Behavioral science enters work safety scene

See page 47

45¢ a copy; $10 a year September 13, 1971

business insurance®

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

The $4 million hull of an Alaska Airlines Inc. 727 jet that crashed in Juneau, Alaska, early this month killing all 111 persons aboard was insured by Associated Aviation Underwriters, *Business Insurance* has learned. Aviation insurance sources also revealed that "the bulk of the liability coverage" was written in the London market. The craft, enroute from anchorage to Seattle, with intermediate stops, slammed into 3,500-foot Mount Chilkat as it was making an approach to Juneau Municipal Airport. —Wide World photo

Court outlaws bank's life policy sales

NEW YORK—A decision by a state supreme court judge that First National City Bank's wholesale life insurance plan for savings depositors is contrary to the state's insurance code will be appealed by the insurance department here.

The controversial plan, which was challenged by the New York State Assn. of Life Underwriters in a suit against the bank, state insurance department and plan underwriter, Connecticut General Life Insurance Co., was decided by Judge Edward S. Conway. (*Business Insurance*, July 19.)

"It is the opinion of this court," Judge Conway said, "that 'Savings Plus Life Insurance' is a scheme of things that does constitute a tie-in sale as contemplated by Section 193.3 of the insurance law.

"The application for insurance can only be made if and when the required deposit in the bank is made. The insurance is issued by the insurance company in return for premiums paid or to be paid from interest earned by the depositor on his deposit," he said.

"It constitutes a purchase and sale of life insurance interdependent with the deposit of funds in the bank and is an inducement to make the deposit. Making a deposit in a savings bank," he went on, "is the only way you can purchase or obtain the bank service."

Continued on page 2

Late news

Compensation clarification

WASHINGTON—The President's cost of living council was expected last week to issue a series of questions and answers relating to rate increases in workmen's compensation policies to reflect legislated increases in benefits. Sources within the Administration said that President Nixon's wage-price freeze order was not intended to force rollbacks in workmen's compensation benefits. Insurers of workmen's compensation say that while they intend to cooperate in every way with the President's freeze program, they would have to provide for benefit increases in rates applying to workmen's compensation insurance policies issued or renewed during the 90-day freeze period.

ASIM no-fault parley

CHICAGO—Officials of the American Society of Insurance Management met here last week with auto insurers to discuss provisions of a proposed uniform state no-fault auto insurance law. One of the stumbling blocks in the discussion was reported to be "penalty provisions" that would surcharge insurance rates of commercial vehicles. ASIM opposes provisions that distinguish between commercial and personal vehicles. James E. Bailey, ASIM's legislative counsel, said that the group favors national no-fault standards enforced by the states.

Leasco officers have no coverage for damages to ex-Reliance owners

By PATRICK THOMAS

NEW YORK—A federal judge here has held Leasco Corp., its chairman and chief executive, Saul P. Steinberg, and two other directors liable for damages to former stockholders of Reliance Insurance Co. The computer leasing firm does not have directors and officers liability insurance, *Business Insurance* has learned.

A source close to the company said that Leasco had been trying to obtain the coverage for its top men for "about three years" but, thus far, had been unable to get it. "They are a young firm," the source said, "and it is difficult for young, growth companies to get d&o coverage. It is either not available to them or it comes at a price so high as to be prohibitive."

On the other hand, a spokesman for a large insurance company which writes the coverage pointed out, "To a certain extent it's a matter of maturity, but only up to about five years. After a company is five years old, it usually doesn't have much trouble getting the cover.

"THE PROBLEM with Leasco, and many other of the younger companies, is that they are trying to be conglomerates," he went on. "And, quite frankly, conglomerates concern us because of all the diversification of companies."

U.S. District Court Judge Jack B. Weinstein ruled that Leasco had made a material omission in its registration statement with the Securities and Exchange Commission when the firm offered to acquire Reliance in 1968. He said that Leasco had failed to include in the statement an estimate of the insurer's "surplus surplus," an amount he put at $100 million.

The suit which led to the ruling was filed in 1969 by Dudley Feit, a Reliance stockholder, on his own behalf and the behalf of all other shareholders who had accepted Leasco securities in exchange for their Reliance stock.

Judge Weinstein felt that omitting the estimate had made the registration statement "misleading in a material way." His reasoning was that "while disclosing masses of facts and figures, it failed to reveal one critical consideration that weighed heavily with those responsible.

"THE DEFENSE that no one could be certain of precisely how much was involved in the way of releasable assets is not acceptable," he said. "The prospective

Continued on page 2

Lloyd's shows profit of 5.3%

LONDON—Everybody at Lloyd's of London is happy these days. The reason is simple. The center for much of the world's insurance risks has made a profit for the first time in four years.

The figures, released to *Business Insurance*, show that it made a profit balance of 5.33% on its three-year accounting results, which closed at the end of 1970.

Perhaps the only cloud on the horizon is that because it is moving into profitability there is just that little extra competition to face from other risk carriers. As one of its experts revealed, there are signs of strong bids to get into the aviation market, particularly with the likely entrance of some American life companies into all sections of aviation insurance in the U.S.

BUT SIR HENRY Mance, its chairman, now believes firmly in future prospects. In London, before he left for a visit to the U.S., he told *Business Insurance*:

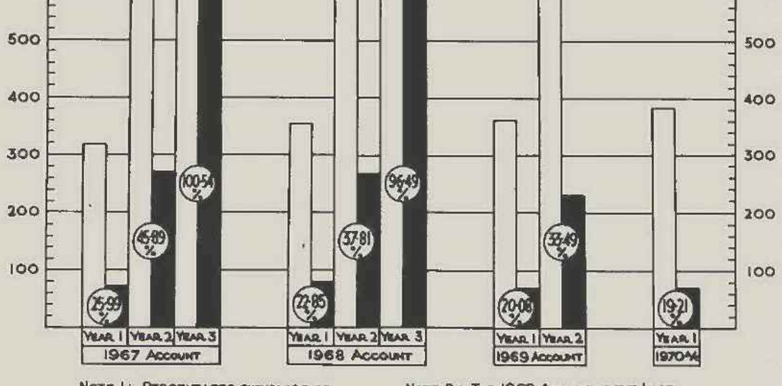
"At Lloyd's we have good grounds for a measure of optimism. The tough line maintained by underwriters on rating and conditions has not prevented the premium flow of business from continuing and increasing in all sectors of the Lloyd's market.

"It is true to say that insurers as a whole have now made this point clear to all classes of assured. Insurance against risk is a business which is subject to rising costs in an inflationary world.

"Some sections of Lloyd's have better prospects than others. But

Continued on page 52

LLOYD'S PREMIUM INCOME AND CLAIMS
1967 TO 1970 ACCOUNTS



NOTE 1: PERCENTAGES SHOWN ARE OF CLAIMS TO PREMIUMS FOR THE YEARS INDICATED

NOTE 2: THE 1968 ACCOUNT IS THE LAST COMPLETED YEAR. 1969 AND 1970 ACCOUNTS REMAINING OPEN FOR ONE YEAR AND TWO YEARS RESPECTIVELY.

Legislation to introduce new food safety agency

NEWARK, N.J.—Pointing out that loss of confidence by consumers could become a threat to entire industries, Rep. Benjamin Rosenthal (D.-N.Y.) announced that he would introduce a bill to create a new federal food safety agency.

Rep. Rosenthal told attendees of the conference on product liability prevention here that the new agency would take over the food inspection authority now shared by the Food and Drug Administration and the U.S. Department of Agriculture. He said that both the FDA and the USDA had been "seriously derelict in carrying out their responsibility to protect the consumer from unsafe food products."

The fact that the USDA does not maintain a weekly list of food recalls for use by the news media was termed "irresponsible" by the congressman though he did say that the FDA did make such a listing and that it was "effective."

"THE ARBITRARY division of responsibility," he noted, "between FDA and USDA regarding food inspection, which is based on the percentage of meat in the product, and the tragic inefficiencies it creates, cannot be tolerated any longer.

"It is my judgment, and one that I know many of you disagree with," he went on, "that the surest path to product liability avoidance, is that provided by responsible, but strict, government regulation—not by industry self-regulation."

For that reason, Rep. Rosenthal, who is chairman of the Democratic Study Group Consumer Task Force, said he would introduce a bill "which will require that the names of the real manufacturers of all food products be prominently stated on the label of all products produced for other companies under private brand."

He said that the recent Bon Vivant soup recall had been greatly hindered by the fact that the soup maker's name could not be found on many of the products it had manufactured under separate labels.

HE TOLD his audience, which included many businessmen, that the agency's method of operation would be fair to business as well as to consumers and that it would protect such things as trade secrets and confidential business data.

"The Chamber of Commerce attempts to paint a totally false picture of what the new agency would do," Rep. Rosenthal claimed and pointed out that the defeat of his proposed consumer protection agency last year was the direct result of pressure by industry. ■

Court . . .

Continued from page 1

The state high court judge also cited another part of Section 193 which says, "No insurer . . . shall directly or indirectly . . . participate in any plan to offer or effect any kinds of life insurance . . . in this state as an inducement to, or interdependent with, the purchase by the public of any goods, securities, commodities services."

Under the plan, which has been purchased by about 1,500 bank customers to date, life insurance coverage in amounts up to a maximum of $15,000 based on a customer's age, savings balance and rate of interest paid on the account, are offered to regular First National City savings and Golden Passbook account customers whose accounts earn at least $2.50 quarterly interest. The bank obtains the policy authorization for the term coverage and remits the premiums to Connecticut General on a quarterly basis.

Judge Conway did not issue an injunction prohibiting the continuance of the plan and his decision will not be effective until a judgment is entered on his order. ■

Leasco . . .

Continued from page 1

purchaser of a new issue is entitled to know what the deal is all about."

It is difficult to ascertain whether or not d&o would have covered the company in this situation, though one broker told *Business Insurance*, "I think a standard d&o contract would have covered them in this situation. I certainly don't know all the facts in the case but, there are only two situations in this area that d&o wouldn't cover. First, if the directors made the profit themselves it would be a criminal act and not covered but that is not the case. Second, d&o would not cover anything under Section 16B of the Securities Act of 1933, which is short-swing profit and that is not indicated in this case either."

Another insurance man was not so sure. "It could possibly have covered them. It's hard to say without all the facts. There is always the possibility that the insurance company could have claimed a deliberate attempt to conceal the information. I just don't know."

Leasco's chairman, Mr. Steinberg, issued a statement which summed up his company's position: "We were disappointed in the court's conclusion that our prospectus was deficient, since we had omitted an estimate of Reliance's so-called surplus upon the advice of counsel.

"AFTER CAREFUL consideration after studying the opinion, we will decide whether our disagreement on the liability point should be made the subject of an appeal. However, our calculations indicate that the amount of damages which we might become liable for in this matter is not material."

The judge, whose opinion set up a complicated formula for figuring the amount to be recovered by the Reliance shareholders, said that the three directors of Leasco were liable because they had failed to make a reasonable investigation to determine whether the estimate should be included in the registration statement. At the same time, he ruled that two other defendants, Lehman Brothers and White, Weld & Co., the dealer-managers on the transaction, were not liable because they had made an investigation and had reasonable ground to feel that the estimate's omission was not a material one. ■

GUIDE TO FEATURES

Vol. 5. No. 19—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Chicago, Ill.

speaking of safety

INA international academy gears up for occupational safety, health law

MACON, Ga.—In the wake of the federal government's Occupational Safety and Health Act enacted earlier this year, American business has discovered it has an enormous need for safety education. According to insurance sources, several colleges and universities have added courses in this area to their curricula, some encouraged by the hope of receiving federal funds like the recent $750,000 grant awarded to New York University.

An apparently unique move in the private educational system toward filling this need is Insurance Co. of North America's foundation of the International Safety Academy in Macon, Ga. ISA was actually founded in April 1970, more than a year before the occupational safety and health law was passed but, according to Frank E. Bird Jr., the academy's director, "industry's need for this kind of education was obvious long ago, just as the need for the occupational safety and health law was obvious. ISA and the federal law developed from the same problem."

In an interview with *Business Insurance,* Mr. Bird said that once the government had acted, the academy stepped up its programs of safety management education and established permanent headquarters and a training center in Macon where INA already had facilities. He also noted that courses were added to the curriculum dealing specifically with the law's content.

ACCORDING TO Mr. Bird, ISA sees a need for two safety education programs, one to train specialists who will direct and manage safety programs mandated by the law and the other to disseminate education and resources for all levels of management throughout industry.

Towards these ends the academy is organized into four functional divisions, not all of which are in complete operation at this stage of the game. The conference division actually presents courses in management techniques of total accident control and in professional safety management methods. The products and services division will be responsible for an international house organ, programmed learning safety and audio-visual training materials.

"We envision a house organ in five languages or more," said the academy's director. "But that is projected into the future for at least 18 months." However, ISA will be sending out two newsletters this fall—one for small firms and one for the corporate giahts. "These will be in America only," Mr. Bird said. "Our initial thrust, of course, will be in our own country."

The academy press, the third division, will prepare all manuals and textbooks used in ISA courses. Publications will cover damage control, environmental health, pollution control, drug and alcohol dependency, rehabilitation and product safety. The independent studies division, not yet in operation, will provide those unable to attend conferences with loss control information in texts designed for home study.

"THE INDEPENDENT studies division will be a project for one of our Ph.D. educators during 1972 and will start in 1973," Mr. Bird explained. "The division will offer certified loss control manager status to those who complete the course. This is a type of certification that will fill a great need. At the moment someone in the safety field can spend eight years studying to become an industrial hygienist, or work for 18 to become a certified safety professional. There is obvious value in a home study course that creates a new category and gives a safety man good grounding in a shorter length of time."

At the moment, according to Mr. Bird, ISA is not receiving any government funds. He pointed out that written into the occupational safety and health law is a provision for the financial support of safety training but that the standards for such support were not clarified. "It is not certain," he said, "how much government money is to be provided or how fast."

At the same time, however, the academy director noted that ISA is one of the subcontractors preparing a training manual that will be used in industry countrywide. "On Aug. 7," he said, "the Department of Labor announced the award of six contracts totaling $354,700 to Rowland & Co. Inc. of Hadenfield, N.J. ISA has been picked as one of the subcontractors to develop raw material which Rowland will put into programmed increments in a manual for use without an instructor."

Mr. Bird appeared to be quite happy about the assignment. "This is a prestige coup," he said, "for a new organization like ours."

ANOTHER contract that will involve ISA's director was awarded to George D. Clayton & Associates to prepare the third revision of a syllabus entitled "The Industrial Environment—Its Valuation and Control." The sylabus, whose environmental health chapter will be authored

Frank E. Bird Jr.

by Mr. Bird, outlines the needs of the 4.2 million establishments that are affected by the occupational safety and health law.

The academy's main concern, of course, is to reach the people at

Continued on page 54

washington watch

Optimists see 'vote before spring' on proposed U.S. no-fault legislation

By JOHN REVETT

WASHINGTON — House and Senate leaders are returning to Capitol Hill with what is described by some as "open minds" toward differences over proposed federal no-fault legislation.

Optimists who favor nationwide no-fault for motor vehicles say this could lead to rapid progress, possibly to a vote before spring.

"One thing you don't see anymore is strong opposition to the no-fault principle," said a staff member of the Senate commerce committee. "The way seems to be clearing a bit."

(This held up, or seemed to, in a check with the American Trial Lawyers Assn., whose Washington spokesman insisted: "We didn't lobby for it." He was referring to "pain and suffering" coverage that a House bill includes as mandatory and a Senate proposal calls optional. Senate aides had said the trial lawyers pressed hard for the mandatory provision, which would permit court settlement of claims in this category.)

AT THE MOMENT, pain and suffering considerations are at the center of disparities between the bill sponsored by Sens. Warren G. Magnuson (D.-Wash.) and Philip A. Hart (D.-Mich.) and the House bill of Rep. Bob Eckhardt (D.-Tex.) and Rep. John E. Moss (D.-Cal.). The Senate sponsors say there is no need to hit motorists with a mandatory extra charge for what they feel lacks immediate importance and have included optional pain and suffering coverage where a provision for suing for losses exceeding $30,000 had been.

This eliminates a catastrophe limit on first-party payments in the original Senate bill, though in cases involving law violations such as drunk driving accidents suits could be filed. Another change in the Senate bill: no special provisions for trucks, which originally were to be assigned extra responsibility by weight for accidents with cars. "It would have been penalizing trucks," said one staffer. Another said it would have been "just too complex."

According to a staff analysis of changes in the Senate plan, where coverage that is "not necessary for the economic wellbeing of an accident victim" is concerned, the option to buy pain and suffering coverage is there, and "the controversy over whether the public wants to recover for intangible losses (is) resolved by free market forces rather than legislative determination."

Rep. Eckhardt contends that his way avoids "a slot machine type of reparation system that does not take into account legitimate measures of damages related to permanent partial disability and pain and suffering."

IT'S UNDERSTOOD that Rep. Eckhardt has told insurance men concerned about developing rates for his bill's extra coverage that no "fixed formulas" will be accepted. The proposed Senate legislation calls for uniformity by classification and a "uniform statistical plan" under which insurance companies would report claims experience and rates "of each class of risk in each rating category within each coverage provided under the bill." This data would be released to state regulatory authorities (as "relevant to the rate-making activity") and to the public.

The differences don't appear insurmountable to sources involved in preparation of the bills though Rep. Eckhardt's forces seem determined about mandatory coverage over and above medical expenses, physical rehabilitation and salary.

From the Senate side came an opinion that joint committee meetings would produce a combined bill but that there would be no quick passage without increased public pressure.

Sen. Adlai E. Stevenson III (D.-Ill.) has his doubts. The Hart-Magnuson bill "may be the only real solution," he said, but described himself as "far from certain" about Congress' mood on passage. He then introduced a no-fault bill for the District of Columbia that eliminates tort action in vehicle damage accidents but permits it (above policy coverage) in bodily injury cases. Injured persons would be able to sue for up to $25,000.

IN THE VIEW of strict Congressional no-faulters the Stevenson proposal opens the courtroom door too wide. They say only Massachusetts and Florida have real no-fault laws and groan at the idea that a significant number of states would enact effective no-fault legislation.

But the Nixon Administration continues to plug away at selling this concept. The basis is what Virginia H. Knauer, consumer affairs assistant, calls experimentation in the "laboratory of 50 states." There is no certainty outside the Administration as to how serious it is about the approach. Qualifications have been used—the states "may produce formulas better suited" to their own needs—and, as Mrs. Knauer has said, problems of high premiums, cancellations and inequities under the tort liability system are "too great to go unresolved." There have been statements that the Administration might have to change course.

For now, though, it's continuing the state approach. The Department of Transportation is working with the National Conference of State Governors and the Conference of Commissioners on Uniform State Laws on a model state no-fault law. Completion is expected sometime before the end of the year.

"As far as we know it's not something that would lead to an Administration no-fault bill," said a spokesman. "It's an attempt to work up a uniform bill for the states to enact." The model is expected to have similarities to the two Congressional bills. Pain and suffering would reportedly be optional. ■

Touchy Question #33

When the employee who "always knows what to do" dies, what do you do?

You will notice that things once taken for granted require minute by minute decisions. It'll seem like an old-fashioned slowdown, and you won't like it.

If you are fortunate, you'll be able to piece together a new leadership by relying on your foremen or even a vice-president or two. But the prospect of someone suddenly being able to see the big picture after years of concentrating on his own small part is a longshot.

This is where key man insurance comes in.

It protects the positions of important people as fire insurance protects your physical assets.

For example, one such man might be a chemist or metallurgist whose scientific knowhow is vital to the manufacture of your product. This insurance will help defray the cost of finding and training an adequate replacement.

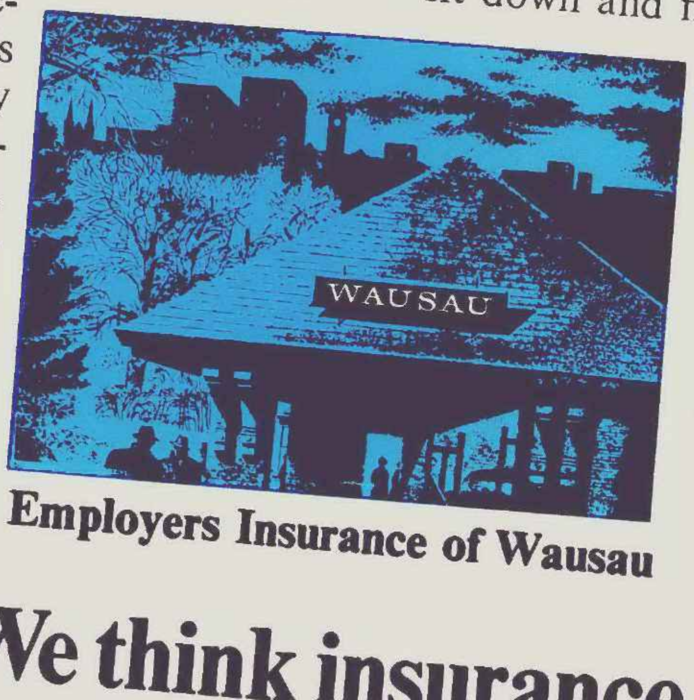
Another could be an innovator. The designer, or inventor, or other idea man who is keeping your business ahead of the competition. In this case, the insurance could be written in an amount to offset the loss in profit caused by his death.

A third could be a sales or customer contact man whose customer relationships have been built up for many years on a basis of personal loyalty. Cash supplied by this insurance could buy interim planning, perhaps by an independent consultant, until your firm is back on its feet.

In short, this insurance will help your company keep its economic balance by reassuring creditors and stockholders, while providing cash to offset lost profits and direct costs.

So, what we want to do right now is sit down and figure out who the people are that make your company tick. And then give you the protection you need against the loss of these indispensable people. And if we do our job right, then that leaves you free to do your job right.

That's the Wausau Story.



Employers Insurance of Wausau

We think insurance ought to work for a living.

How to keep 'out

Suppose you make a product.
And something goes wrong with that product.
And you have to get it off the market. Fast.
You've got pains. Withdrawal pains. The kind that hurt where it really hurts: in your wallet.
But today you can insure against these costly pains with Product Withdrawal Insurance—a special kind of protection pioneered by Fireman's Fund.
It pays the cost of notifying all your customers. And all their customers. It covers necessary overtime for regular employees—and extra help to ease you through the crisis. It even pays for tricky disposal problems, such as getting rid of aerosol cans.
Product Withdrawal Insurance is available to practically any manufacturer, for virtually any product. There are no problems on limits. And you can save money with our deductible and co-insurance features.
Want to know more? Just check the Yellow Pages for the independent agent who represents Fireman's Fund. He's souper.
Checking Product Withdrawal Insurance? Always check the hat!

of the soup':

'Risk perception' is called vital to loss control

LONDON—Examples of "risk perception" in corporate management were given by Douglas Barlow, president elect of the American Society of Insurance Management, when he addressed a special education seminar of Britain's Assn. of Insurance Managers in Industry and Commerce.

He told his London audience: "If a risk is to be properly controlled it must be perceived, and it must be appreciated for probable frequency and possible severity.

"Risk perception is the responsibility most special to risk management. Here are two examples A company brings together in two airplane loads nearly all its dealers and distributors from a certain country. It thereby exposes its gross profit from that country to a risk of substantial loss.

"Another company makes a special contract with the government of a foreign country for setting up a factory in that country. Special machinery is to be sent by ship, and customs duty is to be waived if the machinery arrives by a certain date.

"The duty is at risk of any accident to the ship, perhaps even of heavy weather. Such risks should be perceived by the risk manager. It calls for knowledge of the plans, which no outsider will have, and for a developed sensitivity to risks."

Dealing with other roles of risk managers, Mr. Barlow, of Massey-Ferguson in Toronto, said:

"If the objectives of risk management are to be served, decisions must take account of the company as a whole. This principle has prime importance for fire loss prevention in the case of a company with several interdependent factory and main warehouse locations.

"A PROPOSAL for, say, sprinklers for one location may not be justified upon the figures for potential loss at that location, and so may be rejected by the manager of the location.

"But it may be justified when account is taken of the dependent earnings of the other locations. The risk manager responsible for risk management throughout the company is in a position to bring this factor to bear upon the decision."

Examples of special burdens facing risk managers were given by Mr. Barlow, who said:

"The first is the natural human resistance to thought of future accidents, fires and the like. It could be called a psychological blockage.

"AS AN ILLUSTRATION, suppose that a factory manager is primarily concerned with production and its many problems, and wishes to use available funds to increase production, or lower its cost. Along comes the risk manager, with recommendations for spending money on measures to prevent fires, when the probability of fire loss, as indicated by premium rates, is of the order of, say, .2 of 1%.

"Unless the risk manager has line authority for loss prevention, or is a convincing and persistent missionary, and has firm support from higher management, the company's risk management will fall short of its objectives.

"The second special burden covers risk management's service to the basic objective of the 'losses that did not happen.' On this score the risk manager can only hope for understanding from on high."

Finally Mr. Barlow defined to his British audience the nature of uninsurable risks in his opinion.

AMONG THOSE he listed for their attention were:

- Trade secrets that cost much to develop, with the hope of good profits, which are lost if they are stolen.
- Markets which might be overtaken by a competitor's improved product.
- Shifts of population, or rezoning, which may reduce the marketing utility of a location.
- Changes in tariffs or foreign exchange which may reduce profits.
- Production costs may be underestimated, or consumer demand over-estimated, through clerical or computer error, or error in judgment.
- Business may be hurt or destroyed by exorbitant demands of a union, a prolonged strike, an economic depression, or a war.

He suggested: "The risk manager's skills are in risk perception. The extension of his function to uninsurable risks has a prima facie obstacle in so far as they may already be within the responsibility of other departments. But department heads might feel relieved to receive help, and some of these risks are such that he can contribute to their control, bearing in mind his company wide view, as well as knowledge and skill." ■

Reagan asks health plan compromise

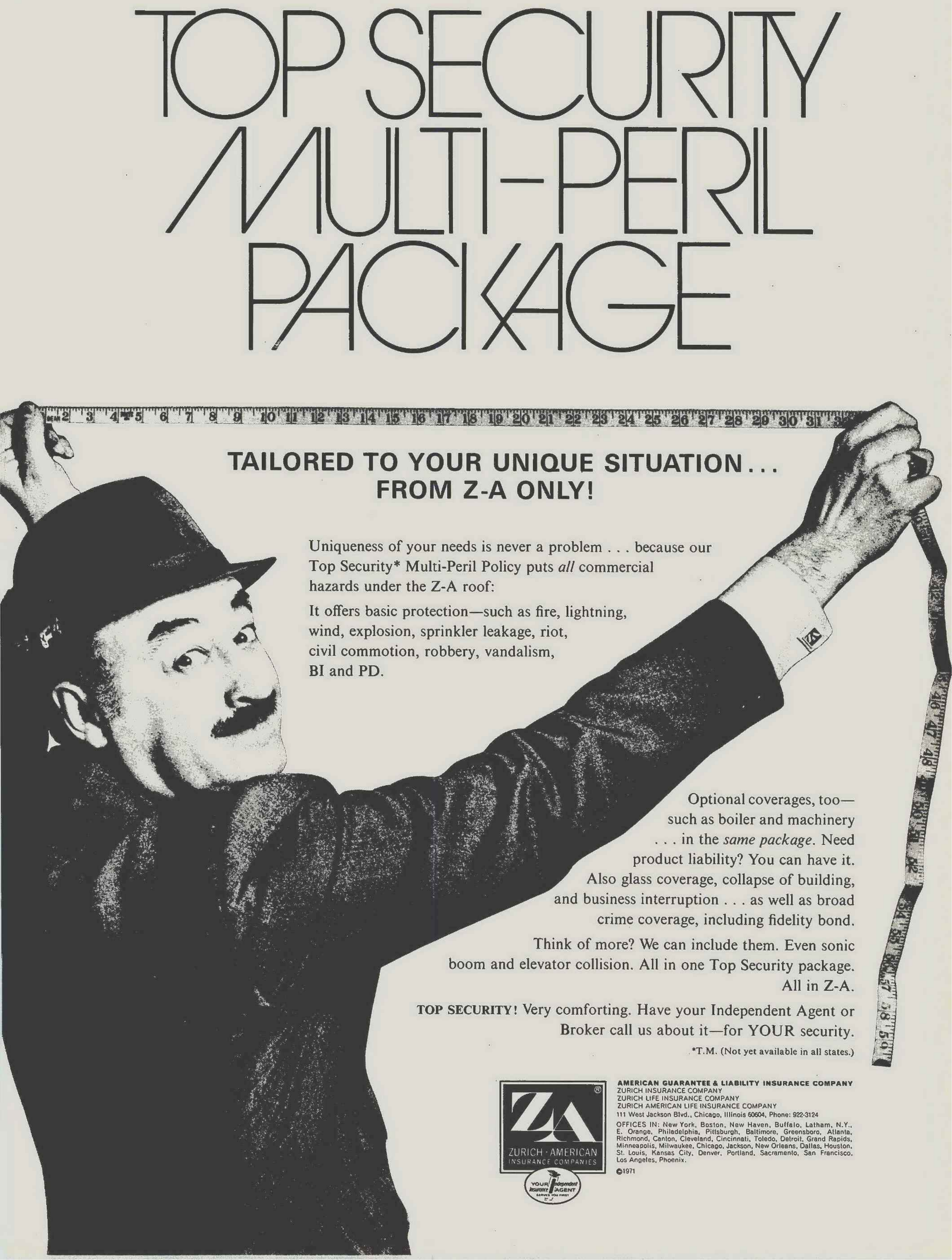
SACRAMENTO—A Medi-Cal plan closely tied to prepaid insurance proposed by Gov. Ronald Reagan as a compromise revision of California's existing health care program, has been approved by the state assembly's health committee.

The measure was sent immediately to the ways and means committee, which is expected to also endorse the plan and send it to the floor for vote. The compromise, according to Gov. Reagan, would save an estimated $100 million a year in federal, state and local costs.

The bill roused strong opposition from the California Medical Assn., the California Welfare Rights Organization and spokesmen for Los Angeles, Santa Clara and San Mateo counties, who claimed the compromise would "merely shift costs from the state to the counties and lead to property tax increases."

The proposal carries a requirement that the California director of health care services set maximum fees that physicians could charge the California Medi-Cal plan. It also includes development of prepaid health care plans for Medi-Cal recipients; a limit of 24 doctor visits a year or two per month; co-payments by Medi-Cal recipients.

The prepaid health insurance providers would be similar to group health plans but designed specially for those too poor to pay big medical bills. ■


TOP SECURITY MULTI-PERIL PACKAGE
TAILORED TO YOUR UNIQUE SITUATION... FROM Z-A ONLY!
Uniqueness of your needs is never a problem . . . because our Top Security* Multi-Peril Policy puts *all* commercial hazards under the Z-A roof:
It offers basic protection—such as fire, lightning, wind, explosion, sprinkler leakage, riot, civil commotion, robbery, vandalism, BI and PD.
Optional coverages, too—such as boiler and machinery . . . in the *same package*. Need product liability? You can have it. Also glass coverage, collapse of building, and business interruption . . . as well as broad crime coverage, including fidelity bond.
Think of more? We can include them. Even sonic boom and elevator collision. All in one Top Security package. All in Z-A.
TOP SECURITY! Very comforting. Have your Independent Agent or Broker call us about it—for YOUR security.
*T.M. (Not yet available in all states.)
ZURICH · AMERICAN INSURANCE COMPANIES
YOUR Independent Insurance AGENT
AMERICAN GUARANTEE & LIABILITY INSURANCE COMPANY
ZURICH INSURANCE COMPANY
ZURICH LIFE INSURANCE COMPANY
ZURICH AMERICAN LIFE INSURANCE COMPANY
111 West Jackson Blvd., Chicago, Illinois 60604, Phone: 922-3124
OFFICES IN: New York, Boston, New Haven, Buffalo, Latham, N.Y., E. Orange, Philadelphia, Pittsburgh, Baltimore, Greensboro, Atlanta, Richmond, Canton, Cleveland, Cincinnati, Toledo, Detroit, Grand Rapids, Minneapolis, Milwaukee, Chicago, Jackson, New Orleans, Dallas, Houston, St. Louis, Kansas City, Denver, Portland, Sacramento, San Francisco, Los Angeles, Phoenix.
©1971

benefit tax slants

Non-qualified stock options could offer employes tax-saving benefit

By JOSEPH S. ROBINSON

NEW YORK—When exercised, the difference between the option price and market value of a qualified stock option is treated as an item of "preference" under the new tax act. If the executive has enough other preferences, he will wind up paying the new minimum 10% tax on some of them. And he may owe even more taxes on his earned income. The new maximum tax on earned income will be 50% beginning in 1972. However, for every dollar of preferences over $30,000, a dollar of earned income will be disqualified and may be taxed at 70%.

Some companies have begun to turn to non-qualified stock options. The executive owes tax on ordinary income when he exercises, but he can sell the stock immediately. Total tax could be less than for qualified options.

* * *

PAYMENTS that are designated as "Christmas gifts" and computed as a specific percentage of salary are includable as part of the employe's wages. Internal Revenue Ruling 71-53, states that you must add these amounts in when you figure income tax and Social Security withholding and your unemployment-tax liability. The fact that the 'gifts" are not based on performance or length of service is deemed immaterial.

* * *

ONE WAY to lessen the tax impact for an employe is for the company to adopt as many as possible of the fringe benefits that are available on a tax-free, no-withholding basis and that, nevertheless, are deductible in full by the employer.

Here is a checklist of such benefits:

- Wage continuation payments made to the employe because of absence due to illness or injury may be nontaxable to the employe when they satisfy the rules of Code Sec. 105 (d). In such a situation, they would also be exempt from income withholding and payoll withholding taxes. To get the benefits, there must be a company plan, but almost any type of arrangement would seem to qualify. It need not be written, though knowledge of the existence of a plan is important.
- Meals and lodging may be tax free under certain conditions if free living quarters are made available to an employe whose presence is required by the employer. Company meals may also be tax free if they are furnished for a substantial "noncompensatory" reason.
- Holiday gifts of nominal value, such as hams, turkeys, or other merchandise (but not cash or gift certificates) are nontaxable to the employe and income tax withholding is not required.
- Group term life insurance premiums paid by the employer are not taxable to the employe for life insurance coverage of up to $50,000. The proceeds also are tax free to the employe's beneficiary. The premiums paid for coverage of more than $50,000 are taxable but, here too, no withholding is required.
- Reimbursed moving expenses to an employe and his family for household goods, personal effects and traveling (including meals and lodging) may be included in the employe's gross income. However, the employer does not have to withhold on them if the employe is entitled to deduct them under Code Sec. 217, as liberalized by the new tax law.
- Reimbursements for business trips and meals and lodging on the way and returning are not taxable to the employe—even if he incidentally ties the trip in with a vacation (at the same location). Thus, the travel portion of the vacation is deductible by the company and tax-free to the employe. To insure the company deduction, adequate accounting must be made. Reimbursement arrangements on a per diem or mileage basis may be considered "adequate accounting." Per diem allowances not over $31.25 (125% of the maximum government rate) are acceptable. Mileage allowances of 15 cents per mile are also acceptable. ■

Pan Am, Boeing sued

SAN FRANCISCO—A $7.5 million suit has been filed in superior court here on behalf of Daisoo Lee, 34, a Los Angeles engineer who lost his right leg in the July Pan American 747 crash at San Francisco Airport on the takeoff of a flight to Japan.

The suit was filed by Alameda attorney Daniel L. Mitchell against Pan American Airways and the Boeing Aircraft Co.

Mr. Lee alleges the plane was overloaded when it took off on a short runway and that Pan American knew this fact. The suit asks for $2.5 million for permanent injuries and $5 million punitive damages.

THE LEGAL action was filed as a National Transportation Safety Board hearing on the accident got underway in the Federal Building here.

During the hearing F. R. Keithley, Pan American dispatcher, accused the Federal Aviation Administration airport control tower personnel with having given "the wrong information" about length of the runway on which the plane departed. ■

Business shifts

Cornwall & Stevens Co. Inc., New York-based insurance brokers with offices in Atlanta, Texas and Oklahoma and a total staff of 77, has assumed the business of Rushton Peabody & Associates Inc. Rushton Peabody's president, Herbert T. Allen, will serve as a vp of Cornwall & Stevens, and three other members of the Rushton Peabody staff will now operate out of Cornwall & Stevens' New York office. Richard P. Magrath, president of Cornwall & Stevens, told *Business Insurance* that neither firm specializes in a particular line of insurance but acts as a general insurance broker.

FUTILITY® Bugle

ISSUED EVERY NOW AND THEN (WHEN THINGS GET QUIET AT MIDLAND INSURANCE CO.)

INSURANCE GAME RATTLES INSURANCE BIZ!!!

CHICAGO BROKER MAULED IN MARATHON

Chicago: It is reported that Broker, George E. Mildchap, will need several days of complete bed-rest to "unwind" from his fierce "FUTILITY" session. The six hour confrontation left the game little broker completely in knots. Except for several minor kinks, doctors expect him to fully recover in time for the next tournament. The spunky Mildchap was overheard to say on the way to the operating room, "Next time I'll even get past the rules! Today 'FUTILITY' tomorrow the World."

ALL KIDDING ASIDE- INSURANCE IS NOT OUR GAME.... IT'S OUR BUSINESS

All kidding aside, insurance is not our game - it's our business! And we're totally serious about it - all of us, Risk Manager, Broker and Midland.

Our aim is to keep on getting together with the corporate and brokerage people who are interested primarily in a "partnership" carrier - one that complements its partners strengths and avoids duplication of effort.

A "partnership" predicated upon the reasonable assumption that each party is entitled to a profit. That the participants are *not* competitors - they're partners whose basic responsibility is the protection of corporate assets by the most economical and efficient means possible.

And we all know the most "economical and efficient means" doesn't involve "buying insurance" from the ground up for every foreseeable loss. Today's Risk Management means a whole lot more than that.

Want to learn more about us - just call, we'll take it from there.

The game, "FUTILITY"??? Merely something we put together for your *amusement only - to be played strictly at home* in your spare (?) time.

If you're the only guy on your block who doesn't already have "FUTILITY, the Game of Buying and Selling Insurance - the Game Nobody Should Play" - complete and mail the coupon. We'll rush you a copy of our *only* amusement device.

FUTILITY BREAKS RISK MGR.

New York: RISK MANAGER, Charles M. Goodfellow, breaks down after landing 27 times on space "You accept your association's invitation to speak on 'the changing role of the risk manager during a capacity crisis and his alternatives in self-insurance and captive carriers to meet the challenge of the 70's and the even larger demands of inner and outer space that we must face if we are to support the concept that there can be a twenty-first century only if we attract new capital to our industry'. Lose three turns while you try to be original".

FUTILITY CHAMP IS TOAST OF SECAUCUS JET SET !!!

Secaucus, N.J.: Ben Mongoose, All–Time "FUTILITY" champion player, is shown arriving for a 2-week sojourn in this picturesque village. He was awarded the all expense paid trip following his defeat of Tom the Turk in the 'FUTILITY" Las Vegas Tournament. Many of the "smart money" boys consider Ben to be an outstanding contender for the "FUTILITY" Super-Bowl World Championship scheduled for February '72 at the ASIM Meeting in Montreal.

GAME INVENTOR APPLIES GENIUS TO CHALLENGING NEW CAREER

Hoboken, N.J.: Recent photo of Smedley Maelstrom, inventor of "FUTILITY" (the game nobody should play) hard at work at his newest endeavor.

MIDLAND
INSURANCE COMPANY
29 BROADWAY
NEW YORK, N.Y. 10006

O.K. MIDLAND - send me your silly game "FUTILITY".

Name__________

Company__________

Street__________

City__________ State__________ Zip__________

following the funds

IBM in flashy, but brief, retirement option; fund investments jump in U.K

ARMONK, N.Y.—International Business Machines Corp. will dip into its more than $500 million-asset pension fund to "correct a temporary imbalance in our personnel resources," it was disclosed late last month.

The company has instituted a flash-in-the-pan early retirement option for all employes. It's termed thus because it expires Dec. 31 and is designed to quickly trim the work force while keeping things voluntary and making it somewhat attractive for workers on the brink of retirement.

Under the program, IBM employes with 25 years of service who are 55 years of age or over will receive early retirement benefits (an option that has been available for some time at IBM) as well as a two-years' salary bonus that will be distributed over a 45-month period. Employes with 25 years of service, but under age 55, may also take advantage of the program. However, their pensions are actuarially reduced according to the vested pension rights accumulated during their employment at IBM.

IBM said that there will be a limitation on the amount of salary under the bonus plan, but declined to say what it is.

The computer giant is one of the few companies in its industry that has not laid off workers during the present slump in the electronic data processing business. The temporary retirement option, although company execs aren't predicting how many IBMers will avail themselves of the chance to go fishing early, is designed to pare the company's work force.

* * *

PRIVATE PENSION funds in the United Kingdom invested $816 million during 1970, according to figures released by the Department of Trade and Industry. The figure represents a whopping $110.4 million increase over the year before, when fund investments increased only $14.4 million.

While new investments continued to be substantial, the Department of Trade and Industry figures reveal that there was a net disinvestment of $70.8 million in public sector securities during 1970. The figure is the highest recorded since the department began keeping tabs on investments in 1963.

Investment in ordinary shares by funds in the United Kingdom was put at $396 million last year. This figure is more than double the level in 1969, but still $24 million below a peak recorded by the department in 1968.

For the second year in a row there was also a small net investment of $9.12 million in preferred shares by the private pension funds.

THE OVERALL net investment in company securities during 1970, the Department of Trade and Industry notes, was $525.6 million, or 62.8% of the total net investment. In 1969, investment in company securities accounted for 61.3% of total net investment.

The department's figures also reveal that net investment in property trust units was $43.2 million, or about one-fifth below that of 1969, while net investment in land, real property and ground rents at $134.8 million was $52.8 million below the high level recorded in 1969.

Figures released by the department also show that there was a considerable build-up of cash and short-term assets during 1970 by the pension funds. These, together with a fall in short-term liabilities, represented 25.6% of total net investment in 1970 compared with 21.1% in 1969.

In terms of total assets of United Kingdom private pension funds, the level estimated for the end of 1970 is $11.057 billion, an increase of 3.1% at end of 1969 when total assets were estimated at $10.723 billion. This, however, is still somewhat lower (about 1%) than the 1968 level, which is the highest recorded by the Department of Trade and Industry. ■

State tries jobless pay experiment

SACRAMENTO—A unique new method of paying unemployment insurance benefits has been started here as an experiment designed to "stimulate California's economy."

Benefit payments will be made through direct deposits to a jobless worker's bank account.

"The direct deposit system" explains Sigurd I. Hansen, deputy director of the department of human resources development, "will eliminate handling of cash in the branch offices and will end the outdated method of having claimants line up for their insurance check instead of being out looking for a job.

"**PERHAPS** the greatest merit of the experiment," Mr. Hansen added, "is its potential as a stimulus to the economy. In making payments directly to bank accounts, the system will produce an increase in the banking system's reserve of money for loans and such loan money should contribute to faster economic recovery."

The pilot program is underway in Avalon, a small community on Catalina Island in southern California, selected because it has only one bank.

Mr. Hansen said if the plan should be expanded throughout the state it could result in direct deposits of more than half a billion dollars each year in unemployment insurance payments and the program could eventually inject $5 to $7 billion into the economy each year. ■

Contract bond secured

Albert G. Ruben & Co., Inc., Beverly Hills, Clason & Lee, Brooklyn, and Lucie, McNiece & Bull, New York, have negotiated an $85 million dollar contract bond for the construction of a New Jersey freight terminal for the United States Postal Service. Participating sureties are Great American Insurance Co., Maryland Casualty Co., Seaboard Surety Co., and Argonaut Insurance Co.

Opponents agree on product liability prevention

NEWARK, N.J.—The American Trial Lawyers Assn. (ATLA) and the Defense Research Institute (DRI) are traditional, and formidable, enemies so it could be considered something of an occasion when, within a period of about two hours, executives of the two groups agree with each other about something.

The subject that created all the amity was the prevention of product liability claims. The forum was the second annual conference on product liability prevention at the Newark College of Engineering, at which the two executives were the opening speakers. Those in the audience who could smell blood as first one spoke, then the other, were soon disappointed. Their speeches were essentially the same.

Both Richard M. Markus, president of ATLA, and Dr. James D. Ghiardi, research director of DRI, felt that a concentrated team effort at quality control was at the heart of the matter. And both of them said that no matter how much control was exerted, there would be mistakes made that would result in claims.

"YOU MUST maintain high quality in the product and in the warnings about the product," Mr. Markus told the assembled manufacturers, insurers and attorneys. "You must exercise caution in your advertising and you must expect some liability.

"There are bound to be mistakes," he went on. "And when there are, don't take the 'It can't happen to me' attitude and don't feel that it is degrading to admit to an error."

"When an accident occurs, don't wait for a claim," Dr. Ghiardi emphasized; "Investigate it immediately. Get hold of the product and test it.

"If there is a claim, cooperate completely with your defense counsel. Let him learn everything there is to know about the product. These cases can be defended. The burden of proof is on the plaintiff so don't hold back from your defense counsel."

DR. GHIARDI listed a number of steps in putting together a program to avoid product liability cases:

- Identify the problem area—includes the history of similar cases, standards applied to the product, new products in the same area and changes in old products.
- Quality control—there must be quality control procedures during every phase of production.
- Safety codes—be aware of them.
- Records keeping—the beginning of every proper defense, records should be kept for as long as possible, kept on every aspect of the product and kept on competitors.
- Claims handling—adopt a reasonable policy.

"DESIGN IS YOUR area of greatest exposure," Dr. Ghiardi said. "You must design out a potentially dangerous aspect of the product or, if it cannot be designed out, at least guard against it. Consider the misuse as well as the use of the product."

He said that design was useless without effective quality control.

Insurance coverage was another area touched on by Dr. Ghiardi. "It is essential that your company's insurance manager or your insurance broker understand your potential exposure and work with your insurer to develop coverage which will adequately fit your needs," he said.

He felt that liability was not the only thing to be considered in the insurance set-up. Also to be noted were recall, nuisance claims, counsel and adjustment.

MR. MARKUS made a list of his own, which touched on and went beyond some of the aspects listed by Dr. Ghiardi:

- Design and assembling were both considered important.
- Labeling—very important and "the most overlooked." Labeling should not be over assertive of the product's usefulness (the handle of "the cold-handle frying pan" had better stay cold to avoid claims.)
- Packaging must contain the product safely and not create any problems itself.
- Warnings and instructions—should be in the simplest possible forms, meaning large letters, signs and whatever else it takes to warn consumers of potential dangers.
- Testing—the finished product should be tested as well as its components.
- Recall—a product must be recalled if knowledge of any defect in it exists (knowledge on the part of the manufacturer).

BOTH SPEAKERS mentioned the importance of advertising in keeping liability claims to a minimum.

"In many cases," Mr. Markus said, "your advertising manager is your most severe enemy. There is war in many companies between the engineering department and the sales force. The ad man wants

Continued on page 19

Excessiveness is in eye of beholder

NEWARK, N.J.—Richard M. Markus, president of the American Trial Lawyers Assn., had been telling his audience at the product liability prevention conference here that product liability suits were the coming thing.

He had said that the old maxim "caveat emptor" (let the buyer beware) had changed to "caveat vendor" (let the seller beware) and that he doubted whether the pendulum would swing back to the side of the manufacturer. "In fact," he had noted, "I think we will see manufacturers, who are now subject to strict liability rules, subject to absolute liability. That is not immediately foreseeable but it is possible."

He had told those assembled, many of whom were manufacturers themselves, of the growing number of million and multi-million dollar settlements being granted by juries around the country.

Through it all they had listened politely.

When his speech concluded, Mr. Markus was asked by a member of the audience why he thought juries were awarding so many "excessive" settlements.

The reply was pointed: "Because of the excessive damage being done to people."

Electric brownouts add unforeseen risks for company using computer

CHICAGO—Electricity does everything for the modern American business from sounding tones on alarm clocks waking employes up on time to printing "5 pm" on their time cards at day's end, yet the average company is only just beginning to stop taking it for granted.

While a power failure means only a darkened lobby to a receptionist and some unexpected freedom in the typing pool, in your company's computer center it can mean data loss or error, the possibility of damage to some particularly expensive equipment, and a long, long wait to get back "on the air."

Though the failure means lost manhours, it can also bring about another form of lost dollars: liability losses because of computer errors or an expensive lawsuit, probably with some substantial damages, on a performance claim.

MENTION POWER failure to anyone who lived in the Northeast in 1965, and you are sure to hear their favorite stories of what happened to them on Black Tuesday, November 9. A massive failure such as that, prolonged by its own massiveness, cannot happen again, according to the Federal Power Commission (FPC). The commission is not, however, saying the troubles are over. They are predicting the exact opposite.

An FPC member, Carl E. Bagge, says the country is experiencing a "national power crisis" brought on by the utilities' failure to keep generating capacity up to the demands for power and by the critical shortage of coal, the fuel source of more than 50% of electrical generation in this country. Mr. Bagge says that while blackouts are gone, brownouts are going to be common in this country, a nation which consumes approximately one-third of all the electricity generated in the world.

The FPC backs up his claims. In a recent survey, the commission indicated that of the 3,500 electric utilities in the country, 34% of them did not have reserve generating capacities of 15% (the FPC says a percentage of 15% to 20% meets standards for adequacy), and that 15% of the 3,500 utilities had no reserves at all. The commission is saying there could be "potential systemwide and companywide problems in every section of the country."

The Office of Emergency Preparedness (OEP) says the commission is hitting nails squarely. OEP says that the West has the best chance of staying well lit, and the Southeast the worst. Close behind the Southeast is the northern Midwest. Cities like New York, Chicago, St. Louis, and Minneapolis-St. Paul the OEP picked out for special troubles without even considering problems like New York's Consolidated Edison's mechanical troubles with their Big Allis—the Allis-Chalmers-made generator that keeps breaking down.

BROWNOUTS—a reduction in the amount of power that a utility sends out to its customers—are means the power companies are taking to prevent overloading their facilities. It can dim a light bulb, but it won't turn it out. It will keep a tape drive in the computer center running, but it will slow down the revolutions per minute and alter the data being sent to the computer. The national service manager of Data Action Co., an EDP peripheral equipment manufacturer, said that with his company's equipment a power reduction could affect computer logic. "A number one," he said, "could become a zero and would be sent to the computer incorrectly or not sent at all. A five-figure number could be entered as a three-figure or a two-figure number and the decimal point might not even show." Thus the figure 24.89 (five figures to a computer) could become 2.89, 2.9, or any combination imaginable, including both the difficult and the easy to recognize as errors.

An IBM spokesman said that his equipment would shut down automatically at a power reduction, but added that "some circuitry could be damaged."

Honeywell/General Electric said that their equipment would do approximately the same as IBM—shut down with possible circuitry damage, and Univac said their equipment would shut down without damage but that there could be a loss in memory, especially if the power reduction came in the middle of a cycle of information processing.

With the country short of electrical power, brownouts are surely possible everywhere and happening already in some areas. The brownouts, the computer hardware people say, can cause some damage and some data error. That brings up the subject of the dreaded "what if's."

IS THERE liability if a computer center can't complete a contract job for a second party because the center's equipment received damage from a brownout? How about the costs mere lateness could bring about? A survey of attornies in Chicago and in New York indicated that the reliability of electrical power would not be a mitigating factor. "I'm afraid that there has been enough public knowledge concerning electrical failure," a Chicago lawyer said, "that would make that position of innocence untenable." A New York attorney recommended a hold harmless clause for situations "arising from an identifiable and proveable power failure or severe reduction."

"There are no (Supreme) Court decisions as yet," said an attorney in Albany, N. Y., "but precedents are being established where culpability has been placed on situations of computer-generated error —especially in the areas of computerized credit or billing." He said that he was not aware of a situation in which the error was caused by a voltage reduction, but added "that would not necessarily substantially affect matters except to, perhaps, introduce the utility company to litigation.

"Which," he said, smiling, "would make for the promise of a most interesting suit."

In these times of a difficult economic environment, more and more corporate computer opera-

Continued on page 50

Diabetics: There is group cover for you

SAN FRANCISCO—A low-cost group hospital insurance plan for many of the nation's 4 million diabetics has been developed by Fireman's Fund American Life Insurance Co.

Previously, diabetics could, at best, only purchase policies at premiums considerably higher than standard premium rates and then with restrictive benefits.

Jon W. Hall, Kansas City insurance agent with a personal history of diabetes mellitus, conceived the new plan. He reasoned that diabetics, as a group, are good risks "because they follow a strict diet, must exercise adequately and have frequent medical checks which detect other disorders early."

Diabetics seeking coverage under the plan may apply during the open enrollment period beginning in May of 1972. Applications are now available at any local diabetes association or from Mr. Hall, at 6544 Troost Ave., Kansas City, Mo. 64131.

Fireman's has created a diabetic group insurance trust to handle the new insurance program.

City will retain cover with Blues

NEW YORK—The city of New York, which had announced it was dropping Blue Shield medical insurance for 112,000 municipal employes now covered by contracts because of a huge premium boost, has reversed its decision and will continue the coverage. However, at the same time city fathers also said benefits would be cut to help balance the premium jump.

The higher rates go into effect Oct. 1, which is a delay of three months over rates asked by the insurer earlier. This, said Arvid Anderson, chairman of the office of collective bargaining, "eliminates any additional cost to the city." The city and unions have also agreed to reduce benefits that will save the city the total needed to cover added surgical insurance costs.

The increased premium rate was to have gone into effect, as it did for other policyholders in the city, on July 1, the beginning of the city's new fiscal year. The city requested, and got, a two-month delay to study other alternatives, however.

HERBERT L. HABER, who heads the city's board of collective bargaining explained savings for the rest of the 1971 to 1972 fiscal year:

"There will be a saving in the hospital part of the coverage, and this saving will make it possible to meet the higher surgical coverage without seeking new funds. That was the city's major concern when we thought we would have to cancel Blue Shield."

When the city said it planned to drop Blue Shield early this month, a spokesman said the action was necessary because the rate increase would cost $2.67 million more for the current fiscal year.

City workers are protected by three health insurance programs in addition to Blue Shield. The other two are Group Health Insurance, or GHI (for 110,000 employes) and Health Insurance Plan, or HIP (for 144,000). All three programs cost the city $107 million annually. ■

School wants no cover

The Salem, Ore., school district finds it cheaper to repair vandalism than to carry insurance to cover it, said Joe Drake, plant manager for the district's 44 schools. He noted the cost for insurance would have been about six times that of repairs last year.

J&H jumps into national health insurance pot

NEW YORK—In a rather unusual move for an insurance broker and employe benefit plan consultant, Johnson & Higgins has jumped into the hot political national health insurance pot. The broker has come up with a national health scheme of its own.

The J&H proposal most closely resembles the Health Insurance Assn. of America (HIAA) and the Nixon Administration bills now in the Senate. However, it makes no bones about saying that there are shortcomings in these plans that it seeks to rectify.

"Quite simply," said John H. McEown, the J&H director most familiar with the proposal, "we do favor the HIAA and, even more, the Nixon proposal. But we still think there are deficiencies in these plans. They don't have sufficient claims controls built into them, they depend too much on general revenues for funding and they do not make enough use of the existing health insurance system."

THE J&H PROPOSAL, Mr. McEown told *Business Insurance*, was drawn up by a committee of employe benefit experts at the firm during the past six months. Reaction just a week after it was announced had been good, he said, with several Congressional aides calling for copies of the plan. An inquiry was received from the Department of Health, Education and Welfare. The White House has also received a copy of the proposal.

J&H, one of the largest insurance brokers in the country, proposes that a new government agency responsible to Congress be created to administer the entire system of national health insurance, including the regulation of state insurance corporations that would be set up to protect those persons not covered under private plans funded by employer-employe payroll taxes.

Called Health Care Commission (HCC) by J&H, the agency would administer the entire program, recommend a level of minimum benefits, develop cost controls, emphasize preventive health programs and generally approve the delivery for health care.

Under the J&H scheme, individuals not protected under private plans such as those provided by employers will be covered under broad provisions of the HCC. In each state, for example, all agencies writing health insurance business will participate in a pool and underwrite and administer benefits for those not covered under a private plan. This, of course, would eliminate the need for Medicaid.

A MINIMUM benefit standard would be established by an act of Congress, suggests the proposal, with HCC recommending the details and estimating probable costs.

Johnson & Higgins has proposed the following minimum benefits for HCC participants as well as private plans:

- Ward care accommodation until release or transfer to a convalescent facility. This would be subject to a deductible expense of the full charge for the first day of confinement.
- Payment of 75% of regular charges for expenses other than room and board while confined to a hospital and 90% while not hospitalized.
- Fixed schedule payments for surgery, obstetrics, X-ray and diagnostic tests. Schedules may vary by state and region and would aim to cover about 75% of customary charges at the time the schedules are set. Doctors would be permitted to charge HCC participants, or those not covered by private plans, up to one-third of the scheduled rates.
- Payment at fixed daily rates for convalescent inpatient care, aimed at 75% of the customary charge when the rate is set.
- Payment of $15 annually for a multiphasic screening check-up, or a $15 allowance toward charges made by a doctor for a physical checkup.
- Payment of 75% of the cost for these services after a deductible of $100 for an individual or $200 for a family: prescription drugs and appliances, doctor's visits in hospital, at home or office, subject to a limit of one visit a day and 12 home visits a year, and other necessary health services prescribed by a doctor.

THE J&H proposal calls for a national health insurance program that would be largely self-supporting through four channels.

First, the regular premiums paid for insured plans, Blue Cross, other funding media for private plans and prepaid "health maintenance organizations."

Second, for those not covered by registered private plans, a payroll tax on earnings up to a $10,000 maximum is prescribed. The tax would be paid by both the employer and the employe directly to the private insurance corporation insuring the state HCC plan. The employe tax would be 2.5%. The employer would pay an amount sufficient to cover the balance of the cost of HCC benefits for an employe earning $10,000 and Johnson & Higgins has estimated that an employer tax under this scheme would amount to about 3.5%. Self-employed individuals would pay 5% of the first $10,000 of annual earnings.

The third funding channel would be a 6% tax on all premiums for private plans. For self-insured or minimum premium plans, the tax would be on 110% of claims or an amount equal to 6.6% of claims. This premium tax, J&H notes, will be the primary means of covering HCC's costs of regulation and it, along with a portion of the payroll tax, will also be the means for the general public to share in the costs of benefits for the indigent.

The fourth funding channel would be an appropriation from general revenues. J&H estimates that this will amount to about what is now being spent by the government on Medicaid.

ACCORDING to Mr. McEown, Johnson & Higgins has jumped into the heated issue of national health insurance with the most honorable intentions. The firm is not an insurance company, he notes, has no political ax to grind and thus, with its proposal, is offering legislators and others the benefit of nearly 50 years' experience in health insurance and employe benefit planning.

"I guess," he told this magazine, "the reason we put the time and effort into this is the realization that at some time in the near future national health insurance is inevitable. Once you realize this you must strive for the best possible system." ■

Hearts checked by telephone

MILWAUKEE, Wis.—The hearts of employes at Allis-Chalmers here are being tested via long distance telephone and a computer in Chicago.

The Milwaukee company claims to be the nation's third industry to join the system, for which it pays Telemed Corp., Chicago, $150 a month. The other two firms using the computerized electrocardiograph are Western Electric and the Bell System, an Allis-Chalmers spokesman said.

The machine can process 12 employes per hour, according to Dr. Carl Zenz, director of medical services for Allis-Chalmers. The device is used primarily for pre-employment, periodic and extensive travel physical examinations, he said.

To operate the device, a technician attaches 10 electrodes to an employe's chest, arms and ankles and connects the machine via telephone to a recorder-analyzer at Telemed. The computer can provide a standard electrocardiogram 20 seconds after receiving the information, Dr. Zenz said. An analysis of the findings is sent to Allis-Chalmers as a printed record, he said. Duplicates are kept at Telemed and in the computer itself.

Allis-Chalmers has about 10,000 employes at several Wisconsin plants. ■

Opponents . .

Continued from page 15

to say something about the product to make it sell and the engineer must consider the consequences of his saying it.

"For instance," he added and read from a newspaper, "here is an ad for a dishwashing liquid. It says 'absolutely safe for your hands.' It had better be, because when the lady who is in the one-seventh of 1% who could get dermatitis from it comes in with a claim, she's right."

He did, however, note that advertising agencies were no longer exempt from liability suits themselves and that independent testing laboratories had also been sued.

THEY ALSO AGREED that product liability suits were becoming more popular and that awards being granted by juries were increasingly more expensive for the manufacturer.

Mr. Markus pointed out that the manufacturer was at a disadvantage when it came to the suits. "The manufacturer can't predict where the action will be brought against him," he said. "There are 51 jurisdictions and the manufacturer doesn't know which set of laws will be used in the case. Because of this, he should protect himself with the lowest common denominator. In other words, guide himself on where he can get hurt most."

Dr. Ghiardi admonished his audience to "take no chances" when it came to product liability.

Mr. Markus put it somewhat differently.

"First, the manufacturer must remember that he is dealing with consumers, not other manufacturers," he said.

"Second, this consumer is not a lawyer, not an engineer, not a quality control expert. He might be unsophisticated, uneducated, uninformed and unwary. And if the product is not for him, it is not for anybody." ■

Giles on the law

Move for recovery rights for prenatal injuries gathering momentum in states

WASHINGTON—If your truck causes a prenatal injury to a child, are you liable? Formerly the law generally was that there could be no recovery for prenatal injuries, but now all is changed.

Today 27 jurisdictions allow recovery and federal district courts have permitted it in other jurisdictions. Only Alabama denies recovery. A common law right of action for negligently inflicted prenatal injuries is held to exist in California, District of Columbia, Georgia, Illinois, Maryland, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island and Washington.

Wrongful death actions have been permitted, on the rationale that a foetus that was viable at the time the injury occurred, could recover under the wrongful death act in Delaware, Kansas, Kentucky, Louisiana, Mississippi, Missouri, South Carolina, Tennessee, Texas and Wisconsin. In Connecticut, Minnesota and Nevada it has been held that an injured unborn child would have been able to bring a common law negligence action had it survived. A recent case in Michigan, allowing recovery, adopted this language from a New Jersey decision: "Justice requires that the principle be recognized that the child has a legal right to begin life with a sound mind and body. If the wrongful conduct of another interferes with that right, damages for such harm should be recoverable by the child." (Mich. Sup. Ct., *Womack* v. *Buchorn.*)

* * *

YOU MAY OR MAY NOT recall the case in California that held that an insured was entitled to punitive damages for emotional distress resulting from the bad faith refusal of his insurer and its claim supervisor to pay disability benefits.

The award was for $180,000 punitive damages. The plaintiff, insured, was 41 years old, married 20 years and the father of eight children. The children ranged in age from 8 to 19, and seven attended school. The plaintiff had a fourth grade education. Prior to his disability, he was a scrap operator for a rubber company. He was earning about $290 a week by working 70 to 80 hours per week.

He purchased his disability insurance in 1963. The policy provided for $150 a month for total disability from sickness or injury. The plaintiff paid the premiums regularly, and the policy was in force in January, 1965.

At that time, the plaintiff was injured while lifting a 361-pound ball of rubber. He developed a hernia and was injured in the lower back and legs. He was off work until June, 1965. When he returned to work he had continual trouble with his back. He was fired by his employer on June 28, 1965. Many doctors who examined the plaintiff said his disability was due to a back injury. In late 1965, he was hospitalized.

HE FILED a claim with his insurance company, which paid him $150 a month under the sickness provision of the policy. After June, 1965, the insurance company was informed that the disability was due to his back injury. The insurance company continued the monthly sickness payment to July 29, 1966, when it stopped all payments. The company then obtained the credit reports on the plaintiff.

The defendant then sent a letter to the plaintiff stating that the policy would not have been issued if the true facts about the plaintiff's health had been known. The letter acused him of misrepresentation, denied liability under the policy and asked for a refund of benefits. All this was referred to the plaintiff's attorney, and after a series of letters some further payments were made by the company.

The California court said that the insurance company, without probable cause for believing that the plaintiff had made material misrepresentations or that his disability was due to anything other than the injury in January, 1965, engaged in concerted conduct to induce the plaintiff to surrender his policy and his rights, by means of false and threatening letters. In approving the decision of the trial court, the court of appeal named the essential elements for intentional infliction of emotional distress:

- Outstanding outrageous conduct by the defendant.
- The defendant's intention of causing or reckless disregard of the possibility of causing emotional distress.
- The plaintiff suffering extreme or severe emotional distress.
- Actual and proximate causation of the emotional distress by the defendant's outrageous conduct.
- It must also appear that the defendant's conduct was not privileged.

The court held that the duty of a liability insurer to act reasonably, and in good faith, to settle liability claims of the third person against the insured applies equally to a disability insurer, and such insurer may not threaten to or actually withhold payments, maliciously and without probable cause, for the purpose of depriving the insured of the policy benefits. This case may have a far-reaching impact on the insurance world. (*Fletcher* v. *Western National Life Insurance Co.,* 89 Cal. Repr., 7/8/1970.)

* * *

IF YOU ARE an undertaker in Mississippi, you are not liable if your apprentice improperly embalms a body and causes great mental anguish to the widow.

The husband died and the widow retained the mortician to attend the embalming and preparation of the body for burial. The work was left to an apprentice. The licensed embalmer reviewed the work. The body was then shipped to Dallas and the licensed embalmer there noticed a condition of gas gangrene in the body. The family was informed and told that the body was not suitable for viewing. The widow suffered a severe mental breakdown requiring psychiatric treatment and hospitalization.

The court said that this was simple negligence and not wilful and wanton negligence. The case arose in Mississippi and the rule there is that there can be no recovery for the mental pain and suffering from the mere negligent act of another, unaccompanied by physical or bodily injury. The court said that there would not be

Continued on page 50

Full commitment to product liability loss control must be major priority

NEWARK, N.J.—"There is no question but that the current insurance premium pricing adjustments and underwriting restrictions being made by carriers represent somewhat of a panic reaction to the product liability loss problem," said Gerald Maatman, president of the National Loss Control Service Corp. (NATLSCO), to an audience at a conference on product liability prevention here.

"Nevertheless, their underwriting losses in this line of coverage since 1966, coupled with what can be seen on the near-term horizon, certainly gives them ample cause for pessimism."

On that note, Mr. Maatman outlined the factors involved in making a manufacturing company's product liability risk look "more palatable" to an insurer.

THE FIRST, and most important, point that insurers would consider was commitment to loss control.

"As with most other corporate programs and objectives, its chance for success is directly dependent upon the relative priority given to it throughout all levels of your company," he noted. "This means that your top management has to include it among its select number of high priority goals and the program goals must be defined in measurable terms and reviewed at regular intervals."

He said that middle management and supervisory personnel must look at loss control in the same lofty terms or the program will be given "lip-service" and little else. At the same time, middle management must believe that top management really cares about the program.

"Unless your casualty insurance underwriter can obtain a reading of a dedicated, high level, continuing commitment to your program, there's no question but that he is going to look at the remainder of it with somewhat of a jaundiced eye."

HE POINTED OUT that many times a committee was formed to implement a loss control program, which brought him to point number two.

Committees were a great way to get nothing done, in his opinion, but "no matter what the mechanism used, the primary need is to provide someone within your organization who has the authority to cut across lines to insure that each line and staff function continues to fulfill its respective role in the corporate product safety program."

In other words, the effectiveness of the program depends on the establishment of "clear lines of authority, responsibility and accountability."

Clear and well-defined channels of communication, point three, were a must for the success of the program. "Inadequate communications represents the area of most common failure ranging from inadequate feedback on customer complaints to design engineering all the way to failure to adequately inform the purchasing department on required quality control specifications for component parts and production materials."

HE FELT THAT maximum feedback on product liability claims and customer complaints was another factor in the success of any program. He said that his organization had found instances where customer complaints regarding design had never been forwarded to the department in charge of product design.

"On the subject of customer product complaint feedback mechanism, which is a difficult problem, I think that the recent trend of large consumer product manufacturers to establish special telephone complaint handling facilities is an important step in the right direction," he said. "Although the motivation has been largely one of improving customer relations, this approach can greatly expand the manufacturer's data base on possible product defects, failures and misuses and thus effectivly improve the direction of its defensive claim planning efforts."

The final important point he mentioned was that of "continuing emphasis on all aspects of defensive product liability claim planning which entails the maintenance of adequate records across the entire product profile.

"Defensive claim planning obviously involves the ability to be able to reconstruct the entire profile if the particular product in question, starting with its research and development and design development phases, tracing it through its various production quality control stages and then in its travel into the marketplace. Thus, the maintenance of adequate product records is of critical importance throughout the product profile."

HE INDICATED, along with most of the other speakers at the conference, that the squeeze on business by product liability was far from over, or even peaking. Liability in the drug and auto industries about 10 years ago opened the door and the last five years had seen the market for the coverage virtually dry-up. Premiums have risen from 100% to as much as 700% in that time and deductibles have become increasingly more gargantuan.

And, he added, a good record will be of little help when the underwriters come around. "In all too many cases, the insurer is asked to make an underwriting decision primarily on the basis of only past loss history and a sketchy description of your various product lines and loss control program. It's no small wonder then that he prefers to err on the conservative side."

He told those in attendance that the use of an independent third party would be desirable. An outside consultant would both add a "fresh viewpoint" and develop a comprehensive report which could be utilized by the risk manager in his negotiations with the insurance company.

"The subject of product liability loss problems will be with us for the foreseeable future and their solutions may very well be ultimately dependent upon the willingness of the legislative and judicial branches of government to grant legal relief to manufacturers and sellers of products," Mr. Maatman concluded. "However, until that time comes, it is obvious that a total commitment needs to be made to product safety loss control if your companies are to survive as viable business entities." ∎

Fair plan in Oregon

Oregon Gov. Tom McCall has signed a law creating an Oregon FAIR Plan Assn.

opinions

Unintended results

IT NOW APPEARS clear that the first play in President Nixon's new economic "game plan" was designed to stop every inflationary force cold and then listen to the complaints, greasing those wheels that squeaked most.

Perhaps this was the best way to cool off a super-heated economy, but there have been some results in the insurance area that were surely unintended.

Those charged with executing the President's plan announcd that there would be a 90-day freeze on fringe benefits to match and complement the freeze on wages and prices. Part of the reasoning presumably was that if fringes were not frozen some employers would use substantial increases in benefits to circumvent the wage freeze. We think this result is unlikely because increases in benefits generally commit the employer to maintaining and later extending the higher benefit level.

Yet the way in which the President's order has been interpreted has had the effect of shutting down the operations of group life insurers who design and underwrite group life, key-man coverage and insured pension plans.

"We've got nothing to do," lamented one life insurance company executive, "but sit here and contemplate our navels until the freeze ends in November. To sell anything now would violate the President's order, or at least violate the narrow interpretation issued by administrators of the order."

A similar freeze has been imposed on profit-sharing plans, which cannot be instituted during the period of the freeze. It is understandable that the Administration would impose an embargo on cash profit-sharing payouts during the freeze period because such payouts would be equivalent to wage increases and flow directly into the economy Mr. Nixon seeks to insulate. But deferred profit-sharing plans should be allowed to operate as usual, and those employers who planned to institute such plans ought to be allowed to carry out their intentions.

Another dilemma for insurers and insureds not yet solved by Administration pronouncements is the question of whether workmen's compensation benefit increases passed by state legislatures should be allowed to stand and be reflected in higher premium rates.

We believe it would be an absurd denial of the very principle of the President's economic stance to cancel immediate increases to workmen's compensation recipients. Some of them are on fixed incomes and are the very people who were hurt the most by the inflation Mr. Nixon opposes.

Insurance companies cooperated with President Nixon by agreeing to freeze insurance rates and by announcing internally that there would be no wage increases until the Administration lifts the lid. And why not? Insurers are double victims of inflation, first through rising settlement costs that eat into the premium dollar and second through the fact that inflation effectively reduces the value of insurance company investments.

Corporate insurance buyers are only too eager to cooperate with President Nixon by negotiating all the harder for reductions in custom-rated insurance programs. They have the prospect of easier negotiation with insurers if the President's program works and inflationary pressures on insurers are relieved.

What all the confusion, comment and countercomment mean is that next time the Administration changes its "game plan," there ought to be extensive consultations between the powerful triumvirate of government, business and labor before such all-encompassing freezes are put into effect.

Perhaps, though, we ought to take comfort in the observation of one wry fellow who said, "Oh well, they ought to have most of the questions answered by November 13 when the freeze is scheduled to expire."

CRIMES AGAINST PROPERTY 1966-1970

percentage increase over previous year in parentheses

	ROBBERY	BURGLARY	LARCENY
1966	157,320 (+14%)	1,387,200 (+10%)	894,600 (+13%)
1967	202,050 (+28%)	1,605,700 (+16%)	1,047,100 (+17%)
1968	261,730 (+30%)	1,828,900 (+14%)	1,271,100 (+21%)
1969	297,580 (+14%)	1,949,800 (+ 7%)	1,524,600 (+19%)
1970	348,380 (+17%)	2,169,300 (+11%)	1,746,100 (+15%)

Crimes against property increased 11% in 1970, the smallest rise in the past five years. Risk managers whose companies are relocating away from cities should bear in mind that last year robbery and burglary increased at a greater percentage rate in suburban and rural areas than in cities of more than 250,000 population. Total property loss due to robbery was $82 million, and that due to burglary was $672 million. According to the Federal Bureau of Investigation, robbery, burglary, embezzlement and other thefts have accounted for property losses of about $9.5 million a day in recent years and only 50% of the stolen property is ever recovered.

Source: Federal Bureau of Investigation

Tune in and turn on

A FRIGHTENED Chicago insurance agent has launched a shrill campaign to deny the protection of homeowners insurance to those students who run for and, God forbid, win election as "mayor, alderman or whatever" of the communities in which their colleges are located.

His campaign runs directly counter to the spirit of court decisions announced last week in Michigan and California, whose supreme courts protected students' rights to vote—and therefore hold office—in their college communities. California's ruling held that to do otherwise would abridge the rights of students who would be compelled to travel to their parents' districts to register and vote, or to register and vote as absentees.

We would be interested to know what the experience has been in homeowners policy claims for property of college students not living at home. We'd like to know, also, what efforts the insurance industry has made to make parents and students aware of the fact that off-premises provisions of homeowners policies extend coverage to campus losses.

Conventional thinkers among insurers now want to use the economic power of homeowners policies to stop students from winning municipal offices. One representative of the insurance trade press soberly advised that "most court cases have hinged upon the intent of the particular student to return to the home of his parents." And an Illinois legislator who endorses the Chicago agent's campaign announced that one house of the Illinois legislature "has passed a law preventing student voting in their campus communities." Let's see what the Illinois supreme court has to say about the law in view of the Michigan and California decisions.

The absurdity of all this lies in the mistaken idea that people's actions are motivated or inhibited by the existence of insurance. Drivers do not decide to insure themselves against liability because part of their premiums are tax deductible. Nor will the mass of drivers be more reckless under no-fault plans, chiefly because the present system is already "no-fault" so far as the driver is concerned. Workers are not more or less careful because their employers have workmen's compensation, fire and liability insurance. The care they exercise depends upon supervision and their own pride.

College students typically possess few items so valuable that the cost of replacing them would be a deciding factor in the choice between the right to run for office in their school's towns and the right to enjoy the shelter of their parents' homeowners insurance. Most students living away from home are in dormitories or furnished apartments. Their valuables are their books and clothes, and perhaps typewriters and stereos. Those interested enough in their communities to run for a public office will certainly not be deterred by the dubious threat of losing some insurance protection—and they are probably smart enough to scrape together the price of a premium and buy their own coverage.

Students of the nation, arise. You have the 18-year-old vote. And you have nothing to lose but your book bags. We are sure that the future student mayors of Berkeley, Champaign, Cambridge, Austin and maybe even New Haven will gladly forswear the protection of their parents' homeowners policies, whose protection was probably the agents' little secret. Meanwhile, the courts have told young student voters to go ahead and exercise their franchise—whatever the thoughts of the conventional insurance thinkers.

letters

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

Fair play in no-fault

To the Editor: I recently read the editorial in your issue of July 19 regarding no-fault insurance. It is well written and, I am sure, attempts to be fair and objective in discussing a complicated subject.

I do, however, want to point out one area in which we believe it overlooks an important fact with respect to commercial vehicles.

The bureau of motor carrier safety of the Department of Transportation has published a pamphlet entitled "1969 Accidents of Large Motor Carriers of Property." This pamphlet demonstrates that 3.17 vehicles operated by Class I ($1 million and over annual gross revenue) and Class II ($300,000 but less than $1 million annual gross revenue) for-hire motor carriers were involved in accidents per million miles driven.

On the other hand, figures published by the Department of Transportation (Highway Statistics, 1969, Table VM-1, p. 73), and the National Safety Council (Accident Facts, 1970 Ed., p. 56), indicate that 26.9 passenger cars were involved in accidents for every million miles driven. This being so, it seems to us inherently unfair to consider only the size of commercial vehicles, and based on this thinking, to conclude, as does your editorial, that "they have a greater potential for damage."

Would it not be fairer, and more realistic, at the same time to recognize the much greater likelihood that a passenger car will be involved in an accident than a vehicle operated by the for-hire motor carriers referred to?

We commented on what your editorial calls an "equalizing liability factor" in our testimony on the various federal no-fault bills considered in both the Senate and House in the current session, as follows:

> The proposal is indeed a paradox—on the one hand, operators of commercial vehicles are told that no matter how negligent automobile drivers may be, they bear no responsibility when they cause an accident in which the operator's trucks are involved, but the truck owners will be assessed a major share of the cost resulting from the very same accidents! Technically, this may be "no fault" insurance: practically, it is insurance which arbitrarily assigns a great majority of the blame (cost) to operators of commercial vehicles involved in accidents.

We have no desire to overreach and obtain an unfair advantage in the area of no-fault insurance; we do have what we hope is a fair attitude in that we believe all factors—favorable as well as unfavorable—of the operation of commercial vehicles should be considered in determining their liability under such plans.

W. A. Bresnahan
President, American Trucking Assns. Inc., Washington, D. C.

No improprieties

To the Editor: The implication of improprieties in obtaining

Continued on page 43

business insurance

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

G. D. CRAIN, JR., *Chairman* S. R. BERNSTEIN, *President*
ALFRED MALECKI, *Publisher* RANCE CRAIN, *Editorial Director*

RICHARD C. BJORKLUND, *Editor* STEPHEN D. GILKENSON, *Eastern Editor*
Associates: Chicago—TERESA NORTON. *New York*—PATRICK A. THOMAS, ANNETTE DUFFY. *Washington*—JOHN REVETT. *San Francisco*—KENNETH R. MACDONALD. *Hartford*—ALLEN M. WIDEM. *Minneapolis*—ROBIN MENZ SUHRBIER. *Editorial Assistant: Chicago*—LESLIE MURRAY. *Correspondents in all principal cities.* JOE FARACI, *Art Director.*
Contributing Editors: ROBERT ABRAHAMSON, insurance manager, Control Data Corp., Minneapolis. J. E. BENOIT, J. E. Benoit & Assoc., St. Leonard, Quebec. DONALD BERRY, vice president, C. B. Lilly Inc., East Orange, N. J. WARREN G. BROCKMEIER, director-western region, risk management dept., Ebasco Services Inc., Chicago. HAROLD A. CLARK, manager-planning, employe benefits, Sperry Rand Corp., New York. BION H. FRANCIS, insurance consultant, Bridgeport, Conn. JOHN W. GILES, attorney-at-law, Washington, D. C. JOSEPH GULLO, vice president of insurance, D. H. Overmyer Co., New York. NORMAN HOFFMAN, corporate insurance director, National Industries Inc., Louisville, Ky. PAUL C. JOHNSON, insurance division, U. S. Maritime Administration Washington, D. C. WILLIAM J. JONES III, director, Ingram, Armistead, Wallace Group, Nashville, Tenn. ROBERT J. KAMIN, partner, Gofen & Glossberg Investment Counselors, Chicago. CHARLES LEVINSON, director of insurance, United Brands Co., New York. NED MILLER, vice president, Compensation Planning Corp., New York. J. P. OLSEN, assistant counsel, Ingersoll-Rand Co., New York. M. REX PEARSON, insurance manager, Signal Cos., Los Angeles. HOWARD L. PECK, partner, Hewitt Assoc., Libertyville, Ill. WILLIAM H. RODDA, president, Marine Insurance Handbook Inc., Chicago.

Advertising
District managers: New York—CHARLES A. HORVATH, THOMAS J. O'MARA
Chicago—ROBERT L. NIESSE
Los Angeles—DENNIS KOCH
Southern representative—WILLIAM B. CARR,
2500 N. E. 48 Lane, Fort Lauderdale, Fla. 33308
Assistants: GIGI SIEGEL, RONNIE DRACHMAN
Production Manager: JOHN JAMKA

Published by Crain Communications Inc., Chicago, publisher of Advertising Age, Industrial Marketing, Advertising & Sales Promotion.
M. A. HARTENFELD, *executive vice-president*: RANCE CRAIN, KEITH CRAIN, J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, D. J. CLEARY, JR., LOUIS F. DEMARCO, ALFRED MALECKI, WILLIAM STRONG, *vice-presidents.* G. R. CRAIN, secretary and treasurer. RICHARD M. DAUGHERTY, *controller.*
Cable address: *CRAINCOM*

Published at 740 Rush St., Chicago 60611 (337-5200). Offices at 630 Third Ave., New York 10017 (YU 6-5050); National Press Bldg., Washington, D.C. 20004 (RE 7-7659); 965 E. Jefferson Ave., Detroit 48207 (963-9520); 6404 Wilshire Blvd., Los Angeles 90048 (OLive 1-3710); San Francisco (GR 4-8532); Fort Lauderdale (771-8242). 45 cents a copy, $10 a year in U.S., Canada and Pan America. Elsewhere $4 a year extra. WILLIAM STRONG, circulation director. ROGER DIGREGORIO, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, Business Insurance, 740 Rush Street, Chicago, Illinois 60611.

BPA Member of Business Publications Audit of Circulation

ABP

"I could sue the president of the advertising agency paying me to write this ad."

I work for a New York advertising agency. And my boss, the president of the agency, likes me.

Last Christmas, "to reward my loyalty and hard work"—those were his words—he made me a stockholder in the corporation.

While working on this ad, I realized I could turn around and use the stock he gave me to sue him. And every other officer and director of the corporation, too, for that matter.

The agency I work for, probably not unlike your company, is small enough so that, if I just keep my eyes and ears open, I can know everything they're doing or are about to do.

I can sue if I think my boss is spending too much time away from the office. And not enough with clients. Or if I think some publicity he got endangered the value of my stock.

Or if I think the financial reports we stockholders have been getting are inadequate. Or any other of a hundred reasons.

By the time I got through with it, the small agency I work for would be a lot smaller.

But even more than I like my stock, I like my boss. So I'm not going to sue him. Not now anyway. The point is I could.

Every director and officer of a small corporation needs protection against his stockholders. Even more than the president of General Motors needs protection against his. Because if you're sued, the legal fees alone could wipe you out. Even if you win.

Yet until recently, there was no protection you could get.

American Home Assurance Company, already the country's largest insuror of directors and officers of large corporations, is now making Directors & Officers Liability Insurance available to small corporations, too. Those with assets of $7.5 million or less. Public, private, or family-owned.

And the premium is surprisingly low. A minimum of $5,000 for three years for a limit of coverage of $1 million.

Send for our booklet. Write: American Home Assurance Company, Dept. A-14, 102 Maiden Lane, New York, N.Y. 10005. Then talk it over with your insurance agent or broker.

You should protect yourself against your stockholders for the same reason my boss has protected himself against his.

American Home Assurance Company
A member company of American International Group.

Insurance main topic at AMA

CHICAGO—The American Management Assn. will hold its National Insurance Conference in the Drake Hotel here Nov. 8, 9 and 10.

The conference, described by an AMA spokesman as "the best program to date," will offer a veritable smorgasbord of topics and speakers to anyone with a concern for insurance and/or employe benefits.

Among the featured speakers will be Gov. Richard B. Ogilvie of Illinois; Federal Insurance Administrator George K. Bernstein; and George Guenther, assistant sec., Occupational Safety and Health Act, U.S. Dept. of Labor.

MAJOR TOPICS on the insurance side of the program will include fraud and white collar crime; pollution and contamination; captives; self-insurance; capacity from a buyer-producer viewpoint; products liability; and rating broker service in a cost-conscious, consumer-oriented market.

Some of the topics to be discussed on the other side of the program—employe benefits—will be alcoholism and drug addiction; employe health maintenance; financing and funding of employe plans; and changes in Internal Revenue Service regulations.

Highlighting the conference will be panel discussions and presentations concerning no-fault automobile insurance, legislation affecting pension plans and the implications of the Occupational Safety and Health Act. And Gordie Howe, star hockey player from Detroit, will speak on ecology.

Chairmen of the conference will be Harold C. Pearce, senior vp. of the Blue Cross Assn. of Chicago and Edward P. Lalley, insurance manager of Kraftco Corp. and vp. elect of the AMA planning council.

For further information concerning what should be a most informative conference contact the American Management Assn., Insurance Division, 135 West 50th St., New York, N.Y. 10017. ▪

Continental will insure Mesa group

MESA, Ariz.—Continental Life and Accident Co. will carry the group health insurance program for the city employes of Mesa, Ariz., under the Foundation Medical Care plan at an increased cost of $31,400 for the year, the city council has decided.

The city's total cost will be $86,000, including an 18% rate increase for employes and dependents, according to George Saville, assistant city manager.

Zurich-American Insurance Co., which handled the group program last year, had advised the city that rates would be hiked $49,000 if it carried the policy another year.

Mr. Saville noted the foundation recently instituted a certified hospital admission program that will reduce hospital charges. It also increased payments to doctors 10%, he added.

He also pointed out the advantage of the foundation plan for city employes was that an insured person treated by a member physician can expect all medical charges to be accepted and paid by the insuror. ▪

Legislation would protect contractors

SACRAMENTO, Cal.—Legislation has been introduced here to protect building industry contractors, designers and product installers against "open end" liability related to their work.

Two of the proposed new California laws, senate bill 901 and senate bill 905, and assembly bill 2742 were prepared in collaboration with such industry groups as plumbing, heating and air conditioning contractors and the California Builders' Council.

"This type of legislative protection is urgent," the legislators were told by Paul M. McCarron, executive vice president and general counsel for the home builders' organization, "because of recent court decisions in various parts of the U.S. applying the doctrine of strict liability to cases arising out of alleged design and building materials and construction defects.

"IN EFFECT," Mr. McCarron added, "the application of this concept has made the designer and the builder liable for a lifetime."

Senate bill 901 would establish a four-year time limit after "the substantial completion" of any improvement or construction. A claimant would be given additional time in which to move if damage, injury or death as a result of the "patent deficiency" should occur sometime within the fourth year but this period would expire no later than five years after completion.

Senate bill 905 would set six years as the period of limitation "for bringing actions to receive specified damages arising out of latent deficiencies." ■

Insurer ups major med maximums

HARTFORD—Hartford Life Insurance Co. has announced a substantial boost in group major medical maximums as a result of what the company called "the rapid rise in medical care costs."

Hartford Life's increase from the previous $50,000 ceiling to a new pre-disability limit of $100,000 is designed to provide more adequate coverage, a spokesman said.

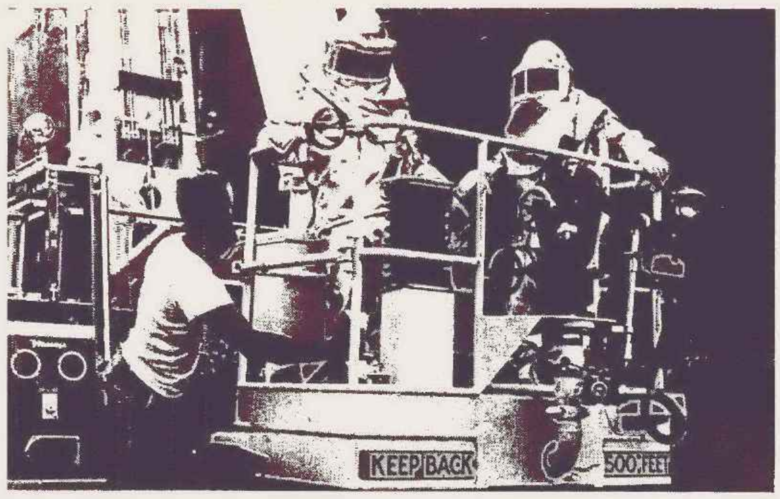
The new maximum is available with Hartford Life major medical programs written for groups of 36 persons or more, and is applicable to either the calendar year or to per-disability deductible contracts. It covers new disabilities that arise subsequent to the effective date of a policy's maximum benefit change.

CONTRACTS written for groups of less than 35 persons will be limited to a $50,000 maximum, an increase of $25,000 over the previous possible benefit.

Increased maximums apply to all previously covered medical claims, with exception of mental infirmities. New mental illness maximum is set at $10,000.

Lawrence J. Rupp, vp and group actuary, said that the Hartford Life's increased major medical maximums are made possible by a switch to the "pooling" concept. Such a technique, he added, has the built-in benefit of permitting Hartford Life to offer high limits at relatively low cost while avoiding substantial premium boosts because of sizable claims. ■

Industrial fire brigade helps keep the hazard down for Cyanamid plant



Industrial fire brigade members wearing close-proximity suits prepare to ride the platform of a municipal fire truck in a mutual aid drill at American Cyanamid Co.'s Lederle Laboratories as part of training.

PEARL RIVER, N.Y.—Whenever flames menace personnel and/or property at industrial sites around the country, the chances are that the first group of people to take the risks involved in combating the blaze will be members of a company-based volunteer fire brigade.

"Local conditions determine what kind of a brigade is necessary at a specific location," states the Factory Insurance Assn. "A small property, having hazards of low order in a large city with an excellent public fire department, may need only a simple brigade trained to provide self-inspections, restore protection and start salvage work after a loss. A large property, having severe hazards isolated beyond public protection, will require a highly developed brigade providing the equivalent of a full-fledged public department."

Resting comfortably somewhere between those two descriptions, though probably closer to the latter, is American Cyanamid Co.'s Lederle Laboratories.

LOCATED NEAR the hamlet of Pearl River, which is approximately 20 miles northwest of New York City, Lederle is one of the country's largest manufacturers of pharmaceutical and biological products. The firm employs 3,500 people who are engaged in all phases of the manufacture and distribution of pharmaceuticals in hundreds of package forms.

The manufacturing complex, which sits on a 350-acre tract, is virtually a city in itself. Located on the grounds are 150 different buildings, 18 miles of streets and sidewalks, employe social clubs and recreational facilities, as well as a dispensary and an ambulance service. And to protect it all from the ravages of fire is a 56-man volunteer fire brigade.

The nucleus of the fire protection program at Lederle is a force of five men, known as fire inspectors, who work full-time at maintaining and manning the firm's fire-fighting equipment on a 24-hour-per-day, seven-day-a-week basis. This continuous vigilance is necessitated by the fact that the plant operates on the same, endless routine.

The fire inspectors run a busy schedule of daily, weekly and monthly routes over the plant in an effort to search out potential fire hazards and inspect equipment.

AMONG THE many duties of the fire inspectors are the checking of literally miles of sprinkler systems and hose lines in buildings, blanket containers in laboratories and hallways and hundreds of fire doors. They are responsible for the maintenance of the 1,500 fire extinguishers located throughout the plant, as well as the maintenance of the company's two fire trucks and the equipment on them.

Also listed among their responsibilities is keeping a close and constant check on the water level in the plant's 100,000-gallon water tower. Fourteen separate hydrants in the complex receive their water from the tower while an additional 33 hydrants are connected to city water supplies.

The fire inspectors are assisted by the crew of 56 volunteers. These volunteers are recruited from various working shifts so as to have from six to 12 on hand during each of the separate shifts. Many of the volunteers at Lederle are also members of volunteer fire departments in the communities surrounding the plant.

The volunteers meet twice a month for training sessions and special drills conducted by the fire inspectors and the Lederle fire chief, Lester Shuart. The volunteers also present instructional programs for other employes on the basic concepts of coping with fire emergencies.

IT MIGHT BE added that the man in charge of all this, Chief Shuart, is right in his element. He has been with the firm for close to 35 years and has been a volunteer fireman since age 18. He is or has been a member of many different associations and boards in the fire protection area, and is a vital link in the liaison with neighboring community fire departments that provide mutual aid assistance for the plant.

"It is recognized that in industrial fire protection," again says FIA, "both private and public fire departments play important roles. The better the two are coordinated, the more effective the work of each will be."

Local fire companies participating in mutual aid drills and taking tours of the plant are regular features of Lederle's fire emergency plans. Designed to acquaint the municipal fire departments with the problems faced in battling an industrial blaze, the drills and tours are held periodically at different locations in the complex.

These sessions include: orientations on hydrant locations;

Continued on page 28

help your employees save themselves!

Saving money is hard work. Most people can't seem to manage it by themselves. That's why our Group Department offers The Travelers Employee Savings & Investment Program... to help you help your people save money.

You get a new, attractive and competitive employee benefit program at a low and predictable cost to your company.

Your employees get a convenient way of saving money, as well as an attractive investment program, with important tax advantages.

Employee acceptance is high. And our computer-accurate reports to employees reinforce their acceptance and emphasize your support of the plan.

Find out more about this new Travelers benefit program. Call your Travelers Group man today.

THE TRAVELERS

The Travelers Insurance Companies
Hartford, Connecticut

Claims teacher group has unauthorized policy

MIAMI—Florida's insurance department has charged that members of the giant Dade County (Miami) Classroom Teachers Assn. have been insured for six years by a firm unauthorized to do business in the state.

State insurance officials announced that they will bring charges against Classified Insurance Corp. of Milwaukee, Wis., for selling a professional liability insurance policy to cover the association's 7,000 members.

"We're not soliciting business in Florida," answered Francis J. Holton, president of Classified. "We sold it in Milwaukee and they paid for it in Milwaukee."

BUT CHARLES Anderson, insurance department attorney, contends that "the test is whether the subjects of the insurance are located in Florida."

"I consider it very strange, indeed, that after six years of this coverage there's suddenly all this interest in it," said Pat Tornillo, the teachers' association's executive director. Mr. Anderson took the position that Mr. Tornillo might have violated state insurance laws by "aiding and abetting an unauthorized insurer."

Under state law, Classified could be fined $1,000 for each violation of the state insurance code. If the department decided to prosecute Mr. Tornillo, and a court agreed with its position, he could be subject to a $1,000 fine, six months in the county jail or both.

"We do not wish to be in violation of any insurance law of Florida," said Mr. Tornillo, who acknowledged that he learned three years ago that the company lacked a license to operate in the state.

Mr Tornillo said the CTA's attorney, Tobias Simon, also thought that the association's policy was proper since the coverage was negotiated through the mails.

"I was under the impression that you could do business with an unauthorized carrier but that you took the risk that, if the company defaulted, the state insurance department wouldn't back you," said Mr. Tornillo.

State insurance officials take the position that the association, by collecting the teachers' insurance premiums, is in effect acting as Classified's agent. Mr. Tornillo agreed that the CTA would cancel the policy if its position is found to be incorrect.

Three years ago, Classified failed to win a Florida license because its paid-up capital and surplus fell short of the state's $1.25 milion requirement.

Mr. Tornillo said the CTA first turned to Classified because liability insurance was not available for teachers in Florida.

He maintained that, when he learned about the company during an out-of-town convention, insurance companies were allowed to conduct business through the mail.

Mr. Anderson confirmed that the law was not changed until 1967 to make it illegal for firms not licensed in Florida to sell insurance through the mail. He said the state's case will be considerably weakened if Mr. Tornillo's account is true and that he never met with Classified agents to transact business.

Mr. Tornillo said that the CTA policy runs through December and that the teachers will remain covered.

MR. ANDERSON agreed with Mr. Tornillo that liability coverage for teachers has been difficult to secure in the state.

On July 13, the department sent Mr. Tornillo a "cease and desist" order telling him to stop negotiating with the unauthorized insuror and, on July 30, Classified again applied for a state license, citing a capital-and-surplus total of $1.3 million on December, 1970. That license is expected to take several more weeks to process, however.

The policy costs CTA members 85 cents a year—which is included in their annual dues—and covers legal costs and damages up to $200,000 for suits filed against a teacher acting in the line of duty.

Based on the association's 7,293 members, the annual premium for the 12 months ending Dec. 31, 1971, is $6,199.05. ■

Industrial . . .

Continued from page 26

sources of emergency water supplies (there is a series of ponds in the complex's water cooling system that can be used as water reserves); communications drills in which the Lederle fire brigade uses the local fire radio network to call for mutual aid from the community volunteers; hose-laying and ladder-raising drills and actually fighting simulated fires in and around various buildings and storage areas on the grounds.

THE LEDERLE brigade, among its other equipment, maintains two pumper trucks, one with a 500-gpm capacity, the other with 750 gpm. The trucks carry a total of 2,500 feet of 1.5- and 2.5-inch hose, foam for fighting solvent fires and two-way radios tuned in to the frequency of the local county radio alarm system. If any fire at the plant were to require massive aid, the radio network could bring responses from as many as 26 local fire departments.

In addition to the water tower, Lederle's brigade has a 350,000-gallon ground level tank which provides water for a 2,000-gpm stationary pump and a 1,000-gpm pump. Also at their disposal are two 750-gpm automatic pumps which get their water from local city supplies.

The firm has a smoke detection system located in areas of the complex that might warrant special precautions as well as a 24-box alarm system.

Though Lederle has not had any serious fire emergencies in its history, the volunteer brigade has been called on to fight fires in several wooden structures at the plant. All of these fires were easily extinguished with the help of firemen from two nearby hamlets.

THE COMPANY'S good fire prevention record, according to Chief Shuart, is attributable to the vigilance of the men in his department and to the company's educational program. The program, conducted on a year-round basis by Lederle's accident prevention and fire department, brings to the attention of employes the importance of being aware of potential fire hazards.

The company's fire protection program brought it a certificate of commendation from the National Fire Prevention Assn. in 1970. ■

For the man who has more of everything ...to lose!

If you're a man at the top . . . living way up there in the higher echelons can get pretty scary sometimes.

More than likely the responsibilities of a high social, economic or professional status make you more conscious of the liabilities of prestige.

That's why the Top Brass Policy from The St. Paul Companies.

A Top Brass Policy protects you in case of personal injury including bodily injury, mental anguish, libel, false arrest (heaven forbid)—and many other unpleasantries we'd rather not mention.

You're even protected under oral and implied contracts with a Top Brass Policy.

Additionally, in most states, the Top Brass plan contains an excess major medical feature not available as a separate coverage. Based on a $10,000 minimum deductible, you're entitled to excess coverage up to $25,000.

The St. Paul offers limits of $5,000,000 per occurrence (in excess of personal liability already owned); and you must own at least $100,000 or so of personal liability just to be eligible for a Top Brass Policy!

If you could use a little extra peace of mind, a quiet chat with a St. Paul agent will fill you in on all the details.* He's in the Yellow Pages.

*Ask a St. Paul agent about a combination plan of high limit personal and business insurance protection—Top Brass and Umbrella Excess insurance in one package!

The St. Paul Companies Inc., recognized by quiet, distinguished service for 118 years.

THE ST. PAUL
COMPANIES, INC.

Serving you around the world... around the clock

St. Paul Fire and Marine Insurance Company, St. Paul Mercury Insurance Company, The St. Paul Insurance Company.

Ad agency benefits shift puts it on receiving end

NEW YORK—When Ted Bates & Co., the nation's fifth largest advertising agency, shifted a major portion of its employe benefit program from the John Hancock Mutual Life Insurance Co. to the Prudential Insurance Co. of America early this year it did so with characteristic aplomb.

Bates, as other agencies, has established a reputation for itself of vying for business more flamboyantly than, say, a firm that manufactures radiator steam valves. So when the company decided to make some major improvements in its life, health, major medical and disability insurance programs—as well as auto and homeowners insurance in payroll deduction (see related story on page 41)—for more than 1,000 employes in this country it went about it from the ground up and reacted as an advertiser looking for a new agency.

For Donald M. Zuckert, senior vp in charge of such things at Bates, it was an interesting switch. Ad men usually find themselves on the mound pitching for business. This time Mr. Zuckert and Bates were behind home plate doing the catching.

MR. ZUCKERT explaind that Bates began the project by surveying numerous advertising agencies, including the top ten, to find out just was being done in the area of employe benefits. The results, he said, were predictable.

"Unfortunately, the agency business is not terribly secure business. And," Mr. Zuckert added, "unlike many major industries we just don't have the benefits to match. I saw some sort of disaster brewing within the company and the decision was made to do something about it.

"In every case I would say we tried to go beyond what was being done in the industry," he said, alluding to the result of the survey. "But," he added emphatically, "we are not using benefits as an inducement to hire or retain people. I just don't think benefits mean that much to a guy when he's making a job decision, at least not in this business."

Bates' vp and director of personnel, Edward J. Rogers does not necessarily agree. Sitting in on the interview, Mr. Rogers said, he feels benefits do indeed influence a job decision. "It becomes a reinforcing factor," he said.

THE NEW BATES benefit plan was worked up by Marsh & McLennan Inc., New York insurance brokers. That firm was chosen from among eight top brokers invited to submit proposals a year ago. Seven firms—Johnson & Higgins, Fred. S. James and Alexander and Alexander among them—responded to the invitation. An eighth broker declined for a rather interesting reason.

In May, 1970, at about the same time Bates began looking for someone to revise its benefits program, the ad agency had won the Prudential Insurance Co. advertising account and with it about $5.1 million of commissionable dollars to spend. The broker that declined, Mr. Zuckert said, did so saying it felt its efforts would be wasted because Prudential would likely get the business for political reasons anyway. In a business where one hand washes the other more than occasionally it was a natural assumption to make, Mr. Zuckert admitted, but completely untrue.

"Prudential got our employe benefits business because it came up with the best proposal. Both Aetna Life & Casualty and John Hancock (who was handling the business at the time) were in the running, but Prudential offered us the deal that most fit our needs," the senior vp said.

(Prudential, incidentally, also writes a group insurance package for members of the American Assn. of Advertising Agencies. As a member of the Four As, Bates was under some pressure to join in this program but declined in favor of a tailor-made plan with broader benefits, Mr. Zuckert said.)

THE MAJOR changes to the Bates benefit program are:

- Life insurance: Program formerly provided a benefit of roughly one times annual earning for everyone, from the chairman of the company on down to file clerks. It has now been changed to two times annual salary, with a maximum of $200,000.
- Major medical and hospitalization: The major medical maximum had been $15,000. This has been increased to $100,000. Hospitalization goes from $30 a day with a 70 day maximum to full semi-private care for 70 days. The surgical allowance has also been upped from $500 to $720, as has the deductible provision. Under the Hancock program the deductible was $100 per disability. That has been changed to $100 per calendar year, with a maximum $200 family deductible.
- Short-term salary continuation: Self-insured by Bates, benefits are determined by length of service. Employes with less than six months' service receive one week; five years of service receive 10 weeks; 10 years of ser-

Continued on page 41

Credit union members get mass cover

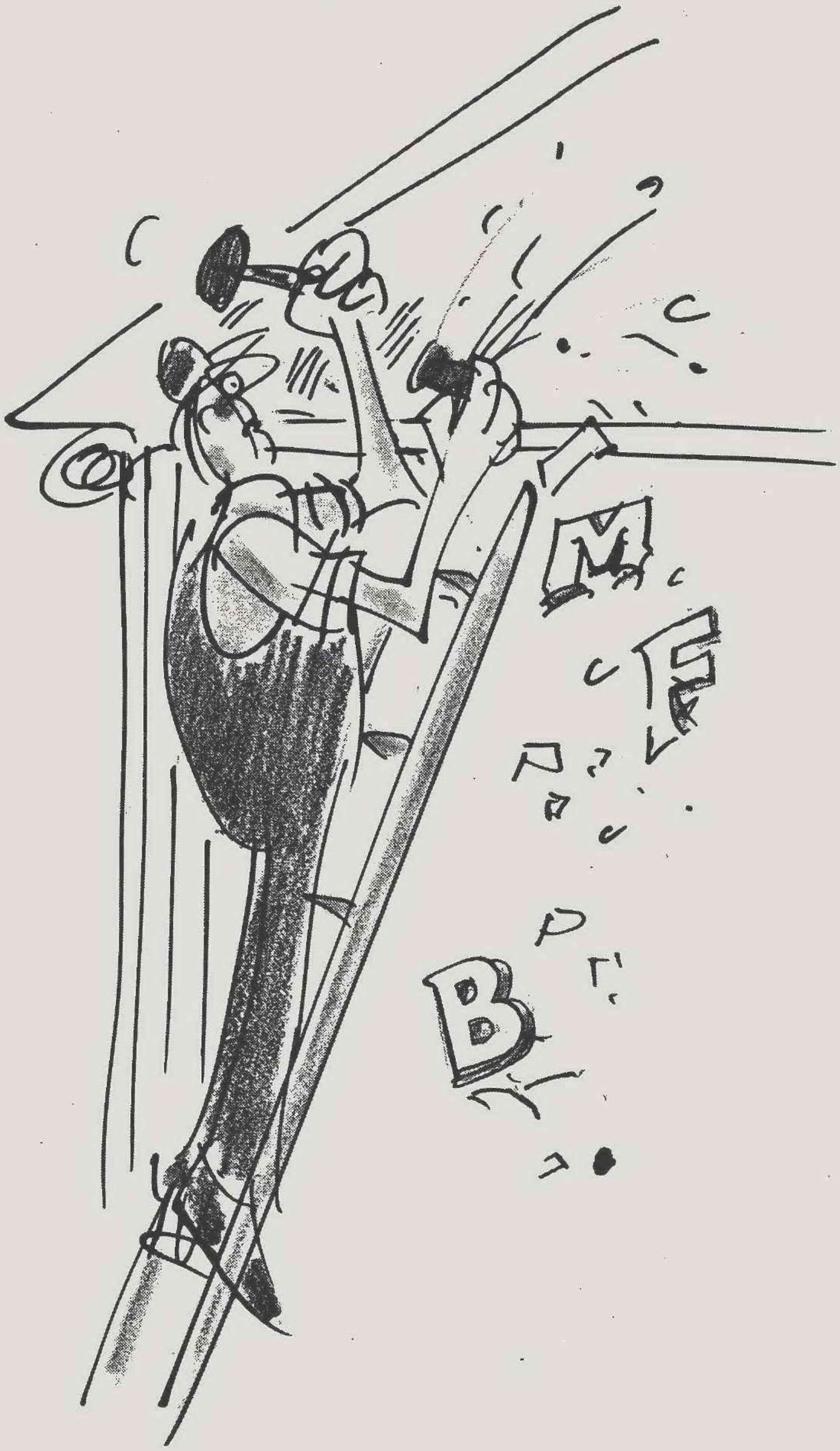
STRATFORD, Conn.—Some 3,500 members of the Avco-Lycoming Federal Credit Union are now able to buy insurance through a mass marketing program offered by the Connecticut General Insurance Corp. of Hartford.

The program offers a broad range of personal coverage—including automobile—to the credit union membership at the Avco Corp.'s Avco-Lycoming division here. Enrollment is voluntary and premiums can be paid by payroll deduction.

In addition to automobile insurance, the new program offers personal and liability coverage from household insurance to all-risk policies on such things as jewelry, furs, cameras and pleasure boats.

Each policy is being individually underwritten by Century Indemnity Co., an affiliate of Connecticut General's Aetna Insurance Co.

Auto coverage guarantees continuation of coverage for five years for a licensed driver without regard to age, number of accidents or number of "moving" traffic violations. It rewards good drivers with lower rates. ■



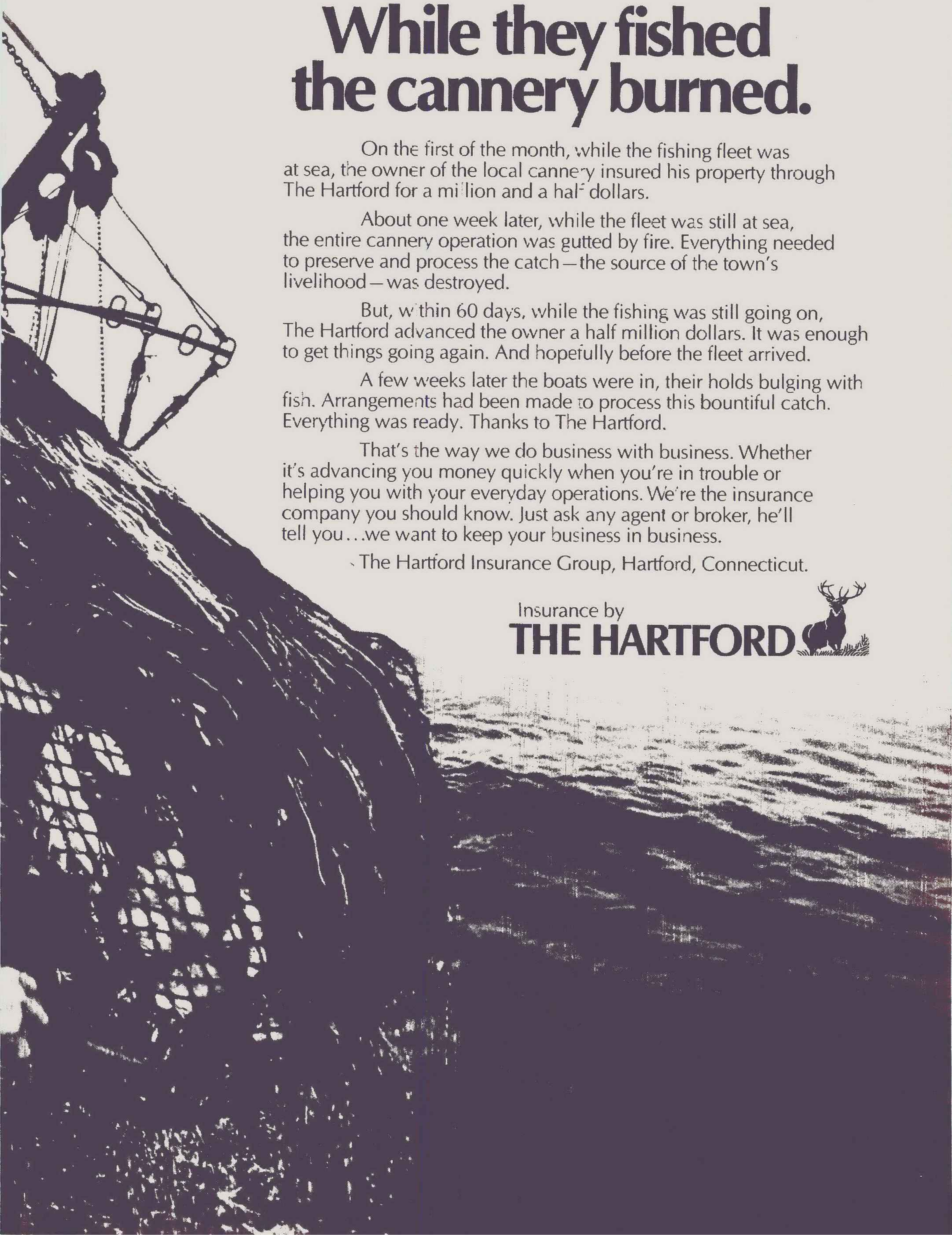
Why we're dropping our first, middle, and last initials.

MFB. These three initials stood for tops in industrial property insurance. Yet down they go. Why? Because we've given ourselves a new name – Allendale Mutual Insurance Company.

On a building – or in the Yellow Pages! – this name is too important to miss. It stands for full capability in both multiple-line and special risks underwriting. Which means: Allendale remains your one sure source for total, tailored property protection. Allendale Mutual Insurance Company, Providence, R.I. 02904. *Affiliates:* New Providence Corporation, Underwriting Manager for Affiliated F M Insurance Company and Appalachian Insurance Company.

Factory Mutual System

Allendale Insurance



While they fished the cannery burned.

On the first of the month, while the fishing fleet was at sea, the owner of the local cannery insured his property through The Hartford for a million and a half dollars.

About one week later, while the fleet was still at sea, the entire cannery operation was gutted by fire. Everything needed to preserve and process the catch—the source of the town's livelihood—was destroyed.

But, within 60 days, while the fishing was still going on, The Hartford advanced the owner a half million dollars. It was enough to get things going again. And hopefully before the fleet arrived.

A few weeks later the boats were in, their holds bulging with fish. Arrangements had been made to process this bountiful catch. Everything was ready. Thanks to The Hartford.

That's the way we do business with business. Whether it's advancing you money quickly when you're in trouble or helping you with your everyday operations. We're the insurance company you should know. Just ask any agent or broker, he'll tell you...we want to keep your business in business.

The Hartford Insurance Group, Hartford, Connecticut.

Insurance by
THE HARTFORD

info for buyers

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

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

• **Making Our Cities Insurable Again**, a brochure describing the Consolidated Insurance Companies new Consolidated Claims Limited, is available from the company at 345 Adams St., Brooklyn, N.Y. 11201. The booklet outlines CCL's claims handling services, loss prevention programs, pre-underwriting investigations, company oriented audits and personnel training, all available to property-liability carriers and self-insureds in metropolitan areas.

• Pictorial Publishers, Inc. has published the **Retirement Rehearsal Guidebook** by Elmer Otte, a complete retirement preparation tool for the soon-to-be retiree and his family. The book discusses finance and leisure time planning, as well as other topics which usually cause pre-retirement apprehension. Advertising Age newspaper has said, "Mr. Otte wittily discusses the endless ramifications of retirement problems he has reached for 10 years." Copies are available for $6.95 from Pictorial Publishers, 1718 Lafayette Rd., Indianapolis, Ind. 46222.

• The Mission Equities Insurance Group has made available **Mission for the Seventies**, a brochure describing the company's corporate set-up, coverages, offices and officers with an introduction by Mission's president. Copies of the book are available from David L. Arrillaga, Advertising Manager, P.O. Box 60004, Los Angeles, Cal. 90060.

• A 173-page book covering the proceedings of the 1970 Public Employees Fringe Benefits Conference has been published by the National Foundation of Health, Welfare and Pension Plans. The book includes sections on trustee responsibility, investments, financing and methods of health care programs, contributory and non-contributory pension programs, national health insurance and communications and pre-retirement counseling. Non-members of the foundation can purchase the book for $3.75 (less in quantities), members for $2.75. For copies or more price information write the foundation, P.O. Box 898, Elm Grove, Wis. 53122.

• Towers, Perrin, Forster & Crosby has published **The Invisible Paycheck—Its Role in the Total Compensation Package.** The booklet deals with, among other related areas of total compensation, the role of the benefit function and organizing responsibilities. Send requests to Joseph A. Banik, Towers, Perrin, Forster & Crosby Inc., Three Penn Center, Philadelphia, Pa. 19102.

• Marshall and Stevens Incorporated/Appraisals has released a reprint of the article **Settling Losses Before They Occur** by Warren G. Brockmeier on how not to cook your corporate goose with inadequate or unnecessary property insurance coverage. It discusses the importance of independent appraisals for acceptable proof of loss. For a copy write John Heath, Vice President, Marshall and Stevens Inc./Appraisals, 1645 Beverly Blvd., Los Angeles, Cal. 90026.

• **SPAN** (Supporters for Political Action Now)**—Political Action Kit** is being offered by the Harleysville Insurance Cos. The kit is designed to aid and assist anyone who is interested in getting involved politically in the areas of insurance legislature both on a local and national level. According to the kit, about 4,000 insurance bills were brought to the attention of state legislatures during the past year. The kit is to help 'bridge the information gap with your legislators.' The kit lists the duties of the various political jobs on the local level, shows how to write your legislator, and how to obtain a personal record of your congressional representatives. The kit is free by writing Lee J. Felbinger, Coordinator, Sales Promotion, Harleysville Insurance Cos., 355 Maple Ave., Harleysville, Pa. 19438.

• The American Credit Indemnity Company of New York has published **How's Your Sight,** an interesting direct mail piece giving 11 short statements describing the company, and **Bouquets,** a small folder with letters enclosed giving experience of users of the American Credit Insurance Co. For free copies direct requests to E. F. Kane, American Credit Indemnity Co. of New York, The Arlington Building, 201 N. Charles St., Baltimore, Md. 21201.

• **Intermatic Electrical Control Products** is a general catalog published by the International Register Co. The catalog describes their complete line of electrical time switches and photo controls for alarms, lights and machines. For a free copy write Kathleen S. Inglehart, International Register Co., 4700 W. Montrose Ave., Chicago, Ill. 60641.

• AFA Protective Systems, Inc., 519 Eighth Ave., New York, N. Y. 10018, has released a brochure describing its 24-hour monitoring system protection sprinkler and flow of water against such typical hazards as closed shutoff valves, water supply failure caused by freezing of outdoor gravity tanks, failure of power supply and abnormal air pressures in sprinkler systems. **Greater Protection, AFA Sprinkler Services Supervisory and Water Flow** is free by directing requests to Reginald Miller at AFA.

• **Some Suggestions for Reducing Securities Thefts from Stock Brokerage Firms** deals with the security officer, personnel, treasuries, negotiable bonds, electronic data processing, vault count, replacement and reporting missing securities and messengers. The booklet is prepared and offered by Marsh & McLennan Inc. Direct requests to E. A. Diemand, Advertising and Sales Promotion Manager, 231 S. LaSalle, Chicago, Ill. 60604.

• **Risk Control** is a book prepared to assist managers to develop a practical program of risk control in plants, buildings and operations they supervise. The book shows how to identify risks, how to eliminate or avoid them and how to deal effectively with emergencies. The Financial Group of the Kennecott Copper Corp. prepared the book. For more information write George V. Austin, Manager Insurance Division, 161 E. 42nd St., New York, N.Y. 10017.

• The Mardix Security Systems Co. has made available information on their electronic entrance-automatic control of personnel and vehicle traffic. Electroguards take the place of human guards or of Mardix videoguards when fully automatic entrance and exit control of personnel and vehicle traffic is required. Electroguards of two types, stand alone and central computer control, are operated by the use of coded cards and ten-digit keyboards. For more information write R. C. Hix, Mardix Security Systems, 900 Stierlin Rd., Mt. View, Cal. 94040.

• National Loss Control Service Corp., part of the Kemper Insurance Group, has prepared a booklet describing its **Occupational Safety & Health Act Survey Service.** Available at no charge, the item contains a summary of initially adopted standards of the 1970 federal act and future probable standards. It also contains requirements for recording and reporting of occupational injuries and illnesses and sample reporting forms. For a copy of the booklet write: National Loss Control Service Corp., 4750 Sheridan Rd., Chicago, Ill. 60640.

• **What Is the Color of Safety** is a 16-page booklet describing and illustrating the use of daylight fluorescent color for safety applications. Areas covered include drivers of slow-moving vehicles, factory workers, highway workers and utility workers. The booklet is available, free of charge, from the Day-Glo Color Corp., 4732 St., Clair Ave., Cleveland, Ohio 44103.

• **What's All This About Self-Insurance?** is a brochure describing the services offered by Employers Self Insurance Service, such as claims, information and engineering services, and a coordinated rehabilitation program. For a free copy write the firm to the attention of the Public Relations Dept., 4050 Wilshire Blvd., Los Angeles, Cal. 90015.

• The Transport Indemnity Co. releases quarterly news letters dealing with such items as drugs and alcohol and management and security problems. The newsletters are available free of charge to insurance buyers, risk managers, safety officers, financial executives and administrative executives. For more information write the firm to the attention of Dick Houston, vp, 3670 Wilshire Blvd, Los Angeles, Cal. 90005.

• The June **ANNALS** of the Society of Chartered Property and Casualty Underwriters, Box 519, Media, Pa. 19063, is a review, analysis and critique of the U. S. Department of Transportation's DOT study. The ANNALS has condensed the 3400-page study to 84. The issue will be free to all new subscribers. New subscriptions are $6 for one year and $10 for two years. Direct orders to the society.

• The Insurance Information Institute has published a pamphlet for clergy and laymen charged with church management entitled **A Guide to Property and Liability Insurance on Churches.** The booklet is a comprehensive guide to a complete insurance program for churches, with valuable hints on safety and maintenance programs.

Copies are 50 cents each from the institute, 110 William St., New York, N.Y. 10038.

• **Airkem SOS Directory 1970-71** contains the names, addresses, and day and night phone numbers of Airkem Division of Airwick Industries Inc.'s representatives throughout the world. Airkem removes odors professionally after fires. For a copy write Lawrence J. Mulcahy, Market Manager, Smoke Odor Service, Airkem Division of Airwick Industries Inc., 111 Commerce Rd., Carlstadt, N. J. 07072.

• The American Appraisal Co., 525 E. Michigan St., Milwaukee, Wis., 53201, offers a brochure discussing the constantly changing values of property and the problem of providing updated insurance cover. **In Property Values, Change Is Constant** is free of charge by writing the firm.

london line

Jumbo jet crash experiment reveals a real crash could cost $250 million

LONDON—Civil defense workers planned an experiment to assess the cost of a jumbo-jet crash on a typical approach path to London airport or on a take off with a full fuel load. They chose the suburban town of Richmond, on the Thames in Surrey County five miles from the airport, population 40,000.

They estimated that if it hit the area on Saturday night when crowds were in cinemas and taverns, or even just at home watching television the catastrophe could kill 800 people and injure another 1,400.

This was on the assumption that it ploughed into populous streets in the heart of the township and could not forceland in public open spaces nearby, such as the royal park that Henry VIII and his wives used several centuries ago two miles away.

The damage to property and lives could hit the $250 million mark if the worst happened, it was estimated.

Insurance loss adjuster David Harper, who organized the experiment with the aid of an emergency disaster group, said, "We made the 'disaster' as bad as we could envisage, by suggesting the plane drop on a cinema, but that does not mean it couldn't ever happen.

"Public departments, such as fire and ambulance service ought to arrange pre-disaster planning with the use of full-scale operational exercises to be able to be ready for such emergencies."

* * *

PLANS FOR Britain's Labor party members to sell auto insurance have been frozen after they ran into administrative difficulties. The scheme had been heralded as a new political move that would swell party funds by $250,000 a year, or even $500,000 if it became a success.

The idea was that party workers in 600 political precincts throughout the nation would persuade their friends and neighbors to renew their auto policies, or take out new risk cover, with a selected firm of insurance brokers.

The head of this firm, a keen Labor supporter, promised to donate 10% of the premiums to party funds as an inducement to get the scheme going. Users of the scheme would largely have been private motorists, on individual ratings, as there was no intention at this stage to extend it to factory groups.

But a Labor party spokesman has now told *Business Insurance:* "The scheme has been suspended indefinitely, and so will not be put into operation."

* * *

HONG KONG'S typhoon Rose caused extensive damage, including casualties in the capsized Macao ferry boat, but sources in London say that the British insurance market does not expect its commitments to be very heavy. It will take several weeks to assess the total insured damage.

* * *

DAMAGE totalling more than $2.5 million was caused to the printing plant of the London Daily Mirror in Belfast during the riots in Northern Ireland. It was covered under fire risks for riot and civil commotion, but insurers will now negotiate with the Ulster government on the amount of compensation they have to pay, as it is hoped some will come from public funds.

* * *

COMMERCIAL Union Assurance Co., of London, reports improved results from U.S. business in the first six months this year. Premium income of its pool with Employers' Group Associates was $292 million compared with $277 million for a similar period in 1970, and statutory underwriting loss was $6.6 million, against $18.7 million.

Claims ratio was 70.2% (compared to 72.5%) to earned premiums, and expense ratio 30.2% (compared to 32%) to written premiums, giving operating ratio of 100.4% (compared to 104.5%). World results deteriorated elsewhere, mainly because of poorer results in Western Europe.

* * *

LEADING reinsurers are taking first steps in Britain toward a large loss information service that will give vital statistics on major risks. It will try to collate worldwide property losses, covering fire material damage and consequential loss, from $1.2 million gross upward

A spokesman for the Reinsurance Offices Assn. told *Business Insurance:* "We will shortly be writing to overseas members asking if they will be good enough to supply us with information of losses occurring in their particular territory.

"The information will be supplied to us in confidence under a code number, and no reference will be made to the supplier of the information at any time.

"In reinsurance the need for statistics is as essential as in any underwriting activity. To build up a background of loss information in certain difficult classes in which we work is one of the basic services this association can offer.

"Reference has repeatedly been made to the need for assembling gross loss information of major claims to enable underwriters to study the frequency patterns of the more important losses in both property and liability fields. The need to provide a loss information service to our members has been widely recognized for some time."

Domestic casualty claims in Britain for auto, public liability, and employers liability from $120,000 gross upward will be included in the service, to supplement the worldwide loss data on $1.2 million for property business.

* * *

THE ULSTER government in Belfast, Northern Ireland, has set up an emergency fund to help traders and businessmen whose premises have been badly damaged or destroyed in the civil troubles there.

Insurance firms have virtually declined to issue riot cover for more than two years because they feared violence might break out on a massive scale.

Continued on page 42

City of Hartford awaits reaction to first crime insurance policies

HARTFORD—This insurance center is watching reaction and response to issuance of Connecticut's first crime insurance policy under a new federal program with more than passing interest.

The federal program became effective Aug. 1.

A businesswoman, Mrs. Pearlene Gibson, based in the so-called ghetto area of Hartford's north end, has purchased commerical crime coverage from Aetna Life & Casualty for a beauty salon, Enchanting Beauty Bar, including burglary, robbery and vandalism protection.

AETNA IS coping with the complexities of applying the federally sanctioned plan in six of the 10 areas designated as high-crime situations—where crime insurance coverage is either unavailable or simply too expensive.

The six are Connecticut, New York, Massachusetts, Ohio, Missouri and the District of Columbia.

Robert Mackle, Aetna secretary, who negotiated the contract with the federal insurance administration, heads the newly-created crime program for his firm.

He remarked that the Congressional measure, passed last January, spelled out a plan to benefit small businessmen and individuals of moderate income. The limit of coverage for a commercial or business policy was set at $15,000, and the limit for a residential policy set at $5,000.

THE NEW program provides a federal subsidy on an indirect basis for those who qualify. What happens, in effect, is that the federal government absorbs the difference between premiums paid and actual administrative costs.

The whole concept, to Mr. Mackle's view, is to make insurance available at "affordable rates."

The tab, as a result, is less than that to be carried in the voluntary market—that is, if the applicant is successful in obtaining coverage.

Significantly, the policy limitations are based in Federal Bureau of Investigation tabulations of crime frequencies, coupled with such elements as gross receipts and type of business.

AND HARTFORD, in which two-score insurance companies maintain home offices, has been characterized as "an average crime area."

In a typical liquor store in Hartford, for example, with a gross of, say, $20,000, the owner would be expected to pay an annual premium of $540 for $5,000 crime insurance coverage. And, as in all contracts, the owner would pay a 5% deductible.

Taking the application process into another area. *Business Insurance* was told that a grocery store owner in a "low crime" area (and this means most of the smaller cities across Connecticut) would expect to pay $900 for $5,000 in crime coverage if he grossed, say, $125,000.

Residential crime insurance in Hartford itself encompasses a $40 tab for $1,000 coverage, payments scaling upward to $70 for maximum $5,000 coverage.

MR. MACKLE expects the small businessman—the fellow who runs a grocery store or gas station—will benefit most markedly from the new program. Previously, these same interests might not have been able to qualify for prevailing crime coverage—or would have to had to "go" for charges characterized by federal sources as "unaffordable."

The new federal plan calls for applicants to state that they have met federal regulations for property protection—such as jimmy-proof door and window locks.

No inspection is conducted beforehand, but an inspection is ordered once a claim is submitted. And the policy is voided if the policyholder is found to have been negligent in meeting basic requirements.

Moreover, if the insurance carrier subsequently learns that the applicant submitted a fraudulent application, this is to be reported to federal sources.

Mr. Mackle commented that Aetna Life and Casualty has been subjected to considerable queries about the new plan and has advised people to contact the agent normally handling their coverage—whether or not the agent happens to handle Aetna Life and Casualty.

The applicant, working with his regular agent, is provided with help in filling out necessary forms, with explanation of the protection requirements, and with assistance on claims.

The tab is the same, but the policy price implies use of an agent. ■

A&A sets up European subsidiaries

NEW YORK—A string of eight jointly-owned subsidiary brokerage firms has been established in Europe by Alexander & Alexander, Inc.

Combining all of A&A's brokerage and benefit consulting services with some of Europe's home-grown insurance talent (they already know the language, requirements, laws and customs of their countries), the A&A controlled firms will serve new business as well as old.

This kind of structure is far preferable, according to an A&A spokesman, to the commonly used "correspondent" arrangement, wherein U.S. corporations have to rely on independent European firms to protect their overseas assets.

A&A plans to establish a central European coordinating office, probably in Paris. The present Paris staff will form the nucleus of a complement of insurance and benefits specialists whose sole function will be to provide the entire overseas network with advice and technical information.

In conjunction with the set-up overseas, the A&A International Division here will be reorganized to work more closely with the new operations. It will be decentralized, with its staff working where needed in the field.

Also, the company will set-up regional international desks in strategically located offices. These desks will serve as the communications link between the European subsidiaries and A&A's U.S clients with overseas operations. ■

Record . . .

Continued from page 38

37, was shot down during a dispute on Feb. 17, 1970, in the parking lot of Miami's Yellow Cab Co., then being struck by its drivers.

A jury held the city responsible in Mr Jiminez' death, although police witnesses argued that Ronald Clayton, a police officer, "was pursuing his duties to the best of his ability at the time of the shooting." Officer Clayton was not named as a defendant in the action. The policeman testified that Mr. Jiminez, one of the cab drivers, raised a pistol while standing alongside another man who had just fired at him. Other witnesses claimed that Mr. Jiminez actually was trying to stop the other man from shooting again.

City attorneys speculated that they would appeal the wrongful death verdict, probably the largest ever made against the city.

Razor blade suit follows Personna ad

SAN FRANCISCO—A sample razor blade distributed last March as part of a big newspaper advertising campaign has produced a $1,050,000 suit in superior court here against American Safety Razor Co., Philip Morris Inc., and the Los Angeles Times.

The suit, filed by attorney John L. Brennan, charges that the razor blade was chewed and nearly swallowed by two-year-old Morgan Deegan, son of John Deegan. The child according to Mr. Brennan, got his hands on a Personna 74 blade included as a sample with the March 7, 1971, issue of the Los Angeles Times. As a result of playing with it the suit alleges the child "suffered severe cuts and wounds about his face and head."

The suit asks for $50,000 general damages and $1 million in punitive damages.

American Safety Razor is a division of Philip Morris. In a previous story (*Business Insurance*, March 29) the company said their liability insurance is written by Aetna Casualty & Surety but Aetna did not cover the razor situation because it involved a special project. They added however, that they are "well-insured."

Ex-policeman gets first federal crime insurance policy

WASHINGTON—The first policy issued under the federal crime insurance program, which became effective Aug. 1, went to a former policeman who now operates a radio-television store.

William Early, owner of AIDA TV Sales and Service, received the policy from Sec. George Romney of the Department of Housing and Urban Development and George K. Bernstein, federal insurance administrator.

Mr. Early was the first applicant for coverage under the federal program. He had had no difficulty getting fire insurance but could not meet the robbery and burglary coverage requirements necessary in purchasing consignments of merchandise from suppliers. He is now covered for both, up to a limit of $5,000. Federal crime insurance is available up to a maximum of $15,000.

Sends work comp bills back for detail work

SPRINGFIELD, Ill,—Gov. Richard B Ogilvie has returned two bills increasing workmen's compensation benefits to the general assembly. He noted that, if his recommendations are accepted, workmen's compensation and occupational disease benefits in Illinois will still be higher than in the five bordering states and, in some categories, the highest of any industrial state.

Although the bills were vetoed, Gov. Ogilvie approved a 20% increase in payments for death or injury on the job and the addition of miners suffering from pneumoconiosis (black lung) to workmen's compensation cover beginning in 1973, as required by federal law. Both bills were returned for detail changes and can come up again in the October session.

The governor also approved an increase in burial benefits, disapproved a new death and disability minimum benefit schedule, and vetoed a 50% limit on the amount employers can recover from awards if there is later recovery from a third party. ■

Geneen named new risk man

JERICHO, N.Y.—Lawrence Geneen has been named corporate insurance manager of Instrument Systems Corp. here. He will be responsible for the company's overall insurance program, purchase of coverage, claims settlement, and loss prevention and safety, reporting to Stan Roth, ISC's financial vp.

"My biggest problem," Mr. Geneed told *Business Insurance*, "will be keeping a program that is flexible enough to meet the different needs of ISC's 40 or so subsidiaries." Mr. Geneen said ISC is a manufacturing and distributing company with holdings in electrical, aerospace and plastics products and over 70 facilities countrywide.

"We are starting a new and sophisticated safety program now," he added. "Manufacturing operations, of course, are always safety oriented, and we've had a good program, but we want to give it more emphasis."

ACCORDING to Mr. Geneen, Lumbermens Mutual Casualty Co. writes property coverage for ISC, and Employers Insurance of Wausau writes liability. "We self-insure relatively minor business risks," he said, "and have some deductibles. Right now we are negotiating to increase the deductibles. But otherwise I don't foresee any large changes—the program is basically sound and is insured with sound companies."

Before his appointment at ISC, Mr. Geneen was with Spartan Industries, Inc. for three years as director of corporate insurance, served as an insurance analyst for C.I.T. Financial Corp. for four years and was a claims supervisor for Commercial Union Insurance Co. (now Employers Commercial Union Ins. Co.). Mr. Geneen said he expects to receive his degree from the College of Insurance, New York City, within the next year. ■

Name insurance head

Dennis Prozinski has been named insurance manager for Riviera Motors, headquartered in Beaverton, Ore., and distributor for Volkswagen, Porsche and Audi automobiles in the Pacific Northwest. Mr. Prozinski, formerly an independent insurance agent, will coordinate and manage the entire insurance program of Riviera and its 80 dealers in five states, including Alaska, said C. LaRue Todd, vp of the company.

Payroll-deducted auto selling well at Bates

NEW YORK—About 400 employes of Ted Bates & Co., advertising agency, have signed up for either auto, homeowners or personal excess liability insurance since the payroll deduction program went into effect June 1, according to the company's insurance broker, Marsh & McLennan, which is administering the entire new employe benefits program for a fee.

Ellsworth Colliton, a Marsh & McLennan assistant vp, told *Business Insurance* that the response to the payroll-deducted fringes has been significant in the first 60 days of the program.

The auto cover, homeowners and personal excess packages are written by Chubb & Son in most U.S. offices of Ted Bates. The only exception is in the San Francisco office where Insurance Co. of North America is carrier.

OF THE 400 participating in the program, however, most are here in the New York office and most are auto policies, which is probably due to the dried-up auto insurance market in the Empire State. Rates, Mr. Colliton said, are "about 15% lower than the Insurance Rating board figures and are competitive with direct writers such as Allstate and State Farm, but a little higher than companies like GEICO (Government Employes Insurance Co.). We expect they will continue to be competitive with direct writers while still offering employes the advantages of a broker," he added.

The personal excess policy offered to Bates employes by Chubb carries limits of $1 million to $5 million above the primary homeowners and auto insurance, the Marsh & Mac man explained. The excess is written above primary layers of $100,000/$300,000 on auto and $50,000 on homeowners or there is a deductible of $250 for the policyholder ($10,000 in Texas).

Donald M. Zuckert, Bates' senior vp, revealed that when the new employe benefit package was being worked up the company also wanted to offer employes a dental package on a contributory basis but that "there was not sufficient interest" from employes.

"We just couldn't get the employes to go for it," he said, admitting that the disinterest was probably due to the class of employe advertising agencies have on their payrolls "These people," he said, "are more likely to have been able to take care of their early dental preventive care and probably could not see a dental package as paying off for them in the long run." ▪

Ad agency . . .

Continued from page 30

vice receive 16 weeks at full pay with four weeks at half pay, and up to 16 weeks at full salary and 16 weeks at half pay for employes with 15 years or more.

- Long term disability: Major change here is an increase in the maximum from $2,000 per month (up to 60% of salary) to $2,500 per month. LTD kicks in at the 16-week period and because of the revisions in the short-term disability plan at Bates the gap has been reduced for employes with 10 years or more of service. Union Mutual Life insurance Co. insures this plan, which is available to employes on a contributory basis.
- Accidental death and dismemberment: A new all-risk policy has been made available to employes on a contributory basis. Employes may elect coverage ranging from $10,000 to $150,000 in multiples of $10,000. If the employe elects family coverage, the spouse is also covered for an amount equal to 40% of the employe's benefit and each child can be covered for an amount equal to 5% of the employe's benefit. If there are no eligible children, the spouse's benefit increases to 50%. Continental Insurance Co. underwrites this plan.
- Business travel/accident: Underwritten by Insurance Co. of North America, this is the only benefit that remains unchanged. The benefit is two times annual earnings with a minimum of $25,000 and a max of $250,000. ▪

Illinois repeals dram shop liability while California judge upholds it

CHICAGO—Illinois and California have taken opposite steps in defining the liability of a purveyor of alcoholic beverages for the acts of those who drink them.

An Illinois dram shop liability law, an effect of the Prohibition era, that held bar owners liable for up to $35,000 if a person they served became drunk and injured or killed someone has been repealed by the legislature in Springfield. The repeal has been signed by Gov. Richard B. Ogilvie. The old law placed equal liability on each tavern to have served an intoxicated person involved in a damage suit.

Walter Obos, treasurer of area nine of Illinois Retail Licensed Beverage Assn. told *Business Insurance* that the repeal should effectively reduce dram shop liability insurance premiums by limiting the number of defense lawyers involved in a case and, therefore, the amount of legal fees paid by insurers. Opponents of the bill's repeal, however, claimed that removal of the $35,000 liability limit would raise premiums for tavern owners because, under common law litigation, much higher damages could be awarded.

THE OLD DRAM SHOP law placed the burden of proving innocence on the tavern owner, whereas the repeal places the burden of proving guilt on the person seeking damages.

Insurance premiums for California bar owners are expected to increase as a result of a California supreme court ruling that a bar owner who serves an obviously intoxicated drinker who then injures someone can be sued for the injuries.

The unanimous opinion also established a national precedent by overturning a long-standing judicial rule in California that bar owners were not responsible for such injuries, based on the common law principle that only the drinker is responsible for the damages he may inflict. Chief Justice Donald R. Wright wrote, "This rule is patently unsound. Selling a drunken customer a drink may very well be the cause of injuries he might later inflict on someone."

The ruling resulted from a suit against William A. Sager, owner of the Buckhorn Lodge located atop Mount Baldy in San Bernardino County. In the suit Miles Veseley charged that Mr. Sager and his employes continued to sell drinks to a customer, James O'Connell, "long after the customer was intoxicated."

THE SUIT further charged that the bar owner and bartenders "knew the customer would have to drive down a narrow winding road after he left the Buckhorn bar. When he did, his automobile struck Mr. Veseley's car."

The Veseley case initially was dismissed by a lower court but the supreme court ordered it reinstated and Chief Justice Wright ruled that "bar owners have a duty to protect the general public against injuries that might be caused by their customers."

"California law," Chief Justice Wright continued, "provides that every person who sells, furnishes gives or causes to be sold, furnished or given away, any alcoholic beverages to any habitual or common drunkard or to any obviously intoxicated person, is guilty of a misdemeanor."

The supreme court did not decide two other related questions —whether the drinker can sue the bar owner for his own injuries and whether the same liability would extend to a package store owner or to a host at a private party. ■

London line

Continued from page 36

But they are honoring any riot cover issued before 1969, although they are showing underwriting losses as a result.

* * *

SHELL International Marine is including an oil pollution clause in all future charters. They have notified shipowners and brokers that they will want a warranty that any vessel they charter is a participating tanker in TOVALOP (Tanker Owners Voluntary Agreement over Liability for Oil Pollution).

They will also insist on their legal right to take preventive steps themselves to avert threatened pollution in the case of oil escapes unless the vessel's owner promptly takes the necessary measures.

* * *

NOTTINGHAM is the city where Maid Marian and Robin Hood held sway in mediaeval times. It has a festival during which the citizens celebrate their memory. But even the present holder of the office of Sheriff of Nottingham, who has inherited a centuries-old tradition that fascinates tourists, cannot guarantee fine weather for the occasion. So the city advertised for a witch doctor to keep the rain away.

It would have been simpler, in these modern times, to have taken out insurance against the risk that people would not attend the festival and turn it into a loss-maker.

As a matter of truth, the advertisement for a witch doctor was an astute device that clearly publicized the festival—for the nearest witch doctor who can cast spells over rain is probably in the heart of Africa, where Stanley met Livingstone.

BUT IT spotlighted the fact that insurance is available in Britain against all types of weather hazards. As far as most people are concerned, the pluvian department of Eagle Star Insurance, one of the world's biggest insurers against bad weather, is prepared to meet claims for "washouts" of many sporting and business events every summer.

It has specialized in this kind of risk for many years. Promoters of out-of-doors events take advantage of it. So do vacationers.

Its business weather insurance, on premiums carefully geared by years of experience, covers any open-air event, and is transacted in many parts of the world.

Vacationers can take out individual policies at the rate of $5 a week, and in return get $12 a day for "loss of comfort" after the first day if rainfall exceeds a specified amount, usually one-tenth of an inch a day. It certainly puts witch doctors in the shade. ■

letters

Continued from page 22

generator set contracts or in supplying faulty generator sets, mentioned in the article "Arms firms may not need product liability cover" carried in the Aug. 16 issue, has absolutely no foundation.

We deny that Consolidated Diesel has been involved in any wrongdoing. Our generator sets were built under government specifications and under government supervision. Every generator set, before being shipped, was subjected to rigorous and lengthy tests witnessed by representatives of the defense supply agency, an independent government agency. No matter how well the equipment is built the performance of the generators is heavily dependent on how they are stored, handled, used and maintained in the field. It generally is known that the government has had problems handling and maintaining equipment with untrained personnel in the field.

All Consolidated Diesel contracts were obtained through advertised, competitive, sealed bid procedures. All contracts were subject to review by the general accounting office. We were not involved in any improprieties in getting the contracts. The matter of use of credit cards did not involve Consolidated Diesel but rather another company.

Consolidated Diesel's files and personnel were made available to the committee prior to the hearing. We too are in favor of continued improvement in procurement practices. It is regrettable that no Consolidated Diesel executives were called to give testimony at the hearing. Our company has a record of producing first-class equipment and services for all the armed forces since 1942. It has received many commendations for its performance and the performance of its equipment.

Condec is reviewing avenues open to it to obtain a complete investigation since it is confident that such an investigation will completely support its statement.

Al Sackler
Vice President, Consolidated Diesel Electric Co., Greenwich, Conn.

Broad front attack

To the Editor: Your editorial "Old Satch is right," and the statement that many risk managers actively support, but do not participate in the Insurance Institute of America, rather intrigued me.

Corporate industrial risk today is considered from the standpoint of conventional insurance, captive insurance organizations, tax avenues and relief, self-insurance reserves, self-assumption by high deductibles or no insurance, and a number of other methods. It thereby becomes a financial department subject as to what course is most attractive to follow for that particular corporation.

Among my acquaintances are some of the ranking figures in the national insurance industry and with the exception of one, all are biased towards the use of some sort of a conventional insurance vehicle. This presumably is so because their income is based upon commission dollars and no income is derived from advice concerning the other avenues.

I wonder if the Insurance Institute of America is attacking the risk problem on this broad a front?

I prefer that my name not be used in any public comments that you may make, since long ago I served my stint with the ASIM, AMA and MAPI and very frankly, I enoy reading *Business Insurance* and watching the coming generation develop and mature.

An Illinois insurance manager

Who hit whom?

To the Editor: Regarding your front page in the Aug. 16 issue showing the picture of the collision-damaged leading edge of the wing of Continental Airlines 707 Jetliner, this interested reader couldn't help wondering why your caption recited the standard news release to the effect that "a small private plane struck its wing." One look at the picture and you can tell that the little plane did no such thing. After careful investigation by FAA virtually every mid-air collision in-

Continued on page 44

letters

Continued from page 43

volving an airliner and a small plane turns out to be much like this one in which the private plane was slammed out of the air by the jetliner streaking in or out with a big payload guided by almost blind, preoccupied pilots. This corrected version doesn't receive much publicity so the wrong public impression persists.

Did you ever wonder how anyone can see out of a jetliner from the pilot's seat? The answer is: You really can't, especially if you're not looking.

When you see the front of an airliner damaged in a collision, remember that your kid runs into a fire plug with the front of your car, not the side.

If you're in the insurance business, awards involved in midairs can be sizable enough to spoil your whole day, so you might just take a look at how FAA and airlines handle their precious cargos. You might like to make some long overdue suggestions rather than continually increasing rates.

Traffic around major terminals could be handled more safely than the present system that favors a nihilistic scramble from wherever a jetliner happens to be to wherever the pilot would like to be in the least possible number of seconds. Anything set up along these lines concedes that we're going to lose a few planeloads every now and then.

J. P. Brebner

Brebner Machinery, Caterpillar, Green Bay, Wis.

Crash protest

To the Editor: I must protest the implication in the text accompanying the picture of the wing of a Continental Airlines wing on the front page of *Business Insurance* for Aug. 16.

The text, among other things, states: ". . . the jetliner was approaching the field when a small private plane struck its wing." If you will think a moment, you must realize that this is impossible. A small private plane—in this case a Cessna 150—couldn't ever strike a jet except by the greatest of co-incidences. A plane with a maximum speed of 120 miles an hour cannot possibly catch and "strike" a jetliner that has a minimum controllable speed of at least 180 miles an hour.

If you will take another look at the picture you will also see that in this case the damage is to the leading edge of the liner's wing. This doesn't look like the wing had been struck by the smaller plane, but that, on the contrary, the liner clearly struck the smaller plane.

Someone was not watching what they were doing. I suspect that it was the pilot, the co-pilot and the flight engineer that were so busy with their "desk work" that they didn't have time to look out the windows to see where they were or whether there were any hazards that they should have seen and avoided. There is also a question as to just what the liner was doing at an altitude lower than normally specified for planes of this class. I believe it is particularly their duty to be on a watchful alert at times when they are at an altitude that might be occupied by small planes.

The main point is that your copywriters have fallen into the fallacious propaganda that a small plane can run into a jet. Even deliberately it would take a highly skilled pilot to do so. Without deliberation, I believe it is almost impossible.

Next time, check your copy and be sure that the statements match the facts.

John M. West

Fergus Falls, Minn.

Not aware of course

To the Editor: Your editorial "Ol' Satch is right" (Opinions, Aug. 16, 1971) raised the question "why aren't more risk managers and assistant risk managers taking the course?" The answer could be that many risk personnel are not aware that such a course is offered. I believe your article will create considerable response.

I am the assistant risk manager for a public utility. The risk management course you refer to would probably be of great help to me in my job.

Could you have the proper office furnish me with more information concerning this course, such as contents, cost and enrollment procedures?

Arnold D. Norman

Shreveport, La.

Educational info

To the Editor: As a new subscriber to *Business Insurance*, I would like you to know that I find your publication very informative and interesting. Please accept my thanks for sending *Business Insurance* to me.

Please send me information regarding the study course in risk management given by the Insurance Institute of America referred to in your Aug. 16 edition in your Opinions column.

I would also be interested in receiving information about the American Society of Insurance Management.

Louis C. Kocsis Jr.

DeLaval Turbine Inc., Princeton, N.J.

Editor's Note: For information on the risk management course write Insurance Institute of America, 270 Bryn Mawr Ave., Bryn Mawr, Pa. 19010. Information on the American Society of Insurance Management may be obtained from their national offic at 500 Fifth Ave., New York, N. Y. 10038.

Syracuse schools drop vandal cover

SYRACUSE, N.Y.—School buildings here are no longer covered by vandalism and malicious mischief insurance under new policies taken out by the city last month.

The annual premium for the vandalism coverage would have been $25,000 while claims for vandalism damage last year amounted to $24,897. The property control administrator for the Syracuse school district said that the damage figure did not include the cost of glass broken in vandalism sprees.

The city's broker, Kenneth C. Knopp, said that cities and municipalities all over the country were dropping vandalism and mischief coverages because of the ever-increasing cost of such insurance. He also pointed out that many insurance companies no longer wrote vandalism policies on schools.

Mr. Knopp said that the city staged a 10-month search for insurance coverage, during which time 30 companies were consulted. 10 of the 30 were finally selected to write the business.

Fire and extended coverage will cost the school district about $75,000. ■

School risk pool asked

SACRAMENTO, Cal.—The State Assembly here has passed and sent to the senate legislation based in large part on a report by Warren-McVeigh Associates, San Francisco, to permit school districts of California to organize a state-guaranteed insurance pool to cover their risks.

The bill must clear senate committees on finance and financial institutions before it can be heard on the floor.

The proposed law, introduced by James W. Dent, Concord Republican assemblyman, is being opposed by both insurance industry associations and producer groups. ■

300 employes get checkups in three days

MORRIS PLAINS, N. J.—The fact that multiphasic testing is becoming a popular form of preventive medicine can hardly be argued. As a demonstration of the burgeoning possibilities of this form of testing, Warner-Lambert, a diversified drug company here, has devised a method of delivering the test center to your front door.

Still in the pilot stage, the Warner-Lambert Health Care-A-Van has demonstrated its usefullness at the Owens-Illinois Kimble Products plant in Vineland, N.J. More than 300 salaried employes of the plant were tested, at company expense, over a three-day period.

John Brigham, industrial relations director at the plant, told *Business Insurance*, "I would say it was a successful effort. We have had no negative comments except for small technical things, like one of the machines failed to test one person correctly. But this thing is new, so you have to expect a few problems. I definitely think we will do this again."

WHAT, THEN, is the Health Care-A-Van? Basically, it is a trailer, 10-by-45 feet, equipped to administer an almost amazing amount of multiphasic tests, considering the somewhat cramped quarters. It is set-up to give the tests to large groups in different locations.

Inside the trailer, the test procedure consists of a brief medical history, a vision test, a tonometry test for glaucoma, blood pressure measurement, lung function tests, chest X-rays, hearing test, electrocradiogram test and 21 biochemical tests are run on a blood sample taken in the van. The blood tests and six different urine tests are run by Elizabeth Biochemical Laboratories, a Warner-Lambert subsidiary.

The Health Care-A-Van is staffed by ten registered nurses and X-ray or blood chemistry technicians, two stand-bys and a van supervisor. All of them must complete a training course before they work in the van. They can test 100 people a day.

After the tests are completed, the employes' physicians receive a two-page folio report of the test findings including the results from computer analyses. Mr. Brigham reported that the doctors received the results in two weeks.

ONE OF THE strong points of the mobile unit is that it can be adapted to meet specific company needs. For example, if the plant's noise levels are quite high, the company can arrange to have extensive audiometry testing. Or, if the plant employes work with toxic chemicals, the lab director at Elizabeth Biochemical can adapt the testing procedure to search out contamination or infection.

The digitizer rapidly stores timed volumes and flow rates from the lung. The calculator automatically compares measured norms to predicted norms based on age, sex and height, for timed forced expired volume and vital capacity.

Results of the tests can also prove beneficial to the company utilizing the van. If a potentially hazardous health pattern were developing at a plant, the screening results would show the pattern and the hazard could be attacked.

For example, one plant's results showed audiometry (hearing) abnormalities in over 40 percent of the workers tested. The plant has since stepped up its hearing protection program. Similarly, the tests at Vineland showed that 40.8% of the employes tested suffered from faulty vision, including those tested while wearing their own glasses or contact lenses.

The price, according to a spokesman for Warner-Lambert, is "$30 per person. The same tests, if you were to have them done on your own, would cost somewhere in the neighborhood of $85 or $100."

The test program at the Owens-Illinois plant was preceded by a promotion program. Employes were sent two letters, four and five weeks before the van arrived. The first letter was sent with a booklet explaining the elements of the program. The second letter was accompanied by a registration form. Posters showing the van's interior were also placed in the plant.

The Vineland test was not the only one, however. Alfred Reichart, manager of multi-phasic services at Warner-Lambert, pointed out, "During the first quarter of 1971, we screened as many people as during all of 1970. Since we began the Health Care-A-Van operation on a pilot basis in June, 1970, we have screened roughly 7,200 to 7,300 people. 2,000 of those were screened in a seven-plant out in Rhode Island."

Though a decision has not yet been reached regarding the expansion of the program, Warner-Lambert officials feel that the mobile unit should have wide application in health departments, the military educational institutions, private industry and labor unions. ■

One man's security system: If 'ya can't beat 'em, hire 'em

LONDON—Store thefts by customers are becoming so prevalent that one businessman has advertised for professional shoplifters to join his firm and tell him how he can cut down his trading losses.

He got almost 100 applicants, including a 75-year-old man who claimed he had been convicted for theft scores of times in the past 50 years, but was now reformed from crime.

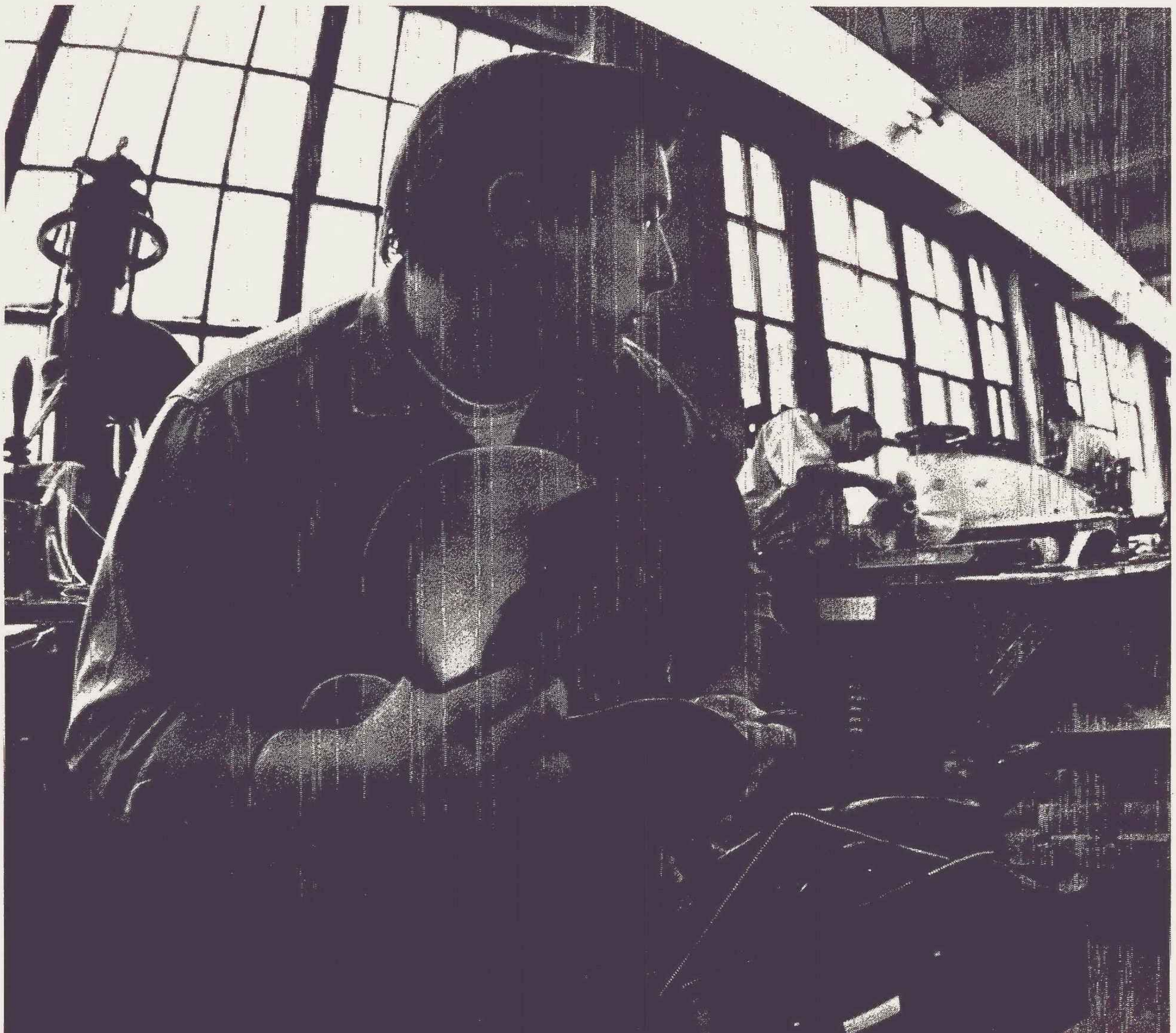
Petty pilfering is now reckoned to be costing supermarkets and small-town shops in Britain more than $600 million a year. Much of it is put down to enthusiastic amateurs, such as local housewives who steal consumer goods worth a dollar or so for the fun of outwitting store detectives.

BUT HEAVY losses are also caused by employes in big stores who think it is part of their "rights" to take part in petty pilfering from their employers Hence, the ingenious approach by the businessman who felt that expert advice by retired criminals might help him to track down weaknesses in his security set-up.

But this is only one of the measures adopted by big firms to cut their trading losses. Television cameras and one-way mirrors are the most popular security devices. Psychologists blame the shop-lifting menace on eye-catching sales displays and other advertising gimmicks, which lure people into stores and give them an impulse to acquire goods. So they do it by theft if they cannot afford to buy.

Serious warning for the future was given by Prof. Michael Banton, a sociology expert from Bristol University, who told a national congress: "Many workpeople seem to accept a certain level of theft as one of the perquisites of their job, and this outlook gains hold in the sphere of people's lives. It will spread to others if it is not checked, for employers often close their eyes to petty thefts as it will cause inconvenience to prosecute over them."

He instanced a business firm that employed a security expert to check thefts from its stockrooms. When he found workpeople were taking goods away secretly in their autos, he moved the parking lot. The workers went on strike in protest and the firm sacked the security man rather than interfere again with production. ■



business insurance/perspective

Here's what risk men face when it comes to mass-marketing programs

*by Jon M. Kirkbride,
Marsh & McLennan Inc.,
Philadelphia, Pa.*

'So there we have just what it's all about—group no-fault auto insurance as an employe benefit, federally regulated.'

HERE IS AN INDULGENCE of the imagination that will illustrate what corporate management (risk and employe benefits management in particular) is facing today in attempting to formulate any position on "mass" or "consumer group" marketing programs:

Let's pretend that we have just been told about a new government report. We learn that the report (prepared for the Labor department by the CIA, Army Intelligence Civilian Surveillance, Time-Life Inc. and Playboy) is titled the "United States Government Investigation of the Mass-marketing Evolution USGIMME—or simply "us-gimme"—more commonly referred to as the "gimme" report. (We learn further that the Labor department subcommittee that prepared the report included Ebenezar Scrooge, Shylock, John L. Lewis and Don Quixote, and was chaired by Humpty Dumpty—more commonly referred to as the "gimme" committee.)

The stated purpose of the "gimme" committee's work was "to make a determination of the feasibility of mass marketing as a means of satisfaction for the public in insurance purchase problem areas." We suspect, however, that the real purpose of this work is to provide any politician running for any office with enough ammunition to get elected.

WHY HAS MY IMAGINATION hit upon a "government" report (and the Labor department, at that)? Why did the committee's report title come up GIMME? How do politics sneak in? I can only assume that my mind (and even my sense of humor) is tempered by my conscious thought on the very real and serious considerations of what's happening today in everyone's mind concerning consumer group (or mass) marketing of insurance. My observation of the consensus view has led me to the "GIMME theory" conclusion that I have treated humorously here. But the facts (and their implications) are serious indeed, and are worthy of the particular attention of American Society of Insurance Management members because what is happening will involve corporate risk management, and employe benefits management, to as great an extent as any other sector of American business.

On Feb. 24, 1971, four new bills were introduced into the U.S. Senate by Sen. Philip A. Hart and Sen. Warren Magnuson. I now quote Sen. Hart from the Congressional Record-Senate, that day: ". . . today I come before congress as a supplicant. My plea is for a commitment to reform the auto liability insurance system."

The first of these four bills is described in the Congressional Record as "first party, no-fault system." Sen. Hart's no-fault auto plan would preserve tort liability "in cases of catastrophic harm," which is defined in the bill as "permanent and total disability, permanent and partial disability of 70% or more and permanent, severe and irreparable disfigurement." The insurance will cover the insured, occupants of his car or pedestrians injured by his car for personal injury only (no property damage) on a first-party, direct pay basis.

There is provision for exemption from tort liability in all cases except for catastrophic harm. In that case recovery for economic loss is available in excess of the provisions of the bill. The coverage would be compulsory for all car owners with criminal penalties for failure to maintain insurance. Companies cannot refuse to sell to qualified people (those with a valid driver's license) nor can they cancel or refuse to renew once the policy is in force. An assigned claims plan would take care of hit and run victims. The policy must also contain an optional liability cover for catastrophic harm coverage with minimum limits available of $50,000 per person and $300,000 per accident. There are no limits on coverage for medical, rehabilitation expenses or "other losses" (such as housekeepers and baby sitters) but earnings loss is limited to 85% of earnings or $1,000 per month (whichever is less) up to 30 months or a $30,000 maximum.

A VERY INTERESTING aspect of the bill is that subrogation is allowed to the insurer of an "ordinary passenger vehicle" if involved with a "larger than ordinary" vehicle. In other words, the "larger" vehicles will pay a percentage of the loss of those people in "ordinary passenger" cars.

The other three bills that Sen. Hart introduced simultaniously with his auto no-fault bill are significant. I again quote from the Congressional Record: "The remaining three bills I introduce today would clear the way for lowering insurance costs without lessening total compensation. These bills are aimed to encouraging the sale of group auto insurance policies—conservatively estimated to bring down premiums by 15%.

"The first would overturn laws and regulations in the thirty five (35) States which now prohibit the sale of group auto policies. The second would give the same beneficial tax treatment to employers' contributions now given to similar contributions to accident and health premiums.

"The third would clear the road for labor groups to bargain for group auto policy contributions as a fringe benefit—which, naturally, would lower consumer costs for this insurance further."

So there we have (quite clearly, I think) just what it's all about—group no-fault auto insurance as an employe benefit, and federally regulated. And, Sen. Hart is not kidding.

WHAT HAS ALL OF THIS to do with consumer-group marketing and the corporate risk manager, and ASIM in particular?

In April, 1969, Ken Huston had just stepped down as national president of ASIM. I had organized a one-day CPCU clinic in Philadelphia entitled "The Consumer, Government and Insurance." I asked him to address the clinic on the topic "Problems of the Corporate Buyer of Insurance." In his thought-provoking (and well presented) paper, he said: "One of the most perplexing battles faced by the insurance buyer is his governing power or legislative guidelines. The Federal government is constantly alerted to inequities

Continued on following page

Applying behavioral science to the corporate safety effort

*by Thomas G. Briggin,
Consultant, Risk Management Department
Ebasco Services Inc.,
San Francisco, Cal.*

Thomas G. Briggin

'Most traditional measurements are not sensitive or accurate enough for serious appraisal of employe performance.'

A SUBSTANTIAL EFFORT has been exerted over the past several decades to reduce industrial accidents. However strong this effort has been and however strong the convictions of those expending such effort, it has for the most part been designed around classic loss control activities. This effort has, with few exceptions, included unrealistic measurement programs for evaluating accident experience, inspections of facilities, publications and distribution of newsletters. Today, many corporations are still using only these techniques—disciplines developed 10 or more years ago. Yet in spite of the extensive use of these techniques, results still are not satisfactory. Disabling injury frequency continues to show an upward trend. Perhaps the greatest disappointment observed today is that currently recognized practices of successful management, including the application of behavioral theory and concepts, are practically nonexistent in the safety effort of many corporations.

While it is recognized that the problems of loss prevention are many, it does not necessarily follow that these problems must be approached from every way possible. Only too frequently consultants observe the drastic problem of overstaffing or program over-kill in major corporations. Companies essentially employ every conceivable method of attacking the accident and loss problem. Eventually one arrives at the realization that they are performing functions which have not proven to be effective. It becomes obvious that the benefit derived from the effect is not sufficient to justify the cost of many program activities.

In the design of a loss prevention program, one of the needed elements is measurement tools that will indicate experience so that a company has a means of approximating performance. However, most traditional measurements are not sensitive or accurate enough for serious appraisal of employe performance. The Z16. 1 Code used for recording and measuring work injury experience has been the most widely recognized guide for uniform evaluation of performance. This code was designed to measure experience on a broad national basis and it serves this purpose reasonably well. Through the years, practitioners have adopted the standard to reflect individual plant performance and for this purpose it is grossly inadequate. Before offering a workable measurement tool, it might be well to briefly review some concepts of behavioral theory and the environment.

WHILE BEHAVIORAL psychologists have been studying the work environment and employe attitudes for years, only recently, and on infrequent occasions, have

Continued on following page

Here's...

Continued from preceding page

and irregularities by which gaps exist in state insurance programs. This gives rise to accelerated legislation within the states to fill voids and to counter any attempts at federal intervention."

He further said: "Insurance legislation is difficult only following its enactment, seldom in the proposed stage. Therefore, the insurance manager should be alert to proposed bills, be acquainted with his legislators and have a ground level rapport with his commissioners of insurance to protect the right to buy that commodity best for *his company*

Perhaps we can agree with Mr. Huston that an alert buyer does have some degree of control over his own company's insurance destiny, and that an informed and concerted effort will produce the desired results.

At that same clinic, another of the speakers was Dean Sharp, then assistant counsel for the Senate antitrust and monopoly subcommittee, who said: "I'm sure that you need not be reminded that in our impersonal and institutionalized society the individual consumer is pitted against powerful vested interests. It is with these interests that he must match wits in the marketplace daily. It is necessary that his interests be fully represented and protected. In our free and open society, his representatives—political bodies, news media, and concerned individuals (like Ralph Nader)—act as countervailing forces."

THERE IS NO QUESTION in my mind that if the ASIM is to be an effective, countervailing force in the insurance marketplace it must act positively, boldly and decisively in squarely facing the issues of no-fault auto, group casualty insurance and federal regulation.

'. . . an alert buyer does have some degree of control over his own company's insurance destiny . . . .'

Let's tie these remarks a little more closely to mass marketing. Although called by many names, and taking many forms, the essence of the approach is the satisfaction of a common insurance need by a more direct and more economical method than those now generally employed. I can summarize my views on consumer group (mass) marketing quickly:

- It is practical and desirable from the public's point of view.
- It is as sound as any existing marketing method but, in addition, it has important advantages not enjoyed by individual marketing techniques.
- It is not only practical and desirable but it is urgently needed to help solve many of the problems facing the insurance-buying public.
- It is now in strong demand by employes, employers, unions and other consumer groups, and the demand is going to grow much stronger in the future.

The objections to mass marketing do not come from the consumer. He seems firmly convinced that the advantages of cost reduction, increased personal service, safety encouragement, broader coverage and convenience far outweigh the disadvantages alleged (i.e., unfair rate discrimination, threats to state regulation and destruction of the independent agency system).

So what does all of this mean to the corporate buyer of insurance? In my view it is not so much the acceptance of the inevitability of consumer group insurance programs as a fact of life, but rather the need to act now to help formulate company policy and position that will lead to the best possible working relationship between management and labor and provide a solution that will be of the greatest benefit to everyone.

To reinforce my view on the inevitability of mass marketng, let me quote Dr. Herbert S. Denenberg, perhaps the country's outstanding insurance scholar, and presently insurance commissioner of Pennsylvania: "Consumerism is emerging as the overriding factor propelling insurance regulation to alter its basic objectives and its manner of operation. Insurance commissioners are responding not only with new rhetoric but more and more with new administrative and legislative approaches."

In the March 15, 1971, edition of *Business Insurance* a front page article asks: "Mass marketing: How fast will it catch on?"—significantly, not if but when.

Whether we wish to think humorously about a "GIMME" committee or a "gimme" report on whether we give serious thought to currently pending federal and state legislation, we must accept the fact of consumer group insurance programs dominating our activities in the insurance community in the months and years immediately ahead. How the buyers, sellers and regulators apply themselves to the monumental task of reforming an admittedly "sick" situation will only be judged in history. ■

Applying...

Continued from preceding page

attempts been made to apply their concepts and theories to industrial loss prevention. While corporations have been spending considerable sums of money on management training programs, problem solving and decision-making designs, and participation training, very little effort has been given to adapting these tools to the measurement and control of accidents. Perhaps, also, many individuals who are directly responsible for accident prevention and control are unfamiliar with these management devices and, therefore, are unable to "push" for application of these tools to their particular problem areas.

Behavioral theorists such as Frederick Herzberg, Rensis Likert, Chris Argysis, and Abraham Maslow have shown through significant research that the environment and the satisfying of real motivators, not "hygienic" factors, are the keys to employe goodwill. By the term "goodwill," we mean the establishment of a work environment that acknowledges the motivational needs of the worker, including recognition, responsibility and achievement. One recent study conducted by our firm showed in dramatic fashion the high correlation between goodwill and safety effort. When goodwill (i.e., favorable environmental condition) increases, accidents decrease. Closely allied with this inverse correlation was the substantiated evidence that when the work environment is poor, absenteeism and turnover rates increase, the accident rate correspondingly increases.

These correlations would appear in part to validate a premise that good safety results are firmly allied to the degree of participation an employe has in a loss prevention program. How can effective participation be obtained? It can be obtained by holding highly participatory safety training talks, by actively soliciting safety suggestions and taking immediate corrective action on all suggestions that are judged to be practical, and following up by voluntarily informing the employes of the status of such proposals or suggestions; and if the results of the safety effort are satisfactory, by seeing that this achievement is reflected in significant rewards—rewards that the employe feels are worthy of receiving.

It is acknowledged that good safety records result from continuous training programs for employes. However, when there is continuous training and the safety performance remains poor, it can usually be attributed to lack of true support, lack of adequate input—visuals and techniques—and lack of adequately skilled trainers. It is doubtful that a continuous training program will meet with much success unless there exists a supportive attitude on the part of management and the program design appears motivationally satisfying to the worker. An essential element to the success of a training program is that group decision efforts are used to determine what the goals of the program will be and when they will be accomplished.

'One recent study showed in dramatic fashion the high correlation between goodwill and safety effort.'

TO RETURN TO THE AREA of measurement, it is evident that it is not satisfactory to assess loss experience alone. There must be an implicit controller that will supply two vital needs. The first is continuous and automatic comparison of some behavioral characteristics of the program with an established standard. The second is continuous and automatic feedback of corrective action to change inadequate experience. When measurement criteria used are not significant indicators of performance, it becomes imperative that a company develop a procedure for measuring performance which will open up a new avenue for employes to obtain recognition for producing good results. They will receive censure only when their experience is significantly poor.

It is realized that formulating and executing this type of measurement program may not be simple. Information must be produced which will be accurate and acceptable within defined limits. An in-depth study should be made of the past experience of each major location division, and the company itself. Deviations should be determined and means established. Obviously it may be necessary to use electronic data processing in order to make this economical, accurate, and capable of providing results within a minimum time limit.

After mean performance is determined for each location, control levels should be established. These control levels can be decided from a review of past experience. They will ultimately become decision-making parameters and their location will largely be influenced by the weight of the proposed decision that will be taken if the given units exceed their parameters. Ultimately a company should not offer recognition unless it is reasonably certain that the improved performance is exceptional. Conversely, a company should take definite action when it is indicated that performance has significantly deteriorated.

If a company properly designs the program and uses good communications in introducing it, it will be welcomed by those whose sincere intent is to do a good job. Such employes will clearly see an opportunity to demonstrate achievement and obtain their deserved recognition through the ability to control loss. ■

Thomas G. Briggin is a consultant in the risk management department of Ebasco Services Inc., a general management consulting firm. Mr. Briggin holds a B. A. degree from Rutgers University, and a M.B.A. degree from Columbia University. He is also a member of the American Society of Insurance Management, National Fire Protection Assn. and National Safety Management Society.

Risk management notes

Don't leave fire safety to insurer

prepared by Warren, McVeigh & Assoc., risk management consultants, San Francisco—Los Angeles, Cal.

WE RECENTLY REVIEWED an umbrella liability policy covering a major insurance company that excluded liability arising out of the insured's own report examination or engineering or inspection service. Without such protection, there is a serious question as to how actively the insured (insurance company) will carry out loss prevention functions. Ever since tht Nelson case, in which an insurance company was held liable because a safety inspector did not discover an elevator cable defect, insurers have been extremely wary of doing anything that might expose them to such suits. Their recommendation reports generally have a disclaimer to the effect that they do not pretend to make a complete or professional analysis of the subject.

This understandable conservatism on the part of insurers brings out an important message for their insureds. As stated by the National Fire Protection Assn. in its pamphlet number six, "It is fundamental that no outside agency, such as an insurance company, should be depended upon to provide all of the planning and to make all of the decisions on fire loss prevention. Loss prevention is one phase of plant or multiplant management and should be treated as such." This might be further amplified to state that loss prevention decisions must be made by management, but on the basis of complete analysis of all pertinent factors. The analysis submitted by insurance company employes should be recognized as being influenced by their desire to avoid any position that could be interpreted as anything short of complete protection.

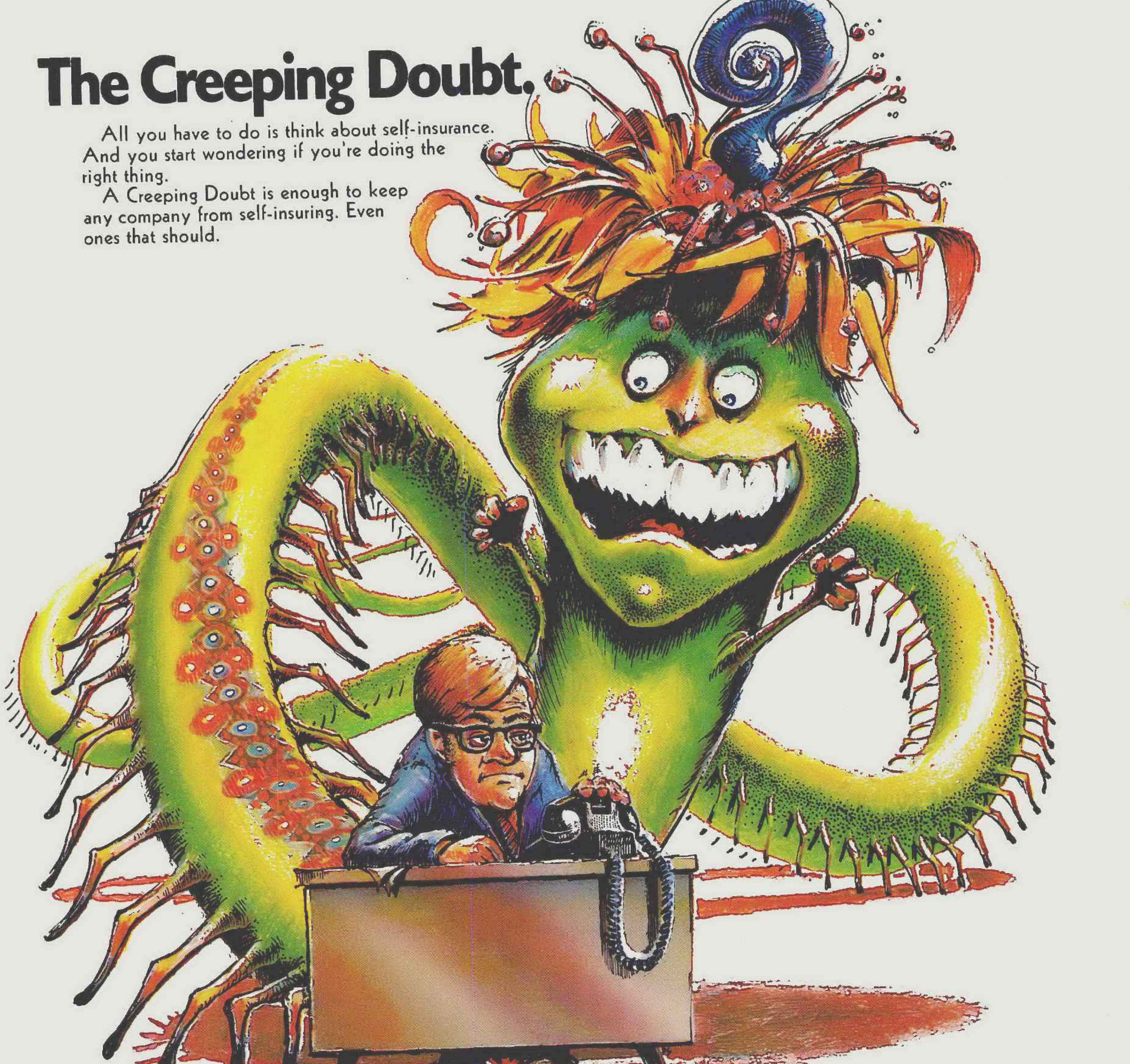
In short, they tend to overdesign, because the money they are recommending be spent is not their own but protects their own.

Corporate management, on the other hand, is continually making decisions based on complete cost-value analysis, consciously assuming well considered risks. This responsibility cannot be delegated to an outside party, such as an insurer, as is often done when projects are designed "subject to ABC approval." ■

The Creeping Doubt.

All you have to do is think about self-insurance. And you start wondering if you're doing the right thing.

A Creeping Doubt is enough to keep any company from self-insuring. Even ones that should.



Halt It.

With answers from a business insurance expert. CNA.

If you're thinking about self-insurance, we'll help you clarify your ideas.

By working with you to decide the services you'll need, we can help you identify your problems and opportunities.

CNA is the insurance company with the guts to halt the Creeping Doubt.

But he's just one of the ways insurance can lag behind your business.

And just one of the Insurance Lags we can help you beat.

Contact your CNA agent. Or write us.

CNA/*insurance*

Your way to beat the Lags

CNA/INSURANCE 310 S. MICHIGAN AVE. CHICAGO, ILL. 60604 CONTINENTAL CASUALTY CO. AMERICAN CASUALTY CO. NATIONAL FIRE INSURANCE CO. OF HARTFORD TRANSCONTINENTAL INSURANCE CO. TRANSPORTATION INSURANCE CO. VALLEY FORGE INSURANCE CO. VALLEY FORGE LIFE INSURANCE CO. CNA INVESTOR SERVICES, INC. a CNA enterprise

Giles . . .

Continued from page 20

a recovery because of simple negligence alone. However, this may not be followed in other jurisdictions. (Miss. Sup. Ct., *Daniels v. Adkins Protective Service*, 5/10/71.)

* * *

IF YOU DIE of a heart attack while changing a tire, are you covered by a group accident policy? The beneficiary of a group accident insurance policy brought the action to recover the proceeds of the policy. While on a business trip, the insured died of a heart attack as he was changing a flat tire.

The policy provided coverage when the insured was traveling on authorized business trips against "loss resulting directly and independently of all other causes from accidental bodily injury." The policy excluded coverage if the loss resulted directly or indirectly from sickness or disease. The master policy was signed and executed in the state of New York. A certificate of the policy was delivered to the insured in New Mexico.

The question was whether the insured's death resulted from accidental bodily injury within the meaning of the policy, or whether the death resulted from sickness or disease within the exclusion clause in the policy. Which law should be applied—New York law or the law of New Mexico? The trial court said New York law applied and the cause of the death was not within the scope of the policy. The appellate court said the law of the place where the contract was made should apply. Therefore the law of New York applied and the death was not covered by the policy. (*Pound v. Insurance Co. of North America*, U.S. Court of Appeals 10th Circ., 3/19/71.)

* * *

WHAT IS THE "unusual pathological result doctrine" in workmen's compensation law? Generally speaking this doctrine permits recovery by an employe when there is accidental injury to the employe while doing his regular work without unusual exertion, whereby some internal organ of his body is damaged, which was not affected by any pre-existing disease.

In a recent case in Pennsylvania, this doctrine was held not applicable, since the hospital record of the deceased employe disclosed a statement by the employe that he had experienced chest pains for almost two years prior to the date of his death, which statement was confirmed by the autopsy report. Here, the deceased employe was hired as a salesman. The employe's job entailed traveling in an automobile to the customers of the employer to sell bottled and canned foods.

On Feb. 19, 1964, the decedent left for work in good spirits and without any apparent illness, but returned home at noon, complaining of pains in his chest. On the same date he was taken to the hospital where he died on Feb. 20. (*Scannella v. Salerno Importing Co.*, 275 t. 2nd 907, 4/13/71.)

* * *

THE TEXAS supreme court, overruling a prior decision, has held that it is no longer necessary in Texas for an insured, suing his former liability insurer for alleged negligence for failure to settle a claim resulting in a judgment against the insured in excess of policy limits, to have prepaid the judgment. The court ruled that the insured's cause accrues on the date that the excess judgment becomes final and that the statute of limitations begins to run from that date (*Hernandez v. Great American Ins. Co. of New York*, 2/24/71, 461 S. W 2nd 91.)

* * *

IF YOU OWN a restaurant, you may be faced with this question: Is a "parkway authority" protected by sovereign immunity? The appellant was the proprietor of the Oak Beach Inn, an apparently too successful young adult night spot located at Oak Beach.

On April 4, 1970, he was advised by the chief engineer and general manager of both the commission and the authority that the parking lot adjacent to the premises of the inn had too many people in it. The chief engineer stated that as a preventive measure for the future, the Long Island state parkway police would see to it that only a reasonable number of cars would be permitted to park adjacent to the inn. Beginning on April 4 the parkway police instituted the following actions: The police used between 5 and 7 police cars with red lights flashing to bar the exit from the Jones Beach parkway, which leads ultimately to the inn and adjacent parking lot, and thereby cut off virtually all surface vehicular access to the inn via the parkway; personnel at the toll booths on each of the parkways feeding into the Jones Beach parkway enroute to the inn told potential patrons that the inn was closed and that no purpose would be served by continuing on, as they would be unable to get into the inn.

Notwithstanding this advice, several persons went to the inn where they were confronted at the parking lot adjacent to the inn by the parkway police, whose cars with the red lights flashing blocked the entrance to the lot. The police advised them that the lot was temporarily full—when, in fact, it was only half full—and if the patrons did not move on, they would be ticketed.

When the commission was sued, it pleaded sovereign immunity.

The court said that the defense of sovereign immunity on the part of Jones Beach Parkway Authority was not tenable. As a matter of federal law this New York public benefit corporation is not an "alter ego" of the state of New York. Accordingly, the court held that a cause of action would lie. (CA2-*Matherson v. Long Island State Park Commission* 5/5/71.)

IF YOU OWN a department store and your security officer makes a false call of danger to the police, and a policeman riding as a passenger in the responding police car, is injured in a traffic collision, is your store liable? You say "no," I would guess. But the court said "yes." It is an interesting situation.

The plaintiff, the police officer, sued the department store and the car owner who collided with the police car. The supreme court of Kings County noted that the security officer of the department store wilfully and wrongfully reported to the police that four patrolmen were being beaten at the department store. The opinion notes that there is no precedent for this case but the action of the security officer was sufficient to permit the inference that the alleged misconduct of the defendant security officer was in apparent furtherance of his employer's business and was an intentional and wilful tort. The resulting accident and injury was legally foreseeable.

The complaint stated a cause of action against the defendant security officer and the department store employer. The court said not every casual response, not every idle word, however damaging the result, gives rise to a cause of action. Liability in such cases arises only when there is a duty, if one speaks at all, to give the correct information. There must be knowledge or its equivalent that the information is desired for a serious purpose; that he to whom it is given intends to rely and act upon it; that, if false or erroneous, he will, because of it, be injured in person or property. (*Daas v Pearson*, 319 N.Y. Supp. 2nd 537.) ■

HEW picks malpractice study group

WASHINGTON—Health, Education and Welfare Sec. Elliot L. Richardson has announced creation of an 18-member commission on medical malpractice to probe the "entire range of problems" associated with medical malpractice claims against health care providers and institutions.

Sec. Richardson said the commission will try to pinpoint "the fundamental causes behind the rising number of malpractice claims and their effects on the health care system, the legal system, the insurance industry and the general public."

A series of public hearings is being scheduled out of which the commission will compile a report with recommendations for HEW. ■

Electric . . .

Continued from page 16

tions are selling both time and services in an effort to turn these expensive operations into viable commodities earning reasonable profits. This move is producing income dollars, but it is also adding risks to doing business that have not been seriously considered. Brownouts are here, and are here to stay. Summer is traditionally the time for them, and the electric men are content to let that myth persist. They take extreme care not to mention the thousands of miles of wire pulled down each year by winter's ice and snow.

Nor are the miracles of the atomic age—the nuclear power plants—going to bridge the ever-widening gap of electrical need and demand. Most experts agree they have come too late and too few. Coal is scarce and is going to be scarcer as the mines blame the government and the ecology-minded for "air pollution control requirements beyond the reach of current technology."

Natural gas provides no fuel salvation for the electric industry. The gas companies are low, blaming their state on the government's pricing structure, which prohibits them, they say, from exploring for new, rich sites.

There may be no wisened old bookkeepers sitting in candlelight next to what once were working computers, but the risk manager must remember that the electrically powered computer can add risks to his operations that he might not have seen—because the lights were still too bright. ■

Public pension unit

Washington Gov. Daniel J. Evans has reappointed five persons to the state public pension commission. Named to two-year terms were Anson H. Blaker, an executive for Boeing Co.; Burle D. Bramhall, financial consultant with Bramhall & Stein; Percy Lockitch, certified public accountant; Richard B. Wyman, an executive with Safeco Insurance Co.; and G. Eldon Marshall, supervisor for the city of Olympia.

New data may bring a review of proposal for truck and trailor guards

WASHINGTON—The Department of Transportation says it's "not being passive" about the controversy developing around information—or the lack of it—that resulted in shelving a proposed rule to protect motorists from "under-ride" accidents with trucks.

"There's a chance it will be reconsidered if we get new data," said a spokesman for the department's national highway traffic safety administration.

The administration shelved the proposed rule, requiring trucks and trailers to have rear guards 18 inches above the ground, stating that data indicated the cost of the guards would have been too much for the number of lives saved annually. About 50 to 100 lives might be saved "at an annual cost to the consumer of approximately $500 million," said the administration.

IT SAID THE estimate was based on information from the Cornell Aeronautical Laboratory automotive crash injury program, the University of Michigan's highway safety research institute, the National Safety Council and the Transportation department's bureau of motor carrier safety.

The decision was agreeable to organized truckers and truck manufacturers but came in for severe criticism from the Insurance Institute for Highway Safety, which compared it to ignoring dangerous roadside "booby traps" such as non-yielding light and sign poles and spear-ended guardrails.

Moreover, said an institute official, the information on which it was based "was, if not spurious, then invented. It came off the top of somebody's head."

He said a main point the traffic safety administration failed to consider was the cost "to the public and insurance companies" of fatalities and injuries from accidents in which passenger cars under-ride rear-ends of trucks.

"WITH GUARDS there would be a savings to insurance companies, and thus drivers and trucking companies on rates," he stated.

Touching on the possibility of further consideration of the rule, the institute noted that "no trucking group had gone so far as to ask that the safety administration completely abandon its rule-making efforts."

Stating that "at this time we simply weren't able to establish a strong enough safety payoff," the safety administration contended that it is "not just waiting for someone to bring us more information on the costs and savings involved. We're looking for data ourselves." The transportation department's motor carrier safety unit, which keeps track of truck accidents and causes, and the safety administration's "accident investigation teams" were said to be assisting in the hunt. ■

Certifications awarded

The National Committee for Motor Fleet Supervisor Training has announced that five fleet management men have earned professional certification ratings in the areas of safety and driver training. They are: Joseph P. Ashenbrener, safety supervisor, T.I.M.E.-DC Inc., Lubbock, Tex.—director of safety; Robert D. Hannigan, director of safety, Kroblin Transportation Systems, Waterloo, Iowa—director of safety; Edward R. Ponche, safety director, The Willett Co., Chicago, Ill.—director of safety; William F. Morgan, Woods Industries Inc., Oklahoma City, Okla.—safety supervisor; Marvin Fowler, Continental Safeway Trails Inc., Washington, D.C.—driver trainer.

Investment measure considered

HARRISBURG, Pa.—The Pennsylvania senate has approved legislation that would permit the investment of the assets of the State Public School Employes Retirement Fund in preferred or common stock of domestic corporations.

The proposal was sent to the house for further action.

With the exception of the stock of banks or insurance companies, the stock must be listed or traded on the New York Stock Exchange or on an exchange approved by the state banking secretary.

THE BILL provides that no more than 25% of the assets of the fund may be invested in common stock. A limit of 5% of the assets of the fund is placed on investment in common stock in any one year.

No more than 2% of the fund assets can be invested in a single stock, and no more than 5% of a company's issued and outstanding stock can be held by the retirement fund.

The bill would prevent a situation where a change in the value of stock would force sale because maximum percentages are exceeded.

Any reinvestment of funds realized from the sale or transfer of common stock is not subject to the percentage limitations. ■

School bus standard

Maryland has become the first state in the nation to adopt a safety standard aimed at strengthening the structures of school buses. The National Transportation Safety Board said that the structures are unsafe because they break apart into sharp edges that act like "cookie cutters" in crashes.

New AIRCO chief

M. R. Greenburg, president and chief executive officer of the American International Group Inc. (AIG), has been elected chairman of the board of American International Reinsurance Co. by its board of directors. American International Reinsurance owns 64% of the common stock of AIG.

Highlands offers cover for offshore oil industry

HOUSTON—Highlands Insurance Co. is now providing worldwide umbrella and excess liability coverage for the offshore oil industry. It now offers up to $5 million capacity coverage offshore, plus the usual umbrella and excess coverage for the land-oriented risk.

The limit for onshore coverage is also $5 million.

"This is much-needed coverage," a Highlands spokesman said. "The domestic insurance industry has shown little inclination to provide umbrellas and excesses for the offshore oil industry. Highlands has been providing primary insurance for the offshore industry for quite some time and the provisions of umbrella and excess liability round out our facilities for insuring the offshore oil industry casualty risks." This type coverage has formerly been available, with few exceptions, only in the London insurance market, he added.

Highlands believes it is one of the largest casualty insurance writers of offshore coverage for the oil industry.

Business Insurance was told that Highlands' clients include drilling firms and offshore workover companies.

The new umbrella and excess liability coverage for the offshore oil industry is to cover the entire market. "It is not confined just to drilling barges or vessels," a spokesman said.

Luther C. Fuqua is assistant vp and handles this special risks department. J. A. Terry is the Houston-based firm's senior exec vp and manager. President and chief executive officer is Herbert J. Frensely and George R. Brown is board chairman.

Highlands began operations in 1958 with financial control owned by Brown & Root Inc. of Houston. Halliburton Co., a Dallas-based diversified oil well engineering servicing and manufacturing company, acquired Brown & Root, and is present owner of Highlands.

Highlands was originally organized to write workmen's compensation, general and automobile liability coverages and surety bonds in behalf of Brown & Root and its subsidiaries. The original sponsors are now one of the accounts. ■

Asks Massachusetts auto premium rebate

BOSTON—Gov. Francis W. Sargent has asked C. Eugene Farnam, state insurance commissioner, to determine the possibility of a premium rebate for motorists covered by compulsory liability insurance under the new Massachusetts no-fault law.

Mr. Farnam has been told to order the insurance industry to set aside a special reserve fund from which the rebates could be paid.

No rebates may be possible, however, he indicated.

The governor had previously announcd that the insurance industry, during the first half of this year, paid out 78% less for liability insurance under no-fault than during the first half of 1970.

The Governor remarked that a rebate is "legally dubious." The law, he said, is unclear and an insurance industry challenge, via the courts, is likely. "While the approach is worth trying," he added, "it might be regarded as having only limited chance of success."

At the same time, Gov. Sargent disclosed filing of state legislation to enable Mr. Farnam to consider "a windfall" the industry may get in a year when he computes rates for a following year. The measure, according to the governor, would permit review of results for 1971, for example, and build into rates for 1972 an appropriate credit or adjustment that could lower premium costs.

"If this bill passes," he said, "then motorists will share in no-fault success, even if the rebate approach fails."

Mr. Sargent was pre-empted by the Democratic legislature; on a 216-2 roll call, the state house passed and sent to the state senate a bill to do virtually the same thing as the governor's proposal.

The governor is also urging extension of no-fault concept to property damage coverage. ■

Lloyd's . . .

Continued from page 1

we have had a very large increase in applications for membership, and I have every confidence that an increase in capacity is in the hands of responsible underwriters who will maintain our reputation for initiative and skill."

THE FIGURES cover the year 1968, which, under the three-year accounting system used by Lloyd's, finally closed its books for its claims-to-premium ratio operations on Dec. 31, 1970. On a premium income in 1968 of $1.6 billion there was a profit balance in the end of $85 million. This compared with losses the previous three years of 1965, $90 million, 1966, $45 million, and 1967, $4 million.

Peter Foden-Pattinson, who heads the Non-Marine Underwriters Assn. at Lloyd's, told *Business Insurance:*

"This firm reversal of the last few years shows the start of an era of increased profitability in this section of the market. The 1969 and 1970 accounts look at the moment like being even better, in spite of claims like those from Hurricane Celia."

C. D. D. Gilmour, Aviation Underwriters' chairman, supports this forecast, with loss ratios for 1969 and 1970 in aviation better than the two previous years, so far. Premium income for aviation market risks in the technical "first year" of the 1970 account was $100 million, a big hike from $60 million for the relative period of the 1968 account. But it looks as if this plateau is now beginning to level off.

Mr. Gilmour said: "Growing competition for business in the aviation market, with consequent pressure on rates, seems likely to increase. It is exacerbated by the airlines' current lack of profitability owing to worldwide overseating capacity."

Henry Chester, who heads the marine market, repeated his views that there has to be at least a 12% to 15% hike in premiums in this area to cover rapidly rising repair and shipbuilding costs. He also warned that increasing crime may affect ratings. ■

No money to repair Florida's 500 bridges in 'poor or critical' shape

TALLAHASSEE, Fla.—A statewide survey of bridges in Florida has disclosed that 500 are in poor or critical condition—but the state's department of transportation says it can't afford to correct the situation.

The bridge study was prompted by the fatal collapse of the Anclote River bridge in Tarpon Springs several years ago.

According to Edward Mueller, transportation secretary, the death of a motorist in that tragedy led to the establishment of "one of the best inspection programs in the country"—but not to sufficient funding to repair all the bridges found to be deficient. He said that 37 of the 500 suspect bridges are in such questionable condition that highway engineers must check them frequently to assure that they aren't in imminent danger of collapse.

IN ALL, according to the study, needed bridge repairs carry an estimated cost of $277.7 million.

"We can't have a bridge fall down," Mr. Mueller said. "But it's going to take resources beyond what we have. We're going to have to get the legislature to help us."

State Rep. Tom Stevens of Dade City, chairman of the house transportation committee, has offered a committee investigation to seek funding for the bridge project. Mr. Stevens said that state transportation funds for years have been directed toward attracting federal matching funds for major projects such as interstate highways, leaving smaller jobs begging.

"I think the situation is approaching a crisis," he said.

"WE'VE EITHER got to readjust our priorities for expenditures or find new sources of revenue." He suggested tolls on the state's major bridges as one alternative.

According to the transportation department study, there are 5,087 bridges in the state, some dating back as far as 1911.

The Courtney-Campbell Causeway over Tampa Bay recently had to be closed for major repairs because of deteriorating supports. Costly repairs permitted the bridge to be reopened, but state authorities theorize that it will have to be replaced within a few years by a new bridge.

Other bridges around the state—including the famous Overseas Highway that links the Florida Keys—are also in serious need of rehabilitation, Mr. Mueller believes.

No federal funds are available for bridge repair jobs, he noted, although matching funds can be secured to replace bridges that are beyond repaair. ■

Jury awards $11 million to American

NEW YORK—The loss arising out of an incident in which a large airliner was damaged six years ago has resulted in American Airlines receiving one of the largest jury awards ever given in an airline negligence suit—$11 million.

The incident occurred when a DC-8F belonging to Trans Caribbean Airways was heavily damaged by fire when it was being inspected and overhauled by Eastern Airlines. Trans Caribbean has since merged with American Airlines, which accounts for the award going to American.

Lloyd's and other British insurers were said to have sustained about 95% of the loss with the remainder paid by American underwriters.

AMERICAN Airlines will actually only receive $2,717,839. The remainder will go to the United States Aviation Insurance Group (USAIG), Trans Caribbean's insurers at the time. They have already paid the bulk of the loss. USAIG will get $7.77 million while $502,000 will go to Lloyd's for loss of use coverage, which was paid years ago.

The plane was almost entirely destroyed by fire on Nov. 25, 1965, while in the possession of Eastern Airlines and being worked on by an Eastern crew. Eastern was found negligent in March of 1970 after ten days of trial.

THE PLANE had been worth approximately $8 million when it was burned but had been sold for salvage at a cost of $1,752,480 and the jury termed the net award to be nearly $6.25 million. $2 million was added to that total for loss of use of the aircraft.

The rest of the award, some $2.75 million, was interest. ■

American Insurance cancer policy didn't get this mayor's blessing

HOLYOKE, Mass.—Mayor William S. Taupier of this industrial city has reaffirmed his refusal to give his blessing to a cancer insurance package being offered to city employes by the American Insurance Co. of Columbus, Ga.

Mr. Taupier told *Business Insurance:* "I don't recommend it."

The package was submitted to his office for approval to be solicited within city departments, the plan to work via payroll deductions.

Holyoke insurance agents are selling an American Insurance Co. policy that covers cancer exclusively to city employes at the rate of about $45 a month. If the policy were purchased without payroll deductions by the same employe, it would cost about $60 a month.

MR. TAUPIER feels the policy is too costly. Refusal to allow insurance—or any other type—sales personnel to solicit city employes on the job is a standard city policy, adhered to assiduously to eliminate waste-of-manpower hours.

Mr. Taupier doesn't like the American Insurance proposal since it does not contain a lower group rate for Holyoke's 1,200 employes. Meanwhile, American Insurance agents here are offering the plan on an individual basis, with the city asked to withhold the premium payments via payroll deductions.

According to Mr. Taupier, the 25% reduction for the city withholding the cost of the policy from employe salaries is not a saving for employes. Rather, it's a recognition of the city functioning as collection agency.

Mr. Taupier commented that the insurance policy would cost the city nothing in terms of dollars and cents, as the payment rests entirely with the insured.

The policy, he feels, does not contain any great merit, but if Holyoke employes want it on their own, he will not try to hinder outside purchasing less payroll deduction.

AFTER REVIEWING the policy, he said, he found it covers only cancer and the policy failed to meet his approval since, he feels, it is not in the best interests of city employes.

Mayor Taupier remarked he refused to allow insurance agents to solicit since this would be tantamount to city approval. Under Massachusetts state law, the mayor is "responsible" for this form of solicitation.

He added that the insurance may be violating state law, since it is not presently offered to state employes as well as city. ■

Francis A. Kornegay (left), director of Golden State Mutual Life Insurance Co., and Ivan J. Houston (right), president, met with Ford Motor Co.'s vp and treasurer, John Sagan, to finalize placement of $90 million of Ford's group life cover. A source at Ford noted that other firms, such as Michigan Bell, Detroit Edison and Kresges, have also been responsive to the black community by placing insurance with black firms.

Ford reinsures group life with black firm

DEARBORN, Mich.—The Ford Motor Co. will reinsure $90 million worth of its employe group life insurance with Golden State Mutual Life Insurance Co., a black-controlled firm based in Los Angeles. The move is effective Oct. 1.

According to J. K. Shelton, insurance manager at Ford, Golden State will not be involved in the plan's administration, which is handled in total by the John Hancock Mutual Life Insurance Co.

"This is a straight reinsurance deal," Mr. Shelton told *Business Insurance.* "There will be no change at all for the individual employe." He added that the $90 million figure represents a very small percentage of group life insurance for Ford's hourly employes.

Mr. Shelton said the move was "part of our company position of doing business with black firms. Business in general is trying to be responsive to the black community. Chrysler has reinsured with Golden State and with North Carolina Mutual Life Insurance Co. and Michigan Bell, Detroit Edison and Kresges have made similar moves."

The insurance manager also said that Ford deals with black vendors when possible, and has worked with Lewis & Thompson Agency Inc., a black brokerage firm in Detroit, since 1969. ■

Safety . . .

Continued from page 3

industrial establishments who can profit by the training ISA has to offer. Scheduled for 1971 are courses in basic safety management, advanced safety management, foremanager training in safety and upper management safety training. While many of the sessions will be held at academy headquarters in Macon, others are scheduled for Los Angeles, Des Moines, Philadelphia, Atlanta and London.

"We have one- and two-week variety courses," Mr. Bird told *Business Insurance,* "but I am submitting a proposal to the academy for a six-to-eight-week advanced course to give official certification as an environmental health technician. Hopefully the proposal will pass and the course will be introduced by January."

While the Macon headquarters will be the center of ISA activities, Mr. Bird said that in-depth training for small plants around the country will involve regional teams near the plants, each team consisting of two educators and an assistant.

"WE'RE STARTING out this fall with 10 to 15 regional teams," he said. "We hope to add 10 teams each quarter until there is a minimum of 50." The idea behind these regional teams is that the small plant owner cannot afford to send a man to Macon. "Room and board become a factor on a small budget," the director said, "so education must be within driving distance. This fall we hope to be reaching at least 250 to 300 establishments per week and within a year we hope to be reaching 1,000 to 1,500 per week."

The academy is staffed by 40 people, two-thirds of whom are educators. "We will be recruiting more people continually," Mr. Bird said, "especially as we see the first quarter response." The response so far has been good considering that there have been no mailings. ISA is sending material out over the next few weeks. "We have had 300 inquiries from Des Moines alone, probably because there has been considerable mention of our name at business meetings," said the director.

Apparently the academy intends to work hard to deserve the "international" in its title. A delegation of South American safety leaders will arrive in Macon in October for training and ISA people may be teaching at the University of Chile by November. One of the educators now on the staff is from the United Kingdom and attending a June 28 Atlanta press conference that heralded ISA's stepped-up program were the director general of the British Safety Council and the managing director of the Inter-American Safety Council.

"ISA has contacts around the world," said Mr. Bird. "Safety problems differ from country to country, but there are commonalities. We intend to take those commonalities—a sort of skeleton of safety management—and hang colloquial differences on the frame to suit each country."

In summing up his goals for the ISA, Mr. Bird said that "for years industry's condemnation of education has been the 'ivory tower' aura of teachers who have no grounding in practical experience. Certainly I think the biggest need today is presentation of the safety message by the credentialed person with the necessary academic qualifications but who has also been there, who knows the problems from the side of experience. Organizations with a balance of the practical plus the academic will be able to reach business establishments and teach things that must be changed or adjusted immediately to meet safety standards, and also to provide ongoing education about new problems." ■

Form safety education group

CHICAGO—Construction industry personnel who want to comply with the new Occupational Safety and Health Act might follow the lead set by 25 Chicagoans.

With membership from such diverse areas as construction, insurance, material suppliers, architects, engineers, government and organized labor, the group has formed the Construction Safety Assn. of America, which they hope will expand to a national organization with affiliated chapters.

The primary goal of the association is to educate workers in the avoidance and prevention of construction-related everyday accidents. It does not intend to compete with groups such as the National Safety Council in the education of management.

THE GROUP is planning a series of 10- and 30-hour courses developed by the Department of Labor. The only prerequisite is an interest in construction safety and graduates will receive certificates from the Department of Labor. These certificates, or "green cards," have an important practical benefit: When department inspectors check construction sites for required safety standards, they will first check on the number of workers holding green cards to gauge the general level of safety consciousness of the contractor.

Persons interested in developing chapters of the Construction Safety Assn. may write to Steve B. Logan at the National Loss Control Service Corp., Kemper Insurance Group, 4750 N. Sheridan Rd., Chicago, Ill. 60640. ■

Retirement funds will back up student loans

HARRISBURG, Pa.—Gov. Milton J. Shapp has announced a new secondary money market for higher education loans—two state retirement funds.

Believed to be the first such program in the nation, Mr. Shapp said, the new reserve market would expand the existing student loan system, which cannot meet increasing demands.

Money for the new market will be derived from the state employes Retirement Fund, which offered $411,700 of its $815 million assets, and the $2 billion State Public School Employes Retirement Fund, which made an initial offering of $1,188,300.

THE TWO retirement funds will turn the money over to the Pennsylvania Higher Education Assistance Agency (PHEAA), which guarantees student loans.

There are now some 1,400 lending institutions, mostly commercial banks, participating in the college loan program. Since it began in 1964, $260.8 million in state loans have been issued to 154,813 students. The average loan is $1,082 per year.

Gov. Shapp said the new market would provide additional college loans this fall.

"I am extremely pleased that Pennsylvania is setting the pace for the nation in finding new ways and means to help students meet the skyrocketing costs of post-high school education," the governor said. "The important thing is that these funds will not only help students in colleges and universities, but those attending community colleges and technical schools who qualify for loans from private lending institutions."

THE LEGISLATURE passed a bill in 1969 allowing insurance companies, union and college trust funds, retirement funds and other trusts to make investments in student loans.

Gov. Shapp noted that the investment by the two state retirement funds was voluntary, and that they have made an initial pledge to buy up to $8 million in student loans through the secondary market.

These loans, which are insured by the federal and state governments, make possible a yield of from 7½% to 9½% on investments for the fund boards—compared to the 5½% average yield now received from all other investments.

The Pennsylvania program has grown from $3.5 million a year in 1965 to $61.2 million during the last fiscal year. Participation is projected at $90 million for the current scholastic year.

CURRENTLY the program reserve to create the repayment of student loans is $7.5 million, creating a loan capacity of $339.8 million.

Similar concepts are embodied in a number of bills now before the U.S. Congress.

Gov. Shapp said the money borrowed from the retirement funds will allow participating lending institutions to turn student loan notes into cash, which can then be reissued in the form of more student loans. ■

Governor's pension fight

SALEM, Ore.—A petition filed seeking to prevent the Oregon governors' pension law (see *Business Insurance*, July 19) from taking effect has been ruled out of order.

Herschel L. Soles, Portland, filed the petition in an attempt to refer the measure passed by the 1971 legislature to next year's general election ballot. But Lee Johnson, attorney general, said the bill carried an emergency clause and it became effective July 1.

The state constitution prohibits referring measures to the ballot if they take effect less than 90 days after adjournment of the legislature.

MR. SOLES or anyone else could file an initiative petition to abolish the new law. However, he would have to start over and would need twice as many signatures to get the measure on the ballot. Referral of a measure requires 26,656 signatures of registered voters; initiative, 53,312.

The governors' retirement law at present affects only former Gov. Robert D. Holmes of Portland. Ex-governors become eligible at age 62 to receive each year a amount equal to 45% of their salary at the time they served.

Mr. Holmes became 62 this year and will receive his first retirement check for $650, in August, it was reported.

Under provisions of HB 1728, Gov. Tom McCall would receive about $13,000 annually when he reaches 62. ■

Lane named to board

Robert S. Lane, counsel for the Mobil Oil Corp., has been appointed to the board of directors of the Association of Private Pension and Welfare Plans, Inc.

New work comp law in Colorado

DENVER, Col.—A change in the Colorado workmen's compensation act has had an impact on thousands of small businessmen.

"Most of those involved don't even know the amendment was passed by the 1971 legislature," said Wes Schoelzel, vp of the insurance department of Van Schaack & Co., realtors. "But the state industrial commission says, in effect, that ignorance of the law is no excuse."

He was underlining the fact that any businessman who hires even one employe is required by law, with penalty for inaction, to carry an adequate workmen's compensation policy to cover on-the-job injuries or death, it was reported. Until the change, the requirement for coverage was limited to firms or businesses that had more than four employes.

ONLY FARMERS and employers of part-time domestic help are exempt. And in many cases, the farmers will be coming under the law on Jan. 1, 1972.

Mr. Schoelzel said lawyers, doctors, plumbers, photographic studios and partnerships will be involved most in the law change, along with small service stations and even ma-and-pa restaurant operations with a dishwasher or one waitress.

To conform, employers can acquire coverage for their employes(s) through a workmen's compensation policy issued by the Colorado state compensation insurance fund, a branch of the state industrial commission. Or they may elect to choose a private insurer. ■

California's health delivery—$1 billion at stake

SAN FRANCISCO—Last year perhaps the hottest debate in Congress was between the AFL-CIO sponsored national health insurance bill and the health-security program recommended by the Committee for National Health Insurance, established by the late Walter Reuther, United Automobile Workers president.

A somewhat similar committee in California, the Council for Health Plan Alternatives, organized in 1967, has steadily been influencing the state's health delivery system or, as Mr. Reuther once characterized it, the "non-system." The council attempts to find new ways of buying insurance and ways of improving health benefits purchased.

At stake are about $1 billion a year in union plan premiums for health insurance covering California's 1.5 million union members and their families.

THE COUNCIL is directed by Einar O. Mohn, director of the Western Conference of Teamsters, who serves as its chairman. The two vice chairmen are Sigmund Arywitz, executive secretary of the Los Angeles County Federation of Labor, and Lou Goldblat, secretary treasurer of the International Longshoremen's and Warehousemen's Union. Members of the executive committee include representatives of all sectors of California's organized labor.

Dave Williams, Carpenters' State Council trustee, is the administrative secretary and Thomas Moore Jr., is executive director. The council maintains offices in Burlingame and Los Angeles.

The importance of the council to the nation's insurance carriers is perhaps best reflected in the objectives outlined in its bylaws. Among these are:

- To secure the best possible health care for the monies negotiated through collective bargaining.
- To use the united collective bargaining strength of council affiliates to develop health programs that go beyond the mere collection and disbursement of funds.
- To work for adequate medical care at regional, community and neighborhood levels.
- To provide an effective consumer voice in dealing with the providers of health care.
- To develop its own health programs and alternatives.
- To provide objective evaluation of current health programs established under collective bargaining agreements.

AT THE TIME of its establishment, the council estimated that the trade union movement was spending approximately $750 million a year on health care in California. "This made union labor the state's largest single customer of health services," Executive Director Moore pointed out, "and one of our first efforts was to evaluate what the unions were getting for their money."

Mr. Moore and the council officers considered this essential to development of any solution to "the problem of continued rounds of negotiations for higher premiums simply to buy the same amount of health care," and the result was a health plan grading system.

Dr. Lester Breslow, professor of health services administration at the University of California at Los Angeles school of public health, assisted by Shirley Rich and Donald Procter, and Don Vial and Bruce Poyer of the university's center for labor research and education, Institute for Industrial Relations, at Berkeley, worked out the system for the council.

The system allots weighted points to various aspects of a health and welfare program. Thus, a total of 1,000 points would represent "an ideal program" according to Mrs. Rich, who is an associate in public health.

USING the grading system she evaluated two union local health insurance programs and discovered "a great disparity" between what each local received for its health and welfare dollar. "Near identical expenditures," Mrs. Rich said, "bought startlingly disparate health plans, illustrating clearly how some brokers sell plans on the basis of profitability to themselves rather than maximum utility to the union local membership."

Mrs. Rich, Dr. Breslow and the council officers now seriously question justification of the broker role in obtaining health insurance. "Some brokers are ethi-

Continued on page 57

California's

Continued from page 56

cal and competent," explained Mr. Arywitz, "and some can provide tremendous service with their expert knowledge. But some do little more than function as cashier windows, with the cash going one way."

One of Walter Reuther's last speeches before his death, at the New England Hospital Assembly, pointed out: The country "channeled $13.5 billion into the hands of private insurance companies in the last fiscal year and they took more than $1.7 billion as their cost of doing business." In line with this, the California council contends that approximately 25% of all money spent by union-employer health trust funds "goes for insurance company reserves and expenses, which include broker commissions, taxes and administrative costs."

Council Chairman Mohn has declared flatly that "the time has come for us to radically alter the way we buy health services." California unions, he warned, "will go self-insured and deal only with the providers of health insurance services. This may be the only way we can use that 25% going to insurance firms and brokers to provide actual care for our members."

IN ADDITION to fighting the cost factor, the council is worrying insurance carriers by attacking the quality of health care provided, accusing insurance companies of "failure to insure beneficiaries that the doctors and hospitals used are of the best quality.

"Instead," the council has declared, "insurance companies pay almost any provider who sends them a bill, without regard to quality or even whether the care paid for was needed."

Mr. Moore cited the two union local plans, evaluated by Mrs. Rich, that were placed by one broker but with different insurance carriers. One plan rated 50% better than the other under the health plan grading system, although it cost only $3 a month more. Services under both plans were provided by the same doctors, using the same hospitals.

The entire council asked, "Why should this happen? And why would one broker place the business for the two union locals in such a different manner?" The answer, they were told by Dr. Breslow and Mrs. Rich, "involves the manner in which commissions are paid brokers, as well as other factors related to the secretiveness with which insurance firms and brokers guard data used to set premium rates."

CONVERSELY, G. Frank Purvis Jr., chairman of the Health Insurance Assn. of America, has asserted "the insurance industry is working hard on an all-out effort to help improve the nation's health care system."

The National Assn. of Insurance Commissioners also has attempted to enforce its code of ethics and its commission rate schedule, which ranges from a maximum of 4.1% commission for a premium of $20,000 a year to a maximum of .4% for a plan with a yearly premium of $5 million.

In spite of these protestations of industry effort, Sen. Abraham Ribicoff (D.—Conn.) has demanded a study "to evaluate and grade the 1,200 health plans provided by private insurers."

Late last year, four California life insurance companies formed a joint venture to provide the state systems administration of California's Medi-Cal program, at a cost of $5.7 million. The California department of health care services justified the expenditure with the statement that "California will be able to save this amount many times over in improved operations."

MEANWHILE at San Francisco, the American Assn. of Medical Clinics was told by Robert Patricelli, deputy undersecretary, U.S. Department of Health, Education and Welfare, that the Nixon Administration will propose a $4 billion "package of health laws to replace Medicaid."

The association includes nearly 250 group practice clinics with 8,500 doctor members and 17 million patients. The groups range from small-town teams of family doctors to the single specialty clinics and such operations as the huge Kaiser Permanente program with its 2,100 doctors and 2 million member-patients.

"The national medical care program planned by the Administration," Mr. Patricelli said, "will rely heavily on such group practice plans because of the economy they provide, the built-in control of overusage and their use of auxiliary medical personnel." He added the hope of coupling the national health program with large cash outlays to finance medical schools and the training of large numbers of paramedical specialists.

"If," Mr. Patricelli pointed out, "the average hospital stay could be cut by only one day per patient and if occupancy of hospital beds were kept near capacity, the saving would approximately

Continued on page 60

dates for buyers

October 11-13, Society of Chartered Property and Casualty Underwriters 1971 Annual Meeting and Seminars, "Space Age Impact," featuring the impact of world trends on the ever-changing insurance industry, Houston, Tex. For more information write CPCU, Penn State Building, Media, Pa. 19063.

October 13-15, American Management Association seminar, "Modernizing Your Approach to Workman's Compensation Costs and Coverages," AMA headquarters, New York. For more information write the AMA, 135 West 50th St., New York, N.Y. 10020.

October 14, Michigan chapter, Society of Fire Protection Engineers workshop, "Fire Technology and the Architect," Raleigh House, Southfield, Mich. For more information write Robert C. Davis, Chevrolet Motors Division, Personnel, General Motors Corp., Central Office, Warran Annex, 1st floor west, 300007 Van Dyke Ave., Warren, Mich. 48090.

October 21-22, Council of Profit Sharing Industries, 24th annual conference, Huntington-Sheraton Hotel, Pasadena, Cal. For more information write COPSI, Suite 722, 20 N. Wacker Dr., Chicago, Ill. 60606.

October 25-28, National Safety Congress and Exposition, Chicago, Ill. For more information write National Safety Congress and Exposition, National Safety Council, 425 N. Michigan Ave., Chicago, Ill. 60611.

October 27-29, American Management Association seminar, "Modernizing the Pension Plan," AMA headquarters, New York. For more information write the AMA, 135 West 50th St., New York, N.Y. 10020.

November 16-18, National Fire Protection Association Fall Conference, Sheraton Cleveland Hotel, Cleveland, Ohio. For more information write the National Fire Protection Association, 60 Batterymarch St., Boston, Mass. 02110.

Employe education film stresses product liability

SAN FRANCISCO—Product liability risk exposures are being reduced by Kaiser Industries through extensive showings to Kaiser employes of a training film.

The film was shown by Robert Perry of the insurance department of Kaiser Aluminum and Chemical Corp. to a packed meeting here of the northern California chapter of the American Society of Insurance Management.

The program was devoted to a three-member panel discussion of product liability as "a fertile field for risk management."

PANEL MEMBERS included Mr. Perry; A. F. Sundquist, insurance department, FMC Corp., and John J. Prendergast, insurance manager for Hewlett-Packard Co.

Steps taken by Kaiser, as outlined in the training film, are: education to develop awareness of the seriousness of the problem; new product safety review; establishment of risk criteria; control of warranties, advertising and release of technical information; improved complaint and claims procedure; complete records retention schedule and product liability audits.

Mr. Sundquist told the ASIM members in attendance that FMC also uses a checklist for product control, including a complete hazard analysis of each design problem to determine all safety hazard possibilities.

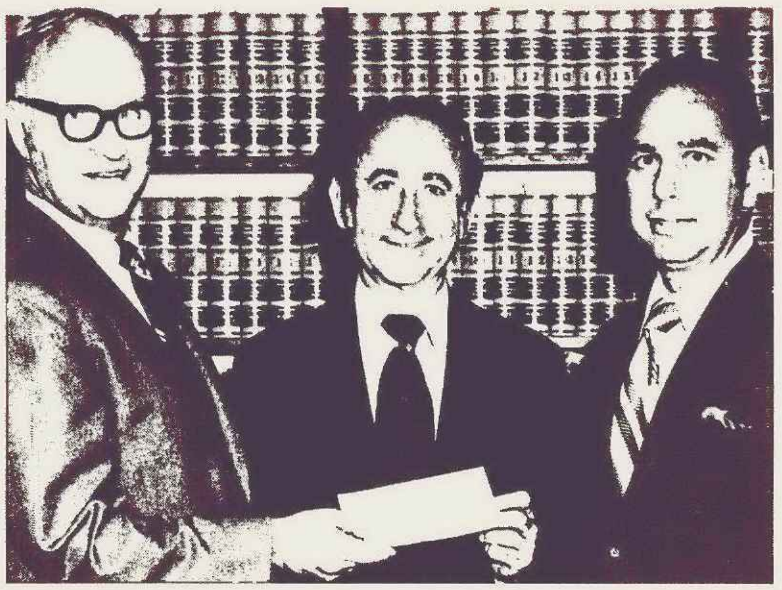
Mr. Prendergast told the audience that "the electronic products of our firm in the past have been used almost exclusively by skilled technicians and engineers and there have been no serious products liability problems.

"NOW THAT we have entered both the medical electronics area and the electronic data processing field," Mr. Prendergast added, "we recognize that our products are subject to abuse and misuse by unskilled operators and we are developing a formal products liability program.

"This program," he said, "will be centrally controlled at each division by a group appointed by top management, representing research and development, manufacturing, marketing, advertising and servicing.

"Design," he said, "is the key to minimizing losses. One basic premise must be recognized and that is that safety and reliability must be created in the design stages. This cannot be created by manufacturing, marketing, servicing or advertising.

"These functions can reduce losses, but their efforts are mostly wasted if the product is poorly designed," he concluded. ■



A $185,000 check is presented to Howard Johnson's motor lodge licensees that participated in the property and liability insurance program of the Howard Johnson's National Operators' Council. The program, which provides comprehensive property insurance coverage to 128 group members is underwritten by the Insurance Co. of North America and has paid dividends averaging nearly 30% of premiums during the first three years of operation. Shown are James D. Rogers (left), insurance consultant to the council, Donald M. Herr (center) insurance committee chairman for the council, and Donald J. Fleishaker (right), council chairman.

Arkansas agents have no-fault proposal to offer 1973 assembly

LITTLE ROCK, Ark.—A type of no-fault automobile insurance will be offered to the 1973 Arkansas general assembly by the Arkansas Assn. of Insurance Agents, according to Richard Herget of Little Rock, executive vp of AAIA.

A task force of agents has developed a no-fault plan, and several other legislative bills that deal with insurance. Mr. Herget said the proposed legislation, which he called "inevitable," has been worked out with the exception of dollar limits.

"We feel that present insurance laws are not responsible to the needs of the customer," he said. "The modified no-fault plan will make insurance more equitable as far as the victim is concerned."

THE AVERAGE "threshold limit" of the five states that now have no-fault insurance is $7,000, Mr. Herget said. He said the generally accepted rule is: The higher the limit, the better it is for the customer. He said that accepting no-fault would be mandatory for consumers if the loss did not exceed the threshold limit.

Mr. Herget said the limit could be set at any amount but he thought that a limit of $10,000 would be acceptable in Arkansas for such items as medical bills and time lost from work. Of course, he said, a person would be advised to carry liability in case an accident crossed the threshold limit.

He said a no-fault plan would be a healthy, competitive happening in the state.

"The competitive-rating legislation would have the same effect on insurance that the repeal of the fair trade liquor law had on liquor," Mr. Herget said. Until this year, Arkansas had a law that fixed liquor prices at a specific wholesale and retail level. With revocation of the price-fixing law, liquor prices on the retail level dropped 10% or more.

MR. HERGET said that a no-fault plan would also have a stabilizing influence on rising insurance cost.

He said that attorney fees for accident lawsuits accounted for 20 cents to 25 cents of every insurance dollar that was paid for a claim. Lawyers may voice opposition to a no-fault plan because it would hurt them financially, but the courts would benefit immediately by the heavy drop of accident cases they must dispose of, he said.

He added, however, that there was no organized opposition in the state against no-fault.

Mike Barrier, Arkansas Gazette columnist on government and politics, put it this way: "There were some stirrings in the last session of the Arkansas general assembly in the direction of automobile insurance reform and in 1973 there will be a full-dressed fight over whether the state should adopt the no-fault approach.

"If the current trend continues, the legislature may be holding that debate under the shadow of an ultimatum: Adopt a genuine no-fault plan that conforms with federal guidelines or surrender automobile insurance regulation to the federal government." ■

Says mass marketing cuts premiums

HOUSTON—Mass-marketed payroll deduction plans are helping reduce premium costs, Aetna Life & Casualty chairman Olcott D. Smith told local businessmen here.

He explained that high insurance rates reflect not only the general condition of inflation but the sharp rise of medical and auto repair costs.

"One way Aetna and a few other companies are trying to slow the rise of premium rates is by exploring more economical distribution methods," Mr. Smith said. "Mass-marketed payroll deduction plans, in states where they are permitted, are enabling us to reduce the cost of coverage significantly."

MR. SMITH also admitted coverage is hard to buy in some states. "When premium rates are regulated by law rather than by competition and claim costs are rising, insurers have no choice but to become more selective in underwriting," he said. "A growing number of states, nearly half, have enacted laws which permit competition to regulate rates rather than requiring prior approval of a state insurance department for rate changes.

The Aetna executive said competition can prevent profit margins from becoming excessive while assuring that coverage is readily available.

"What Aetna has done is to take advantage of pricing flexibility to develop what it calls the 'all driver plan,'' said Mr. Smith. "Under it we can offer coverage to all licensed drivers by closely matching rates and risks. Most drivers pay less than they would under our other plans and all drivers have access to protection.

"The all driver plan was introduced experimentally in three states last fall and proved to be a runaway bestseller. It was introduced in Illinois this year and we are planning to introduce it soon in other open competition states."

MR. SMITH said that although the most visible problems are in the areas served by health and motor car insurance, buyers of life insurance have also been confronted by a serious problem.

"It is the erosion by inflation of guaranteed, fixed-retirement income and life insurance benefits," he said. "For more than 20 years the insurance business did little more than lecture Washington on frugality.

"In recent years it wrenched its thinking free of traditional patterns. Today it sees inflation as another financial problem it can help the public solve. It was around the mid-60s that life companies began entering the mutual fund business to enable policyholders to share in economic growth and gain protection against inflation.

"Taking a slightly different tack, Aetna, which also markets mutual fund shares, took the variable annuity route into the equity field. Soon we will begin marketing variable life insurance." ■

Fireman's exec urges state's no-fault reform

SAN FRANCISCO—California business and individual owners of automobiles will spend "an unnecessary" $50 million more a year for auto insurance and will "continue to endure long delays in collecting for losses" unless pending no-fault auto insurance changes are adopted when the state legislature reconvenes in late September.

This is the prediction of Louis W. Niggeman, president of Fireman's Fund American Insurance Cos., who said his company will "actively campaign" for adoption of Assembly Bill 1505, a modified no-fault insurance reform plan introduced by Jack R. Fenton, Democratic assemblyman.

The proposed changes were approved by the assembly in July and will go to the senate.

"THE PROPOSED legislation," Mr. Niggeman said, "faces almost certain defeat unless the public expresses support. Opposing trial lawyers are distorting the issues and misrepresenting the facts in a desperate attempt to preserve the outdated auto insurance system in California."

Under the Fenton proposal accident victims would receive payment for medical costs, lost income and other benefits from their own insurance companies, regardless of who caused the accident and without need to sue.

The bill would limit the right to sue but would guarantee prompt payments for all economic loss up to $10,000, including wage loss, medical expenses, funeral and burial costs and other benefits. Wage losses up to $750 a month would be covered, with funeral costs up to $1,000.

IF LOSSES exceed $10,000, lawsuits would be allowed to recover the additional loss. An accident victim also could sue for pain, suffering and inconvenience if his medical expenses exceeded $1,000 or if his injuries were severe.

Auto insurance policies sold under the proposed law, Mr. Niggeman said, "should cost less because legal and investigative expenses would be reduced and overpayment for smaller losses would be eliminated.

"The plan would only change the bodily injury portion of auto policies," Mr. Niggeman explained, "but we estimate overall premiums would be at least four per cent below today's rate. Had the system been in effect last year, California policyholders would have saved nearly $50 million on their premiums." ■

California's

Continued from page 57

$10 billion in hospital construction costs.

"IN ADDITION," he continued, "registered nurses now spend 70% of their time on non-nursing work. If this were cut by only 10% it would be the equivalent of adding 70,000 new nurses to U.S. hospital staffs."

He said that his department is reviewing every aspect of the problem: manpower, hospital needs, insurance, government financing, environment, sanitation and nutrition. He added that legislation sent to Congress, in late January and early February, will revise the entire federal approach to medical care.

"The program," he said, "will stress health maintenance in which families will be aided in buying comprehensive coverage for preventive medical care as well as treatment, with minimum standards set for medical coverage in all the states."

Mr. Patricelli estimated the price tag at about $3 billion a year with another $1 billion coming in from partial payments by the health care recipients. Total cost of health care in the U.S. is now estimated at about $63 billion a year. Congress has one national health insurance program before it, the estimated cost of which is $37 billion a year.

IN CALIFORNIA, perhaps the largest health care program is that of Kaiser Permanente. The largest single group of subscribers consists of union members and their families. Benefits vary from partial to complete coverage for medical and hospital services, depending on premium paid.

Even with the Kaiser program, which the council of health plan alternatives has labeled as providing members "more health services per dollar than any other plan in the nation," a number of problems have been brought to the surface.

The major problem with Kaiser, explained Mr. Moore, has been that of "ever-increasing premiums, which have to be negotiated repeatedly at the bargaining table. In addition, Kaiser Permanente has put these premiums into effect without consultation with the unions or any other group of consumers.

"Also, there have been shortages of personnel and staff, as well as some deterioration of services. The demand for its services, however, far outdistances the supply and the number of would-be subscribers is vast."

ONE SUBSCRIBER, having seen the membership cost for himself and his wife rise over the years to $329.40 a year (plus $1 for each medical visit and other minimal charges for services) complains but continues to subscribe, pointing out, "there just is no other alternative."

Attempts to "give the consumer a voice" and to improve communication between Kaiser Permanente administration and the trade union movement have occupied a considerable amount of the council's attention. The council also has been active on the legislative front in Sacramento.

State Senator Anthony C. Beilenson, A Beverly Hills Democrat, introduced council-supported legislation in 1970 to establish a state utility-type control over hospitals. The bill, which failed then but will be reintroduced in the current session, also would require hospitals to submit reasons for any rate increase to regional comprehesive health planning groups. These groups would be empowered to conduct hearings before rates could increase.

Another major goal of the council is pre-paid dental care programs, which would provide benefits on a per-head basis rather than the fee-for-service basis customary in dental care.

DR. MAX SCHOEN, head of a major California dental health group, has worked with Mr. Moore to attempt development of a pilot program of dental care in the Los Angeles area. The program would provide for flat rates with payment tc dental health groups that would provide care on an annual basis for each union member and his family.

The council alsc is investigating potential use of pension funds for health care programs. Between 20% and 25% of the average pension fund, according to Mr. Moore, goes into administration.

"This year," he said, "the council will sponsor regional meetings of trustees of such pension funds, to map strategy for obtaining greater benefits for members from the funds available." ■

Cargo thefts continue to get scrutiny in D.C.

WASHINGTON, D.C.—Two weapons aimed at cutting the more than $1 billion annual freight theft in this country are presently being forged in Congress.

The first is already well along the way towards completion: a measure requiring that the President establish a commission to investigate freight theft in both interstate and foreign commerce and recommend measures to fight the huge annual losses.

The second measure is still in the Senate judiciary committee's subcommittee on criminal law and procedures. It would authorize carriers, shippers or consignees to sue for treble damages from those who steal, or who buy or receive stolen goods.

Senator Alan Bible (D.-Nev.), the bill's author, said it was meant to "take the profit out of cargo thievery and make those individuals who steal, fence, or receive stolen property civilly liable in damages for their acts."

Both bills have grown out of hearings by Sen. Bible's small business committee over the last two years.

His committee has also produced a new system of reporting cargo losses to be used by the interstate commerce committee. Informed sources say that both the Civil Aeronautics Board and the Federal Maritime Commission intend to adopt the program.

Other moves in this area include the Customs Bureau's stepping up its regulation of sea-shipped goods received at ports and of air freight received at Kennedy International Airport.

HIS LATEST bill, according to Sen. Bible, would be a "major step" if passed. The senator said that if a "thief does not have a buyer to purchase or 'fence' for resale his stolen or 'hot cargo' then his market will dry up." His subcommittee's hearings, he said, have shown that government and industry have not yet "been able to mount an effective response to control these losses, whose sources we believe are both highly organized criminals and lesser organized groups, as well as the occasional thief.

"Our hearings have showed that cargo, especially in air, truck and maritime areas, has overwhelmed facilities. Efforts by carriers to substitute insurance security payments for adequate security measures have left both the carriers and insurance companies in difficult straits in many instances," he noted.

Although the judiciary committee's subcommittee has not scheduled hearings on Sen. Bible's bill, Washington sources say the chairman of the judiciary committee, Sen. John L. McClellan (D.-Ark.), has been investigating organized crime for some time and would appear to find parallel interest in Sen. Bible's work. It seems likely, according to these reports, that hearings on Sen. Bible's bill will be scheduled in the near future. ■

What can we offer the man with a separate business insurance policy for every coverage?

When your business insurance is a sea of single coverages, bad things can happen to you. Your coverage might overlap in some areas, or may leave you unprotected in others. And you're liable to drown in paperwork.

It could be that what you need is Allstate's Business Package Policy. Almost every type of coverage for almost any type of business can be included in a single policy.

You can put your Property and Liability insurance in the package. Plus, if you want it, Automobile, Business Income, Burglary, Vandalism–you name it. As little or as much as you want.

There's just one company, one agent, one premium. A simple way to handle the business of business insurance. And most customers have found they save some money, too.

Need help?
Call Allstate.

Allstate®
BUSINESS INSURANCE

Available in most states. Allstate Insurance Company.