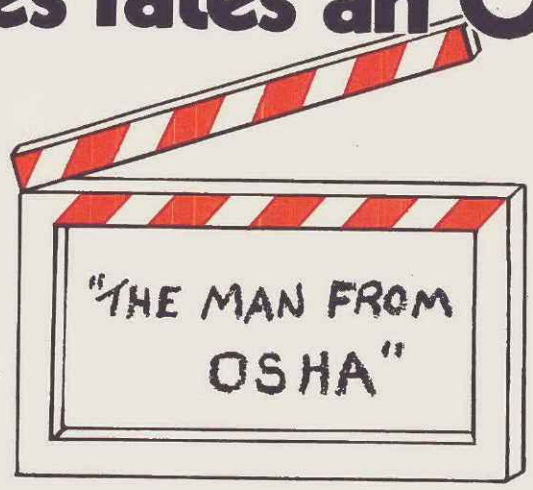

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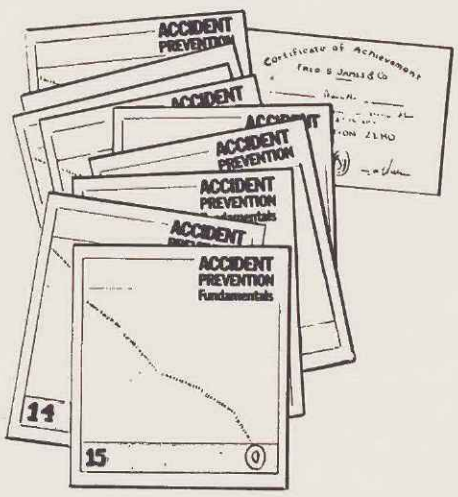

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Charges lag on federal flood limit

HARRISBURG, PA.—Pennsylvania insurance commissioner Herbert S. Denenberg has charged that the federal government could almost immediately double the amount of flood coverage available to residents and businesses in the state but that it hasn't yet done so.

Noting that "a simple administrative ruling by the federal government would enable the maximum limits on available coverage to be doubled in most communities eligible for the flood insurance program," Mr. Denenberg charged that while the government is talking about legislation, it is "only a stall tactic.

"Legislation can take years and it is not even necessary to do the job," he said.

INITIAL LIMITS on federal flood coverage are automatically doubled, the insurance regulator explained, after an actuarial and engineering survey of the community is completed and accepted by the federal government. Only four of the 95 Pennsylvania communities eligible for the flood insurance program have received the doubled coverage, with the limit for the other 91 communities being $17,500 on a home, $30,000 on a business and $5,000 on contents.

"Our lawyers," said Mr. Denenberg, "have reviewed the law, and it is clear that the federal government can decide what kind of actuarial and engineering study is required. Under the circumstances, the federal government could provide a simplified and immediate standard and still comply with the law. By a reasonable interpretation of the law, the amount of flood coverage could be doubled in short order," he added. ■

Switch to private firm

The School District No. 1 Board of Education in Tucson has voted to switch its workmen's compensation insurance from the state compensation fund to a private firm. The board voted for the switch July 25, after being advised it could save $30,000 in premium payments on the private firm's plan. The premium is estimated at $257,000.

ABA confab learns problems of product and professional liability

SAN FRANCISCO—The pitfalls of at least a few of the many forms of liability—in this case, professional for attorneys and accountants and product—were discussed by a panel of lawyers at the annual meeting of the American Bar Assn. here.

Speaking to a gathering of the section of insurance, negligence and compensation law, William Gough of Rochester, N.Y., said he had found that current philosophy was changing from where the lawyer represents only his client to where the attorney is responsible for other persons who are touched by what he does.

Looking to the third party area, he pointed out that an attorney may be liable to a second, or "quasi"-client, who does not pay him for services rendered but who may be held by law to have a client relationship with him.

"FURTHERMORE, the two-client concept also exists where insurance provides a defense in an action brought for money damages. The attorney represents the insurance company and also represents the insured," Mr. Gough said.

He noted that the problem became most acute during negotiations when "the needs of both clients must be attended to by the attorney." In order to protect the insured, the attorney must "keep him fully informed on settlement negotiations" and, at the same time, the insurance company must be protected or "the carrier may be liable for the attorney's failures."

Other problems crop up in multiple client situations which, he asserted, "exist whenever an attorney gives a letter of opinion or certifies a particular action or document," usually near the end of a case.

As an example, he said that many law firms were involved in mergers and public stock offerings which have ended in "streams of lawsuits." He advised the lawyers of "lean over backwards to insure compliance with all the applicable rules and statutes."

JOSEPH BERGADANO of New York City told his audience that accounting, along with law and medicine, is now "in the forefront of professional liability litigation." He then indicated that the growing problem areas were "liability to the client-employer, common law liability to third parties and statutory liability, specifically under the SEC laws."

He said that while accountants used to be liable only for their specific duties, today they are expected to be bloodhounds and "sniff out and expose all wrongdoing" on the part of client-employes.

"One of the most disturbing areas of professional liability to accountants is that of liability to third parties with whom the accountants have no privity," Mr. Bergadano stressed. He added that accountants today are held liable to third parties "on the basis of simple negligence based upon 'foreseeability' and with liability for "consequential damages.' "

Warning the lawyers that liability will probably be extended even further in the future, Mr. Bergadano noted that accountants were open to a variety of liability actions because they are central figures in the administration of SEC laws. He quoted an SEC statement in a case which found the accountant responsible "not only to the client who pays his fee, but also to investors, creditors and others who may rely on the financial statement which he certified."

Another of the panelists, William Hicks, discussed what he called "the modern approach to strict liability" which, in his opinion, extended "breach of implied warranty of merchantability to persons far beyond the scope of privity."

HE SAID that the concept of a defective product had been broadened over the years to include design defects, like "the failure to design certain safety features" into a product. Courts, he noted, have rejected the idea that the purchaser customarily installs safety devices while it is impractical for the manufacturer to do it.

There has been disagreement in the courts on how far to carry this rule when it came to crashworthy automobiles, according to Mr. Hicks, a Miami-based attorney. While some courts have hesitated to require the manufacturer to design a crashworthy vehicle for public policy reasons, others have held that "a manufacturer should not be liable for injuries sustained in a collision when the accident was caused by a defect in the automobile."

Strict liability, however, has been imposed when the accident was a result of a defect.

If danger is predictable, he warned, it is considered the seller's duty to give warnings or directions on how the product should be used. He said that this duty "may be discharged where the purchaser and supervising personnel have been warned and are aware of the dangers."

HE POINTED out that, in some jurisdictions, an unfit product has been found defective without isolating any specific, physical flaws. This, he said, was "nothing more than an implied warranty of merchantability without any contractual basis." ■

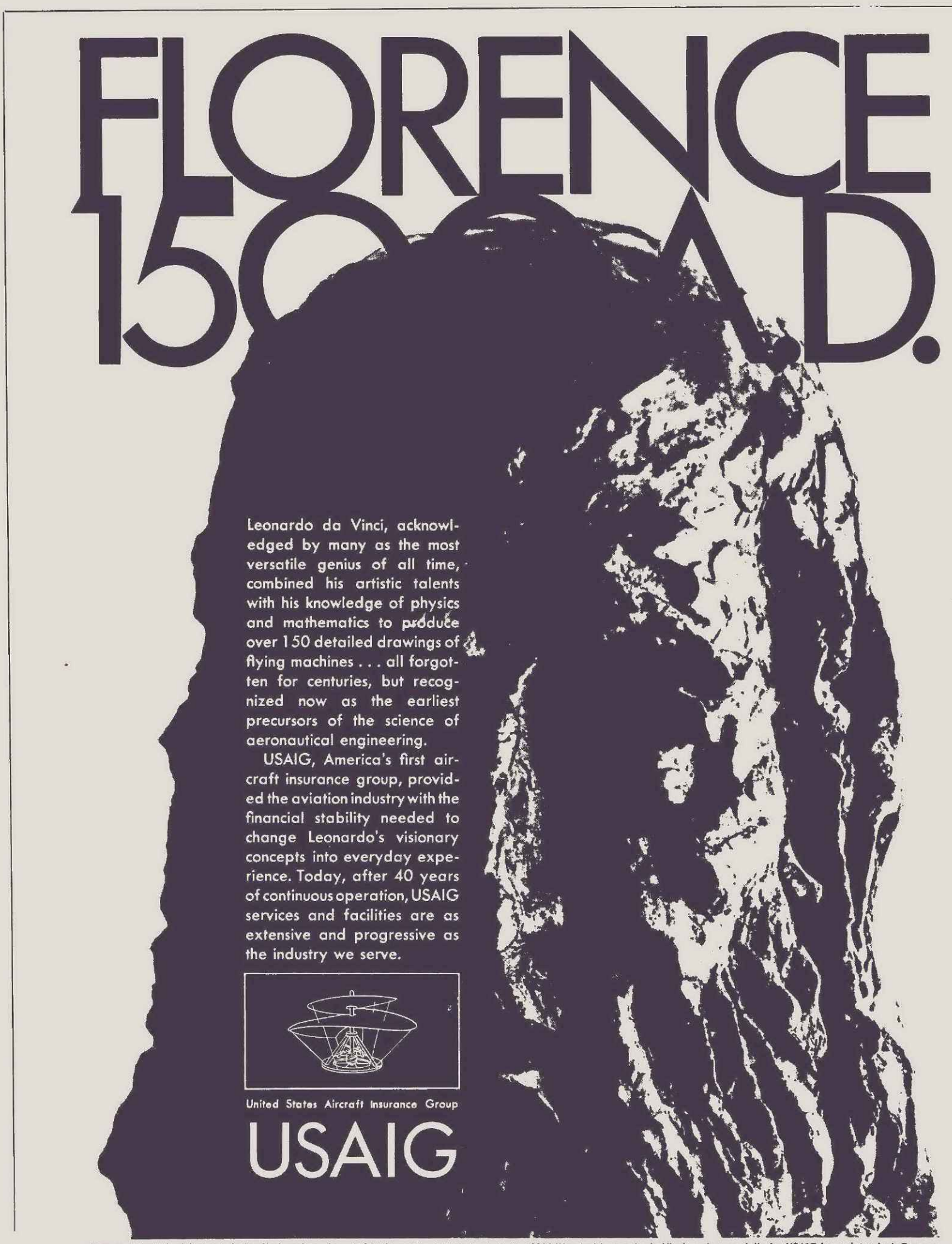
'Phony' theft guards jailed

LONDON—Four security guards have been sent to jail for robbing the Rank-Xerox plant at Welwyn of $200,000 worth of selenium. But one of them pleaded he only committed the crime to prove how easy it was to break into the premises.

Albert Anthony, security chief, admitted that he had taken a safe holding $12,000 out of the building before joining with colleagues in the armed raid.

Graham Boal, defense advocate, said: "He decided to rob his own firm because he was dissatisfied with security arrangements, so as to show how easy it was to get at the strongroom."

And in another British court case, Mrs. Elsie York, 65, went thieving at the F. W. Woolworth department store in Bexhill because she held some of its corporate equity stock and wanted to expose a security weakness. She was ordered to pay a $25 fine. ■



Supreme Court widows' pensions are upped; new contributory plan begun

WASHINGTON—The pensions of six widows of Supreme Court justices have been increased from $5,000 to $10,000 a year as a result of legislation signed by President Nixon late last month. In addition, the legislation has also established a new contributory widows pension plan for Supreme Court justices.

Until now, widows of justices have not been covered by a formal pension arrangement, but instead received an annual $5,000 stipend.

The legislation swiftly made its way through Congress with bipartisan support after the disclosure a few months ago that Mrs. Felix Frankfurter might soon be forced to become a charity patient in a nursing home because her $5,000 pension did not cover compete costs.

THE $5,000 amount being received by Mrs. Frankfurter was established in 1937 when Congress voted a pension for presidents' widows. The widows of Supreme Court justices were not brought under the act until 1954, however. The pension for widows of presidents has since been increased to $20,000 annually.

In addition to Mrs. Frankfurter, five other widows are now eligible for the $10,000 sum. These women will automatically receive the additional $5,000 annually but will not be eligible under the newly-established pension plan also created by the legislation.

A spokesman at the U.S. courts administrative office told *Business Insurance* that the new contributory system gives future widows of justices up to $22,500 yearly. The plan's benefits are based on the justice's salary for his last three years in office and his years of service. Justices must, however, contribute 3% of their annual salary to be eligible.

The chief justice is paid $62,500 a year while associates earn $60,000 annually. The new plan is similar to one now available to judges of lower courts.

Present members of the nation's high court, as well as the three living former justices, will have six months to decide whether to join the contributory pension plan or merely let their wives become eligible for the flat $10,000 payment annually. Presumably, a retired justice who would exercise his option to join the plan would have to contribute a flat 3% of his last three years' salary to be eligible.

JUSTICES themselves are now eligible for full pay pensions upon retirement if they are 65 years of age with 15 years of service, or at age 70 with 10 years on the bench. That plan is noncontributory and unfunded by the government. Justices are also eligible for a disability pension of half their salary if they have served on the court for more than 10 years.

The widows who are now eligible to receive the $10,000 amount under the new legislation are Mrs. Hugo L. Black, 64; Mrs. Frankfurter, 81; Mrs. Robert H. Jackson, 81; Mrs. Sherman Minton, 69; Mrs. Wiley B. Rutledge, 82; and Mrs. Fred M. Vinson, 74. ■

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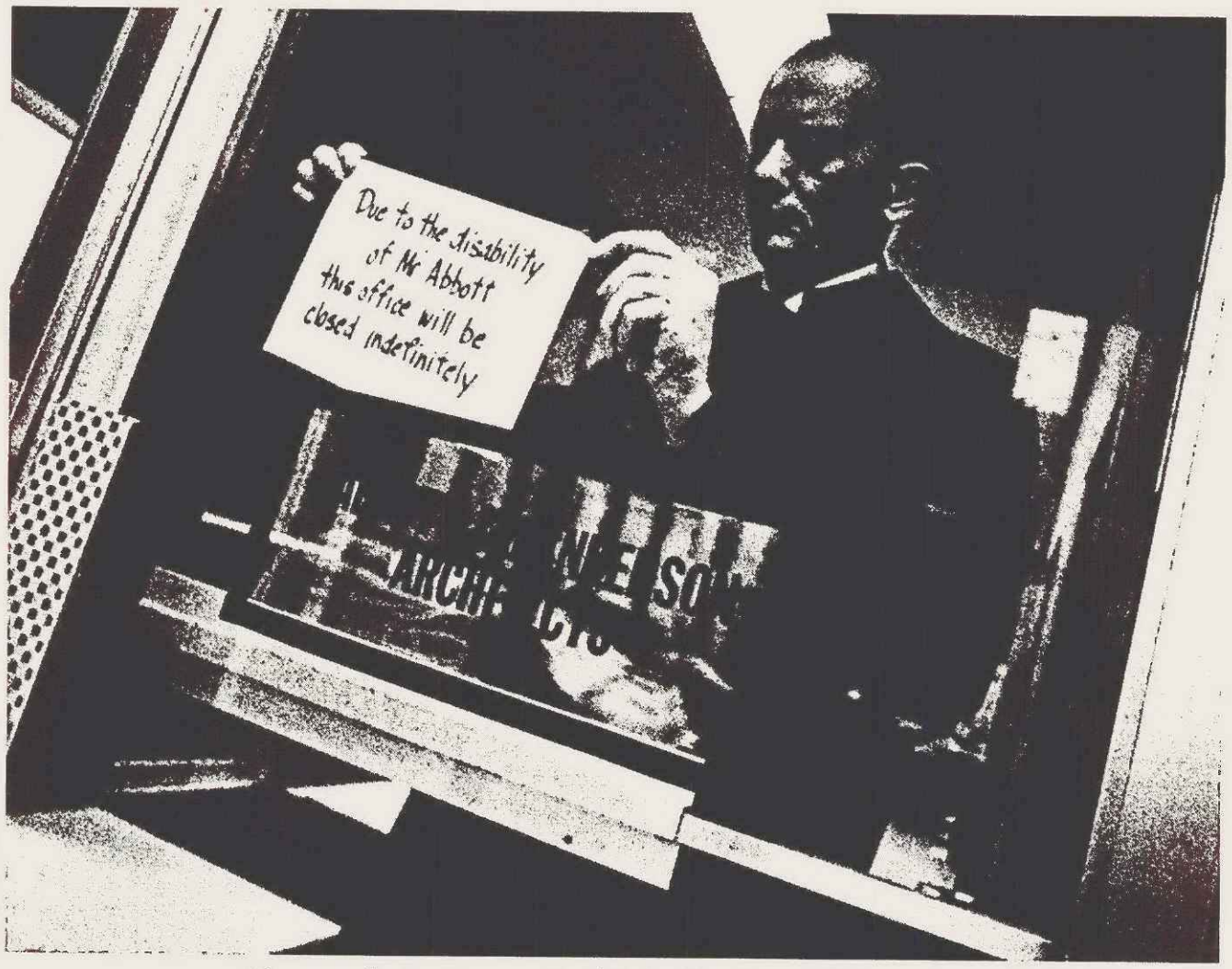

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ABA studies profitability of insurers

SAN FRANCISCO—"One must remember that availability of insurance goes hand in hand with the determination of a reasonable rate of return," Richards D. Barger, California insurance commissioner, told a group of lawyers here. "One cannot exist without the other."

With that statement, Mr. Barger informed the American Bar Assn.'s section on insurance, negligence and compensation law, at the ABA's annual meeting, that the rate of return set for property-liability insurers should consider the effect it will have on the availability of coverage in a particular state.

"The amount of profit that insurers are entitled to earn should be decided by each insurance commissioner within the regulatory and economic climate of the state," he explained. "The climate must, by necessity, include the effect of the rate upon the availability of insurance (in the so-called personal lines) in that state."

HE POINTED out that states with open competition rating laws had once considered insurer profitability as something they did not have to bother with but the times were changing. "Some commissioners have been mandated by their legislatures to monitor property-liability, insurer profitability as part of their open competition rating laws," he said.

Mr. Barger felt that the National Assn. of Insurance Commissioners profitability report had "at least in part fulfilled its purpose, that of providing a uniform measure of property-liability insurer profitability."

NOTING THAT the report expects that each company will be provided with its own profitability statistics and that the publicaton of these individual profitability figures will proved a yardstick aiainst which the company and the investor can measure any particular company's performance.

He stressed that both insurers and investors would now have knowledge that had never been available before. Mr. Barger added, "Whether or not the NAIC profitability study will fulfill the purpose of providing needed investment information must rest upon the test of time." ■

Brazil eyeing pensions

The Brazilian government is studying the possibility of instituting pension funds, the main goal being to attract capital to shore up the ailing stock markets of Rio de Janeiro and Sao Paulo. However, insurance companies here are worried that the pension funds, depending on how they are regulated, could hurt the life insurance sector. Said one insurance specialist in Sao Paulo, "The pension funds, in the last analysis, will transform employers into veritable insurers." He also said this would "weaken the domestic insurance sector exactly when the government is trying to strengthen it."

Liability guides for bank directors formed from FDIC rules, others

SAN FRANCISCO—Regulations of agencies such as the Federal Deposit Insurance Corp. and a number of other laws have been put together to form liability guidelines for bank directors, an attorney told the American Bar Assn. annual meeting here.

Gerald T. Dunne, vp of the federal reserve bank of St. Louis, told the section on insurance, negligence and compensation law that "this is a deadly serious business" and that the laws dealt with the selection, qualification and tenure of bank directors.

"If disinterest, diligence and prudence are to be the rule," Mr. Dunne said, "should there be the opposite, if instead of diligence, there is sloth; instead of disinterest, self-service; instead of prudence, recklessness; then we have the legal consequence of unfulfilled responsibility—legal liability."

HE SAID that standards for bank directors could always stay "fuzzy rather than sharply delineated" but that "is a character and a consequence which grows out of the very necessities of that great game in which law is always chasing ingenuity and never quite catching up, in most cases. But there are other cases in which it does stay abreast of the quarry by refusing, in the words of then Chairman Cohen of the Security and Exchange Commission, to establish 'standards for sharpshooters to evade.' "

He felt that the content of the standards, no matter how vague they might appear, would continue moving forward for two reasons.

The first reason was public opinion, which, he said, was having an impact on the relationships and norms of the marketplace. The second reason was federal agencies and state supervision, notably by the FDIC.

He credited the FDIC with moving the country "past the day when the sins of a bank director were largely visited upon the heads of his customers and his community," adding that the "process of retribution for those sins, certainly as to civil liability, has also changed. No longer is it dependent, as it once was, upon the varying and random reactions of the local victims of director dereliction.

"NOW," he continued, "appraisal and reaction to such dereliction, particularly when insolvency has intervened, is in the hands of an organization possessed of resources, motivation and sophistication on a scale far outranging that ever possessed by the local victims, and applied in terms of a national and uniform policy."

He went on to explain that part of that uniform policy "is the obvious obligation of the FDIC to insure that the fund which has been gathered from a nationwide array of contributors is not used as a subsidy for improvidence, recklessness or negligence. And the obvious becomes even more obvious in the sequence of suits filed by the FDIC against directors of banks that have failed."

Continuing his praise, Mr. Dunne observed that beneath the tip of the iceberg "lies the vast but largely unobserved structure of administrative law. Here, perhaps, is the real incubator of an essentially uniform, national and homogenous law. This would certainly seem the thrust of the standards to be applied in the exercise of the cease-and-desist provisions in the Financial Institutions Supervisory Act of 1966 and in determining what constitutes the unsafe and unsound practices against which such sanctions are directed. But it would also seem to extend in range and thrust throughout the entire examination and supervisory process." ■

State studies farm rates

SALEM—Oregon Gov. Tom McCall has named an 11-member committee to study industrial accident insurance rates charged to Oregon farmers for coverage of their employes.

The state board of agriculture and the legislative interim committee on natural resources both urged the governor to initiate the study. The board said the rates and the basis for the rate structure should be examined because the costs appear to be much higher than in neighboring states.

Gov. McCall said the study is not an investigation of the state accident insurance fund or any private insurers who write workmen's compensation policies. The rates are established by the northwest compensation rating bureau, he noted.

The governor said he has been advised that one problem in the present rates is that most farmers were buying accident insurance last year for the first time and had not established experience ratings.

Lester Rawls, state insurance commissioner, was appointed chairman of the task force. He has asked the group to recommend whether changes in the state law should be proposed to the next legislature. ■

Flood victim jobless cash requested

HARRISBURG, PA.—The Pennsylvania legislature has asked Congress for reimbursement for flood-related unemployment compensation payments, which it estimated at $25 million.

The resolution passed by the lawmakers warned of a sharp increase in payroll taxes unless federal funds are granted. It pointed out that under existing federal statutes, the U. S. disaster assistance program only pays benefits to individuals who are ineligible for state unemployment compensation benefits or who have exhausted their eligibility.

The impact of the flooding last June on the state's payments was emphasized in the resolution to Congress:

"All state compensation payments must be charged to the reserve accounts of the respective Pennsylvania employers, thereby increasing their payroll taxes for the next three years—the employers so charged for the increased payments being, for the most part, the same employers who have suffered severe losses to their own property, equipment and inventories." ■

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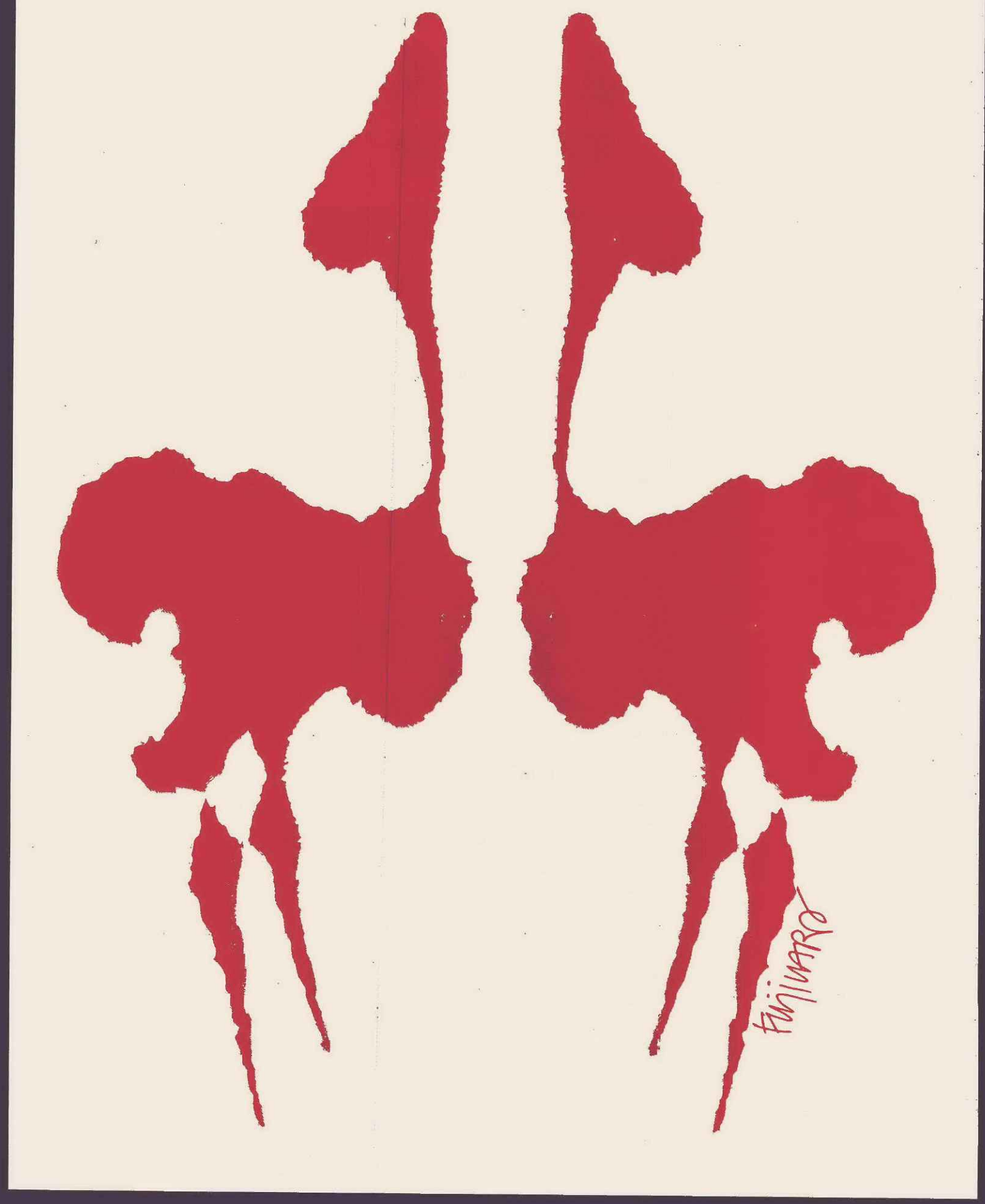
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Trial lawyer accuses industry and government of product safety laxity

NEWARK, N.J.—The general director of the American Trial Lawyers Assn. started the Newark College of Engineering's product liability prevention conference late last month by attacking both the government and industry for their stances on product safety, or the lack of it.

Referring to "governmental lethargy and industry's defiant reluctance" in the product safety area, William Schwartz maintained that product safety technology is rarely brought into play until the unsafe product results in a suit or the growing legions of consumerists became highly vocal about it.

To illustrate his point, he picked the textile industry as a prime example of a group of businesses with safety problems.

Mr. Schwartz said that not only were the standards of the Flammable Fabrics Act, which became law in 1955, minimal, there were virtually no methods prescribed for enforcing even those standards. This he said resulted in a growing number of injuries and deaths due to clothing which burned easily.

Then, in mid-1971, the commerce department announced regulations pertaining to flame retardants which covered children's sleepwear up to and including size six. These regulations were to take effect next year.

"The inherent illogic and cruelty of such limited protection is manifest. Administrative bungling recently prompted the U.S. Senate to act favorably on a special bill to increase this protection to children up to age 14," Mr. Schwartz commented, "yet flammable retardant technology has been known to industry for the past 20 years. Why not apply this technology to all garments and bedding irrespective of age?"

In answering his own question, he noted that industry felt that consumers would not pay the added price which would be required if a product was substantially improved. But, he insisted that the prevention of injury was much more important than whether the price increased because of safety changes.

CONTENDING that industry had done little in the past to research and develop safer items, Mr. Schwartz said, "Industry has appointed executives for almost every fact of their enterprise yet rarely is a qualified executive delegated the sole responsibility of insuring and improving product safety design.

"WHEN THE risk and probability of harm are real," he continued, "the only acceptable alternative is to bear the burden and to pay for the prevention."

Along these lines, he highlighted the engineer's role in preventing the accidents that lead to product liability litigation. He said that since many product-related accidents were caused by malfunctions or inadequacies in product design, standards or manufacture, engineers were the keys to good quality control.

"The engineer's responsibility to implement his safety recommendations often exposes him to virtually limitless examination, rationalization and even management harassment" he warned, adding that when engineers adapted to existing management practices, safety was often upstaged by economy. ■

Shirtwaist factory ravaged

Fire Protection Found Wanting.

Origins of the fire which destroyed the Felicity Shirtwaist factory in East Pinafore, R. I., are cloaked in obscurity. Speculation at the time centered around a malfunction in the electrical system of a new high speed hemstitching machine. Thomas Farthingale, factory superintendent, reported that attempts to control the blaze were severely hampered when the concern's fire extinguishing equipment could not be located. Had the 12 high capacity water buckets, the heavy duty garden hose and the soda acid fire extinguisher been available, the outcome might have been more felicitous.

Could Ansul Have Prevented the Disaster?

Had Ansul been invited to conduct a hazard analysis of the factory we would, of a certainty, have made several recommendations. A Halon "clean agent" system might have provided excellent protection. It would have detected and quickly extinguished a fire without leaving any residue and without damaging the electrical apparatus (sewing machines) and the large inventory of shirtwaist fabric.

Should a Gentleman Offer a Lady a Fire Extinguisher?

Strategic placement of hand portable first aid extinguishers would have been indicated. Ansul's "Sentry" dry chemical units would have been appropriate because of their light weight, which makes them most effective in the hands of female personnel . . . of which there were many. We would also have suggested that Mr. Farthingale and several of his key ladies attend the Ansul Fire School, to learn the most advanced techniques of fire fighting.

Effective fire protection for any factory means more than good fire extinguishing equipment. It means professional hazard analysis, training and the proper servicing of the equipment. That's what Ansul offers . . . a total fire protection package.

THE ANSUL SYSTEM

A&A grows; five brokers are acquired

NEW YORK—The operations of five additional brokerage houses have been merged with the network of Alexander & Alexander Inc., international insurance broker.

The newly merged firms, with combined revenues of about $3 million, joined Alexander & Alexander's U. S. offices in exchange for A&A common stock valued in excess of $6 million.

Three of the new firms specialize in contract bond work: McChesney & Webster, San Jose, Calif.; Cruickshank, Murdoch & Suliburk, Inc., Detroit, Mi; and Winkler & Co., Inc., New Orleans, La. The remaining two, Murphy Insurance Agency, Green Bay, Wi., and Harold Nowlin Co., Fort Worth, Tx., are general insurance agencies.

A total of eight mergers have been made by A&A thus far in 1972, adding nearly $6 million to the estimated gross revenue of the company for the year.

A SPOKESMAN for A&A credits the ongoing expansion program with widening the technical as well as geographical base of the company. For example, he said, A&A has become a factor in the mass merchandising of insurance through the facilities of another recently merged company, Paul Burke & Associates of Minneapolis, Mn.

In the past year, the spokesman noted, A&A has not only strengthened its operating bases in states and cities across the U.S., but has gotten into contract bond work "in a very important way," thanks to the mergers.

Through its mergers, A&A, already one of the nation's three largest brokers, has brought its total number of employes to 2,500. ■

Courses for risk men

The College of Insurance has announced three course offerings, begining in September, of special interest to risk managers. Two graduate-level courses will be offered, "Measurement and Funding of Risk," and "Employee Benefits," plus a third course entitled "OSHA Standards and Applications." All three courses will be taught during evening hours.

New vp of personnel

J. B. Montgomery, Inc., Denver-based trucking firm, has announced promotion of Denton Stevens to vp of personnel and safety. He has been in charge of safety since May 1970.

Miami mayor demands look into possible disability pension abuses

MIAMI, FL.—Miami's mayor has demanded a study of a city disability pension fund for firemen and policemen which he says is being drained by an excessively liberal granting of disabilities.

City finance director Wendall Bailey said the city is contributing more than $2 million a year on disability pensions for public safety officers.

Mayor David Kennedy believes that the future of the fund is endangered because "too many disability pensions are being granted—particularly to police officers—to those who aren't really disabled."

Mayor Kennedy said that many pensions are granted to young officers who immediately turn around and accept equally demanding jobs in other security or law-enforcement positions.

The city already is paying disability pensions to 199 policemen and firemen, according to Mr. Bailey. He estimated that the city will pay more than $40 million in disability payments to the men over their lifetimes, since many of them are young and have long life expectancies.

According to Mayor Kennedy, 11 policemen and seven firemen have been awarded disability pensions so far in 1972.

"But five of the police officers who were retired because they were ruled permanently disabled are now working full time as U.S. marshals," he said. "Others, again supposed to be permanently disabled, are working as investigators for private detective firms, insurance companies and attorneys."

Each disabled officer receives tax free for life two-thirds of his annual salary plus a cash refund of all the contributions he has made to the pension fund during his years of service.

THE CITY ends up paying all of the pensions' cost since the recipients get back their initial contributions and make no further ones after they are disabled.

As the number of recipients increases, a heavy strain is felt by the city's entire pension fund. The city currently has almost $49 million in its pension fund for firemen and policemen.

"The problem is that most of the pensions are granted to police and fire officers because they are ruled unable to perform 'combat work,'" Mr. Kennedy said. "I don't think anyone has ever defined 'combat work' to the medical boards."

A medical board must certify that each recipient is disabled. Members are drawn from a panel of 25 doctors, and the board's composition changes with each case.

MR. KENNEDY argues that officers with desk jobs should not be retired because they are ruled unfit for combat.

About 20 disabled employes are being retired with disability pensions each year. According to assistant police chief Paul Denham, many were men in their 40s or younger and some had held desk jobs.

Mr. Kennedy urged that the city's pension policy should be reviewed carefully by the Miami City Commission and the City Retirement Board. The city's actuary also is studying the pension system to see if it can be improved.

"These continued drains on our funds," Mr. Kennedy said, "cannot continue."

THE MOST common ailments among men receiving disabilities are heart problems, hypertension and back problems.

"Back problems," according to Mr. Denham, "are difficult to check out."

According to Mr. Bailey, city ordinances say that if a policeman or fireman can't perform 100% of his duties he can apply for a disability pension.

"A man could do 90% of his duties but the law says he must do 100%," Mr. Bailey explained.

"We can't put him on another job." ■

State group examines pensions

MADISON, WI.—Many Gisholt Machine Co. employes here were left without a pension when the firm folded in 1971 after three years of operation under a liberalized pension program, a legislative committee was told.

Fred C. Freund, vice president of Giddings & Lewis, Inc., said, "The minute you create a major improvement in benefits, you immediately create a large, unfunded liability."

Giddings & Lewis, a Fond du Lac, Wi., machine tool builder, was the parent company of Gisholt. When the Madison plant was closed, almost half of the nearly 600 employes had been with the firm less than 15 years and thus received no pension benefits, according to Mr. Fruend. He spoke to the legislative council's private retirement plans committee.

Gisholt had negotiated a widening of the plan in 1968 with the United Steelworkers of America, he said. Up to that time, the plan had been fully funded. Pensions were increased from $4 to $6.50 per month for each year of employment and the eligibility list was broadened, he added.

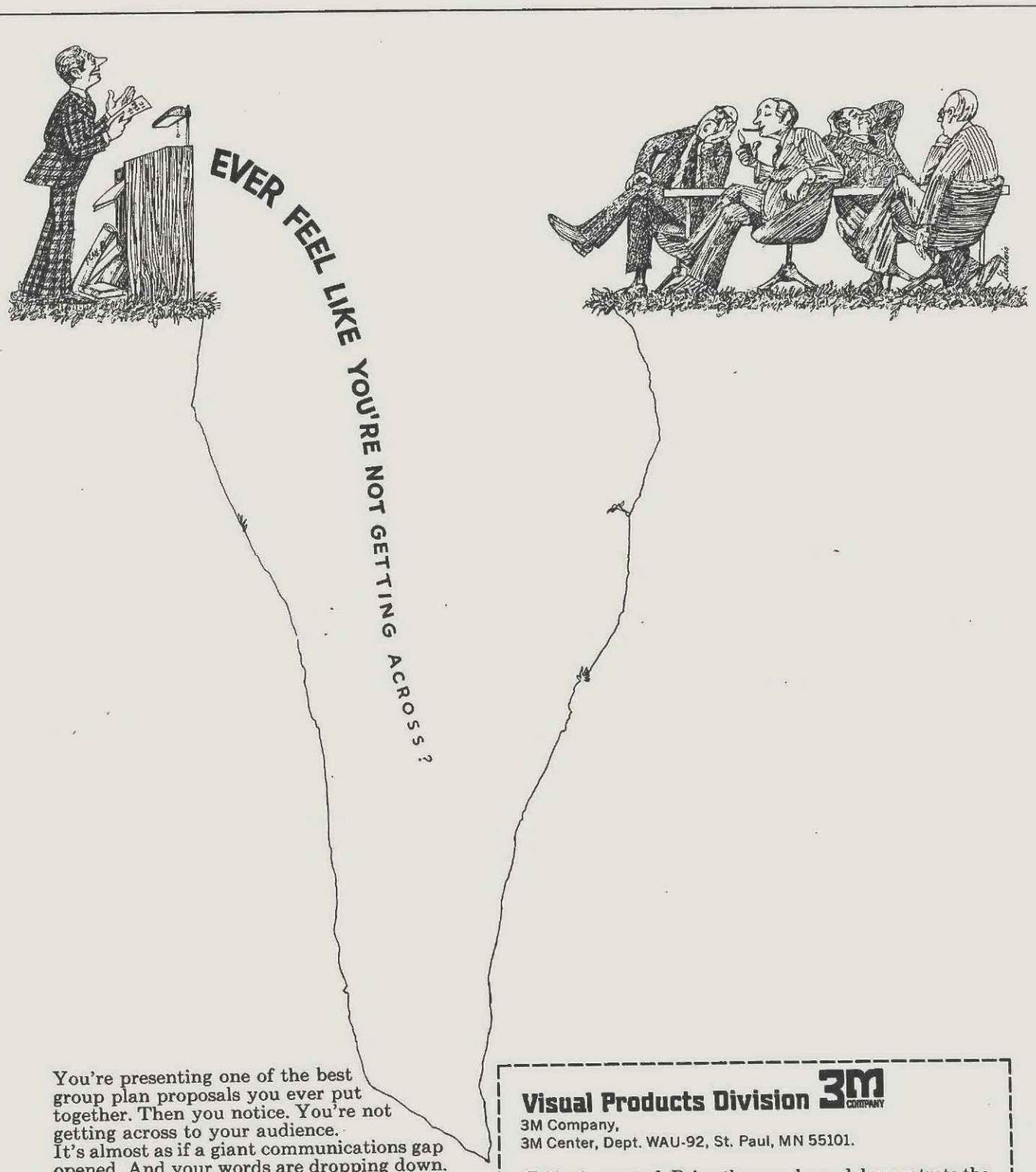
"THERE WAS no intention whatsoever to close the plant," when the plan was expanded, he said. A slump in the machine tool business later forced Giddings & Lewis to close its Gisholt division, Mr. Freund explained.

Priority in the distribution of the pension fund was given to pensioners and their survivors. Second on the list were employes aged 60 or more who had been with the company at least 15 years. Mr. Freund explained that third in line were other employes who had an interest in the pension fund.

HOWEVER, nothing was available for the majority of employes because of the drain on the fund from the increased benefits agreed to in 1968, he said.

"It would have been okay if you had 20 or 30 years to build up the fund, but when you terminate the plan after three years you immediately hit the day of reckoning," he stressed.

The committee is studying private pension plans with the intention of recommending new regulatory laws to the 1973 session of the state legislature. ■



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Women's lib group fires attack at discriminatory health policy clause

SAN FRANCISCO—The women's liberation movement has now taken off after the insurance industry, with an attack by the National Organization of Women on proposed California state insurance guidelines which could exempt from health coverages "organs peculiar to females."

Ollie Marie-Victoire, San Francisco attorney, asked, "Can you imagine the outcry from men if the clause read 'organs peculiar to males'?" "Incredible," asserted Lorraine Lahr, another attorney who wore a button reading "Uppity Women Unite."

The denunciation came during a public hearing in San Francisco by the California insurance commission. At issue was proposed language in regulations governing health and disability insurance.

The proposed language would include "female organs" among exceptions such as ear, suicide, emotional disorder, birth defects and hallucinatory drugs.

"THIS EXCEPTION," Mrs. Marie-Victoire declared, "would discourage a large and significant segment of the population from participating in insurance programs because it would offer them only limited value in policies.

"The proposal," she continued, "contravenes the constitutional directive that all persona are entitled to the equal protection of the law and the phrase 'organs peculiar to women' is vague, indefinite and subject to the interpretative whims and ingenuity of insurance companies."

Under the proposed language, she pointed out, "a man suffering from cancer of the prostate would be covered by insurance but a woman suffering from cancer of the breast would not, inasmuch as that is an 'organ peculiar to females'.

"Females," she said, "have lungs, skin, muscles, bones, which have characteristics which clearly distinguish them from those parts of a man. These characteristics of peculiarities can be easily defined by physicians or insurance companies disposed to decline coverage when a claim for treatment of an insured is made.

"THUS IT IS entirely possible," Mrs. Marie-Victoire told the insurance commission, "that a woman insured's claim for treatment of a urinary ailment could be rejected because it involves an organ which, again, is 'peculiar to a female'."

Mrs. Marie-Victoire said that when she pointed out the wording to F. Joseph O'Regan, chief assistant insurance commissioner, "he was just as astounded as we were."

She added that she and the NOW organization are prepared to go to court if necessary to get certain old sections of California's insurance code removed. These sections, she and Mrs. Lahr argue, "substantially weaken insurance available to women."

California state law requires the periodic up-dating of the insurance code and this was the purpose of the current hearing called to "liberalize the rules and regulations which has not been done since 1950."

Both women were also critical of insurance companies for "charging women more for health and disability insurance" than is charged to men.

Until just recently Mrs. Lahr said she had paid $328 a year for health insurance through the San Francisco Bar Assn.'s group plan, "while men lawyers paid about $300 for the same coverage."

"I complained and got a $28 refund recently," Mrs. Marie-Victoire added. ■

U.K. pension funds raise investments

LONDON—Private self-administered pension funds in the United Kingdom increased their net investments in 1971 by 5.5% over the previous year, *Business Insurance* has learned.

The increase, to $883 million, compared to a raise of 15% in 1969 and only 2% in 1968.

Probably the most prominent feature of 1971's pension investment was the high level of purchasing of British government securities. For example, the pension funds had divested themselves of about $80 million worth of those securities in 1970 but turned around and invested $430 million in them last year. Purchase of long-term securities far outweighed the small divestments of medium-term securities.

For the third year in a row, sales of local authority securities by the funds exceeded their purchases, with 1971 divestments reaching almost $53 million, more than double the amount sold in 1970.

The private pension funds also purchased a great number of ordinary shares—$408 million worth—but were still below the number purchased in 1968, which was considered a peak year. That figure, however, was about $12 million more than 1970's.

Total net investment in company securities in 1971, close to $526 million, was similar to that in the previous year but represented only 59% of total net investment in 1971. The previous year company securities had represented 63% of the total net investment. ■

Jobless bill vetoed again

SACRAMENTO—Gov. Ronald Reagan has vetoed, for the second consecutive year, a legislative proposal to extend unemployment compensation insurance coverage to California's 235,000 farm workers.

"This measure," Reagan said in his veto message, "would work a tremendous economic disadvantage for California growers. Any such program should be established for the nation by Congress and not by the individual states."

The bill, endorsed by farm labor leader Cesar Chavez, had been introduced in the legislature by Jack Fenton, Democratic assemblyman, who accused Gov. Reagan of "turning his back on labor to save a few million dollars for his rich friends engaged in agri-business.

"Unemployed farm workers," Mr. Fenton argued, "go on welfare and thereby increase local property taxes to finance the extra case load." ■

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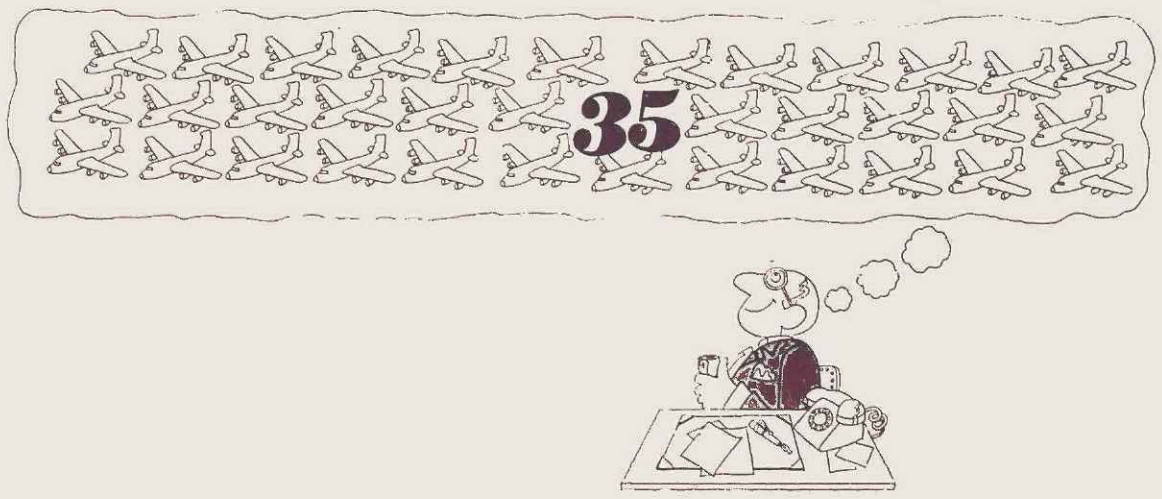

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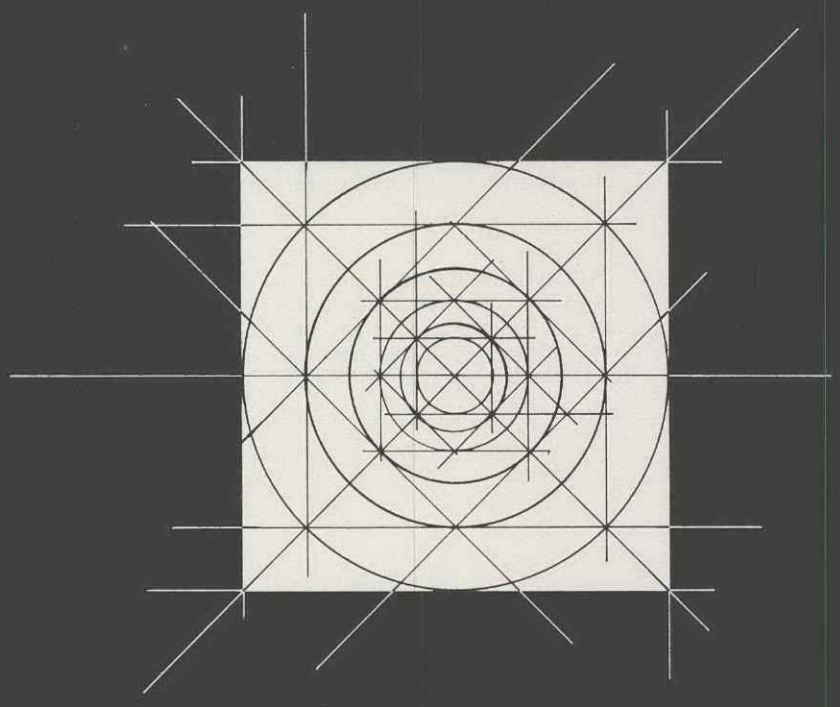

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london line

Lloyd's studies 'catastrophe' fund to cover major aviation accidents

LONDON—Lloyd's is thinking of setting up a "catastrophe fund" within the U.K. market to provide for heavy insurance losses which may inevitably occur from major aviation risks.

David Gilmour, chairman of Lloyd's Aviation Underwriters' Assn, told *Business Insurance*:

"We have had a very good experience so far from Boeing's jumbo-jets. They have an excellent safety record, but this is leading to increased competition in premium rates." He added, "If this gets too keen, and rates fall too much, there is a danger that a large loss of the type that we always fear will happen will have a drastic effect in the market.

"IT COULD cause an unhealthy reaction, and lead to a lack of stability in aviation risks for a time. This 'cyclical loss' problem is always worrying, and a catastrophe fund will help to achieve increased stability."

Such a fund would ease the strain borne by individual sections of the market since a major crash in a populous metropolitan area could lead to a colossal series of claims rising to $150 million or more.

Mr. Gilmour emphasized: "Wide-bodied jets have an excellent safety record. The safety factor is improving all the time in all types of aircraft, and so are the technological aids that give support to this. But airline losses are bound to fluctuate, as do the market's rates."

* * *

HIGHER RATES in the marine insurance market have forced nine U.K. shipping lines to set up a mutual insurance corporate in an effort to cut hull risk premium costs.

Representing more than one million, gross registered tons of shipping, they will begin operations this fall from offices in the northeast England port of Newcastle-on-Tyne.

Iain Harrison, chairman of the newly-formed mutual, said, "It is felt that by putting together a number of fleets of approximately similar size, all with reasonable claims experience, we will be able to arrange our insurances in a more economic manner."

According to insurance sources, the company will have broader underwriting facilities than most protection and indemnity clubs in the London market that insure shipping lines coverages in addition to those available in the traditional marine markets. Coverages Marine Shipping Mutual plans to write include liability for both passengers and crews, oil pollution clean-up costs and repair of collision damage. Its object is to insure every description of marine and transit risks, so that it will be in direct competition with existing rates.

The outcome of the new venture will be watched with interest at Lloyd's. For the growing cost of repairs has brought about a ten to fifteen per cent hike in hull premiums in the last year, and there have been repeated warnings that they must go higher to deal with inflation and other future problems.

U.K. ship owners who have organized the new company, to be known as Marine Shipping Mutual Insurance Co., are Harrisons, Ropner Shipping Co., Manchester Liners Stag Line, Michalines, Larrinaga Steamship Co., Evan Thomas Radcliffe and Co., W.A. Souther, and Common Brothers.

The company will be limited by guarantee without share capital. The original number of members is 200, and is liable up to $120,000 in the event operations cease.

* * *

HULL INSURANCE cover for $12 million for the Greek-owned tanker Texanita, which sank Aug. 21 after a collision off South Africa, is held in the U.K. market through Lloyd's and British insurance companies. The tanker, 100,613 deadweight tons, owned by Interocean Oil Transport Co., hit another tanker in thick fog. The other tanker, Oswego Guardian, owned by Oswego Navigation Co., has hull cover of $9 million placed in both Britain and the U.S., was able to make for Cape Town after the accident. The extent of its damage is unknown. South African pollution experts are checking for possible peril to beaches by leakage from the ships.

* * *

FINANCIAL incentives to provide more firm protection devices in industrial plants have been offered by the British government.

It has told corporate managements they can have tax rebates if they install up-to-date fire defense systems.

The main benefit will go to firms which operate in areas where business expansion is specially encouraged so as to relieve unemployment problems in Britain.

For example, as far as revenue tax is concerned, capital investment in fire defense systems can be wholly assigned to the tax-year immediately involved, instead of being spread over several years. This means that any firm making good profits can get an immediate tax rebate of $1,000 for every $2,500 spent on fire defense.

In areas where unemployment is high, the Government plans to make a direct grant-in-aid at the rate of $200 for every $1,000 expended on fire defense installations. The U.K. insurance market is stressing the value of these grants, as well as possible savings in premiums, to corporate managements throughout the country. ■

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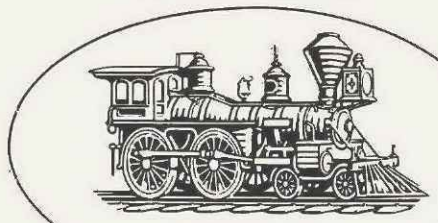

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Product liability implications, ABA told

Military secrecy denies servicemen rights

SAN FRANCISCO—An attorney who specializes in military law told an audience at the American Bar Assn.'s annual meeting here that the secrecy that surrounds a military investigation of an air crash denies servicemen involved in those accidents their legal rights. Those include the right to seek recovery in product liability cases involving government contractors.

Stanley J. Levy of New York informed a session of the section of insurance, negligence and compensation law that when military personnel are killed or injured in plane crashes the armed forces usually deny them or their survivors access to accident investigation accounts.

He dropped a potential product liability bomb in the laps of manufacturers who supply the government with materials by saying the armed services are also lax on advising injured servicemen of their right to sue third parties.

MR. LEVY explained that servicemen could not sue the government but that they were not prohibited from suing a third party, such as the manufacturer if the crash was caused by a design defect or the maintenance firm if the plane had not been serviced properly.

"Even where national security is not involved and no valid reason for refusing disclosure exists, the military services frequently refuse to make available information concerning the accident," he said.

Stating that military aircraft accidents were on the upswing, Mr. Levy noted that the entire F-111 and B-52 fleets had been grounded after a series of accident. "There are hundreds of other stories" he said, "of military planes and helicopters crashing into mountains or just missing populated residential areas or crashing while attempting to pull out of practice strafing or bombing runs."

He said that the National Transportation Safety Board (NTSB) conducts investigations of civilian aircraft accidents in public while accidents involving only military aircraft are investigated secretively by military authorities alone.

"In civilian accidents the NTSB investigation file is generally completed within weeks of the accident and it is publicity available and can be ordered in the normal course.

"THE 'NORMAL course' where a military accident is involved often involves formal requests, appeals and expensive litigation solely to find out if there is a base for going forward," he continued. "Instead of helping their servicemen-employes, the military services obstruct and hinder and seem intent upon denying the serviceman the information that is essential for adequate legal redress.

"The military services have rejected or ignored the experience of the NTSB and its predecessor, the Civil Aeronautics Board, that competent, meaningful aircraft accident investigation can be conducted in the open, without secrecy and with the cooperation of responsible operators and manufacturers.

"The contention that aviation safety requires secrecy is a fallacious argument," he emphasized. "There is no proof or reason to believe that the military's secret investigation is more effective a tool for fostering aviation safety than is the NTSB's public investigation."

Mr. Levy maintained that the injured party, due to the military's refusal to release accident reports and other information, was left with three choices—accepting what the military gives, going to court under the Freedom of Information Act or suing a third party.

AFTER A military accident occurs it is difficult deciding whether to sue and whom to sue because of the lack of information available," he complained.

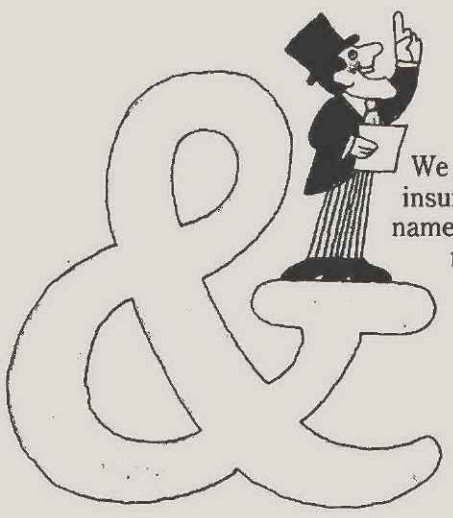
The 1967 Freedom of Information Act provides that a person may sue a federal agency to get information if he can show that all appeal procedures have been exhausted but Mr. Levy said that the process of bringing suit under the act was so arduous that he had heard of no military aircraft accident suits being filed.

He pointed out that the services sometimes released what he called "sanitized" versions of accident reports but that these were of little use. He also mentioned that an appeals provision did exist but that denials were almost automatic.

Indicating that the military's secrecy disregarded the Freedom of Information Act, Mr. Levy observed, "There are thousands of servicemen involved in aircraft accidents and they are entitled to know their rights. They are entitled to receive the full aid of the military they serve." ■

State invests in stocks

The State of Connecticut will invest an additional $96 million in common stocks over the next year, making a total of $186 million of pension funds invested in such issues.



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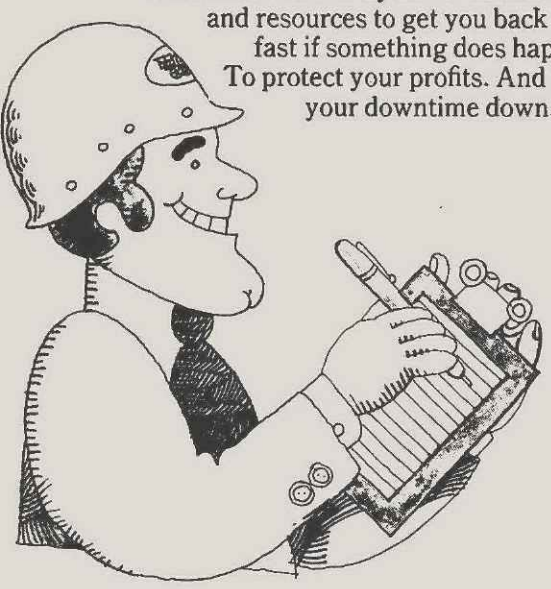

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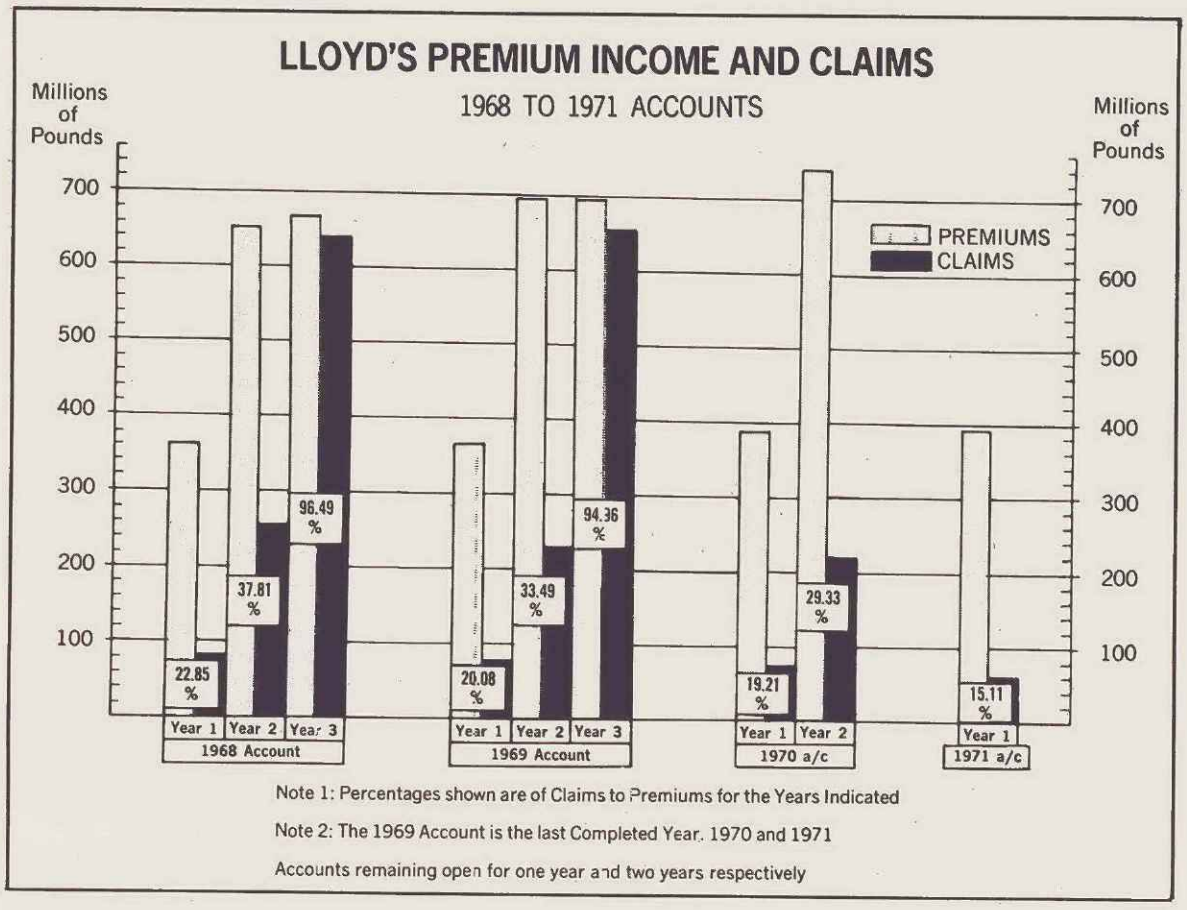

Note 1: Percentages shown are of Claims to Premiums for the Years Indicated

Note 2: The 1969 Account is the last Completed Year. 1970 and 1971 Accounts remaining open for one year and two years respectively

Lloyd's concerned about U. S. rivals

LONDON — Competition from the U.S. is hitting at Lloyd's classic method of dealing with the insurance market for world risks. It may force a showdown which will have a profound impact on the policy of many risk managers.

Naturally, Lloyd's is satisfied that it can survive the clash without any major change in its basic attitudes to insure needs for all types of cover. But it is concerned about the new approach to insurance being adopted by the big and developing financial corporates in some sections of its business.

Lloyd's sees the major threat as coming from conglomerates, such as the Hartford Insurance Company's link-up with ITT, which it fears are moving into the field to enlarge premium income. Many underwriters at Lloyd's feel that is being done to build up a cash flow that can be used for investment purposes, even at the cost of what old, established underwriters normally refer to as "realistic ratings."

IT SEEMS in Britain that a rate war is looming which can have a tremendous and dramatic effect on current thinking on premium ratings.

Details became available to *Business Insurance* when Sir Henry Mance, chairman of Lloyd's of London, revealed that Lloyd's had made record profits of $130 million on premium income of nearly $1.75 billion.

"Surveys reaching Lloyd's from America give returns and premium ratings, set against underwriting losses, for various companies, so that there is little doubt where the competition is coming from."

SIR HENRY showed restraint in dealing with this problem, and mentioned no corporate names in his comments, which revealed that Lloyd's had made a profit for the second year in succession after four years of heavy losses.

But he left his hearers in little doubt about his views when he commented: "It is surprising how rapidly a short period of profit, coupled with a relatively bright immediate prospect, has increased insurance capacity worldwide in the last two years.

"In our own case at Lloyd's we have had over double the applications for membership this year compared with last.

"It will certainly call for great restraint and skill on the part of experienced underwriters if we are to avoid the pitfalls which inevitably follow a chasing of the rate down the hill.

"It is perhaps encouraging in these circumstances to note that the trend for increased premium income has not been so marked, and indeed in some sections of the market there has been an actual fall."

WITHOUT giving any more details, he added: "Unfortunately, it seems that some of the increased capacity with which Lloyd's is now competing is not in the hands of underwriters possessing the skill and experience of which Lloyd's is so justly proud."

The period under review was for the accounting period that ended in 1969, under Lloyd's three-year accounts system, so as to clear all major outstanding claims. The results showed 7.51% profit for that period on premium income, against 5.33% for the period ended 1968, and compared with heavy losses on premium income in the four previous periods.

The general opinion of under-

Continued on page 55

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ABA meeting hears tips on fidelity coverage

SAN FRANCISCO—A corporate slip-up or "goof," with no actual breach of fidelity, will not be covered under a financial institution bond, an attorney told a meeting of the section of insurance, negligence and compensation law at the American Bar Assn.'s annual conference here.

"Are we headed toward a concept that requires no breach of fidelity for recovery?" asked James A. Knox, a Dallas-based lawyer. If that happened, he indicated that "all the insured bank or brokerage house will need to show is that the organization simply goofed and that it was very costly."

Speaking to the fidelity and surety law committee, Mr. Knox pointed out that a section of the insurer agreement reads, "Loss through any dishonest or fraudulent act of any of the employes . . .," which he explained as meaning a loss from an act that is dishonest or fraudulent toward the insured. In other words, he contended, the kind of breach which would support the employe's liability to his employer for the loss.

"SOUNDS SIMPLE," he noted, "but not so with the courts straining to find coverage, especially in catastrophic situations, so that the business can be saved or a fund created for the public.

"Should it not be fatal to recovery in a situation where the insured admits that it cannot prove, and will not even try to prove, an employe dishonest toward it, but claims indemnity from its fidelity insurer solely because from the aggregate of its corporate conduct it may lose in a suit in which it, the corporation, is charged with having committed actionable fraud on the suiting party?" he continued. "Otherwise, would it not represent recovery under a fidelity policy without a breach of fidelity, without wrongdoing on the part of an employe so as to render him personally liable to the employer and the fidelity insurer."

Concluding with the submission that fidelity coverage in blanket bonds is strictly traditional fidelity coverage, he stated, "There is no coverage for corporate goofs, such being a business risk of the highly regulated industries. If a financial institution is facing loss through a suit filed against it in which fraud is alleged as a ground of recovery, it may expect the insurer to refuse to defend if it does no more than present these bare allegations. The insured should regard all provisions of the bond as operable and consider whether the suit constitutes its discovery of a real fidelity claim with the outcome of the suit to merely determine the extent of the loss."

ALONG THE lines of the insurer defending when fraud has been alleged, another speaker told the committee meeting of the insurer's dilemma when it came to considering court costs and attorney's fees coverage contained in a clause of all financial institution blanket bonds.

"The most immediate problem facing an insurer," said Arthur C. Bailey, vp of Fireman's Fund American Insurance Cos., is whether he should accept the tender of defense in a questionable case, and thereby control the handling and defense of the case; whether he should attempt to accept a tender of defense under well drawn reservations of rights; or whether he should exercise his option by refusing the tender of defense and trust to the ability and integrity of the insured's lawyer to use his best efforts to obtain a complete defendant's verdict, or, in the alternative, to use his best efforts to defeat the allegations in the complaint that would bring the claim of the plaintiff against the insured within the coverage of the bond."

He pointed out that even though the financial institution bond contract clearly gives the insurer the option of accepting the defense or risking being liable for the defense costs, courts continually equate the situation with the duty to defend, as is the case in liability insurance coverage.

He noted a case in which the court had ruled that it really did not make any difference if the insurer had a duty or an option to defend if the insured had a "reasonable expectation" that the insurer would have to defend him.

"IF THE facts of the claim are clear," he said, "and obviously fall within the coverage of the bond, the choice of the insurer is easy. He should take over the defense and strive mightily for a defense verdict for the insured, or, at the very least, to mitigate the amount of liability that the insured would ultimately sustain.

"I believe that the dilemma is best solved when, in the absence of insoluble conflicts, the insurer can take over and control the defense under a reservation of rights or waiver," Mr. Bailey said.

"If that is not possible," he concluded, "the insurer should promptly and aggressively assert its conditional disclaimers and continue to do so up to the time a final decision is rendered for or against the insured."

The committee's third speaker, David S. Ruder, a professor at Northwestern University, directed his remarks to financial institutions which manage the money of others. Using banks and insurance companies as examples, he warned of the potential liability arising from insider trading, short swing profits, tender offers and sale of unregistered securities.

SPECIFICALLY regarding insider trading, Mr. Ruder said, "The conclusion to be reached by a financial instituion receiving information which might be non-public ought to be that the danger of utilizing that information is extremely great, given the likelihood that the financial institution will be classified either as an insider or as a tippee, that the elements required for finding civil liability will be easily met and that the damages may be large. Financial institutions would be well advised to adopt extensive internal procedures designed to avoid liability.

"These procedures," he continued, "should attempt to prevent the transmission of material information even within the financial institution, to prohibit use of such information by those responsible for trading in securities and to interrupt transmission of that information outside of the institution." ■

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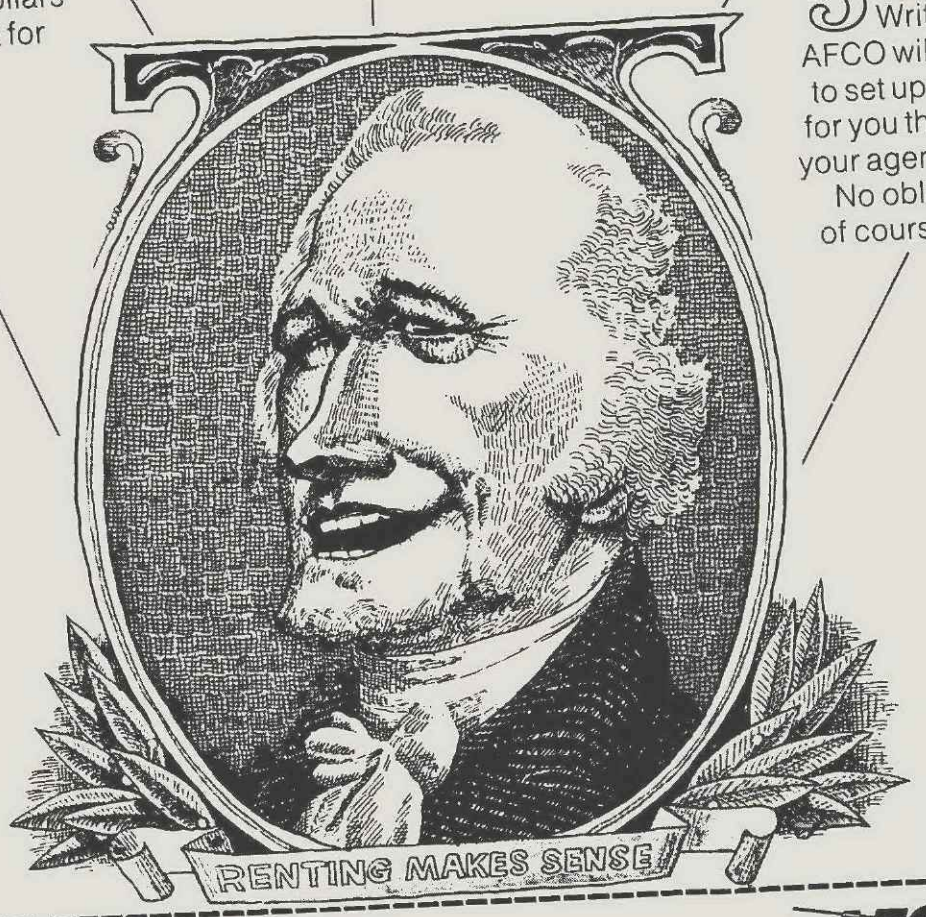

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New Jersey no-fault bill attacked; labor group threatens injunction

TRENTON, N.J.—The fact that a fight is developing over the establishment of a "no-fault" auto insurance law here is not really extraordinary, given the history of the no-fault concept, but what is perhaps odd about this particular battle is that the usual antagonists, the trial lawyers, are sitting it out.

This disagreement is between the New Jersey state AFL-CIO, which says the law will create a windfall for insurance companies, and Richard C. McDonough, insurance commissioner, who claims it won't.

In a letter to Commissioner McDonough, John J. Brown, the labor group's secretary-treasurer, charged that the law, which allows insurers to deduct workmen's compensation, state temporary disability and Medicare payments from auto accident reparations, would be a bonanza for insurance companies.

"BY MAKING use of workmen's compensation and temporary disability funds to pay off auto injuries," he said, "the no-fault plan is simply a raid on such funds and also provides a secret windfall for the insurance companies who are certainly gleeful at the idea of using someone else's resources to pay off their own responsibilities in connection with auto accidents."

He went on to say that insurers would probably consider private disability plans on the same terms as workmen's compensation though the law does not mention such plans.

Mr. McDonough responded with a letter of his own to Mr. Brown which refuted the charges and stated that there would be no "invisible revenues" for insurers since they must file financial statistics with the insurance department. He said that whatever the insurers gain from the workmen's compensation, Medicare and disability payment deductions "will be accounted for by the companies and will be used in rate making to reduce the premiums to the buyers of automobile insurance.

"I want to assure you," he continued, "that the flow of all money is a matter of open record and that we have the expertise in the department of insurance to make sure that any savings are properly passed on to the insureds, where they belong."

MR. BROWN, who threatened to seek an injunction to keep the law from going into effect January 1 if its "major faults" were not corrected, also charged in his letter that the law contained "indefinite" language and did not provide clearcut standards and permissable grounds for lawsuits.

As an example of that problem, he indicated that a doctor and a cosmetician could easily disagree as to whether a disfigurement was "significant," which meant that the question would have to be settled by a jury.

The law permits "pain-and-suffering" suits after medical expenses alone reach a total of $200. Suits of this type can also be brought in cases where there is serious disfigurement, permanent disability, permanent loss of bodily function or death.

Mr. Brown also complained that the law, which he said was passed in "great haste," limited hospital expense to semi-private room costs, excluded trucks and rental cars from coverage and allowed out-of-state drivers to sue where New Jersey motorists could not.

Mr. McDonough countered by saying that the law was passed after lengthy study by his department and that "a review of the legislative record will show that the legislators acted decisively on the basis of thorough analysis and preparation." He then denied the request to delay the implementation of the law.

The state's auto insurance reform act does, indeed, exclude trucks and rental cars from coverage, a point which Mr. McDonough could not dispute. The law provides for the payment of all medical expenses resulting from auto accidents, regardless of fault, and provides for lost wages up to a maximum of $100 a week for a year.

In his letter to Mr. Brown, the commissioner stated, "Prompt compensation for economic loss is the acid test for any insurance reform because the lack of it has been the prime target of criticism of the existing system."

He then asserted that the wage loss benefit in the New Jersey law reflected "a true concern for the needs of the working men and women of this state. Genuine concern must begin at the lowest income level, because the low income family can least afford to lose part of its income if the wage earner becomes disabled."

It appears that the next move belongs to Mr. Brown. ■

Aircraft company gets refund

HARTFORD—United Aircraft Corp., Connecticut's largest employer, will receive a $47,570 refund from the state labor department for overpayments to the unemployment compensation fund in 1968 and 1969.

In a state supreme court order, state labor commissioner Jack A. Fusari has been directed to refund the sum after UAC, which is headquartered in East Hartford, asked for a court interpretation of the state's unemployment compensation act provisions that had become ambiguous because of the size of UAC itself.

The case was sent directly to the high court by Hartford County superior court Judge Jay E. Rubinow.

UAC AND its subsidiaries span several of the so-called "merit classes" that determine how much different sized employers must pay to support the unemployment compensation system.

The court order clarifies the matter and results in a $41 refund for 1968 payments and a $47,529 refund for payments in the following year.

Although administrated by the state, the unemployment compensation system in Connecticut is not financed out of public funds. Instead, employers pay an extra tax annually to maintain a separate "pool" of money to support the system.

People involuntarily out of work through no fault of their own may collect $15 to $126 per week in benefits. ■

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'Earthquake engineers' needed to cut risks in cities around the world

LONDON—Reinsurance experts were told at a London seminar that there is growing need for the use of an "earthquake engineer" to reduce the potential risk of losses from such catastrophes in city areas across the world.

Reuven S. Ben-Zur, managing director of Ben-Zur insurance brokers, of London, drew this lesson from the San Fernando quake when he told the Reinsurance Offices Assn.: "It would appear that major destruction and damage was avoided in industrial zones. Without minimizing the damage in residential zones, this appears to prove that a new dimension should be added to insurers' calculations, namely the earthquake engineer.

"Seismological data is important, but in modern technology it would become his responsibility to build on the basis of such data so as to minimize, or avoid, loss from earthquakes.

"IN NEW developments in seismic areas, it may perhaps need just a little bit of extra push to be put by insurers on planning and design, or even help with the choice of actual building plots, which can vary within a zone."

Mr. Ben-Zur urged that quake risks should be treated on a "global balance" basis, as it would be illogical for any insurer to assess his earthquake exposure in any given geographical or political area in relation to his overall premium income for such an area.

He said, however, that the U.S. might be an exception to this rule, because of its size and industrial development, although it would appear that the San Fernando catastrophe was taken by U.S. insurers and reinsurers in their stride.

He declared: "There is little doubt in my mind that the work done by various authorities, and the recognition of the earthquake engineer, does result in mitigation of loss and damage."

P. L. Willmore, who heads the global seismology unit at Edinburgh, where much research is being done into earthquakes, told the meeting: "In recent years there has been considerable discussion about earthquake prediction and prevention. Prediction depends on the recognition of symptoms such as tilt of the ground, magnetic disturbances, or 'fore shocks' which take place in advance of major quakes.

"But unfortunately these features do not bear any one simple relationship to the occurrence of a major quake. Sometimes the symptoms appear, and then no large earthquake follows. Sometimes the earthquake happens with no symptoms at all.

"Even if one could come fairly close to assessing the imminence of an earthquake, the social consequences of being wrong might well outweigh the social benefits of the prediction.

"For this reason seismic zoning, followed up by adequate long-term measures to increase the earthquake resistance of the community, seems to be the safer and more profitable approach." ■

AIA slams ABA on 'yes-fault'

NEW YORK—The vp and general counsel of the American Insurance Assn. has criticized and labeled as "yes-fault" last month's American Bar Assn. proposal on automobile insurance reform.

The ABA proposal, drawn up at the association's annual meeting in San Francisco, "neither eliminates nor modifies, but rather preserves, the fault concept, and therefore the unfortunate situation in which the wrong amounts of money go to the wrong people," declared Robert N. Gilmore.

Noting that the ABA's house of delegates voted to retain the tort liability system of automobile insurance, and did not even consider a limited or modified no-fault system, Mr. Gilmore charged that the ABA proposal would do nothing more than modify the contract between auto insurers and automobile owners. The ABA proposal would compel the policyholder to purchase $2,000 worth of medical expense and wage loss coverage at additional expense, said the AIA counsel.

"The ABA proposal would have the most adverse impact upon seriously injured auto crash victims, leaving them all to the inequities of the present lawsuit system," said Mr. Gilmore.

"It would mean that many seriously injured people would not recover even their full medical expenses and wage losses, because they could not prove that another driver was at fault or because they were held, in part, legally liable for the crash or because they had nobody to sue.

"It would mean," Mr. Gilmore continued, "that many such victims would be denied the rehabilitation service necessary to their recovery or would become dependent upon public support." ■

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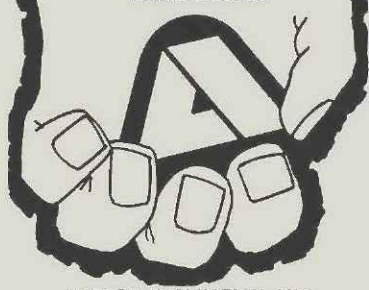

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Push is on for data for Wisconsin no-fault law

MADISON, WI.—Adoption of a no-fault insurance plan, mandatory for all Wisconsin motorists, has been recommended by the Citizens Study Committee on Judicial Organization.

The recommendation asks Gov. Patrick J. Lucey to appoint a special committee to draft a no-fault insurance proposal for consideration by the state legislature next year. Support for a no-fault insurance program grew out of the citizens committee studies of court workloads in Wisconsin. Appointed by the governor last year, the committee is to submit recommendations in January for improving court operations.

Recognizing problems in drafting legislation, the committee submitted its proposals on no-fault insurance early so the special study group could "begin the arduous task of compiling the data and statistics necessary to predict premium rates and design coverage."

THE COMMITTEE report added that "good public policy requires recovery without regard to fault," especially in cases of hospital payments or loss of income. The committee stated that it "sees no reason why, in today's society, restoring a person to his position prior to an accident should depend upon whether or not he caused the accident."

The committee said its no-fault insurance recommendation was based on findings that 55% of the civil jury trials begun in the state's circuit courts during the 12 months ended June 30, 1971, were auto accident cases. Such cases constituted the largest category of civil matters settled by the state supreme court, the report added.

No-fault insurance proposals have been introduced during previous sessions of the legislature but have not generated much support.

The committee did not specify which of the various no-fault insurance plans it favored but did list several "essential factors" that the program should include. They were:

- Coverage should be required for all registered autos.
- Coverage should include high risk drivers who have trouble obtaining ordinary insurance, as well as pedestrians and others who carry no insurance.
- Exclusions should be made for persons injured while committing a felony.
- Insurance companies should be permitted to offer additional coverage on an optional basis.
- Prompt payment should be made on claims.
- Medical and hospital costs should be determined on a uniform basis.
- Penalties should be imposed on persons driving under the influence of alcohol or drugs.
- Provisions should be made for out-of-state motorists involved in Wisconsin accidents and for Wisconsin motorists involved in accidents out of state.

The committee said further study was needed in the critical area of noneconomic losses, such as pain and suffering or loss of companionship.

"If it seems clear from the statistics that reforms are needed in the area of automobile accident reparations by reason of court congestion and general public dissatisfaction, it is not nearly so clear what kind of reform is indicated," the report observed.

The State Bar Assn. has established a committee to draft a modified no-fault proposal and voted to place the issue at the top of its legislative priority list.

The no-fault insurance question is almost a sure bet to become a major controversy in the 1973 session of the state legislature. ■

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LIFE & CASUALTY

Legal costs covered on group basis

SAN FRANCISCO—Legal defense coverage on a group basis is now being provided by Insurance Company of North America, president Charles K. Cox disclosed here recently.

Mr. Cox told a press gathering that INA is currently negotiating for such coverage with the California Peace Officers Assn.

The coverage, Mr. Cox said, "is essentially prepaid legal defense for suits brought against any of the members of the group for actions arising out of the execution of their duty." Mr. Cox cited school teachers and labor unions as markets for the coverage and said INA is discussing the program with the Bar Assn. of Philadelphia.

The coverage covers legal defense costs but does not pay for any awards for negligence which might be levied on the insured.

"Risk management," Mr. Cox added, "is another major development which will come soon in the future of the insurance industry. This is a concept which recognizes that the increasingly larger size and complexity of our insureds means we must provide them more sophisticated services.

"In the future," he predicted, "the business of insurance is not going to be the insurance business. It will be the risk management business, a widely developed and increasingly specialized business." ■

Issue most frequent violation list

CHICAGO—The National Safety Council has issued a list of items routinely and consistently checked by Occupational Safety and Health Act inspectors, as compiled by the council's automotive and machine shop section.

Electrical wiring violations, the council noted, frequently result from frayed wires, loose conduit connections, bare wiring, broken switch plates, missing switch plates, wet sawdust around electrical outlets and improperly marked circuit breakers. Open electrical panels and broken ground plugs were also mentioned as frequent wiring violations, as were electrical panel doors left open.

Other areas noted as violation-prone included improperly guarded fans, hazardous floor conditions, improperly marked aisles, faulty or poorly placed fire extinguishers, lack of hand rails, guard rails and toeboards around platforms and openings, the absence of exit signs and cluttered exit routes.

One possible area of violation the council particularly stressed was the OSHA requirement limiting air pressure for cleaning equipment to 30 pounds per square inch. ■

Black lung disease fought with new respirator

MINNEAPOLIS—A new product has been developed that could become a tool in the battle against black lung disease—a sickness which infects nearly half of working miners.

Black lung, a disabling and often fatal disease, develops from an accumulation of coal dust particles in a miner's lung. The Social Security administration pays black lung compensation out of a special fund set up under the National Coal Mine Health and Safety Act of 1969. Since then, 369,000 miners and widows have filed for claims covered by the act. Of these, 341,500 have been processed and 175,100 have been paid a total of $721,893,000.

Money for payments comes from general federal revenue, but by December 1981, all states must provide for black lung compensation under their workmen's compensation programs. Social Security officials expect the current payment rate of $31 million a month to decrease as a result of the law's requirements that operators reduce the dust in their mines to a safe level.

DONALDSON CO. Inc.,a Twin Cities-based manufacturer of environmental health equipment, has developed a hard hat, air curtain respiratory protector which provides a constant supply of clean air around a miner's face. At the same time, it diverts dust particles down away from the face. The respirator is designed so it can be attached directly to the miner's hard hat. Attached to the respirator is a hose leading down behind the miner to a unit which filters the air. This unit is attached to his mining equipment.

According to Tom Rosendahl, senior project engineer, the respirator system is designed for use by the coal mine machine operator who doesn't have to move from his machine. "He is the individual most subjected to highest concentrations of dust," he said.

Both Mr. Rosendahl and Fred Stedman, manager of mining products, explained medical studies have shown that black lung disease, is an irreversible condition. Federal statistics have shown that the disease also shortens a miner's life span.

USING THIS air curtain device in conjunction with a dust collection system which Donaldson Co. also developed and proper mine ventilation, the amount

This hat circulates clean air in front of a miner's face.

of dust inhaled could be reduced to "well below the federal standard" Mr. Rosendahl contended.

The dust collection system makes use of coal mine exhaust fans and acts to remove dust from the air as it passes through special separator tubes. Donaldson now has 57 units in operation.

The hard hat, air curtain respirator is in its initial stage of development and is expected to be completed by next summer. Funding for this development project came from the U. S. bureau of mines. Coal mine operators are not required to use any particular piece of safety equipment; but they must meet the federal requirements or close their mines.

MR. ROSENDAHL and Mr. Stedman, along with Thomas Donnelly, managing engineer, are working to perfect the hard hat air curtain concept. For the last year and a half they have investigated coal mines in Pennsylvania, West Virginia, Illinois and Kentucky.

"Thus has given us a chance to learn first hand about the coal miners' situation and to have a working knowledge of mining operations," Mr. Donnelly and Mr. Stedman explained. "Whatever we develop here at Donaldson must be compatible with present mining techniques," they added.

The first phase of the development contract calls for a six-month program to test the equipment in a laboratory that simulates mine conditions, using both mannequins and live subjects.

Mr. Donnelley explained that any product made for use in mines must comply with safety requirements for underground use. In particular, the electrical parts of the equipment must be constructed so as not to set off explosions gas or dust explosions in the mine.

SINCE THE AIR curtain respirator must gain final approval of the miners themselves, "we must design the product so that it is comfortable to wear and won't interfere with the miner's work," Mr. Stedman said.

He further explained that a miner's ears are tuned in to listen for sounds which precede mining accidents. "Because of this, we must refine our product to minimize noise from the blower-filter unit," he explained.

By simulating mine conditions in a Donaldson lab, engineers can continually check the air curtain respirator to be sure each part fits into actual mining conditions.

The second phase of the development contract calls for a four-month program to demonstrate the unit in actual mines. During this phase, Mr. Rosendahl explained, "we will take our equipment to the coal mine machine manufacturer so he can incorporate our unit into his machine."

THIS TESTING period will give Donaldson an opportunity to observe miner reaction to the equipment. "Our major concern," the three engineers agreed, "is miner acceptance. We must demonstrate to him that the unit is comfortable to wear and won't interfere with his work efficiency."

Mr. Donnelly mentioned that at present some coal mine operators provide a mask type respirator (similar to a winter cold mask) for miners in heavy dust areas. But because of the way the mask is sometimes worn, it compromises the miner's efficiency in his work. Consequently, he contended, when the masks are not worn all of the time, effectiveness is diminished. ■

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Memo from
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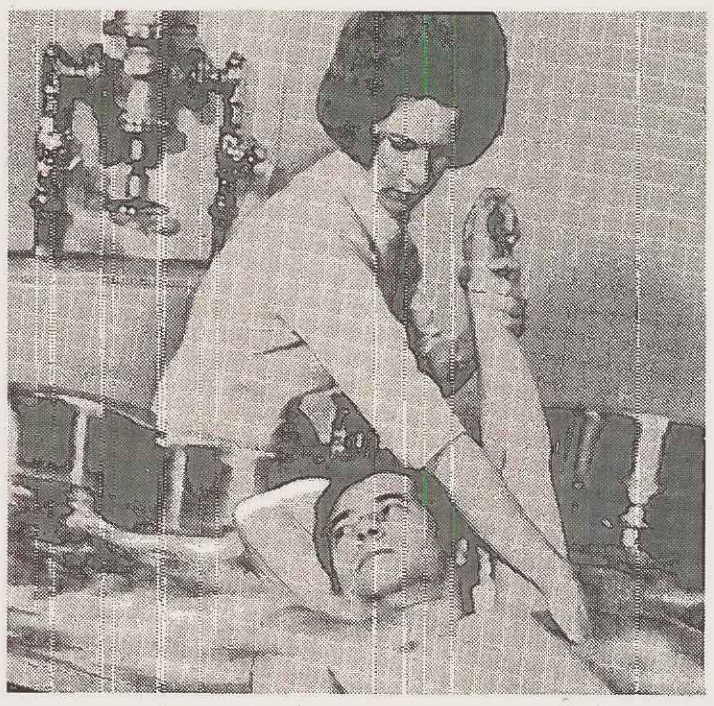

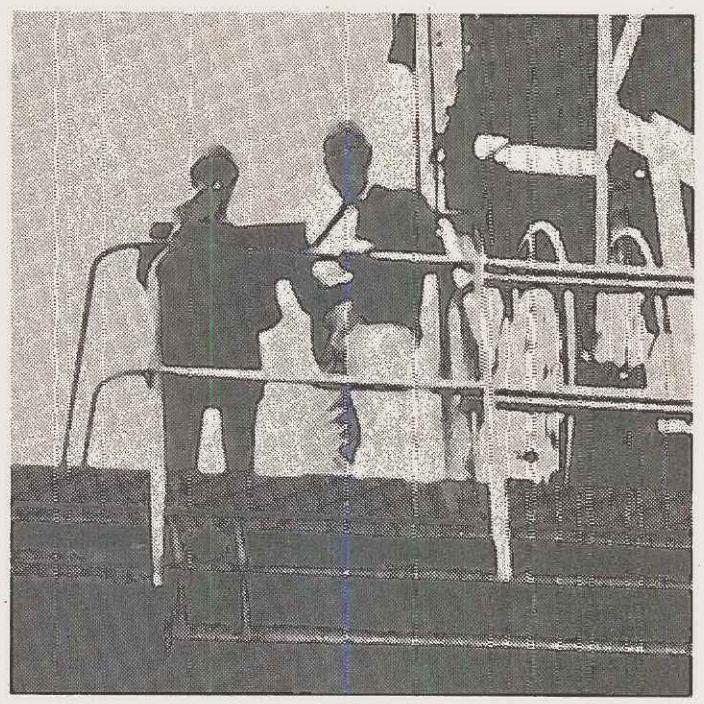

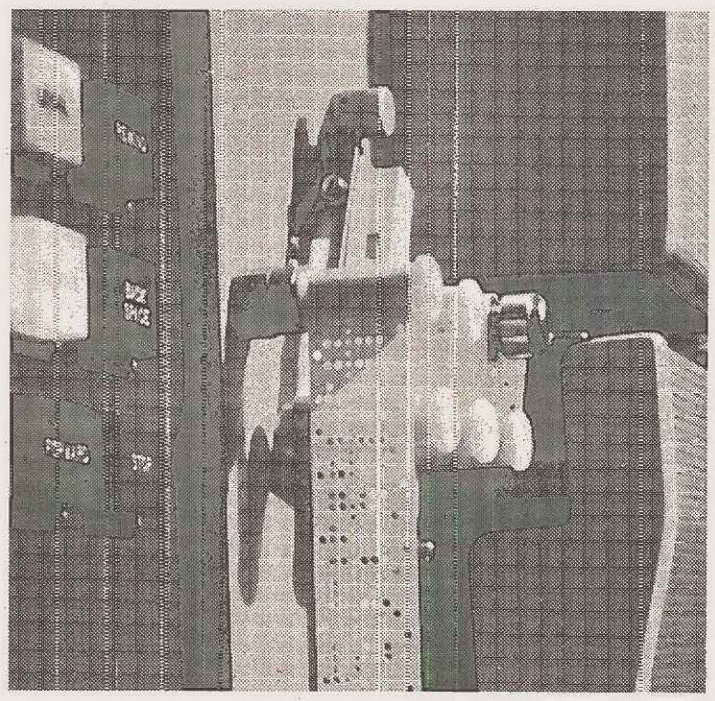

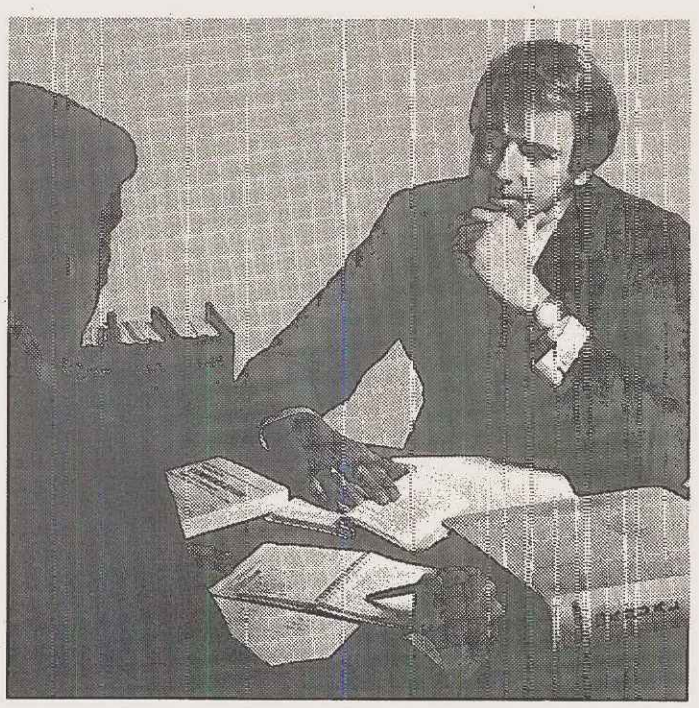

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business insurance PERSPECTIVE

BY NORMAN HOFFMAN

corporate insurance director,
National Industries Inc.,
Louisville, Ky.

Coverage section of corporate insurance manual heavily used

"Inasmuch as policies are constantly being ordered, renewed, rewritten, and endorsed, the pages in the coverage section are those most frequently revised. Change . . . would require the page to be rewritten."

This is the third article in which Mr. Hoffman describes the organization of a corporate insurance manual, based on the manual in use at National Industries. Because information in the book itself is confidential, copies are not available to readers. Mr. Hoffman stresses the fact that there is nothing formal about the manual and that "it merely consists of a loose-leaf binder with typewritten pages issued and revised as the need arises and would certainly be different for each and every corporation." Other articles appeared in the July 17 and August 28 issues of Business Insurance.

THE PRINCIPAL USE of an insurance manual by a corporate headquarters, insurance department or operating divisions is its daily utilization of the coverage section for reference purposes in determining what protection is in effect, policy numbers, insurance companies, policy terms, conditions and premium costs. In the previous articles in this series, descriptions were provided of the indexes and procedures sections of one company's insurance manual. This concluding article describes the use of the final and most frequently used section, the coverage pages.

Each corporate subsidiary or division has its own individual coverage pages. When a policy covers all or several of the subsidiaries an individual page is issued for each of them, showing that portion of the policy and premium that is applicable to that division only. A typical example would be a blanket bond written to cover all employes of all divisions and locations of the parent corporation. A page showing this policy would be included in the coverage section for each subsidiary company that is identical except for specific provisions applying only to individual subsidiaries and the premium cost applicable only to that division. It follows, then, that if 10 divisions of the parent company are covered by one blanket policy, 10 individual manual pages would be made up for that policy, the appropriate one being sent to each division.

Inasmuch as policies are constantly being ordered, renewed, rewritten, and endorsed, the pages in the coverage section are those most frequently revised. Change in an amount of insurance or a change in premium, for example, would require the page to be rewritten showing the new amount and annual cost.

PREMIUM COSTS shown on manual pages are always annual since it is annual premiums that accounting departments use. Pro-rata or short-term additions or returns are not shown on manual pages; rather, all pages are completely retyped each time a change is effected, so that the page always reflects the most recent policy provisions and annual costs. Rates are not shown since operating management's concern is with costs.

Changes are reflected on the page by an asterisk beside the item changed, a note on the bottom that the asterisk refers to changes and a change in the revision number and the issue date of the page.

When there are several policies covering the same risk, they are shown on one page. For example, a workmen's compensation policy covering on an all-state basis would be listed on the same page as the workmen's compensation policy covering in a monopolistic state such as Ohio. A primary bond and an excess bond would be listed on one page. Miscellaneous bonds such as fuel tax bonds, license bonds and notary public bonds are generally listed on one page for purposes of convenience and because each of them is minor.

The items shown on each coverage page are as follows:

- The name of the subsidiary corporation or division.
- The insurance company writing the coverage and, in parentheses, the name of the agent.
- The policy number.
- The policy term.
- The current annual or term premium cost, together with notes as to whether the premium is a deposit, if so, the basis of the premium adjustment, whether the

Continued on following page

What to remember when putting together an insurance layer cake

"Sometimes, you may have to take what you can get. However, if you are able to design the layers of insurance, how should you do it?"

BY BION H. FRANCIS

insurance consultant,
Milford, Ct.

This is the twelfth of a series of articles by Bion Francis on buying corporate insurance. Mr. Francis discusses the problems to be expected, how to recognize them and how to surmount them.

WHEN YOU NEED large amounts of insurance, you may find it necessary to buy insurance in layers. This is especially true if you have to go to the London market to get all the insurance you need. Are there any particular requirements to keep in mind when you buy a layer cake of insurance?

Sometimes, you may have to take what you can get. However, if you are able to design the layers of insurance, how should you do it? Let us review some specific examples of the different kinds of layers you may have to deal with.

The Nuisance Layer. If you want to keep nuisance claims out of the insurance, you simply make the insurance excess over a few hundred or a few thousand dollars, depending on what you need. When claim settlement is important, there should be a specific agreement as to who settles the claims, either in the policy or as a separate agreement.

The Service Layer. I once managed an insurance program for a large, multi-plant, multi-division corporation for which the liability insurance program was built in layers. The lowest layer was a liability policy with a policy limit of $300,000 per occurrence. This policy had a deductible of $100,000.

This lowest level of liability insurance provided the full claim service that the insured wanted on third party liability claims. Moreover, the insurance company paid the first $200,000 of claims above the $100,000 deductible. Accordingly, the insurance company had the necessary inducement to control claims.

At the same time, the policy limit of $300,000 ($200,000 above the deductible) was relatively low and put the policy within the insurance capabilities of every insurance company that had the quality of claim service we wanted. For these reasons, major emphasis in negotiating such a policy would undoubtedly be put on the claim service. This service layer of insurance would have to be issued by a company licensed to operate in the states where the insured wants service.

The Insurance Layer. Here is an actual example. In arranging reinsurance for a captive insurance company, our engineering surveys of the properties involved indicated a maximum probable loss of approximately $2 million and a maximum possible loss of $7 million. For this company, the insurance layer extended up from the deductible of $50,000 to the maximum probable loss of $2 million. Any insurance claim would probably (by definition) occur in this area.

The Catastrophe Layer. In the example just given, it is possible to have losses in excess of the maximum probable loss of $2 million and extending up to the maximum possible loss of $7 million. This is the catastrophe layer which insures the worst that can be expected, based on engineering surveys.

Sleep Insurance Layer. At least in theory, if layers of insurance are carried to the maximum possible loss, this should take care of the needs of the insured, but you will find layers above this, sometimes referred to as sleep insurance. The purchase of such insurance can be supported by instances of losses that have been substantially in excess of the estimated maximum possible loss.

The captive company in the illustration above adopted the practice of carrying insurance of twice the amount of the maximum possible loss. This amount was originally estimated at $5 million and reinsurance was bought in the amount of $10 million. Later, when the captive insured a new plant with a maximum possible loss of $7 million an additional $5 million of reinsurance was bought above the original $10 million.

Should any special requirements be observed in arranging layers of insurance? I suggest that there should be separate layers of coverage above and below the maximum probable loss and also above and below the maximum possible loss.

The captive insurance company discussed above did not follow this principle. If it had, there would have been one or more layers from the deductible to the maximum probable loss of $2 million, with one or more layers above that point to the maximum possible loss. Because

Continued on following page

business insurance

PERSPECTIVE

Coverage...

Continued from preceding page

premium is subject to dividend and/or experience or retrospective adjustments.

• A description of the coverage written in language operating people will understand. The intention is to minimize the wording and details but provide sufficient information so that operating and administrative management at the subsidiary or division level understand what hazards are protected by the policy. Here are some examples of policy coverage descriptions:

"$1 million per occurrence for accidental damage to boilers, electrical steam generators, objects subject to licensing, ammonia refrigerating systems, and steam piping and for the accompanying business interruption loss."

"Blanket crime policy $——— limit on the following coverages subject to a $——— deductible per loss:

Money inside or outside of premises.
Employe dishonesty.
Money orders and counterfeit currency.
Outgoing check forgery."

"$——— 'All Risk' cargo insurance:
$——— for on deck shipments.
$——— for aircraft shipments.
$——— for parcel post shipments outside the U.S.
$——— for insured or unregistered parcel post."

• As a supplement to the coverage information shown on the page, the last item is entitled "conditions." Here, too, the object is to provide necessary but not detailed or technical information. Major exclusions would be shown in this section as well as deductibles, co-insurance clauses, premium payment arrangements and mortgages.

Finally, the coverage page includes a statement that the policy renews prior policy number ——— of the ——— insurance company or it is new coverage. The purpose of this statement is to provide a continuity for management so that reference to the page will also provide quick reference to expired coverages.

Here is one sample of a coverage page from our manual.

INSURANCE PROCEDURES MANUAL

A B C D Corp.

Insurance Company: ——Insurance Company (Agent)

*Policy Number: 56 9033

*Policy Term: One year—Feb. 5, 1972, to Feb. 5, 1973

*Premium: $84

Coverage: $——for legal liability in the administration of employe benefits programs (group insurance, profit sharing, pensions, stock subscriptions, workmen's and unemployment compensation, unemployment insurance, Social Security, disability benefits, travel, savings and vacation plans).

Conditions: $——deductible applies to each claim.
(Renews ——— #5638640)

*Changes
Coverage Section Page R 17 (Rev. 2)
April 13, 1972

An insurance manual issued by a corporate insurance department can be a means of communication with management and operating levels, a reference book, and a procedures guide. Perhaps it can fill other functions for your particular company. Its effectiveness depends upon your need and your ability to convert information into the written format which will be most acceptable to those the manual is designed to serve. Flexibility should be the key characteristic of an insurance manual, that is, that there should be no rigidity with respect to what subjects are covered, how often revisions are made, the permanency of particular procedures or policies, or even how the manual is put together and distributed.

Sir Francis Bacon is reputed to have said, "Some books are to be tasted; others swallowed; and some few to be chewed and digested." If an insurance manual, upon being chewed, provides nourishment, it will have succeeded. ■

General...

Continued from Page 1

does that come from? From the vessel owner. Where would the vessel owner cover that extra expense? From the cargo owners. How do they pay for it? Very simply: By a slight escalation in freight rate by means of a surcharge on the value of his cargo or, if preferred, a built-in factor in the freight rate. Here's what we now have:

• An obligation on the part of the vessel owner to get cargo to its destination or pay for it if lost or damaged due to circumstances that would currently be a general average situation and payment not limited to the usual $500 or 100 pounds Sterling per package, which is currently the limit of vessel liability on uninsured cargo.

• A very small cargo insurance premium surcharge on freight (or a built-in rate increase) which has the vessel owner picking up the tab for all extra costs and/or reimbursement for jettisoned cargo that is now normally charged to general average.

• The hull underwriter picks up his usual bills for repairs plus the costs now charged to general average for towing when mechanical trouble interferes with the normal progress of the vessel on its voyage, or costs in refloating if stranded.

• The elimination of a multitude of time-consuming, expense-producing items attendant to general average, preparing and distributing average bonds, cargo valuation forms, copies of bills of lading, invoices etc., etc..

• Savings to insurance companies resulting from not having to prepare guarantees or wade through lengthy average adjustment settlements to determine their validity and find errors, which do occur, for the purpose of being assured of the accuracy of stated contribution on behalf of his assured whether his assured is the hull, cargo or freight interest.

• Savings by elimination of fees charged by the average adjuster (the fee is normally 5% to 10% of total value of settlement plus printing and out-of-pocket expenses).

• Elimination of cash deposits that tie up cargo owner's money; such deposits are now demanded more frequently by vessel owners who then have the use of the cash if it is later decided general average is improper and voided when alert cargo claims men detect such impropriety.

• Reduction in cargo marine insurance premium due to the elimination of potential general average liability now in it and which will offset, in whole or part, the surcharge or increased freight rate as covered in item two above; and, finally, the insurance industry would gain in that:

• There would be elimination of their present uncertainty as to what assessment will be on a general average as a cost two to seven years after an incident occurs and for which they may not have set up sufficient reserves. Additionally, insurers could get rid of file after file after file they now keep until general average settlements are made.

MY NEGATIVE ATTITUDE toward general average is a result of first-hand knowledge of its operation in intimate details. Perhaps surprisingly, perhaps not, many average adjusters I have spoken with agree to some extent.

A tanker captain I spoke with some 20 years ago said, "I file a note of protest at every port even if the ocean was 'smooth as glass," he said. "In that way if something does happen, I'm covered."

One can appreciate the tanker captain's caution. However, it is unfortunate that some captains still take similar views and go to outrageous extremes even to the extent of declaring general average if they detect an extra one-foot wave from the swishing tail of a passing porpoise! This, of course, is a gross exaggeration in itself but, unfortunately, actual general average declarations have been made in situations with little more substance than that.

IN LATE 1970 and early 1971 several committees of interested parties were established to address two questions. First, "Is general average outmoded?" And, second, "If not, what can be done to correct the excesses now practiced?" These committees, in fact, were actually subcommittees of international committees that sought to look into the situation as far back as 1967.

What have we heard from these? Nothing, though I believe they are still working on the problem, although only from the angle of "correcting abuses." Actually, since many of these groups are heavily weighted with average adjusters and since the elimination of general average would reduce or eliminate incomes of average adjusters we can't expect much in the way of radical changes.

To do so, however, requires a concerted effort on the part of all shipping interests. I therefore propose the formation of an association known as WAFEOGA, or the World Assn. for Elimination of Geneal Average. I would be willing to spearhead such a drive if interest is shown. ■

Mr. Moore is the insurance manager of a large integrated oil company based in New York. Elsewhere on this page is a coupon readers may use to either encourage or discourage him in his campaign. Replies may be sent to him in care of Business Insurance, *630 Third Ave., New York, N.Y. 10017. He does request that names be furnished to establish credibility, but names and positions will remain confidential if requested.*

GENERAL AVERAGE: YES OR NO

Name: _____

Company: _____

Position: _____

I feel general average should be (check one)

abolished ☐, amended to eliminate abuses ☐, kept as is ☐.

Other comments: _____

_____

Layer...

Continued from preceding page

the captive did not do this in arranging reinsurance, here is what happened at renewal of this insurance during the capacity crunch of a few years ago.

For the $5 million in excess of the $10 million there was no difficulty. There had never been any threat of a claim to this $5 million and this layer was renewed without even an increase in rates.

However, there was difficulty in renewing the $10 million. To evaluate what happened, let us suppose that the $10 million had been divided in layers, as shown below. What would have been the situation at renewal?

$3 million in excess of $7 million. This topmost portion of the $10 million of insurance was in excess of the maximum possible loss of $7 million. There had never been any threat of a claim in this area. There would probably have been no difficulty in renewal.

$5 million in excess of $2 million. This area represented the range of possible catastrophe. There had been no threat to this portion of the insurance. It would probably have been possible to renew this $5 million either without an increase in rate or with a minimum increase. That this would have been the situation is supported by the fact that we were able to renew, without increase in rate, a total of $8 million pro rata of the entire $10 million which had to be renewed.

First Layer of $2 Million. This is the area where the trouble was. It was the insurance area where losses, if any, could be expected. Experience with the line had been excellent and the underwriters at Lloyd's were able to renew 80% pro rata of the $10 million, and without an increase in rate. If the $2 million above the deductible had been written as a separate layer, the captive probably would have been able to renew $1.6 million of this $2 million in full. There would then have been missing only $400,000 of insurance. All other insurance would have been renewed at the old favorable rates.

But these were not separate layers. The loss of 20% of the lowest $2 million could be effected only by refusing to renew 20% of the entire $10 million of insurance, or a total of $2 million. This had to be replaced at a time when this was difficult to do.

However, we were able to replace most of the missing $2 million in insurance by using the principle discussed above. At first, we bought only that portion of the missing insurance that was in excess of the maximum probable loss. (We bought $1.6 million in excess of $400,000, the whole $2 million being pro rata of the $10 million.) In buying this insurance, we were able to say that there had not been a loss in this area since the insurance was issued and that, based on engineering studies, there probably would not be a loss in the area.

After we had bought this $1.6 million on a satisfactory basis, we then obtained temporary insurance with a flat premium for a portion of the remaining $400,000 that was still missing. ■

At CNA we fight dirty.

We fight dirty air. We fight dirty water. How?

By refusing to write insurance for **willful** polluters. And by not renewing coverage of clients who persist in polluting, as we recently did in certain cases.

Why? Because pollution isn't just dirty business, it's bad business. And as far as we're concerned the polluter who refuses to correct the situation is a bad risk. From a business standpoint, CNA believes that a concern that stubbornly refuses to correct its pollution problems will prove to be unprofitable in other areas. From an ecological standpoint, it blatantly degrades the general environment. CNA has no desire to profit from such a customer.

On the other hand, CNA does desire to help. So we'll work with any client or prospective client who wants to clear up a pollution problem. Our specially trained environmental specialists will work with them, or any experts they appoint, in analyzing their situation and recommending remedies. We'll even consult with architects before new buildings go up. We'll help whenever we can, wherever we can, as we've helped more than one hundred clients in just the past year.

So let's fight dirty together. Because this is the only kind of fighting that can win a better future for all of us. Call your CNA agent. Or write us. We care about the company that cares about tomorrow.

Working to insure a better tomorrow.

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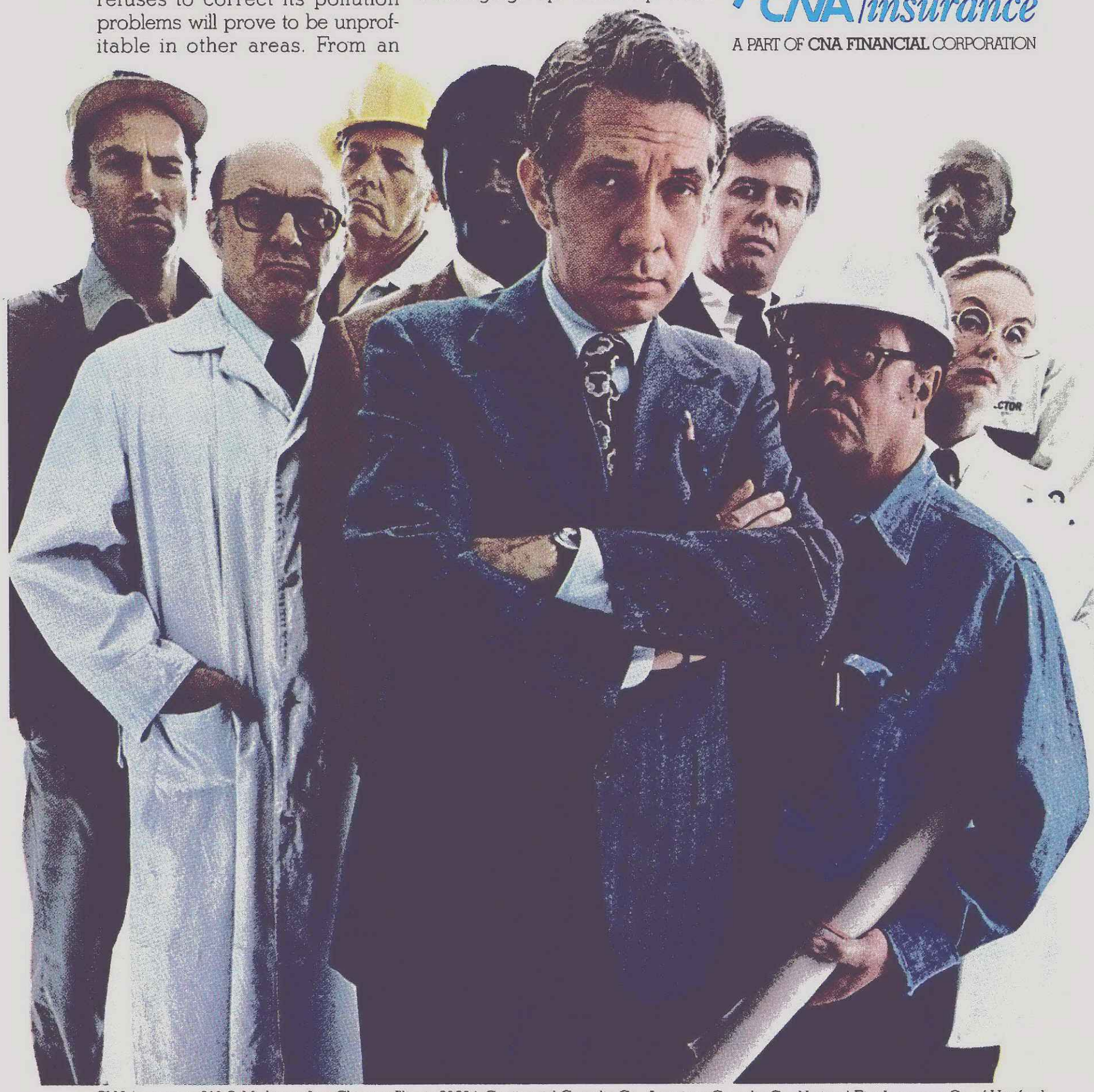

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A 1½ day briefing that will make you an expert on one of the most explosive problems facing business today . . .

business insurance PRODUCT LIABILITY WORKSHOP

October 23-24, 1972
Hyatt Regency O'Hare • Chicago

This is a comprehensive 1½ day course designed to protect you against the rising tide of product claims from product defects, improper service or misrepresentation in advertising labeling. It involves—in only one night and one day—eight hours of intensive participation and involvement in discussions with a number of outstanding experts and roundtable discussion leaders ranging from testing laboratory authorities and product withdrawal analysts, to one of the nation's most prominent plaintiff's lawyers. In the workshop's total-involvement sessions, you will personally analyze and zero in on effective utilization of each critical component of the management quality control team. In short, this is an opportunity for you to absorb, in a comprehensive form, a massive amount of valuable information dealing with one of the biggest problems of the 70's! Many Business Insurance readers have already stated that they want to see us repeat the most successful Product Liability Workshop held earlier this year . . . so enrollments must be accepted on a first-come, first-served basis. **Don't wait.** Mail the registration form today, or telephone your enrollment toll-free from anywhere in the U.S. Remember you save $25 if your tuition is paid by September 29!

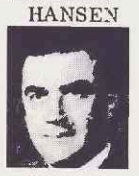
Program Highlights

- **Product Liability Coverage**
  Robert Schaible, Product Manager-Liability, Employers Insurance of Wausau
- **Plaintiff's Lawyer's View**
  Leonard M. Ring, Prominent Chicago Attorney, affiliated with the American Trial Lawyers Association
- **Product Liability—Loss Prevention and Control**
  An audio-visual presentation of the increasing problems that face corporate managers in the area of product liability claims
- **Risk Managers' Responsibilities in Preventing and Handling Product Liability Claims**
  Members of the panel include: Edward D. Hansen, risk manager and attorney for Trans Union Corp., N. E. Nilsson, assistant treasurer, Walgreen Drug Stores; and Ralph A. Parilla, administrative coordinator for Pepsi-Cola General Bottlers, Inc.

SCHAIBLE

RING

HANSEN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Plus

Product Testing and Product Claims • Product Liability Suits and Ways in Which Corporate Managers can Cooperate with Defense Counsel • Product Withdrawal Expense Insurance • Government's View of Product Safety

The Product Liability Workshop will be held at the new Hyatt Regency O'Hare, less than five minutes from Chicago's O'Hare airport. The hotel has reserved for the workshop a block of modern rooms at attractive rates. Registration for the workshop starts at 3 p.m., October 23, followed by a get-acquainted period at 5 p.m., dinner at 6 p.m., and opening-evening work sessions at 7:30 p.m. Because of the intensive nature of the workshop, on the following day registrants will be kept busy until the workshop adjourns promptly at 4:30 p.m.

To enroll, use the coupon below or

phone 800-243-6000 toll-free

from anywhere in the U.S. Connecticut registrants should call 1-800-882-6500. A Listfax operator will take all necessary information and your enrollment will be confirmed immediately by Business Insurance.

business insurance PRODUCT LIABILITY WORKSHOP

Please enroll me in the Business Insurance Product Liability Workshop to be held Monday, October 23, and Tuesday, October 24, 1972, in Chicago. My registration fee of $140 is reduced to only $115 if you receive payment by September 29. If my plans change and I can not attend, I will get a complete refund if I notify Business Insurance by October 5.

☐ Payment Enclosed ☐ Bill my company

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Please make checks payable to Business Insurance Workshops, and mail to Business Insurance, Workshops, 740 Rush Street, Chicago, Illinois 60611.

YOU SAVE $25 IF YOUR FEE IS PAID BY SEPT. 29 AND $50 IF YOU REGISTER FOR BOTH WORKSHOPS AND PAYMENT IS RECEIVED BY SEPT. 29.
(See ad on facing page).

	Your Cost if paid by September 29	Cost After September 29
Product Liability Workshop	$115.00	$140.00
Product Liability Workshop and Benefits Communications Workshop	$200.00	$250.00

Fee for each workshop includes participation in all sessions; one dinner, breakfast, lunch, 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 is a $25 service charge for cancellations received between October 6 and October 13.

ABA asks states for limited form of no-fault

SAN FRANCISCO—The 315-member American Bar Assn. house of delegates has rejected a "let's take more time" proposal of the board of governors and will urge state legislatures to enact a limited form of no-fault auto insurance.

The house of delegates sets policy for the 158,000-member nationwide association of attorneys.

Earlier, the smaller board of governors had recommended that the ABA "take no action on no-fault auto insurance reform until at least next February." The board recommendation, according to outgoing ABA president Leon Jaworski, was because "the members and delegates have not had time to review the 61 page model law proposed by the National Conference of Commissioners on Uniform State Laws or to compare it with prior ABA no-fault proposals."

The house of delegates, in rejecting the "no action now" recommendation, supported a reform plan which does not basically change the so-called "tort" liability system in which injured persons may go into court and sue for damages.

THE FORMAL ABA recommendation urges each state to adopt compulsory liability insurance with limits of $15,000 in coverage for injury to each person, $30,000 for each accident, and $5,000 for property damage.

Coverage for bodily injury involving uninsured motorists also would be required along with "first party" coverage in the liability policy providing that an injured person could recover up to $2,000 from his own insurance company regardless of fault.

The committee which prepared the ABA model no-fault law asserted that "over 93% of auto accident victims sustain economic loss under $1,500 and another 3% between that sum and $2,500.

"Thus a first part auto insurance system which would pay up to $2,000 per person injured in an auto accident would cover the total economic losses sustained by nearly 95% of traffic accident victims."

THE HOUSE of delegates rejected a key section of the model law that would have limited general damages for pain, suffering or mental anguish unless the injured person's medical bills exceeded $500 or death or disability resulted.

Had this provision been adopted, lawsuits for minor injuries would have become uneconomical both for the injured person and for his attorney. The Massachusetts no-fault law bans lawsuits in instances where medical bills are under $500.

The delegates substituted for this controversial section a statement in opposition to federal legislation in auto insurance field.

A group of 35 state bar association presidents, the ABA's young lawyers section, the section on general practice and the section on insurance all had urged the delegates to take the unusual step of over-ruling the no action recommendation of the board of governors. ■

Exec warns of U. K. product liability trends

LONDON—Product liability cases are springing up so rapidly in the U. S. that by 1975 they may total a million a year in court actions.

This glimpse of the future was given by Leslie Dew, prominent Lloyd's underwriter for the Roy J. Merrett syndicate, at a meeting of the Reinsurance Offices Assn. He predicted: "The number and dollar value of such liability settlements and judgments may ultimately outstrip all other forms of liability exposure.

"In 1960 the number of products liability cases heard in all courts in the U. S. A. was 50, and for 1970 it increased to 500,000. Can one doubt that the 1975 figure will be double?"

DEVELOPMENTS in the pharmaceutical industry, the evolvement of new drugs, even more lethal pesticides and fertilizers, and the resultant pollution hazard were named by Mr. Dew as a "test of the insurers' nerves." The progress in the search for new materials in the manufacture of turbine blades, he said, presents a very real increase in exposure to new and unexpected risks.

Strict liability is another increasing trend, and though its present impact is largely in product liability, professional people concerned with production—such as designers and consultants—are liable to be affected.

Mr. Dew explained: "This legal concept makes a producer strictly liable for damages to consumers even though there is no contract or other direct relationship and no showing of negligence.

"Strict liability is not absolute liability or liability without fault, as a defect or unreasonable hazard must exist, or presume to exist, at the time a product left the manufacturer or producer. It covers equally both the buyer and the innocent bystander.

"Hitherto most liability policies have been founded on the proof of negligence. This new concept, already establishing itself in connection with products and likely to extend into other areas, is of crucial importance." ■

letters

Continued from page 16

ted on both the Congress and the public, since this has been represented as only a 20% increase. Does this mean we will just have to dig down deeper into their once again, to pay for benefits with a hidden price tag? Somehow, somewhere, someone has to be accountable to the American employer and the American public who will once again have to dig down deeper into their pockets for a "government over-run." On the other hand, can the ground swell be strong enough to stop a cost "over-run" before it becomes effective?

Irving Backman
Irving A. Backman & Associates, Boston, Ma.

Health idea may die

SALT LAKE CITY—A proposal to reward Utah state employes with a month's free health insurance payment for each day of unused sick leave has been recommended to the state board of examiners.

Leonard W. McDonald, executive director of the state retirement board, who made the proposal, said that "such a proposal would reward employes who do not abuse their sick-leave privileges."

He said that the plan would be especially valuable for those who, for one reason or another, are forced to terminate employment prior to reaching age 65, since, with a little foresight, hopefully, they could accumulate enough sick leave to pay for health insurance until they could qualify for Medicare.

However, the board of examiners, which is made up of the governor, secretary of state and attorney general, said it had no authority to act on the proposal.

A spokesman for the attorney general's office said that the proposal would require an additional state appropriation to fund the plan and the examiner board cannot appropriate funds. The appropriation would have to come from the state legislature which will meet in January.

In his letter to the board of examiners, Mr. McDonald also said that several attempts have been made in the past to obtain State Public Employes Assn. support of a program to permit continuation of a modified state health insurance program for employes after retirement. But this proposal would place the entire cost for the health insurance upon the retiree.

"This proposal has not attracted support," said Mr. McDonald, "due mainly to the fact that a package insurance program for both active and retired members might increase the cost for the active employe."

dates for buyers

September 22, Northern Indiana chapter of the Society of Charterec Property Casualty Underwriters risk management clinic, Marriott Inn, Fort Wayne, In. For more information write Oscar C. Mitson Mitson Ward Inc., 807 Commerce Bldg., Fort Wayne, In. 46802.

September 25-26, American Management Assn. briefing session, "Mergers and acquisitions in insurance agencies and brokerage firms," Barbizon-Plaza Hotel, New York City. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

September 25-27, American Management Assn. orientation seminar, "How to assess risk, and form a plan of action for your company," and workshop seminar, "Risk management—cash management—how they can pull together to hold the line on costs," AMA management center, Chicago. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

September 25-29, American Management Assn. course, "System safety analysis," AMA headquarters, New York City. For more information write John Gregory at the AMA, 135 W. 50th St., New York, N.Y. 10020.

September 27, Washington State chapter of ASIM annual all-industry insurance conference, Washington Plaza Hotel, Seattle. For more information write Cheri J. Hawkins, ASIM publicity chairman, Weyerhaeuser Co., Tacoma, Wa. 98401.

October 2-3, American Management Assn. orientation seminar, "OSHA compliance for the small company," Sheraton Lincoln Hotel, Houston. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

October 2-4, Society of Chartered Property and Casualty Underwriters annual meeting, New York Hilton, New York City. For more information write CPCU, P.O. Box 566, Media, Pa. 19063.

October 2-4, American Management Assn. orientation seminar, "Long-term disability management," AMA management center, Chicago. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

October 2-4, American Management Assn. workshop seminar, "Risk management—cash management—how they can pull together to hold the line on costs," Sheraton Lincoln Hotel, Houston. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

October 4-6, Institute of Noise Control Engineering INTER-NOISE 72, Shoreham Hotel, Washington, D.C. For more information write Malcolm J. Crocker, general chairman, INTER-NOISE 72, Ray W. Herrick Laboratories, School of Mechanical Engineering, Purdue University, Lafayette, In. 47907.

October 23-24, *Business Insurance* Product Liability Workshop, Regency Hyatt House, Chicago. **October 24-25,** *Business Insurance* Employe Benefits Communication Workshop, Regency Hyatt House, Chicago. For more information write Workshops, *Buniness Insurance*, 740 Rush St., Chicago, Il. 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, Il. 60603.

In just 1½ days we can bring you completely up-to-date on one of the most important management tools in use today . . .

business insurance BENEFITS COMMUNICATION WORKSHOP

October 24-25, 1972
Hyatt Regency O'Hare • Chicago

This unique 1½ day course is designed to teach you practical methods and give you examples of how to communicate benefits to your company's employes. Your faculty of experts will—in only one night and one day—involve you in eight hours of intensive instruction and discussion. They will teach you how to use communication techniques to increase employe morale, company loyalty and productivity. They will also show you how to accomplish this most effectively and efficiently, while saving you unnecessary expense. These experts were brought together from the fields of communications, graphic arts, benefit plan design and employe benefit administration to show you how to translate your benefits program into effective brochures, computer printouts, letters, employe publications and audio-visuals. They will discuss how to meet proposed changes in state and federal legislation concerning employe benefits communication. Since so many Business Insurance readers have already expressed a desire to be enrolled in this workshop, reservations must be accepted on a first-come, first-served basis. **Don't wait.** Mail the registration form today, or telephone your enrollment toll-free from anywhere in the U.S. Remember—you save $25 if your tuition is paid by September 29!

Program Highlights

- **Listening to Employes on Benefits**
  Dr. Charles McDermid, President, Management Psychologists
- **Describing Employe Benefits**
  Howard Peck, Partner, Hewitt Associates, and Contributing Editor, Business Insurance

PECK

- **Reporting on Employe Benefits**
  Edward T. McCaffrey, Manager Halltech Associates
- **Describing Cafeteria Benefits for Executives**
  Ned A Miller, Vice President, Compensation Planning Group, and Contributing Editor, Business Insurance

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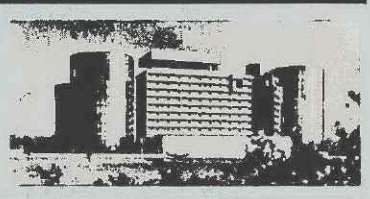
Benefits Reporting Requirements • How Corporations Communicate their Benefits Story to Workers on Diverse Salary Levels • The 1972 Business Insurance Benefits Communication Awards Dinner.

The Benefits Communication Workshop will be held at the new Hyatt Regency O'Hare, less than five minutes from Chicago's O'Hare airport. The hotel has reserved for the Workshop a block of modern rooms at attractive rates. Registration for the workshop starts at 3 p.m., October 24, followed by a get-acquainted cocktail/social and the Benefits Communication Awards Banquet. Because of the intensive nature of the workshop, on the following day registrants will be kept busy until the workshop adjourns promptly at 4:30 p.m.



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Please enroll me in the Business Insurance Benefits Communication Workshop to be held Tuesday, October 24, and Wednesday, October 25, 1972, in Chicago. My registration fee of $140 is reduced to only $115 if you receive payment by September 29. If my plans change and I can not attend, I will get a complete refund if I notify Business Insurance by October 5.

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(See ad on facing page).

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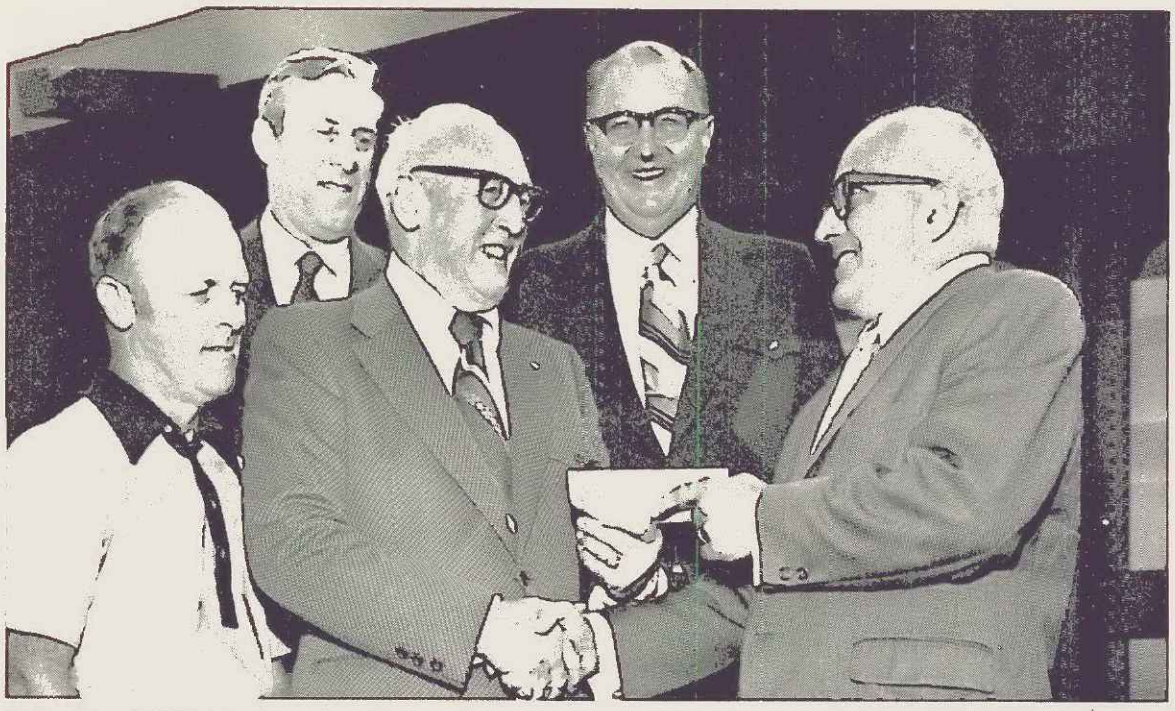

A check for $250,000 gets smiles all around when it is presented to Edwin Stuchell (center), president of Biles-Coleman Lumber Co., by Dick Small (right), vp of Cravens-Dargan & Co., insurance compan ymanagers. Looking over shoulders at the advance claim payment ceremony are (l-r) Harry Stuchell, vp, Biles-Coleman Jim Young, vp, Toplis & Harding, adjusters; and Stan Taylor, exec vp, LeBow Haynes & Co. Inc., Seattle insurance brokers.

Advance $250,000 on lumber fire claim

TWISP, WA.—Insurers had made an advance payment of $250.000 on a property damage and business interruption loss that occurred as a result of a fire that swept through a wood planing mill in this small lumber town west of Seattle July 30.

The total claim is expected to surpass the $1 million mark and insurers expect that it will be completely paid by the middle of this month.

The loss occurred at the Biles Coleman Lumber Co., which has substantial lumbering holdings in the state of Washington. Biles Coleman's entire operations are insured under a $30 million policy. The lead underwriter is the Service Fire Co. of New York, although the policy is written on a wide participation basis and a number of insurers and reinsurers will participate in the loss.

Biles Coleman's agent on the business is Labow Haynes & Co. Inc. of Seattle. Labow Haynes, in turn, placed the cover through Cravens-Dargan & Co., West Coast-based insurance company managers representing a number of insurers in underwriting, claims handling, accounting and engineering of risks. Cravens-Dargan specializes in insuring wood lumber processing risks.

"THIS WAS the most substantial industry in the town," said Robert Reynolds, a Cravens-Dargan vp, "and we advanced the payment quickly (within 15 days) because we wanted to get people back to work fast and help the community recover economically as soon as possible." Mr. Reynolds said that the $250,000 has helped the lumber company get on with the business of buying new equipment and rebuilding.

The total loss, including business interruption and extra expense costs, "has just about been settled and we expect to have the balance to the company by the middle of September," Mr. Reynolds said late last month.

The total loss will exceed $1 million, he added, noting however that insurers feel business interruption losses may have been substantially reduced by the promptness by which the advance payment was made. Extra expense losses, such as overtime costs, will be considerable, through.

The building in which the loss occurred was "large and open—typical of many lumber producing operations," said Mr. Reynolds. It was sprinklered, he added, but the unexplained fire swept through it rapidly. The plant employed "several dozen people" and is the largest industry in the town. ■

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They should know about the one thing most employees are in the dark about. Their company benefits.

We don't have to tell you how much of an incentive benefits can be. Except when your people don't know what they are. Or understand them. In which case, the benefits aren't doing either of you much good.

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It's a personalized annual statement that spells out each benefit to each of your people. Clearly and quickly.

We were the first to come up with this kind of service. We turned computer statistics into language people understand. Plain English.

We've made Benefacts so accurate, many companies use it in auditing their pension funds. And it's so complete a service that over 300 of the nation's leading corporations wouldn't dream of using anything else. In-house or otherwise.

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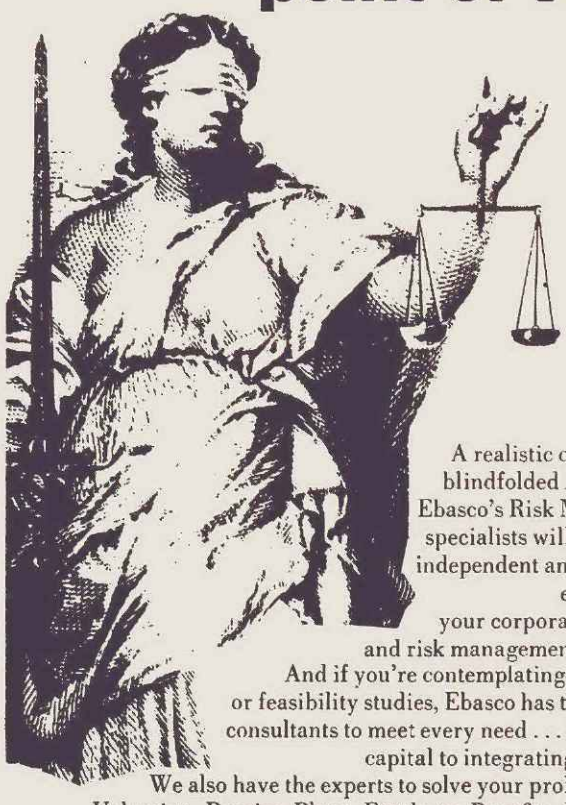

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OSHA extends 'target' inspection program to four additional states

WASHINGTON—The Occupational Safety and Health Administration has extended to four additional states the special compliance inspections under OSHA's Target Industry and Target Health Hazards Program.

The new states that will begin conducting inspections in target industries with high frequency rates are Alaska, Arkansas, South Carolina and Tennessee.

The addition of the four will bring to nine the number of states now actively cooperating with OSHA in the plan. Three states formerly participating in the program—California, Florida and Oregon—have completed contracts with the government. Other states now participating are New York, North Carolina, Pennsylvania, Washington and Illinois. The latter three, however, complete their contracts at the end of this month.

The target industry program has focused on five industries with job injury frequency rates at least double the national average of 15.2 per million employe hours worked.

The industries under scrutiny and their injury frequency rates are longshoring, 69.9; roofing and sheet metal, 43.3; meat and meat products, 43.1; lumber and wood products, 34.1; and manufacturers of miscellaneous transportation equipment such as mobile homes and campers, 33.3. Altogether these industries employ 1.5 million workers.

The second part of the program deals with occupational health hazards. Inspections are being concentrated in industries that involve the use of five toxic substances—asbestos, silica, lead, cotton dust and carbon monoxide. An estimated four million U.S. workers are exposed to these toxic substances.

Under this program, seven states have been making industrial hygiene inspections since May. Two other states will be added to the program, said OSHA.

"We are expanding both programs," noted George C. Guenther, assistant secretary of labor for occupational safety and health. Mr. Guenther said that an evaluation of the results of state inspections under both the target industry and target health programs have shown a positive impact at both the national and state levels.

"FIRST," said the government official, "although not a sufficient time has passed to permit specific statistical comparisons, we know the target industry program is helping reduce accidents because many employers have initiated new safety programs and have used these inspections to identify and correct hazardous situations."

Cited as a second reason by Mr. Guenther is the feeling that the program is aiding the states in development of plans for ultimately operating their own safety and health programs, "which must be at least as effective as the federal program."

In addition, said Mr. Guenther, "we have been getting assistance from state compliance officers in identifying hazards not covered by federal standards. These data help us improve our own federal standards," he said.

Noting that under contracts with the states OSHA has trained 117 state inspectors for the two programs, Mr. Guenther said that at the end of June these inspectors had conducted 4,690 compliance inspections in the target industries. The inspections, he said, resulted in an average of more than three alleged violations each and led to proposed penalties totaling more than $263,000. The 27 additional inspectors now in training will bring the total of state inspectors to 144. ■

Forms new insurer

TORONTO—Markel Service of Canada Inc., writing fleet liability and physical damage coverage and offering inspection services in Canada, has formed a new general insurance company here.

Markel Insurance Co. of Canada has been set-up as a result of the formation of a new holding company, Markel Financing Holdings Ltd., Toronto. That firm in turn has sold 60% of Markel Insurance Co. issued shares on the Canadian market in a deal valued at about $4 million.

Markel Service Inc. of Richmond, Va., will hold the remaining 40% interest in the company.

Markel Service of Canada Inc., formerly a wholly-owned subsidiary of Markel Services of Richmond, reported premium income of about $8 million in 1971 from fleet liability and physical damage and inspection services in Canada. ■

Wash watch

Continued from page 4

with a study by Boeing that showed none. The NTSB is also concerned about the effect of clear air turbulence on smaller commercial aircraft and noted that severe turbulence was reported in otherwise unstormy weather over Phoenix, Az., when a DeHavilland prop-jet with what was determined to be a deficiently designed, "fatigue-fractured" wing went down near there last year killing all 10 passengers and the two-man crew.

Clear air turbulence has been known to knock engines off planes —though, amazingly, without disastrous results according to the Flight Safety Foundation—and of course any number of passengers have been jostled by it to one degree or another. Stories of people who refuse to fly because of turbulence experiences are not uncommon, and critics of air line administrators, including consumerists who point to an "on time" preoccupation as dangerous, want the FAA to move for strict rules on flight courses in rough weather.

The airlines and veteran users tend to shrug a lot of this off, but enough concern is there for the Flight Satety Foundation, which is supported by the carriers plus banks and insurers, to call clear air turbulence "one of the major unsolved problems" of air travel.

David D. Thomas, the foundation's president, sounded hopeful of a breakthrough instrument development enabling aircraft to detect rough areas before reaching them. "But all we know now is that there's a lot of research and development being done on it," he stated. He added that where the big jet generation is concerned, size gives the advantage of more room for many additional "built-in safety aspects." On balance these have "an excellent safety record," said Mr. Thomas. "And they can be made stronger and better." ■

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Aetna...

Continued from page 12

view panel as well. The AMA has said, however, that in communities that do not have peer review committees disputed fees would be reviewed by the local medical society.

JOHN A. ROWLAND, secretary of the AMA's council on medical services agreed in an interview shortly after the Chicago meeting, that peer reveiw of questioned fees "would serve over a period of time to standardize feels." However Mr. Rowland denied that peer groups would condone or actually promote higher fees. The committees, he said, would merely set the prevailing fees according to what doctors in a given area were charging.

A quick critic of the Aetna-AMA agreement was Herbert S. Denenberg, Pennsylvania's vocal insurance regulator. Mr. Denenberg, who termed the move "an abdication of responsibility" by Aetna, noted: "We're trying to get the insurance companies to go after the doctors aggressively —but this is a weaker system of cost control than they now have."

An employe benefits man with a large New Jersey-based firm tended to agree and noted that he felt the ultimate loser would be employers, who foot a major portion of the nation's medical bills for their employes.

Moreover, he noted, companies like Aetna are negotiating an increasing number of "administrative service only" (ASO) group health plans; plans, that is, which are serviced by insurers but whose ultimate costs—excluding catastrophic losses which are usually insured under excess or stop-loss contracts—are paid for by employers.

"IN THESE particular contracts," said the benefits man, "Aetna doen't really give a damn what it pays a doctor on behalf of a patient, for the cost is billed to the employer who, in effect, is self-insuring the expense. Companies like Aetna have had an enormous amount of economic clout in the past—though they haven't always used it—but with an ASO contract they no longer have a direct stake in what they're paying on behalf of an employer's insured," he observed.

Aetna's group insurance divison vp, Daniel W. Pettengill, has disputed this somewhat by saying that peer review of doctors' fees won't necessarily mean higher payments.

"By and large, I wouldn't expect to see any noticeable rise," he said after the agreement was disclosed. He added that if average payments to doctors actually do go up "it would be because we weren't doing a good job in the first place" in setting prevailing fee schedules.

Mr. Pettengill pointed out that, while the company expects to pay fees that are higher than the going rate if the peer review committee approves them, the insurer will still retain the right to refuse payment of bills it considers excessive.

MOREOVER, he said, the insurer will continue paying legal fees of claimants sued by doctors over unreimbursed charges. The company, however, will no longer announce that fact to insureds prior to review by the peer committee.

Yet another critic of the Aetna-AMA move is Dr. Sidney Wolfe, co-director of Ralph Nader's health research group in Washington.

Dr. Wolfe said, "there is little evidence that peer review is an effective means of self-policing by doctors" and, he asserted, the peer review of fees means that already reasonable and customary means that the fees "won't be any more regulated than in the past."

Moreover, the Nader colleague doesn't think much of Aetna's recanting under pressure from the AMA. "Here's a company that took a responsible step in trying to place a ceiling on fees. But medicine steps in, fights it tooth and nail, and wins." ■

Guidelines approved for wrap-up packages

MADISON, WI.—Guidelines for companies desiring wrap-up packages for workmen's compensation on big construction jobs were approved by the State Industry, Labor and Human Relations Commission.

Philip Lerman, commission chairman, said it was a "revolutionary" move for the construction industry in Wisconsin. John Zinos, a member of the commission, said the guidelines would assure high class safety programs for construction jobs, including such elements as a first aid station, industrial nurse, safety coordinator and safety training.

To qualify for a wrap-up package under the guidelines, the construction project must be at least a $10 million job or have anticipated compensation premiums totaling $125,000.

THE JOB would have to be at one site except for such projects as pipelines, tunnels and bridges with one owner or contractor.

All contractors and subcontractors would be included in the designated carrier plan unless their contracts were for less than $10,000. Material suppliers would be covered by the safety program but not the insurance package.

The wrap-up carrier would cover the entire risk on the job but individual compensation policies would be issued to each contractor.

A number of the guidelines were adopted from a successful program in Florida, commission members noted. The main reason for grouping the risk is to achieve the best accident prevention record and to cut the costs of those mishaps that do occur, it was pointed out.

The commission's action was taken on a request by First Wisconsin Bankshares Corp. which is building a $12 to $14 million bank here. Conferences on the request have been in progress for more than six months.

Two years ago the commission turned down a similar request by the company for a wrap-up program to cover a bank project in Milwaukee. The commission said it would look at projects on a case by case basis but that since the Madison project already has been started it would act on a definite plan to meet the guidelines within 30 days. ■

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Ohio reciprocal offers malpractice, fire, liability cover for nursing homes

COLUMBUS, OH—Stock is now being sold for Conva Indemnity Insurance Co., a new, Columbus-based reciprocal which will specialize in writing fire, malpractice and premises liability coverage for nursing homes.

Ralph D. Warne, founder of the new company and head of Warne & Associates, an agency which has been writing nursing home insurance for the past 15 years, stated that Conva will operate as "a non-assessable reciprocal that will provide a market for any licensed nursing home.

"Nursing homes will pay their premiums and nothing more," Mr. Warne said, noting that the chief advantage of the new system will be that it is "less expensive and less complicated" than the insurance plans currently being utilized.

For nursing home operators, lower premium payments should result from the simplified methods to be used by Conva, Mr. Warne stressed. Conva will sell the nursing home coverage through agents nationwide on a 20% commission basis.

OTHER institutions which provide nursing home services may also receive coverage from Conva. Hospitals will not be included, but old age homes and convalescent centers are eligible. The same standards will apply to both private and public institutions.

Nursing homes will be evaluated on a per capita basis for determining premium payments with the amount varying according to whether the care given is custodial or intermediate.

Mr. Warne anticipates that Conva will collect $550,000 in premium payments during the first year of operation. By the fifth year, the premiums are expected to rise to $1.5 million.

AS A NEW company, Conva will face certain limitations. During the first 12 months of operation, for example, Conva will be limited to third party liability coverage. Although patients and the general public will be insured for personal injury in the event of fire, property liability for fire damage will not be included. Mr. Warne does anticipate that the coverage will be available after the initial one year period.

When asked which companies or persons were expected to buy stock in Conva, Mr. Warne stated, "Anyone can. Individual nursing homes will probably purchase the most stock, but we encourage private agents to buy stock in Conva as well."

STOCK FOR Conva may be purchased only in Ohio since the reciprocal is working through Ohio licensing laws. This will not affect the policy of nationwide coverage for nursing homes, however. The only prerequisite a nursing home must meet to obtain insurance from Conva is that it must be licensed. Mr. Warne commented that this measure would keep coverage limited to those homes which meet city and state health codes.

Conva, which is an abbreviation for "convalescent," should be in operation after March, 1973, Mr. Warne said. Once formed, the new company will have no connection with any other insurance company dealing in nursing home coverage. ■

Brunswick's Krikorian leads ASSE

PARK RIDGE, Il.—Michael Krikorian has been elected president of the American Society of Safety Engineers (ASSE) for the 1972-1973.

Mr. Krikorian, corporate manager of safety for Brunswick Corp. Chicago, assumed his new office in July. He had previously served the society as first vp during 1971-1972.

As manager of safety for Brunswick, Mr. Krikorian has a myriad of responsibilities including the implementing and managing all policies and guidelines for the safety, occupational health and security for Brunswick's 21,000 employes at 41 plants.

MR. KRIKORIAN told *Business Insurance* that he and his safety management staff are constantly on the watch for developing acci-

Michael Krikorian

dent trends. "When we spot one," he said, "safety officials at each of the plants are notified and immediate corrective procedures are started to snuff out the trend at its origin."

ALTHOUGH some companies view OSHA as they would a cholera epidemic, Mr. Krikorian stated that, "OSHA has had very little impact on Brunswick because over the years we have been constantly upgrading our safety and health programs." In Mr. Krikorian's nine and a half years as manager of safety the corporation has had a 75% drop in accidents.

To further assist in improving the safety record, Mr. Krikorian commented, "Brunswick is currently undergoing Search I Phase II, a program which is actively developing an educational curriculum to sharpen personnel ability to spot accident potential."

There are more than 10,000 members in ASSE, and as the new president Mr. Krikorian wants to see the society become a stronger and more "vocal force in the safety of this country."

Mr. Krikorian is a graduate of the University of Pittsburgh, and has been employed in his present position since joining Brunswick in 1963. Prior to that time he was a safety engineer with Reynolds Metals Co., Richmond, Va. ■

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OSHA will make this mandatory

Safety net a lifesaver on grim circus catches

ST. PAUL—A portable net-on-wheels, one recent development in bridge construction safety equipment, is being used for the first time by the Oster-Pederson Co., contractors for an interstate bridge over the St. Croix River which connects Wisconsin and Minnesota.

The firm designed the net (such devices will eventually become mandatory under OSHA) and introduced it with this project. Supported by a machine that moves with the workers, the net hangs underneath the bridge's steel girders and would catch a worker should he fall while working.

Prior to the advent of the net, steelworkers relied on tying off with safety chains attached to leather belts. As a double precaution, such safety chains, life jackets and hard hats are still required, according to Joe Palzkill, project engineer for the State of Wisconsin.

AT ALL times, he added, there's a boat on duty cruising up and down the St. Croix to retrieve anything from bolts to tools to the possibility of a worker falling into the water. However Mr. Palzkill cautioned, falling bolts or tools usually land on a wooden platform underneath the net, which prevents them from possibly landing on a passing pleasure boat.

Tools are secured in harnesses worn by the workers and the bolts are stocked in barrels located on girders an arms length from the workers.

Considering that the bridge workers are well experienced in bridge construction Mr. Palzkill noted they are ingrained with the idea that safety comes first. Because of this safety awareness, he said, "our accident rate has been low and those accidents which have happened have been minor."

Once the steel erection is completed and the deck formed, the worry of having men working over the water will be eliminated, the Wisconsin engineer pointed out. After this point in construction, the deck serves as a floor.

JIM STEIGER of Oster-Pederson Co. oversees the steelworkers, using meetings to talk over problems and stress safety regulations. His men report hazards to him and he must oversee corrections.

Mr. Steiger maintains first aid kits on the working barges, has emergency numbers posted in the construction shed and has given ambulance services directions on how to get to the shed. Two Oster-Pederson employes have also participated in a first aid course conducted in Minneapolis.

Accident reports must be filled out on all injuries no matter how minor—dirt in the eye or a cut finger is typical of the usual type accident—and are filed with insurance carriers and the state industrial commission. Members of the commission are present at the site periodically to check workmanship and safety regulations. According to Mr. Palzkill, "it's up to the industrial commission to enforce the rules. If we see a violation then we call the commission. If faulty materials, poor workmanship or failure to comply with regulations are found, then the commission can hold up payments to the contractor."

SAFETY HAS been stressed not only in the construction of the bridge but in its design and fabrication as well.

The new bridge, which is going up alonside the current bridge, will carry one-way traffic and will be wider. It includes a pedestrian sidewalk separated from the traffic by a safety curb and rail. The bridge curbs are shaped so that a car striking the curb will be pushed back.

All prefabricated materials used in the construction of the bridge are inspected by the Minnesota state department of highways. Robert Manson, assistant structural metal engineer for the department, and his inspection group maintain an office at the Maxson Co., St. Paul, fabricators for the project.

Mr. Manson and his group check everything going from the fabricating plant to the bridge site. Steel used in the construction is checked once it reaches the Maxon Co.

THE INSPECTION group runs a battery of tests to help identify surface or internal flaws. All critical welds are tested 100% and other welds spot-checked. If a defect is found the entire weld is checked. "One of the basic tests we use is to make a mock-up of a particular weld to check its physical properties and to be sure we have a workable welding procedure," Mr. Manson explained.

During fabrication, visual inspections are made of all materials and, with the help of a weld guage, the size and shape of welds are checked. Sometimes, according to Mr. Manson, a bad weld can be corrected but they usually must be replaced.

Internal defects in a weld can be spotted by running a variety of tests, one being a magnetic particle inspection. Iron powder is squirted on a particular weld and the reaction of this with the weld when a strong magnetic field is applied will indicate a weakness.

RADIOGRAPHIC pictures, x-rays and ultrasonic testing also detect internal defects. In ultrasonic testing not only the welds are tested by the strength of the steel itself. The pattern indicated by a sound impulse denotes whether there's a defect.

Such tests plus others are used to make accurate evaluations of materials going into the erection of the interstate bridge. Virtually nothing leaves the Maxson site until it receives the stamp of approval from Mr. Manson or a member of his group. Because, he contends, a little extra precaution now will prevent problems from showing up once the bridge is open to the public. ■

Backs bill to protect pensions

HARTFORD—Attorney Jules S. Tarlow, prominent West Hartford Republican, is backing proposed legislation to protect the pension benefits of both municipal workers and workers in private industry from creditors.

The measures are expected to be introduced into the upcoming state legislative session. One would protect municipal employes, whose pension benefits at present can be attached by creditors. The other would exempt the pension benefits of all persons in the private business sector from attachment.

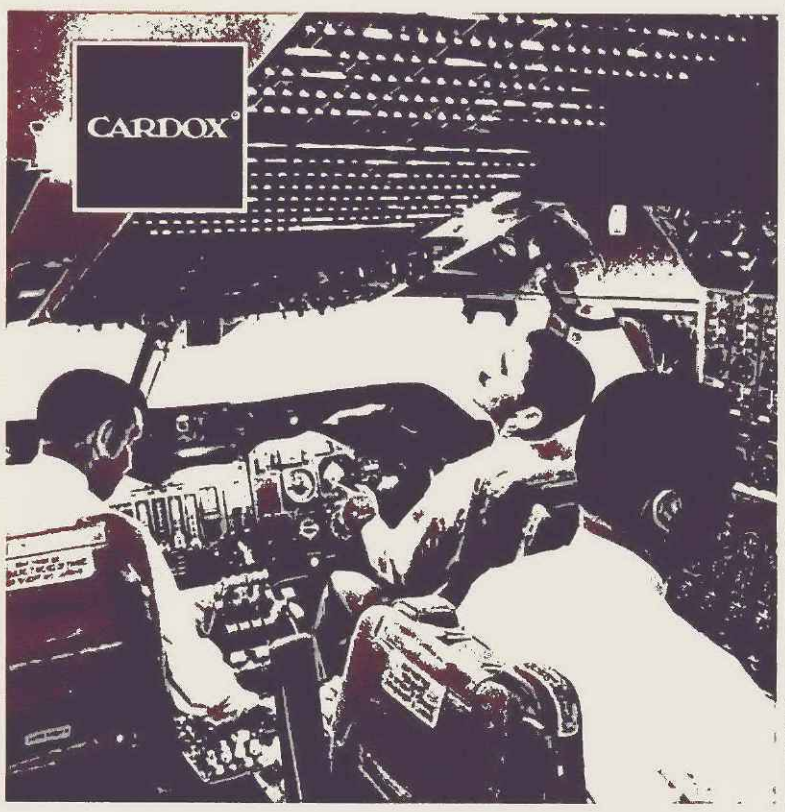
State employes and municipal employes whose pension funds are handled through a state-administered program are already protected by law.

Mr. Tarlow added, "It would therefore be most logical to exempt municipal employes whose town administers the pension program. And if you protect state and municipal employes, then exemptions for persons in private industry also would be logical.

"A lot of people think they're already exempt," he continued. "For instance, the West Hartford town pension plan has a clause which says its funds are not attachable or subject to creditors' claims. But, just saying that the benefits aren't attachable, doesn't make it valid; a state statute is needed to give these words the force of law." ■

Connolly leaves TWA

Dennis T. Connolly, formerly director of insurance for Trans World Airlines Inc., has joined Wilson & Allen Inc., insurance brokers, as vp in New York. Mr. Connolly, who took over the insurance duties at TWA in 1968, also worked for a short time at Eastern Air Lines.



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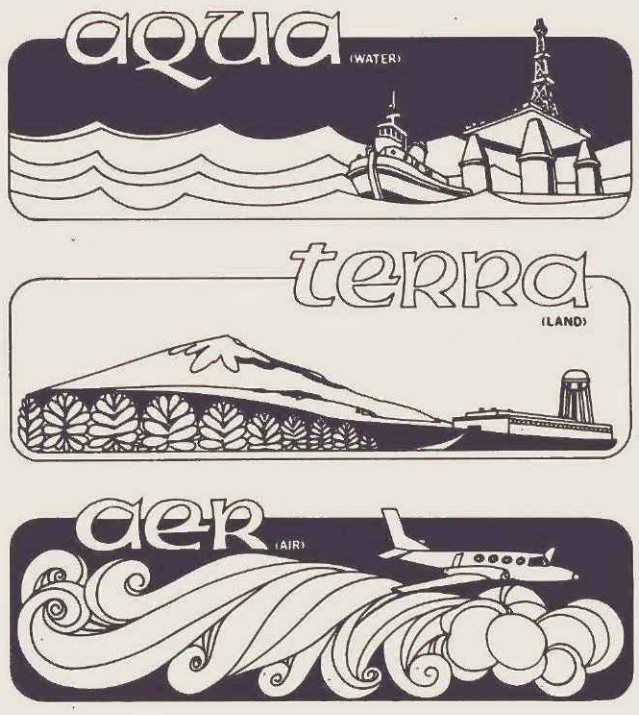

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Lloyd's

Continued from page 38

writers to whom *Business Insurance* later talked was that Lloyd's will have to be more selective in its acceptance of risks if premium ratings get too close to loss-making standards.

It will still give the finest service in its specialist field and support both old and new clients to the best of its ability. But until interest rates drop in monetary circles, there will be the temptation for the new financial conglomerates to attract premium income at all costs, and reinvest these funds in the hope of useful returns from the "money market" even if the insurance side shows losses. This is a new type of threat to which even Lloyd's does not yet know the answer.

FRANK BARNER, chairman of Lloyd's non-marine side, told *Business Insurance:* "The outlook for our worldwide non-marine account is one of reducing profit margins due to the intense competition, particularly in the U.S.A."

He believes surplus line and reinsurance business is getting more competitive, with life insurance companies beginning to move in, but that fire risks and third party liability are getting to non-economic levels. "If competition is reasonable we can live with it, but otherwise we will have to let it go by until rates become economic again," he said.

David Gilmour, chairman of Lloyd's aviation underwriters association, confirmed: "Competition and rate-cutting presaged in last year's report has not slackened off, though signs are now appearing of a leveling out of hull rates. This situation has partly been brought about by a higher incidence of aviation losses. Products liability in the aviation field, particularly in the U.S., continues to cause serious concern.

"This is partly due to late advices, but also to the alarmingly high awards being handed out by U.S. juries, very often with a large element of punitive damages. War and hijacking-type losses have not slackened, and threats of extortion and ransom demands complicate this section of the business."

Thomas B. Duncan, chairman of the marine section at Lloyd's, affirmed tha the American Marine Insurance Syndicate was moving more widely into world competition in this field, and so were some other countries' insurers.

The overall effect is that Lloyd's will still remain the world's leading insurance center, but will refuse to chase premium income if rates get too low, preferring to have capacity in hand for the risks whenever the demands are made upon it. ■

Insurance exec debates ABA's no-fault plans

SAN FRANCISCO—Louis W. Niggeman, chairman of Fireman's Fund American Insurance Co., this week described the auto insurance proposal of the American Bar Association as having "little if any semblance of being a no-fault auto insurance reform."

The house of delegates of the ABA, in convention here, voted to urge individual states to adopt a system for paying limited first party benefits to auto accident victims.

"Unfortunately," Mr. Niggeman said, "the ABA action is being regarded as an endorsement of modified no-fault auto insurance. The system recommended by the ABA is not no-fault auto insurance," Mr. Niggeman emphasized. "The system would place absolutely no limitations on lawsuits for general damages, the so-called pain and suffering benefits.

"It certainly is improper to call this no-fault when none of the fault-finding has been eliminated. The ABA proposal is a first party benefits system and that is all.

"THE PROPOSAL," Mr. Niggeman continued, "would require payments from the accident victim's own insurance company. Up to that point, the proposal is a step in the right direction, although the $2,000 limit on benefits is woefully inadequate for the seriously injured auto victim.

"The net effect of the ABA program," Mr. Niggeman charged, "will be an increase in auto insurance premiums. It is a matter of simple arithmetic. The ABA plan promises to pay benefits to more people but it does not eliminate any of the wastes and costs of the tort and liability system.

"THE ONLY way premiums can be contained or lowered," Mr. Niggeman warned, "is by restricting lawsuits. The ABA program is not the answer to the shortcomings of the present system.

"The ABA proposal fails to provide compensation for the seriously injured victim and it fails to cut out the high costs of fault finding. It falls far short of the U.S. dept. of transportation recommendations for reform." ■

Ask medical insurer check

PHOENIX—Arizona state insurance director Millard Humphrey has requested tighter legal controls over group medical insurers.

He called on the 1973 Arizona legislature to upgrade the requirement for reserve funds under a statute once drawn for the benefit of Blue Cross-Blue Shield. He pointed out that the Blues have done a creditable job under the law but under-capitalized, fly-by-night companies may injure Arizona subscribers if allowed to operate under its terms.

The low-reserve stipulation constitutes a "drop in the bucket," he stated, and should be raised to a safe level, "ideally enough money to operate for six months."

The Blue Cross-Blue Shield law allowed a 30% draw the first operating year for administrative costs, 25% the second and 20% thereafter. Reserve funds required were to be leveled off at $25,000. "A catastrophe or epidemic" could promote bankruptcy among under-financed companies, at the expense of policyholders," Mr. Humphrey asserted. ■

Name new trustee

Mrs. Marian Taylor of Bennington, Vt., chairman of the Vermont state board of education, has been elected to the board of trustees of the Vermont-New Hampshire Blue Cross.

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Publish Agent/Broker Profiles as Directory

Because of the demand for the profiles, tables, charts and analyses contained in the July 31 issue, this information will be 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 will contain 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, Il. 60611.

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Unemployed laborers can decline low pay

HARTFORD—A new Connecticut labor department directive will allow unemployed construction workers to refuse jobs that pay too little but still collect state unemployment benefits.

Jack A. Fusari, state labor commissicner, told *Business Insurance that* construction workers will no longer have to choose between taking a job paying below "the prevailing rate" for their capability or losing state unemployment benefits.

As previously reported in *Business Insurance,* an earlier guideline was geared to tighten the unemployment compensation system by identifying what salary would be appropriate for an unemployed individual. This was being applied to workers in the construction field, although they had been exempted.

CONSTRUCTION unions provided considerable criticism of the earlier guideline.

Elwood Metz, business manager of local 478, operating engineers, remarked that one member, a bulldozer operator earning more than $7 an hour, had been referred by the state to a job that would pay $3 an hour. He was told at the time that he had to accept the job or lose state unemployment benefits.

Connecticut unemployment compensation laws specify the necessity for individuals receiving aid to accept "suitable" employment when and where offered.

The laws, however, did not define the phrase, "suitable," until Mr. Fusari put down guidelines earlier this year.

UNEMPLOYED individuals receiving compensation are required to accept employment paying within 15% of their previous salary during he first six weeks of unemployment and within 25% after the first six weeks.

Workers in occupations for which prevailing rates had been established by the state, however, were exempted from the guidelines.

Business Insurance was told that all occupations in the construction field were exempt.

But prevailing rates had been sidelined by many unemployment compensation department interviewers, who were imposing the salary percentage guidelines on construction workers instead.

Business Insurance was told that the labor department's move was a "peace" gesture by Gov. Thomas J. Meskill's administration towards the construction field.

IN RETURN, the construction industry has urged release of funds for state construction in an effort to cut into high unemployment rates.

A union spokesman said a second directive from Mr. Fusari reminded unemployment compensation department interviewers to abide by a 1968 court decision, holding that union members cannot restrict themselves to union jobs and still collect unemployment benefits. ■

Giles...

Continued from page 24

Supp. 2nd 764. A tryout which requires the performance of special skills, relative to the potential employment, "is for the benefit of the employer as well as the applicant," since the applicant's efforts permit the employer to select workers who are likely to be better suited to the available position.

In this sense, an agility test, for example, serves the same purpose as an on-the-job trial performance; since the employer is free to select whatever type of tryout he prefers, his choice of the agility test may well indicate, that on the whole, such a tryout will be of more benefit to him than any alternative test. The court said that the injury here occurred while the prospective employe was in service of the employer. (Ca. Sup. Ct. *Laeng* v. *Workmen's Compensation Appeals Board*. March 6, 1972.) ■

California's FAIR plan now extended

The California FAIR Plan Assn will now write insurance for buildings and contents located in the Green Vally area in northern Los Angeles county, according to Will Wyngarden, governing committee chairman. Certified agents and brokers of California may make application for all classes of fire, extended coverage, vandalism and malicious mischief coverage and sprinkler leakage for commercial risks. The area continues to be open to FAIR plan crime insurance, being within Los Angeles county.

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Workshop...

Continued from page 10

ployes through surveys, individual interviews and group discussions.

• Edward T. McCaffrey, manager, Halltech Associates, who will review effective methods of describing benefits by means of updated benefits statements that bring response from employes.

• Ned A. Miller, vp, Compensation Planning Corp., New York, who will discuss how a company can best communicate cafeteria-style benefits programs for executives.

• Howard Peck, partner in Hewitt Associates and a contributing editor of *Business Insurance*, who will tell of methods of effectively describing benefits to diverse employes.

ON THE PROGRAM of the Product Liability Workshop, which begins with a cocktail reception and dinner on Monday evening, Oct. 23, will be presentations by experts in a wide range of disciplines concerned with the rising tide of product liability claims. The product liability program will continue through 4:30 p.m. on Tuesday, Oct. 24.

New faculty members for the Product Liability Workshop include two men who led discussions at the highly acclaimed *Business Insurance* product liability session in January of this year:

• Michel A. Coccia, an attorney with Baker & McKenzie, Chicago, will again review the defense lawyer's view of product-liability and how product makers can cooperate with defense counsel.

• Donal Breting, vp, Underwriters' Laboratories, will discuss the relationship between product testing, product safety and product claims.

Faculty members previously announced for the Product Liability Workshop include Leonard M. Ring, noted Chicago plaintiffs' lawyer affiliated with the American Trial Lawyers Assn.; Robert Schaible, product manager-liability of Employers Insurance of Wausau; Kaiser Aluminum & Chemical Corp.'s film "Product Liability-Loss Prevention and Control," and a panel of corporate risk managers including 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.

ADMISSION TO all workshop sessions is included in the registration fee as is a workshop notebook containing information on faculty members, discussion outlines and selected articles from *Business Insurance* on product liability and benefits communication.

Workshop participants at both workshops will be served cocktails, dinner, continental breakfast and lunch.

Register for either or both workshops by mailing the coupon accompanying this article or by calling the special telephone numbers listed in the box appearing on page 10.

Early registration fees are $115 for each workshop or $200 for both workshops if tuition is paid by Sept. 29. After that date the fees are increased to $140 and $250 respectively.

Register now by mail using the coupon on page 10 or phone to assure yourself and your associates places at the workshop sessions and reservations at the Hyatt Regency O'Hare near Chicago's O'Hare airport. ■

Lucey opts for no-fault

MADISON, WI.—Gov. Patrick Lucey predicts passage of a no-fault auto insurance law in the 1973 session of the legislature.

He said in a press conference that he favored no-fault insurance and that his administration would promote it. "The near miss in the U.S. Senate and the success (of no-fault legislation) in Massachusetts and Puerto Rico indicate that we have to move in that direction," he said.

The governor's task force on judicial reform recently recommended formation of a special committee to draft a no-fault bill. Gov. Lucey said he has assigned top priority to creation of the committee. ■

No-fault soft approach taken by ABA panelist

SAN FRANCISCO—A panel of attorneys at the American Bar Assn.'s annual meeting here predictably discussed the subject of no-fault auto insurance in something less than friendly terms. One of the speakers, however, pulled his punches a bit.

Speaking to a session of the section of insurance, negligence and compensation law, Guy Kornblum, dean of the Hastings College of Law at the University of California, said, "The only point of agreement among those discussing no-fault is that some change is inevitable."

He felt that this inevitability had made lawyers less resistant to he idea of no-fault and had also "resulted in a change of attitudes by most professional bar groups." Mr. Kornblum said these groups," are compelled to become involved in the movement to achieve automobile reform rather than the movement to oppose it. Otherwise, legislators will be forced to rely primarily on non-lawyer groups for technical assistance and guidance."

It was still unknown, in his opinion, whether no-fault would actually result in fairer compensation for victims, a reduction of court congestion and an equitable premium structure.

"Until we have had experience with these various approaches represented by the different plans that have been adopted by the states which have switched to no-fault, we have no basis for concluding whether no-fault is best and which plan is best," he observed.

In defense of the tort system, Mr. Kornblum pointed out that despite criticism of fault as the means for determining liability and "pain and suffering" as a measure of recovery, the no-fault plans adopted so far had not done away with these ideas.

"There is certainly something to be said for a plan which attempts to make whole all individuals who have suffered minor and moderate personal and emotional injury; yet there is also something to be said for preserving a system which compels an individual who has caused, through his negligence, an injury, to pay for substantial hardship," he said.

"Perhaps a peaceful coexistence of a no-fault scheme combined in some fashion with the tort system is the answer, at least until we determine if one system is superior to the other." ■

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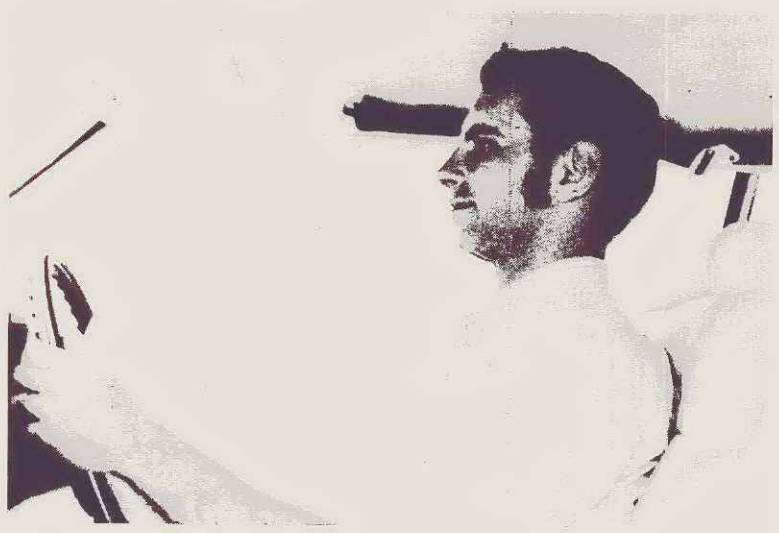
$1 million product liability policy obtained by air bag manufacturer

POMPANO BEACH, FL.—To protect drivers of used cars, Control Laser Corp. here has begun manufacturing "crash cushions:" to protect itself, the company has taken a $1 million product liability policy with the Travelers Insurance Co.

Crash cushions are air bag devices that mount in steering wheels. Upon impact, they inflate, providing a balloon-like cushion to protect the driver from serious injury in a collision. Because they are new products, there were a few problems in getting them insured.

Michael Ivashuk, president of Control Laser, disclosed that "nobody knew exactly what the rates should be at first" because there were no precedents to follow, no similar items having been insured before.

Travelers Insurance was the first company approached by Control Laser. Once they investigated the product thoroughly, Mr. Ivashuk said, they were able to determine rates for a policy based on one-year minimum premium payment.



A SPOKESMAN for Travelers, Edward Englisby, stressed that his company treats each new product being considered for product liability insurance individually, evaluating it in terms of its specific function. "The crash cushion is a little unique in that it is a prototype coming out on the market," he said. "Control Laser's penetration with this product is toward the used car market."

Mr. Englisby also mentioned that before Travelers wrote the policy, they had their own engineers test the standards and effectiveness of the crash cushion, as a supplement to tests performed by the Florida manufacturer.

Control Laser is insured for the crash cushion by Travelers through Bateman, Gordon & Sands of Miami.

When asked how much the policy cost, neither the Traveler's spokesman nor the president of Control Laser would comment specifically. "But," Mr. Ivashuk conceded, "it is expensive."

AIR BAGS similar to crash cushions have been the target of controversy, with the auto industry fighting federal legislation to have them installed in new cars. Control Laser has side-stepped the issue, and has made it possible for air bags to appear on the consumer market by supplying them exclusively for used cars.

The crash cushions are currently selling for $60 each. It takes less than five minutes to install one of the devices on the hub of any recessed steering wheel.

So far, no accidents have occurred with any customers using the crash cushion. But the company claims that it will prevent serious injury in a 30-mph collision against a solid wall, with the driver wearing a lap seat belt.

The device contains a sensor that activates when it detects the impact of a head-on collision at about 13 mph. It punctures a diaphragm that contains nitrogen gas, and the bag inflates full in 60 one-thousandths of a second.

Control Laser has also developed an air bag for the passenger side of the car, but is waiting to see how sales fare for the driver-side crash cushions before it begins production on the supplementary units. ■

Denenberg gets award

Herbert S. Denenberg, Pennsylvania insurance commissioner, will receive the Gerard B. Lambert Award for outstanding contributions to improving the health care delivery system later this month in Princeton, N.J.

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