

# Challenge chain store theft figures

Entire contents copyright 1969 by Crain Communications Inc.

see page 24

Civil rights liability . . . . . page 6

Strike coverage . . . . . 8

Construction costs . . . . . 14

Safety bill . . . . . 21

# business insurance

for buyers of employe, property and liability protection

45¢ a copy; \$10 a year

September 1, 1969

## Losses from 'thin lady' Camille fall far short of Betsy's toll

NEW YORK—A slim but intense lady named Camille, unlike Betsy, a rotund but preserving woman who preceded her four summers ago, slammed into the Gulf Coast late last month, but insurance interests indicate it is the wrath of Betsy herself that is to be feared the most.

Hurricane Camille has been called the most violent storm in U. S. history—although it ranks second to the \$700 million insured damages caused by Hurricane Betsy. Camille will not cost nearly that much, most in the business feel, and the reason is simply a matter of the lady's build.

"Camille was a much narrower, more confined storm than Betsy," said one insurance executive who had just returned from the scene. "Unlike Betsy, which hit west of New Orleans and came right up the mouth of the Mississippi, Camille met the coast at a point east of New Orleans—east of Gulfport, actually." The precise point of impact is primarily a resort area and not one where industry or oil flourished.

rigs that were totally destroyed, but that off-shore sites near Louisiana were badly damaged.

Of the major commercial losses in the hurricane-devastated area, utility companies appear to be the hardest hit inland while oil interests seem to be the most severely hurt offshore.

"The largest loss I know of," said a source at one of the major insurance associations who had just returned from three days on the scene, "is that of the Mississippi Power Co., which lost transformers and lines all over the area. The loss," he said, "will probably total \$10 million." He added that Mississippi Power has a "jumbo deductible policy" that excludes the first \$7.5 million.

"The Mississippi Port Commission facilities were all but de-

stroyed," he said, "and the loss there is expected to be around \$3 million. Apparently they have complete coverage for the damage," he added. "The city of Gulfport also sustained considerable damage. That will probably amount to another million," the source told *Business Insurance*.

SHELL OIL and Gulf Oil sustained major losses. Shell estimated that the firm absorbed damages to its offshore facilities of "at least" \$11 million, and added that on site and underwater inspection "may reveal additional destruction." Shell said losses to drilling contractors working on company-owned platforms were not estimated "but are known to be significant."

Continued on page 2

## Late news

### Carmichael, Douglas named at BP

LONDON—Stewart Carmichael has been named manager of Tanker Insurance Co., captive underwriting of British Petroleum Ltd. and its subsidiaries, succeeding David Southworth, who has retired. Thomas E. Douglas has been appointed insurance manager of BP Oil Corp., British Petroleum's newly established U.S. unit. Mr. Douglas was formerly insurance manager at Sinclair Oil. BP's new U.S. insurance program involves a broad form retrospective liability policy, with primary limits of \$1 million, underwritten by Continental Insurance Co. and first dollar property coverage written by the Oil Insurance Assn.

### Oil fire record shows improvement

NEW YORK—The petroleum industry's 1968 fire safety record showed a marked improvement over that of previous years, the American Petroleum Institute has reported. According to a survey of almost 155,000 properties having an insurable value of more than \$12 billion, losses from fire in 1968 amounted to \$8.3 million, or 6.9¢ per \$100 of insurable value. Losses totaled 11.6¢ per \$100 in 1967.



Business was "as usual" in Gulfport, Miss., after Camille, but it was "at your own risk."

—Wide World photo.

## Tax reform bill affects lump-sum payments

WASHINGTON—Rep. Wilbur Mills' (D. Ark.) ways and means committee tax reform bill, passed by the House last month, would affect three major areas of employe benefits—lump sum distributions, deferred compensation payouts and restricted stock plans.

Lump sum distributions would be the most seriously affected by the tax bill. Present law provides that the entire amount of these distributions under pension, profit-sharing, stock bonus or annuity plans are taxed as capital gains if the total distributions paid within one taxable year to the employe, or his beneficiary, on account of the employe's separation from the service of the employe or the employe's death during employment or after retirement.

Under the Mills bill, capital gains treatment is limited to that portion of the lump sum payment not represented by the employer's contribution. The employe must treat the employer's contribution portion of the distribution as ordinary income, except that this por-

tion is eligible for a "special 5-year forward averaging" provision in the tax law which currently applies only to H. R. 10 (Keogh) plans.

**THIS FORWARD** averaging rule limits the tax payable on the "ordinary income" portion of the distribution to five times the tax which would be payable if only one-fifth of the "ordinary income" was included in the employe's gross income in the year received.

The Mills bill handles separately the tax treatment of any portion of a lump sum payout where securities are involved. Under the current law, an employe receiving employer securities as part or all of his lump-sum distribution is taxed, at the time of the distributions, only on the amount attributable to the employer's cost of the securities at the time of the contributions to the trust. This taxable portion of the distribution is given capital gains treatment.

Continued on page 22

## Camille poses another loss adjustment dilemma

CHICAGO—In the wake of Hurricane Camille, property insurers and their insureds are again confronted with the dilemma of separating wind damage from water damage in a gnarled storm path that contains more than \$225 million of insured losses.

The dilemma arises from conventional extended coverage insurance policy provisions that cover damage done by wind but not damage done by wave wash or floods incident to hurricanes. While insurers say they make "equitable" and even "generous" adjustments, many insureds feel that any separation of water from wind damage is unrealistic when a hurricane turns a building into rubble.

One prominent insurance management consultant told *Business Insurance* that the loss adjustment problems brought about by Hurricane Camille make another good argument for modifying extended coverage policy provisions to cover wave wash and floods caused directly by windstorms.

**HE ASKED:** "Why should the company whose roof is torn off be compensated while the company whose foundation is washed out not get paid? The insured is hurt just as badly in either case. We should amend policies to meet the total impact of such storms."

Many companies with sites spread nation-wide avert the dilemma of separating wind damage from water damage by buying either difference in conditions coverage, which contains protection against floods, or by purchasing special endorsements to their extended coverage policies that remove the water damage exclusion.

An insurance consultant explains, "We suggest DIC coverage if it can be purchased at a reasonable premium, but the premium level depends upon plant locations. If a company has a number of plants in flood-subject areas the premium for DIC or a special flood coverage endorsement becomes prohibitively high."

One insurance company executive sometimes suggests to national companies that they buy a flood cover-

age endorsements for all of their locations whether they need it or not. In this way, he explained, the insurer gains a spread of risk and is willing to cover coastal locations against flood even though it is very risky to do so.

**A WIND-WATER** damage dilemma confronts insurers and insured in regard to business interruption coverages which generally contain water damage exclusions similar to those contained in property insurance forms. Some businesses purchase special endorsements that remove exclusions from business interruption insurance to protect themselves in the event of flood.

After Hurricane Camille, some businesses located in the coastal areas of Mississippi, Louisiana and Alabama found that while their plants were intact, their operations were interrupted because of lack of power or by action of civil authorities to close off hazardous areas.

In such cases business interruption coverage comes

Continued on page 22

# Camille . . .

Continued from page 1

A spokesman for Gulf in Houston, while declining to estimate losses his company sustained, said that it had lost a production platform in the Gulf of Mexico. Production facilities in Quarantine Bay, Black Bay and Grand Bay, all south of New Orleans, also were wiped out, he said. Some observers feel Gulf's losses could approach those of Shell.

Also taking heavy losses were hotels and resort complexes along the popular Pass Christian, Long Beach, Bay St. Louis, Biloxi and Gulfport vacation belt.

"ALL THE HOTELS on the beach were severely damaged," the witness to the scene said. "Apparently the winds and high water hit the area at the same time. The question, of course, will be what hit first, since most poli-

cies covering such property excludes water damage. Trying to convince a jury that the water hit first will be another thing though," he said, adding that "in most cases we'll probably negotiate a settlement that everybody can live with."

A spokesman for United States Fidelity & Guaranty, one company that reportedly insures heavily in the area, said, "We're going to sustain a substantial loss down there. We write a heavy proportion of the business in Mississippi," he said.

"The best estimate we can come up with so far—and we feel this is probably conservative—is that we'll take a \$7 million or \$7.5 million net loss." He added that the gross loss will be "substantially more than that—perhaps \$17 or \$18 million," but that this is covered by excess loss reinsurance with domestic and British carriers.

"I've heard of only one ma-

ior commercial loss that we had some of," he added, "and that was in the Buena Vista hotel in Biloxi. The first floor is practically washed away," he said, "but the upper stories are fairly intact."

A SOURCE CLOSE to Lloyd's said, "Lloyd's is heavily, terribly, involved on a reinsurance basis. To just what extent will not be known for some time. The risk, hopefully," he added, "is better spread than it was with hurricane Betsy when losses were very, very high." He said he did not know for sure how much of a beating Lloyd's had taken on Betsy but that it was "several hundred million."

American Cyanamid, Wayne, N. J., reported that flooding, in the aftermath of Camille, caused water damage of up to \$1 million to the firm's chemical plant in Lynchburg, Va. Cyanamid's \$25 million difference in conditions policy will absorb both water damage and business interruption

costs. Rising waters reached seven or eight feet at the plant, knocking out all of the plant's electrical equipment.

Brokerage firm Frank B. Hall & Co. reported that only one major client—the Brothers of the Sacred Heart School for Boys in Bay St. Louis, Miss.—was hit by Camille. The hurricane destroyed an 1,100-foot pier and caused another \$200,000 damage to the building complex. The order's fire and extended coverage policy, written by three insurers, will take care of damages, but the school has no "wave wash" coverage to protect it against the ravages of the Gulf of Mexico.

ON THE MARINE side, Hall said that three dry cargo vessels were pitched out of the water at Gulfport, northeast of New Orleans, and were all probably a "constructive total loss." One of the ships, the Alamo Victory, is owned by the U. S. government.

A second, the Silver Hawk, is valued at between \$550,000 and \$600,000, and the third the Hulda, is valued at about \$500,000.

A SOURCE at Hall said: "Now that the smoke is beginning to lift it would appear that the damage to the marine community will be considerably less than caused by hurricane Betsy."

A&P said that the food store chain "didn't fare too badly." It lost one store in Long Beach, Miss., and suffered some water damage in others. A&P does not carry either flood insurance or business interruption coverage.

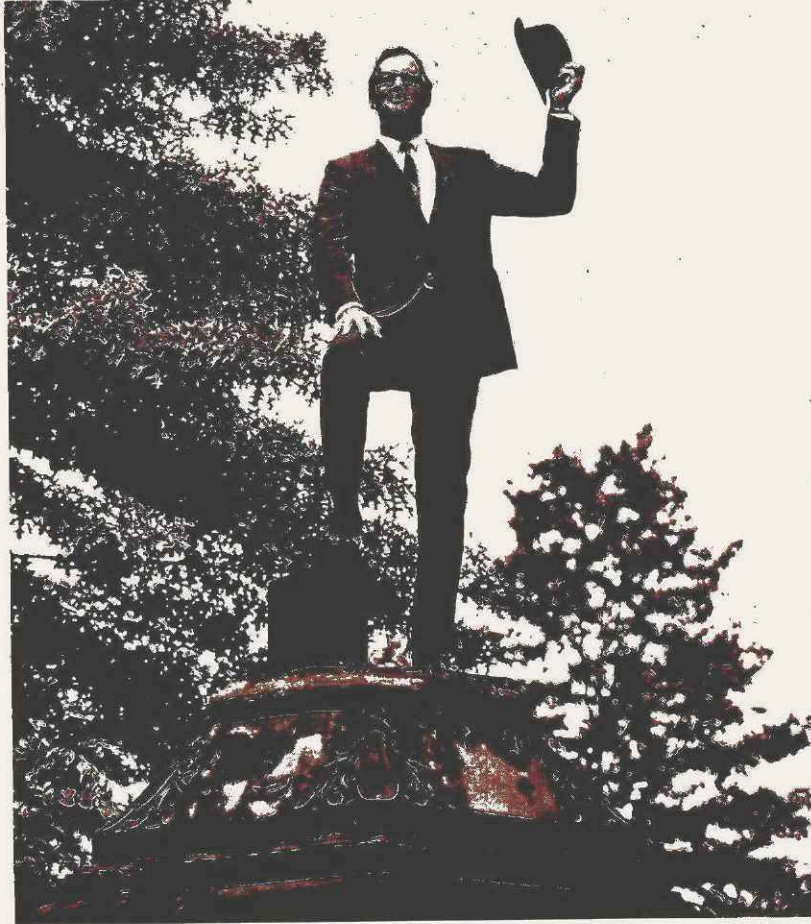
The Buena Vista, Va., heater and furnace making plant of Modine Manufacturing Co., Racine, Wis., suffered at least a \$200,000 uninsured loss.

Modine bought no business interruption or difference in conditions coverage, according to a spokesman for the company.

"WE DID TAKE a look at DIC coverage but decided the risk wasn't worth paying the premium," he said.

The Buena Vista operation did not suffer any building damage. The storm left about three feet of water in the plant; files, furniture, machinery, raw materials and product inventory were damaged.

## How to look like a hero to your employees.



Ætna's new Group Survivor Income Plan is an extraordinarily flexible supplement to conventional group life plans. Because it guarantees a regular monthly income for survivors. For specified periods or for life. Not just a lump sum.

The new Survivor Income Plan will greatly increase the benefits of your existing group life plan. At comparatively modest cost. This is the kind of benefit that helps attract good employees—and keep them.

It is also another example of Ætna's leadership in the group insurance field. Ask your agent or broker for more information on the newest thing in group life insurance. From the company that group insures more businesses than any other.



OUR CONCERN IS PEOPLE

### Insurers call Camille 'narrow but vicious'

GULFPORT, Miss.—Insurance adjusters on the scene of Hurricane Camille called the storm "narrow but vicious" and noted that the hurricane did some freakish damage to businesses as well as homes.

One rubber company that maintains retail stores in this area found that a store located at the coast was undamaged while another located many miles inland was totally destroyed.

Field surveyors for one major insurance broker found that the barge of one of their insureds was on firm ground in the middle of a Mississippi highway.

Another freakish aspect to Camille, adjusters said, was that it seemed to avoid population centers and industrial locations. Most damage was reported in residential and resort areas of Mississippi, Alabama, Louisiana and the west tip of the Florida panhandle.

One insurance company executive sighed, "If I could have aimed Camille, I would have sent her just in the direction the storm took because vast property damage and loss of life were averted when the storm missed centers of heavy population."

## GUIDE TO FEATURES

Washington Watch . . . . .	8-9
Info for Buyers . . . . .	9
Giles on the Law . . . . .	10
London Line . . . . .	11
Following the Funds . . . . .	12
Editorials . . . . .	16
Benefit Tax Slants . . . . .	17-18
Perspective . . . . .	

Vol. 3, No. 18—Business Insurance is published every other Monday at 740 Rush St., Chicago, Ill. 60611. Controlled circulation postage paid at Chicago, Ill. Copyright 1969 by Crain Communications Inc.

# Nuclear liability pools said to need greater spread

MINNEAPOLIS — Northern States Power Co.'s \$218,000,000 self-insured property program on a nuclear site near here is definite proof of its confidence in atomic power.

The utility's insurance manager, John V. Anderson, praised the liability and property loss record of nuclear power plants in general and added that because of intri-



John V. Anderson

cate safety protection, regulations of the Atomic Energy Commission and solid construction of plants, "the nuclear locations don't really create problems as far as any anticipated losses are concerned."

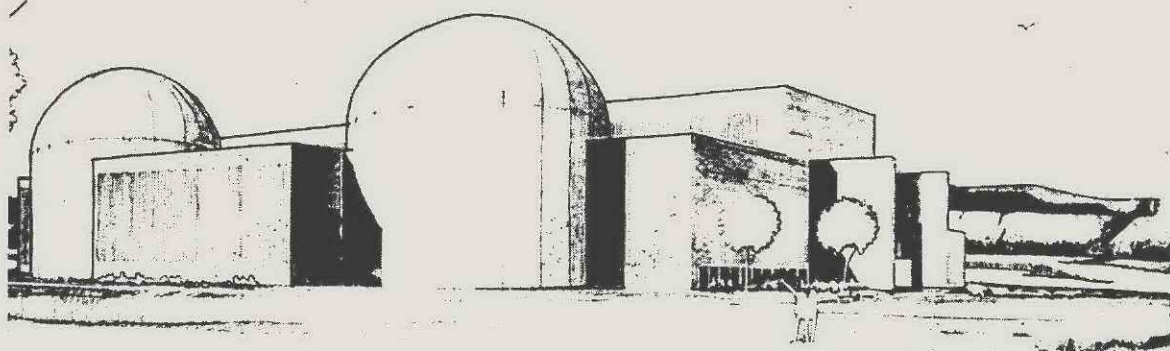
He explained that NSP's Prairie Island nuclear plant, when completed in 1974, valued at about \$300,000,000 with fuel, will be insured through the Nuclear Energy Property Insurance Association (NEPIA) and the Mutual Atomic

Energy Reinsurance Pools (MAERP).

Liability for the nuclear hazard for nuclear power plants licensed by the Atomic Energy Commission (AEC) is covered by two nuclear energy liability insurance pools made up of the Nuclear Energy Liability Insurance Association (NELIA) and the Mutual Atomic Energy Liability Underwriters (MAELU). Government Indemnity is provided over and above the combined capacity of these two pools. The Nuclear Energy Industry Program through the AEC was initiated in 1957 under what is known as the Price-Anderson Act, passed by the U. S. Congress for a ten year period from August, 1957 to August, 1967, and renewed for another ten year period from the latter date.

**THE TOTAL NUCLEAR** liability coverage available, Mr. Anderson explained, is \$560,000,000 with the pools providing \$82,000,000 of coverage, the amount of financial protection required by the AEC before Government Indemnity in the amount of \$478,000,000 applies.

Mr. Anderson acknowledged that the rates for atomic energy insurance are high to date because there has not been an adequate spread of risk. There is, however, an industry-wide credit plan in effect which provides for about two thirds of the premium being returned after ten years with favorable loss experience for nuclear energy liability insurance.



The Prairie Island nuclear plant of Northern States Power Co., when completed in 1974, will be valued at \$300 million. "The nuclear locations don't really create problems as far as anticipated losses are concerned," NSP insurance manager John V. Anderson said.

Some facility owners are now receiving this credit.

The U. S. now has 14 nuclear plants in operation, 39 more under construction and some 47 or more in the advanced planning stage. Mr. Anderson is hopeful that if more insurers agree to join the insurance pools, more capacity will be available. Right now, he said, there are 84 subscribers to each of the property and liability pools.

There is no deductible under the liability coverage, but there is an automatic \$50,000 deductible on property coverage, which may be increased to \$250,000 if desired. The liability pools and government indemnity provide coverage only for the nuclear hazard, such as radiation injury. Medical x-rays, television or high altitude flights produce more radiation than one would receive from a nuclear plant, he observed.

**MR. ANDERSON SAID** that since the liability pools came into existence, loss experience has been practically nil. The cost of government indemnity is \$30 annually per 1,000 kilowatts of thermal capacity authorized in the license by the AEC. This premium is paid by the licensee, Northern States Power Co.

One factor he attributed to the good loss record of nuclear power plants is "the government's very exacting and demanding regulations for building and maintaining nuclear power plants." Mr. Anderson mentioned such safety features as rigid control of combustibles, segregation of materials, thick walls and fire control through sprinklers, hydrants, hose lines, stand pipes and other fire and safety protection. In addition to these features, multiple barriers, etc., near the reactor, containment vessel and other areas pre-

clude the accidental release of radioactivity.

The insurance department acts as a liaison between the brokers, the insurers and the various responsible departments within the company. During construction of a nuclear power plant, property pools make at least four inspections annually of the site and after completion, when the reactor is in operation, they continue making regular inspections. The liability pools make similar scheduled inspection tours.

Before a license can be obtained to construct a nuclear power plant, the applicant must furnish information in the form of safeguards reports made up in volumes that a plant of the design contemplated is absolutely safe for the protection of the public. In addition, the applicant must prove that he has

Continued on page 6

## Report ignores group life, health, exec says

WASHINGTON—A Washington board of trade official said that recommendations to revamp insurance regulations in the District of Columbia are "in the right direction," but he said they "almost completely ignore" group life and health insurance.

Ralph E. Becker, general counsel of the board of trade and chairman of the Metropolitan Washington Board of Trade task force on insurance, said he favored many of the changes called for last December in a report to Mayor Walter Washington, such as encouragement of group property and liability policies.

But he added: "Our laws relating to group life and health insurance are also outmoded. Group underwriters should have much greater freedom to underwrite any kind of group that they feel can be successfully underwritten,

without regard to arbitrary limitations now existing in District law."

**MR. BECKER** said that the board of trade report has made some "important recommendations that should be implemented immediately."

These included a District-financed surety company to issue bonds for contractors who can't obtain them in the regular market; a competitive rating law; the expansion of the auto assigned risk plan to include all coverages; and new measures to emphasize loss prevention and other steps.

The original report to Mayor Washington was made by Herbert S. Denenberg, professor of property and liability insurance at the University of Pennsylvania's Wharton School of Finance & Commerce.

## Lawyers who incorporate gain new employe benefits

DENVER—An insurance executive advised lawyers meeting here to incorporate themselves to save money and to enjoy more "employee" benefits.

Vincent G. Mercer, director of advanced sales for Continental Assurance Co., Chicago, suggested to members of the American Trial Lawyers Assn. that they could enjoy fringe benefits if they practice in states that allow professional people to incorporate.

"Professional corporations," Mr. Mercer said, "open up an entire spectrum of employe benefits for lawyers, doctors and other professional men."

**MR. MERCER** told the group that the lawyers, by incorporating

law practices, would be able to take advantage of a tax provision that allows corporations to contribute 15% to 25% of an employe's salary to a qualified retirement plan; the contribution then can be deducted from the corporation's taxable income.

Other employe benefits such as insurance premiums for group term insurance and medical insurance are tax deductible when paid by the corporation. The resulting tax savings can be used to pay for other benefits. For example, tax savings left in surplus can be used to fund a purchase-and-sale agreement in the event one partner dies, deferred compensation plans and personal life insurance, Mr. Mercer added.

## ASIM's InsExpo-'70 to hold report contest

NEW YORK—InsExpo-'70 is the name for the American Society of Insurance Management's annual conference next year. The meeting will be held in Miami April 8-10.

As part of the program, ASIM is considering the idea of awarding cash prizes to insurance managers for the most effective insurance annual reports submitted to management. Prizes in the contest would be based on the reports' graphics, ability to communicate and overall effectiveness.

## Ontario turns down auto fleet bids

TORONTO—Although mass merchandising of auto insurance is gaining wide acceptance in the U. S., with more and more insurance commissioners approving the concept for their states and more insurance companies looking for a piece of the action, it has received a major setback here.

Gordon Grundy, superintendent of insurance, has decided Ontario will retain its prohibition of group rates for auto insurance that offer coverage at a lower rate than for individuals. The prohibition of what has been called "synthetic fleet arrangements" is contained in the Insurance Act of 1935.

"I have considered all these submissions (requests for rulings on the matter, both pro and con) and have come to the conclusion that we should not at this time amend or modify our law in any way," Mr. Grundy said.

The superintendent said his decision was made in the interests of preserving an orderly market.

## Black lung work comp slows mine safety bill

WASHINGTON—Enactment of a coal mine safety bill may have been slowed considerably by the House labor subcommittee's decision to attach a provision to its bill calling for a workmen's compensation plan for miners suffering from black lung disease.

The full Senate labor committee recently reported out a strong safety bill that does not differ materially from the House subcommittee's proposal, except that the Senate panel did not deal at all with the controversial subject of black lung workmen's compensation.

Observers predict the Senate will probably enact its bill with few material changes sometime after Labor Day. But, they say, House passage of their measure could be seriously hampered if the full House labor committee keeps the subcommittee's black lung compensation provision as part of the bill.

**IF THE HOUSE** does accept the entire committee proposal, including the black lung compensation provision, the entire health and safety issue may have to wait until the Senate acts on the highly complicated black lung problem, unless House conferees would be willing to drop that section of their bill.

They might be willing to do this not to delay the health and safety sections of the bill from becoming law. But, they would probably demand a stiff price from their Senate counterparts in the conference for such a concession.

This doesn't mean that the black lung compensation issue would die. It is entirely likely that the Senate committee will be well down the road to forming some sort of proposal in this area by the time the health and safety bill comes to conference.

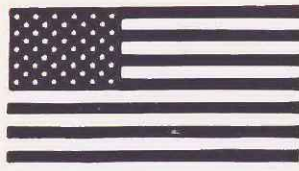
The most significant difference between the House and Senate committee bills on the safety issues lies with the maximum allowable dust levels in the mines. The House bill sets the maximum at 4.5 milligrams a cubic meter of air six months after enactment of the bill and three milligrams after one year. The Senate measure asks that the three milligram level be reached in six months.

**THE SENATE** bill, however, makes it easier for mines to get waivers and provides that under certain circumstances mines could operate for as long as three years with dust levels of up to 4.5 milligrams.

Both the House and Senate proposals would require operators of so-called "non-gassy" mines to install spark-inhibiting equipment that is now required only in "gassy" mines. The house would allow only one year to install the spark-inhibiting equipment, while the Senate would give the mines from 16 months to four years depending on the type of equipment.

## Gamblers take flyer on insurance

LONDON—Two gambling casino owners here are taking a chance and investing in an auto insurance company. The reason, they say, is because it is getting harder to make money in casinos nowadays in the light of the proposed new gaming legislation and in particular because of the banning of the roulette zero. Pheroze Karani and Borman Gazdar, who own the Charlie Chester and the Golden Horseshoe casinos in London's West End, will operate a company called Competitive Insurance.



# washington watch

## Nader, lawmaker launch crusade against Brown Lung—byssinosis

WASHINGTON—Black Lung is a term that has shaken an entire industry to its core. It is an action-packed, frightening-sounding term that accomplished in a few short years what its synonym, pneumoconiosis, probably never would have accomplished—the task of awakening the American public, and Congress, to an extremely unhealthy situation in the nation's coal mines. Black Lung is also a term that a few short years ago was almost unknown, but that

is now almost as familiar as the word flu to any American who reads daily newspapers.

Now there is another term: Brown Lung. Soon Americans will be as familiar with Brown Lung as they are with Black Lung. They will learn all about Brown Lung, that is, if consumer advocate Ralph Nader has anything to say about it.

Mr. Nader was one of the leaders to bring the Black Lung problem to the attention of the

public, and he is now planning to do the same sort of assault on Brown Lung.

**BROWN LUNG** is a nonmedical term for byssinosis. It is an occupational respiratory disease of cotton, flax and hemp workers that has the same symptoms of breathlessness, progressive disability and eventual death as Black Lung.

According to Rep. Ken Hechler (D. W. Va.), Brown Lung is also

like Black Lung in that "corporate political power and allied medical experts have effectively suppressed research, knowledge and regulations to curb cotton dust and compensation for it."

A year or so ago, Mr. Nader apparently decided that the best way to attack the occupational health and safety issue was on a piecemeal basis. He started out lobbying heavily for a comprehensive bill in this area, but realizing that Congress was unlikely to act on such a proposal at that time, he switched his efforts to the coal mine safety fight.

With the coal mine safety bill now in the hands of enthusiastic legislators and headed for passage, Mr. Nader has taken up the Brown Lung fight.

**HIS INITIAL** venture into the field was in the form of a letter to Health, Education and Welfare Secretary Robert Finch, outlining for the secretary the alleged hor-

rors that exist in this area.

"Taking active and retired cotton textile workers together, it is highly probable that over 100,000 persons are suffering from byssinosis in this country," the Nader letter said.

"Yet," he charged, "the textile industry has denied repeatedly the existence of such a disease."

Mr. Nader said, "The problem of controlling and preventing byssinosis is not technical but one of corporate political power. The technical remedies are known: better dust suppression techniques employing hoods, exhausts and air filtration systems; redesign of machinery to control dust eruptions; greater attention to the cleaning of cotton; the use of vacuums and suction rather than air pressure hoses to 'blow off' looms—these are some of the changes suggested by specialists.

**"IN ADDITION,** careful medical testing of workers' respiratory state and relocation of disabled workers have long been urged by the very few physicians and public health officers working in this area.

"The political power of the textile industry stands in the way," Mr. Nader charged. "This power has no countervailing offsets in the states. Unions have little acceptance in these states' textile plants; state laws either do not exist or are endemically unenforced; the public health profession has long been intimidated by the animosity of the textile manufacturers to studies of byssinosis. There remains the Federal government to assume the leadership in developing a national policy of care for these unfortunate workers.

"The Department of Health, Education and Welfare's programs in occupational health have been underfunded and under led for many years. This deficiency was shown clearly in the 'black lung' controversy involving coal mine operators and workers. I urge you to avoid a repetition of this weakness in the forthcoming challenges to the cotton textile industry over 'brown lung' diseases," Mr. Nader told the Secretary.

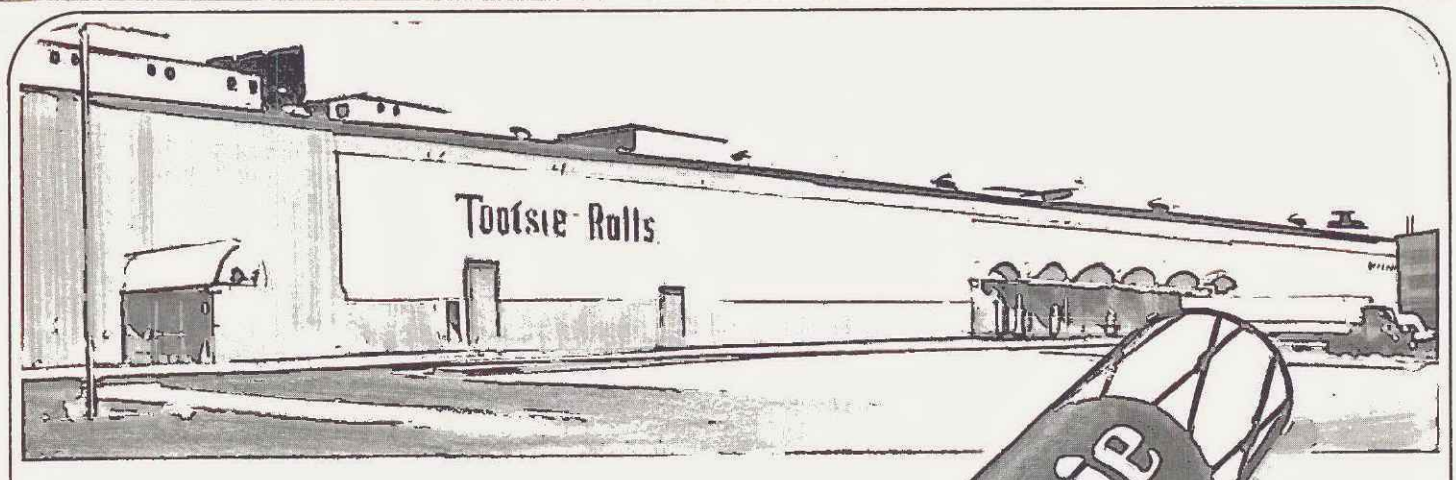
The department of HEW is not unaware of the problem and Mr. Nader, and the cotton textile industry, may be surprised to find more than token support for the "brown lung" campaign from the department.

**IN A RECENT** speech, C. C. Johnson, head of the consumer protection and environmental health service of HEW's public health service, spoke of the "comfortable illusion" that the department had "for years," that byssinosis . . . was not a problem for American textile workers."

However, Mr. Johnson, said, "now, our scientists are discovering that America's 230,000 cotton textile workers are also threatened by this respiratory disease. In one mill, employing 500 people, 12% were found to have byssinosis. Thirty percent of the workers in the carding room had the disease. In another mill, 26% of the workers in the carding and spinning room were victims of byssinosis."

### Ohio rains cause \$4 million damage

The July 4th rain and windstorms which swept along the south side of Lake Erie damaged at least 7,000 automobiles at a loss of approximately \$4 million, the Ohio Insurance Institute estimated. The institute said Ohio-based companies handled claims for 3,456 damaged cars on which the loss totaled \$1.8 million. A spokesman said most of the losses were covered by insurance.



**Tootsie Roll Industries enjoys the good taste of an insurance package from**

**Paige O'Brien Russell**



Last year Tootsie Roll Industries completed its big move to a new, highly automated plant in Chicago. With the vastly increased capacity, lower direct costs and plenty of room for further expansion, the future looks sweet. Tootsie Roll's insurance calls for packaged protection by...

**Paige O'Brien Russell**

# Touchy Question #34

**How can you jar your pickles when so many of your pickle eaters are jarring you?**

This is the age of the educated claimant. He has the advantage because he operates from a position of surprise.

Products Liability insurance is the immediate response. But the act of insuring doesn't automatically cool the problem.

So our researchers set themselves the job of packaging a program for elimination or reduction of defects in manufacturing processes.

What we wanted was a practical educational approach which would be broad enough to include the major problems common to all manufacturing. But we also wanted it flexible enough to permit tailor-

ing to particular plants and operations.

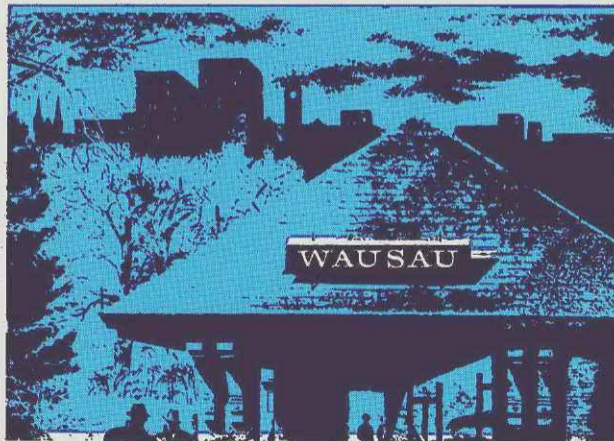
It took three years of detailed work. But we got it.

Our product-control educational package is now wrapped and ready for delivery.

To a certain degree, our decision to take Products Liability outside of insurance has been touchy. And naturally so, once you start dealing with people instead of numbers. Psychology instead of accounting.

But we think it's for the good. It helps us to do our job better. And when we do our job right, that leaves our clients free to do their job right.

That's the Wausau Story.



**Employers Insurance of Wausau**

**We think insurance  
ought to work  
for a living.**

# Civil rights liability not covered by conventional policies, says lawyer

DALLAS—Civil rights liability awards—at the same stage as products liability litigation 25 years ago—would not be covered under conventional insurance policies, according to a Lincoln, Neb., attorney.

The standard comprehensive general liability policy and the owners, landlords and tenants cover "are not clearly and obviously designed to cover all liabilities under civil rights acts," John R. Baylor told a meeting of the American Bar Assn. here.

The CGL coverage is for "bodily injury or property damage . . . caused by an occurrence," Mr. Baylor explained. Occurrence, he said, is defined as "an accident

. . . which results . . . in bodily injury or property damage neither expected nor intended from the standpoint of the insured," he said. Bodily injury includes "sickness or disease."

"ONE'S PRELIMINARY reactions would be that a statutory violation would have to be either expected or intended or both by the insured; and that the result of most civil rights violations neither would amount to a sickness or disease, much less a bodily injury, nor would it involve injury to tangible, as distinguished from intangible property," Mr. Baylor commented.

Coverages, he said, are "consid-

erably broadened" by a standard endorsement to the CGL providing coverage for:

" . . . damages because of injury . . . arising out of one or more of the following offenses: (a) false arrest, detention or imprisonment or malicious prosecution; (b) the publication or utterance of libel or slander or of other defamatory or disparaging material or a publication or utterance in violation of an individual's right of privacy . . . ; (c) wrongful entry or eviction or other invasion of the right of private occupancy."

In some states, Mr. Baylor added, the approved form of this standard endorsement expressly

excludes statutory civil rights liabilities, "although this exclusion may be limited by a further endorsement adding racial discrimination as a scheduled risk."

Mr. Baylor held that "an insurer's undertaking of the defense to a civil rights action for damages is an even more necessary, desirable and marketable coverage than is its undertaking to pay the damages which may be assessed."

**THE MOST** important part of the endorsement, according to the attorney, is the exclusion of "injury arising out of the willful violation of a penal statute . . . committed by or with the knowledge or consent of any insured."

Since the antidiscrimination provisions of the Civil Rights Act of 1964 regarding employment and of the 1968 act regarding housing are penal and since damages are not awarded unless "the court finds that the respondent has intention-

ally engaged in . . . an unlawful practice," Mr. Baylor concluded that both "defense of an action under either act and the payment of damages awarded in such actions are outside the coverage of

*Continued on page 24*

## Nuclear . . .

*Continued from page 3*

the engineering capacity and financial responsibility demanded by the AEC.

**NSP'S MONTICELLO** nuclear plant, scheduled for commercial operation in May, 1970, is being built by the General Electric Co. on a turn-key basis. GE is now providing the builders' risk during construction in the conventional market until about November 1, 1969, when fuels arrive at the site. At this time the property risk will be placed with NEPIA by GE and then turned over to NSP when completed and ready for commercial operation.

Nuclear Energy Liability Insurance and Nuclear Energy Property Insurance is placed through local brokers with the pools covering these risks.

Mr. Anderson, whose official title is general superintendent of insurance and property protection, negotiates and places all NSP's insurance, except employe benefits. NSP's service area comprises the Twin City metropolitan area and parts of Minnesota, Wisconsin, North Dakota and South Dakota.

Comprehensive general liability, including automobiles, is carried in a substantial amount with a sizeable deductible for the utility's legal liability in the four states in which it operates. Under this general liability program comes the fleet of trucks maintained by NSP. About 800 employe-owned automobiles are insured by the company on a reimbursement basis. About \$450,000,000 of insurable values in the NSP system is covered under a blanket fire and extended coverage policy.

**MR. ANDERSON POINTED** out that in Minnesota, NSP is considered about the largest purchaser of boiler and machinery insurance and it includes such items as fired pressure vessels, boilers and steam turbines. NSP believes in preventive maintenance and as a result, schedules overhauls on large turbo generators and boilers to check for wear. This program pays dividends in greater continuity of service, fewer claims with the insurance companies and costs less money for insurance.

Mr. Anderson's staff consists of four male assistants and two secretaries in Minneapolis. Their primary duties consist of handling workmen's compensation, investigating and adjusting all types of claims, industrial security work and reviewing legislative bills that would affect the insurance program as well as other related topics.

Some of the other insurance carried by NSP includes workmen's compensation and employers' liability, longshoremen and harbor workers insurance, directors' and officers', electronic data processing, crime coverages, errors and omissions, aviation insurance and various types of marine coverage.

Mr. Anderson, who has a law degree and is admitted to the bar in Minnesota, first went to work for an insurance company, then joined the FBI and in 1941 went to work for NSP. During his career with NSP he has served on various insurance committees of the Edison Electric Institute (EEI) and is presently active on the EEI Nuclear Insurance Subcommittee. He is also active in the local chapter of the American Society of Insurance Management (ASIM) as well as other organizations.

Straight talk from men who know the Atlantic Companies:

# "Atlantic brings you in at top management level"

Mr. Arthur W. Pinkerton, President, Pinkerton-Madden-Burford, Omaha, Nebraska

"The President of Atlantic takes two days of his time to listen to you at Council meetings. It is the most impressive Council I have ever been associated with. There is great sincerity and genuine interest."

Mr. Pinkerton represents 30 insurance companies. During his nine-year association with Atlantic his firm has experienced a major expansion. He was a member of Atlantic's Regional and National Agents Advisory Council in 1965, 1967 and 1968.

"This is the greatest age of turmoil the industry has ever known. Personal relationships are disappearing. The computer is taking over. But Atlantic is the shining exception."

Atlantic believes, as it always has, that people are important and that person to person contacts between producer and company at all levels are more important now than ever before.

"Atlantic has outstanding field men. Their morale is high. And they are imaginative."

That's because Atlantic's field men are confident in their jobs. They are encouraged to think for themselves, to suggest new ideas and to consider new ideas from Atlantic agents.

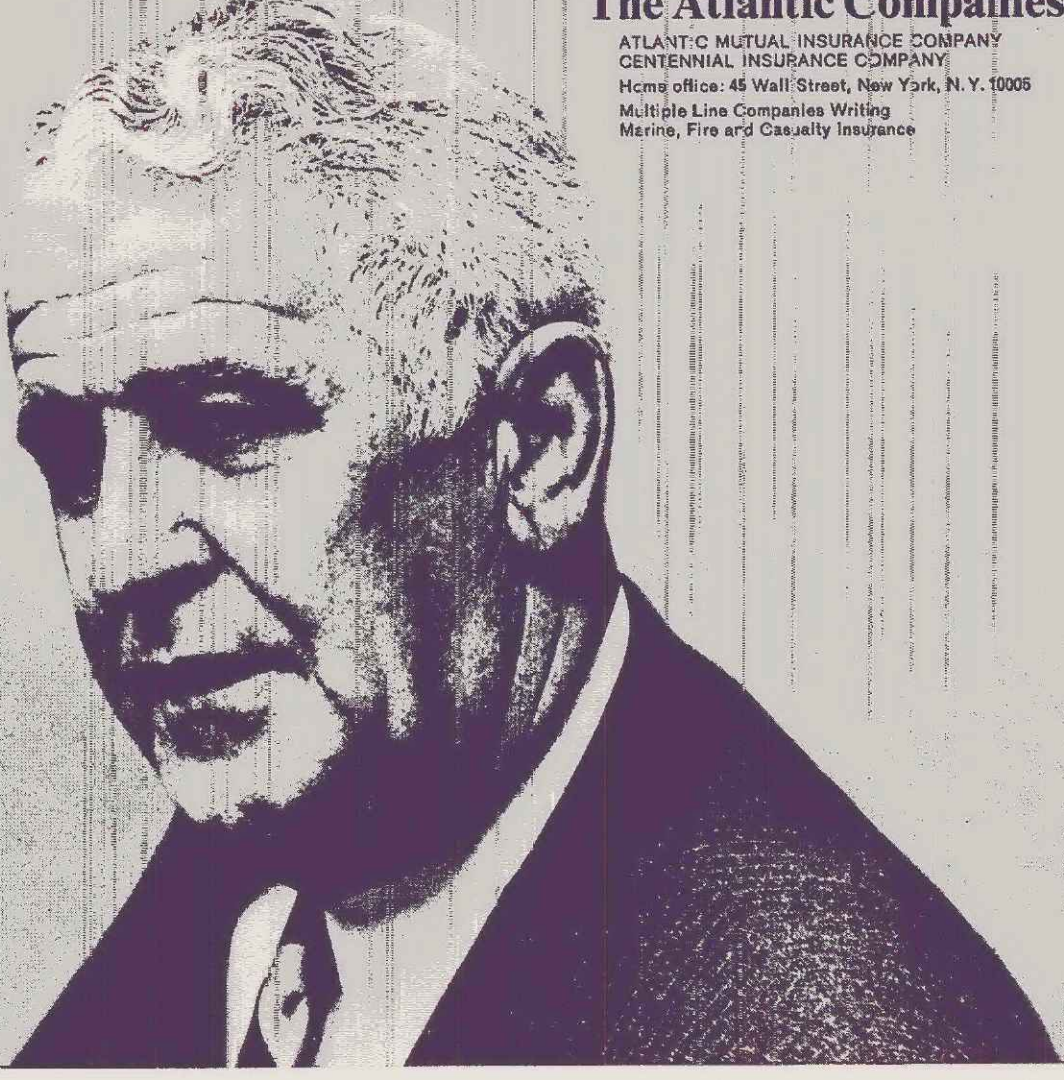
"I like Atlantic's quality standards in selecting new agents. We don't bump heads with other Atlantic agents in Omaha. This helps when an account calls in more than one agent."

Atlantic's quality standards have been maintained for 127 years. Atlantic's solid growth record was enhanced last year by new highs in written premiums, assets and policyholders surplus.

Quite likely, Atlantic's basic stability, personal outlook and exchange of ideas can be good for your agency. To find out more, write Arthur W. Pinkerton, Pinkerton-Madden-Burford, 7101 Mercy Road, Omaha, Nebraska 68106. Or Mr. David A. Floreen, President, The Atlantic Companies, 45 Wall Street, New York, N. Y. 10005.

## The Atlantic Companies

ATLANTIC MUTUAL INSURANCE COMPANY  
CENTENNIAL INSURANCE COMPANY  
Home office: 45 Wall Street, New York, N. Y. 10005  
Multiple Line Companies Writing  
Marine, Fire and Casualty Insurance



# “Help! Help! Whiplash!”

Five seconds ago, you felt nice and secure about your business insurance, didn't you? Comfortable. Protected. Cared for. Just like the ads and booklets said.

Yet let something really wild happen and that fat, cushy liability limit suddenly looks like chicken-feed.

Which isn't too strange under the circumstances. Because a nice, neat insurance policy with all that prissy syntax all but presupposes a nice, neat, prissy, claimant.

So what you really need at the moment is not a nice, neat policy but a nice, not-so-neat insurance company. A company that knows when it's best to unbend a little—in spite of what the procedure manuals say.

For instance, one of our specialties at Consolidated is the judicious use of friendly dissuasion. Such as curing a stiff-necked claimant's battered dignity with a good-looking Swedish masseuse instead of money.

Another is our decidedly unfriendly attitude toward what causes claims in the first place.

Because it takes both—deft claims handling and gung-ho accident prevention—to keep policy holders secure, loss-ratios stable and underwriters open to applicants who aren't worth a fortune in premiums.

Of course, you also have to be willing to get labeled as a hard-nosed insurance company.

But that's our problem—and your unwritten insurance that we've got a lot more than a policy going for you.



**Consolidated Insurance Companies**  
345 Adams Street, Brooklyn, New York

**When you need a company  
Not just a policy.**



# Arch, Lloyd's offer strike coverage

WASHINGTON — Construction strike insurance, once as unavailable as fire insurance in an incinerator, is now being offered through a Bermuda-based Lloyd's of London syndicate, thanks to the efforts of Associated General Contractors, a construction trade group headquartered here.

AGC, developer of the package, has turned the program over to Arch Insurance Co. Ltd., which is now accepting applications for the insurance from contractors and subcontractors. Policies issued on applications received and approved on or before Oct. 31 will become effective Jan. 1, 1970, with first claims payable after July 1, 1970.

**STRIKE INSURANCE**, in the meantime, has become a key issue

blocking settlement of a labor dispute which has paralyzed most Southern California construction. Striking AFL-CIO Operating Engineers Local 12 seeks to prevent such policies contending that they are, in effect, "government supported" because they can be purchased as a tax-deductible policy. Also, the union says, insurance premiums "are recoverable as a business expense under government contracts." (In the industry, it is generally believed that strike insurance will give management a decided economic advantage over striking unions.)

**COST OF THE** coverage depends on the amount of insurance obtained, which is in the form of daily indemnities ranging from \$300 to \$120,000. The daily indemnity will

be payable for each construction day a project is interrupted by a work stoppage, whether it is on or off the job.

A **WAITING** period of 10 days has been set, however, and no more than 60 daily indemnities will be paid in any policy year. Annual premiums for the coverage fall in a range from \$900 to \$120,000.

The premium rates, according to the insurer, have been set on a "conservative basis in the hope of reductions in future years, depending on strike trends."

Policies will be issued by Arch on a five-year basis, with the insured having the option each year of increasing his coverage subject to certain limits. He cannot decrease it, however.

## 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.

- The Shredmaster Corp., 891 S. Ocean Ave., Freeport, L. I., N. Y. 11520 offers a free folder, **Record Retention Schedule**, graphically showing the minimum periods that business records must be retained for government and business purposes. Also offered is literature explaining how to destroy obsolete records quickly, quietly and efficiently.

- The thirteenth edition of **Fire Protection Handbook** has just been published by the National Fire Protection Assn. Each of the 117 chapters has been exhaustively reviewed by experts in the specific subject dealt with and updated to incorporate the latest fire experience, research and technical developments. The illustrated book is divided into 20 sections, which give a progressive understanding of fire and its control. Among additions to the current book are an entire new section on industrial and manufacturing process hazards and a table on state and provincial fire laws. The book is available at \$22.50 from the association at 60 Batterymarch St., Boston, Mass. 02110. Discount prices apply to orders for six or more copies.

- **Firehold "10"** is a fire-retardant, intumescent paint, bearing an Underwriters Laboratories label certifying a flame spread of 10. It is manufactured by the Devoise Co. **Firehold "40"** is also available, for Class B specifications, as is **Firehold Misty Clear**, which is intended to provide higher abrasion resistance when used over either of the pigmented products. Color card and technical information may be obtained by contacting David R. Minkoff at the company, 74 20th St., Brooklyn, N. Y. 11232.

- ESB Inc. has announced an improved line of air hoses and fittings for respiratory protection equipment. The line is approved by the U. S. Bureau of Mines. The new hose is green, the accepted color for air and oxygen, and has a cover of synthetic rubber to resist oil, abrasion and weather. It is available with pre-fitted couplings and clamps already installed. For further information, contact the merchandising manager, Willson Products Div., ESB Inc., P. O. Box 622, Reading, Pa. 19603.

- A 16mm film with sound and color, **Testing—Requisite for Fire Safety**, has been released by Underwriters' Laboratories Inc. The 17½-minute story is based on the interdependence of architects, building inspectors, contractors, insurance interests, testing laboratories and manufacturers. The film is available without charge, but must be ordered at least six weeks in advance. Contact Richard Aleskow, Underwriters' Laboratories Inc., 207 E. Ohio St., Chicago, Ill. 60611.

- Produced by the Fire Protection Assn. London, **The Nature of Fire** provides basic facts about fire and its control. Behind the film is the idea that if people know what fire is, they will more readily know how to avoid the acts which lead to fire. Dramatized situations and laboratory demonstrations illustrate the points made. To purchase the 19-minute film (cost is \$140) write Publications Dept., National Fire Protection Assn., 60 Batterymarch St., Boston, Mass. 02110. Checks should be made payable to NFPA. For information on rentals, contact the association.

- **How 325 Companies Control Their Group Insurance and Pension Costs** is a survey of current policies and practices which representative companies are using to increase the effectiveness of their group insurance and related employee benefits. Emphasis is placed on cost reduction techniques. The survey may be examined on an approval basis and is priced at \$39.50 per copy. Write: Dartnell Corp., 4660 Ravenswood Ave., Chicago, Ill. 60640.

- **Ten Ways to Increase Profits with Concord Closed-circuit Television Systems** is an illustrated brochure depicting the use of surveillance systems for security measures and theft prevention. The information is free by writing Concord Electronics Corp., 1935 Armacost Ave., Los Angeles, Cal. 90025.

- **Defense Research Institute. What it is . . . What it does . . . What it needs . . .** is a free brochure available from the DRI, 1212 W. Wisconsin Ave., Milwaukee, Wis. 53233. It discusses these three facets of the organization and also includes a list of representative publications the DRI has released.

- The principal aspects of the A. G. Becker & Co. Inc. funds evaluation program are summarized in a 28-page, illustrated booklet. **Measuring Performance of Corporate Pension and Profit-sharing plans** explains why and how investment performance is measured and ends with a question-answer section. Copies are available from A. G. Becker & Co. Inc. offices in Chicago, at 120 S. LaSalle St., 60603, and New York, at 60 Broad St., 10004.

- Hundreds of lives are lost every year because families have no way of escaping from their burning homes. Nearly all of the tragedies could have been prevented if there had been rehearsals on how everyone was to get out of the house in case of a fire-at-night emergency. Reports indicate that most lives are lost because of bewilderment, fear and panic. The Institute for Safer Living has published **If Fire Breaks Out at Night**. The pamphlet, which discusses practices and drills, is suitable for use as an employe handout and is available free from the institute at American Mutual Liability Insurance Co., Wakefield, Mass. 01880.

- **Contelco-Guard**, an alarm unit designed by Continental Telephone Supply Co. Inc., 17 W. 46th St., New York, N. Y. 10036, offers three-dimensional protection against fire and break-ins. An optional emergency dialer silently dials the proper authorities with pre-recorded emergency messages. For more information on the device contact the company.

# Cross the retirement bridge before you come to it!

Every year there are more retired people. And every year their employers are faced with the dilemma of what life insurance protection—if any—to provide these valued employees after retirement.

Group term life insurance offers one solution. Coverage goes on although advancing ages produce a rapid increase in cost for employer and employees too, if the plan is contributory.

Then, there's this new concept in group life insurance. NWNL calls it Extra Group Ordinary—EGO for short because it provides values and protection that belong to the individual permanently.

EGO is a practical means for an employee to finance his post-retirement protection during productive working years. It enables the

employee to accumulate an amount of *paid-up* life insurance by age 65 or at retirement. This obviates the need for an employer to continue costly term insurance and helps stabilize future group insurance costs by eliminating the inevitable increase in term rates at the older ages.

As an exceptional fringe benefit EGO is available to employees without evidence of insurability, at rates which compare favorably with amounts charged for permanent life insurance purchased on an individual basis. And if desired, they may continue protection after retirement at a rate based on their *age at original issue*.

Write for a copy of the EGO Primer on your letterhead.

It will tell you how you can cross the retirement bridge before you come to it!



NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY

20 WASHINGTON AVENUE SOUTH • MINNEAPOLIS, MINNESOTA 55440

• Alexander International, a professional service organization providing coordinated advisory, actuarial, banking, investment, and administrative services in the international employee benefit field, has released an explanatory brochure describing its principles and services. Information also includes a list of the board of directors and backgrounds of the board members. For a free copy, write Alexander International at 225 Broadway, New York, N.Y. 10007.

• A detailed four-page article, reprinted from Journal of the American Society of Safety Engineers, explains **How the Loss Prevention Consultant Can Serve the Safety Professional.** The article, written by John Gausch, principal consultant, risk management department of EBS Management Consultants Inc., also contains a chart illustrating the scope and functions of the professional safety position. Copies are free by writing EBS at 100 Church St., New York, N.Y. 10007.

• Alexander & Alexander has released a booklet describing their firm and its services. **A Complete Insurance Service for Business**, 16 pages, points out that of all businesses forced to close their doors because of fire or other disaster, more than "43% fail to re-open—despite adequate property insurance coverage," and comes to the conclusion that "obviously, the standard forms of property insurance are not always sufficient to give companies the protection they need." Complementary copies are available by writing the corporation at 225 Broadway, New York, N.Y. 10007.

• Robot Industries Inc., 7041 Orchard, Dearborn, Mich. 48126, has released an eight-page catalog describing a variety of safety gates. Specifications, applications and outstanding features of each model are discussed.

• The Machinery and Allied Products Institute has published **Directors' and Officers' Liability Insurance . . . Some Management Considerations.** The item reviews in general terms the source and nature of the liabilities of corporate directors and officers, corporate indemnification arrangements, some pertinent public policy considerations and available liability insurance. The publication is available to MAPI member companies at \$1 and to nonmember companies at \$2 by writing MAPI at 1200 Eighteenth St., N.W., Washington, D.C. 20036.

• Three informational items are available from the Council of Profit-sharing Industries, 29 N. Wacker Dr., Chicago, Ill. 60606. **COPSI** describes the three basic services of the council: legal and legislative, communications, technical. **Profit Sharing and How It Can Help You!** details the growth in the number of U.S. profit-sharing plans, reasons behind this increase and its effect on the national economy. **Setting Forth Some Essential Facts to Consider either in Reviewing an Existing Profit-sharing Plan or for Establishing a New Plan** is a 12-page worksheet prepared by the council and can be adapted for use by any business. These items are free on request.

• **50 Answers That Help You Get to Know Your Life and Health Insurance Coverage** is a free pamphlet published by the Bankers Life. Types of life insurance are explained as a prelude to the 50 questions, which apply to individually owned and group insurance policies. Write the company public relations division at 711 High St., Des Moines, Iowa 50307.

### Giles on the law

# Scare from falling wall brings award

By JOHN W. GILES  
Attorney-at-law

WASHINGTON—In medieval times, when the walls of the city began to crumble, one ran for his life and was lucky to survive. You might be scared half to death, but there was no one to sue.

Today in Minnesota, things are different. The plaintiff was shopping in a department store. An explosive noise from the exterior of the store called her attention to a falling wall on the premises next door.

The wall did collapse and the plaintiff became panicky, thinking that the building she was in would also collapse. Nothing touched the person of the plaintiff

but some dust. However, her fright was so severe that her doctor put her into the hospital for several days.

**AT THE TRIAL**, her doctor testified that the emotional shock of the falling wall had caused persistent pains in her head, back and legs and she had become moody and introspective. The doctor testified that this condition had persisted over a period of four years.

The defendant contractor did admit that the wall was not adequately secured by sufficient lateral support. But the supreme court of Minnesota allowed recovery. It said that physical impact is not necessary, as long as the de-

fendant was negligent. It found actual injury from the plaintiff's fright, and negligence on the part of the defendant.

Building a wall in Minnesota is risky business without adequate insurance protection. (*Okrina et al. v. Midwestern Corp. et al.* Supreme Court of Minnesota Feb. 7, 1969.)

\* \* \*

**IF YOUR SUPERMARKET** graciously helped you carry out your groceries to your car for years, and then one day the voluntary service stopped, and you fell with your bag of groceries, and were injured, could you recover against the supermarket?

"No," says the supreme court of Illinois, in spite of the lower court's ruling in favor of recovery.

The fact that a merchant voluntarily provided carry-out service for his customers, absent conditions giving rise to an unreasonable risk to a customer who carried out his own purchases, did not create a duty on the merchant to continue to provide such services.

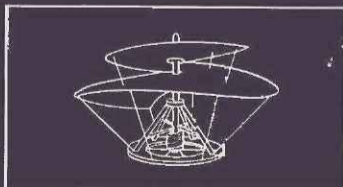
Secondly, under the facts, the jury should not have been allowed to find that carrying groceries from defendant's store to the parking lot involved a risk to the customer, sufficient to require the defendant to provide carry-

Continued on page 20

# FLORENCE 1500 A.D.

Leonardo da Vinci, acknowledged by many as the most versatile genius of all time, combined his artistic talents with his knowledge of physics and mathematics to produce over 150 detailed drawings of flying machines . . . all forgotten for centuries, but recognized now as the earliest precursors of the science of aeronautical engineering.

USAIG, America's first aircraft insurance group, provided the aviation industry with the financial stability needed to change Leonardo's visionary concepts into everyday experience. Today, after 40 years of continuous operation, USAIG services and facilities are as extensive and progressive as the industry we serve.



United States Aircraft Insurance Group

# USAIG

# london line

## Airline jet captive delay pleases British, who say they can fill the bill

LONDON—British insurers are pleased at the delay in setting up a captive company to cover risks on world airlines. They are satisfied they can meet any needs through traditional markets and that this will become clear enough to airline operators.

Postponement of the International Air Transport Assn. scheme was announced by Sir Giles Guthrie, chairman of the new company Air Transport Insurance SA, which will be run from Lau-

sanne, Switzerland.

He promised it would now start operations on Jan. 1, 1971. But Lloyd's underwriters are pointing out that it must have hit unexpected problems as it was believed it would initially start this fall, and at the latest next January. They expect there will have to be much jumbo jet insurance placed in the coming months that they can satisfy.

Intention of the world airlines' captive is to write 40% of the

necessary cover itself, and place the rest through normal markets.

\* \* \*

**PROSPECTS FOR** new insurance business are rated high in the latest assessment of Mercury Insurance Holdings, Ltd., a Major British-based group with its world-wide interests which cover twenty-five active offices in leading countries.

Ten of them are in the U. S.,

including two opened last year in Florida and Massachusetts, and commission earnings increased by 20% over 1967.

But the big problem facing insurers is capacity, according to Mercury chairman G. J. Stewart, who reports:

**"EXISTING MARKETS** are frequently incapable of absorbing the ever increasing demands of industry, and something has to be done urgently if London is to retain its prominence and leadership in the insurance world.

"The committee of Lloyd's is grappling effectively with this problem by expanding membership, and our group will also play its part.

"Accounts of most international insurance brokers over the last few years have reflected the tremendous expansion created by the world-wide construction and development programs on land,

sea and in the air which have been taking place during that time. Although measures have been taken by many governments to dampen down the economy, I still foresee a considerable flow of new business."

His group operates in America, Canada, Britain, Australia and in such places as New Guinea, Caribbean, Germany and Lebanon, and is still looking for fresh sources of production.

But its \$4,250,000 profit last year included only \$500,000 from direct underwriting, and most of it came from the \$3,750,000 trading profits of its widespread brokering and underwriting agencies.

Mr. Stewart warned: "It will take a long time to reestablish profitability from underwriting alone."

\* \* \*

**PLANS TO RAISE** the liability ceiling for airline accidents to \$83,000 are being actively studied by world airlines through the International Air Transport Assn.

This is ten times the present limit accepted under the Warsaw Convention of 1929, which is obviously out-of-date in its approach to both passengers and cargo-shippers.

The new scheme will be debated this fall by world airline representatives, who also suggest that baggage liability for passengers be raised to \$830 per individual. Any individual claims will, of course, be assessed on a pro rata basis in the light of the new maximum compensation levels. Passengers can take out private excess insurance to reach a higher figure if they wish.

\* \* \*

**THE CRIME RATE** is on an increase in Britain, with more people falling victim to serious assaults and thefts. In the first six months of this year, violent offenses in London have gone up by 24% compared with 1968, and in the rest of Britain by nearly 20%.

Top police officials now estimate that there is a serious crime occurring every 25 seconds of the day somewhere in the nation.

\* \* \*

**RIOTS IN** Northern Ireland, where Ulstermen are facing civil rights actions, are likely to lead to increased premiums for business firms seeking new cover for their premises.

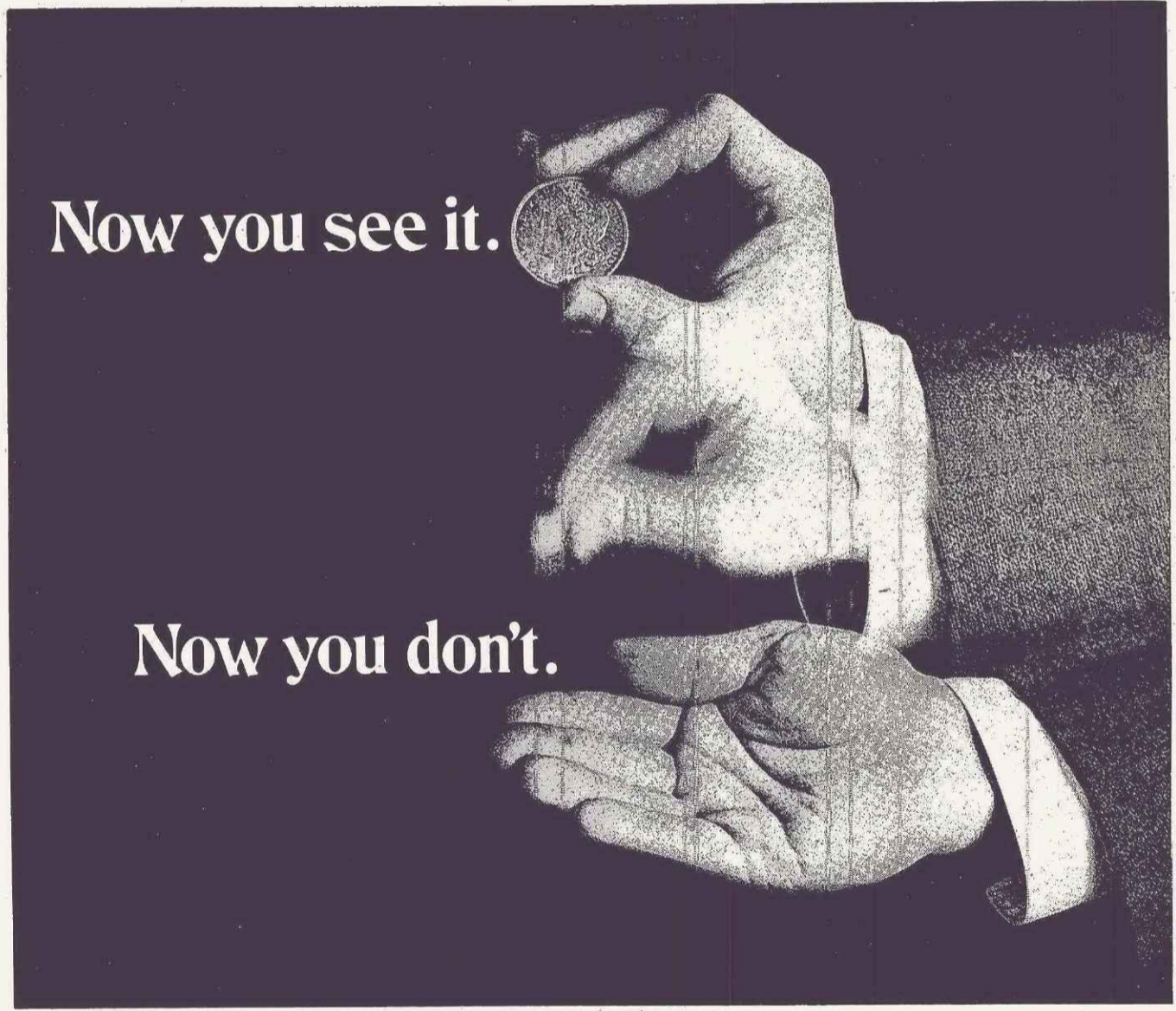
But as most British insurance firms already exclude riot risks in that area, as well as in Eire, from their policies unless special cover is sought, they do not expect to lose much money over incidents so far this year.

\* \* \*

**LLOYD'S** underwriters granted an insurance policy to British medallion maker Tremayne Rodd to cover the costs of making \$100,000 worth of silver Apollo 11 medals while the space-men were on their way to the moon.

Mr Rodd negotiated a premium through Lloyds broker H. G. Poland Ltd., of London, against any risk of delay or change of plan in the flight.

Underwriters in London had previously issued a \$75,000 policy to cover Britain's trans-Arctic expedition in its trek across the North Pole.



Now you see it.

Now you don't.

Less-than-the-best comp liability can be costly. So, we suggest the best: Unigard Comprehensive Public Liability. Unigard offers that extra margin of protection, *without* the extra premium charge. Unigard Comprehensive Public Liability coverage can be made a part of a custom program or combined with a business package policy.

Look at your present coverage. Call a Unigard Agent. Chances are, he can offer you more of everything. For less.



**Unigard Insurance Group**

Northwestern Mutual Insurance Company  
Unigard Insurance Company  
Olympic National Life Insurance Company  
Home Offices, Seattle, Washington

**Change plan name**

The name of the Assigned Risk Plan has been changed in Alaska, Arizona, Idaho, Montana, Nevada, New Mexico and Utah to Automobile Insurance Plan. In California it will continue as Assigned Risk Plan because the plan is statutory and a name change would require legislative action.

# following the funds

## Pension fund stock purchases have 'terrific impact' on market

CHICAGO—Because of a growing emphasis on performance, pension funds in the U.S. have begun to trade stocks much more actively, according to the August issue of Business Conditions, a monthly publication of the Federal Reserve Bank of Chicago. And the result has been a terrific impact on the securities market.

In the past 10 years, according to the review, turnover has risen from 24% of sales to 56% of sales. The magazine states that in the same time period mutual funds turnover has risen from 60% to more than 90% of sales.

The article goes on to point out that pension funds are buying from a strong position because liquidity requirements are amply met by current contributions. This means, in effect, that even though the market has been in a general decline in the first three quarters of 1969, pension funds have not been required to sell. Mutual funds, on the other hand may be required to sell in order to satisfy redemptions. For example, the huge Manhattan Fund has sold enormous holdings honor redemptions.

**IN ITS LENGTHY**, in-depth review of the private pension system, as well as state and local government, trustee, insured and the new self-employed pension funds, the review states that these funds have been growing about 12% annually.

"Since only a small portion of the people are retired and drawing benefits currently, annual payments into the funds substantially exceed disbursements, and the fund's assets continue to increase rapidly," the article states.

The market value of common stocks in trustee funds is almost 50% greater than the purchase price as reflected in book values, according to the article. Common stocks in trustee funds accounted for 50% of the book value and 63% of the market value at the end of 1968. Bonds, on the other hand, were 23% of the total market value, down from 42% 10 years ago.

"In the late 1950's, about half of all the new investments of the noninsured funds were in stocks," the article states. By 1966, this had risen to 61% and by 1968 was up to 75%. In terms of growth, 90% of the rise in market value of assets has been accounted for by common stocks.

**IN A COMPARISON** of 1960 and 1968 assets of private noninsured pension funds, the Federal Reserve Bank of Chicago points out that the book value of U.S. government securities has dropped from \$2.7 billion to \$2.6 billion, corporate bonds have risen from \$15.6 billion to \$26.2 billion, preferred stocks from \$.8 billion to

\$1.3 billion, common stocks from \$10.7 billion to \$40.4 billion and mortgages from \$1.3 billion to \$3.9 billion.

As a percent of total assets, the book value of corporate bonds went 48% to 33%, governments from 8% to 3% but common stocks rose from 32% to 50% during the period 1960 to 1968.

In market value, during the same period, corporate bonds went from 40% of total assets to 23%, and common stocks, on the other hand, from 43% to 94%. In effect this means that much of the

growth in pension funds has come as a result of the bullish market of the 1960's.

One of the most important points brought out in the Federal Reserve Bank article is the tremendous effect institutional investors such as pension funds have on the market. The effect comes in two ways—the net purchases of stocks and the net volume.

**INSTITUTIONS NOW** account for about 10% of all stock trading on registered exchanges, up from 24% in 1960, the article states.

Net purchases of common stock by state and local governments pension funds alone in 1968 were as large as purchases by life companies. In the 12-month period ending March 31, 1969, the 100 largest state and local pension funds increased their stock holdings by \$1.2 billion, about the same as the life companies.

Noninsured pension funds have purchased \$24 billion of stock net since 1961 and almost \$6 billion in 1968. Mutual funds were net purchasers of \$8.3 billion since 1961 and \$1.6 billion in 1968. Property and liability insurers purchased about \$1 billion of stock last year. Individuals, on the other hand, have been net sellers, selling almost \$12 billion in 1969, and have been net sellers each year since 1968.

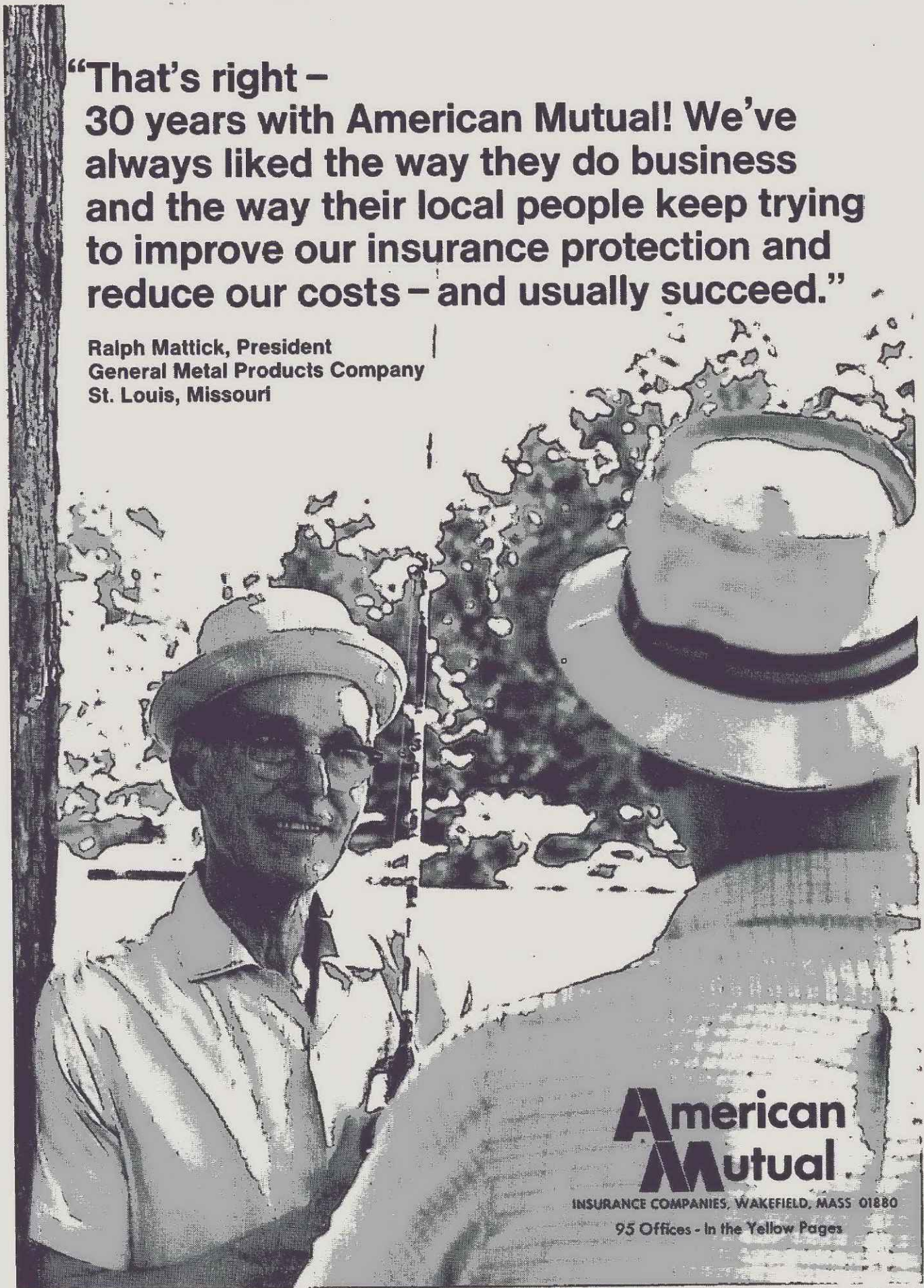
Private noninsured funds are the largest institutional holder with about \$60 billion of stock, as compared with private holdings, which includes foundations and en-

dowments or total holdings of \$825 billion or more than 80% of total corporate stock outstanding.

**FROM THE END** of 1968 to mid-1969, average common stock prices have been off about 7%, indicating a drop in the value of individual holdings off more than \$50 billion. Noninsured funds were off about \$4 billion.

The Federal Reserve Bank concludes: "Pension fund managers, striving for performance, may not always be net buyers of stock in falling markets as they have been in recent years. Along with mutual funds, they may attempt to build cash positions when market prospects appear unfavorable and thereby help to validate these prospects.

"It places a heavy responsibility on pension plan trustees, and their investment decisions may have even greater impact on capital markets in the 1970s than in the 1960s."



**"That's right — 30 years with American Mutual! We've always liked the way they do business and the way their local people keep trying to improve our insurance protection and reduce our costs — and usually succeed."**

**Ralph Mattick, President  
General Metal Products Company  
St. Louis, Missouri**

**American Mutual**

INSURANCE COMPANIES, WAKEFIELD, MASS 01880  
95 Offices - In the Yellow Pages

### Ammonia detector

The apparatus controls division of Honeywell Inc., Minneapolis, has introduced a new ammonia detector that it says is ten times more sensitive to ammonia vapors than the human nose. Designed for use in refrigerated food warehouses, the detector guards against damage to product and danger to personnel, the company stated. The device can spot ammonia leaks even in the low-oxygen atmospheres used for fruit storage, Honeywell said.

# opinions

## Let the builder beware

An examination of the late decisions on the liability of a builder-vendor who sells a new home indicates that the doctrine of "let the buyer beware," long used by the courts in such transactions, is disappearing from the law. The assembly line production of houses on tracts owned and developed by individuals and corporations began shortly after World War II and has continued unabated up to the present time.

Today, when the seller of a house is also the builder, he is by the weight of modern authority held liable for damages and injuries occurring after the surrender of title, on one or more of three theories:

- (1) implied warranty; (2) an imminently dangerous condition caused by negligence in construction; and (3) concealing or failing to disclose to his buyer any condition that involves unreasonable risk to persons on the land, if the buyer does not know or have reason to know the condition of the risk involved, and the seller knows or has reason to know of the condition and has reason to believe that the buyer will not discover the condition or realize the risk.

It is clear to the courts that the old rule of "let the buyer beware" does not satisfy the demands of justice in such cases; that the purchase of a new home is not an everyday transaction with the average family and often involves the life savings of the buyer, and to apply the rule of "let the buyer beware" to such an inexperienced, one-time buyer, in favor of a builder who is daily engaged in the business of building and selling houses, would be manifestly unjust.

Bearing this in mind, it hardly seems necessary to point out that the builder-vendor today needs as much insurance protection as he can afford. California is one of the leading states that has decreed recovery for defects in new homes. *Sabella v. Wisler*, 377 Pac. 2nd 889 involved a new dwelling built upon filled land. In Texas, we find *Humber v. Morton*, 426 S.W. 2nd 554, in which the court said that the law raised an implied warranty on the part of the builder-vendor of a new house, that the house was constructed in a good workmanlike manner and was suitable for human habitation, and that the rule of "let the buyer beware" had no application to a new house by the builder-vendor. This case involved loss by fire allegedly caused by a defective fireplace and chimney.

Some courts have applied the rule of strict liability in tort and in some cases have held the builder or other seller of a new home strictly liable. One such case is *State Stove Mfg. Co. v. Hodges*, 189 So. 2nd 113, a Mississippi case, where the builder incorrectly installed a temperature valve in the hot water line instead of in the cold water line, when installing the hot water heater in the new home sold to the plaintiff. This caused the temperature to build up and the heater to explode, with loss of the house and all the personal property in it.

Another such situation occurred in New Jersey where a child of the buyer's tenant was scalded by hot water drawn from the faucet of the

# business insurance

for buyers of employe, property and liability protection

RANCE CRAIN, Editor RICHARD C. BJORKLUND, Managing Editor  
STEPHEN D. GILKENS, Eastern Editor, Associates: New York—CAROL RATH-  
ISHER, Chicago—TERESA NORTON, THOMAS E. LUTZ, Washington—STANLEY  
E. COHEN, San Francisco—KENNETH R. MACDONALD, Hartford—ALLEN M.  
WIDEM, Minneapolis—ROBIN MENZ SUHRBIER, Correspondents in all principal  
cities. BURTON ROVENS, art director.

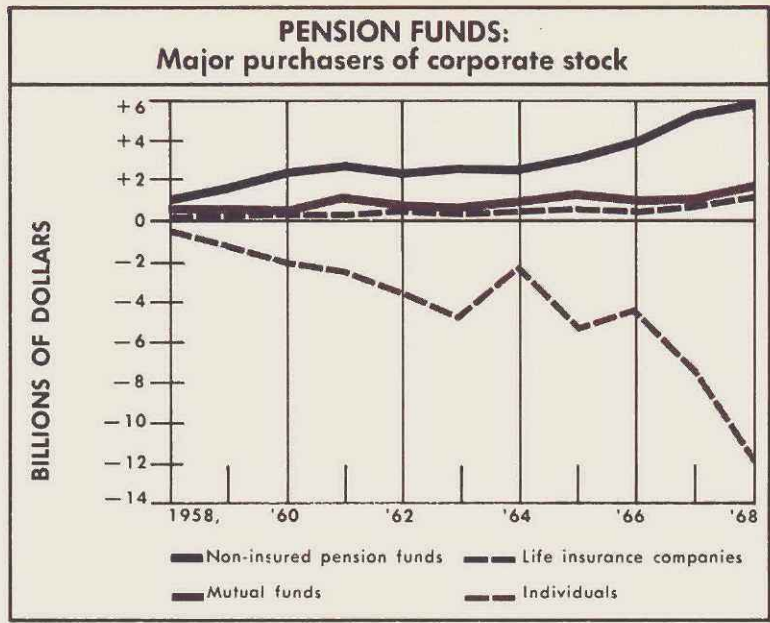
Contributing Editors: DONALD BERRY, vice president, C. B. Lilly Inc., East Or-  
ange, N. J. JOHN W. GILES, attorney-at-law, Washington, D.C. CHARLES LEVIN-  
SON, insurance manager, Port of New York Authority. ELLIOT BEIER, manager of  
pension and profit-sharing services, Nuveen Corp., New York. J. E. BENOIT, J. E.  
Benoit & Assoc., St. Leonard, Quebec. CARL J. VOGT, supervisor of workmen's  
compensation, General Tire & Rubber Co., Akron. HOWARD L. PECK,  
partner, Hewitt Associates, Libertyville, Ill. BION H. FRANCIS, manager of  
benefits planning, Colt Industries, New York. J. P. OLSEN, insurance manager,  
Ingersoll-Rand Co., New York. NED MILLER, partner, Romm, Miller & Lazarus,  
New York. JAMES J. ANDERSEN, insurance manager, Squibb Beech-Nut Inc.,  
New York. HAROLD A. CLARK, manager-planning, employe benefits, Sperry  
Rand Corp., New York. JOSEPH GULLO, vice president of insurance, D. H.  
Overmyer Co., New York. PAUL C. JOHNSON, insurance manager, Sea-Land  
Service Inc., Elizabeth N. J. M. REX PEARSON, insurance manager, Signal Cos.,  
Los Angeles. ROBERT ABRAHAMSON, insurance manager, Control Data Corp.,  
Minneapolis. WILLIAM J. JONES, assistant treasurer, overseas chemical division,  
W. R. Grace & Co., New York.

MYRON A. HARTENFELD, publishing director  
ALFRED MALECKI, advertising director  
RONALD R. WALINDER, production manager  
District managers: New York—CHARLES A. HORVATH, THOMAS J. O'MARA  
Chicago—LAMAR R. LEAHY  
Southern representative—WILLIAM B. CARR,  
2500 N. E. 48 Lane, Fort Lauderdale, Fla. 33308  
Assistants: BERNICE STELTER, DIANA SOAVE

Published by Crain Communications Inc., Chicago, publisher of Advertising Age,  
Industrial Marketing, Advertising & Sales Promotion, Marketing Insights,  
G. D. CRAIN, JR., chairman S. R. BERNSTEIN, president  
M. A. HARTENFELD, executive vice-president; RANCE CRAIN, KEITH CRAIN,  
J. J. GRAHAM, J. V. O'GARA, S. E. COHEN, D. J. CLEARY, JR., vice-presidents.  
G. R. CRAIN, secretary and treasurer. J. H. TERRY, assistant secretary and assist-  
ant treasurer. Cable address: ADAGEAPI

Published at 740 Rush St., Chicago 60611 (337-5200). Offices at 630 Third Ave., New  
York 10017 (YU 6-5050); National Press Bldg., Washington, D.C. 20004 (RE 7-7659);  
1018 Fisher Bldg., Detroit 48202 (TR 2-7211); 6404 Wilshire Blvd., Los Angeles  
90048 (OLive 1-3710); San Francisco (GR 4-8532); Fort Lauderdale (564-1850)  
45 cents a copy, \$10 a year in U.S., Canada and Pan America. Elsewhere \$4 a year  
extra. WILLIAM STRONG, circulation director. Four weeks' notice required for  
change of address. Address all subscription correspondence to ELOISA D'OVIDIO,  
circulation services manager.

BPA Member of Business Publications Audit of Circulation.



Noninsured pension funds have purchased more than \$24 billion of stock net since 1961, and almost \$6 billion in 1968 alone. These purchases of corporate stock mean that noninsured pension funds have increased net purchases during the past decade by more than any other group of stock market investors. For more information about investments of pension funds see Following the Funds on page 11.

Source: Securities and Exchange Commission

bathroom sink, because of the builder-vendor's failure to install a mixing valve on the boiler to lower the temperature of water used for domestic purposes. *Schipper v. Levitt & Sons, Inc.* 207 At. 2nd 314.

Not only does the builder-vendor of new homes need adequate insurance protection, but he might well attempt to avoid in the contract or the deed clauses pertaining to the quality, condition or fitness of the dwelling. If this is impossible, he may well include a limitation of the time for which the covenants or warranties are given. It is suggested that one or two years would be reasonable. As far as the contract of sale is concerned, the seller may well insert a clause to the effect that no terms, conditions or preliminary negotiations of the parties survive the acceptance of the deed or the title closing.

## Delving into the complexities of life, health benefits

To trace the current trend of group life and health insurance benefits, *Business Insurance* on November 18 will publish a special emphasis issue with a number of feature articles that will delve into the complexities of group life and health insurance benefits. More than 73 million persons are covered by group life insurance at an aggregate annual premium of more than \$3.9 billion. The vast majority of those covered by group programs get such coverage as a "fringe benefit" from their employers, though employers do not pay the entire \$13.7 billion annual group insurance bill.

Employe benefits administrators, whatever their corporate titles may be, are increasingly concerned about the rising cost of group insurance and the growing complexity of operating such programs to the satisfaction of both management and employes. Management is rightly concerned about the cost of group insurance benefits for which companies now spend more than 3.2% of total payroll. Some companies and some entire industries invest significantly more than this percentage in the provision of group insurance as fringe benefits.

From the employes' point of view, group insurance has become almost a basic right accruing to anyone who is steadily employed. Most prospective employes today take for granted that they will get a complete package of group insurance protection as a part of their compensation in a new job. Companies that do not provide such benefits frequently find that they have difficulty hiring employes they want.

Benefits administrators are caught on the horns of the dilemma posed by the cost concern of management and the benefits expectations of employes. Not only are group insurance benefits burgeoning in terms of number of persons covered and the costs of covering groups and individuals, but there is increasing pressure to broaden the scope of group insurance, particularly health coverages. Basic hospitalization coverage, considered sufficient two decades ago, has been augmented by surgical and regular medical expense indemnity and by loss-of-income protection.

The public, often spurred by union demands, now asks additional insurance, including coverage for psychiatric care, drug costs, physical and vocational rehabilitation as well as other contingencies. And while there is unquestioned social value in providing such coverage, these extensions of group insurance inevitably increase premium costs, not all of which can be passed on to employes through payroll deductions.

In the special Nov. 18 issue of *Business Insurance* staff members and contributors will explore such subjects as new communications techniques to bring home to employes the value of group life and health coverage; new methods to store and retrieve information on employe coverages; trends in union demands for life and health fringe benefits, and how companies evaluate benefits as a part of the cost of doing business.

A survey of life insurers will report on innovations and fresh trends in group life coverages and key-man life insurance that is being used to serve unusual purposes in many corporate situations. Other articles will review new techniques of administering and communicating group life coverages for employes.

Readers of *Business Insurance* are invited to offer material and suggestions for the special group life and health insurance section.

# letters

## Death case

To the Editor: Mr. Alstaetter's article "An industry at the point of no return" reminds me of a problem that we faced in 1951 when, as adjusters for a workmen's compensation self-insurer and its excess carrier, we were called upon to properly value a death case. The award was simple: \$18,000 to the widow and her two minor children payable bi-weekly over a period of 18 years, with some salvage in the event of her death or remarriage or the death of either or both of the minor children.

Forgetting about the remarriage or death factor, our problem was government bonds at that time were yielding 2% and the 1951 value of \$18,000 payable over 18 years was roughly \$15,460. Currently government bonds are yielding over 6% and assuming that the average interest rate had been 3½% over the 18 years in question (and we had known that it would average 3½%) the discounted value of the claim in 1951 should have been \$13,650.

The widow didn't remarry or die, the children lived and there was a combined interest profit of \$4,350 less the expenses of issuing the bi-weekly checks.

I will be interested in learning what your readers feel would have been a fair valuation of the case at the time of the death in 1951.

W. S. Haines  
Chairman, Safety & Claims Service, Inc., Chicago, Ill.

## Nettleship Co.

To the Editor: On page 1 of your July 7 issue reference was made to the Nettleship Co. with this article stating that the company was the nation's second largest malpractice insurer.

We have checked several reference books and have been unable to find any information on this company. Is it possible that you would be able to furnish us with some data relative to the company such as main office, size, history and any other pertinent information?

P. J. Apostolos  
Herbert L. Jamison & Co.,  
New York, N. Y.

Editor's Note: You may contact the Nettleship Co. at 1210 W. 4th St., Los Angeles, Cal. 90017 to obtain information on its size and history.

## About reprints

To the Editor: On page 27 in your July 21, 1969, issue there appeared an article entitled "How to thwart burglaries, stickups told at Mosler safe company clinic."

This is one of the better comments on the subject that I have read. I would recommend printing in brochure form and made available to brokers at a quantity charge for their customers. Reprint of the photograph accompanying the article also would be useful and instructive.

Leon R. Fish  
Leon R. Fish Insurance, Brooklyn, N. Y.

Editor's Note: Those who wish to reprint the article themselves may contact Business Insurance for reproduction requirements.

## "Invaluable"

To the Editor: Your issues are invaluable and are thoroughly read with extreme interest.

John R. Gettings  
President, Olde Boston Insurance Agency, Boston, Mass

# 1377 foreign insurance facts!

FOREIGN INSURANCE  
SLIDE CHART



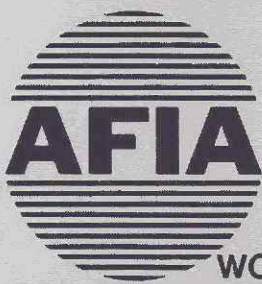
WORLDWIDE INSURANCE

For further details and assistance, contact  
AFIA's nearest office.

New York  
110 William St. New York, N.Y. 10038  
(212) 964-4990

Chicago  
175 West Jackson  
(312) 427-9848

AFIA brings you the key insurance facts you need to know in 81 countries in our unique foreign insurance slide chart. It provides you with the answers to the most commonly asked insurance questions in nearly every country abroad. Through our more than 200 branch offices overseas, the most up-to-date, easy-to-use information on foreign insurance available is now yours. Write for your free AFIA FOREIGN INSURANCE SLIDE CHART to: AFIA, 110 William Street, New York, N.Y. 10038. Or call the AFIA offices nearest you.



WORLDWIDE INSURANCE

New York  
110 William St., New York, N.Y. 10038  
(212) 964-4990

Chicago  
175 W. Jackson Blvd.  
(312) 427-9848

Dallas  
1712 Commerce St.  
(214) 748-9064

Houston  
2100 Travis St.  
(713) 222-1517

Los Angeles  
3400 W. 6th St.  
(213) 385-4131

San Francisco  
235 Montgomery St.  
(415) 982-1540

Washington  
733 15th St., N.W.  
(202) 393-4760

AMERICA  
SOUTH  
ANTILLA  
ARGENTINA  
AUSTRALIA  
AUSTRIA  
BELGIUM  
BRAZIL  
CANADA  
FRANCE  
GERMANY  
GREECE  
HOLLAND  
INDIA  
ITALY  
JAPAN  
KOREA  
MEXICO  
NETHERLANDS  
NEW ZEALAND  
NORWAY  
POLAND  
RUSSIA  
SPAIN  
SWEDEN  
SWITZERLAND  
TAIWAN  
THAILAND  
UNITED KINGDOM  
UNITED STATES  
WEST GERMANY  
YUGOSLAVIA

If non-admitted insurance is not prohibited, or can be legalized, can the policy be used in the U.S.?

If so, can permission be given under special circumstances?

Unless endorsed, does the policy cover...

Subject to Exchange Control, can U.S. dollars be used?

Is non-admitted insurance...

Is U.S. dollar insurance...

# Coal miners report 'record' benefit pay

WASHINGTON—The day after a group of union coal miners and miners' widows filed a damage suit here accusing United Mine Workers of America officials of conspiring to betray the rank-and-file membership for private profit, the union issued its annual report stating that benefit payments to soft coal miners, pensioners and their families "reached an all-time high" in the fiscal year ending June 30.

The benefits distributed by the union's welfare and retirement fund were paid in behalf of 235,351 persons during the year in the form of pensions, hospital and medical care, funeral expenses and widows and survivors payments. Payments totaled \$158,661,338, the highest amount ever distributed in any 12-month fiscal period in the 23-year history of the fund, the report stated.

Pensions paid during the past fiscal year totaled \$95,957,910 to 68,380 miners receiving \$115

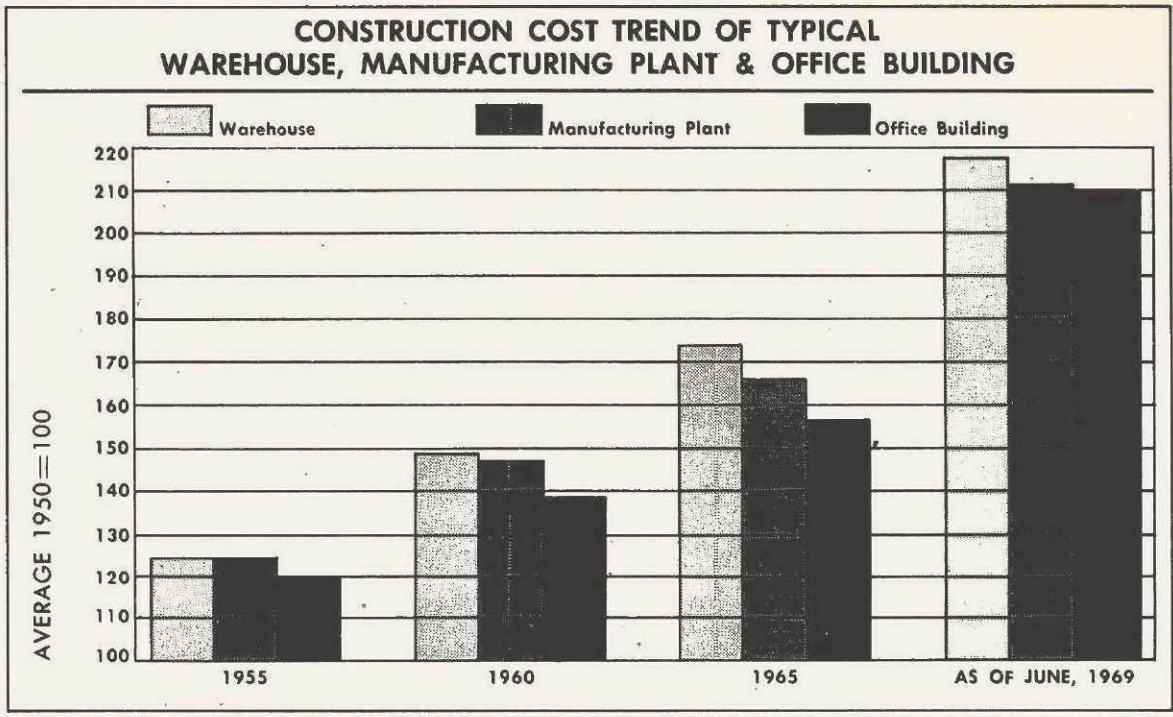
monthly checks, but beginning this month pension payments have been increased to \$150. Soft coal miners may retire at age 55.

**HOSPITAL AND** medical care paid by the fund during the period amounted to \$55,152,900, according to the report, while widows and survivors benefits, including medical care payments, totaled \$8,766,875. There are 6,946 widows receiving the benefits.

The fund, established by the late Jchr. L. Lewis in 1946, is administered by three trustees. They are W. A. Boyle, president of the United Mine Workers; Josephine Roche, director of the fund; and Guy Farmer, president of the Bituminous Coal Operators' Assn.

In addition to the union and its welfare and retirement fund, the damage suit also names as defendants the union-owned National Bank of Washington and the Bituminous Coal Operators' Assn. Without specifically naming those alleged to have made "private gain" the suit charged that officers of all the defendant organizations "have all received and are receiving personal and monetary benefit and gain" through violations of "fiduciary trust."

Lawyers estimate it will probably be two to three years before the case comes to trial.



The continuous increase in costs to replace a typical warehouse, manufacturing plant and office building illustrates the need for insurance buyers to review periodically their insurance coverage limits. Graphic illustration of construction cost trends will be a regular Business Insurance feature developed from information provided by the American Appraisal Co., Milwaukee.

## CNA's advance-payment claims plan used in 50% of cases, says Carpenter

NEW YORK—U.S. companies insured with a major Chicago-based carrier have been having bodily injury claims against them settled in a unique fashion for the past three years. But chances are they haven't been conscious of the fact.

Reporting on results of three years experience with an advance-payments to third person bodily injured claimants, Charles R. Carpenter, senior vp of CNA Financial, said the program might cut more than \$275 million a year from the nation's injury insurance bill if it gains wide acceptance.

Mr. Carpenter, who conceived CNA's program and put his "neck on the block" carrying it out, said his is the only insurance company that has formalized the plan to the extent that it is now being used in 50% of all bodily injury claims against CNA policy holders. Excluded from the program are products claims and profes-

sional liability claims.

**IN ADDITION** to applying the plan to policies held by persons on privately-owned homes and automobiles, Mr. Carpenter told Business Insurance CNA is using it on commercial accounts. Fleets and corporations insured by CNA have been participating in the program, Mr. Carpenter said, "although I don't think they've been conscious of it. This is the first major announcement we've made of the program."

CNA's business is heavily commercial, with a number of fleet accounts. Among these are those operated by Manpower Inc., Leaseway Trucking, Martin Marietta Corp. and Interstate Bakery. The plan is also being used on policies written for corporations, such as bodily injury claims filed by third persons injured while visiting a building.

Speaking at a press luncheon

here, Mr. Carpenter also disclosed that CNA "reduced its overall claim-settlement costs by 6% or approximately \$2.5 million in 1968. These are our actuaries' figures," he said. "How they measure them I don't know. But there's something we can't measure and that is what we're saving in legal expenses. I have a \$7.5 million-a-year legal bill."

**UNDER THE SYSTEM**, CNA offers to pay medical expenses, lost wages and other out-of-pocket costs to an accident victim as they are incurred without demanding a signed release from the victim and before liability is established through court action.

"What we said to ourselves is, 'Maybe if we're good guys and pay these expenses as they come up, then maybe we'll come out ahead in the long run.' And I think we have. Claimants seem to be less hostile to us and are willing to sit down with us after they are well and make a reasonable out-of-court settlement," he said. When and if a case does go to court, the expenses already paid are deducted from the final judgment.

Early in the development of the program, Mr. Carpenter said, there was some fear on the part of insurance companies and legal experts that courts would construe advance payments as an admission of liability or else refuse to deduct advance payments from the final settlement of the case. However, he noted, in 1966 the Ohio supreme court upheld the deductibility of advance payments from a final settlement. Since then 17 states have passed legislation either granting that advance payments may be deducted from a final settlement or declaring that advance payments do not constitute admission of liability or both.

CNA, Mr. Carpenter said, has no immediate plans for radical expansion of the program, preferring instead to treat each case separately, leaving it to agents in the field to determine who should be offered advance payments.

"Who knows?" the vp said with a note of false concern. "Maybe it (the program) is a flash in the pan. Maybe it won't be around a year from now."

"I don't happen to think so. If our actuaries are right we'll save \$4 million this year," he added.

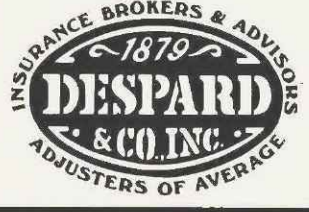
**FREE CATALOG**  
 Hundreds of cards for businessmen! Thousands of companies using them! Millions are sold year after year! This humorous card says, "Thanks—for throwing your business my way!"  
 HARRISON CARDS Dept. U 9  
 Box 3079 Asheville, N. C. 28802

### Insurance you surely have... but are you getting the personal service you're paying for?

As a Despard client you get much more than the best coverage for each requirement at the best price; you get the personal attention of a knowledgeable, experienced insurance man who learns the unique problems of your business.

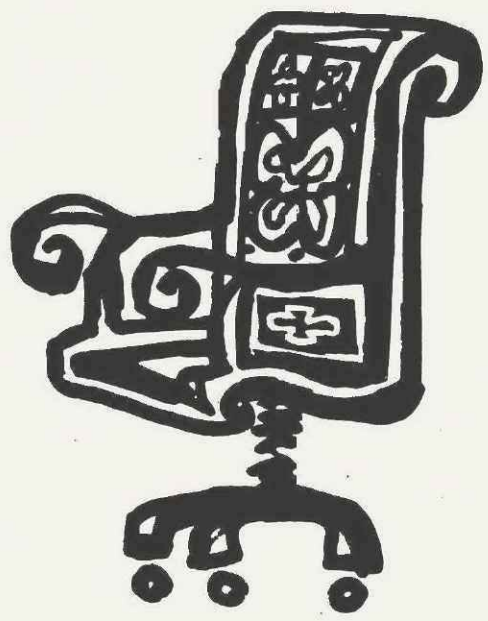
Your Despard man, with his team of "back-up" specialists, gets action when you need it. He's not three "service-units" removed from direct contact with you. He is your man at Despard.

For more detail on how this "personal service" system works send for your complimentary copy of "A Guide to Despard Services."



The "personal service" insurance broker  
 161 William Street, New York, N.Y. 10038  
 Pr: 212-964-9100

## When's your replacement due ?



You may not be due for an ouster, but your business equipment may. Have you looked at replacement costs for fixed assets lately? When will you have to face these replacement costs?

If you don't know the current costs of replacing property and equipment, you're due for a professional appraisal. Marshall and Stevens can not only pinpoint current costs, but can also provide an annual revision service to economically determine future costs of capital assets.

To replace your outdated property valuations with a current appraisal, write or call Marshall and Stevens.

- BOSTON**  
185 Devonshire Street
- CHICAGO**  
120 S. Riverside Plaza
- DALLAS**  
312 Stemmons Tower East
- DETROIT**  
17500 W. Eight Mile Road
- LOS ANGELES**  
1645 Beverly Boulevard
- MINNEAPOLIS**  
930 Plymouth Building

- NEW YORK**  
25 Broadway
- PHILADELPHIA**  
1420 Walnut Street
- PORTLAND, ME.**  
142 High Street
- ST. LOUIS**  
314 North Broadway
- SAN FRANCISCO**  
918 Fox Plaza
- WASHINGTON, D.C.**  
1629 K Street, N.W.

**M S MARSHALL AND STEVENS INCORPORATED / APPRAISALS**  
 The national appraisers with fully-staffed local offices

# Bond covers Mafia-linked stock heist

NEW YORK—FBI agents here last month arrested a man said to be heir to a powerful Mafia family. The charges related to the theft of more than \$1 million of IBM stock stolen from Hayden, Stone & Co., brokerage, in the summer of 1966.

Anthony Lawrence (Hickey) DiLorenzo, 40, president of a New York labor consultant company and a former director of the Metropolitan Import Truckmen's Assn., was charged with conspiracy in the interstate transport of 2,600 shares of IBM stock now valued at \$1,038,700. A hearing was set for Sept. 19.

Assistant U.S. Attorney Jack Kaplan at the arraignment called the defendant "a most senior member of organized crime" and "next in line to take over the Cosa Nostra family of Vito Genovese."

JOHN R. SWAIM, president of Toona Inc., a Pittsburgh automobile supply company, was arrested in Pittsburgh Aug. 19 by FBI agents and charged with conspiracy in the interstate transport of stolen property in the stock theft case.

FBI men recovered 300 shares of the stolen IBM stock from Selected Investments, Camp Hill, Pa., where they had been placed as collateral on two loans.

Mr. DiLorenzo, Mr. Kaplan said, "controls and monopolizes trucking at Kennedy airport and has been attempting to expand his domain in a national scheme to organize and control airport trucking."

The two arrests are part of a series of developments resulting from the Hayden, Stone theft that has over the last three years involved the FBI, state police and insurance departments, and banks and insurance companies in Toronto, Montreal, New York, Pennsylvania and California.

The story began in New York in August, 1966, when brokers Hayden, Stone & Co. reported the "inexplicable disappearance" of 5,000 shares of IBM stock registered in the firm's name. The stock at that time was valued at more than \$1.5 million.

HAYDEN, STONE was fully covered for the loss by a \$20 million brokers' blanket bond written by the Insurance Co. of North America.

IBM issued Hayden, Stone & Co. replacement certificates for the stolen shares, and the insurance company gave IBM an open penalty lost instrument bond to protect IBM if the original certificates were presented for negotiation by an innocent party, an INA source told *Business Insurance*.

To date, 3,700 of the 5,000 stolen shares have been recovered, and neither Hayden, Stone, IBM or INA has lost anything on these shares. If, however, any of the remaining 1,300 should turn up in the hands of an innocent party, and IBM be required to redeem them, then INA would re-imburse IBM for their cost, the INA source said.

The first arrest in the case was made in October 1966 when Robert Landori-Hoffman attempted to sell 600 shares of the stolen IBM stock to the Provincial Bank of Canada in Montreal. Canadian authorities, working with the FBI, at that time arrested Landori-Hoffman and Robert Arthur Davies, both of Montreal.

IN NOVEMBER, 1966, Samuel Irving Greene and his wife Gloria, both of Boston, were arrested by Toronto police. Mr. Greene was charged with negotiating the sale of 100 shares of stolen IBM stock valued at \$37,917 Canadian,

through the Ontario brokerage house of Doherty, Roanhouse & McQuaig and in March of 1967 he received a two-year prison sentence.

In Harrisburg in February, 1967, 2,600 shares of the stolen IBM stock were found by Pennsylvania insurance investigators in a safe deposit box in the National Bank & Trust Co. The stock had been given to it by the Bankers & Telephone Employees Ins. Co. of Gettysburg.

Bankers & Telephone Employees Insurance Co., a small stock company, shared an interlocking directorate with Bankers Allied Mutual Insurance Co., and both had operated profitably since 1954. Bankers Allied Mutual had assets in excess of \$1 million and the stock company was also strong at the end of 1965.

But in 1966 outside interests took over the companies and within a short time their ownership changed hands three times. By July, 1966, the Pennsylvania insurance department had become suspicious and by December, 1966, Bankers Allied was broke and had been suspended from doing business.

**BANKERS ALLIED** Mutual was discovered to have almost \$6 million in unpaid accident claims on its books and a deficit in resources amounting to \$6,922,758. Bankers Allied had chiefly insured high-risk motorists who were unable to obtain automobile coverage from other firms.

Meanwhile, Bankers & Telephone was ordered by the insurance department to suspend writing new

policies when it was learned that its operating reserve had diminished below the safety level.

It turned out additionally that in this tangled alliance Bankers Allied had become the owners of the stock of Bankers and Telephone.

During this period, an out-of-state syndicate won approval for a plan to rehabilitate Bankers & Telephone Employees Insurance Co. from former state insurance commissioner Audrey R. Kelly.

**THE SYNDICATE** first purchased all stock held by Allied Mutual for \$150,000. It then deposited \$1 million into the surplus account of Bankers & Telephone, made up of \$50,000 in cash and 2,600 shares of the stolen IBM

*Continued on page 16*

## ACTUARIES

**MILLER, MASON & DICKENSON, INC.**  
Consultants and Actuaries  
PHILADELPHIA:  
21 E. School House Lane  
NEW YORK: 66 Park Avenue  
215-849-3700 or 212-689-8832

**E. PAUL BARNHART, F.S.A.**  
Consulting Actuary  
130 So. Bemiston Ave., Suite 400  
St. Louis, Mo. 63105  
Telephone: 314-727-8894

**HUGGINS & COMPANY, INC.**  
Consulting Actuaries  
1401 Walnut Street  
Philadelphia, Pa. 19102  
215-665-1401

# This operating engineer is insured by Pacific Mutual Life.

So are 100,000 other men and women in the building trades.

All over this country, people who build our roads, dams, power plants, skyscrapers and homes are insured by Pacific Mutual Life. PML policies provide them with the protection of life, short and long term disability, and medical insurance as well as retirement benefits. Trade unions

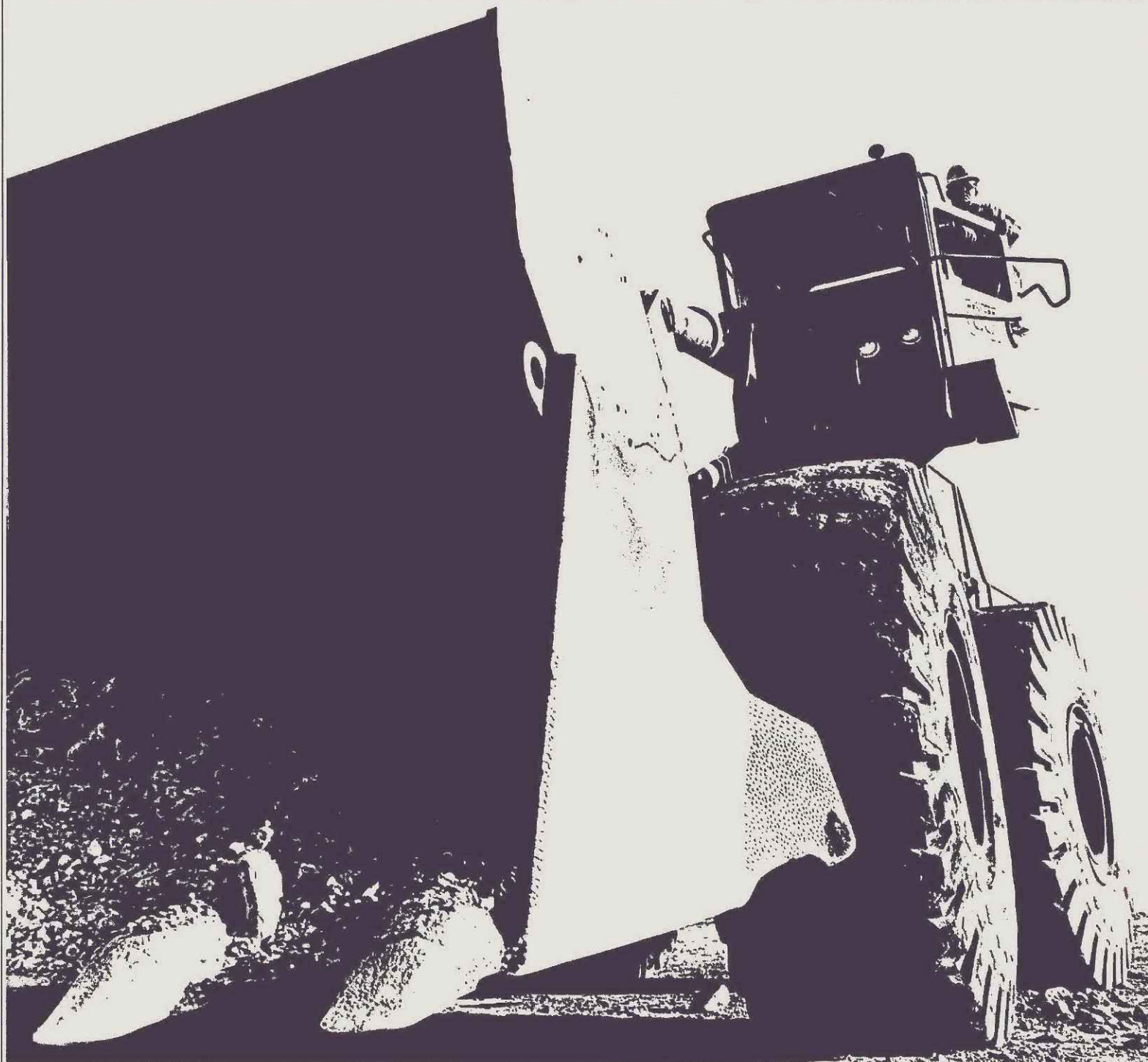
representing carpenters, roofers, joiners, plasterers, cement masons, operating engineers, dump truck drivers and electricians are among our group policyholders.

As one of the largest group insurance companies in the nation, we understand and welcome the special insurance needs of associations and unions. Our net cost position relative to both group and pension benefits is very competitive. And our retirement programs show a continuing

high investment rate of return. We've worked out transfers from other funding mediums to the complete satisfaction of trustees who felt that a medium offering a higher return was in order.

The advantages of service, cost, and coverage enjoyed by our building trades clients and other customers are worth looking into.

**Pacific Mutual Life**  
The West's largest mutual life insurance company



## benefit tax slants

# Court says cash value life premiums firm pays are added compensation

By JOSEPH S. ROBINSON

NEW YORK—There are a number of indirect ways of paying executives, not the least of which is deferred compensation.

Quite often insurance is used effectively to provide the funds for paying the delayed compensation to employees. However, when a corporation pays the premiums on permanent life insurance policies covering an employee and when the benefits under such policies are payable to the employee or his heirs, the full amount of such

premiums are includable as additional compensation of the employee.

Paul Frost found this out to his disappointment. Here's what happened:

**MR. FROST** entered into three deferred compensation agreements with his employer, The Central Valley Electric Co-operative Inc. Mr. Frost was an executive of the co-op—but not a stockholder. Three policies on the life of Mr. Frost were taken out to backstop the arrangements.

The beneficiaries named under the policies were: first policy—the employer; second policy—the employee's estate; third policy—the employee's estate for an amount equal to the cash value with the remainder payable to the employer.

The deferred compensation agreements stated in effect that Mr. Frost would have no control of the insurance policies unless one of the following conditions existed:

- If he died before age 65, his

*Continued on page 23*

## Smith's Widtmann wins risk management diploma

BRYN MAWR, Pa.—Arthur A. Widtmann, insurance manager for A. O. Smith Corp., Milwaukee, has been awarded the Insurance Institute of America diploma in risk management as a result of the institute's May, 1969, examinations.

Mr. Widtmann, who has been with A. O. Smith since 1941, is one of only 89 persons to receive the diploma in risk management. The diploma is granted to persons who have completed a comprehensive study program and a series of national examinations in the risk management area. Risk management, according to the institute, is the science and practice of dealing with possible accidental losses by anticipating them, and



Arthur A. Widtmann

designing and implementing plans for handling them effectively.

The Insurance Institute of America here is a nonprofit educational organization supported by the insurance industry. During the past year, more than 11,560 insurance personnel sat for examinations in all IIA programs.

**MR. WIDTMANN**, an economics graduate of Northwestern University, is an instructor in risk management at the University of Wisconsin-Milwaukee, and an author of insurance articles. More than 10% of this year's diplomas in risk management were awarded in Wisconsin as a result of his teaching activity.

He is a member of the Wisconsin chapter, Chartered Property and Casualty Underwriters, and a member and past president of the Wisconsin chapter, American Society of Insurance Management. He is a past national director and former regional vice president of the latter organization. Mr. Widtmann also belongs to the insurance division of the American Management Assn., and has been a member of the insurance council of the Machinery and Allied Products Institute.

## Mafia ...

*Continued from page 15*

stock.

This action was followed by a complete re-organization of Bankers & Telephone Employees and the election of a new president, vice president and officers.

John E. Hostetter, Gettysburg, former president of Bankers Allied, was later arrested and charged with five counts of embezzlement. Other officers of the company were indicted on charges of conspiracy, embezzlement, fraudulent conversion, and related charges.

A total of 15 persons have so far been indicted in Federal court in Pennsylvania on charges related to the case. To date, one person has been acquitted, three have been convicted, and 11 are now awaiting trial, according to the Pennsylvania justice dept.

Two persons arrested in Pennsylvania were named in the DiLorenzo indictment as co-conspirators.

An additional 100 shares of the stolen IBM stock turned up in May, 1968, in the Hollywood National Bank, Hollywood. The shares had been put up as collateral on a 3,500 loan, and the right to ownership of the shares has not yet been established. There have been no arrests made in the case.

## Buys 3 insurance firms

The Clarke Co., a wholly owned insurance and financial counseling subsidiary of National Environment Corp., Orange, Cal., has acquired three Hawaii-based insurance firms to serve as the nucleus of Clarke Co. of Hawaii Inc.

### Johnson & Higgins can help you replace your outdated employee benefits program with a new one that benefits you — and your employees — more generously. And not necessarily at higher cost.

A lot of modern, progressive companies are still hanging on to outmoded pension, group life, medical and profit sharing plans.

Plans that are not only unattractively out of step with today's trends in benefits but are biting into profits through duplications in coverage, hours of administrative work and other costly loopholes.

Because Johnson & Higgins goes beyond the brokerage function to serve as consultant and advisor in the field of employee benefits, we study your company and its insurance plans in depth. We look for overlapping coverage. Scan insurance schedules and the formulas by which benefits are determined. Scrutinize medical claims for duplications or abuses. Analyze the way pension funds are managed.

Then we create and present to you a complete benefits program that meets your precise needs, is exceptionally attractive to employees and makes it simple, convenient and profitable for you to provide generous protection for the people who make your company's profits.

**J & H can help you solve other insurance problems profitably, too.**

By calling on our other brigades of specialists

to help eliminate losses and risks, companies can reduce premium payments substantially. Our men are experts in

safety control, loss adjusting, property loss analysis, packaging and containerization—to name just a few.

Companies who do business in foreign countries can rely on Johnson & Higgins to centralize direction of requirements anywhere in the world. Our International Department of more than 75 offices and affiliates in 30 foreign countries knows how to deal with widely differing foreign laws and practices in U.S. terms.

As brokers, we are on your staff, but not on your payroll. Johnson & Higgins provides a depth of service that is unique among insurance brokerage firms. We do everything in our power to contribute to your profitability.

If your corporate programs aren't being managed in this way, with this kind of service, it will pay you to get in touch with Seth S. Faison, Vice President, Johnson & Higgins, New York. Or with the President of the Johnson & Higgins subsidiary nearest you. There are seventeen locations in the United States, five in Canada and fifteen in other parts of the world.

## Johnson & Higgins

63 Wall Street, New York, N.Y. 10005  
Telephone: (212) 944-316C

**If your pension plan is overage, let Johnson & Higgins help you retire it. Profitably.**

# business insurance/perspective

## Inflation, interest rates and benefits

By Bion H. Francis,  
Manager of benefits planning,  
Colt Industries, New York



Bion H. Francis

early '60s, the rise in prices in the U.S. was held to about one or two per cent a year.

**IN RECENT YEARS**, however, the rise in price levels has been accelerating. At present (mid-1969) prices are rising at about 6% a year. What does this rise in prices do to interest rates?

Suppose that you believe that prices are rising at the present rate of about 6% a year. This means that if you lend a dollar for one year, the dollar that will be repaid to you at the end of the year will have a purchasing power of only 94¢. If you receive interest of 6%, all that this accomplishes is to restore the purchasing power to what you loaned at the beginning of the year. You have received nothing for your loan.

If you want an interest return of, say, 4% in terms of purchasing power, you would have to add this to the 6%:

Interest rate needed to offset rise in prices	6%
Net interest return that is desired	4%
Gross interest rate needed for net return of 4%	10%

Let's be specific. In 1965, the "prime rate" of interest offered by banks to major corporations with unquestioned credit was 4.5%. Now suppose that a major corporation in mid-1965 issued a series of 14-year 4.5% bonds.

It is now mid-1969, four years later. Your pension or savings fund holds a number of \$1,000 bonds from this issue. What are they worth? Your first reaction might be that if there is no question of the financial standing of the corporation, its bonds should be worth \$1,000. After all, aren't they promises to pay \$1,000? Those of you who are running funds will shake your head in the thoughts of the losses you have suffered from just this type of bond. Why?

**THE LAST FOUR** years have seen a sharp, sustained rise in interest rates. The "prime rate" is now 8.5%. This is the interest rate that must be paid now, even by corporations with unquestioned credit, in order to obtain money. Obviously, if a lender can receive 8.5% from prime risks, why should a lender be satisfied with anything less?

**WHAT IS THE** present value of these payments? A prospective buyer, in computing this value, will discount these payments, using an interest rate, not of 4.5%, but rather of 8.5%. Why should he be satisfied with a return of 4.5% when he can receive 8.5% on prime loans?

For this reason, the \$1,000 bond has the following value which is the computed value of the payments to be made under the bond, discounted at 8.5%:

Present value of \$45 a year payable for ten years	\$295.26
Present value of \$1,000 payable at end of ten years	442.28
The total	\$737.54

If you paid the \$1,000 face amount of this bond, you have lost \$262.46. This loss could be more or less, depending on the life of the bond. Using the same situation of a \$1,000 bond issued in 1965 at the then prime rate of 4.5% interest, the value of this bond in 1969, computed at the present prime rate of 8.5%, would vary as follows, depending on the remaining life of the bond:

Remaining lifetime of bond in mid-1969	Value of Bond computed at 8.5%
1 year	\$963.13
5 years	842.36
10 years	737.54
20 years	621.46

**'The way to minimize bond losses in a period of inflation . . . is to avoid bonds with long periods.'**

**FROM THIS YOU** may conclude that all you have to do is to add the rate of price rise to the interest rate which you must have and you have made allowance for the effect of inflation on lending. But this is not so. There is another effect that must be considered—an effect that seems not too well understood, even by men who should understand it. The effect is important and has resulted in losses of billions of dollars.

Now let us look again at that \$1,000 bond that pays 4.5% and has ten years to run. For simplicity we will assume that the 4.5% interest is paid in the form of \$45 at the end of each year.

If you are selling such a bond, the purchaser is buying ten payments of \$45 each, to be made at the end of each year during the next ten years, together with a final payment of \$1,000 to be made at the end of the ten years.

**FROM THIS**, you will see that the way to minimize bond losses in a period of inflation with rising prices and interest rates is to avoid bonds with long periods. In fact, if the rise is steep, you should probably limit yourself to short term paper and bills.

Note that this loss in bond values is not caused directly by the drop in value of the dollars you receive. No, your bonds are worth less dollars than you paid for them.

This has important consequences. It is widely believed that if a financial institution

*Continued on following page*

Rising prices and rising interest rates have an important influence on benefit programs. The influence is a complicated one with some features which apparently are still not too well understood.

The direct effect of inflation is clear. In simple terms, the value of a dollar drops in terms of what it will buy. This means that any kind of investment that has a value fixed in terms of dollars will buy less and less. This includes savings accounts, bonds, annuities and retirement incomes generally.

The U.S. dollar has been one of the most stable currencies in the world. For a period of about ten years, in the late '50s and

## Planning a life insurance captive

By H. Felix Kloman,  
Vice President,  
Alexander & Alexander, New York

In February of 1969, the new president of the Prudential predicted that "captive" life insurance companies would be a major threat to the group business of the traditional carriers. He cited as evidence an estimated \$10 million in premiums to life insurance affiliates of U.S. businesses in 1967 and 1968.

Two months later, the Lincoln National Life Insurance Co. revealed that it was offering variable annuity reinsurance to "captives" as well as to conventional carriers.

There are certainly mixed feelings on a life insurance subsidiary of a noninsurance firm, but the evidence points to greater use of this financial tool. There are at least 22 easily recognized life companies operating as subsidiaries of noninsurance parents. Some, like Allstate Life and Paul Revere, are really conventional companies, except for the fact that they are owned by

others. Allstate Life underwrites the group coverages for its parent Sears, but it is not known to what extent, if any, Paul Revere participates in the program for parent Avco employees.

**OTHERS, SUCH AS** Rock River Life, which sells life and accidental death and dismemberment coverages to John Deere dealers, and the Tower Life & Accident, which markets travel accident insurance through the Chicago Tribune, are examples of subsidiaries that take advantage of a potential market, leaning heavily on the name and prestige of the parent.

Still others cover the group programs of their parents, offering little or nothing on the outside.

What are the objectives and advantages of a life insurance subsidiary? The total dollar volume of an employee benefit program is significant, ranging from 25% to 35% of total payroll. In addition, reserves held by the insurance company can range anywhere from 12% to 20% of annual premium for weekly indemnity and waiver of premium coverages, and up to as high as 45% of annual premium for major medical.

Many financial managers see a possible better use of this cash flow by funnelling it through their own insurance organizations, as opposed to conventional insurance or self-insurance. This may be true even though premiums are normally paid on a monthly basis and the actual recoveries

under group insurance are a high percentage of premiums paid.

**A SECOND POSSIBLE** advantage is in using a well-known and respected company name to penetrate a "captive" market with reduced acquisition costs. The creation of Gerber Life Insurance Co. by Gerber Products Co. is a perfect example of this form of synergism. Gerber Life, formed in late 1968, is now stressing term insurance products to younger parents, age 20 to 40, on a direct mail basis.

Other potential "captive" markets may exist, including a parent company's own employees, its dealers or suppliers. An association can offer insurance to its members. Insurance may be marketed through credit cards. In certain instances, licensing in numerous states may be a deterrent and some companies have arranged for their insurance subsidiaries to reinsure a nationally admitted "front" company so as to participate in the cash flow and potential profits.

*Continued on following page*

**'The new president of Prudential predicted that 'captive' companies would be a major threat . . .'**

# perspective

## Francis...

tion has an obligation fixed in terms of dollars, this should be covered by an asset (such as bonds) that is also fixed in terms of dollars. However, the sharp rise in interest rates of the last few years has driven home the fact that the value of bonds also may not necessarily be fixed in terms of dollars.

**THIS HAS BEEN** going on for a long time but the rise in interest rates before 1965 was so slow that the long continued deterioration in bond values was not so clearly evident.

But it was there. For example, during

the '50s, I was on the administrative pension committee of a large corporation with a pension fund, as I remember it, of about \$70 million. In accordance with the financial thinking of the time about two-thirds of this were in bonds and about one-third in stocks.

By the end of the '50s, this had resulted in a loss of several million dollars in the bonds, but this was more than offset by a gain of about twice this amount in the much smaller common stock portfolio.

What of the future?

**WILL INTEREST RATES** drop to "normal" levels? If so, it is possible that the sharp rise in interest rates in recent years may turn out to be a "climax" comparable

in a way to the period of "climax selling" which sometimes ends a drop in the stock market. If this happens, we could have a turn-around in interest rates. A fund manager who could foresee this, and have the courage to act on it, could make substantial profits for his fund.

But is this what is ahead of us? An inflationary rise in prices can be stopped only by firm economic controls that would, among other things, hold down wage increases, and increase unemployment. Such economic controls, to be effective, must rest on a firm political basis and a willingness to exercise these controls.

Do you see this in the future?

If you do not see this, you must probably assume continuing inflation, which will

bring with it:

- Rising prices
- Rising interest rates
- Falling bond values
- Necessity for aggressive investment action to protect funds and the pension and savings plans which rest on them. ■

*Bion Francis graduated from the Massachusetts Institute of Technology with a degree in mathematics. He has served as insurance manager for Wellington Sears Co. West Point Pepperell, Olin Mathieson Chemical Corp. and Crucible Steel Co. of America, and has been president of the Insurance Buyers' Assn. of Pittsburgh. He is now manager of benefits planning of Colt Industries Inc.*

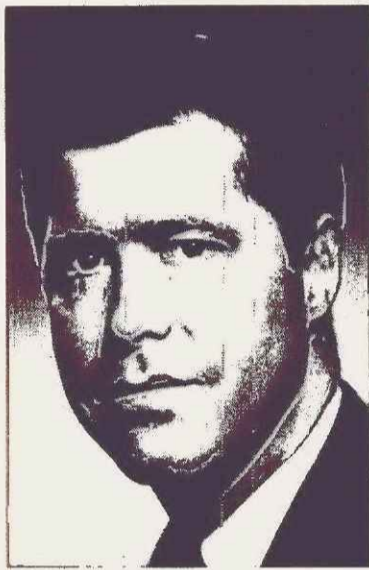
## Kloman...

The life insurance product is essentially free from obsolescence although subject to a fairly high degree of regulation. The real opportunity to develop investment income comes under the statutory reserves on ordinary (cash value) insurance, on which there is a high leverage potential. Of total assets, only 10% to 15% are directly contributed by the parent company, the stockholder. The remaining 85% to 90% are contributed by policyholders, yet the parent/stockholder manages all assets and can derive benefit from the differential between the relatively low interest guaranteed to policyholders and the higher interest income which imaginative investment management can bring.

**INSURANCE COMPANIES** are subject to state and Federal regulations but some are advantageous. For example, the IRS permits certain tax deferrals for new life companies. An eight year loss carry forward is permitted, instead of three for industrial companies. Half of excess interest earnings on surplus may go to a contingent surplus on a tax deferred basis. The mortality tables used by life companies are always slightly out-of-date, meaning that actuarial reserves will be somewhat over-stated as long as longevity increases.

In considering the formation of a life insurance subsidiary, a potential parent should look very closely at some of the operational problems.

The form of the company is perhaps self-evident. It should be a stock company. A mutual is difficult to control and even more difficult to liquidate. It lacks the flexibility that business requires today. While purchase of an existing company may appear attractive, with its licenses, staff and probably low price-earnings ratio, its reputation, book of business, sales force, etc., can be drawbacks to the type of operation planned by the parent. Reinsurance of certain business may have to be sought. An existing company's surplus may be low because of its high acquisition



H. Felix Kloman

costs, and it may have a high lapse rate. All these factors must be considered in light of the planned objectives of the parent.

**CAPITAL AND SURPLUS** requirements for new life companies are increasing in most states. In New York, \$3 million is required while New Mexico asks for only \$150,000. Most states require from \$200,000 to \$500,000. If a life company is going to

concentrate on its parent's employee benefits, its capital should probably be as small as legally possible, consistent with sound underwriting and reinsurance requirements, in order to enhance final return on investment. Also it is generally advisable

to put excess funds in surplus rather than in capital.

In selecting a domicile for the new life company, give consideration to administrative requirements, local regulation and the reputation of the insurance department on approval of new and unusual policy forms, as well as capital and surplus requirements.

The market for the insurance company's products will determine the other states in which the company may have to be licensed. Although licensing may possibly be avoided by using direct mail where legally permitted, it still may be advisable to avoid future complications. Gerber Life has adopted this approach, seeking to become licensed in all states and deliberately refusing to write business until it is certified in a particular state. If a company restricts its underwriting to its own employees, it may be possible to operate from a single state. Finally, many states have age restrictions or waiting periods, of up to three years before an out-of-state company may become licensed. Some of these provisions may be waived by the commissioner of insurance but in at least a quarter of the states they are fairly rigid.

**ACTUAL OPERATIONS** very much depend on the type of business underwritten. Most employee benefit programs for larger corporations are self-administered and a shift to a "captive" insurance company might mean little additional staffing. On the other hand, marketing to members, dealers, suppliers or employees (other than employee benefits) could mean more pay-

### 'A life insurance subsidiary may have substantial potential for a larger company.'

roll, particularly if the company underwrites medical plans, as opposed to the smaller staff requirements for life insurance only.

One insurance manager has estimated staff of 20 persons for \$100 million life

insurance in force. Other operational requirements include filings for approval of rates and forms, claims handling, investments, reinsurance and actuarial assistance. All of this involves possible diversion of management talent but much of the new staff will have to be drawn from the outside.

Life companies have interesting investment possibilities. If life insurance is offered employees, perhaps the life company could also offer mortgages to key employee-policyholders. In most states, the law will also permit a life company to show among its assets its "home office" building, even though the actual life insurance office space is but a small portion of the total building. This is then a means of capitalizing a company by transfer of real estate.

**EVEN IF AN OUTSIDE** sales force is employed, the acquisition costs of a life insurance subsidiary should be substantially less than those of a conventional carrier. Since there is no need for "image," office space can be kept low. Advertising can be kept to a minimum. In a marketing plan, direct mail should be the primary tool for sales, stressing lower cost, simplicity, the real (rather than imagined) needs of the consumer, and, in the case of employees, perhaps payroll deduction and group presentations.

In summary, a life insurance subsidiary may have substantial potential for a larger company, more probably in the area of a "captive" market than in the area of the parent's group program. Generally, a capital and surplus structure of less than \$1 million will be inadvisable and a prospective parent should plan on increases to at least \$3 million if licensing in all 50 states is envisioned.

As a specialty company, the real potential for a life insurance subsidiary lies in its ability and willingness to innovate, to create those new products which a particular consumer wants. Since it is small, it can try these new ideas without risking too much. Perhaps this is the real threat which Donald MacNaughton of the Prudential sees. ■

## Risk management notes

Prepared by Warren, McVeigh & Assoc., San Francisco, Cal.

### Property

Fire and extended coverage doesn't cover all the large loss potentials faced by most firms, which accounts for the development of the all-risk difference-in-conditions policy. About three years ago, \$10 million limits of DIC coverage were freely available and some policies up to \$50 million were written. Today, however, this market is quite restricted, along with most other property markets. Several direct writers are active in this field, so with a little scouting around, needed coverage

can often be obtained. Don't underestimate the need, either. The statistical remoteness of a herd of wild elephants stampeding through your new \$20 million research lab is small consolation when the bills have to be paid and stockholders questions answered.

\* \* \*

Radioactive contamination is a physical peril with potentially serious consequences. Coverage is excluded under almost all property policies, so special attention is needed. The radioactive contamination endorsement can be used, but all do not provide the same coverage. It would be wise to check the wording to see that

coverage is provided for radioactive contamination as the insured peril rather than the more restricted coverage of radioactive contamination resulting from an insured peril.

### Administration

Is your company large enough to need a full-time insurance manager? An answer to this question, of course, requires a complete analysis of company operations, risk exposures, and internal staffing, as well as what might logically be done by insurance companies and producers on the line. Some insight into how these factors relate to annual sales volume may be gained from

the following figures. They show the percent of companies in each group that employ a full-time executive to handle insurance.

Annual Sales		
\$25 to 50 million		24%
50 to 75 "		30%
75 to 100 "		36%
100 to 250 "		76%
250 to 500 "		81%
Over 500 "		96%

Since these figures are more than five years old now, the percentages are probably higher. Also, the variation by industry is wide, but the indication is that, on the average, companies see the justification for an insurance manager when they reach about \$100 million sales. But the question now begged is this: How many companies need a part-time insurance manager? ■

He's been there five months. With no end in sight.

It may look like a bed of roses. But he knows better. And so does the company. They're paying double salaries. To the guy in bed. To his replacement at the office.

Long term disabilities have made a mess of more than one company's finances. Not to mention their employee relations. Yet over half of American Businesses ignore the simple alternative.

CNA's Salary Continuance Plan. The kind of comprehensive coverage that's

needed in business today. With benefits available to age 65.

CNA's Salary Continuance Plan covers all accidents, diseases and pre-existing conditions. It pays during rehabilitation. It even covers the sticky medical problems of modern businessmen. Alcoholism. Nervous disorders. Mental problems. And our CNA Plan encourages employees to pay the premiums. They're payroll deductible, and average less than 1%

of a salary. So employees can insure their own usefulness, and the company doesn't feel a financial pinch.

Talk to us about our Salary Continuance Program. Like all our employee benefits, CNA's Plan does two things. It helps a company lower its cost of doing business. And reassures employees they're being kept in good faith.

Contact your agent. Or write to us.

**a CNA/insurance service**

DEPT. 18WZ • 310 S. MICHIGAN AVE. • CHICAGO, ILL. 60604 • CONTINENTAL CASUALTY CO.  
AMERICAN CASUALTY COMPANY • NATIONAL FIRE INSURANCE COMPANY OF HARTFORD  
TRANSCONTINENTAL INSURANCE COMPANY • TRANSPORTATION INSURANCE COMPANY  
VALLEY FORGE INSURANCE COMPANY • VALLEY FORGE LIFE INSURANCE CO. • CNA  
INVESTOR SERVICES INCORPORATED • CNA FINANCIAL CORPORATION

## Kept man.



# Arson blazes: \$9.6 million damages in 1968

BOSTON—Figures released here by the National Fire Protection Assn. show that while the number of incendiary fires in 1968 increased by almost 6,000, the value of property destroyed by arson declined some \$9.6 million.

Despite the property value decrease last year the dollars-lost figure has come dangerously close to doubling itself in the last four years.

Deuel Richardson, manager of public relations for NFPA, told *Business Insurance* there were 49,900 fires of an incendiary nature in 1968 with the value of property lost placed at \$131.1 million. The year before, he noted, there were 44,100 such fires with a loss reported at \$140.7. By contrast, the statistics in 1964 were 33,900 arsons with a total loss of \$74 mil-

lion. The figures reflect all forms of arson, including those fires set deliberately for insurance purposes.

**PEOPLE IN AND** around the insurance industry react with caution when asked whether there has been any marked increase of arson for insurance purposes due to the general tightening of the economy.

At least one, Brenden P. Battle, who heads the fraud and arson department of the American Insurance Association, speaks of commercial arson as having "levelled off somewhat" in recent years. He added that the reason for this may be partially due to legislation by Congress making it a Federal offense to cross state lines with the intention of com-

mitting arson. Certainly, Mr. Battle said, organized arsonists—the Mafia-type operation—have eased off. However, he feels that the underworld arsonists may still be active, but are far more careful now that the new law allows the F. B. I. to move against them.

"Of course," he said, "you always have bar, grill and restaurant fires. This is due to the nature of the business. A few years back," he observed, "bowling alleys were overbuilt and we had a lot of arson there. Another year there were many furniture store blazes, and of course we always have private residences. It's funny," he added, "but one type that usually ends up at the bottom of the list is hardware outlets. We hardly ever have any."

It is the work of Mr. Battle's

department at the AIA, incidentally, that has been credited with stemming some arson through a procedure known as "anticipating fraud fires."

**RECENTLY**, for example, an AIA investigative agent in North Carolina spotted a prospective arsonist and had the AIA warn its member company insuring the man's property. Shortly after, the suspect sold that property and bought another in Tennessee. A few months later the Tennessee premises went up in flames and a non-AIA company paid a claim of \$40,000, according to Mr. Battle.

The AIA department that Mr. Battle heads last year filled 3,454 requests for investigations of fire losses that were regarded with some degree of suspicion. In 749

of these, the investigations did not go beyond the preliminary stage because suspicion dissipated.

The remaining 2,705 fire losses were investigated by his department. Of these, according to the department's findings, 656 were deemed to have been fraudulently motivated. These losses, Mr. Battle states in a report, were insured in a total amount of \$26.838 million. In only 99 of these, however, were arrests made and these cases represented \$3.223 million in insurance coverage.

In addition to the 99 arrested and charged with arson for fraudulent reasons, there were 402 other arrests as a result of the department's investigations. These included pyromaniacs, unlawful intruders, revenge-motivated persons and vandals, he said.

# COMPETITION

## THE NAME OF THE GAME



You can't recruit competitively without competitive employee benefit programs. Programs that are sharp and fresh, sensible yet different. Our job is designing them that way. We probably do more shaping and tailoring than any other carrier around. We'd like to tell you more. About our award-winning SEE Kit, for instance . . . Successful Employee Education. It's a basic part of our programming because it drives home, to employees, precisely what they're being given. But there's no room here. So please fill out the coupon. We're doing fine against our competition. May we help make it tougher for yours?

Please see that I receive a sample SEE Kit, plus "The Flying Cloud" . . . a handsome 19 x 24 color print, very suitable for framing.

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_

**PROVIDENT MUTUAL LIFE**  
INSURANCE COMPANY OF PHILADELPHIA

P.O. Box 7378, Philadelphia, Pa. 19101

## Giles . . .

Continued from page 9

out service. (*Mick v. Kroger Co.*, 244 N. E. 2nd 859.)

\* \* \*

**THE LIABILITIES** under the new Federal Clean Air Act are worthy of your attention.

The first suit by the government resulted in a consent judgment. The judgment directs the Bishop Processing Co. of Bishop, Md., to stop discharging malodorous pollutants from its animal rendering plant into the air across the state line into Delaware, but does not specify how this is to be accomplished.

According to the decree, the Delaware director of air pollution has the discretion to declare that pollutants from Bishop are reaching into his state. When this happens, the judgment provides that a court order may be issued closing down the processing plant immediately.

Industry should, in our opinion, work with local and private agencies to learn about the effective techniques of maintaining clear air.

\* \* \*

**HAVE YOU WONDERED** what you do at six o'clock at night when the air conditioning goes off—and you have to work nights?

You cannot open the windows—they just do not open. Can you force the landlord to furnish pure clean air?

It is a new problem with these modern buildings, constructed like the tomb of Pharaoh, but it has been resolved by the appellate division in New York.

The plaintiff was an attorney who worked evenings, after 6:00 p. m. when the air conditioning went off. He claimed he had been partially evicted when he could get no air after 6:00 p. m.

The landlord, the magnanimous type, offered the plaintiff good air after 6:00 p. m. at the rate of \$25 per hour, during nonbusiness hours. The plaintiff sought reformation of the lease so that he would be afforded ventilation at all times when he had access to the building.

**THE APPELLATE** division said that the administrative code of the City of New York dictates that all tenants be afforded access to breathable air without any extra charge beyond that set forth in the lease. This is a good point to remember when you are leasing office space and should be written right into the lease. It is a most unromantic way for a secretary to be smothered.

There was a dissent. It said that the air condition did not give the

tenant the right to withhold part of the rent. A tenant in this case cannot claim uninhabitability and at the same time continue to inhabit the premises. If the tenant remains in occupancy, the obligation to pay rent continues and any wrongful acts of the landlord do not constitute a defense to the action for rent.

This is a serious problem which we believe should have your study, depending on your overtime needs for office occupancy. (*N. Y. Sup. Ct. App. Div. 1st Dept. Barish v. Pennsylvania Terminal Real Estate Corp.* 3/13/69.)

\* \* \*

**GONE ARE THE DAYS** when the home developer hid behind that comforting old legal slogan "let the buyer beware."

A housing developer has been held liable to a home purchaser on a theory of strict liability for damages sustained as the result of the failure of a radiant heating system.

The court of appeals of California stated that it could not be disputed that the home buyer had relied on the skill of the developer in producing a home with a heating system that was reasonably fit for its intended purpose. (*Kriegler v. Eichler Homes, Inc.* 74 Cal. Reporter 749.)

## SARASOHN AND COMPANY

PUBLIC ADJUSTERS

# 9

 CONVENIENT OFFICES

East Orange, New Jersey (Home Office)  
85 S. Harrison Street (201) 675-1400

New York, New York  
347 5th Avenue (212) WH 4-3337

Bridgeport, Conn.  
(Tri State Adjustment Service Co.)  
27 Post Office Arcade (203) 333-5555

Newburgh, New York  
231 Liberty Street (914) 562-9420

San Juan, Puerto Rico  
1700 Ashford Avenue 722-5977

No. Miami, Fla.  
16924 N.E. 19th Ave. (305) 945-6338

Memphis, Tenn.  
(Roddy and Sarasohn, Inc.)  
651 South Cooper St. (901) 274-2305

Scranton, Pa.  
129 N. Washington Ave. (717) 342-8230

Kansas City, Mo.  
10th & Walnut Streets (816) 421-7070

# Liberals' action to determine fate of Nixon's occupational safety bill

WASHINGTON—The future of President Nixon's proposed occupational health and safety proposal, sent to Congress last month depends largely on how hard Congressional liberals try to put teeth into the measure.

It is thought that the relatively mild Nixon plan will meet with little opposition, unless it is transformed by over enthusiastic labor committee liberals into another extremely strong bill, similar to the one President Johnson introduced last year.

There is no question that the Nixon proposal is not strong enough to satisfy liberals. Even the bill's chief senate sponsor, Jacob Javits (R., N.Y.), who introduced the measure, indicated that he would like to see the Senate labor committee strengthen it a bit.

Highly vocal safety critic Ralph Nader was quick to jump on the Nixon bill, charging that all it would do is set up a "rubber stamp agency to transform industry-developed safety and health standards into Federal law."

The national board, which the law seeks to establish to set standards, would be "structured so as to be a virtual prisoner of industry standards associations,"

## McCarthy proffers new stock seats

WASHINGTON—Senator Eugene McCarthy (D., Minn.) has introduced a bill that would involve Congress for the first time in the controversy over whether pension plans and other financial institutions that are registered broker-dealers should have access to seats on stock exchanges.

The McCarthy proposal would abolish current restrictions imposed by stock exchanges on the number of seats available and open membership on all registered stock exchanges to all broker-dealers registered with the Securities and Exchange Commission.

In introducing his bill, Senator McCarthy pointed out that financial institutions such as pension plans, mutual funds and insurance companies account for half of the volume on the New York Stock Exchange and one-fourth of its gross commissions. Although many of these institutions are registered as broker-dealers with SEC, he said, they are "arbitrarily excluded by the New York Stock Exchange from membership on grounds that they are not primarily engaged in the brokerage business." Senator McCarthy added that there are about 4,530 broker-dealers registered with SEC and only 1,366 seats on the New York Stock Exchange.

"THE NEW YORK Stock Exchange claims it is protected in its actions by an implied antitrust exemption in the Securities Exchange Act, but the Department of Justice, in a brief filed with the SEC on January 17, 1969, says such immunity is implied 'only to the extent necessary to make the exchange work and then only to the minimum extent necessary,'" Senator McCarthy said.

"The Department of Justice goes on to declare that the SEC should take steps to require expansion of stock brokerage privileges to all qualified individuals up to the physical limit of exchange facilities," he added.

Mr. Nader charges.

Despite these charges, some Capital Hill observers maintain that Congressional liberals will not risk killing the measure altogether by trying to stiffen it too much.

Instead, they say, liberal action will be centered on opening loop-holes in the bill that will allow the next liberal administration to put some real teeth into the law without having to legislatively amend it.

**BASICALLY**, the Nixon proposal would set up a National Occupational Safety and Health Board, composed of five Presidentially appointed members. The board would have the power to promulgate standards that have been es-

tablished by nationally recognized public or private standard-setting organizations.

The bill provides that if the secretaries of labor or health, education and welfare object to any such "national consensus standard," they may bring the objection before the board, which will then hold full public hearings on the matter. The secretaries have the power to delay implementation of any standard until at least three of the board members reconfirm their original decision.

The bill gives the Secretary of Labor responsibility for enforcement. The secretary would be required to seek voluntary compliance first, and if that failed he

would be empowered to bring a complaint before the national board.

If the board determines a violation exists, the secretary could seek a court enforcement order. In emergency situations, the secretary could go directly to the courts and petition for temporary relief.

A key provision of the bill, from the Administration's standpoint, calls for the encouragement of the states to establish their own health and safety programs, which would take precedence over the Federal program if they provide at least as much protection.

Federal grants would pay up to 90% of the cost of developing such plans.

## Kuimelis is made vp

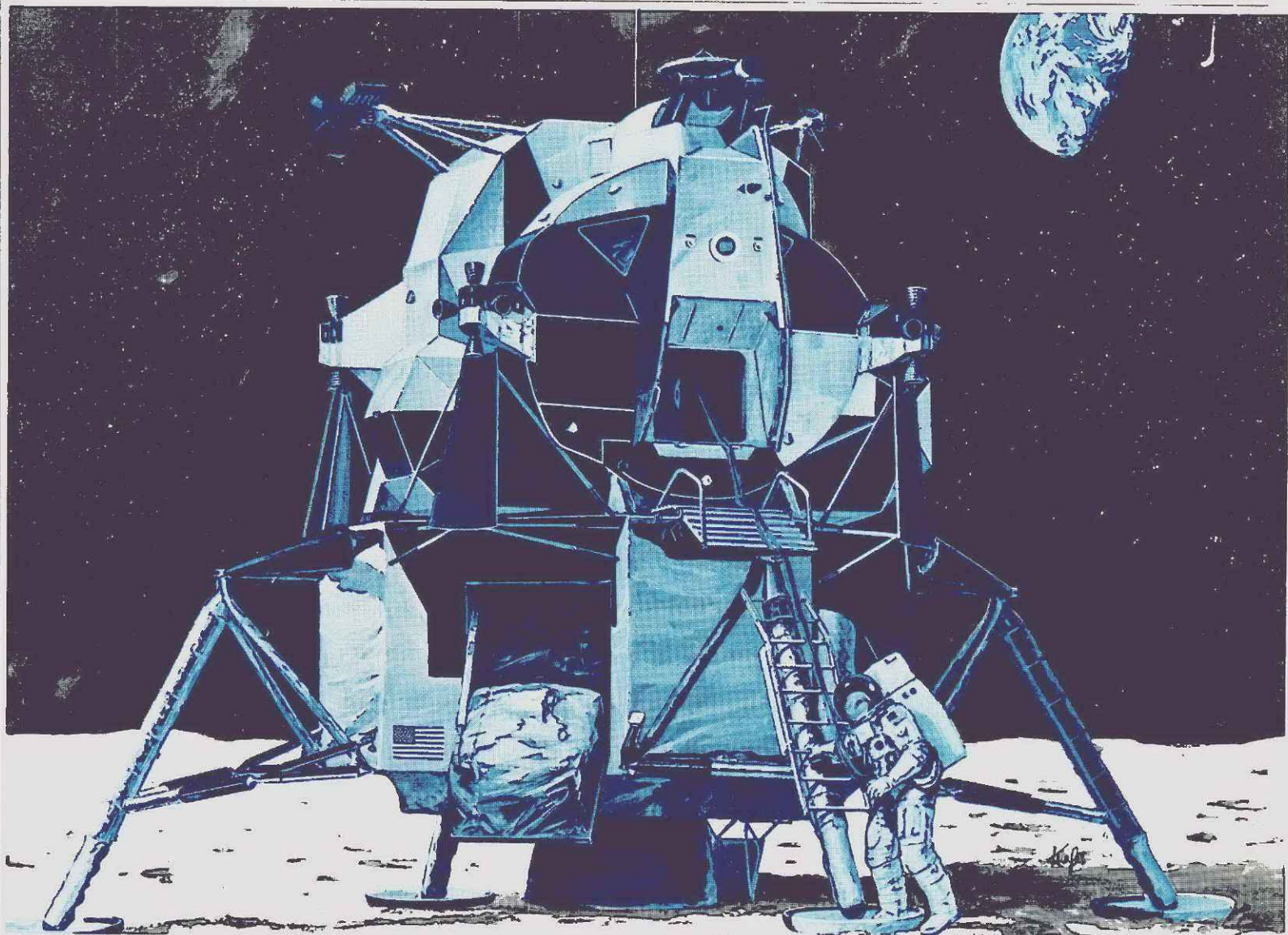
Michael B. Kuimelis has been named a vp of Albert M. Bender Co., San Francisco, an insurance brokerage firm.

## Agency sues Hancock

COLUMBUS, O.—A Columbus insurance agency is suing John Hancock Life Insurance Co. for payment on a \$200,000 key-man life policy issued on its president, R. O. Miller, two days before he died of an apparent heart attack.

The agency, Atkinson-Dauksch, filed suit late last month claiming Hancock had denied liability on the policy. The suit said the Boston-based insurer was bound for liability by the initial payment of \$5,313.12 for the first quarterly premium.

Hancock has requested that the suit be moved from Franklin County pleas court to U.S. district court on grounds that Atkinson-Dauksch and Hancock are headquartered in different states.



## Our Nearest Office Is 238,857 Miles Away

That is, of course, if you're on the moon. From most places on earth, you can reach us in minutes.

We've been going to new places and pioneering new ideas in risk management for 70 years. Our specialty is developing better

ways to protect assets and profits, and provide benefits for people, soundly and economically—anywhere.

We're not going to the moon but if you plan to go, call A&A first.

## ALEXANDER & ALEXANDER

INCORPORATED

INSURANCE BROKERS

Consulting Actuaries

Average Adjusters

ATLANTA · BALTIMORE · BOSTON · CHICAGO · CLARKSBURG · LOS ANGELES · MIAMI · NEWARK  
 NEW ORLEANS · NEW YORK · PARIS · PHILADELPHIA · PITTSBURGH · SAN FRANCISCO  
 ST. LOUIS · TULSA · ASSOCIATED BROKERS THROUGHOUT THE FREE WORLD  
 ALEXANDER & ALEXANDER SERVICES LTD. · CALGARY · EDMONTON · MONTREAL · TORONTO · VANCOUVER  
 Affiliate: ALEXANDER & ASSOCIATES, DALLAS · HOUSTON



# Smith: Lloyd's integrity, strength lead world market

PROVIDENCE, R. I.—A Lloyd's of London agent here has taken issue with an article in the last edition of *Business Insurance* in which he discussed the condition of the British carrier in this country.

"I was amazed and shocked by statements attributed to me in the Aug. 18 issue of *Business Insurance*, which contained a number of unintentional misstatements and quotations taken out of context," Morton Smith, president of Morton Smith Inc. and Medway Insurance Corp. and a Lloyd's representative here, said.

Mr. Smith cited his happy business relationship with the worldwide Lloyd's organization with

whom he has been associated directly or indirectly for the past 16 years. "One of the greatest joys of my business career is my total association with the Lloyd's organization. What heartens me is the fidelity of Lloyd's of London to the hallmarks of trust and integrity throughout this period of general adversity in the insurance industry.

"**WE ALL KNOW** there have been record losses in recent years throughout the insurance industry. Certainly, Lloyd's has had their share of losses. However, Lloyd's remains as strong as the Rock of Gibraltar. Everyone in our indus-

try knows the leadership of Lloyd's of London. It is not now, nor has it ever been, a third-rate company. It belongs at the top of anybody's list and everybody knows it.

"Through imaginative decisions and planning Lloyd's has led the world in new concepts of insurance. For example, they have pioneered the jewelers block policy, the banker's blanket bond and the creative concept of the umbrella policy, just to name three.

"**WHEN I** was asked to become an underwriting member of Lloyd's in America I was extremely honored and flattered. However, to be a member of an underwriting syndicate would mean that one would have to pledge his entire assets, and we in America are not accustomed to this type of business procedure. Our vehicle is usually the corporate structure, and I told my friends at Lloyd's that should the time come that I might be an underwriting member of any limited basis I would be most happy to do so.

"The fact that I personally have been a foreign car fancier all my life, and enjoyed driving a fine British-made product like the Rolls as a hobby, have absolutely no connection with the business decision concerning becoming an underwriting Lloyd's member." ■

## Mills bill . . .

*Continued from page 1*

The employe is not taxed on the net unrealized appreciation in the securities until he sells them, and then he gets capital gains treatment on the proceeds.

The Mills bill would not change the tax treatment of the net unrealized appreciation. However, the taxable portion of the distribution under current law would no longer get capital gains treatment, but would be taxed as ordinary income.

**DIVIDENDS EARNED** and accumulated on the employer securities would continue to receive capital gains treatment when received in lump-sum payouts.

None of the changes affecting lump-sum distributions would apply to employer contributions made during plan years beginning before January 1, 1970.

The section of the bill which affects deferred compensation plans—those where the receipt and taxation of a part of current income can be deferred until retirement when presumably the employe will be in a lower tax bracket—provides that while such compensation would continue to be taxed generally when it is received, a minimum tax would be imposed on all deferred compensation in excess of \$10,000 in any taxable year after last June 30.

**THE MILLS BILL** would substantially change the tax treatment of restricted stock plans—those where securities are given to the employe subject to certain restrictions.

Currently, tax payments on these plans is deferred until the restrictions lapse, and, then the employe is taxed only on the value of the stock when it was transferred, unless its value in the meantime has decreased.

The Mills bill generally requires that the employe by taxed on the fair market value of the stock immediately upon its being transferred to him. In cases where the employe's interest in the stock at the time of the transfer is forfeitable, he wouldn't be subject to tax until his interest comes non-forfeitable. However, the tax would be based on the value of the stock right at the time it becomes nonforfeitable. ■

## Tornado toll—\$7 million

CINCINNATI—The tornado that struck the Cincinnati area last month has caused more than \$7 million in property damage—\$5 million to businesses.

The figure does not include auto and tree damage, which probably will add another \$1.5 million to the overall losses.

The devastating storm caused four deaths and injuries to 247 persons in Cincinnati and even other communities in northern Hamilton County.

Observers for the Insurance Information Institute anticipate claims of more than \$6.5 million from some 3,000 property owners.

About 500 of these claims are coming from owners of business and industrial properties with losses totaling more than \$5 million.

Claims from more than 2,500 homeowners are expected to add another \$1.5 million to losses caused by the storm. ■

## Loss adjustment . . .

*Continued from page 1*

into play. Loss of earnings due to off-premises power failure is covered under conventional business interruption policies without time limitations. And if a plant is forced to shut down because civil authorities blockade an area, business interruption insurance covers losses for two weeks.

One corporate insurance manager told *Business Insurance* that he expects to recover for both wind and water damage done to a plant under construction in the path of Hurricane Camille because he protected the site with an all-risk installation floater that does not contain the familiar flood damage exclusion.

**MEANWHILE**, hundreds of insurance adjusters scrambled into the storm area seeking lodging for themselves and the material and labor to do preliminary repair work on buildings their companies insure.

A veteran adjuster explained hurricane adjustment procedures: "It is our job to separate through analysis what damage was done by wind and what water damage followed. We must ask ourselves whether wind or water came first. In most cases we lean over backward to make equitable adjustment by paying a larger proportion of the loss as windstorm."

Another loss adjustment executive complained that insurers get upset about executing the separation of damage done by wind and by water. He blamed this in part on news accounts that play up the spectacular velocities of winds.

"But look at hurricane photos," he advised, "and you'll notice that the bulk of the damage—maybe 85%—is done by the floating effect of water. The tremendous crush of water is the reason you have some serious damage to the fronts of mercantile houses. Water knocks out the plate glass and swishes through to wash out the contents."

**A SPOKESMAN** for the Mississippi insurance department cautioned *Business Insurance* about mentioning the possibility of disputes between insurers and insureds over Hurricane Camille settlements. "We don't anticipate any difficulties, but if newsmen play up the problem this in itself may cause trouble," the official said.

Florida's insurance department reported that after other hurricanes there has been little public dissatisfaction with loss adjustments. Officials of that department met last Thursday in Hattiesburg, Miss., with insurance industry representatives and insurance regulators from three other Camille-hit states to agree upon loss adjustment procedures. ■

The three threats to business protection

- 1) Underinsurance
- 2) Overinsurance
- 3) No insurance for major exposures

are eliminated in their entirety by Pacific Indemnity's CMP—

**Commercial Multi-Peril Policy.**

The scope of this PI coverage is matched by its competitive cost.

Take a look!



# PACIFIC INDEMNITY GROUP



Pacific Indemnity Co. Texas Pacific Indemnity Co. Northwestern Pacific Indemnity Co.

Affiliated with FEDERAL INSURANCE COMPANY through THE CHUBB CORPORATION

AUSTIN, ATLANTA, DALLAS, FORT WORTH, HOUSTON, KANSAS CITY, LOS ANGELES, OAKLAND, PORTLAND, ST. LOUIS, ST. PETERSBURG, SAN FRANCISCO, SEATTLE, SPOKANE



**SELF INSURANCE** generates cash flow. No advance premium payment required for primary losses. This cash is used only when necessary. Robert F. Coleman, Inc. will outline a self insurance plan that will make your money work for you—for a change!

For consultation and complete service have your Insurance Broker or Insurance Manager contact

**ROBERT F. COLEMAN, INC.**

- Workmen's Compensation
- Public Liability
- Accident Control Specialists since 1923

Send for our informative brochure outlining this timely and vital insurance plan. 120 East 23rd St. • New York, N.Y. 10010 • Telephone: 777-4210

# Florida legislator 'not the least' involved with State Fire failure

MIAMI—A Florida legislator was cleared of conflict of interest violations in connection with the collapse of State Fire and Casualty Co. of Miami.

But the Florida house ethics committee, which found "not the least" amount of evidence to condemn Rep. Carey Matthews, conceded that a tightening was needed in conflict of interest laws governing legislators.

At the same time, a Florida house subcommittee looking into the state's troubled insurance industry heard charges that the Florida insurance department may have unwittingly helped the Mafia infiltrate State Fire by waiting too long to force it into receivership.

**THE SUBCOMMITTEE** indicated that suspected Mafia figures who helped drain the insurance firm will be called to testify before the continuing probe in Miami.

Rep. Matthews, chairman of the house insurance committee, served as an official of State Fire and represented the company in claims cases. According to testimony before a U.S. Senate anti-trust and

monopoly subcommittee, he billed State Fire for more than \$202,000 for legal services over a 15-month period in 1968 and 1969.

Ethics committee chairman John Savage noted that Rep. Matthews had resigned his corporate position with State Fire before his appointment to the insurance committee and had made "full disclosure" to the legislature of his connections with the firm.

"I think he complied with both the law and our rules," Rep. Savage said, stating that Rep. Matthews' actions fell within a recent U.S. Supreme Court ruling on conflict of interest.

**THE HOUSE GROUP** investigating insurance problems heard

Rep. Kenneth MacKay Jr. charge that "If organized crime took this company over, it did so after it was broke."

"If the insurance commissioner had moved in to rehabilitate it, there wouldn't have been anything to take over."

State insurance commissioner Broward Williams has contended that the company was drained through Mafia loans.

Mr. Williams told the subcommittee that he would move faster if he had the case to handle again.

**"IN THE FUTURE**, we will be a little more hard-nosed in our actions," he said. "In the case of State Fire, we were taken in—but we were not alone."

Rep. MacKay, who questioned Mr. Williams and insurance examiner William Venn, maintained the insurance department knew the company was in deep financial trouble more than two years before it took official action. State Fire was placed in receivership April 4 and is being liquidated. It reportedly is \$8 million in debt.

Rep. MacKay's line of questioning was designed to show that the company had been drained of most of its assets long before there was a hint of Mafia connections.

"There appears to me to be sufficient grounds to believe that one or more grounds (for receivership) existed as early as 1966," he said. He accused Mr. Williams of ignoring warnings in an examiner's report prepared by Mr. Venn.

**"I'M NOT** willing to admit the company was insolvent then," replied Mr. Williams. "They were changing their management; we

understood more cash was coming in. We were going on the assurance management would and could perform."

He asked the subcommittee to prepare legislation allowing him to take over a faltering company immediately, without waiting for court approval.

One likely candidate for Mr. Williams' job, former house speaker Ralph Turlington, blistered the department for listening to "fairy tales."

Committee chairman Jerome Pratt promised to pursue possible Mafia links after State Fire president Benjamin Dobson told the legislators he would supply names on a "confidential" basis.

Mr. Dobson contends insurance department harassment helped push State Fire into receivership. He said the company was in serious financial trouble before he became a director in October 1967, and contended the department knew it.

## Big news for small companies from The Bankers Life.

# Long Term Disability Insurance is available for groups of 3 to 24 people.

Long Term Disability insurance, along with a complete group insurance program, is available for 3-24 life groups.\* This Bankers Life coverage provides monthly income in the event of an employee's total disability due to accident or sickness. And cost is the smallest part of it.

Monthly benefits may range up to \$1,000.

Can be bought with 1, 3, or 6 month qualifications.

Rate basis is guaranteed for 3 years.

Premium is based on age of employees.

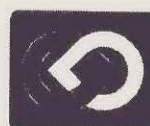
Only a company like The Bankers Life who has written more new group annuity contracts than anyone else over the last 12 years, could offer Long Term Disability to smaller companies. We're glad to have the size, stability—and underwriting know-how—to do it.

For further information, get in touch with us.

\*In almost all states

## THE BANKERS LIFE

BANKERS LIFE COMPANY, DES MOINES, IOWA 50307



## Tax slants...

Continued from page 16

estate would receive the full value of the policies.

- If he reached age 65 and still worked for the co-op, he was entitled to the policies as well as all the benefits and proceeds from them.

- If Mr. Frost quit before age 65, he was entitled to receive the cash value of the policies as of the date of termination.

**THE PARTIES** also executed an assignment of the policies and a trust agreement, naming a bank as trustee to carry out the terms of the arrangement. The trust could be terminated only if both parties consented.

The tax court ruled that the employer had conferred a present economic benefit on Mr. Frost because: (a) He was entitled to the annual increase in cash value since this was the minimum amount available to him if he resigned—thus, in effect, this amount was vested; and (b) Mr. Frost also received each year basic insurance protection.

Thus, the employee received immediate economic benefit which amounted to additional current taxable income. (See Frost, 52 TC No. 9)

\* \* \*

**NEW RULING ON** group insurance: Life insurance companies now offer renewable one year group term insurance contracts for both active and retired employees. Premiums are based on the expected cost of claims, expenses, etc., and, in addition, include an amount to be added to special reserves—a retired lives reserve and a stabilization reserve.

The amount of the annual addition to the reserve (whether it is a retired lives reserve, a stabilization reserve or a combination of the two) is the excess of premiums paid by the policyholder over the sum of claims, expenses and other charges.

A new Internal Revenue ruling says that annual premiums on such contracts are *fully deductible* even though a portion of such premium is credited to a retired lives reserve, a stabilization reserve or a combination of both. (See Rev. Rul. 69-382.)

# Risk managers don't buy chain store theft figures

CHICAGO—Pilferage from U.S. chain stores during 1968 totaled more than \$550 million, executives of a detective agency have claimed, but insurance managers for some large nation-wide chain store operations don't believe it.

The estimate, according to John T. Lynch, president of Lynch Special Services Inc., and Edward R. Kirby, a Lynch vp, comes from "a long-running investigation of client losses." And employees, they contend, are responsible for 85% to 90% of the pilferage.

While discounting the Lynch estimate, insurance managers of large chain stores say that no one knows how much employee pilferage is a factor in inventory shrinkage. But the insurance executives contend that frequency and size of employee dishonesty claims have been unchanged and low during the past several years. Between .5% and 1% is said to be a decent, livable overall amount of shrinkage.

**MORE SPECIFICALLY**, according to Mr. Lynch, "supermar-

ket thievery is on the increase today, not only by employees who move shipments of food in and out of stores, but by some purchasing agents of large chains and even managers of the stores." "This situation is especially critical because supermarkets operate on such small price markups," Mr. Kirby added.

But the insurance manager for Great Atlantic & Pacific Tea Co., Van Vilet, told *Business Insurance* that the security executives' figures are "dreamed up. Sure, every once in a while there's a bad manager, but it's just like everything else. Every once in a while someone comes along with some shocking figures."

Russel Drake, insurance manager for Alliance Food Stores, Detroit, also questioned the claim that \$550 million was pilfered out of chain stores during 1968 by employees. He said that it would be interesting to know precise shrinkage statistics and to be able to compare them with others in the supermarket business but that his employee dishonesty coverage has not had to respond to any significant losses since he became the insurance manager for Alliance.

Mr. Drake explained that such coverage is designed to protect against large thefts and not small pilferage.

**GENERALLY**, it was learned, fidelity coverage limits run about the same as bankers blanket bond coverage. A \$1 million limit is standard for a primary cover and few, other than those who are in the business of storage and large retail operation, buy coverage beyond that limit. For example,

Foremost McKesson & Robbins Inc., a warehouse operation dealing in liquor, drugs, chemicals and hospital supplies, carries a \$5 million limit cover with Hartford Accident and Indemnity Co. (*Business Insurance*, June 9, 1969.) Deductibles, unless losses have been unusually high, are considered low—\$1,000 to \$5,000.

The insurance manager for Federal Inc., Detroit, Joseph Schuch, however, said that his American Mutual fidelity coverage has experienced "a fair amount of claims. Usually, losses are not much over the deductible, though," he added. Federal takes a \$2,000 deductible.

"The biggest problem," Mr. Schuch said, "is that when you catch somebody you catch them with a small amount of theft. It's difficult to document how much the guy may have stolen in the past."

Another problem is that local law enforcement officials aren't interested in establishing the complete amount stolen, the Federal insurance manager said. They are more interested in fully documenting a single theft and obtaining a conviction.

**ANOTHER INSURANCE** manager for a large chain operation said that the rates on employee dishonesty insurance aren't high because recovery is easy once an employee is caught stealing. To avoid prosecution, many dishonest employees will go to any extent to return the value of the goods or money stolen.

The insurance manager complained that when an employee has returned what he has stolen, insurance companies are reluctant

to proceed with prosecution. "The insurance companies are only interested in not paying any claims. They don't want to solve the problem," he said.

Roger Simpson, insurance administrator for the Independent Grocers Assn., said that he was aware of some of the small franchise members in the IGA who buy employee dishonesty protection. The IGA, in fact, has put on training programs to combat the problem and has a training film on the subject.

"But," Mr. Simpson said, "it's difficult to prove product pilferage. If a guy is taking from the till, it's a different story. But if he's running out the back door with a

hammock and a turkey every night, it's difficult to prove."

**MR. SIMPSON**, along with the other insurance managers, discounted the effectiveness of putting security guards in stores. "The problem is," one insurance manager confessed, "that the guards could just as easily be stealing, too."

Mr. Kirby and Mr. Lynch, of the detective agency claiming the \$550 million employee theft problem, tended to agree with the insurance managers. Mr. Kirby put it this way: "Most guard forces really aren't much help because most guard forces are poorly trained."

## Civil rights . . .

*Continued from page 6*

any policy of insurance as well as being within the express exclusions of all policies of insurance."

Other civil rights liabilities, said Mr. Baylor, may be within the coverage of the special endorsement, unless they are within the coverage of the exclusion pertaining to willful violation of a penal statute.

Mr. Baylor pointed out, however, that the penal statute exclusion may have little impact on the insurer's duty to defend, except where the insured is "promptly" convicted of a violation.

**MR. BAYLOR** said his own research indicated that "for the vast majority of defendants, an insurance contract for the defense of any civil rights action is a very valuable and attractive purchase even if the insurer is unwilling because of the risk or unable because of state insurance code to provide the further coverage of damages assessed." He said the reported jury awards for civil rights liability have been less than \$10,000 in most cases.

**TO DATE**, he said, the only reported actions of successful recovery of damages have been against policemen for arrest or search or against jailers for wrongful detention.

Mr. Baylor said the civil rights statutes have been given "tremendous new vitality" by last year's Supreme Court decision involving *Jones v. Alfred H. Mayer Co.* The court held that relief might be obtained from a private individual or a corporation, regardless of

the defendant's encouragement by or connection with state law or officials, for deprivation of the rights set forth in the Civil Rights Act.

Although the "well-pleaded" relief was injunctive in nature, the court indicated that damages would be available in "appropriate cases," Mr. Baylor said.

In *Jones v. Mayer* it was held that the plaintiff, to whom the defendant had refused to sell a home for the sole reason that the plaintiff was Negro, was entitled to "an effective equitable remedy" from a Federal court to enable him "to purchase the home at the price prevailing at the time of the wrongful refusal."

**MR. BAYLOR** said that under various sections of the Civil Rights Acts actions may be brought against private individuals and corporations for money damages for:

- Failure to hire or advance an employee because of the employee's race;
- Racial comments or other discrimination in a collateral action;
- Damage to real or personal property, tangible or intangible, arising from race riots or other acts resulting proximately from racial discrimination;
- A testator's discrimination among beneficiaries solely on the ground of race;
- Refusal solely on the ground of race to sell personal property, such as food, accommodations and services;
- Going on the highway or on the premises of another for the purpose of depriving any person, regardless of his race, of equal privileges under the laws.

### TEXAS WORKMEN'S COMPENSATION? Look that up in your Funk & Wagnalls!

Or better still, let us spend a few minutes explaining this sometimes obscure subject. You'll find that there are very sound reasons for treating Texas as a special part of your company's overall workmen's compensation program.



**TEXAS EMPLOYERS' INSURANCE ASSOCIATION**  
P. O. Box 2759 Dallas, Texas 75221

EMPLOYERS INSURANCE OF TEXAS, TEXAS EMPLOYERS' INSURANCE ASSOCIATION, EMPLOYERS NATIONAL INSURANCE COMPANY, EMPLOYERS CASUALTY COMPANY, EMPLOYERS NATIONAL LIFE INSURANCE COMPANY

## ITT offers employees paid-up life, mutual fund

NEW YORK—International Telephone & Telegraph Corp. is offering to its salaried employees in the U.S. the opportunity to purchase mutual funds and life insurance on a payroll-deduction basis.

The new "security savings program" will use ITT's Hamilton Management Corp. facility for the mutual fund and the company's life insurance companies for the life insurance portion of the program.

The life insurance features nonmedical amounts for ages up to 45. Employees may purchase shares in a new Hamilton Growth Fund for as little as \$10 per month.

**THE PROGRAM** is being offered as a service to the ITT employees, and before being offered to any ITT System company, the management receives a letter from Harold S. Geneen, chairman of the board and president of ITT, advising that the program is available.

In addition, ITT is using several communications media such as posters, payroll "stuffers," articles in the company's internal publication and group meetings with employees to announce to the employees that the service is available.

ITT holds an initial enrollment period which varies depending upon the number of eligible employees in a given ITT unit and anticipates that brief reenrollments will be necessary in nine months to a year after the initial announcement of the program. ■

### Scott files suit

The Scott Paper Co., Pittsfield, Mass., has filed a \$50,000 Berkshire County superior court suit against the Lenox Machinery Co., Lenox, Mass., whose machinery was allegedly responsible for damages suffered by a Scott customer.

### What can our independent consultation do for your EMPLOYEE BENEFITS Programs?

Design—Simplify—Improve . . .

Develop at lowest possible cost plans that deal with an employer's involvement in the areas of employee and industrial relations.

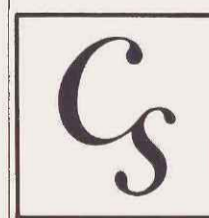
Corporate Policyholders Counsel, Inc. is not an agency or brokerage; we do not sell insurance. We do provide professional insurance and employee benefits specialists, well qualified to analyze plan design and financial results achieved; coordinate all segments of a fringe benefit and employee communication program; and eliminate over-lapping of statutory and non-statutory benefits.

We will help you make certain your program develops maximum values for every dollar invested in the well being of your employees!

CORPORATE POLICYHOLDERS COUNSEL, INC.  
20 North Wacker Drive • Chicago 60606 • Phone 312-372-8225  
Ask for Robert O'Meara, or write for Brochure B-100



**CORPORATE POLICYHOLDERS COUNSEL, INC.**  
Independent Consultants / Insurance and Employee Benefits



Management Consultants

**COMMONWEALTH SERVICES INC.**

NEW YORK, N. Y.

300 PARK AVE.

(212) 688-1800

JACKSON, MICHIGAN

WASHINGTON, D.C.

### Insurance and Pensions:

insurance audits,

management of corporate insurance programs,

evaluation and planning coverage for specific application,

analysis of pension and employee benefits programs.

Commonwealth diversification helps management solve complex problems.

Its strength is reinforced by its ability to draw upon the resources of its various companies.

# New fraud coverage on bank cards doesn't cover early holders' thefts

CHICAGO—The \$1 million Aetna Casualty and Surety counterfeit and fraud coverage on the Midwest credit card system won't cover any of the \$10 to \$18 million swindle suffered by Midwest and just announced by U.S. Department of Justice. The coverage, acquired long after the loss, may never be called upon, according to Midwest bankers.

The bankers contend that such a disaster could never happen again. Most of the fraud, of which the Midwest credit card system bore the brunt, took place during the first 120 days that Midwest was getting off the ground back in late 1966 and early 1967.

The coverage now provided the Midwest system comes in the form of two packages.

**THE FIRST** package was just acquired by Interbank and covers all member banks with a \$1 million limit. Each bank assumes a \$50,000 deductible and a 20% co-insurance factor.

The second part of the package is being sold by Aetna to Interbank member banks. It has a \$1 million limit also. But major banks are being asked to take a \$200,000 deductible in addition to a \$10,000 per credit card deductible.

The five banks that suffered the \$10 to \$18 million fraud are First National Bank of Chicago (with its First Card), Continental Illinois National Bank and Trust (Town and Country), Harris Trust and Savings (Charge It), Central National (Central Charge) and Pullman National Bank and Trust

## Arizona rate hike set for September 1

PHOENIX—The Arizona insurance department has disclosed that many insurance companies will increase fire insurance rates on some commercial structures by 20% September 1.

Melvin Dunton, chief deputy director of the department, also disclosed that a department request has resulted in agreement of all companies to withdraw a year-old premium surcharge for protection of property against civil disorders.

**THE SEPTEMBER 1** commercial fire insurance rate hike will average 20% on hotels, motels and most retail businesses, he indicated, but manufacturing will not be affected.

The increase was sought by about 125 companies, which, Mr. Dunton explained, write roughly half the fire insurance in the state through local agents. He also noted that a 20%-25% rate increase for school building coverage is about half that requested by the companies.

## G-P workers avoid strike

Georgia-Pacific Corp. tissue division employees, Bellingham, Wash., accepted the firm's second offer in voting to avert a strike. Local 309 of the Assn. of Western Pulp and Paper Workers voted 224-95 to accept a new two-year contract, running through May 1, 1971, but retroactive to last March 15, when an industrywide contract expired. Among improvements in the agreement is extension of the company-paid medical plan to dependents of Georgia-Pacific employees.

(Illinois Bank Charge).

Officers of the banks said that security measures instituted since the initial first-class mailing to depositors (many of whom did not request the credit cards) would prevent an equal debacle.

**ALTHOUGH** they declined to specify their exact losses, *Business Insurance* reported on July 21 that losses totaled \$12 million. It was also learned that 800 to 900 retail merchants have been eliminated from the Midwest credit card system as "undesirable risks."

At one time, 400,000 credit card numbers were listed on the Midwest system "hot sheet" (cards that are stolen or lost). Presently

about 2,000 cards are on the Midwest "hot sheet."

One banker in the Midwest system told *Business Insurance* that the maximum fraud run up by any one credit card during the first 120 days was \$10,000. Because this is the same amount of the deductible for the Aetna fraud coverage, he said it is now "somewhat difficult to justify the cost of this insurance."

**HOWEVER**, another banker said that, given the proper circumstances, it would be possible for a single credit card to rack up \$100,000 in bad credit.

Another banker said, "Why stop at \$100,000—why not \$1 million? It's entirely possible that someone

could run up that much with a single credit card. But it would be like walking up to a safe and opening it without knowing the combination."

Security measures instituted since the original fraud include 20 investigators at one major bank in the Midwest system, maximum credit sales of \$50 without calling the Midwest credit card system, and a phone call to every card holder who shows up with an unusual number of charges in a short period of time.

Most of the Midwest credit card bankers said they are now mailing all new cards registered mail (costing about 80¢ each mailing). However, it is known that at least one major bank is still mailing its cards first class.

**WHILE ANNOUNCING** the indictments of 32 persons in connection with the \$10 to \$18 million fraud, U.S. Attorney Thomas A. Foran agreed with the bankers

that a similar fraud could never be performed again.

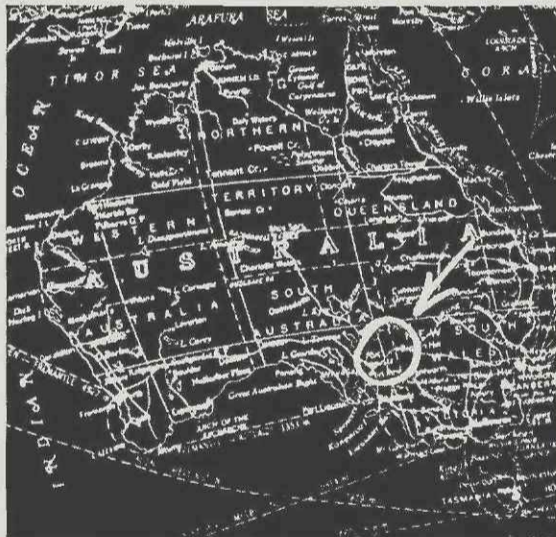
The original swindle was carried off by store owners who obtained credit cards from "passers" that were not on the Midwest system "hot sheet." They would then stamp sales slips with the credit cards, often forging the signature of the name on the credit card.

One of the indictments returned accused a mail carrier of theft of credit cards from the mails.

Merchants who worked in collusion with the credit card passers would advertise products for just under the \$50 limit that required a phone verification from Midwest to complete a sale. This, authorities said, lured credit card passers to fraudulent merchants.

Interbank is the only credit card system that has counterfeit and fraud coverage. The other credit card operations named in the swindle are American Express, Humble Oil Co. and Cities Service Oil Co.

# The farther away you build your plants, the closer to your insurance company you ought to be.



That's one of the advantages of insuring with INA—Insurance Company of North America. We're close to you here. We're close to you there. With our own service facilities in 110 foreign countries and our own employees all over the world, INA gives you the same management, underwriting and claims service abroad we provide for you here at home.

We're the only U.S. insurance company that does.

As a result, INA knows more about worldwide insurance and can provide you with more kinds of imaginative insurance coverage overseas than any other U.S. company.



**Insurance Company of North America**  
16th and Parkway, Philadelphia

# Court limits insurer's right to cancel policy

DENVER—The Colorado supreme court, in a 5-2 decision, ruled that when an insurance company accepts back payment to continue a policy in force, knowing that an injury has occurred, it cannot say later that the policy had lapsed at the time of the claim.

The decision, written by Justice Donald E. Kelley, affirmed a district court decision in Montrose, Colo., awarding \$1,188 to Thomas T. Cooper under health and accident benefit of a policy written by the American National Insurance Co. of St. Louis.

Mr. Cooper had paid premiums to the firm through his bank for one year but then switched bank accounts, and his monthly pay-

ments fell two months behind.

ON JUNE 13, 1967, he received a letter from the firm telling him to pay the back premiums "so your policy will continue in force."

Later that same day, Mr. Cooper was injured at work in a dynamite explosion.

The next day, his father-in-law took the letter from the company to the local insurance representative along with a check for the back payment plus the next month's payment in advance.

"With full knowledge of the accident and the resultant injuries to Mr. Cooper, the local agent accepted the check and tendered it to the company," said Justice Kelley.

THE COMPANY claimed in court that since the accident occurred prior to payment, Mr. Cooper was not covered before reinstatement.

The high court majority decision said the company's letter "clearly implied" that Mr. Cooper had a reasonable time to send the back payment and the firm regarded him as being still covered.

The majority ruled that in a case such as this, where a company "receives and retains premiums for the period of the accident with full knowledge of the accident and injuries to the insured, it waives whatever rights it had under the reinstatement provisions of the policy."

Justices Edward C. Day and James K. Groves dissented . . . "but mildly," Justice Groves wrote. He said he would enforce the provision of the policy covering only losses resulting from injuries after the date of reinstatement.

## Forms aviation division

Crump Underwriters Co., an affiliate of E. H. Crump and Co., Memphis, Tenn., has formed an aviation insurance division. Curtis E. Bell, who has been with Crump since 1967, has been appointed manager of the new department.

# Fla. city may lose fire rating

FORT LAUDERDALE, Fla.—Faced with the loss of its present fire insurance classification, this city will be told in September the improvements needed to prevent this downgrading which would mean a raise in the basic rates for city residents and businesses.

Mayor F. Peter Clements has instructed the city manager's office to conduct a "staff study" of the situation "to ascertain what the city can afford to prevent this from happening."

City Manager Robert Bubier told *Business Insurance* that he and his staff will study all the elements considered when fire insurance ratings are established.

"WE WILL STUDY all the departments, in depth," said Mr. Bubier.

Fire insurance classifications, set by the Florida Inspection and Rating Bureau, are based not only on the condition of a city's fire department but also on the water supply, condition and construction of buildings and other variables.

According to Timothy Sullivan, safety management consultant, Fort Lauderdale is likely to lose its present class four rating unless the fire department is upgraded.

Mr. Stillman, who urged Mayor Clements to have the study made, said city residents and businessmen will face a "heavy increase" in fire insurance rates "unless the fire department is raised to the status of a major department."

Mr. Bubier said he does consider the fire department a major department. He said the suggestions to upgrade it are "out of the question financially at this time."

Mr. Stillman said that six of the city's active fire trucks are older than the 15 years maximum recommended, according to national standards. He added that the two reserve trucks are older than the 20 years maximum recommended.

Mr. Stillman pointed out that sufficient personnel should be provided so that two persons can be on duty at all times in the alarm office, a standard required when the number of alarms is in excess of 1,500 a year.

Mr. Bubier said that he hoped to have the complete report ready for the city commissioners before the end of next month.

# Cassidy gets Airtemp post

DAYTON, O.—Walter E. Cassidy, a 13-year employe of Airtemp Division of Chrysler Corp., has been named supervisor, employe services and programs, after serving in various personnel positions.

In the new position, Mr. Cassidy is responsible for a self-insured workmen's compensation program that covers Airtemp's 6,000 employes, safety and industrial security, which encompasses defense security and classified personnel. He also handles management training, the division suggestion program and Airtemp's communications system.

Mr. Cassidy reports to the personnel director of Airtemp.

## Swenson is president

Harold F. Swenson has been elected president and chief operating officer of Bishop's Service Inc., New York, which provides confidential reports on individuals and organizations.

# Sanitary union ponders dropping Blue Cross

NEW YORK—A proposal by the president of this city's sanitationmen's union that city employes pull out of Blue Cross because of "extraordinarily high" rates and form their own hospitalization plan has met with passive response from employes.

The ball was dropped by John J. DeLury, president of the Union of Sanitationmen's Assn. Mayor John V. Lindsay picked it up, naming a joint labor-government committee to study the possibility of the city serving as a self-insurer for the more than 900,000 present or retired city employes and members of their families who are covered by Blue Cross.

Mr. DeLury's suggestion was precipitated by an application by the Associated Hospital Service, which operates the Blue Cross program, to increase rates as much as 83.6% for some subscribers.

The state insurance department approved the increases, only in smaller amounts that would average 43.3%. Since then, however, both Mayor Lindsay and his democratic opponent in the November elections here, Mario A. Procaccino, have obtained state supreme court orders directing the insurance department to show cause why Blue Cross increases should not be barred.

Although the current Blue Cross request would not raise the rate for the city employe group, Mr. DeLury said it would cost his union some money.

UNDER ITS standard contract, Blue Cross picks up the whole bill for the first 21 days in the hospital and half of the bill for anything longer, up to 180 days. The city puts up extra funds which, under some union contracts, shift this to a contract that gives full payment for 120 days.

However, Mr. DeLury's union serves as a self-insurer for its members after the initial 21 days, using the extra city money to defray the cost. If hospital costs continue to soar, therefore, sanitationmen's bills will soar also.

The mayor's office, on the other hand, said the administration was concerned about Blue Cross' request for a rate increase for both "social reasons" and because of spillover effect. That is, if private

insurance was priced out of the reach of the less affluent, the city might have to help pay their hospital bills under Medicaid.

A source at Blue Cross told *Business Insurance* that he "wouldn't hazard a guess as to whether the city will actually try this.

"I THINK the thing you have to remember," he said, "is that other organizations have gone to self-insurance before and they've always come back to us.

"Every union leader had to take a position for his membership—for political reasons," he went on. "As far as the mayor is concerned . . . well, I don't know. This is an election year and a perfectly good time for Mr. DeLury to walk in."

Asked if he thought Mr. DeLury and the mayor were using the issue as a club to bat Blue Cross rates down, he answered: "Perhaps, but this is a peculiar way to do it. Now maybe they'll try to knock down the costs we have to pay hospitals."

Commenting on the present status of his suggestion, Mr. DeLury said that he was "neither elated nor depressed" that the mayor had appointed a committee to study the proposal.

Concerning Blue Cross' passiveness, he added, "This may be the year the boom is lowered on them. They've led a charmed life and I think some of the charm is rubbing off. This might be the year of reckoning. We're certainly doing everything in our power to insure that."

# Bill assures hazard cover

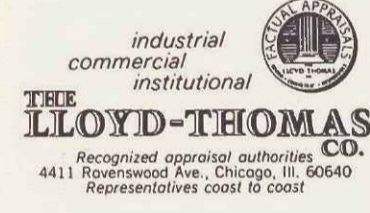
SACRAMENTO—Legislation has now gone to Gov. Ronald Reagan for his signature which would guarantee continuation of fire and related insurance in "hazard" areas.

The legislation, introduced by Assemblyman Robert Moretti (D.-North Hollywood), requires fire insurers in California to guarantee the availability of fire insurance for all property—residential, commercial and public.

The new law takes advantage of the U. S. riot reinsurance program and will be administered by the California FAIR plan.

# Every Lloyd-Thomas appraisal...

—carries with it the name and reputation of one of the oldest and most respected appraisal organizations in the United States. Write for informative booklet, "What the Businessman Should Know About Fire Insurance" — address Dept. BI.



# Unbiased\*

EBS RISK MANAGEMENT analysis of your corporate insurance and risk management programs or problems—domestic or foreign—will give you an unbiased professional viewpoint. Recommendations seek optimum protection from risk exposures at minimum expense to the corporation.

EBS maintains the country's largest group of risk management specialists engaged solely in consulting and advisory services to company officials. These experts are respected and experienced. Their evaluations are competent, independent, unbiased. Their services are designed to consider all areas through specific or continuous audits or advisory studies. Their assistance is available from offices nation-wide.

\*EBS Provides Unbiased Studies. No Insurance Sold.

## EBS MANAGEMENT CONSULTANTS INCORPORATED

A Subsidiary of Ebasco Industries, Inc.

- NEW YORK**  
100 Church Street  
New York, New York 10007  
(212) 425-0500
- CHICAGO**  
100 S. Wacker Drive  
Chicago, Illinois 60606  
(312) FI 6-3438
- SAN FRANCISCO**  
44 Montgomery Street  
San Francisco, Calif.  
(415) YU 2-3463
- WASHINGTON**  
1225 Conn. Avenue, N. W.  
Washington, D. C. 20036  
(202) 293-1950
- DALLAS**  
211 N. Ervay Street  
Dallas, Texas 75201  
(214) RI 7-3533
- CLEVELAND**  
21330 Center Ridge Road  
Rocky River, Ohio 44116  
(216) 333 7350

MEMBERS OF ASSOCIATION OF CONSULTING MANAGEMENT ENGINEERS, INC.

# classified advertising

RATES AND CLOSING TIME: \$2.00 per line, minimum charge \$8.00. Cash with order. Figure all cap lines (maximum—two) 30 letters and spaces per line; upper & lower case 40 per line. Add two lines for box number. Replies are forwarded daily. Closing deadline: Copy in written form in Chicago office not later than noon, Monday 7 days preceding publication date. Published every other Monday. Display classified takes card rate of \$16.00 per column inch, and card discounts on size and frequency.

## POSITIONS WANTED HELP WANTED

**RISK MANAGER - CONSULTANT AVAILABLE**  
Excellent background in corporate risk management and top references. Will relocate. Salary open.  
Box 958, ADVERTISING AGE  
740 Rush St., Chicago, Ill. 60611

**ASSISTANT INSURANCE MANAGER AND SAFETY COORDINATOR**  
A major (NYSE) diversified company has an unusual growth opportunity for a fire and accident prevention specialist. Position requires insurance or industrial experience, ability to identify hazards, install and promote safety programs.  
Salary open.  
Relocation expenses paid.  
Excellent fringe benefits  
Send resume to: Insurance Director  
P. O. Box 1037  
Louisville, Ky. 40201

## MISCELLANEOUS

**STAND OUT IN THE CROWD OF COMPETITION!**  
Use Client Cards. Create sales and generate good will. Free samples and brochure. Ed Black Publishing, Box 481B, Albany, Oregon 97321



The following sales message may be somewhat unpleasant, but please take it anyhow. It's good for you.

*Business insurance is like castor oil.  
It isn't too bad if you get it over with fast.*

If you're like most businessmen, insurance details bug you. Or bore you. Or both. That's why The St. Paul invented the MULTICOVER plan.

Now, you can simply call *one* agent, and get *one* MULTICOVER plan that fits you and your business. You can write just *one* check every month, and you call the same agent to settle all claims.

MULTICOVER can include auto insurance, insurance against property damage, fire, burglary, forgery, accidents, death and about thirty-five other catastrophes that are just too

unpleasant to mention in a classy magazine like this.

**You save time, obviously. You get fast, fast, incredibly fast relief from petty details. You may save some money, too: 15%, maybe more.**

(In all honesty, we must admit that other insurance companies offer policies similar to MULTICOVER, so you're not confined to the venerable, solvent St. Paul. But we may offer a few benefits not available elsewhere, all of which will be explained, if you wish, by an independent agent listed under our name in the yellow pages.)

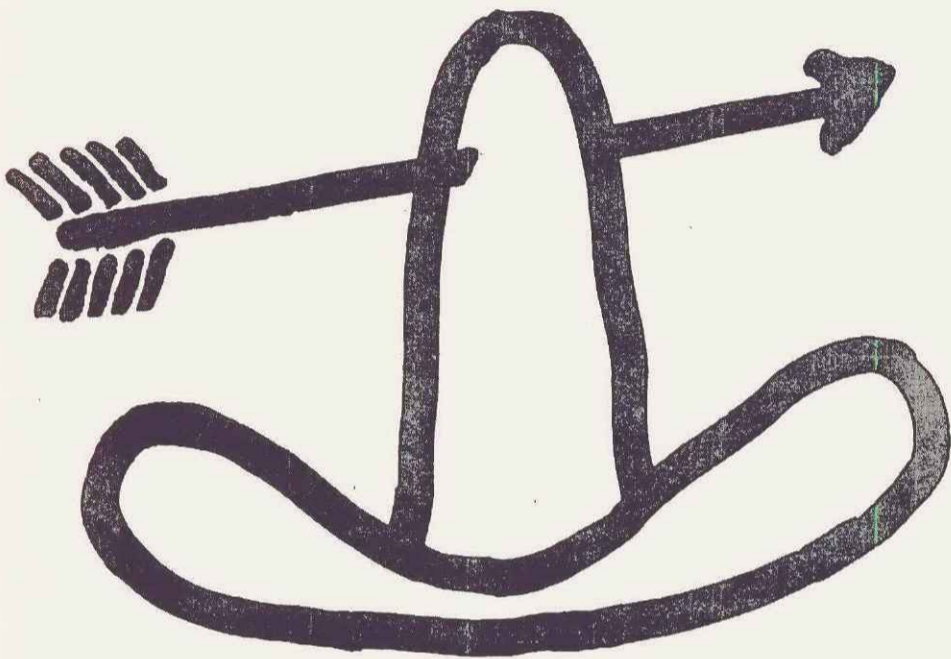
We realize that, for most businessmen, insurance still has all the sales appeal of castor oil. But at least now you can take it like a man.

**THE ST. PAUL**  
INSURANCE COMPANIES



Serving you around the world... around the clock  
St. Paul, Minnesota 55102

# Is there room for the maverick point of view in business insurance?



At Allstate, we've never been content to do things the way they've always been done. And we've never let ourselves get boxed-in by out-of-date thinking that chokes off new ideas.

Now we're bringing this same maverick point of view to business insurance.

Allstate sells just about all of the kinds of insurance your company needs.

After a few short years of staffing up, we're ready to tackle any problem you can throw at us—however big.

Our men are specialists. Handpicked. Experienced. Valuable.

Just maverick enough to bring you a fresh and helpful point of view. And probably able to save you money in the bargain.

It will pay you to talk to Allstate, next time you need a quote. Call us, won't you?

**Allstate**<sup>®</sup>  
BUSINESS INSURANCE