

Risk management — a profit booster: a new IIA series

Oil riggers page 9

'City by the bay' page 21

Air controllers page 25

Entertainment risks page 23

see page 33

Entire contents copyright 1968 by Advertising Publications Inc.

business insurance

for buyers of employe, property and liability protection

35¢ a copy; \$8 a year

September 23, 1968

Prepaid group health scheme set at Harvard

BOSTON—Eight major insurers are serving as an advisory committee to the Massachusetts Blue Cross plan in an experiment with Harvard Medical School to provide subscribers with prepaid group medical services at hospitals affiliated with the school.

The Harvard approach, it was explained, is the first major program in the country which calls for financing by Blue Cross and several commercial insurance companies, which are also involved in the project. Other established group plans, such as the Kaiser-Permanent and Health Insurance Plan of New York, are self-financed and have taken on themselves the many responsibilities of the prepayment agent.

The advisory committee to the Harvard-Blue Cross experiment consists of Prudential, Aetna, Travelers, Metropolitan, John Hancock, Continental Casualty and Liberty Mutual along with the Health Insurance Assn. of America.

ACCORDING TO a Harvard spokesman, the insurers right now are acting as an ad hoc committee to the program, with the possibility that several companies may participate in the program.

With the approval of employers, Blue Cross will offer the Harvard plan to enrolled groups in the metropolitan area, giving the employe a choice of the Harvard plan or of continuing his conventional Blue Cross coverage.

The program is expected to begin July 1, 1969, with an initial enrollment of at least 15,000 persons.

Court award for lime burns

BUFFALO—A youth, burned two years ago when he fell into a pile of unslaked lime behind a cement company, received a \$250,000 Supreme Court settlement.

The settlement was approved for John Sugg, now 16, by Supreme Court Justice Reid S. Moule. Defendant in the case is the Lehigh Portland Cement Co.

An additional \$50,000 settlement has been accepted by John's parents, Irving and Mary Sugg of West Seneca, making the total figure \$300,000, one of the largest figures recorded in an Erie county lawsuit in recent years.



Mini-monorail at the HemisFair exposition is a twisted mass of wreckage after a collision that killed one person and injured 48 others. Liability coverage on the monorail is shared by two carriers and a team of adjusters at the fair site is handling claims arising from the incident.

Wide World photo

Two insurers cover HemisFair 'minirail'

SAN ANTONIO, Tex.—General Accident Insurance Co. and Fireman's Fund American have the property and liability coverage for a mini-monorail train crash at HemisFair last week which injured 48 persons, 14 of whom were hospitalized, and killed one.

Eleven cars of the elevated monorail crashed to the ground when it was struck from the rear by another of the miniature trains.

Claims officials of both carriers are "investigating" the accident. The rail ride was operated by H.C.P. Enterprises, a private concessionaire at HemisFair.

It is understood that HemisFair required a \$1,000,000 minimum basic liability cover for each fair participant.

GULF INSURANCE Group, official HemisFair insurer and consultant, has put together a \$1,000,000 comprehensive general liability policy protecting San Antonio Fair Inc., operator of the fair, and a \$20,000,000 excess umbrella policy not only for buildings owned and operated by HemisFair and exhibits, but also for concessionaires and domestic and foreign exhibitors.

The umbrella policy also protects the fair owners' interests.

This is the second "major" accident involving personal injury at the fair since it opened April 6. The first happened when a car on an amusement ride ripped loose and slammed into a post, injuring one person.

Gulf maintains a three-man claims office on the fair site, headed by Dick Caldwell and a safety engineer, Dudley Powell. There had been no major claims during the \$46,000,000 construction phase of the fair.

THE ACCIDENT happened on a day that HemisFair officials offered for a second time a "two for the price of one" entrance fee and nearly 90,000 persons jammed the park.

The mishap occurred as the two trains rounded a curve between a lagoon and a HemisFair infirmary, where a doctor and several nurses were on duty.

The injured were afforded quick medical treatment as a number of airmen visiting the fair cordoned off the scene.

This was the third mishap involving the "minirail" trains, but the first involving any injury. Fire damaged several cars during a test run before the fair opened and there was a minor collision just after the fair opened.

Pinpoint cost of risks with systems analysis techniques, AMA told

CHICAGO—Insurance managers last week were urged to adopt the tools of scientific management—including investment return analysis and statistical forecasting—to more exactly pinpoint the cost of risks.

Speakers at the first day session of an American Management Assn. risk management course advised managers to "talk the language" of top management by discussing losses in terms of cents per share. One insurance buyer said his management "woke up immediately" when he took a cents-per-share approach.

One of the best ways to "get wired in on major decisions"—in order to begin planning loss prevention procedures at the earliest possible moment—is for insurance managers to get on the routing list of appropriation requests for major company projects, according to Edward D. Hansen, risk manager of Union Tank Car Co. here and co-chairman of the AMA session.

RUSSELL B. GALLAGHER, manager of the real estate department of Philco-Ford Co., Philadelphia, said that it's also a good idea for insurance managers to get on research and development committees and to become "closely associated" with their firms' real estate activities.

"These three areas—appropriations, R&D and real estate—all have basic functional ties with

risk management," Mr. Gallagher explained.

Risk management, said Orville B. Tearney, manager of credit and corporate insurance of Inland Steel Co., "is not a job where you sit in an office and say next week this policy has to be renewed. It's a fluid situation. Your management is going to hold you responsible for that surprise loss."

MR. TEARNEY SAID that his department is currently conducting a study of whether to insure business interruption losses, which management formerly elected to self insure. He explained that as part of the firm's risk management program his department is putting together a critical path risk analysis flow chart study to determine business interruption losses in every department.

"The risk manager," according to A. Hunter Long, of Standard Oil of New Jersey's risk management division and co-chairman of the AMA meeting, "must be in a position to identify the risks in an operation or a new investment so that he may project and quantify them in terms of probability of size and frequency of occurrence.

"To the extent that risks are quantified, even though the margin of error in the estimate is large, they may be treated as routine costs of doing business

Continued on page 38

Glen Alden covered by D&O insurance

NEW YORK—Glen Alden Corp. executives are protected by officers' and directors' liability insurance against possible damages arising from a stockholder's derivative suit filed here, *Business Insurance* was told.

The company has carried such coverage through Lloyd's of London since the insurance first became available, it was learned.

But in two similar cases, also involving "insider" stock transactions, Merrill, Lynch, Pierce, Fenner & Smith and Texas Gulf Sulphur Co. don't have the coverage to shield their top people from potential damages.

The suit brought by Penn Mart Realty Co., a Glen Alden stockholder, charges Glen Alden's chairman and other officers with

giving an investment fund inside information about the firm's planned acquisition of Schenley Industries. The civil suit seeks \$1,500,000 in damages on behalf of Glen Alden.

THE SUIT SAID that the investment fund, Investors Variable Payment Fund Inc., agreed to buy 92,700 shares of Schenley at \$63—one week before Glen Alden announced it would pay a minimum of \$80 a share for Schenley in a takeover bid.

Glen Alden said the suit was "without merit."

No indemnification is permitted in derivative suits for amounts paid to the corporation "for the obvious reason that it is really the corporation bringing

Continued on page 38

Faulty sprinkler system fails to dampen costly warehouse fire

DANBURY, Conn.—An estimated \$3,000,000 fire, which destroyed a two-block industrial complex here, could have been extinguished if the sprinkler system had been working, according to fire and insurance officials.

The fire, which started in a warehouse operated by International Warehousing Corp., completely destroyed the building and its contents and damaged two other plants.

Among the firms whose goods were stored in the warehouse were B. F. Goodrich, Procter & Gamble, Burco Products and Diversified Services of New Jersey.

ACCORDING TO AN insurance source, Travelers, Home In-

urance and Phoenix Mutual Fire Insurance Co. covered International for fire and extended coverage. The warehouse building, he said, was insured for a loss up to \$325,000.

The source said International turned off its sprinkler system in May, 1967. A spokesman for the warehousing firm said the insurance companies and the fire department were notified that the sprinkler system was inoperative.

"The sprinkler system was constantly breaking down," said the spokesman. "Insurance rates were readjusted for the periods when the system was not working."

According to International, the

companies whose products were destroyed in the warehouse will have to seek retribution from their insurers.

"BEFORE THE COMPANIES placed their merchandise in the warehouse," he said, "they agreed to assume liability and to carry a warehouse deposit insurance policy."

A broker, representing one of the industrial companies, said if International is held to be negligent, especially for having the sprinkler shut off, there are bound to be claims against it.

On the other hand, he conceded that subrogation claims by the industrial companies or their insurers could depend on what

type of agreements were made with International.

THE SPOKESMAN for International said warehousemen liability coverage for losses sustained by the two other plants was also carried. The firms were Bard-Parker Co., maker of surgical equipment, and Mariano Brothers Moving & Storage Co., whose building was destroyed.

According to Arthur Manley, insurance manager for Becton-Dickinson, Rutherford, N.J., owner of Bard-Parker, the sprinkler went off in the Bard-Parker plant, which kept it from having extensive losses. "Most of the buildings and contents were saved," he said.

According to fire officials here and the General Adjustment Bureau, the cause of the fire was undetermined. Included in the contents destroyed were 15,000 pool and ping pong tables, foam rubber carpet padding and other material.

Officials from the fire department and the GAB said if the sprinkler system was working most of the warehouse would have been saved.

Sears denies merger report

CHICAGO—Sears, Roebuck & Co. has denied a report in the Sept. 9 issue of *Business Insurance* that the big retailer has conducted merger talks with Marsh & McLennan.

A Sears spokesman said the story was "without foundation."

Marsh & McLennan declined comment.

New foam system bows

National Foam System, West Chester, Pa., has introduced a high-expansion, fixed-foam system for industrial fire-fighting units and for the protection of special hazard areas.

Each system uses one of several foam generators, which are installed on the walls of the room or building near the ceiling and can be actuated either automatically or manually, the company said. The system can be used either alone or with sprinklers.

Prudential, Equitable go overseas

NEW YORK—Two more major life insurance companies, Prudential and Equitable, have hopped on the overseas benefits bandwagon.

Equitable's worldwide program includes life, health and pension coverage and works on a nonexclusive arrangement.

The company has just expanded to South America.

Equitable has working arrangements with about 50 companies in 25 or 30 countries. In South America, the insurer has selected 20 companies which meet Equitable's standards for the international arrangement.

Prudential's program for group life and health coverage is effective in 11 West European countries and works through Swiss Life Insurance and Pension Co. of Zurich; "Vita" Life Assurance Co., a member of the Zurich Group; and Norwich Union Life Insurance Society of Norwich, England.

Already underway are benefit programs at such companies as Metropolitan, John Hancock and Continental Assurance Co. The international arrangements have been given impetus by the international expansion of the insurers' U.S. customers.

The 11 West European countries involved in Prudential's program are the United Kingdom, Belgium, The Netherlands, France, Spain, Portugal, Switzerland, West Germany, Austria, Italy and Luxembourg.

According to the international arrangement, Prudential can reinsure about 50%.

Prudential works on a less formal basis with the American International Groups of Companies in offering coverage in Latin America and the Far East.

Borders new vp

M. W. Borders has been named vp in charge of life, accident and health insurance for Edwin G. Imhaus Co. brokers.

He's your 35-year-old marketing dynamo...



Insure him for \$50,000 (mostly permanent protection) at only \$784.50 per year.

Provident Mutual's Adjusting Benefit Life... fresh, imaginative, flexible. A truly new dimension in low-cost protection. Provides maximum whole life (never less than 73%) at a rock bottom premium that stays level for life.

Combines the best of both par and non-par: low net cost, low going-in rate. A natural for key man coverage... for anyone to age 70, starting at \$10,000. No room here to detail mechanics. Urge you to fill out the coupon. Worth your serious attention.

Please send me details on Adjusting Benefit Life, plus "The Flying Cloud" ... a handsome 19 x 24 color print, very suitable for framing.

Name _____
Company _____
Title _____
Address _____

PROVIDENT MUTUAL LIFE
INSURANCE COMPANY OF PHILADELPHIA
P.O. Box 7378, Philadelphia, Pa. 19101

CONFIDENTIAL: Here is the reason

AIM has grown to No. 3 in aviation insurance:

We make you a NAME instead of a number. Try us!



Specialists in all forms of Aviation Insurance
AVIATION INSURANCE MANAGERS, INC.

C. Anthony Winner, Executive Vice President
610 POYDRAS STREET, NEW ORLEANS 70130
AND IN LOS ANGELES, HOUSTON AND ATLANTA

Urges early passage of federal fiduciary, vesting-funding bills

(For other coverage of the 14th annual educational conference sponsored by the National Foundation of Health, Welfare & Pension Plans, see stories on pages 4, 16, 24, 27, 29 and 41.)

SAN FRANCISCO—An Administration spokesman made a strong pitch for early passage of fiduciary and vesting-funding legislation currently before Congress at the annual education conference of the National Foundation of Health, Welfare & Pension Plans.

The plea for passage came in the wake of several presentations during the working sessions of the conference which predicted the death of the U.S. private pension system if such bills were passed.

Among those speaking out against passage included Richard Van Deuren, Milwaukee lawyer; John Hill, Portland, Ore., lawyer; and Steven Sherman, president of United Administrators Inc., Seattle, Wash. (See story on page 16.)

MANY OF THE 4,800 who attended the conference were union leaders and were caught on the horns of a dilemma: their usual support of Democratic party legislative moves and information that contends this legislation would doom union welfare and pension funds.

Undersecretary of Labor, James J. Reynolds, took up the

Administration's cudgel, saying that operation of pension plans "with the tremendous impact they have on the public sector, is properly the concern of government."

He said two bills are of particular interest to the Labor Department. "The purpose of the first—a fiduciary bill—is to safeguard the assets of welfare, pension and profit-sharing plans, and the purpose of the second, a vesting-funding bill, is to give retirement plan participants a better chance to qualify for benefits and greater assurance of receiving the benefits for which they become eligible.

"I suggest that both bills are urgently needed, and the vesting-funding bill—far from harming the private retirement system—will help it fulfill its potential as a vital supplement to the Social Security system."

MR. REYNOLDS contended that the \$3 billion paid out to 3,000,000 beneficiaries annually falls considerably short of being a vital supplement to the Social Security system.

The prevalence of "unduly restrictive eligibility" requirements and lack of sufficient funds to pay promised benefits are the chief stumbling blocks, he said.

"Establishment of a federal standard of fiduciary responsibility would help preserve the assets of welfare, pension and profit-sharing funds for their proper

use—the payment of benefits to qualified beneficiaries," he said.

He urged that vesting standards (the federal bills usually call for ten-year vesting after age 25) and reciprocal agreements be enacted to protect employes who get laid off in their 60s, even after 40 years service, or those who get sick in their 50s but do not have disability provisions.

"IN ALL too many cases, the pension promise shrinks to this: If you remain in good health and stay with the company until you are 65 years old, and if the company is still in business, and if your department has not been abolished, and if you haven't been laid off for too long a period—or fired at the last minute, and if there's enough money in the fund, and that money has been prudently handled, then, you will get a pension," Mr. Reynolds said.

He contended that the current legislation would go a long way to end this "indefensible labyrinth of if's, and's and but's, not to mention maybe's."

"The assets of welfare and pension plans are probably 50 times greater than the assets of all the labor organizations in the U.S., yet currently there is more federal protection for union assets than for the assets of welfare and pension funds. The fiduciary bill is aimed simply at the rotten apples in the barrel," Mr. Reynolds said.

Asks pension pay 'chiseling' curbs

SAN FRANCISCO—A pension and welfare consultant has urged pension fund administrators to make spot checks of payroll reports, a system of fines and penalties and work stoppages to prevent employers from "chiseling" on contributions to pension funds.

Addressing a workshop of the annual education conference of the Health, Welfare & Pension Plans, Mario E. Impellizeri, administrative consultant for the Painting Industry Insurance Fund of New York City, said that when some employers do not make proper contributions to pension funds, it can affect other employers contributing to the fund and could even affect profit and loss statements for all concerned.

For example, if a contractor fails to estimate the required pension fund contributions on a municipal bid job, Mr. Impellizeri observed, the contractor might submit the low bid and

end up bankrupt.

"A SPOT CHECK of payroll reports often uncovers discrepancies, particularly the first time it's done and when overtime is involved," he said. He urged that the bargaining contract authorize periodic audit of employers and establish a hearing committee for employer rebuttal.

He said that late filing penalties, of as much as 10%, periodic lists of late filings for fund administrators and union officials and fines for employers can reduce tardy payments into the fund.

He said that fund trustees should ask for an employer to post a performance bond of a percentage of its gross contribution and that annual statements be furnished so that employees may check this information against withholding statements to insure appropriate contributions to pension funds.

Thomas Reynolds, assistant vp in the Lansing, Mich., office of Russell M. Tolley & Associates, outlined the results of a 12,000 member craft union that self-insured its pension fund.

THE FUND WAS set up in 1953, he said, with one insurance company as administrator for 13 years and experienced one "bad" year out of the 13.

The trustees have estimated that the fund has saved \$45,000 to \$50,000 annually since going self-insured two years ago. In the second year, he said, the fund's equity has gone up \$450,000 and the investment income has risen 12%.

He said that the fund's admin-

istrators feel that it has been a wise move but he felt that it would not be wise to begin a fund on a self-insured basis.

He urged that the fund have several years claim experience under its belt and that a large number of lives, say 2,000 or more with annual contributions of more than \$1,000,000, be in the fund.

He recommended that those funds with "peaks and valleys" in claims avoid becoming self-insured.

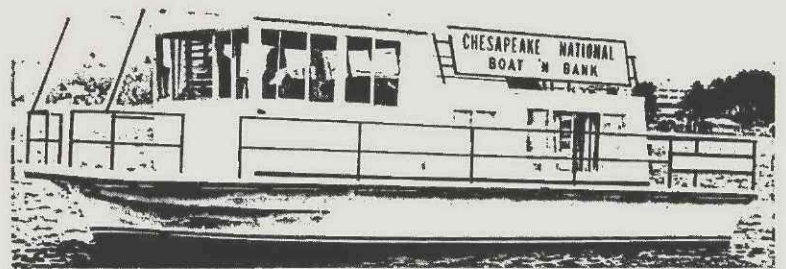
4,800 jam conference

SAN FRANCISCO—More than 4,800 trustees and administrators of health, welfare and pension funds across the U.S. jammed into this city's Hilton Hotel to attend the conference of National Foundation of Health, Welfare & Pensions Plans.

Delegates attended 32 workshop sessions, plus special industry, leadership and communications' skills sessions.

The proceedings of the conference with the complete text of all formal presentations will be mailed to all registrants and dues-paying foundation members early next year. Additional copies at \$10 for members and \$12.50 for nonmembers may be purchased from the foundation Box 898, Elm Grove, Wis. 53122.

A summary of pension and welfare bills before Congress is available from the Assn. of Private Pension & Welfare Plans, Box 1920, Washington, D.C. 20013.



Sailing across the wide blue yonder is the Chesapeake National Bank "boat 'n bank," the nation's first floating branch bank. Normal marine coverage on its hull and a property and indemnity policy give the boat adequate marine protection.

'30-knot' bank carries 'watertight' coverage

WEEMS, Va.—The nation's first mobile waterborne bank office, launched here last week, had "no real difficulties" in placing its marine coverage.

Officials of the Chesapeake National Bank said that the houseboat bank has all the normal security features of a land bank office, including security cameras, guards, alarms, ship-to-shore telephone and radios. Actually, one bank official said, "It probably would be more difficult to pull off a robbery on the houseboat than on land."

The marine insurance coverage for the "boat 'n bank" was placed by Hubbard Insurance Agency, Kilmarnock, with the Home Insurance Co. The new branch bank is adequately covered under a hull policy and a property and indemnity liability policy.

A MEMBER OF the Hubbard agency contended that there are no particular hazards as far as

marine coverage is concerned. Possibly, he said, there may have been more of a problem in obtaining bank bonds for the monies and securities on board.

A bank official explained that during the nights the boat will be tied up at a marina and during the day it will divide its time between two pier locations on Carter's Creek, a tributary of the Rappahannock, just off Chesapeake Bay. A third location will be inaugurated next spring.

Since, according to the bank, "a great many of our customers are water oriented, earning their livelihoods as commercial fisherman or oyster tongers, and needed a bank close at hand, we decided to take a branch to them."

The floating bank will be traversing in territory once favored by pirates. But should anyone sail close flying a Jolly Roger today, the bank's cash, according to an official, could be flung overboard in lead-weighted sacks and retrieved later by divers.

UAW local yearns for group-type plan

ANDERSON, Ind.—Local #662 of the United Auto Workers of America is a union in search of group-type auto insurance.

Russell Brown, vp of the local representing 12,246 workers at the Delco-Remy Division of General Motors Corp. here said, "If we can get what we want for our people, we'll initiate group auto insurance right away."

Meanwhile, officials of the UAW international union in Detroit said they are seriously studying group auto insurance as a fringe benefit to be negotiated in future UAW contracts. While they have no direct connection with the efforts of the Anderson local to establish a plan, the Detroit UAW officials will be carefully watching the response and results.

Mr. Brown explained his local is seeking to put its members under a group-type auto insurance program because the coverage would be noncancellable and because it would be obtainable at rates lower than individual coverage.

"ONCE WE GET this going here," Mr. Brown predicted, "nearly all of the workers we bargain for would sign up." He added that the success of the plan would depend upon the willingness of Delco-Remy to make payroll deductions of premiums as a service to union members.

"We envision a program that would provide the union with one master policy and certificates of insurance for all those who sign up for the plan." Mr.

Brown told *Business Insurance*.

In Detroit an official of the UAW international headquarters told *Business Insurance* that many UAW locals are looking into group-type auto insurance. Some locals are seeking to administer group-type auto insurance through their credit unions.

UAW OFFICIALS say they are again considering negotiating for group-type auto insurance as a fringe benefit. A UAW spokesman said that his union listed group-type auto insurance as a benefit demand in negotiations with Ford Motor Co. several years ago but "it slipped off the bargaining table," as he put it.

UAW, however, is still stongly considering asking for group-type auto insurance as a fringe benefit with an employer contribution. "An employer contribution is needed," according to the spokesman, "because that is the factor that would reduce premiums for our members. Otherwise, good risks would pay more to subsidize bad risks."

Last December, the UAW insurance expert said, the union conferred in Detroit with representatives of ten "very large" insurance companies to study the possibilities in various group and group-type auto insurance programs.

Until group insurance is included as a negotiated fringe benefit in UAW contracts, the spokesman said, the international union will watch with keen attention the results of local group-type auto plans such as the Indiana local seeks

City buys riot cover

NEW BRITAIN, Conn.—This city has agreed to purchase a separate riot and civil disturbances insurance policy from the Aetna Casualty & Surety Co., Hartford, for annual premium of \$13,000.

Cost of the new policy for the city for the balance of the year will be \$8,905.

The New Britain Board of Finance is being asked to supply the funds.

Rising health cost due to supply and demand

SAN FRANCISCO—Two professors of economics presented a session of the educational conference of the National Foundation of Health, Welfare & Pension Plans with an elementary lesson on the law of supply and demand to explain why health care costs have skyrocketed.

Prof. Kenneth McCaffree, University of Washington, offered several solutions to help curb costs that he said have multiplied 12 times since 1928 without a corresponding increase in the level of health enjoyed by the average citizen.

The suggestions included expansion of training facilities and training of new types of personnel in the medical health field.

In addition, Mr. McCaffree said that the third-party, payee sys-

tem of the Blues and insurance companies doesn't have appropriate cost checks. "It is to their eternal credit that insurers have dropped from 25¢ per dollar of premium down to 5¢," he said, but they have not done enough to develop standards of utilization control, find patterns of care and work out norms.

HE SAID THE indemnity insurance system provides little incentive to control expenditures. He pointed out that of the 8% annual rise in costs, 4% could be attributed to unit price hikes, 1.6% to the increase in population, 7% to rising standards of living and the remainder a mystery that amounts to \$500,000,000 annually.

He estimated total annual

health expenditures at \$50 billion in the U.S.

Mr. McCaffree said prepaid group health systems, such as the Kaiser plan and other union sponsored plans, put incentive on the health care provider because he is paid to keep the patient well by being paid on a per capita basis.

"In addition, the comprehensive care programs present the usual market setting by pitting the doctor against the patient, with the consumer participating in the program," he said.

He pointed out that U.S. civil service experience with prepaid programs has saved 40% over regular insurance of Blue programs.

PROF. JOSEPH W. Ehren-

reich, University of Southern California Research Institute for Business and Economics, pointed out that the cost of living index has risen 20% in ten years, medical care services 55%, hospital usage 120%, dental costs 23% and doctors' charges 43%.

Mr. Ehrenreich pointed out that the health field is not a competitive structure because hospitals have "no real economic incentive." He urged greater combining of facilities so that they can become more efficient across a community or a county scale.

He said the true hope of curbing soaring medical cost lies with representatives of labor and management as big buyers of group health coverages.

"No one usually says, 'Hey doctor, let's talk about prices,'"

Mr. Ehrenreich said, "and there is little relationship between what a doctor charges and what his costs are."

He pointed out that a hernia operation in Detroit costs \$104, \$190 in Minneapolis, \$234 in Kansas City and \$314 in San Francisco.

"Major group purchasers have a vital role. They must present a strong countervailing force and twist the arms of doctors and dentists and other health care providers. If they don't the government will," he said.

He urged major health care purchasers to influence product use of comprehensive plans and recommend standardized products so that comparisons can be made.

Both professors agreed that users of health care must be educated and that major health care buyers can play a vital role in any education process. The education can come in the form of how much health care costs, even if covered by insurance, what alternatives are available, what claims abuses cost, advantages of group practice and what service paramedical personnel can provide.

Mr. Ehrenreich said that group buyers should form regional coalitions to bargain with health care vendors, take over control of hospitals or become part of their governing bodies, build their own hospitals, support medical school construction, provide scholarships with provisions that the recipient will work for you, operate prepayment plans and health clinics and exchange information on money saving practices.

"Only a massive national effort by labor and management groups will prevent federal intervention," he concluded.

We like to work in groups.



Over 20 million people are protected by our employee benefit plans. That's worth remembering when you're thinking about group insurance for your company. Perhaps an "inflation-proof" retirement plan. Or any other form of group life, health or pension coverage. Fact is, more businesses are group insured with Aetna than with any other company.

Nothing succeeds like success. In your business. And ours.

OUR CONCERN IS PEOPLE



LIFE & CASUALTY

Pennsylvania work comp rated down

HARRISBURG—Manufacturing and utility companies and the federal government will pay higher workmen's compensation rates in Pennsylvania, although a general decrease of 1.3% was announced by the state insurance department.

According to David O. Maxwell, insurance commissioner, rates were raised for manufacturing and utilities by 2.6% and 6.7% for federal employees.

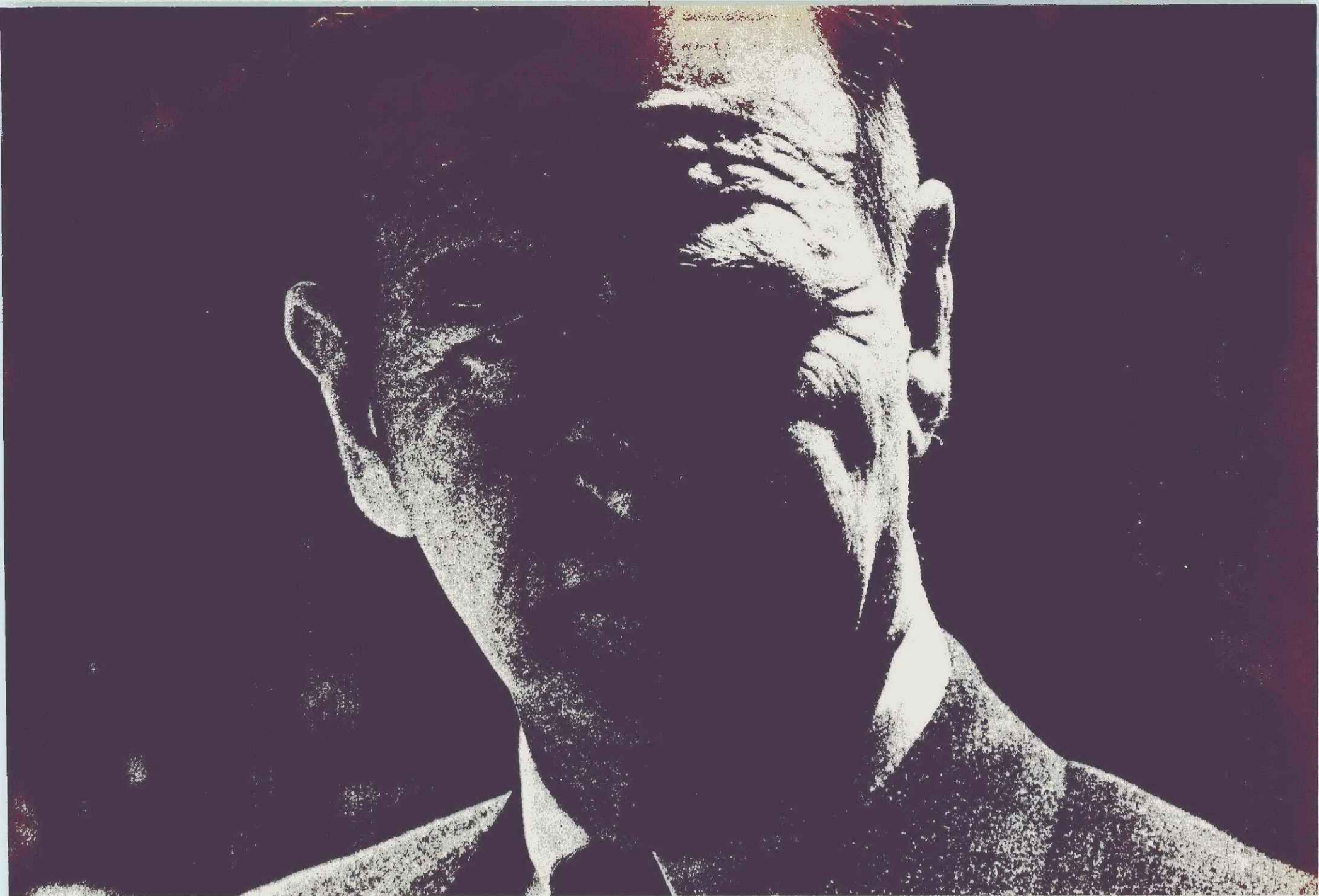
All other industries received a 7.5% decrease, except contracting and quarrying which was reduced by 0.7%.

The new rate adjustment went into effect Sept. 1, and it is estimated that it will save approximately \$1,745,000 to Pennsylvania employers.

In another development on rate adjustments, Mr. Maxwell announced that requests for private and commercial automobile insurance rate hikes by three insurers were approved "specifically because they reflect recognition of investment income."

Overall increases were approved for State Farm Mutual Automobile Insurance Co. (7.1%), Aetna Casualty and Surety Co. (16.2%) and Erie Insurance Exchange (13.4%).

A request by Insurance Co. of North America for private auto rate increases was refused, even though investment income was reflected.



Joe Gormally buys communication.

Joe Gormally, Christy Award winner, is an insurance risk manager for Pennsalt Chemicals Corporation. And the whole purpose of his job is to reduce, retain or transfer risks at the lowest cost.

That's where we come in.

Joe buys Pennsalt's liability insurance from us. That means he puts risks on our back. But we go

further than just supplying protection.

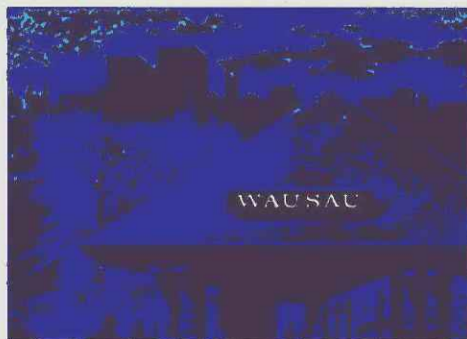
We give advice. Ideas. And our experts are ready for opinions when new products are being developed.

In short, we get involved. We communicate.

It means that our insurance is active. Like an investment. And together with the organizing and decision-making talents of Joe Gormally, we offer Pennsalt the best chance "to protect its profit growth through insurance."

If your company doesn't have a risk manager, we think you should start looking right now. To start with, we're the people who know business insurance like nobody else in the business.

Employers Insurance of Wausau



Communicate with the
Wausau Story yourself.

Gridiron mayhem not limited to the field

By ROBIN MENZ

NEW YORK—When it comes to football, the cry "rip 'em up, tear 'em up" applies to the rival team, not the insurance policies which protect excited football fans for injuries sustained during the Saturday afternoon spectacular.

With the college football season underway this month, all kinds of excitement lets loose in the stadium and anything goes as far as the spectators are concerned. For some colleges the football season means increasing their liability coverage to the maximum. For others, the state provides immunity against claims from injuries sustained in the stadium.

At Big Ten school Ohio State University, where the stadium seats 81,000 spectators, about the only recourse for an injury would be through the sundry claims board. The school carries no liability coverage on its stadium and is provided immunity from suits. About the only buildings which are insured are ones built with nonstate money or bond-financed structures.

DOWN SOUTH, at the University of North Carolina, Chapel Hill, the school carries a liability policy underwritten by Aetna. During the football season limits increase to \$100,000 per person, \$500,000 per accident and \$500,000 aggregate products. The policy, according to a member of the athletic department, also

covers other areas of the campus, such as the gymnasium, playing fields and swimming pools but the limits are not as great.

The school feels that its greatest exposure is during the football season. The Tar Heel's football stadium seats nearly 47,000 fans.

Carolina pays a flat amount per football fan for liability coverage. At the beginning of the year a certain premium is paid and at the end, total attendance for the year is tallied and a premium adjustment is made.

Inspection of the stadium is done periodically by the safety section of the state insurance department in Raleigh. This department handles most of the insurance for North Carolina's state-owned campuses and pro-

vides safety inspection services. "We usually know immediately if there's anything wrong with a stadium, no matter how minor," said an official of the department.

HE POINTED OUT that policies for the stadiums at Chapel Hill and North Carolina State University in Raleigh are arranged by the athletic department. For the players, the university subscribes to the National Collegiate Athletic Assn. group travel policy which pays, in the case of the Carolina team, \$25,000 per player and covers him from the time he leaves campus until he gets back.

The NCAA also has a hospital and accident program but for a school such as UNC, which has

its own hospital, arrangements are made with the hospital to care for injured players.

The NCAA programs are available to member colleges and universities. Aetna handles the group travel policy, which provides coverage from \$10,000 per player to \$250,000, depending on the individual school's desires. Southwestern Life in Dallas handles the medical program for injuries sustained during practice or a game. The coverage pays 100% of medical expenses in excess of a deductible which the school picks, but which can't be less than \$250 per player nor more than \$1,000.

Last year a little over 200 schools participated in the group travel program and about 250 schools in the medical program.

Do you like to pay one big insurance premium?

of course not
of course not
of course not
of course not
of course not

Switch to an Afco budget plan.
It lets you put premium payments on the
installment plan. Like any other bill.

It's good business practice to pay insurance premiums the easy way. In installments, the way you pay your taxes. Afco lets you break up a big lump sum into six, eight or ten small payments a year.

An Afco budget plan offers you

an extra line of credit without disturbing existing lines of bank credit.

And when business insurance payments are paid in convenient installments just like any other bill, there's no strain, no drain, on your working capital.

You can also afford as much coverage as your business needs. Without feeling the pinch once a year at premium-paying-time.

See your local independent insurance agent or broker. Ask him to explain Afco's simple, low cost financing. You'll love it.

AFCO

NEW YORK: 108 JOHN STREET, NEW YORK 10038

ATLANTA BALTIMORE BOSTON
CHICAGO KANSAS CITY LOS ANGELES
MIAMI SAN FRANCISCO SEATTLE

AT DUKE UNIVERSITY in Durham, N.C. a general liability policy covers the stadium spectators and has a \$7,000,000 limit underwritten by one insurer. The policy applies to all facets of the campus—not just the stadium. Safety inspections are done by the school and by the two agencies which helped place Duke's insurance.

Duke also subscribes to the NCAA travel plan but provides medical coverage through a hospital on campus.

At the University of Wisconsin, Madison, a safe place statute applies to the stadium, which holds over 77,200 spectators. In essence, according to the statute, the state can't be sued for injuries sustained at the stadium unless the legislature so orders. The state industrial commission is responsible for inspecting facilities. According to the athletic division, a small claims committee can handle certain claims.

Fire and liability coverage for most of Wisconsin's buildings come under a state insurance program and, in effect, the state partially self insures.

This Big Ten team uses the travel insurance program and part of the medical coverage offered by the NCAA.

L. A. county's employees get group life plan

LOS ANGELES—A contract to underwrite the Los Angeles County employes group life insurance program for the next five years has been given to Fireman's Fund American Life Insurance Co. of San Francisco.

More than 50,000 permanent employes are covered under the program approved by the county board of supervisors.

The plan was developed by the Los Angeles office of Johnson & Higgins of California and coverage became effective Sept. 1.

INCLUDED IS a \$2,000 term life insurance paid for by the county for each permanent full-time employe.

In addition, employes may voluntarily purchase, at group rates, supplemental insurance up to two times their annual salary.

More than \$100 million of life insurance in force will be produced by the basic portion of the plan alone.

Total premium for the first year of the plan will exceed \$1,200,000, according to Kenneth T. King, president of Fireman's Fund American Life.

Green Light. What's in it for you?



Protection. The best you can get. For your business, home and car.

Peace of mind. Because you get more complete coverage. Prompt claims service. Lower overall costs.

Ask your Phoenix agent about Green Light insurance. He's a professional backed by a company that's been providing coast-to-coast protection for 115 years. He'll provide the right kind of protection at the right price and with the right monthly payment plan. Your local Phoenix agent is listed in the Yellow Pages. Call him today and tell him your insurance problems. Then give him the green light.

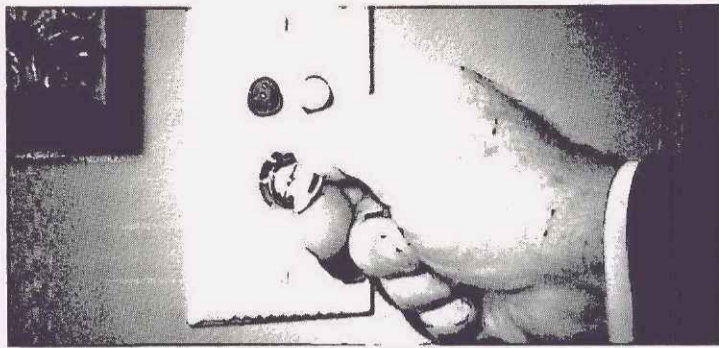


Phoenix of Hartford

INSURANCE COMPANIES / HARTFORD, CONN. 06115
Green Light insurance: it helps keep you going

Here's the key to home security— and family peace of mind

An ADT residential burglar alarm system "sensitizes" a home against intruders. If entry is attempted, the system triggers an outside alarm, or silently signals an ADT central station or police headquarters. Occupants can summon police secretly with emergency call devices. ADT, long a leader in supplying protection services to business and industry, designed this new protection system specifically for home requirements. Regular maintenance is included in the low monthly service fee. For further details or free survey, phone your nearest ADT representative listed in the Yellow Pages under "Burglar Alarms" — or, for brochure, send coupon to:



ADT Residential Protection
Dept. E
155 Sixth Avenue
New York, N. Y. 10013

Please send free brochure —
"Will Your Home Be Next?"

Name _____
Address _____
City _____
State _____ Zip _____

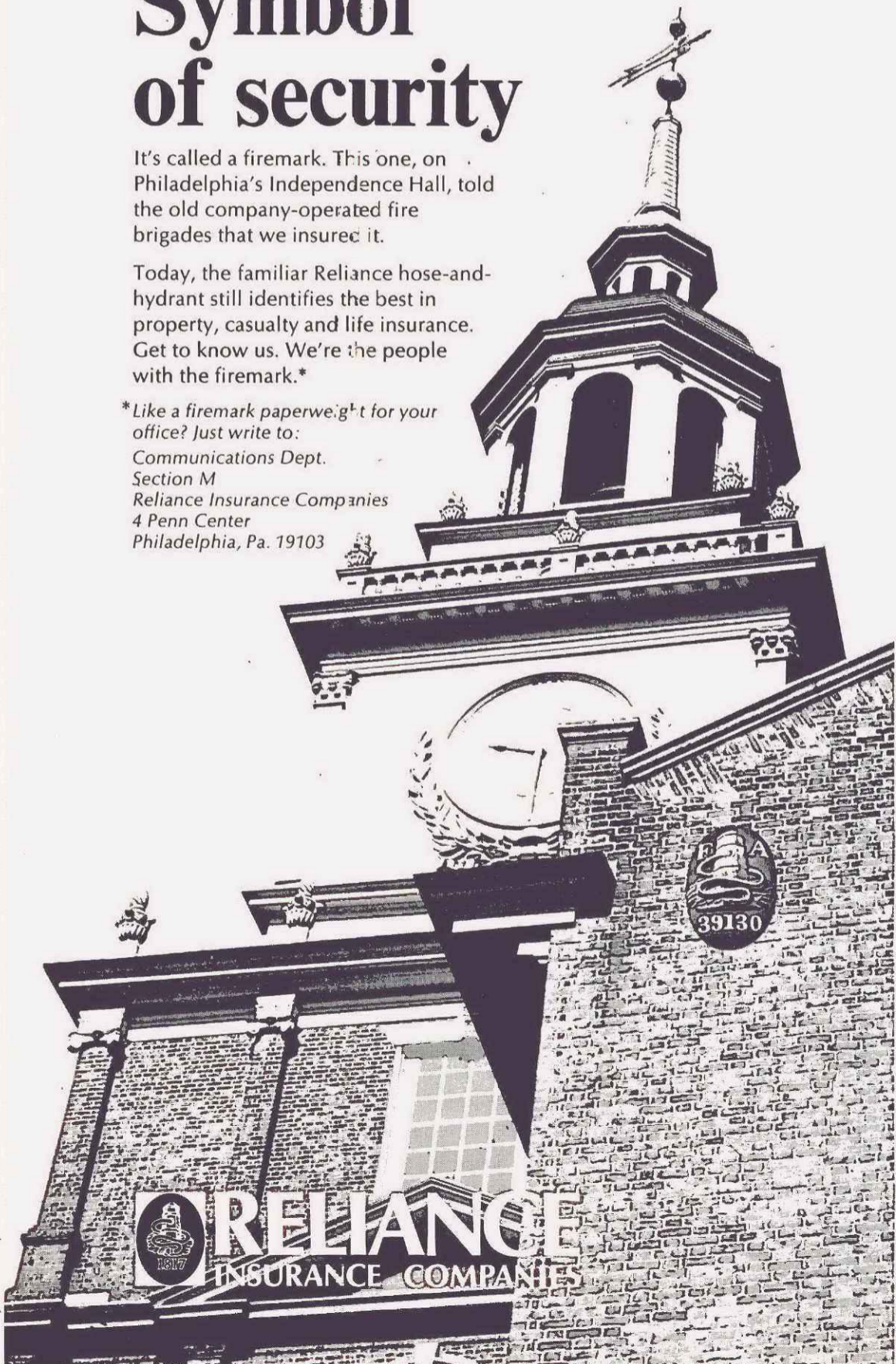
Symbol of security

It's called a firemark. This one, on Philadelphia's Independence Hall, told the old company-operated fire brigades that we insured it.

Today, the familiar Reliance hose-and-hydrant still identifies the best in property, casualty and life insurance. Get to know us. We're the people with the firemark.*

*Like a firemark paperweight for your office? Just write to:

Communications Dept.
Section M
Reliance Insurance Companies
4 Penn Center
Philadelphia, Pa. 19103



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.

• **How to Reduce Embezzlement Losses** is a 52-page, illustrated book released by Royal-Globe Insurance Cos. It organizes materials familiar to accountants and others in the field in such a manner that those involved in establishment of internal controls can check current systems against safeguards presented in the book. The book stresses separation of duties and periodic review to ensure that the system remains effective, along with surprise audits as an embezzlement deterrent. The guide is available for \$1 by writing Miss M. Jordan, Fidelity-Burglary Dept., Royal-Globe Insurance Cos., 150 William St., New York 10038.

• The St. Paul Insurance Cos. has published a booklet entitled **The St. Paul's Umbrella Excess Liability Protection**. The brochure explains the protection and is illustrated with a chart. It is free by writing Mr. Arne V. Brogger, Sales Promotion Asst., The St. Paul Insurance Companies, 385 Washington St., St. Paul, Minn. 55102.

• A free collection of pamphlets is offered by the Phoenix Mutual Life Insurance Co. **Facts You Should Know to Help Your Growing Business** contains seven pamphlets dealing with partnership, key executives, pensions, HR-10, the sole proprietor, and profit sharing. They are free by writing the company's public relations department at One American Row, Hartford, Conn. 06115.

• **You REALLY Don't Have an Employee Drinking Problem** . . . presents seven pertinent facts on alcoholism and answers eight revealing questions about the disease. It is free by writing Mr. Duane D. Daggett, Mgr., Labor Relations Dept., Illinois State Chamber of Commerce, 20 N. Wacker Dr., Chicago 60606.

• **The FIAC Taxicon** is a check list to show an individual's tax liabilities in various pension and profit sharing plans offered by most employers. Prepared by the First Investment Annuity Co. of America, the brochure also describes investment annuities as an addition to pension plans. The chart may be obtained from FIAC, 1500 Chestnut St., Philadelphia, Pa. 19012.

• With the use and production of plastics steadily increasing it is necessary to understand their fire hazards and how they react in a fire. Plastics manufacturers and converters emphasize the harmlessness of their products but more and more cases occur which involve plastics, directly or indirectly. **Fire Insurance of Plastics** is a 26-page book prepared by Swiss Reinsurance Co., Zurich, which discusses, with examples, these hazards and presents a classification of toxic-

ity, corrosiveness, combustibility, and smoking potential of the most common plastics. Copies are \$1 each from the North American Reinsurance Corp., 245 Park Ave., New York 10017.

• A 22-page book published by Avocational Guidance Inc., **Industry's Undeveloped Asset: The Employee's Non-working Hours**, discusses the relationship between satisfactory leisure time and employee mental health and on-the-job productivity. The company, a subsidiary of Computer Research Inc., puts forth the limits of traditional approaches to non-working time activities in comparison with the computer and scientific method to development of dormant talents and aptitude testing. The book may be obtained by writing the company at 122 E. 42nd St., New York 10017.

• **Design Data** is an informational booklet for safety managers on fire resistance of gypsum products. Material is presented in chart form and fire protection requirements for insurance are explained. A flame spread rating list is included. Single copies are free by writing the Gypsum Assn., 201 N. Wells St., Chicago 60606.

• **Flood Emergency Action** is a five-minute color film which demonstrates what steps to take to survive and recover from a flood. For a loan copy, contact your local American Red Cross office.

• The Insurance Information Institute offers a pamphlet entitled **How to Save on Fire Insurance Cost when You Build or Remodel**. A list of construction mistakes and an explanation of the fire insurance rating bureau are included. The pamphlet is free by writing the institute, 110 William St., New York 10038.

• **A List of Worthwhile Life and Health Insurance Books** is an 80-page booklet listing 473 book titles and 30 periodicals dealing with all aspects of these types of insurance. Sections of the reference guide are devoted to the use of life and health insurance by groups, businesses and professional persons. Single copies are available without charge on request to either the Institute of Life Insurance or the Health Insurance Institute, both at 277 Park Ave., New York 10017.

• Employers Insurance of Wausau offers a pamphlet, **Self-analysis of Services You Should Be Receiving from Your Casualty Insurance Carrier**. It lists 16 questions prepared by the Associated General Contractors of America as a guide to services contractors should get from a casualty insurance carrier. It is free by writing Miss Mary Biber, Adv. Dept., Employers Insurance of Wausau, 2000 Westwood Dr., Wausau, Wis. 54401.

• A handy **Emergency First Aid Instruction** sheet is offered by the Mid-America Chapter of the American Red Cross. The item, which could be used as an employee handout or placed in centrally located work areas, lists emergency treatment for wounds, burns, stoppage of breathing, heart attack, heat exhaustion, shock and other accidents and illnesses. The instructions are quickly read and easily understood. For free copies write the chapter at 43 E. Ohio St., Chicago 60611.

• **What? Not Covered!** is a 50-page booklet which summarizes today's complicated insurance problems and offers a concise discussion of the principal hazards excluded or omitted from the newly revised liability insurance policies. Non-technical language is used to illustrate major gaps in general liability, automobile liability and umbrella excess liability policies and 40 examples of specific losses not covered, with suggested remedies, are given. The booklet is available, for \$2, from the Mason Contractors Assn. of America, 208 S. LaSalle St., Chicago 60604. Quantity discounts are available and checks must accompany all orders.

• **A Picture Story of Emergency Service for You** uses 29 close-up photos to capture the urgency of fire and of actual fire causes. Another booklet, **Are You Ready for a Fire?**, lists seven fire emergencies with step-by-step actions. These, plus a list of necessary emergency tools, are available free on a sample basis from Dray Publications Inc., Fire & Accident Div., Deerfield, Mass. 01342.

• Cardox Division of Chemetron Corp. offers two special reports free of charge. The first is on **Fire Protection for Electrical Cable Trays and Associated Facilities**. It discusses what can be done from a fire protection and engineering standpoint to help keep vital systems in operation. The second report, **Fire Fighting Foam**, explains foam pump systems, foam quality, application techniques and foam stabilizers. Both are illustrated and may be obtained by writing Cardox Division of Chemetron Corp., Fire Equipment Dept., 840 N. Michigan Ave., Chicago.

• **Fire Attack 2—Planning, Assigning, Operating** is written by Warren Y. Kimball, chief fire service specialist for the National Fire Prevention Assn. The 240-page book is especially for company officers, training officers, chiefs and their deputies and discusses the best possible decisions in organizing and operating their forces. The illustrated book is hard bound and is a sequel to **Fire Attack 1—Command Decisions and Company Operations**. Chapters are devoted to fire flow under various conditions, initial attack operations, effective organization and design and arrangement of equipment. Copies are available from the association at 60 Battery March St., Boston 02110 for \$6.50.

• A quick, easy way for the health insurance purchaser to evaluate his present plan plus some eye-opening facts are provided in **The Ten Point Test for Employee Health Plans**. The check list is part of the New York Blue Cross/Blue Shield program and complimentary copies are available from Mr. George L. Goodlett, VP Communication, Blue Cross/Blue Shield, 80 Lexington Ave., New York 10016.

• **A Modern Concept in Employee Relations for the Forward-looking Employer** is information compiled by Northwestern National Life Insurance Co. It explains why some fringe benefits are appreciated and why some are not and is designed to educate employees both to their benefits and to their employer's costs. The solutions presented are now being used by nearly 50 employers coast to coast. For your free copy write Mr. George Kirscht, Northwestern National Life Insurance Co., Box 20, Minneapolis, Minn. 55440.

Oil rig operators explore new areas

by GEORGE YOUNG

NEW YORK—The mettle of marine insurers is being tested by U.S. oil companies whose billion dollar investments in offshore drilling exploration are being made in heretofore unexplored areas of the Atlantic Ocean and Irish Sea.

Although plans are still on the geologists' charts, it is expected the offshore rigs will be under way and drilling for oil and gas within the next few years.

Along with the still untapped ocean oil fields gushes a mounting array of problems for offshore rig insurers including limited capacity and a lack of experience in the two unexploited areas.

Insurance rates for the Atlantic and Irish Sea fields will

be set by London, which insures most of the domestic rig business, U.S. insurers concede.

"One thing is for sure," said John Armstrong, secretary of Insurance Co. of North America, "rates won't be lower than they are in other drilling fields."

Two problems facing marine insurers, according to the INA marine executive, are "ferocious tidal currents in the Irish Sea and a tremendous traffic problem off the U.S. coast in the Atlantic."

INA, WHICH IS seeking support from other U.S. insurers to participate in the offshore drilling rig market, said oil companies are expected to start drilling off the New England coast sometime next year.

In the Irish Sea at least 11 oil companies, including Shell, Gulf,

Esso and Mobil, hold exploration permits for oil and gas exploration.

The focal point of interest there, according to an oil industry report, has been in the Cardigan Bay, considered by marine underwriters to be a dangerous navigating area.

IN THE ATLANTIC the American Petroleum Institute predicts oil and gas deposits could exceed what is to be found in the Gulf of Mexico. Vast areas stretching as far as 300 miles out to sea are being studied by the oil companies.

Humble Oil & Refining Co., Houston, said preliminary tests indicate future explorations will have to be made in the Atlantic, but it is believed the area has far-reaching potential.

An 800-mile stretch in the Labrador Sea off the coast of Newfoundland is expected to be highly rated, according to a marine broker.

SEISMIC OPERATIONS have already been started by three oil firms, and drilling is expected to start in the summer of 1969.

"There is no experience in that area," said Mr. Armstrong of INA, "and there is still much to be learned about tidal currents and geophysical conditions before rates can be considered."

It is not known exactly how insurers will cope with the rising capacity needs of the offshore drilling business, an industry which Merrill Lynch Pierce Fenner & Smith spotlighted as one of the five largest growth industries

Continued on page 36

Consider a good fire control system while you still have something to put it in.

It's the same old story: an ounce of prevention being worth tons of ruin. The kind of ruin that comes from kinds of places that are just waiting to cause trouble. Places like spray booths, dip tanks, transformer vaults. Places where fires start fast, and finish your policyholders and you off fast.

But faster than fire are Kidde's systems. Systems that knock out fire before it can get moving. Our systems are complete detection-extinguishing devices, and are self-operating, easily installed, and extremely reliable. They come in

either carbon dioxide or dry chemical. And they're made from top to bottom by us. Just to make sure they're made right.

They're right for every fire hazard in every plant. They range from the Sentinel to the extra-exotic engineered systems, with everything in between. And in between profit and ruin could lie a good fire control system. We think it's a good kind of insurance to consider. Walter Kidde & Company, Inc., Extinguishing Products, Belleville, N. J. 07109.

Kidde

speaking of safety

Tugboats' accident prevention role warms marine insurers' hearts

NEW YORK—Huffy, puffy tugboats, fabled for shoving huge ocean liners as faith moves mountains, are more familiar to marine insurers for minimizing major shipping accidents in busy harbors with foreboding currents, aged piers, and narrow channels.

In New York, said to be the world's busiest port, tugboats nudge huge million dollar passenger ships, oil tankers and cargo vessels into crowded docks and tow as many as 12 barges at one time through treacherous in-

land waterways.

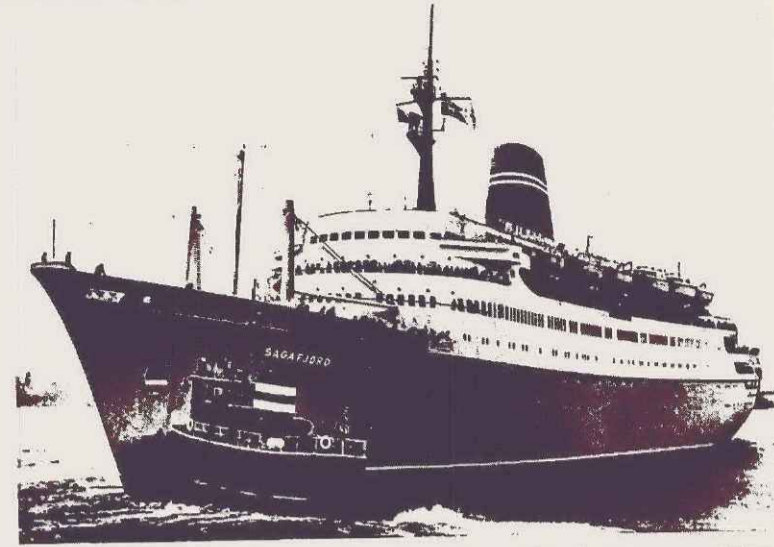
In even more perilous activities tugboats have been called on to take burning vessels away from piers or rescue ships grounded in shallow channels.

According to marine underwriters, docking operations pose the greatest loss potential for insurance companies. They point out, for example, that an accident involving a loaded oil tanker in a crowded harbor could result in catastrophic losses to property owners and individuals.

Other mishaps—like ships ramming piers or colliding with fuel barges—represent a significant loss potential, but insurers point out the frequency has been kept to a minimum.

The role of the tugboat in preventing accidents was demonstrated during a harbor strike when several ships, attempting to dock unaided, caused several hundred thousand dollar pier mishaps.

IN MOST MAJOR ports, ship owners use harbor pilots to guide



Accident reduction is the reason for using this small tugboat, seen nudging a passenger ship from its berth into New York's Hudson River. The vessel is guided by a docking pilot who issues orders by radio phone from the ship's bridge to the tugboat skipper.

their vessels into assigned docks. The pilot, who instructs the tugboats by radio phone from the ship's bridge, is technically an employe of the shipowner after he assumes command from the vessel's captain.

Under ordinary conditions a pilot signs an agreement with the shipowner that states any damages sustained or caused by a self-powered ship, although it results from the pilot's negligence, is the responsibility of the shipowner.

An insurance underwriter added, however, that gross negligence on the part of the pilot

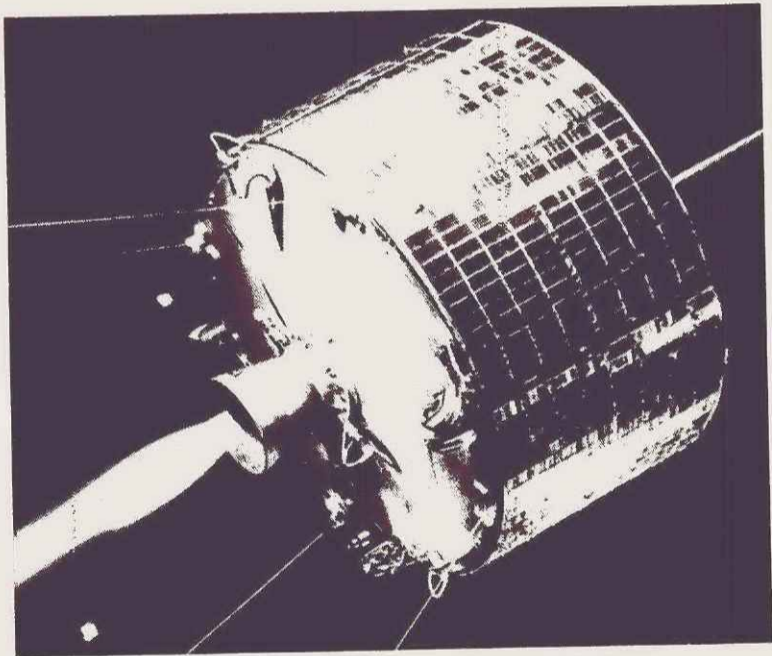
could lead to a liability suit in court against the tugboat company.

A NEW YORK HARBOR pilot said that tugboats are the most significant factor in reducing serious loss exposure while a ship is maneuvering in a narrow channel or a dock already crowded with loaded fuel barges.

He pointed out that an accident resulting from a tugboat skipper misinterpreting a signal from the docking pilot could

Continued on page 14

curve



Comprehensive catastrophe liability protection as modern as the age we live in—that's the **SATELLITE** ... a **Commercial Umbrella** insurance policy that covers the widest possible range of known exposures and even areas of potential liability where no other coverage of its kind exists.

The **SATELLITE's** worldwide range offers liability protection for U.S. commercial, industrial,

or institutional clients in limits of **\$1,000,000 to \$10,000,000**. And when **SATELLITE** coverages are provided under a **Defender** policy, broad legal defense provisions and on-the-spot legal counsel are guaranteed.

SATELLITE and **Defender** coverages are the most progressive Commercial Umbrella insurance programs on the market today.

Your local independent **agent** can supply the details. Ask him.



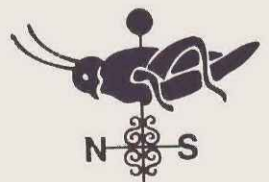
UNITED STATES FIRE INSURANCE COMPANY
THE NORTH RIVER INSURANCE COMPANY
WESTCHESTER FIRE INSURANCE COMPANY
INTERNATIONAL INSURANCE COMPANY
AMERICAN EAGLE LIFE INSURANCE COMPANY



110 WILLIAM ST. • NEW YORK 10038

“Chris, what’s the Boston firm that carries all your fleet insurance?”

Fairfield & Ellis



225 FRANKLIN STREET, BOSTON, STATE STREET BANK BUILDING
NEW YORK • MONTREAL • TORONTO

Is your business insurance getting paunchy?



It can happen. Because every time you accept a tired, flabby answer to a new problem, your business insurance suffers.

And that's where Allstate can help.

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?

Phone (312) 291-5507, or write Allstate Commercial Division, 50 Allstate Plaza, Northbrook, Illinois 60062.

Allstate[®]
BUSINESS INSURANCE

opinions

A way out of the high risk gamble?

The special risk market seems to be getting increased attention these days as both insurance managers and underwriters realize that more and more of their coverages are falling into this category.

For instance, at an American Management Assn. meeting last month, one insurance man said that his company is now including hospitals in the special risk classification. He explained that organ transplants, sophisticated machinery and the like have greatly added to hospitals' potential liability.

Other institutions and businesses are in the same boat. Gigantic petrochemical installations, oil rigs, supersonic planes—all are straining the special risk and catastrophe markets to their outer limits. Pooling of insurers' resources, of course, helps to flush out capacity, but still the strain persists.

Another answer is for industry groups—such as the airlines—to get together to form captive insurance operations. But as has been pointed out elsewhere in this issue, aviation underwriters see the move as a drain on capacity, although one insurance man said the captive might not prove harmful to the existing market if it only covered excess risks of more than \$100,000,000—a heady area where coverage is hard to come by anyway.

As we were mulling over all these possible solutions, we were struck by the good sense of a suggestion by Graves D. Hewitt, president of Carmeron & Colby in Boston. Mr. Hewitt said in effect that instead of companies in one industry—such as the airlines—getting together, corporations in various industries, all with the common problem of high risks, might defy tradition and set up a multi-industry captive insurance program.

Mr. Hewitt made the point that today's special risks cut across industry lines. The common denominator is that the loss potential is so large that a one-industry insurance facility would not have an adequate spread of risk to handle the operation.

If buyers decide to go ahead with the idea of starting their own underwriting groups to augment present market capacity—and we get the idea that Mr. Hewitt wasn't exactly advocating such a course of action—they might want to include risks "which from the nature of their exposures are heterogeneous but which from the standpoints of size of loss potential and loss frequently become homogeneous," the insurance executive stated.

We like Mr. Hewitt's proposal for several reasons. First, because we tend to agree with most of the experts, who contend that single industry insurance facilities have had a difficult time of it because they haven't been able to generate enough money to finance the operation—or to cover huge losses. This we think would be especially true in the airline industry, where the lines are currently faced with the problem of financing a whole new generation of aircraft—which presumably will get first priority on their funds.

But a more basic reason for supporting the multi-industry proposal is that it is more closely tailored to the needs of the corporate

business insurance

for buyers of employe, property and liability protection

RANCE CRAIN, Editor RICHARD C. BJORKLUND, Managing Editor
Senior Editors: New York—GEORGE YOUNG, Chicago—LOUIS HAUGH,
Associates: New York—ROBIN MENZ, Chicago—TERESA NORTON,
San Francisco—KENNETH R. MACDONALD. Correspondents in all principal cities.
BURTON ROVENS, art director.

Contributing Editors: DONALD BERRY, insurance manager, Borden Co., New York.
JOHN W. GILES, attorney-at-law, Washington, D. C. CHARLES LEVINSON, insurance manager, Port of New York Authority, ELLIOT BEIER, manager of pension and profit-sharing services, Nuveen Corp., New York. J. E. BENOIT, vice president, Harry Price, Hilborn Insurance Ltd., Montreal. CARL J. VOGT, supervisor of workmen's compensation, General Tire & Rubber Co., Akron. H. CHARLES KWASHA, partner, Kwasha Lipton Co., Englewood Cliffs, N. J. HOWARD L. PECK, partner, Hewitt Associates, Libertyville, Ill. BION H. FRANCIS, corporate director of employe benefits, Crucible Steel, Pittsburgh. J. P. OLSEN, insurance manager, Ingersoll-Rand Co., New York. NED MILLER, partner, Romm, Miller & Lazarus, New York.

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

Published by Advertising Publications, Inc., Chicago, publisher of Advertising Age, Industrial Marketing, Advertising & Sales Promotion, Marketing Insights.
C. D. CRAIN, JR., chairman S. R. BERNSTEIN, president
M. A. HARTENFELD, vice-president and business manager. G. D. LEWIS, vice-president,
sales. 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 assistant treasurer.

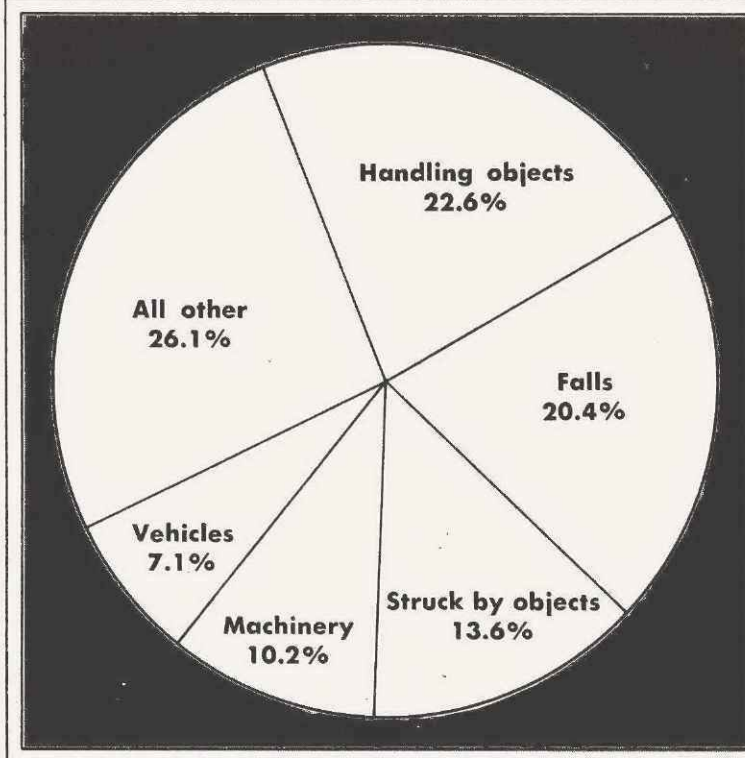
Cable address: ADAGEAPI

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 7-7859); 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).
35 cents a copy, \$8 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.

ABP

SOURCES OF COMPENSABLE WORK INJURIES



Nearly half of all work injuries result from accidents involving the manual handling of objects and falls. Accidents involving machinery, while they account for only 10.2% of all work injuries, are responsible for 19% of permanent injuries. The highest average cost (\$1,150) is attributed to work injuries involving vehicles. Falls result in the second highest average injury cost (\$1,075). Risk manager and safety superintendents often improve safety records and reduce workmen's compensation costs by paying close attention to the sources and costs of work injuries.

Source: National Safety Council from state labor departments' reports.

buyer of insurance. As Mr. Hewitt pointed out, the traditional pattern of the insurance business is to lump together risks having a similar nature, but that's not necessarily the best way for insurance managers to do it.

It would be much more convenient—and more functional—for buyers to place all their high-loss coverages at one insurance facility, and the diversity of risks represented would hopefully generate enough spread of risk to survive a catastrophe or two.

At any rate, we think the multi-industry captive idea presents a viable alternative to the traditional single-industry facility. Who knows, it might even succeed in taking some of the pressure off the go-for-broke special risk market, of which the insurers are becoming more and more wary.

A poser for life insurers

Perhaps it's still too much a part of science fiction to think very seriously about, but we're intrigued by the move afoot to freeze bodies immediately after "death" until a cure for the disease that killed persons who were frozen is found. Yet, just as with organ transplants, the possibility of such a medical miracle poses some important insurance questions.

The question that comes into our mind is this: If the freezing process becomes widespread will life insurers hold off paying benefits on the assumption that the policyholder is not really "dead" but is in a state of suspended animation and might be revived years later?

We're sure insurers haven't called any high level meetings to discuss this space age phenomenon. But we've always worked on the theory that nothing is as certain as death and taxes, and now it appears that we can't even be certain of death.

Keeping up with the times

Workmen's compensation administrators from U.S. states and Canadian provinces are meeting this week in Milwaukee at the annual gathering of the International Assn. of Industrial Accident Boards and Commissions (IAIABC). *Business Insurance* staff writers will cover the convention in detail because of its importance to corporate risk managers. Those responsible for workmen's compensation programs must realize that keeping up with the times may call for some increases in the cost of this vital coverage.

IAIABC conventions consider pressing questions regarding the upgrading and updating of workmen's compensation laws and their administration. Yet IAIABC recommendations depend upon public support to gain passage and implementation. It is up to businesses, labor unions and workmen's compensation insurers to support sensible revisions of workmen's compensation statutes to keep the state system of workmen's compensation in tune with current technology and price levels. *Business Insurance* reports of IAIABC proceedings will indicate what advances are considered most urgent by workmen's compensation administrators.

letters

For a full test

To the Editor: The penetrating questions you raise in your August 12 editorial "Auto insurance and buyers" are well taken. They are the same questions which we are seeking to answer by conducting experiments with the Guaranteed Benefits plan.

It is highly desirable to test any major proposal for change in the present automobile insurance system, under actual claims conditions, so that these questions can be answered publicly and frankly for all interested parties, including risk managers.

One need only cite the runaway costs of the Medicaid program in New York and elsewhere to illustrate the problems that can arise from adoption of untried benefit-distribution plans. They just don't always work out in practice the way they were intended.

Andre Maisonpierre

Vice President, American Mutual Insurance Alliance, Chicago

Reprint inquiry

To the Editor: We would appreciate your advising whether reprints of articles in *Business Insurance* magazine are available, particularly some of the articles under "Business Insurance Perspective."

Thomas A. McWilliams

Account Executive, W. T. Shackelford & Co. Inc., Baltimore, Md.

Editor's note: *Business Insurance* does not regularly reprint articles from its Perspective or news sections. However, Mr. McWilliams and other readers are invited to order reprints of articles that may be useful to them. We will gladly supply the price of reprints of articles in various quantities.

Compulsory gun coverage opposed

To the Editor: Your editorial supporting compulsory liability insurance for gun owners distresses me. Most responsible persons carry personal liability coverage in excess of the limits suggested.

Compulsory insurance schemes are usually an attempt to avoid social responsibility. The problem isn't uninsured guns or cars; it is improperly used guns and cars. Criminal negligence should not be excused by payment of sums of money. What ever became of the "object lesson to wrongdoers" concept of criminal justice?

Ross Dodson

Von Deck-Dodson Agency, Springfield, Va.

'It's heartening'

To the Editor: Congratulations on your editorial for controlling firearms. It's heartening to see a national publication taking a responsible attitude upon something so vital for the general welfare and safety of all of us even though it is not directly in line with your particular business, except insofar, as you have pointed out, that the matter of violence, lawlessness and contempt for the operation of the social structure is a matter for the insurance industry.

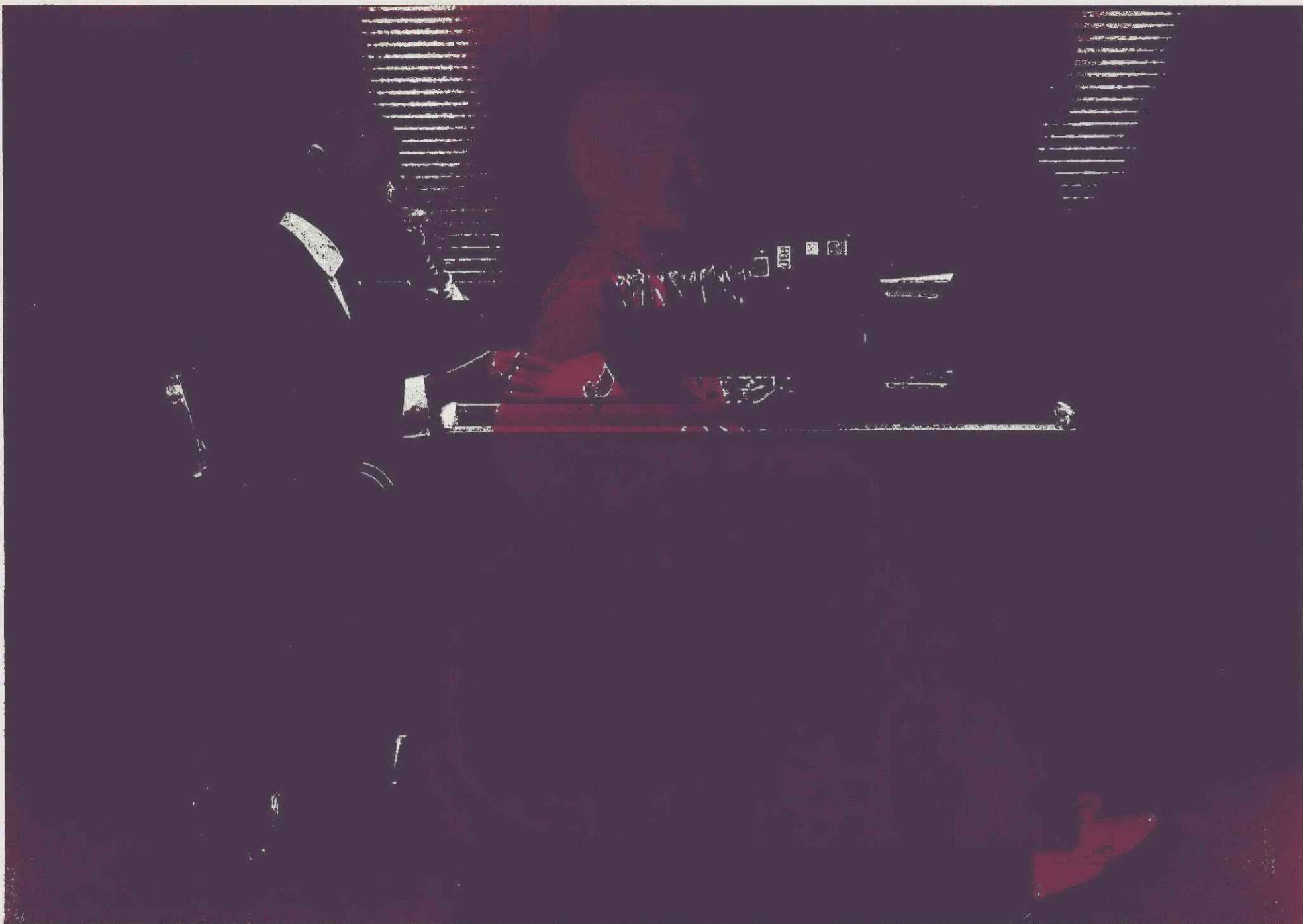
Your publication reaches the kind of person who helps mold the opinion of his community.

Keep up the good work.

Deane Weinberg, Jr.

Deane Weinberg & Co., Los Angeles

Continued on page 26



How long can any employer pay two men—one disabled, one his replacement—to do the same job?

Not very long. Consider good old Charlie. Great guy, Good worker. Well liked by everyone at the office.

They didn't think he'd be out long. "Just a couple of months," the doctor said.

Six months later, there still wasn't any Charlie. Then the boss had to break the rough news that the company could no longer afford to carry Charlie on the payroll.

This unpleasant situation could have been avoided with the protection of **Mutual Benefit's Long-Term Disability Insurance**

(The missing link in too many Employee Benefit Programs)

Its coverage can be tailored to suit your company's needs.

- Provides Monthly Cash Benefits Up to \$1500
- Benefits Continue to Age 65
- Includes Mental Disorders When Hospitalized
- Benefits Paid for Recurring Sickness
- Benefits are Usually Tax-Free
- Supplements Social Security
- Premium Waiver After Six Months' Disability
- Few Exclusions

If your company couldn't afford to carry a "Charlie" (as well as his replacement), call or write your Mutual Benefit Group Office or General Agency. You'll find them in the business section of your telephone directory.

THE MUTUAL BENEFIT LIFE INSURANCE COMPANY

Tugboats . . .

Continued from page 10

cause millions of dollars in property and personal liability claims.

For example, if a tugboat caused a large passenger liner to ram the side of a pier, it might go largely unnoticed by the average spectator, but insurance underwriters know it means another expensive damage suit.

SUCH INCIDENTS ARE rare, according to the pilot, who indicated a tugboat skipper's skill goes a long way toward reducing major harbor accidents.

In the case of the freighter Ocean Eagle, which caused an estimated \$2,000,000 in damages after it ran aground in San Juan harbor, the U.S. Coast Guard said that the vessel was still under the command of its captain who was operating without

tugboats—thus liability could rest with the shipowner, according to underwriters.

While shipping companies rely on tugboats to prevent accidents, a marine underwriter pointed out that tugboats have a large claims frequency measured in part by the nature of their operation.

CHARLES A. FEELY, underwriter for the Tugboat Underwriting Syndicate, said "frequent though not severe property and liability suits have made the tugboat business one of the least profitable for marine insurers."

He pointed out that a large number of small claims against tugboats—at least 65%—occur from working with "dumb equipment" vessels such as barges and scows which rely completely on the power of a tugboat for movement.

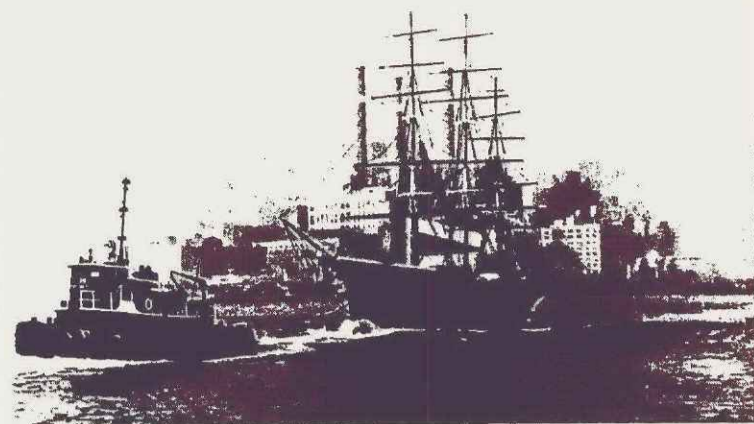
According to Mr. Feely, whose

syndicate underwrites many fleets, the liability for accidents caused while moving "dumb equipment" usually rests with the tugboat owner. In the case of a self-powered ocean liner, he said the responsibility belongs to the shipowner.

MR. FEELY explained that tugboat companies can protect themselves from large suits by limiting their liability to the value of the tugboat.

Insurance claim cases from damages caused by ocean vessels assisted by tugboats can run several courses, according to Mr. Feely. With tongue-in-cheek he used an example of a vessel in a pier accident where pier, ship, and tugboat owner initiated a cross current of liability claims while insurance companies employed lawyers to sue everybody.

The size of tugboats and their liability has changed consider-



Versatility of tugboat operations is displayed by a McAllister Brothers tugboat towing a replica of an old clipper ship down the East River in New York past the United Nations and Chrysler buildings.

ably since World War II, according to Mr. Feely. "It took 12 tugboats to dock a large ocean liner 20 years ago, but it takes only three or four of today's diesel-powered tugboats to do the same

job," he said.

FOR EXAMPLE, a spokesman for McAllister Brothers, a leading international tugboat company, said the company is planning a new series of diesel-powered tugboats valued in excess of \$1,000,000 each and capable of generating approximately 4,000 horsepower, compared with a value of \$150,000 for 750 to 1,000 horsepower tugboats constructed during the 1940s.

While the new McAllister tugboats will be used mostly for docking large ships, they will also be used for long ocean hauls, the company said.

A harbor official maintained that the loss potential is greater for tugboat owners today because shippers apply pressure to move freighters and barges at any stage of current or weather—two of the greatest hazards in harbor transport.

THIS POINT WAS disputed by the McAllister spokesman, who maintained that the loss potential is less because high-powered all-steel vessels, plus other technical improvements in control and navigation equipment, have provided a margin of safety when tugboats are handling either ships or "dumb equipment."

Navigating in the port of New York is becoming increasingly dangerous, according to the harbor official, who cited the following perils as a threat to harbor safety:

Small-span bridges built years ago which are too small for today's larger tugboats, barges and transport vessels.

Narrow channels and few immediate plans for dredging, threatening supertankers loaded with explosive fuels and combustible materials.

Aged piers, built mostly in the late 1800s, which are weak and unable to withstand the slightest pressure from a heavily laden vessel.

THE OFFICIAL URGED port authorities to start mass dredging and construction operations to meet the needs of a rapidly expanding marine market.

Because of the perils of harbor transport and the high claims frequency for tugboats, insurance rates are expected to rise for tugboat owners, according to underwriters.

Mr. Feely said rates on tugboat fleets are not standard and range between 2% and 27% of hull value depending on size of the tugboat, area of operation, past record, value, age and condition.

New advisory firm

Management Insurance Advisors, a new insurance advisory firm has opened offices in Birmingham, Mich., to consult on corporate risk and insurance programs. Adolph E. Baron, administrator, has had 35 years' experience in the insurance industry.

Don't gamble with your company's insurance protection!

Your company faces enough risks just competing in the business world. Why add to your problems by worrying about business insurance, too? Kemper Insurance has the facilities to coordinate a business insurance program for qualified accounts.

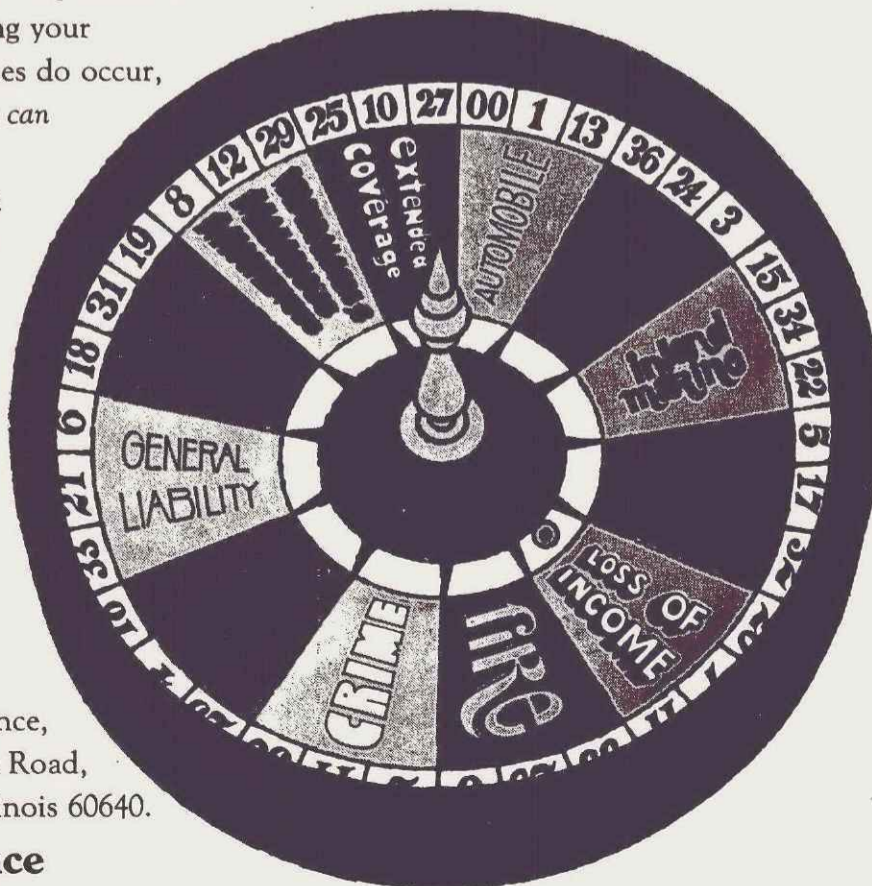
We call this comprehensive program risk responsibility. Each exposure is analyzed and a coverage designed to fit your particular requirements. *Account underwriting* frequently reduces insurance costs, too.

Cost is also based on loss control. Our engineers will direct and implement your safety program to help you keep losses at a minimum further reducing your insurance costs. When losses do occur, *risk responsibility* means you can count on Kemper care.

Instead of gambling with your company's insurance protection, enjoy the security that comes with risk responsibility from Kemper Insurance. For information, see the Yellow Pages listing of your local independent Kemper Insurance Agent. Or, write Walter White, Vice-President,

Kemper Insurance,
4750 Sheridan Road,
Chicago, Illinois 60640.

Kemper Insurance
You can count on Kemper care



GM general counsel reviews 'farfetched' design liability suits

WHITE SULPHUR SPRINGS, W. Va.—An automotive industry executive at the International Assn. of Insurance Counsel annual meeting here, pulled court files on a number of liability cases to illustrate the "far-fetched attempts to impose liability upon the auto manufacturers for alleged design defects."

A case just filed against General Motors involves a 1968 Buick which collided with the rear of a 1967 Ford with such force that the gasoline tank of the Ford ruptured. The claim against GM is that the front end of the car was negligently designed and that the rear end of the Ford was negligently designed.

From the manufacturer's standpoint, in 1967 or even five years before that, "this would have been regarded as simply another unfortunate rear-end collision," said Ross L. Malone, vp and general counsel of GM.

But there is an increasing trend on the part of plaintiffs' counsel to allege that negligent design of a vehicle caused or contributed to the injuries sustained in an accident, he added.

ANOTHER case he pointed to involved a rear seat passenger in a 1960 Buick who tripped in getting out of the car. The passenger included GM as a defendant, alleging that the floor well as designed was too deep.

In referring to GM's liability coverage, Mr. Malone said that an insurer's national claim service, with trained adjusters available when a product liability claim may arise, is very important in the effective investigation, preparation and trial of all such claims.

However, with cases in which product design is a substantial issue, control of these cases is transferred from the insurance company to the GM legal staff. In such cases the legal staff, he said, undertakes direction of the case, although its handling is continued through the insurance carrier.

He pointed out that in defective design allegations, cases fall into two categories—the accidents in which injury sustained was the fault of the alleged defective design, and accidents in which design deficiency had no relation to the cause of the accident but caused or contributed to additional injuries sustained in the so-called "second collision."

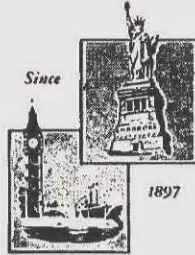
MR. MALONE reviewed cases which have led to the current court interpretation of the "intended use" doctrine which now includes any occurrence that is "readily foreseeable as an incident to the normal and expected use of an auto."

A major problem inherent in the manufacturer's presence as an additional defendant, he said, is the resulting necessity that the jury separate the injuries into

two categories—those proximately caused by the negligence resulting in the initial collision and those caused by the so-called second collision.

Mr. Malone reaffirmed his beliefs by quoting Dr. Donald F. Huelke, an acknowledged products liability expert, as saying, "In my opinion it would be very difficult for a jury to be able to say one concept or design is better than another. Further I question that a jury would be able to determine the details of the second collision and to make an apportionment of the injuries related to car design." ■

DIRECTORS and OFFICERS LIABILITY INSURANCE™



Stewart, Smith

Our new brochure contains the most up to date information including the new, important Delaware law.

It answers the ten questions most frequently asked and contains specimens of our policies and application forms.

We have received almost a thousand requests for the brochure.

We suggest you ask your insurance broker to contact us for your copy.

116 JOHN STREET
NEW YORK, N. Y. 10038
141 WEST JACKSON BLVD.
CHICAGO, ILLINOIS 60604
164 NEWBURY STREET
BOSTON, MASS. 02116
PUBLIC LEDGER BLDG.
PHILADELPHIA, PA. 19106
3200 WILSHIRE BLVD.
LOS ANGELES, CAL. 90005

Johnson & Higgins specializes in creating programs that plug either of these profits leaks. Helps you reduce premiums by reducing risks. And buys the precise coverage you need, at realistic prices.

Good insurance is not simply another expense item. It is a system, designed to protect your profits. It must be custom made for you, so meticulously fitted to your special needs that it safeguards your corporate assets and profits against accidental losses that could play havoc with your P & L statement.

A Johnson & Higgins-designed system meets your exact insurance needs — no more, no less. We work with the Risk Manager and get to know your business as well as we know our own before designing your program.

Our staff of property loss analysts, safety control specialists and experts in packaging and containerization—just to mention a few—examine every risk area in your operation.

We use our knowledge of the market to see that you get the most attractive balance of protection, service and cost.

Then, through continuing periodic reviews, we make sure your coverage keeps pace with changes in your business.

Here are some of the extra advantages you get from Johnson & Higgins.

Employee Benefits Plans pay off better for you through Johnson & Higgins. Using us as consulting actuaries to develop or revise your program, you get maximum value for this corporate expenditure. We set up a program that ends abuses, works smoothly and is attractive to employees.

Worldwide insurance and benefits programs from a central control. Johnson & Higgins, through our International Department of more than 75 offices and affiliates in 30 foreign countries, translates the requirements and customs of any country in the light of American and foreign needs.

As brokers, we are on your staff, but not on your payroll. As your advisor as well as your insurance buyer, Johnson & Higgins accepts a depth of responsibility that is unique among brokers. We're concerned about your insurance and how it affects your profits. Our many services are yours at no extra cost, and are offered in just this spirit.

If you are not getting this sort of expertise and service now, it will surely 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.

If you spend 15% too much or 15% too little for insurance—your profits may still be vulnerable.

Johnson & Higgins

63 Wall Street, New York, N.Y. 10005
Telephone: (212) 944-3160

Krogh joins Mastin

Dr. Harold C. Krogh, CPCU, has joined Mastin Insurance Group Inc., Kansas City, as a member of the advisory board and consultant on marketing, product development and finance. Dr. Krogh is professor of business administration at the University of Kansas.

Pension bill: 'First bullet' into private system

SAN FRANCISCO—Pending federal pension legislation, if enacted, will be the "first bullet into the now healthy body of the private pension system," Richard Van Deuren, a Milwaukee lawyer, told the 14th annual educational conference of the National Foundation of Health, Welfare and Pension Plans.

Mr. Van Deuren was referring primarily to the Pension Benefit Security bill introduced by Sen. Ralph Yarborough (D., Tex.), which has the endorsement of the Departments of Labor and Treasury. It is one of the bills on President Johnson's priority list for passage before the end of the current session of Congress.

However, Joseph Leary, executive secretary of the newly formed Assn. of Private Pension

& Welfare Plans, a lobby group for both union and management pension fund administrators, told the conference he felt Congress is only "interested" in the current bill as a "flag raiser" and that real inquiry and legislative action would come in the next session of Congress. He said that Congress has scheduled no hearings on the bill for the remaining portion of the session.

MR. VAN DEUREN said that the Yarborough bill attempts to set up "federally dictated vesting regulations so that private pensions can serve a broad social purpose to justify their broad favored tax status," based on the following assumptions by the drafters of the bill:

- "Mandatory federally con-

trolled funding is necessary to prevent unfulfilled or partially fulfilled pensions;

- "Federal insurance is necessary to protect those whose plans terminate prior to their retirement; and

- "Federal standards must be established to regulate the conduct of trustees of private pension plans and additional reporting must be obtained from trustees to insure compliance with established standards."

Mr. Van Deuren maintained that the current bill would rob pension administrators of a choice in decisions on funding, vesting and reinsurance matters.

In addition, he said the bill would add to the cost of pension plans. For example, he estimated that the reinsurance costs as pro-

posed in the bill would be more than \$1,500,000 in premiums over three years for a plan involving 30,000 persons.

The bill would set up a new federal corporation called the Pension Benefit Insurance Corp. with assets invested in U.S. government obligations and with uniform premiums not to exceed .6% of the amount insured during the first three years of the act.

OTHER PROVISIONS of the act were outlined by John W. Hill, a Portland, Ore., lawyer. Some of the key provisions are outlined below:

Coverage would be for all employers engaged in interstate commerce individually or together with employe organiza-

tions for both pension and deferred profit-sharing plans.

Excluded from the bill are federal, state or local government plans, plans established for non-U.S. citizens outside the U.S. and self-employed plans, such as under the Keogh Act.

The **Effective Date** would be two years after enactment, but collective bargaining plans could delay until renewed but not more than three years after enactment.

Eligibility for plan participation would be age 25 and three years service. For plans already in existence, eligibility would be waived until the plan is amended to provide increased benefits or within ten years of enactment.

Plans in effect prior to enactment would have three choices in **Vesting**.

- After ten years' of service full vesting on that part of the benefit earned after the effective date of the act;

- After ten years' of service, graduated vesting of the entire benefit at 10% a year, so that 11 years after enactment, an employe would be 100% vested;

- After 20 years' service, full vesting of the entire benefit with the period reduced each year so that full vesting would be required after ten years' service.

For those plans set up after enactment, full vesting would be required after 15 years' service and would be cut back to 10-year full vesting after five years; or after ten years, 50% vesting in the sixth year, increasing 10% each year for five years.

The Secretary of Labor could grant variations in vesting for certain multi-employer plans.

Funding under the Yarborough bill would have three requirements:

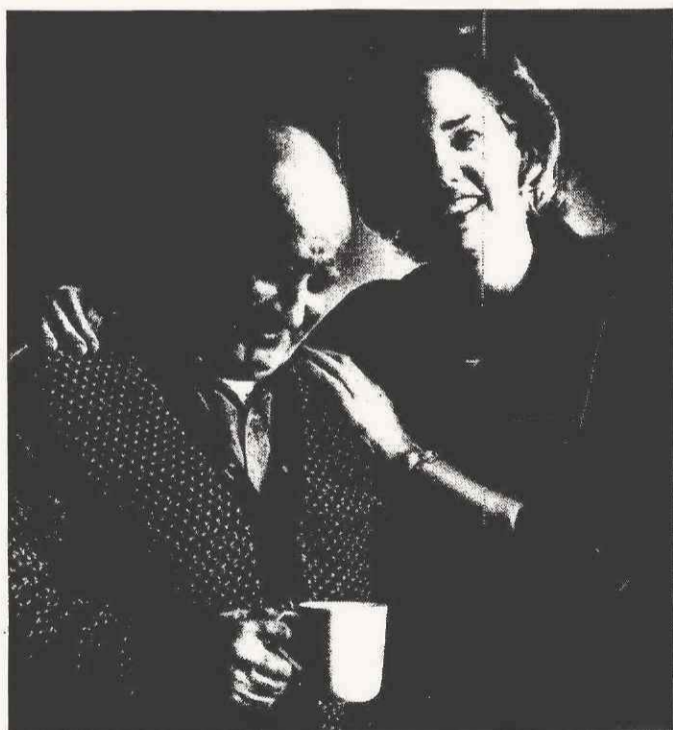
- Current service costs must be met in full;

- Interest must be met on the unfunded past service costs; and

- A ratio of assets-to-vested-liabilities must be met for plans five or more years old beginning

Continued on page 30

Girl Friday. Saturday. Sunday. Monday. Tuesday. Wednesday. Thursday.



INA rehabilitation nurses are relied upon for so many things by so many patients—and their families—that it's easy to think of them as Girl Fridays.

They're nurses, psychologists, friends, counselors—and insurance women. They're an important part of the reason why the MEND rehabilitation program from INA is pacing the industry today.

MEND's imaginative approach returns disabled workers to productive and financial independence as quickly as possible, benefiting both the worker and his employer. In addition, you get INA safety engineering that helps reduce accident losses, plus a sense of confidence that comes from dealing with a company that's pioneered sound insurance coverage for 176 years running.



Insurance Company of North America
16th and Parkway, Philadelphia

Settle old damage suit

MONTREAL—A 13-year-old damage suit has been resolved with an award of \$189,729 against a builder, an architect and an engineer.

The suit arose from building defects which caused serious collapse of a boiler room and uneven settlement of the ground floor. Later, a second story brick facade section collapsed, injuring several employes.

The award was made in favor of St. Michel Realties Inc. against Louis Donolo Inc., Max W. Roth and Irving Backler.

THE SUPREME court justice said that a report from the commission studying the case held that "the building has not been designed in accordance with the standard and customary practices existing in 1949 and in accordance with the rules of the art; the foundations had been overloaded and overstressed; the beams had not been adequately reinforced and the design of the brick-work was inadequate."

He said that the commission found that the engineering plans were not in accordance with standard practices and they criticized the supervisor of the contract.

Richardson-Merrell secretive on Mer/29 cover

WASHINGTON—Last May a woman in the midwest filed a \$55,000,000 suit against Richardson-Merrell for damages allegedly sustained from using MER/29. Of the total, \$49,500,000 was for punitive damages.

The suit was the largest ever brought in an MER/29 case and most MER/29 experts on both sides of the fence agree that the total damages sought were absurdly high, even for a product liability case where alleged damages are always far in excess of the amount even hoped for by the plaintiff. The suit was dismissed in July.

Regardless of the actual significance—or lack of it—of that particular suit, the size of it alone sharply highlights the drama that has surrounded MER/29 suits since the first one was filed in 1961.

The first three parts of this *Business Insurance* series on Richardson-Merrell's ill-fated MER/29 traced the development and marketing of the anticholesterol drug, the subsequent criminal suit brought against the company and three of its officers, the hundreds of civil product liability suits that followed and the unprecedented banding together of the lawyers of many plaintiffs in these civil suits.

THROUGHOUT THIS series we have tried not just to recount facts and events, but also to point out the lessons that the story holds for risk managers in all segments of American industry.

Last of a series

The first article in this series stated that there are three primary reasons why risk managers should study the MER/29 story. First, it is an excellent example of how an unsafe product can reach the market despite knowledge by one or more of the management group that it may be hazardous. This, in turn, we said, points up the hard fact that somewhere along the line in any firm's management hierarchy checks must be provided on the individual judgments of the various persons involved.

Second, we said the MER/29 story is important because it points up the growing significance of the increasingly prevalent banding together of plaintiff's attorneys in multicase product liability situations.

This final article in the series will take up the third reason why *Business Insurance* feels that the MER/29 saga deserves careful study by risk managers; that is, because it tragically highlights the phenomenal amount of liability which can be involved in a relatively short time with just one product in an economy geared to mass merchandising.

DURING THE two years MER/29 was on the market it was prescribed to an estimated 418,000 people. Richardson-Merrell claims that "substantially less than 1%," or 4,180 were injured by the drug. Others close to the litigation, however, have estimated that the number is well over 5,000.

It is estimated that since 1961 more than 1,000 civil suits have been brought against Richardson-Merrell for damages allegedly sustained from the use of MER/29. Total damages sought in these suits are thought to run between \$500,000,000 and \$1,000,000,000. During a single month in 1964, 54 separate actions were

brought against the company asking an aggregate \$58,795,000.

Only 11 MER/29 cases have been tried to a jury verdict, two more resulted in hung juries and six others were settled during a jury trial.

Some 95% of the MER/29 suits have been settled out of court. It is impossible even to estimate the total amount of settlements,

but it is known that between 25 and 50 of them were settled for between \$125,000 and \$150,000 and that nearly \$15,000,000 in insurance coverage has been expended.

RICHARDSON-MERRELL has been naturally quite secretive about the extent of its insurance coverage. Even the carrier's

name has been closely guarded. It is known that Hartford was the underwriter for the basic coverage—which ran out quickly—and that Lloyd's and Insurance Co. of North America carried the firm's excess coverage.

Richardson-Merrell was insured for all its Wm. S. Merrell products on an annual basis. That is, a claim would be as-

signed to a particular year's coverage according to the time when injury was first experienced.

The insurance was written for a relatively small amount of primary coverage and several layers of excess coverage. This reportedly amounted to about \$5,000,000 a year, or a pool of

Continued on page 18

The case of the 5 story sludge pile.

And other incredible things.

Sludge. Dirty, black, quivering sludge.

Creeping to an incredible, shaky height of five stories. Crawling to the unheard-of width of thirty-three acres.

And then one day it escaped all barriers. And sludge oozed, and slipped, lava-like all over a nearby plant and other buildings causing, believe it or not, two million dollars worth of damage.

An incredible story you say?

Well, what about the grain elevator which suddenly split its sides without any known reason, and knocked over one automobile and two people?

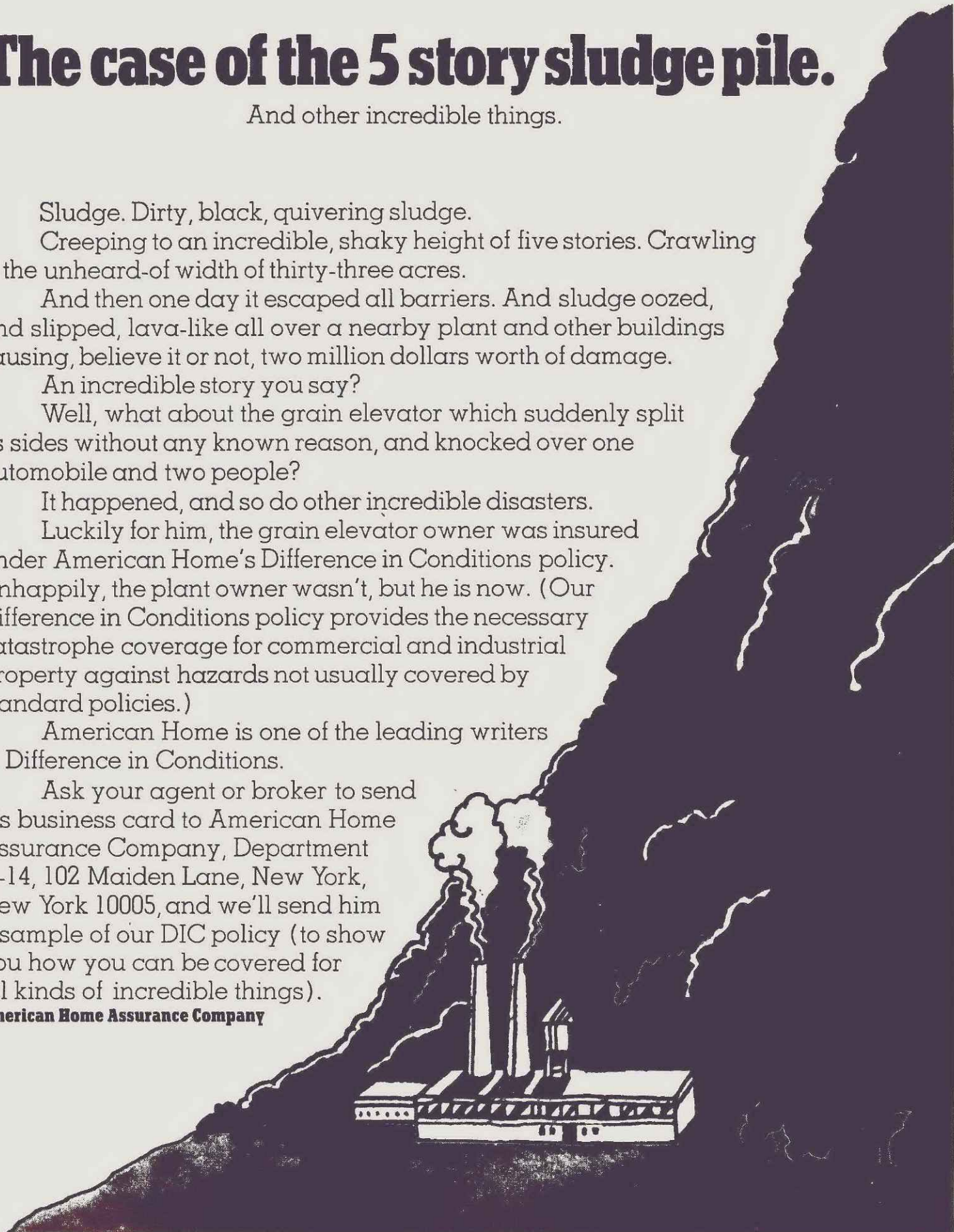
It happened, and so do other incredible disasters.

Luckily for him, the grain elevator owner was insured under American Home's Difference in Conditions policy. Unhappily, the plant owner wasn't, but he is now. (Our Difference in Conditions policy provides the necessary catastrophe coverage for commercial and industrial property against hazards not usually covered by standard policies.)

American Home is one of the leading writers of Difference in Conditions.

Ask your agent or broker to send his business card to American Home Assurance Company, Department A-14, 102 Maiden Lane, New York, New York 10005, and we'll send him a sample of our DIC policy (to show you how you can be covered for all kinds of incredible things).

American Home Assurance Company



Mer/29...

Continued from page 17
 roughly \$15,000,000 to cover the years of injury.

In a rare statement about its insurance, Richardson-Merrell said that in addition to this there is a layer of coverage which will take effect only after the company has paid a certain amount out of its own funds.

Because the insurance covers all Merrell products, some of the coverage undoubtedly has gone for settlements of thalidomide cases filed during the period. Thalidomide is a tranquilizer, sold by Richardson-Merrell in Canada and tested on patients in the U.S., which when taken in the early stages of pregnancy caused severe birth defects. While there have been only a small number of thalidomide cases filed against Richardson-Merrell, potential damages are large. None of the suits has yet been tried, but a number have been settled, including one recently involving ten Ontario, Canada, families with thalidomide babies asking \$10,000,000.

RICHARDSON - MERRELL'S insurance coverage for the two years from July 1, 1960, to June 30, 1962—the period during which substantially all the alleged injuries occurred—was used up in February 1967, the company reported, except for a "substantial amount... covering a part of this period," which "will become operative only after the company has paid a certain amount of its own funds in disposing of claims applicable to that period."

From February to December, 1967, Richardson-Merrell paid out an estimated \$12,436,000 of its own funds for settlement costs and related expenses. During that period the company settled some 400 suits asking total damages of over \$200,000.

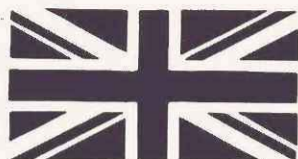
The money is being charged against earned surplus rather than against current earnings. As of June 30, 1967, Richardson-Merrell's earned surplus totaled \$192,321,900. Its total assets were \$255,761,300, of which cash, time deposits and marketable securities totaled \$22,996,350. The company's sales in the year ended June 30, 1967, were \$269,029,330. Profits were \$25,050,370.

Two of the 11 cases which were tried to a jury verdict were settled after trial. One in which the company was ordered to pay \$1,200,000 damages was settled for \$235,000—the largest settlement yet. The \$1,200,000 included \$100,000 punitive damages. The settlement however was denominated entirely compensatory damages.

THE SECOND CASE involved a \$150,000 jury verdict and was settled for \$125,000.

Four of the 11 cases were decided in favor of the company. One of these is on appeal, two have been affirmed and in one no appeal was ever made.

Three of the 11 cases involving verdicts of \$45,000, \$20,000 and \$20,000 were satisfied. Another involving a \$675,000 judgment was satisfied with costs and interests of \$501,360, of which \$250,000 was for punitive damages. Another involving a trial court verdict of \$117,000 was reversed in part by the circuit court. The circuit court affirmed the \$17,000 compensatory verdict but reversed the \$100,000 punitive award on the basis that multiple punitive damages were unfair and could destroy the company.



london line

Alcoholic problem fails to excite British industry and life insurers

By JOHN GARRATT

LONDON—British industry and life insurance companies regard alcoholism, the country's "hidden disease," with a splendid calm at variance with the concern felt by some doctors specializing in the subject.

Their general attitude is quite out of touch with reality, according to Dr. Lincoln Williams, one of England's leading experts.

He finds it incredible that a

practicing alcoholic can get insurance cover merely by stating that he is a moderate drinker, whereas a recovered one is suspect even though he declares himself a teetotaler.

ONE BUGBEAR IS that it seems to have become gospel to call alcoholism a relapsing disease. Dr. Williams alone has had hundreds of alcoholics under his care who have never relapsed, although many others do.

He pleads for insurance companies to understand that medicine's recognition of alcoholism as a disease and the ability to detect it in the earlier stages can save endless later expense since alcoholism is a "disease-generating disease."

Against a background of the diminishing importance of the medical report in life insurance—many firms offer policies that need only the client's word that he is fit—and the prevalence of

employe pension schemes, brokers tend to see the problems of the detection of alcoholism as a small matter.

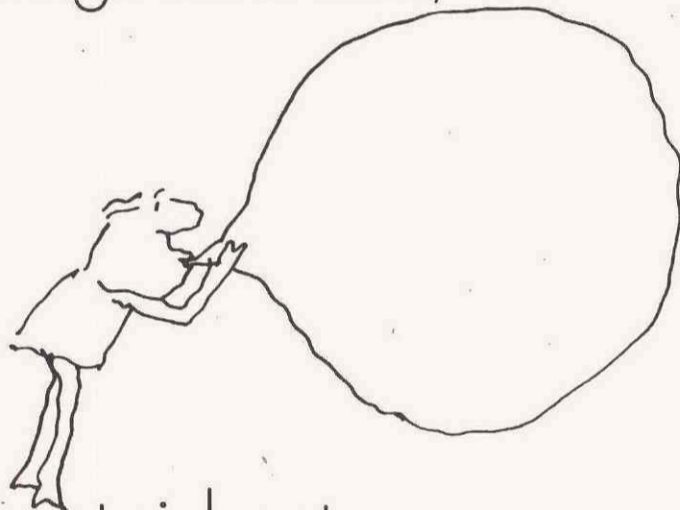
AS ONE LLOYD'S reinsurance broker put it: "We are rather kinder to the alcoholic than the doctors are. They say three years of abstinence improve prognosis, but we look on one year as a workable period."

The World Health Organization estimates that the United Kingdom has between 3 and 4 alcoholics in every 1,000 inhabitants, a probable total of some 300,000 to 500,000.

Dr. R. C. D. Brackenridge in his "Medical Aspects of Life Insurance" says that of all habits the use of alcohol is the one that underwriters have to consider most often.

UNFORTUNATELY, the an-
Continued on page 20

You manage labor costs,



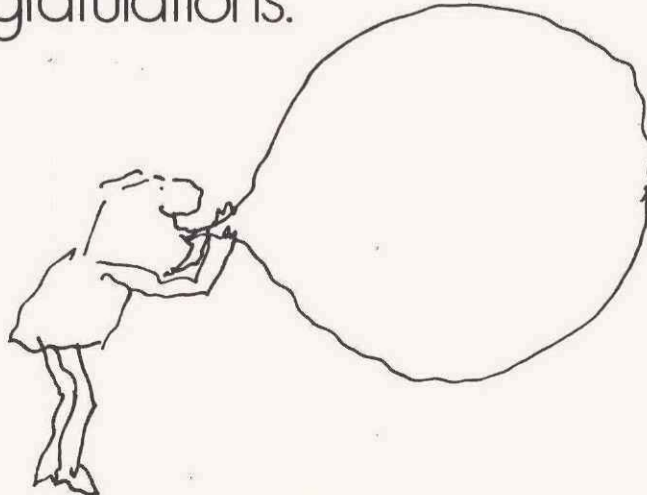
raw material costs



and sales costs beautifully.

You know exactly where you stand.

Congratulations.



Letters

Royal-Globe responds to our Mr. Levinson

The following letter was received from William C. Simpson, senior vp of Royal-Globe Insurance Co., New York. In the letter Mr. Simpson takes exception to some comments of Business Insurance Contributing Editor Charles Levinson, insurance manager of Port of New York Authority, on the insurance company's pullback of property coverage in ghetto areas.

To the Editor: The article in your August 12 issue with the long caption "now that some bad risks have been canceled, will lines on business with good experience be increased?" by our good friend Charles F. Levinson, insurance manager, Port of New

York Authority, featured Royal-Globe. Since it appeared to leave a question, we feel the need to answer the points Mr. Levinson raises.

First of all let us say that we've a high regard for your comparatively new publication and believe that it performs a useful service, not only to the buyers and managers of insurance, but to the industry as a whole. Secondly, as most of your regular readers know, Royal-Globe is privileged to be a good friend of ASIM.

If one major carrier has promoted the total account concept for corporate insurance, Royal-Globe has. The principal reason is selfish; we have more facilities



William C. Simpson

available worldwide within the Royal-Globe family than probably any other carrier or even

composite of carriers and, more importantly, the ability to make these total facilities work effectively.

WE MENTION THESE points, not so much to be self-serving but as a platform of respect from which to present two criticisms. The first, a gross inaccuracy on the front page of your issue of July 15, we would have ignored except that the need now to reply to Mr. Levinson's questions gives us the opportunity to correct your prior error.

In the wake of the wave of publicity on riot area insurance, triggered by the Slanted CBS-TV news feature which singled out Royal-Globe, it was only natural for your publication as

well as others to report on this. Unfortunately, however, on your front page you reported as follows: "The wave of cancellations was brought to light when Royal-Globe insurance group canceled a reputed \$40,000,000 worth of business across the U.S., primarily in riot areas, under pressure from its reinsurers to cut this exposure down to a total of \$120,000,000."

If our riot-prone core area liabilities had been as insignificant as a mere \$160,000,000 to begin with, we would have been totally unconcerned and in fact might have felt that we were in the cozy camp of those companies who over the years avoided taking their fair share of this business.

TO THE CONTRARY, if you were to multiply your stated figure of \$120,000,000 by ten times, you would still be far short of our remaining liabilities today in purely riot-prone areas of our major cities across the country.

In relation to our total involvement in these areas, our curtailment program, while logically aimed at the most sensitive risks from a riot standpoint in particular areas of substantial over-commitment, represented a very small percentage. Royal-Globe is still today most heavily committed in riot-prone areas. The figure of \$120,000,000 represents no more than our liabilities in New York's Harlem and Bedford-Stuyvesant areas alone. Incidentally, no pressure from reinsurers was involved in our action.

Following vacation, catching up with industry reading brought us to Mr. Levinson's article in your issue of August 12. While he had undoubtedly no thought of being uncomplimentary, nevertheless his opening statement again suggests that Royal-Globe was involved in a major withdrawal. Our statements above will, we hope, set the record straight on this.

NOW, AS TO Mr. Levinson's principal question, "... will lines of business with good experience be increased?" His purposeful intent is both constructive and timely, but we feel obliged to take issue with the general impression he leaves, which is that Royal-Globe does not put its capacity on the line. Mr. Levinson

Continued on page 26

If you've ignored corporate insurance cost analysis, we understand why. Who wants to sort through a mess of gobbledygook?

So we did something about it.

We came up with a system called IRIS* that makes the gobbledygook plain talk.

In other words, IRIS translates complicated numerical data into understandable information.

IRIS answers questions: What is your loss frequency by location? The average claim age? What location has the highest loss record? The lowest? Why? Are there any patterns, trends, relationships be-

tween one claim and another? Where? Why?

IRIS tells you when and where your insurance costs are out of line, in language you understand, in time to do something about it.

Simple, isn't it?

It could be IRIS is exactly what you need to manage insurance costs as efficiently as you manage other corporate expenditures.

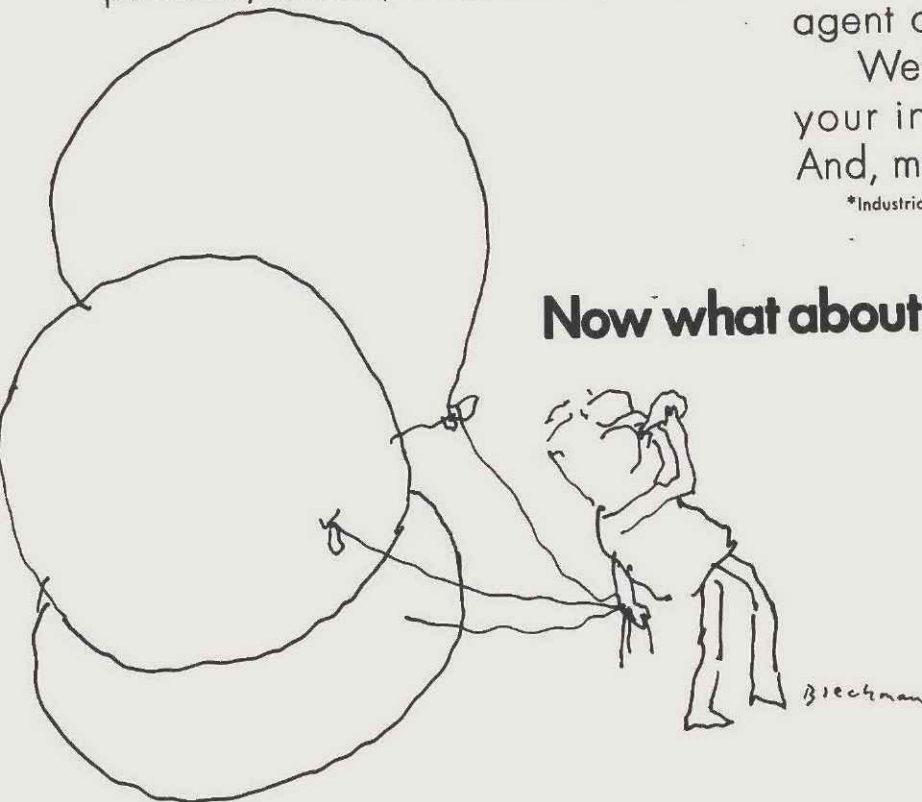
Another thing: We can integrate IRIS into your present cost analysis system, so you can see a relationship between insurance costs and other business factors.

If you'd like more information about IRIS, call your insurance agent or drop us a note.

We'll help you find out where your insurance money is going. And, most important, why.

*Industrial Risk Information System

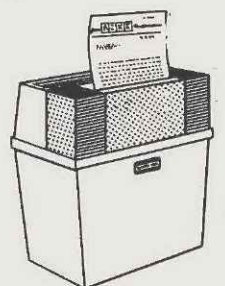
Now what about insurance costs?



CNA CONTINENTAL NATIONAL AMERICAN GROUP
Dept. 18WX, Continental Center, 310 S. Michigan Ave., Chicago, Illinois 60604

Continental Casualty Co.; American Casualty Co. of Reading, Pa.; National Fire Insurance Co. of Hartford; Transcontinental Insurance Co.; Transportation Insurance Co.; Valley Forge Insurance Co.; Valley Forge Life Insurance Co.

How long must you keep important papers?



Write for free booklet, 81-923 **RECORD RETENTION TIMETABLE**, describing Retention Periods as allowed by government authorities, and how to dispose of them safely without loss or worry!

ELECTRIC WASTEBASKET corp.
145 West 45th St., New York, 10036
Selected dealers all over the United States.

Alcoholics...

Continued from page 18

swers obtained from examination forms in these cases are sometimes very misleading if not downright untruthful.

Many alcoholics, perhaps the majority, go unrecognized; the accepted pattern of social drinking provides an excellent camouflage.

In England, the underwriting practice is to be wary of the daily drinkers whose drinking is open to mild criticism. They probably show slight to moderate extra mortality, but since they are a borderline group, some life offices might perhaps not make a debit in individual cases if a life is perfectly acceptable in other respects.

BUT IF CRITICISM is more than slight, group mortality

might rise as high as 100% above average.

Drinkers who have short bouts of intoxication several times a year, and those whose bouts last days or weeks at a time are much worse risks, up to 250% above average.

Alcoholics who have become total abstainers fall into two groups from the underwriter's point of view: those who did so voluntarily and without medical help, and those who sought and received medical treatment. Members of AA would generally fall into the second group.

MORTALITY IN THE first group would still be above average up to the fifth year after abstinence, but standard in the fifth to tenth years.

The second group would have a higher mortality rate.

In England, alcoholism is slowly becoming acknowledged as a serious drain on the country's

productivity. British industry loses an estimated \$70,000,000 to \$95,000,000 a year because of it in lost man-hours, reduced efficiency, faulty work and avoidable accidents to employes and machinery.

IN THE U.S., the impact of alcoholism involves directly 5,000,000 individuals. In so far as each alcoholic could have an influence on the daily lives of, say, 25 other people, alcoholism might be influencing the lives of half the population.

Using these figures at the 9th international congress of life insurance medicine at Tel-Aviv, Professor Albert Larson of the Travelers Insurance Co. said that it could be assumed from them that the insurance industry would know a great deal about this subject. However, "precise and accurate information is sadly lacking.

"We agree with many other

authorities that alcoholism, directly or indirectly, might well rank third in mortality tables after cardiovascular disease and malignancies. It has been said that most of its effect is out of sight... like an iceberg.

"THE IMPACT OF the problem of alcoholism relates to the underwriting of all lines of insurance; not only life insurance but accident and health, group insurance, automobile, workmen's compensation and property."

He concluded that business and industrial managements must accept a more positive role along with the insurance and industrial medical worlds in bringing the problem of alcoholism out of the consulting room and into the boardroom.

Nevertheless, Mr. Larson admitted that in his own company of 23,000 employes where he would expect at least 2% to have

drinking problems, only 60 have been treated in five years. Where, he asked, were the other 400?

ENGLAND IS EVEN more backward in uncovering alcoholics. It seems that neither industry nor insurance companies appreciate how many alcoholics there are. Management is still ignorant of the fact that the average alcoholic is not a "down and out" but is likely to be as outwardly respectable as one's fellow directors.

The great need today is for "precise and accurate" information on this hidden disease. Until it is there, misunderstanding is inevitable.

Third-party suit filed in injury case

BUFFALO, N.Y.—One of five companies named in a \$300,000 injury suit stemming from the burning of the Norwegian steamship Thorstream here last June has filed a third-party suit against a sixth company in federal court.

Four people died in the fire.

Olin Mathieson Chemical Corp., Niagara Falls, N.Y., was named in a suit brought by two stevedores injured in the fire at the Buffalo Port terminal. Olin brought suit against Pittston Stevedoring Corp.

The chemical concern demands dismissal of the original suit and says that if it is found liable for any damages, all costs should be paid by Pittston, employer of the two stevedores.

The original suit was filed last Jan. 25 by Joseph Brasseur and George O'Donnell, both of Buffalo.

Mr. O'Donnell rescued Mr. Brasseur. Each seeks \$150,000 injury damages from Olin Mathieson and these four defendants: Odd, Ornen & Thorbold, Norwegian owners of the Thorstream; Christian Canadian African Lines Inc., world agent for the ship; Kerr Steamship Co., state agent, and Lancaster Steamship Agency Inc.

The stevedores' suit accuses the agents of failing to furnish them a seaworthy vessel and all five defendants of negligence in permitting an unsafe condition to exist in the loading operation.

The Olin Mathieson suit accuses Pittston of negligence in the supervision of its employes in the loading of drums of calcium hypochlorite; and "failing to warn against and permitting the use of cigars, cigarettes and other sources of ignition in and around the holds being loaded."

NFPA fall conference open to nonmembers

The National Fire Protection Assn. will hold its 1968 fall conference in Milwaukee, Wis., Nov. 19-21. Sessions will be open to nonmembers.

Lectures, panel discussions, open forums and films will cover current developments and problems related to protection of lives and property from fire and explosion in industrial, residential and rural areas.

The Fire Marshals Assn. of North America, an NFPA affiliate, will hold its annual conference in Milwaukee Nov. 18.

Arrangements for the NFPA conference are being made by co-chairmen Roger C. Krafft, manager of the Fire Insurance Rating Bureau, Milwaukee, and James R. Moher, chief of the Milwaukee Fire Department.

THIS NEWS PHOTOGRAPH DOES NOT NECESSARILY DEPICT AN ACTUAL CLAIM BUT ONLY THE TYPE OF MISHAP COVERED BY UTICA MUTUAL.



() N.Y.---EXPLOSION SITE---The remaining walls and rubble of the executive office building of a major appliance manufacturing firm ripped apart during an explosion are shown above. Fortunately the accident occurred on a Sunday when employees were at home. (abk857/4251kp) 1968.

We hope you never have to see how good we can be.

We hope that disaster never strikes your business. That you never have to see how quickly we pay claims; how far we go to get things back to normal.

We'd rather have you discover Utica Mutual is the kind of company that gives you the most attention when you

need it most. Before anything happens.

We'll provide a free safety and fire prevention survey. And offer you "Select-A-Pak," the new kind of package insurance for business. It lets you select the protection you want in the amounts you need. A policy made for

you. Against fire, storms, robbery, leaking pipes, exploding boilers. You name it and we'll provide it.

We'll also show you how you can save up to 20% on your present insurance costs by eliminating duplicating or

overlapping policies. And how our dividends can reduce costs even further every year.

Give Utica Mutual a lot of thought, whenever you think about your insurance.

We'll give you a lot also.

UTICA
MUTUAL

INSURANCE THAT STARTS WITH YOU.

'City by the bay' has \$1,000,000 retention

SAN FRANCISCO—Insurance by ordinance and bid is the pattern for this city's protection against liability rising from whole spectrum of personal injuries resulting from accidents, false arrest, libel, slander, defamation of character, wrongful entry, or even invasion of privacy.

On June 1 of this year, San Francisco became protected against all liability hazards with single limit excess umbrella liability coverage of \$24,000,000 in excess of \$1,000,000.

This sum excludes the city's huge Public Utilities Commission, which has its own separate \$25,000,000 of coverage.

This program takes a great many brokers, carriers, capacity and packaging to achieve insurance protection.

SAN FRANCISCO operates both as a city and as a county, with considerable overlapping and intertwining of functions and responsibilities.

The city is under the direction of Mayor Joseph L. Alioto and the county under a board of supervisors. A unified school district uses many of the services of the city and the county but is independent of the mayor and board.

However, its budget goes through the city controller and must be adopted by the board of supervisors. As an autonomous body, the school district arranges its own insurance program apart from that of the city and county.

With the exception of the school system, the city's commissions and departments, by and large, are run by the mayor, with certain controls exercised by the board of supervisors, the chief administrative officer, the controller and deputized executives.

It is a complicated arrangement. Mund, McLaurin & Co., insurance analysts, have the responsibility of keeping track of the coverages.

THE BOARD of supervisors, by ordinance, establishes the insurance requirements for each of the city's 27 departments, plus its boards and commissions. The controller, Nathan B. Cooper, must approve all insurance policies and carriers.

The city purchaser, Frank Conway, puts most insurance policies out to bid every three years. The Board of Supervisors establishes the public utilities commission policies with respect to its money, securities and department use.

But the commission determines its own insurance needs with respect to the international airport, the Municipal Railway, its revenue-producing vehicles and the Hetch Hetchy water system.

By ordinance basic liability insurance programs from the first dollar of loss up to \$1,000,000 are authorized for a number of projects or structures, such as the Farmers' Market, the Opera House, special events such as Chinese New Year celebrations and even four portable bleachers owned by the city.

City and county vehicles, other than the Muni Railway's revenue producers, emergency hospital ambulances and police and fire department vehicles are insured, also by ordinance, with \$100,000 limits for property damage and bodily injuries.

State-owned vehicles operated by the city and county are insured with \$100,000/\$200,000 bodily injury and \$25,000 property

damage limits of liability. Non-owned or hired vehicles carry \$100,000 limits.

ALL OF SAN Francisco's insurance policies have broad contracts, have worldwide coverage and are approved by the city attorney and the controller.

No carrier can bid unless it has a policyholder surplus which is

at least ten times the amount being bid.

In many risks, San Francisco is self-insured. The board of supervisors each year appropriates a claims fund from which minor claims are paid, if approved.

This fund is allowed to accumulate. Claims resulting from a runaway cable car accident would be paid out of the exist-

ing self-insurance reserve.

Losses in recent years have, fortunately, been comparatively minor and have usually involved fire losses to city-owned property or claims approved against automobile accidents.

THE PUBLIC Utility Commission has maintained a \$25,000,000 limit for the International

Airport for several years, and the city has decided to include other operations, such as hospitals, public exhibits and gatherings under the same limit.

Richard N. Goldman, one of the number of brokers involved in San Francisco's insurance program, has "packaged" the umbrella liability protection.

Continued on page 22

We've changed.

National Union Insurance Companies

now also write:

Automobile Excess Liability,
Difference in Conditions,
Excess and Deductible Fire,
Excess Specific Workmen's Compensation
Coverage,
Specially designed programs,
Substandard Fire,
Umbrella Liability Insurance
(Commercial, Personal and Professional),
Valued Form Business Interruption,
and, we listen to your new ideas.

National Union Insurance Companies
818 North American Rockwell Building, Pittsburgh, Pa. 15222
102 Maiden Lane, New York, N.Y. 10005
Atlanta, Chicago, Los Angeles, Miami, New York, Pittsburgh, San Francisco

City...

Continued from page 21

Other brokers for the city include Marsh & McLennan, Johnson & Higgins, Clifton and Co., L. R. Carroll and Devoto-Lewis.

The various departments initiate requests for the purchase of insurance. These go, by requisition, to the purchasing department.

Policy costs are charged to the individual departments and each department head must obtain budget appropriations from the board of supervisors.

When the cost of insurance is more than \$1,000, Mund, McLaurin explains, bids are called for by the purchasing department, which prepares specifications.

Mund, McLaurin assists in the preparation of specifications on all lines of insurance except life, accident and health.

BEFORE AWARDS are made, proposals of carriers are sent to the purchaser of supplies and are reviewed by Mund, McLaurin.

Final awards are made subject to approval by both the controller and the purchasing department.

Drexler sees reduction in work comp

SAN FRANCISCO—Employers in California can look forward to the second reduction in workmen's compensation premiums in as many years, according to Fred Drexler, president of Industrial Indemnity Co. here.

He said an average decrease of 6.7% is anticipated in rates on workmen's comp policies issued effective Oct. 1 and thereafter. Now pending in the legislature, however, is a proposal to increase the maximum disability payment from \$70 to \$100 a week, and if this measure passes the cost of workmen's insurance will be held to a 2.2% reduction.

Mr. Drexler said the major reasons for the anticipated reduction are improved administration of the California system, effective efforts to reduce unnecessary litigation, a declining accident frequency and a period of record-high employment.

"There has been, since a legislative study commission's recommendation was adopted in 1966, an effective benefit notice program which advises injured workers of what they will receive," Mr. Drexler said. "Attention by insurance carriers to prompt payment of claims has helped to avoid controversy."

"There has also been progress toward a more complete rehabilitation concept in which an injured worker is returned to work in the shortest possible time," Mr. Drexler explained. ■

Schiff Terhune buys Stake Co.

NEW YORK—Schiff Terhune Inc., insurance broker here, has acquired William Stake & Co., an ocean marine cargo specialist.

Schiff Terhune handles such accounts as P. Lorillard, Allied Stores, American Machine & Foundry, Gimble Brothers, Morgan Guaranty and Rexall Drug & Chemical.

William Stake handles marine insurance accounts for Amerlux Steel Corp., Central National Corp. and Biddle Purchasing Co., among others. ■

ment. When the policies are received, they are again checked by Mund, McLaurin.

Insurance bids are not advertised. However, they are listed "at the counter" for inspection by brokers and carriers. Specifications are available from the purchasing department.

As a matter of practice, the purchasing department maintains a list of brokers who have requested specifications.

San Francisco's workmen's compensation, by and large, is self-insured. One exception is a workmen's compensation policy covering student nurses, carried by Pacific Indemnity.

THE PUBLIC Utilities Commission purchases two sets of liability policies, both providing limits of liability up to \$25,000,000. One set covers the Airport and the other all P.U.C. operations other than the airport.

San Francisco self-insures lia-

bility arising from "revenue-producing vehicles" up to \$10,037,000, and the limit of \$25,000,000 applies as excess over the amount of the self-insurance.

The city and county self-insures the liability arising out of other operations of the Public Utilities Commission to \$25,000, with a \$25,000,000 limit.

Liability arising from operation of such city activities as the Farmers' Market and Opera House, is insured for a single limit of \$2,000,000 for bodily injuries, personal injuries and property damage.

THE CATASTROPHE liability policy has a \$1,000,000 liability and a catastrophe policy will cover any excess. This retention will, in effect, become self-insurance for those San Francisco departments not covered by primary insurance.

The primary policy, incidentally, is endorsed to include or-

ganizations other than the city and county which might become involved in special events.

At one time, special events were covered as they arose by specific policy placements. By incorporating these into the permanent program it was possible to lower the cost and obtain broader coverages. Mund, McLaurin contended. The annual cost of all insurance carried by San Francisco, exclusive of the cost of the self-insured workmen's compensation and any life, accident and health plans, is \$250,000.

A substantial increase in vandalism and in the destruction of public school property has proved costly for the San Francisco Unified District School Board in terms of its insurance coverage.

THE BOARD HAS just renewed its policy, providing for a

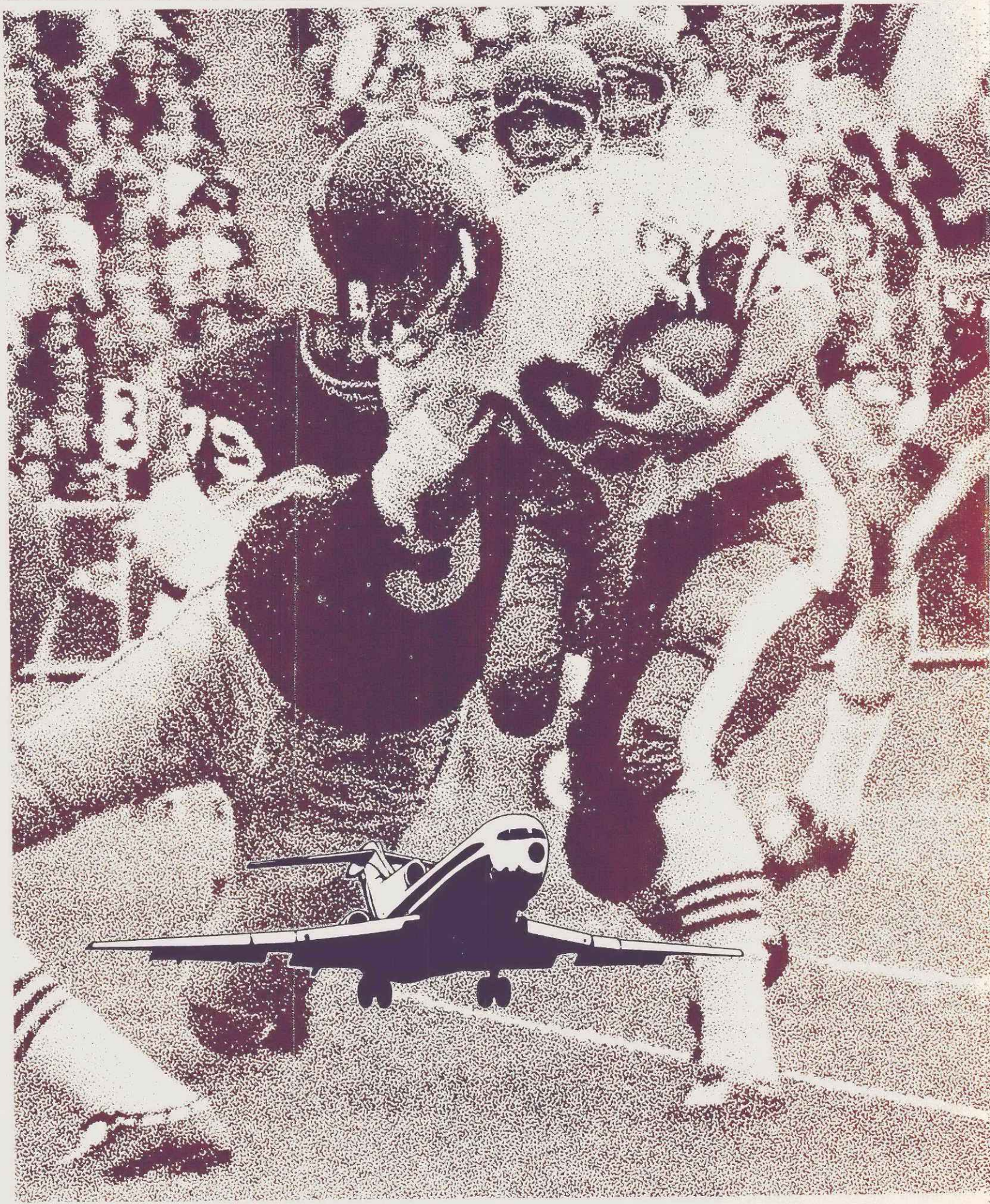
deductible of \$50,000 per fire loss, compared to the previous deductible of \$1,000. As a result, the district will not be insured against fires where the loss is below \$50,000.

Ass't Supt. Wilbert Vestnys told the board the same conditions prevail in city districts throughout California and the rest of the U.S.

"During the past 12 months," he said, "fire insurance on California schools produced an adverse loss ratio, forcing insurance companies to increase protection rates in all categories."

The new policy here was written by Insurance Co. of North America through Richard N. Goldman & Co., insurance consultants.

The renewed policy provides \$228,000,000 in coverage at an annual premium of \$76,500. This compares with previous terms of \$186,000,000 insurance at an annual premium of \$61,000. ■



Insurance major behind-scenes part of entertainment industry

By KENNETH R. MAC DONALD

HOLLYWOOD—Show biz, as everyone knows, is exciting, glamorous and profitable.

But at times it also is dangerous for life, limb and property. Losses, without the protection of insurance, could become staggering.

As a result, entertainment insurance has become big business, with millions of premium dollars spent annually.

Anticipating risks and planning liability coverage is an important "behind-the-scenes" part of every big Broadway show, motion picture and television program.

In former days, as one version

has it, motion picture studio executives here became fearful that cross-eyed Ben Turpin might suddenly start to see straight—and no longer be funny.

Others argue that producers feared the flamboyant Douglas Fairbanks (the first) would mar his handsome face and an invaluable "property" would thus be ruined.

For many years insurance against this kind of hazard was a press agent's dream—with stories of policies covering Durante's nose, Dietrich's legs or Evelyn West's treasure chest.

IN ALL HONESTY, a number of publicity policies were written

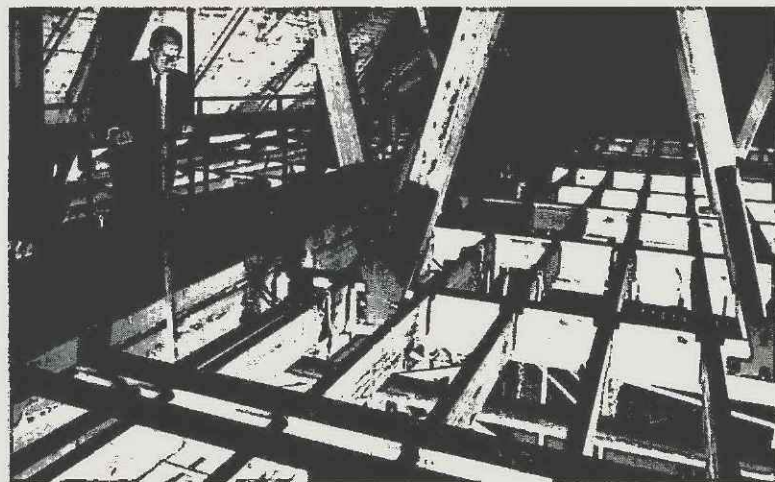
just for their short-term "news" value.

There was a time when Lloyds would issue a \$1,000,000 policy on a starlet's legs or bosom, and the insurance policy would be waved before the press. Then the policy would be quietly cancelled.

This kind of policy today is as out-dated as the hand cranked camera.

ENTERTAINMENT insurance, as it is written today, covers producers and directors as well as principal actors. It protects against plagiarism and copyright infringement lawsuits.

Policies are issued against damage to props and sound stage equipment and to defray extra



Safety engineer John D. Swanson of Fireman's Fund checks catwalk supports over a sound stage at the 20th Century Fox movie lot.

expenses that might arise from a thousand different mishaps

Major underwriters in the entertainment world include Fireman's Fund American Insurance

Cos., San Francisco and Pacific Indemnity.

IN A NORMAL production year, cast insurance policies will be written on as many as 70 productions, with other types of policies written to cover 200 or more feature films.

All productions of United Artists Corp and Paramount Pictures Corp are insured by Fireman's Fund. The company also insures a considerable number of independently produced films.

Last year the company's annual premiums in the entertainment industry, including general liability and workmen's compensation coverage, exceeded \$3,250,000.

OF THE MAJOR studios here, only Warner Brothers does not insure, choosing to absorb any losses in the corporate financial picture.

Most of the top studio executives, however, insist that insurance is an essential item in the budget of any film. With multimillion dollar movies exposed to the risks of production, insurance has become a necessary business expense simply to protect the studio's dollar investment.

Insurance coverage in both motion picture and television production is handled in three major categories. These are:

- Cast insurance, a very specialized field which insures producers against losses due to the death or injury of a star or some other mishap.

- The second category is producers errors and omission insurance. This protects the producer of a movie or a tv show against claims when he might inadvertently infringe on or damage the rights of others.

Examples of this kind of risk

Continued on page 42

After 3 Million Touchdowns This Team Knows the Score.

THE TEAM IS MENASCO—largest producer of aircraft landing gear. Their product has scored over 3 million aircraft touchdowns without a fatality. Aircraft manufacturers look for this kind of safety in numbers.

Some current Menasco programs include landing gear for Boeing's 727, Lockheed's giant C 5A Galaxy, the world's largest airplane, and General Dynamics/Grumman's superfighter bomber, the F-111 series.

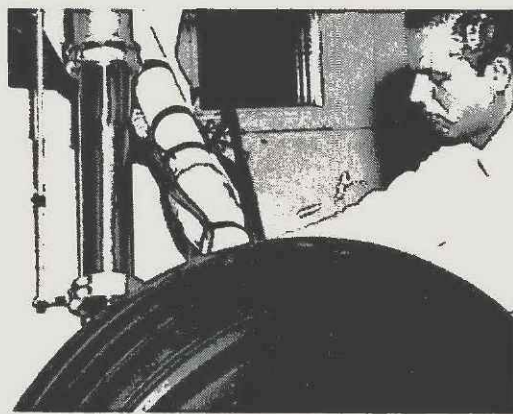
SIZE AND SPEED of modern aircraft place increasing demands on landing gear systems, and raise new hazards in production and testing. Clearly, a safe product and a safe working environment require major team effort. Menasco emphasizes "defense" in preventing injury-causing accidents.

IN THE LINE UP as an Argonaut assured for many years, Menasco initiated a self-insurance program in 1961. However, four years of self-insurance proved highly uneconomical, and Menasco decided to place their insurance once more. Marsh and McLennan's Paul Schaffner and Frank Warner again recommended Argonaut. In just one year, Menasco's safety record reflected considerable improvement. Their loss ratio dropped to 42%. And claims were no longer a problem.

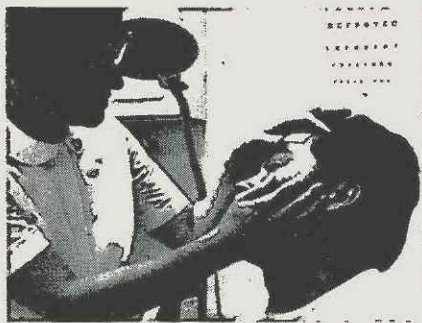
Mr. John Jackson, Menasco's Vice President-Finance, sums it up this way: "The service we've received, and the safety record we have developed, has been outstanding. Recently we renewed our insurance with Argonaut. Incidentally, we've always enjoyed getting our dividend!"

ALONG THE SIDELINES. Give your large-sized workmen's compensation clients this all-star insurance program: service, effective safety engineering and coverage at lowest net cost. Take the Argonaut approach.

Call us today.



Landing gear for the F-111 gets a work out on the test stand.



Properly applied first aid often prevents a minor injury from becoming serious.

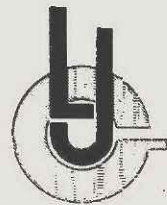


Argonaut Insurance HOME OFFICE: MENLO PARK, CALIFORNIA
Principal Offices: SAN FRANCISCO • SACRAMENTO • FRESNO • LOS ANGELES
SAN DIEGO • PORTLAND • SPOKANE • BOISE • DALLAS • HOUSTON • NEW ORLEANS
MINNEAPOLIS • CHICAGO • KANSAS CITY • INDIANAPOLIS • NEWARK • ATLANTA

BUSINESS INSURANCE

COMPLETE PROTECTION

PROPERTY CASUALTY MARINE



- Employee Benefits
- Executive Incentives
- Pension Planning

L. J. GOLDSTEIN & CO. INC.

INSURANCE SPECIALISTS

250 W 57 St. New York, N. Y. 10019
212) 765-5090

OFFICES THROUGHOUT U.S. & PUERTO RICO

Points to increasing demands for pension survivor benefits

SAN FRANCISCO—A group life specialist confidently pointed to a growing demand for additional pension plan benefits for survivors and a blurring of the distinction of early retirement in a speech to a pension session of the annual educational conference of the National Foundation of Health, Welfare & Pension Plans.

G. David Hurd, group secretary of Bankers Life Co., compared a 1960 U.S. Department of Labor study on multi-employer pension plans and a 1968 study he made of 50 collectively bargained, multi-employer plans across the U.S. to establish a trend of new directions in pension benefits.

The Labor Department study showed 52% of the pension plans had monthly income benefits for disability and an additional 12% retirement benefits. Mr. Hurd's study showed that 92% now have disability pension benefits.

HE PREDICTED that eligibility and amount payable will be key factors in the future development of this benefit and that long-term disability part of the health and welfare provisions of new fringe benefit programs and will be integrated with pension plan benefits and pension credits so that they will build until the LTD plan expires.

According to the Labor Department study, for death bene-

fits after retirement 15% included lump sum payments, 11% guaranteed a minimum number of payments and 14% had options for benefits for the retiree and his dependents.

In 1968, Mr. Hurd's study showed that 44% now had lump sum or minimum payment guarantees.

He said that lifetime income for surviving spouses was not automatic in either 1960 or 1968 studies but that it was hinted as a benefit for the future.

FOR EXAMPLE, a comparison of the two studies showed that lump sum death benefits before retirement had grown from 17% to 28% and that lifetime income

for survivors had risen from less than 1% to 6% of the plans studied.

He acknowledged that the growth in death benefits before retirement would be limited by the group life offered by the employer and that a lifetime survivor's benefit could be "extremely costly."

He pointed out that the benefit could be limited until the survivor remarries, until Social Security is begun or a specified number of years. In addition, the payment may be a flat amount, a percentage of the pension benefit or percentage of the expected pension benefit at age 65, he said.

"The spouse benefit is a rifle approach to pinpoint dollar payments in an area where there is great need," Mr. Hurd concluded.

Elliot Beier, manager of pension and profit-sharing services of Nuveen Corp. and a contributing editor of *Business Insurance*,

told the session that so-called thrift plans or employee savings and investment programs as a supplement to or a basic retirement program itself are the fastest growing new employee benefits because they provide a fairly certain benefit and offer an inflation hedge because they are based on a diversified equity investment portfolio.

MR. BEIER said the 42 of the largest industrial operations, ranked by sales, had adopted thrift plans in the past 15 years, 11 in the past four years. He said that one out of nine of the Fortune 500 list of the largest U.S. companies had some form of employee savings plan.

He outlined a composite plan which sets eligibility at one year, employee contributions at 1% to 6%, employer contributions at 50¢ for each employee's \$1, 100% vesting after five years and investment of the employer's portion in its own stock with the employee having a choice of three funds.

Mr. Beier pointed out that although salaried employees are primarily involved with this benefit now, hourly employees, particularly in aerospace industries, are beginning to opt for it. The eligibility requirements for union members are worded to include all employees except those who do not want it as part of the bargaining agreement, he said.

At Lockheed, for example, 31,000 hourly employees (85% of those eligible) have enrolled in a thrift plan. Those with less than three years service may contribute \$104 or \$208 annually and those with more than three years may contribute \$104, \$208 or \$312 annually. Salaried employees contribute 2%, 4% or 6% of salary. Lockheed pays in 50% of the employee's contribution and employees can pick one of three funds for their contributions.

Mr. Beier pointed out that these voluntary employee investment plans are tax-sheltered, even when an employer does not contribute. If it does not contribute, the employer must take steps to sponsor the program and make payroll deduction available.

Due to volume discounts, the mutual fund charges can drop to as low as 1%, as compared with the usual 8.5% charges most funds charge, Mr. Beier said.

American Int'l Oil names new risk supervisor

CHICAGO—R. B. Sullivan Jr. has been appointed insurance supervisor for American International Oil Co.

Mr. Sullivan, whose promotion was effective Sept. 1, previously was property insurance supervisor for Standard Oil Co. (Indiana), American International's parent company. He has been with the Indiana Standard organization since 1953, when he joined the company as an insurance engineer. In 1958 he achieved the Chartered Property and Casualty Underwriter designation, and in 1960 served as president of the Chicago chapter of the Society of Fire Protection Engineers.

No successor to Mr. Sullivan has yet been named by Standard Oil Co.

A resident of Flossmoor, Ill., Sullivan was graduated in 1948 from Illinois Institute of Technology and later studied at the University of Chicago graduate school of business.

For fast relief...



All businesses have individual characteristics and special requirements, including insurance protection against fire and lightning, vandalism and malicious mischief or business interruption.

Your Gulf Group Agent can "prescribe" a single multi-peril protection package to fit your company's special needs by combining basic and optional coverages.

Don't Wait! Fill your prescription for fast relief now . . . Call your Gulf Group Agent today!



GULF INSURANCE COMPANY
ATLANTIC INSURANCE COMPANY
SELECT INSURANCE COMPANY
GULF ATLANTIC LIFE INS. CO.
WESTERN SECURITY LIFE INS. CO.



Urges air controller's retire after straight 20 years at half pay

NEW YORK—Part of a whole gamut of short- and long-range proposals to improve the plight of air traffic controllers is a suggested change in retirement to straight 20 years with half pay.

Some controllers maintain they are past peak efficiency after 45, which is about the age at which they have served 20 years. Retirement is currently based on 30 years after age 55.

One controller at the New York center said that after 40, because of the strain of the job, "you can't make a decision as fast."

CURRENT CONDITIONS at airports across the country, especially those in major metropolitan areas, have brought to light the needs of air traffic controllers. The proposals call on all segments of the air transport industry to work together in alleviating the crowded airways and airports and reducing delays.

Air traffic controllers are seeking additional help, increased salaries, better working conditions and improved employe benefits. It was explained that retirement for airline pilots varies from airline to airline, but in general a pilot can retire at 45 with the consent of his airline. Normal retirement is typically between ages 50 and 60 with 20 years service.

The controllers are also suggesting that if a man elects to work 30 years he should retire at 80% of salary, and if he retires with 20 and 30 years of service, retirement pay should be prorated.

Another controller described his work as "nerve bending," and said the most important thing at the center is a "bottle of aspirin." Controllers say they find their work fascinating but that working conditions are poor. In a controllers' contract there is no provision for lunch time or any break at all, and the only time a controller can leave his position is during a slack period.

ONE CONTROLLER said he has worked as many as six or eight hours without a break to go the rest-room.

Medical benefits for airline controllers are provided by Blue Cross, Aetna, Health Insurance Plan and Greater Health Insurance. One member who subscribes to the Aetna pays \$19 a month for the program, which picks up 80% of costs after a \$50 deductible.

Controllers pay 25¢ per thousand dollars of life insurance coverage and coverage can go to the top thousand in salary.

A New York controller pointed out that all the benefits including retirement are on a contributory basis. For retirement the controllers contribute 6½% of their salaries.

CONTROLLERS don't foresee

Form Lenz of Ohio

Charles A. Lenz Insurance Inc., St. Petersburg, Fla., will form Lenz of Ohio, Inc., an excess and surplus brokerage firm with offices in Dayton, O. The manager will be Carl Johannes, formerly with Continental Casualty Co. George R. O'Neal, now vp and general manager of the Lenz firm, will assist him.

much relief in the congestion at airports. They complain that "we've been pushed just as far as possible and it's a real safety hazard when we start pushing too many planes into one area."

Control personnel in late June started an intensive drive to follow safety regulations down to the fine line. The result has been delays of up to six hours in the New York area.

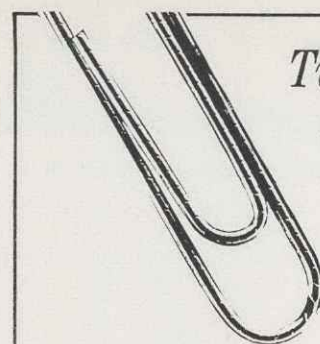
"What's needed is more men, another airport and better equipment plus more attractive salaries and better benefits," one controller contended.

The Federal Aviation Administration has funds appropriated for a "crash" program of recruiting an additional 1,200 traffic

controllers but the impact of additional personnel won't be felt for some two or three years, partially because of the length of the training program.

ONE CONTROLLER questioned, "can new employes be attracted considering the working conditions, salary and fringe benefits?"

The FAA has also proposed major restrictions in flight operations at New York, Newark, Washington and Chicago. This means cutting back on the number of commercial and private flights. And in the New York area, speculation has begun as to where a fourth airport will be constructed. ■



Tight-Knit commercial insurance Programs

for companies throughout Ohio

Let us pull all your protection needs together into one economically tight package. Our size, experience and heart-of-Ohio location make us a prime single source for all types of commercial coverage. For our brochure—A FAST LOOK AT ATKINSON-DAUKSCH—Clip this ad to your letterhead and mail today.



Atkinson-Dauksch Agencies, Inc.
Insurance and Surety Bonds

40 W. Gay • Columbus, Ohio 43215 • (614) 228-5841



We've been in some pretty black holes to keep you out of the red.

You shouldn't be amazed at the places you find our field consultants.

After all, these specialists are dedicated to protecting your property and profits. They will ascend a tank, crawl through a duct, or climb into a boiler in the hope of locating and eliminating a hazard.

Getting rid of hazards is one good way of keeping your production rolling. And unless production keeps rolling it's hard to stay out of the red and in the black.

The total involvement of our fieldmen exemplifies the FM philosophy of insurance. This philosophy is unique. Its main objective is helping policyholders perpetuate profits through the strongest profit protection. Loss prevention!

For further information, contact your nearest Factory Mutual district office. Or write Factory Mutual System, Norwood, Mass. 02062.

FM Factory Mutual System

Industry-owned to conserve property and profits

Arkwright-Boston Manufacturers Mutual Insurance Co.
M F B Mutual Insurance Co.
Philadelphia Manufacturers Mutual Insurance Co.
Protection Mutual Insurance Co. / Affiliated F M Insurance Co.
F M Insurance Company Ltd.

Royal-Globe...

Continued from page 19

carefully addressed his question to "business with good experience"; if he had instead referred to "business adequately priced," the question would have answered itself.

As all of us know, where immense property values and liability exposures are concentrated, the catastrophe risk is ever present, even if a history of good experience exists. At the same time, we are the first to agree that efficient risk management and control do influence over-all experience. In the marketing of such unique and gigantic coverages, good buying, good brokering and good underwriting have their better tests, but if the price is driven too low, the wise underwriter will not be tempted unless adequate collateral reasons are present.

Mr. Levinson's only back-up point seems to be what he calls our "legal ability to write," which, based on our current surplus, he figures to be "more than \$20,000,000 on any one risk." Here we find it necessary to state the obvious, namely that in establishing and operating the underwriting policy of any company, there is nothing more than a technical relationship between "legal ability to write" and the practical, sound application of capacity. Thus, his follow-through criticism that Royal-Globe's "participation in the average large line subject to one loss probably does not equal 10% of its potential on any one risk" is a non sequitur.

WHETHER MR. LEVINSON'S broad comments on Royal-Globe have been generalized from the particular of his own sphere of risk management, we prefer not to speculate, and further comment on this probability would be inappropriate here. Yet we feel constrained to be obvious again to state that a limitation of \$2,000,000 (10% of Mr. Levinson's "legal ability" of \$20,000,000) simply has no part whatsoever in Royal-Globe's underwriting policy. Fortunately, many of your readers have good reason to know this at first hand.

We are large risk writers, always have been and always will be. Where the conditions are sufficiently attractive, we are more than delighted to make available our full capacity. The current market contraction in available capacity is not only a complex problem but is all the more serious at a time when greater capacity is in demand.

For its part, Royal-Globe in the areas of large corporate, institutional and utility business is consciously endeavoring to provide as much capacity as prudence in these trying times will permit. Purely as one proof of this, one need look no further than our continuing large participation in such large risk writers as FIA and OIA.

William C. Simpson

Senior vp, Royal Globe Co., New York

Drug coverage studied

Blue Cross and Blue Shield of Delaware is planning to test a program this fall which will include coverage of prescription drugs. The experimental coverage would pay a major part of the cost of such drugs if the patient were not hospitalized. Members would pay the remaining portion of each prescription—perhaps the first \$1 of the cost, according to H. V. Maybee, managing director.

Letters

Worthwhile investment

To the Editor: Your *Business Insurance* magazine has proven to be a very interesting publication that I look forward to receiving. It has proven to be of value to us as our operation spans not only the continental United States, but also Canada, Alaska, Hawaii, and Puerto Rico. It is always enlightening to find out how various aspects of insurance are being handled in these different localities.

Amway Corporation markets nearly 200 different products for home and personal care. Because of this it would help me very much to see more articles in *Business Insurance* dealing with the product liability field. Actual

case experiences and court decisions involving these particular cases lend themselves to a better understanding of this area of insurance.

It is my feeling that subscribing to *Business Insurance* has been a worthwhile investment.

Ray Olejniczak

Tax and Insurance Claims Dept., Amway Corp., Ada, Mich.

'Very timely'

To the Editor: *Business Insurance* is very timely and interesting. In this regard I call your attention to the articles you wrote about insurance cancellation due to the heavy losses as a result of riots.

Your news magazine is up to date and informative and at the same time helpful.

Charles Kahn

Executive Vice President, P.A. Bergener & Co., Peoria, Ill.

Not isolated

To the Editor: We try to read *Business Insurance* regularly. We find it very interesting, and it is certainly most informative in giving insurance trends. A good many of the articles cover day-to-day problems that we in the insurance field have to face. We find that our insurance problem is not necessarily isolated to our company when we read some of these articles in *Business Insurance*.

James J. Cullen

Manager, Insurance Department, Beatrice Foods Co., Chicago

Reid elected

Glen H. Reid has been elected executive vp in charge of the San Francisco office of Willcox, Baringer & Co. Inc., reinsurance brokers. He succeeds Jack V. Watson who has retired.

Testimony on work comp set

OLYMPIA Wash.—Meetings have been set up in ten state cities this fall to seek testimony from employer and worker representatives on the possibility of providing state workmen's compensation coverage for farm workers.

Harold J. Petrie, labor and industries director, said the meetings will be conducted by Duane S. Stookey, supervisor of industrial insurance for the department, and will start Sept. 23 in Mount Vernon and end Nov. 21 in Yakima.

The state labor council said petitions seeking inclusion of farm workers under the state's industrial insurance law were presented to Mr. Petrie by Tomas Villanueva.



We also insure Grace Jones' camera



From its very inception the St. Lawrence Seaway project staggered the imagination. Stacks and stacks of blueprints gave way to mountains of bulldozers, dredges, instruments and machines.

And everywhere, there were men... thousands of men building dozens of new piers and terminals, 11 bridges, 7 locks, 5 new major power and control dams. They even moved 6 towns.

Everyone and everything along the entire Seaway project needed protection from injury, loss and damage.

The authorities wanted more than just insurance protection. To be sure, they needed financial protection for the mammoth risks. But, they also wanted the services of a company with knowledge and skills to prevent loss and damage.

Is it any wonder, then, that MOA was

Banker, insurance man present their expertise as pension counsel

SAN FRANCISCO—A banker and an insurance company representative stoutly defended their own industry as the best investment counsel for pension and welfare funds at the 14th annual education conference of the National Foundation of Health, Welfare & Pension Plans.

However, in putting their best foot forward, the pair cast an anxious glance over their shoulders at the increasing competition for pension funds from mutual funds, brokerage houses and other investment counselors.

Speaking from what he considered a position of strength, and the dominant one in pension funds J. Parker Hall, assistant vp

of the Harris Trust & Savings Bank, Chicago, said that insured pension assets total \$31.7 billion and noninsured (bank) pension assets are \$71.8 billion.

HE SAID THAT the bank's share of the pot is the largest and that it has risen in both dollars and growth at a faster rate than any other method of pension fund management since 1940.

George Bjurman, exec vp of Occidental Life Insurance Co. of California and president of Transamerican Counselors, said that pension fund administrators had better look for a new investment counsel if the common stock portions of their portfolio did not average more than

15% growth over the last five years.

Mr. Hall said that a 12% growth on the equity portion of a fund would be "a little better than average and was certainly a reasonable objective" for a pension fund. He said that total return on investment and income over the last 100 years has been between 9% and 10%, but that it has been higher since World War II.

MR. BJURMAN accused pension administrators of being willing to accept "mediocrity" from investment counsel on the rate of return expected.

Mr. Hall pointed out that equity ratios (common stock to

fixed assets) among pension funds managed by the Harris range from a high of 98% for a \$20,000,000 fund to a low of 36% for another large plan.

He said the stated purpose of a bank's pension trustee department is "to maximize the rate of return within the constraints established for each account by individually established investment objectives."

Although unwilling to set a minimum limit for a separate account managed by an insurance company, Mr. Bjurman said that for practical purposes the annual contribution for a separate insured account should be \$100,000.

IN RESPONSE to competition for pension funds from mutual funds and brokerage house (working either for a fee or for placement commissions alone) Mr. Hall said the primary advantage banks have to offer is com-

petent investment leadership, streamlined organizational structure, decision-making by investment people and individualized investment programs for each customer.

Mr. Hall warned that a "mixed bag of brews, that is active use of more than one investment counsel, is likely to dilute the effectiveness of a fund's results."

IN ADDITION, he illustrated that on a \$1,000,000 fund a 2% difference in return over a 35-year period can mean more than \$7,000,000 difference in total assets, but a difference in fees, matching a standard fee and one-third off, "cut rate" fee, can mean only \$9,850 in the same time period. "In other words," he said, "you get what you pay for, and compounding of interests can make any fee adjustment look small."

Mr. Bjurman agreed that fees should be a secondary consideration for pension fund administrators. "The best possible management is the most important factor for a fund," he said, and "more than one portfolio manager on a large account is good, also. Both tend to maximize results when directly compared, and there is a fallout benefit of information for the fund's administrators who have two sources of advice."

MR. BJURMAN offered some "rules of thumb" for administrators:

- Deal with highly reputable and quality advisers;
- Select strong, aggressive managers;
- Look for research capabilities;
- Forget book values on stocks and look at the company's management;
- Buy quality growth stocks that show 15% to 20% net increase in annual earnings;
- Avoid stock tips;
- Have no halos around certain stocks;
- Spread purchases over a period of time;
- Be willing to admit you're wrong (he quipped that he'd written the original book of errors);
- Cut off losses quickly; and
- Don't be too quick to take profits.

County puts insurance in one policy

NEW LEXINGTON, O.—County officials believe they have saved about \$2,000 over a period of three years by consolidating insurance coverage on county buildings and contents in one policy.

The new arrangement allows one check to pay the entire insurance bill "and will end writing vouchers and checks a number of times a year for insurance. Some policies were for three years, some yearly," according to Mrs. Helen Tharp, commissioners' clerk.

The consolidated pact was signed with Metzger Insurance Agency here for coverage which involves all county-owned buildings, contents and equipment except those of the county highway department, which will continue to administer its own coverage.

The new policy carries a \$100,000 deductible and costs \$8,730 for three years. Metzger will send each of 12 insurance firms in the county its share of the premium check. Total coverage is \$1,367,505.

chosen to underwrite a major portion of this vast project? MOA has the largest staff of marine engineers and surveyors in the business. Behind them, are comprehensive records and research facilities. These enable MOA underwriters to calculate the possibilities and probabilities that might occur in such a gigantic undertaking.

Even today, MOA is still very much in the St. Lawrence Seaway picture.

Besides providing marine protection for piers, locks, terminals, bridges and dams, MOA insures a big portion of the cargo and vessels travelling the Seaway.

Not everybody (Grace Jones, for example) needs that kind of insurance coverage. MOA has exactly the right kind of protection for her, too, because while we are big enough to underwrite the St. Lawrence Seaway, we

are also geared to handle any size risk.

Why not find out more of the MOA story? For more information, contact Marine Office of America, 123 William Street, New York, N.Y. 10038.

Our member companies are: The Continental Insurance Companies; The Glens Falls Group; The Hanover Insurance Group; Phoenix of London Group. Aviation insurance is available through Associated Aviation Underwriters.

Marine Office of America **moa**

Floodlights, wire cages reduce thefts for Florida beer handler

ST. PETERSBURG, Fla.—Mercury floodlighting and a wire cage have produced a cut in insurance premiums for the Southland Distributing Co. here.

As a company wholesaling Pabst, Carling and Blatz beer, with an annual sales near \$2,000,000, Southland experienced the same problems of break-in that plague many other distributors of beer and wine.

"You could almost count on having several break-ins every year," said Sam Hardy, Southland's manager. "There are the small time thieves who aren't interested in money, just beer."

THEN LIBERTY MUTUAL, which writes all of Southland's insurance, told Southland the premiums could be reduced if floodlighting was installed and wire cage built to surround the kegs of draft beer which occasionally had to be stored outdoors overnight.

"They told us to put floodlights around the place so the outside would be almost like daylight and we'd find an end to break-ins, and the premiums would come down," Mr. Hardy said. "This was done several months ago and there have been no break-ins since."

"Premiums came down some, and they tell us that as experience shows the installations work, they will come down even more."

"**WE HAVE TO MAKE** sure we have plenty of coverage for our trucks," Mr. Hardy said. "In this business, just let a beer truck be in an accident and they come down all over you."

Through Liberty the company maintains \$300,000 liability in-

urance for each accident. Mr. Hardy said the cost is not exceedingly high because the accident experience of the company's drivers has been good. Claims have been few and mostly small, he says.

Theft insurance, which includes possible theft from trucks operated by driver salesmen, covers the total amount of the loss, less 50 cases. In other words, the deductibles are measured not in dollars but in case values, since different beers are at different prices.

Southland maintains standard coverage at full replacement value for its warehouse, offices and equipment, as well as merchandise stored in the warehouse. ■

'No health insurance premium, no work'

SOUTH CHARLESTON, W. Va.—When the city failed to pay its portion of health insurance for the garbage workers, they expressed their feeling by walking off their jobs.

The city council approved a plan to pay \$8 per man and his family each paycheck commencing July 1. However, the strikers complained the city hadn't done this.

Mayor L. O. McIlwain said the matter was a misunderstanding and the city just hadn't worked out a satisfactory arrangement with the insurance company.

The mayor instructed the payroll department to pay the workers the \$8 retroactive to July 1. ■

San Francisco public utilities coverage down, costs jump

SAN FRANCISCO—Officials of this city's public utilities, which includes the Municipal Railway, have discovered that almost no one wants to provide coverage for their multi-million dollar department.

Mund, McLaurin & Co., city insurance consultants, report only two bids have been received from 23 brokers and insurance companies requested for the public utilities' insurance program.

THE BIDDERS, according to Mund, McLaurin, offered to write insurance for the utilities but with less coverage than provided in the last policy and at nearly three times the cost.

In its last three-year policy,

the utilities got coverage for an annual premium of \$27,666, compared to the new and current bids of \$74,500 and \$75,481.

The coverage would vary for the various departments operated by the public utilities. For the railway, where most claims originate, the insurance would involve a \$1,037,500 deductible.

For sums under that, the city is, in effect, self-insured. Insurance companies have not paid a claim since 1959.

A fatal cable car accident last year may have alarmed some of the carriers, it is speculated. William J. Dwyer, director of accounts for the public utilities, said he may recommend that the city insure itself "all the way" and "forego paying premiums." ■

Workmen's

The law makes it an employee benefit.



The benefits of Workmen's Compensation to your employees are identical no matter which company provides it.

But the benefits to *management* when Workmen's Compensation is written by The Home are considerable.

The Home has skilled specialists to help you select the plan that's most financially favorable to your company.

The Home's safety representatives help management establish accident-reducing working conditions.

The Home's rehabilitation assistance helps employees resume their productive role quickly.

Court awards \$30,000 for bicycle injury

JERSEY CITY, N.J.—A woman who said she was injured when she tripped over a Western Union messenger's bicycle has accepted a \$30,000 settlement in her suit in superior court here.

Mrs. Maria Morgado, 47, of West New York, N.J., brought her suit against Western Union Telegraph Co., charging negligence on the part of the messenger.

Mrs. Morgado said she suffered fractures of the left leg in 1965 when she tripped over the messenger's bicycle at the doorstep of her home.

According to the complaint, Mrs. Morgado asked the messenger for change of \$10 to pay for the telegram. When he told her he had no money, she left the house to get change at a corner drug store.

Western Union reported it was self-insured for liability claims. ■

Penney's changes

Changes in the officers of J. C. Penney Co.'s insurance subsidiaries include the election as chairman of the board of J. C. Penney Insurance Co. and J. C. Penney Life Insurance Co. of C. L. Wright, president of the parent Penney Co. He is a director of both subsidiaries. Murray M. McColloch, a lawyer who joined the insurance firm earlier in the year, has been elected secretary.

Investment annuity: An 'exciting' new benefit

SAN FRANCISCO—A representative of what he termed the "smallest insurance company in the U.S." described the "exciting opportunities" of investment annuity contracts for jointly trustee pension plans.

Telling a workshop session of the 14th annual educational conference of the National Foundation of Health, Welfare & Pension Plans Inc. of this relatively new idea in employe fringe benefits, John F. Bridges, senior vp of First Investment Annuity Co. of America, defined the difference between an investment plan and a variable annuity program.

"With an investment annuity, the insurance company assumes the risks of longevity just as with a fixed or variable annuity, but in an investment annuity the

insurance company does not invest the money.

"**ALL INVESTMENT** decisions are left to a joint board of trustees or it may give this control to an individual member and his chosen investment adviser. Benefit payments will vary to reflect investment results of the personal annuity account established for each member."

This is in sharp contrast to fixed and variable annuities, in which the insurance company invests the funds in accordance with its investment policy, Mr. Bridges pointed out. "All the major life insurance companies now offer variable annuities, and they all have similar investment policies," he contended.

The object of investment an-

nuities, he said is "to produce investment results which will keep pace with long-term changes in the cost and standard of living, as reflected by a widely diversified portfolio of stocks."

Mr. Bridges outlined the history of a hypothetical union which adopted an investment annuity program.

THIS UNION, he related, which began its pension plan in 1950 with ten cents-an-hour contribution and \$75 a month benefit, had by 1957 increased the benefit to \$150 monthly on contributions of 20¢ per hour.

Union members then developed a schism, younger members grumbling about seeing more of their pay go to provide benefits for older members, and old tim-

ers feeling that there wouldn't be a union without their efforts and that the benefits were still inadequate.

The union then studied the options of investment annuity principles.

ALL RETIREES would have an option of \$150 monthly for life or to have the actuarial value of this benefit used to establish an investment annuity. The retirees could elect that this money be invested in shares of a mutual fund with a 1% sales charge but could change the investment at any time by converting to an individual policy (losing the relatively low sales charge benefit).

Since 1958, the benefit has grown to \$308 monthly. However, for those who picked this

option in 1962, the monthly benefit dropped to \$117 in 1962.

However, Mr. Bridges pointed out, a controlled annuity rider may be added to smooth out year-to-year changes and to provide benefit minimums and maximums.

The union then decided to allow a money-purchase with full and immediate vesting for all but the most transient union members so that younger union members could begin building personal accounts to supplement the pension provided by the 20¢ an hour contribution.

THIS SUPPLEMENTAL plan set up in 1959 with a 10¢ an hour contribution or \$200 annually for eight years built up to approximately \$3,625, Mr. Bridges showed. The contributions are exempt from current income tax and investments are allowed to compound in a tax sheltered fund which often can be more advantageous than direct cash increases, he said.

In addition, the union developed a voluntary contribution plan that qualified as a tax shelter on the investment portfolio. The plan had several alternatives. For example, a union member could buy varying amounts of decreasing term insurance as part of the contribution, up to a 25% maximum.

In addition, the union member may take out all or part of his voluntary investment annuity to pay off such things as a mortgage and he must pay capital gains tax only on the net gain in his account over the amount of his contributions.

In conclusion, Mr. Bridges said, "The pension trust already represents the cornerstone of financial security for most members. Now it can become the highly flexible source of additional benefits for personal financial planning."

Full cover plan now offered by Blue Shield

CHICAGO—Blue Shield gained 2,500,000 policyholders in 1967, bringing the total number covered by its plans to 62,500,000. The bulk of this increase, 2,405,142 persons, was made in group accounts, which numbered 1,212,975.

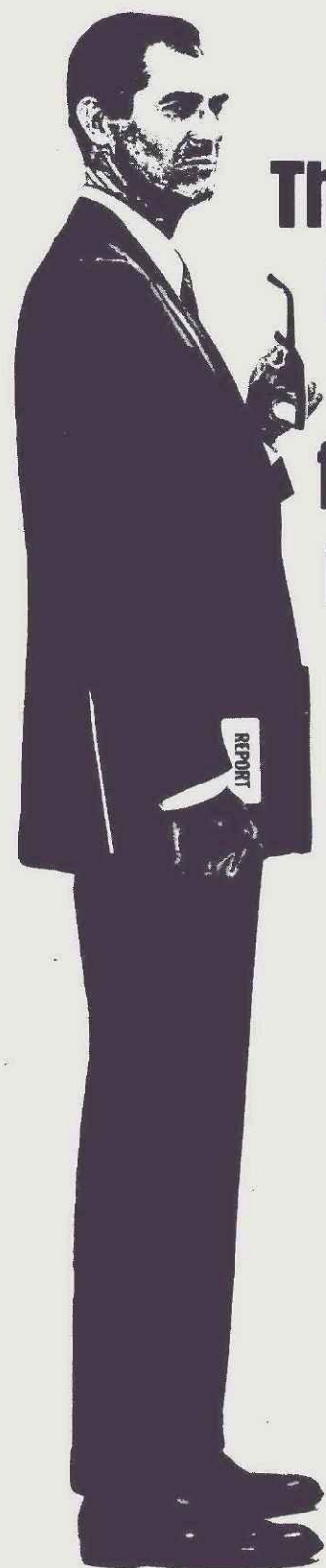
Blue Cross is switching to a "full cover" plan among its member associates.

A spokesman at Blue Shield explained that two plans had formerly been in effect: an indemnity plan, which paid a specific amount for a specific procedure, and a service plan, which paid bills in full for those people whose incomes were below a certain figure.

The income level of those people under the service plan has risen, the spokesman said, and they are also receiving government aid. "So with this development," he continued, "it became necessary for Blue Shield to meet the demands of the market and offer a program that would pay services in full, without regard to income level." He said they have found that people will switch to comprehensive health care coverage with a slightly higher premium.

A new, prepaid drug program is also being developed by Blue Shield and Blue Cross.

Compensation.



The Home makes it a benefit for management, too.

The Home's round-the-clock claims service assures prompt, fair settlement.

The Home's Thico facility lets you budget premiums monthly or quarterly, annually or seasonally.

The Home's Workmen's Compensation—combined with Home coverage in areas of property, casualty, surety—may very well give you a *bottom-line* saving on overall insurance cost.

Get details. Get in touch with your Home agent or broker today.



THE
HOME
INSURANCE
COMPANY

59 Maiden Lane, New York, N.Y. 10008
Affiliates: The Home Indemnity Company
Peoples Home-Life Insurance Company of Indiana

Pension bill...

Continued from page 16

at 20% and increasing 4% annually up to 100%. Mr. Hill pointed out that in some instances the rate of increase of graduated assets to vested liabilities could be 3% annually.

REPORTS ON THE funding status must be filed with the Secretary of Labor within 150 days after the end of the plans' first fiscal year, every third year thereafter or each year the plan is amended to increase its vested liabilities. In addition, copies of this report must be made available to all plan participants who have vested interests.

The **Liability Insurance** required must equal its vested liabilities less the greater of (1) 90% of assets needed to meet the required funding ratio or (2) 90% of actual assets.

Penalties provided for violations of the act, as enforced by the Secretary of Labor, include up to \$10,000 in fines for individuals, \$200,000 for corporations and up to five years imprisonment.

The Secretary of Labor may also assess each plan to cover the **Cost of Administration** of the act, Mr. Hill said.

Mr. Van Deuren contended that this bill, along with an Internal Revenue Service proposal that standard, rather than custom drawn, pension plans, be set up raises the question, "What further need do we have for trustees anyway?"

Mr. Van Deuren said that the authors of the proposed pension legislation are suggesting "that since Social Security provides a basic work-related program, the supplementary benefits presently provided through private pension systems might be provided better through a voluntary add

on to Social Security.

"**THE REAL** objective of some of those proposing such legislation is to destroy our present system of private employe benefit plans and to force the assets of these plans to be poured into the Social Security system."

To illustrate what the private pension system is doing, Mr. Van Deuren previewed the results of a pension research council study by the Wyatt Co., an actuarial firm.

The study covered plans which, in 1966, had been in business ten years or more with at least 25 participants.

The study showed that for plans 15 years old or older, assets covered more than 93% of the costs of accrued benefits. In what the study defined as the "benefit security ratio," a ratio of market value of assets to the cost to insure all accrued benefits, plans in effect from 10-14 years had a 74%

ratio; 15-19 years, 83%; 25-29 years, 95%; and for plans 35 or more years, 100%, Mr. Van Deuren pointed out.

THE STUDY showed that private pension plans covered 26,600,000 persons, of whom 20,600,000 were in plans ten years old or more.

The study revealed, Mr. Van Deuren said, that 27.3% of the plans have vesting in ten years or less, 41.9% have full vesting in 11 to 20 years and 30.8% were fully vested in 21 years or more. The study also shows that relatively fewer participants and less dollar value of vested benefits are in those late vesting plans.

Mr. Van Deuren said that the proposed legislation primarily would hamper and restrict benefit levels for more recently established joint plans.

He said, "The death of the private pension system may be clas-

sified as suicide if after pension managers by their own hand, as part of the body of the private pension system, learn the real and full implications of the proposed legislation, they do nothing to affect its passage into law."

Study home health services in Oregon

PORTLAND, Ore.—Blue Cross of Oregon has disclosed it is investigating home health services to determine if this is a way to cut the high cost of hospitalization.

A pilot study in co-ordinated home care is being conducted by Blue Cross in co-operation with Emanuel and Good Samaritan Hospitals and the Visiting Nurse Assn. of Portland.

"As hospitals become more absorbed with the care of the acutely ill patients, the welfare of the convalescent patient is de-emphasized, leading us to wonder whether some patients would not get well more rapidly with the provision of nursing care in their own homes," said F. F. Dickson, executive director of the health insurance firm.

HE EXPLAINED that the growth of hospital prepayment plans, along with a former surplus of hospital beds, has resulted in a movement of health care from the patient's home and the doctor's office to the hospital center.

The "escalating" cost of hospital services, as well as the shortage of qualified personnel to staff hospitals, now makes it necessary to look for ways to best utilize hospital beds.

"Medicare, through the development of home health agencies and the utilization of review requirements, has influenced the use of other than acute general hospitals for health care," the official stated.

It is feasible, therefore, he emphasized, to study the convalescent patient to see if it is possible to care for him adequately in his home.

Ontario fire insurance law effective Jan. 1

TORONTO—Amendments to the insurance act passed by the Ontario legislature last year, have been proclaimed effective Jan. 1 except for one which was severely criticized by the two opposition parties.

Purpose of the amendments was to help establish uniformity of legislation across Canada and to make the conditions for fire insurance.

AN AMENDMENT that would give the insurer the right to terminate a contract with 15 days notice, and the insured the right to terminate on request, was not proclaimed.

Opposition critics said the amendment gives unfair advantage to the insurance company since it does not have to state reasons for terminating a policy. Leslie Rowntree, minister of financial and commercial affairs, said the amendment would not be proclaimed law until he had initiated discussions about it and considered its implications.



GI insurance for the unarmed forces.

Most insurance companies make it a policy to turn down personal accident insurance on civilians who work in war-risk areas.

AIU specializes in policies for them.

Not that other companies are heartless. The real problem is that they're experience-less. And office-less. A staggering problem when your policy-holders are scattered all over creation and likely to get tied-up at the plant or construction site by a wielded machete or an unwieldy monsoon.

The real reason AIU people aren't fazed is because we've been in world-wide high-risk insurance for almost half a century. And we not only know where the dangers lie—we've got them surrounded. We have offices in more than

200 cities, in more than 80 countries.

Anytime you're ready, any one of our 12 U.S. offices can write the coverage your employee's specialty, assignment and destination call for—even if your "employee" is a crew of Vietnamese hired in the Mekong Delta or a dozen prize-winning salesmen week-ending in Paris.

Which means of course that we try to keep our finger on more risks than you can imagine. That's why you'll even find an AIU man at 11 Duong Nguyen Cong Tru, helping to keep our unimaginable risk file up to date.

For the latest information on our high-risk policies call Saigon 21-203.

Or contact the AIU office nearest you.



AMERICAN INTERNATIONAL UNDERWRITERS
102 MAIDEN LANE, NEW YORK 10005 (212) 344-9200

Describes insurer-insured link in 'matrimonial-like' language

NEW YORK—A leading underwriter described the relationship of insurer and insured in almost "matrimonial-like" terms at a seminar on risk management on special risks and markets here.

Harold E. Tornquist, president of New Providence Corp., Providence, R.I., described what the underwriter expects from the buyer. He said that the partnership formed is more harmonious and beneficial if each partner understands and respects the other—his functions, his goals and his needs.

"Shotgun arrangements (assigned risks), marriages of convenience (the underwriter didn't know he was being had), or whirlwind courtships (such as some ill-starred beribboned packages) have had less chance for success than some teen-age marriages," Mr. Tornquist said.

As to what the insurer needs to know from the buyer, he listed a whole range of subjects such as what is management's concept of risk assumption, what is the corporate liquidity picture, what is the policy with respect to warehousing, is management defensive or aggressive, where does the insurance department fit in, is management planning ahead with new products, has EDP affected the company, are records duplicated, how are they protected and so forth.

WITH ANSWERS TO questions, the underwriter can begin to shape the contract determining the costs from his own true knowledge, not from some politically inspired or bureaucratically produced rating method or policy contract, Mr. Tornquist said.

The buyer must keep the underwriter informed about changes in any area of the corporation and the buyer should help the underwriter carry out the loss prevention program.

He warned that the buyer and the underwriter must work together as partners—not adversaries!

For the nondirect writing companies, the broker is the source from which the underwriter can obtain a thorough knowledge of the risks at hand, said Marshall P. Larner, vp, Employers' Surplus Lines Insurance Co., Boston. The broker, he added, should have an intimate picture of the financial structure of his client, the hazards involved in manufacture, the type of raw materials composing the product, the source of supply of these raw materials.

"HE MUST ALSO know management's attitude towards such things as safety engineering, employment practices and the economic welfare of his community," Mr. Larner advised. Plus, as the insured's representative, the broker must be able to give a frank and realistic evaluation of present day marketing conditions and if adverse conditions exist, the broker is well advised to inform the insurance buyer before the risk is marketed.

"It is better," he said, "to forewarn the insured of the possible deficiency of coverage or the increased cost than to spring it on him at the last moment."

He suggested to brokers that when a large line is being placed, it is necessary that the underwriter reserve the right to be the sole market in order to complete the line by virtue of reinsurance. "It is senseless," Mr.

Larner said, "for two companies or even a broker and a company to approach the London market on the same line."

In selecting markets, the broker should know them to the point that he is cognizant of what they can do for him. Most companies have class restrictions of one form or another which usually involve their treaty reinsurance, he said.

MR. LARNER FURTHER advised that the initial submission of a line to the underwriter by the broker is ideally done by mail followed by a visit in person. Most brokers know what they are looking for in respect to premium coverage and "they should state it."

The increased merger activity in the insurance industry has paramount effect on already shrinking capacity, warned Leyton B. Hunter, president, the London Agency Inc., Atlanta. "I suspect at least some of the shrinkage of market stems, not from the merger itself, but rather from changes in the reinsurance set-up of the merged companies coincidental with the merger."

One factor he connected with market shrinkage may be the tendency on the part of the enlarged company or group to take a "larger bite" of retained liability because of increased funds, coupled with an effort to cut reinsurance costs.

Does your group insurance help you

- ATTRACT GOOD MEN?
- IMPROVE MORALE?
- REDUCE TURNOVER?

It can if your plan is right for you... and you use it as an effective management tool.

Despard, as a broker, can pick and choose to find the carriers who offer the best coverage for your par-

ticular requirements.

And Despard's team of group insurance specialists can help you use your plan to attract good men, improve morale, reduce turnover.

Send for the "Guide to Despard Services" which describes our unique approach to hand-tailoring insurance plans to each client's needs.



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

JUST AS WISE—
Not when you know them.

You probably don't give a hoot whether some owls are wiser than others, they all look alike to you. Perhaps insurance companies look alike to you too. After all, they do offer similar policies at similar prices, but right there the similarity ends. The experience, the organization, the facilities, the underwriting knowledge and the hundred-and-one extra services so vitally important to you vary greatly. In serving the leaders of American commerce and industry for almost a century we offer a unique combination of business acumen and a flexible approach to underwriting problems, both here and abroad—a large plus, yet Chubb service costs no more.



Chubb & Son Inc. UNDERWRITERS

Subsidiary of THE CHUBB CORPORATION
90 John Street, New York, N.Y. 10038

Manager FEDERAL INSURANCE COMPANY • VIGILANT INSURANCE COMPANY
GREAT NORTHERN INSURANCE COMPANY • THE SEA INSURANCE CO., LTD.
THE LONDON ASSURANCE • ALLIANCE ASSURANCE CO., LTD. • SUN INSURANCE OFFICE, LTD.

Affiliated with PACIFIC INDEMNITY GROUP through THE CHUBB CORPORATION

Life, Personal Health, Group Insurance, Pension and Profit Sharing Plans through THE COLONIAL LIFE INSURANCE COMPANY OF AMERICA

Aviation Insurance through Associated Aviation Underwriters



coming November 18th

a searching
look
at employe
life insurance
and
health protection
programs

Corporate group and life plans—what's happening on a region-by-region and industry-wide basis—with special emphasis on selected company profiles—coming in the November 18th issue!



Spiraling costs have made group life insurance and health coverages, once called fringe benefits, of primary concern to corporate management at all levels. In addition, today's more sophisticated employes, before joining a company or relocating to another part of the country, usually want to know the extent of these benefits.

However, the whole subject has become so complex, and involves so many new trends, that corporate executives responsible for employe benefits often wonder if they're on the right track when setting up or renewing their programs. This is especially true when a company is located in an area where it's harder to meet similar executives and thrash things out.

With these factors in mind, *Business Insurance* is bringing out an edition November 18, which will place special emphasis on what's happening on a region-by-region and industry-wide basis.

BI will run selected profiles of corporate group life and health plans and discuss new trends in these areas, such as prepaid drug schemes, psychiatric benefits, rehabilitation services, survivor's benefits and levels of life insurance and hospital coverage for retired employes.

At the same time, *BI* will point out variations in health costs and benefits in various states, and discuss methods of bringing these into line. Attention will also focus on effective methods of claims control.

Sales Offices: Alfred Malecki
Advertising Director
630 Third Avenue
New York City, 10017
Phone: 212-986-5050

Myron A. Hartenfeld
Publishing Director
740 Rush Street
Chicago, 60611
Phone: 312-337-5200

With union pressures for broader life and health benefits continually being felt, *BI* also plans to interview key union executives to uncover their thinking on upcoming benefit demands.

Key-man life insurance—while not strictly group insurance—will also get scrutiny from *Business Insurance* reporters. *BI* plans to give coverage to current key-man programs installed at corporations across the country, with emphasis on smaller firms (200 to 1,000 employes) which are most vulnerable to the loss of key executives.

Running through all these stories will be the crucial problem of how to hold down the escalating costs of employe protection—and also how much protection employes should continue to give to retired employes.

With this special November 18th issue, *BI* hopes to provide its 35,000 plus readers with some of the trends which will be shaping the group life and health field in years to come, and also to present a picture of current practices in this turbulent area.

If you sell business insurance, financial/banking services or offer any products or services that reduce risks and protect people/property/assets—you should be communicating regularly in *Business Insurance's* unique editorial "risk protection" climate to your best customers and prospects—the 12,500 leading U.S. corporations who hire almost 30,000,000 direct workers (almost 40% of the total U.S. labor force!). Start your campaign in the special November 18th issue!

Publishing: November 18, 1968

Ad Closing: November 6, 1968

business insurance

to give you access every-other-Monday to the major buyers of employe, property and liability protection

business insurance/perspective

What happens to fringes in a merger?

by Ned Miller, partner
Romm, Miller & Lazarus
New York



Ned Miller

THIS IS THE age of the merger. Some 4,000 mergers are expected to take place this year. They will come about for many reasons—accelerated growth, stock appreciation, expanded sales, savings and warding off industry declines through diversification.

These are some of the considerations leading to merger on the part of the decision makers. What about the employees? How do they feel? What is their attitude about the merger? What does the merger do to their feeling of security? Of seniority? Of vested interest?

No small number of the employees will find themselves out of jobs as the result of the merger. This happens with all mergers. In fact, it's one of the many reasons for merger—resulting economies in manpower. But the larger number of employees remain. No two companies merge and wind up with fewer employees than each had before the merger. The total number of employees may be diminished. But the combined operations employ more persons than either did previously as separate companies.

GENERALLY THE SCALE of pay remains the same. What may just possibly change most drastically is that particular form of emolument referred to as "fringes"—the various employe benefits

companies put in to reward tenure and/or performance over and above salary. When two companies merge—usually on a statutory basis, with the exchange of the stock of one company for the stock of the other, to avoid the immediate payment of taxes—the fringes of the company being merged into the other are dropped, and the fringes of the surviving corporation adopted. As a consequence, there is bound to be some concern on the part of the employees of the company surrendering its identity about the fringes they have enjoyed and are about to exchange.

It is at this point that communication between management and employed becomes of paramount importance. It is possible that no type of business is more communication-minded than advertising—unless it be public relations—and one of the really outstanding examples of management-employe communication during merger that we have heard of took place during the recent merger of the two advertising agencies West, Weir & Bartel and MacManus, John & Adams.

Both agencies had long backgrounds and each had previous merger or acquisition experience. Together they now comprise the 15th largest advertising agency in the country, with such accounts as Litton Industries, Pontiac and Cadillac, ITT, Bendix, R. J. Reynolds Foods, the Circus foods division of U.S. Tobacco, Ciba and Sterling Drug.

IN THE PROCESS, West, Weir was merged into MacManus, John & Adams and the decision was made to retain the name of the latter corporation. It was also decided to adopt the fringe benefits provided by MacManus. Both companies had maintained policies of regular communication among their many employees. Under the terms of the merger, however, it became apparent that West, Weir had the major problem of communicating change and all that the new order would bring about.

Up to that time, West, Weir's president, Walter Weir—a writer as well as an advertising executive—had pursued a completely open-door policy with his employees. Anyone was free at any time to walk into the presidential quarters to talk with the company's chief executive officer—about any problems whatsoever, business or family. Mr. Weir, in addition met regularly with department heads to

keep them informed of company progress as well as problems so that they could answer directly and informatively any employe's question.

In addition, Mr. Weir sent personal notes to every employe and officer on his or her birthday and made it a practice to see everyone on his anniversary with the company to discuss how he was doing, how he felt about his job and to present him with a bottle of champagne in celebration of the event. The pattern of communication, in other words, had been well established and was, in fact, expected by West, Weir employees.

ANNOUNCING THE commencement of merger talks, Mr. Weir next announced the impending merger and the reasons for it and what it would mean to the business. He then sent a separate announcement to every employe specifically spelling out the difference between West, Weir fringes and MacManus fringes, detailing exactly what all employees could expect in the way of fringes following the merger.

In terms of group life, for example, Mr. Weir's memo explained that the contribution formula would differ, but the benefits would be greater. He announced also that West, Weir employees would gain a new accidental death and dismemberment benefit providing protection equivalent to the group life schedule and at no cost. Employees were told that, with the merger, they would have the same salary continuation insurance but that the waiting period would be considerably shortened. They were informed also that the new health program provided considerably greater benefits than what they had previously enjoyed.

There was a difference in vacation benefits. Instead of three weeks paid vacation after five years, West, Weir employees would now have to wait seven years; instead of four weeks after ten years, they would have to wait 15 years. However, Mr. Weir announced, for the first summer former West, Weir employees would vacation under the West, Weir formula.

One of the major problems was profit-sharing, which West, Weir had had for many years. MacManus had a totally different plan for retirement, no less generous but requiring an employe contribution (matched by the company) and with no increment from investment of

the funds. These facts were carefully spelled out for West, Weir employees and, in addition, they were told that the West, Weir profit-sharing plan was being frozen; that funds already in the plan would continue being invested on a tax-free basis for ultimate employe benefit; and that everyone in the plan at the time would be fully vested in proportion to the funds already credited to him.

Following this careful program of communication, a snag developed under which legal merger of the two companies was delayed a month and a half. Meanwhile, anticipating earlier merger, West, Weir fringes had been cancelled and West, Weir employees so notified. To avoid confusion and concern, all West, Weir employees were immediately notified of the merger delay and were assured that management had reinstated all fringes with the exception of Blue Cross/Blue Shield, which could not be reinstated once cancelled.

However, employees were told they had 30 days in which to pick up their Blue Cross/Blue Shield Coverages on an individual basis if they wished. West, Weir management—when the 30-day period had passed and the two companies were not yet legally merged—decided to reimburse any employe with a hospitalization problem out of its own funds, up to the point at which the MacManus major medical program took over. Some employees subscribed individually but most did not. Only one had a problem and he was assured it would be taken care of by the as yet unmerged corporation.

The example cited is an aspect of communication not always considered in a merger and not always carried out so carefully. However, as the management of the now merged companies discovered, the almost day-by-day appraisal of the employees of the status of their fringe benefits paid off handsomely in the retention of employe morale, a most vital factor in any merger.

Ned A. Miller, partner in Romm, Miller and Lazarus, New York, has been in the field of instituting and communicating fringe benefit plans since 1955. He graduated from Bucknell University and attended George Washington University School of Business Administration and New York University Law School. He is participating in a personnel management seminar at New York University.

Risk management—a profit booster

by George L. Head
director of educational publications
Insurance Institute of America

Following is the first of a series of articles on the basics of risk management, adapted from academic material prepared by the Insurance Institute of America, Bryn Mawr, Pa. The IIA conducts a three-year national educational program leading to the diploma in risk management, one of the most widely recognized marks of professional competence for corporate insurance buyers.

IN EIGHTEEN WORDS the purpose of risk management is: To protect the business firm from profitless risks so that it can take full advantage of potentially profitable ones.

Although the budding profession of risk management is far too complex to be wrapped up adequately in eighteen words, one of the first principles of effectively managing risks is to distinguish between potentially profitable risks, which businessmen welcome, and profitless risks, which they shun. To contribute fully to the profitability of his company, the risk manager must understand how these types of risk are distinct and how, by controlling unwelcome risks, he can increase his firm's capacity to undertake ventures in which the firm's management foresees profit.

Businessmen seek out certain risks. For example, a manufacturer of ethical drugs devotes massive resources to developing a new medicine—willingly running the risk that the research will be

fruitless or that a competitor will develop a less expensive substitute. An appliance dealer may be eager for a bank loan to expand his inventory 50% when consumer buying increases. He purposely exposes himself to the risk of bankruptcy if the economy sours, making him unable to pay the loan. Finally, a businessman who vies for a coveted license to operate a cocktail lounge often is only too happy to stake his livelihood against the chance that the legislature may outlaw sale of liquor by the drink.

BUSINESSMEN SEEK THESE risks because, while losses are possible, the probability of gain is larger or more alluring than the threat of loss. While the ethical drug manufacturer may see his research budget go for naught, chances

are that the researchers will develop a product on which the profits will be greater than the costs of discovery and production. The appliance dealer in debt to the bank reasons that the potential for added sales from his expanded inventory is greater than the possibility of foreclosure by the bank. And while it is possible that the state lawmakers will put his cocktail lounge out of business, the operator believes he will make large profits from the lounge if they do not.

In contrast, all businessmen face some risks which they dislike because there is no legitimate way to profit from these risks. The drug manufacturer cannot gain from the disloyalty of a research employe who sells secrets to a competitor. To the appliance dealer, the bursting

Continued on following page

Continued from preceding page

of a water main which floods the street in front of his store and keeps customers away cannot be a source of profit—it can only bring loss. The cocktail lounge operator can incur large losses, but no gains, if he is found liable under a liquor liability (dram shop) law. By statute in 23 states, and by court decisions in others, one selling liquor may be held responsible for any injury or damage resulting from the buyer's intoxication.

Risks which offer only the possibility of loss but no chance of gain sometimes are called *pure risks*. In the above examples, espionage for the drug manufacturer, flood and business interruption for the appliance dealer and adverse liability judgments against the operator of the cocktail lounge are instances of pure risks.

RISKS WHICH ALLOW FOR gains as well as losses often are referred to as *speculative risks*. In developing new drugs the pharmaceutical house assumes the speculative risk of change in technology. The appliance dealer who expands inventory undertakes a speculative risk of economic change. The operator of the cocktail lounge takes some speculative risk which is legislative in origin. Because changes in technology, in the economy, and in laws can bring great profits or great losses, they are important sources of speculative, potentially profitable, risk.

The terms "pure" and "speculative" are merely convenient labels and do not carry any positive or negative value judgments. Thus, undertaking a speculative risk need not be foolhardy or unwise. In certain circumstances accepting a speculative risk may be most prudent.

As usually conceived, risk management deals only with pure risks, the protection of the human and physical assets of a firm against loss. Any positive profits generated from the use of these assets in

a business venture generally are thought of as beyond the risk manager's responsibility. The traditional concept is that a risk manager keeps his company safely where it is—he does not push its profits ahead by taking speculative risks.

That is a dangerously myopic view of risk management. It is true that risk managers do safeguard assets, and this function is essential to the continued profits of the firm. But to make the split between pure and speculative risks and to limit the risk manager strictly to pure risks ignores a fundamental relationship between the two types of risks. It is this relationship which is the key to risk management as a source of profit.

The relationship is this: At any point in time, a particular firm has only a limited capacity to absorb losses—from either pure or speculative risks—and still survive. The fewer or the less severe the pure risks it faces, the greater is the firm's freedom to undertake speculative risks for the profits they promise. For example, the better its program for preventing and extinguishing warehouse fires, the greater the merchandise inventory management can, in good conscience, store in one warehouse. Every activity businessmen undertake in quest of profit necessarily brings with it some pure risks of loss. But effective control of these pure risks permits the firm to safely commit more of its resources to a potentially profitable venture.

Imaginative risk managers can increase company profits in many ways, most of which fall into one of two categories: (1) removing deterrents to highly profitable projects once thought too dangerous to undertake and (2) reducing costs, and hence increasing profit margins, on the firm's present activities.

ONE EXAMPLE OF REMOVING a seemingly prohibitive deterrent to a profitable venture is a case of the manufacturer whose board of directors wished to

open a plant in the Middle East. The prospect of a facility near a large untapped market was most attractive, but the directors feared seizure of company property by an unstable government. Only when the alert risk manager for this firm was able to obtain an insurance cover against expropriation without proper compensation was the firm able to move aggressively into a new foreign market.

Risk managers have provided two spurs to wider use of radioactive materials, once apparently too hazardous for many firms to risk despite glowing profit possibilities. First, they have encouraged development of more nearly adequate property and liability insurance against perils presented by commercial nuclear projects. Second, risk managers for firms using radioactive materials have stressed mechanized handling of these materials to reduce human exposure to radiation. It seems safe to presume that many of the current uses of nuclear energy would have been forestalled or delayed without these actions by profit-minded risk managers.

The many and varied methods by which effective risk management can reduce operating expenses are chronicled in *Business Insurance* and other sources. Accident prevention, which reduces loss of time and of other uninsurable resources from mishaps, is widely recognized as a valuable risk management responsibility. Instituting safety devices and techniques does involve an expense, but, in justifying this expense, the risk manager should not overlook the total amount of premium credits which insurers may allow over a long period in recognition of the one-time-only expense of installing a safety device.

IN THE SAME VEIN, a risk manager should seek to be included in company planning sessions for any new facility or operation. Steps to eliminate hazards to

human safety and bottlenecks to the flow of production can be much more effective when incorporated early in the planning process than when they are belatedly superimposed onto an existing facility or operation. For example, business interruption losses for a multiple-location firm can be reduced substantially if the risk manager can convince his fellow executives to build several plants which can operate independently rather than a series of interdependent facilities, where a stoppage in one closes down all.

These examples are only a few illustrations of what a risk manager should be able to find within his own firm to convince top executives that risk management can be a source of positive profits. When senior executives come to view risk management as more than unproductive protection against disaster, the risk manager should be able to obtain a larger budget, or at least resist a budget cut, for his department.

One of the dangers of viewing risk management as merely the safeguarding of assets from catastrophe is that executives in other departments may begin to doubt the importance of risk management when many years pass without a serious loss ever striking the firm. A risk manager who is not "lucky" enough to be "blessed" with an occasional disaster from which he dramatically can rescue his firm may need to show his value in other ways. The risk manager who can point to how he has generated profits by removing barriers to potentially profitable ventures and by reducing costs of current operations should encounter little difficulty in justifying a budget sufficient to carry out his responsibilities. ■

This article is drawn from material treated in greater depth in the Program in Risk Management conducted throughout the U.S. by the Insurance Institute of America, 270 Bryn Mawr Avenue, Bryn Mawr, Pa. 19010.

Giles on the law

Overvaluation of property can void policy

by John W. Giles
attorney-at-law
Washington, D.C.



John W. Giles

of litigation involving overvaluation of property in fire losses, and many fine lines have been drawn by the courts as to what is deception amounting to fraud.

It is our suggestion that, instead of sharpening your pencil and calling your accountants, you first call your lawyer and give him all the gruesome details. Fire insurance policies generally require the insured, in case of loss, to give notice to the insurer and furnish proof of loss.

THE OBJECT OF THESE provisions is to give such notice to the insurer so as to enable him promptly to make a survey of the insured property, determine the amount of loss, and protect himself.

Your lawyer should assist you in filing the proof of loss. This is a wise precaution against overvaluation. If you have filed the proof of loss without consulting counsel, and it is erroneous, you put the burden on your lawyer of showing to the company that the valuation was an honest mistake, due to your inexperience with the policy terms and with such business matters.

Why put the cart before the horse? Why not call your lawyer first. It often happens that no account of stock was taken previous to the fire and the books were consumed, so that no basis existed by which the amount of the loss could be checked with any degree of accuracy.

These are all matters which your lawyer can properly present to the company. We wish you no fires, but we hope that you will avoid the pitfall of overvaluation. It has voided many a policy.

Are the steps leading to the back of your office building in good repair? Don't bother to look now, but be sure they are so that the city policeman who climbs them to check your building for fire won't fall down and sue you.

The Vermont supreme court has ruled that a city policeman, injured when the steps leading to the back door of a business establishment, collapsed while he was following his usual practice of looking for fires, is entitled to recover from the person who controls the premises.

The policeman, in the opinion of the court, was a business visitor. His entry onto the steps was not to chase a thief or burglar, it noted.

It's nice to know that the police are always on business when they are looking around your premises at night, but apparently someone has to worry about the condition of the back steps. Fortunately, the court did not suggest a red carpet.

Frankly, we are glad that we are associated with the insurance business for one important reason: Never was there a time when the courts seem to be creating new situations of liability wherein the insurance companies can usefully serve.

This thought is generated by a recent decision by the U.S. district court holding that privity is no longer a prerequisite to hold a careless certified public accountant liable for economic loss. Formerly, a CPA was not liable for negligence absent privity with the injured party. The court

held that accountants who carelessly prepared a financial statement for a debtor are liable to the creditor who relied on the statement when he loaned money, even though the creditor and the accountants were not in privity.

The court said, "An accountant should be liable in negligence for careless financial misrepresentations relied upon by actually foreseen and limited classes of persons."

While we are not certain that all accounting firms are duly insured, we hope that they may see these words for what they are worth.

If we are being a bit old-fashioned we will take the reprimand, but it seems to us that the wise insurance buyer will do well not to trust his memory. We believe that there is no segment of a business which requires more adequate records than the insurance department.

A record should be kept of every conversation with your broker or agent—what he said and what you said—and this should be extended to every telephone conversation involving any claim that may be later referred to your insurer.

This procedure is of particular help to your insurance company in its investigation of the claim. Of course, you may insist you are too busy to clutter up your life with details, but there is nothing like: "Sorry, my friend, but according to my records you did say that on Aug. 11, 1967, you said this."

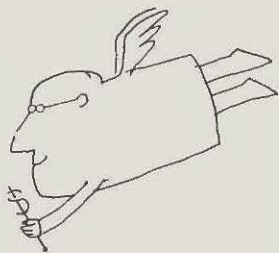
Some of these old-fashioned remedies still work, and they're so inexpensive. ■



And besides the gold watch, Wilson, here's the \$100,000 you won in your employee benefit law suit against us.

It could happen to *your* firm, you know. The legal precedent was set 5 years ago in a now-famous case where a retired employee's widow was awarded \$73,000. Why? Because the courts said *years before* his employer had not properly informed him of the benefits available through the company's pension plan.

That's when a St. Paul agent called on us and in a flash of business insight we invented—you guessed it—Employee Benefit Programs Liability Insurance. Obvious invention, maybe, but still comforting. And still the only policy of its kind offered, except as an endorsement to regular liability policies. (Naturally,



we'll also sell it as an endorsement if you wish. We'd hate to let exclusivity stand in the way of a sale.)

Pertinent, Salient and other facts.

Employee benefits now amount to about 25% of most payrolls . . . a hefty piece of change to be responsible for in any company. Since the \$73,000 precedent-setting case, there have been even bigger claims. And, in this age of acquisitions and mergers, the chances for error are greatly magnified. Yet . . .

You're liable if you fail to advise an employee as to what benefits are available.

You're liable for incorrect interpretation of a benefit program.

You're liable if you fail to enroll an employee.

You're liable for errors in handling records.

You're LUCKY though, because you can protect your company against all these liabilities inexpensively (i.e. cheap) with our Employee Benefit Programs Liability Insurance.

How inexpensively (i.e. cheap)? An agent can probably tell you over the phone. We are sure it will be much cheaper than a \$100,000 retirement banquet.

THE ST. PAUL
INSURANCE COMPANIES



Serving you around the world . . . around the clock
St. Paul, Minnesota 55102

Oil rigs . . .

Continued from page 9
for the next decade.

EBBING CAPACITY has been caused mostly by heavy and total rig losses, which have plagued marine insurers since offshore drilling became widespread in the early 1950s. Those two factors dimmed U.S. insurers' hopes of getting an oil rig syndicate started earlier this year.

Douglas Barlow, insurance manager, Massey-Ferguson, proposed a scheme whereby U.S. industrial companies would create their own capacity by becoming incorporated writers of insurance.

By becoming insurance writers and reinsuring each other, said Mr. Barlow, there would be a relatively safe spread of risk and the pressure would be taken off established insurance writers

which are faced with taking on excessive catastrophic coverages.

FOR THE MOST part the bulk of the offshore insurance market, which is limited to about 200 drilling vessels, is expected to remain in London, although U.S. insurers like INA are expected to muster some domestic capacity.

Some marine underwriters say the cycle of frequent and severe losses has passed and they expect a period of relative calm, a prediction not entirely unrealistic in view of sophisticated construction of some new rigs and the early retirement of old drilling vessels.

Safety has been a factor overlooked by oil rig operators, according to an insurance company spokesman.

"Rigs come in all shapes and sizes," he said, "and universal safety procedures and equipment should be incorporated while the rigs are on the drawing

boards."

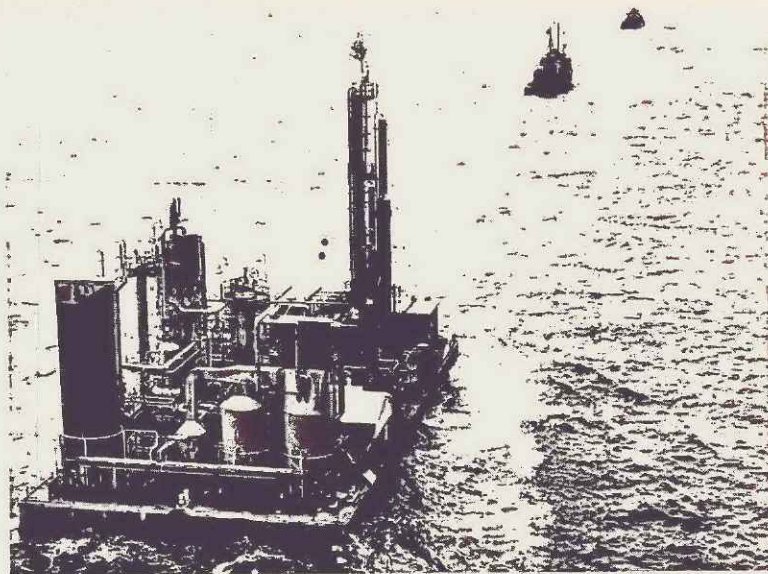
As the oil companies expand into new regions, such as the Atlantic Ocean and Irish Sea, he continued, rig builders should take into account that rigs should be designed to withstand perils peculiar to those areas.

FOR THE MOST PART old rigs are usually retired after 15 years, and one insurance underwriter said superior construction of new rigs makes them a much safer risk.

For example, the Offshore Co. is building a new type mobile drilling rig representing a significant advance in exploratory drilling technology.

Under construction in Scotland at a cost of \$8,800,000, the rig was designed with superior stabilizing features, according to a company spokesman.

ABLE TO CROSS the ocean without the aid of tugs, the rig,



Plans by the oil industry to exploit new oil and gas fields in the heretofore unexplored U.S. Atlantic coast and the Irish Sea mean construction of high-valued offshore equipment such as the floating refinery above.

which can accommodate 72 people, will have its own navigational controls and equipment comparable to regular ocean-going ships. It will have a fuel range of 7,000 miles and a top speed of seven knots.

While there are many problems to be solved, both insurance and operational, the offshore drilling market is expected to move ahead.

In the U.S. alone, estimated annual domestic expenditures for the offshore drilling industry reached about \$1.36 billion in 1967, according to Richard J. Howe, general manager, Esso Production Research.

From 1946 to 1967, the oil company executive estimated that total domestic expenditure reached at least \$8.7 billion. ■

Your profits can attract something you could live without!

An innocent piece of metal can help to blow a vigorous plant almost out of existence. Production can stop and millions of dollars can be lost. Human negligence also can contribute a great deal to a disaster of this type. □ If such an accident were to happen to you, could you afford it? □ To insure that your progress and profits continue without industrial loss is our job. To protect your business with the finest complete coverage is our business. □ Isn't it about time we got together? □ Contact us today for full information about our specially designed programs for industrial protection and loss prevention of your property.

Arkwright-Boston Insurance

ARKWRIGHT-BOSTON MANUFACTURERS MUTUAL INSURANCE COMPANY
MUTUAL BOILER AND MACHINERY INSURANCE COMPANY
EXECUTIVE OFFICES: 225 WYMAN STREET, WALTHAM, MASSACHUSETTS 02154
FACTORY MUTUAL INSURANCE



A defective heat exchanger can eat away your profits the same as a rat nibbles cheese. The piece shown played a major role in a company's two million dollar loss.

Report second rig loss

NEW ORLEANS—A second major offshore drilling rig loss last month, causing an estimated \$2,000,000 in damages, is not expected to dim a U.S. insurance company's hopes of finding insurers willing to participate in the offshore market.

The disaster occurred to the "Little Bob," a rig owned by Coral Drilling Co. and leased to Gulf Oil Co., when escaping gas exploded and engulfed the rig in flames.

An insurance source said it was a total loss caused by the intense heat, which melted the superstructure and floor of the rig, resulting in a derrick collapse.

THE "LITTLE Bob" loss followed in the wake of a loss to a Crown Petroleum Co. rig, which

sank causing total damages of \$732,000. Both losses occurred in the Gulf of Mexico off the coast of Louisiana and were insured in the London market.

The two losses are not expected to slow down a scheme spearheaded by Insurance Co. of North America in which the firm will invite domestic insurers to participate in the rig business.

Basically the Philadelphia-based insurer will write the issuing policy and each participating insurer will be required to take a specific percentage of the risk.

"The companies will have to follow the fortunes of INA," said John Armstrong, assistant vp.

ACCORDING TO Mr. Armstrong the plan is expected to start in October and the exact
Continued on page 39



are some
risk managers
better
managers?

We think so. These are the managers who are constantly improving the company program . . . simplifying . . . innovating . . . obtaining more real protection, yet doing it economically.

The formula of success for many of these alert insurance managers has included an objective study by Corporate Policyholders Counsel, Inc. We aren't a market, nor are we producers. We are a group of professional insurance specialists who are well qualified to augment a company insurance staff . . . provide recommendations on questions that relate to insurance . . . and to see that these approved recommendations are successfully carried out.

Is it possible we could help you achieve better insurance management? Let's talk it over. Corporate Policyholders Counsel, Inc., 20 N. Wacker Drive, Chicago 60606, Phone Area 312/FR 2-8225.

Send for Brochure CP-68



CORPORATE POLICYHOLDERS COUNSEL, INC.

To seek court relief on 3% tax holdouts

TRENTON—If corporations which have plants and factories located in New Jersey refuse to pay a 3% tax on surplus lines premiums paid to out-of-state insurers, the insurance department will seek retribution in the courts, according to Horace Bryant, deputy commissioner of banking and insurance.

The move by the state to collect the tax stems from a case decided last July in the state supreme court, in which Rosecliff Realty Co. was ordered to pay \$15,000 for taxes owed the state for insurance premiums paid to Lloyd's of London from 1960 to 1963.

In Maryland, where a tax on surplus lines insurance is in effect, Newton I. Steers, insurance commissioner, said the New Jersey case rekindles debate over whether a corporation domiciled out-of-state is required to pay surplus lines tax for premiums paid to insurers not licensed in the state in which a plant or factory is located.

States such as Arkansas, Michigan and Pennsylvania have been more lenient toward corporate buyers by granting industrial exemptions or special allowances.

IF THE NEW JERSEY case is upheld in higher courts, it would come in conflict with the Todd Shipyards case in Texas in which the U.S. Supreme Court held that a state tax on premiums paid by Todd was unconstitutional because the contract for insurance was made outside the state.

Celanese Corp., a New York-based firm with operations in New Jersey, said it doubts if the state can legally collect the tax because of the precedent-setting Todd case.

Other corporations, such as Radio Corp. of America, General Motors and Ford Motor Co., which have plants in New Jersey but are domiciled elsewhere, have not moved against the state because there have been no attempts made to collect the tax.

According to Mr. Bryant, any

state which refuses to pay the tax is stating in effect that "it is above the law."

Out-of-state corporations, he said, are receiving services from New Jersey such as police and fire protection. In addition, he continued, the industry giants have a public relations image involved which would become tarnished if the individual taxpayer learns he has to pay higher taxes because of a "giant" corporation's reluctance to pay their share.

Most corporations domiciled in New Jersey, such as American Cyanamid and Campbell Soup indicated they have been paying the tax all along, according to a *Business Insurance* check. ■

Ohio approves group-type auto

COLUMBUS—The way was cleared by Ohio insurance director Eugene P. Brown for payroll deduction automobile insurance when he ruled that the rate filing of Transportation Insurance Co., Chicago, a subsidiary of the Continental National American group, does not violate Ohio insurance laws.

The Chicago firm had proposed to sell automobile insurance under a "mass marketing" program that includes collection of personal auto insurance premiums from the employer through payroll deductions.

Mr. Brown said he delayed ruling on the proposal until he had carefully analyzed the evidence, which was presented at a hearing June 26.

Several other companies, including Columbus-headquar-

tered Nationwide Insurance, have been studying the plan, which has the advantage of providing cheaper coverages because of lower overhead, an industry spokesman said.

MR. BROWN SAID "a thorough study of the filing itself, the evidence submitted at the hearing and the briefs filed" indicates that the proposed sale of personal automobile insurance through a payroll deduction program "does not violate Ohio insurance laws governing such filings." He dismissed all charges originally made.

In another ruling, Mr. Brown canceled a hearing called by former insurance director William Morris, in which 7% liability and 4% collision coverage rate boosts by Allstate Insurance Co. were

challenged as excessive or unfairly discriminatory.

He said figures submitted along with the filing indicated that Allstate's business profits for the previous five years were 6.7%.

FURTHER INFORMATION provided by Allstate showed the company had an average annual profit of only about 2%.

Similar information was obtained from rating technicians within the Ohio department of insurance, Mr. Brown also reported.

He said there was no point in conducting a hearing, inasmuch as company earnings were low and there was no basis for countermanding the rate increases which had been collected from the filing date. ■

it takes all kinds No One Specialist Can Cope with All The Complexities Of Employee Benefits

Alexander & Alexander has a coordinated team of specialists that have been guiding many companies through the maze of these constantly changing problems year after year.

Our Personnel Coverages and Actuarial Divisions can help you design and administer superior employee benefit programs. We also offer highly competent technical counsel and service in these critical areas of benefit planning...

... Meshing Employee Benefit Programs in Mergers and Acquisitions

Advance knowledge of unfunded liabilities and conflicts between programs spells out the danger areas for you. A&A then helps you avoid these, preventing expensive and damaging miscalculations.

... Foreign Employee Benefits

Alexander International can help you solve benefit problems anywhere in the world. We have special facilities and know-how also for dealing with the troublesome benefit problems of third-country expatriates.

... Employee Communications

The best program is not fully effective unless people understand it. A&A pioneered in this area through its subsidiary, Benefacts Inc., which offers computerized personal annual reports to each employee.

... Projections of Pension Fund Flows

Your management needs long-range projections of pension fund growth if it is to plan investment programs wisely. A&A consultants can help you by making these projections.

... Investment Performance Evaluation

Objective evaluation of fund performance is a measure of efficiency. A&A can assist you in making this critical test.

... Labor Negotiations

Hard facts on the cost of benefits are keys to good bargaining on benefits. A&A can give you these facts in advance, and can assist you at the bargaining table.

... Coordination of Program Elements

Many benefit programs "just grew." Government benefit programs have been added and expanded. A&A specialists can study your plans and assist you in revising these into a modern, efficient, streamlined program.

... Cost Control of Health Care Programs

Professional, periodic study of how your expensive health care programs are designed and are operating in practice can help control costs without impairing the program.

... Key Man Compensation

Selective benefits are vital to recruitment and retention of good executives. A&A can assist you in this sensitive area.

... Key Man Insurance

This must be tailored to provide ample protection to your company against the death of top management or key members, whose loss can damage corporate progress.

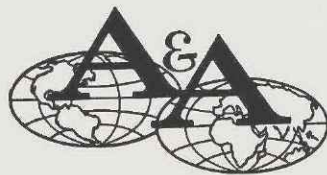
If you are interested in more detailed information on any of these critical areas, contact a Personnel Coverages Division specialist at your nearest Alexander & Alexander office.

ALEXANDER & ALEXANDER

Incorporated

Consulting Actuaries Employee Benefit Consultants
Insurance Brokers 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
Affiliates: ALEXANDER & ASSOCIATES, DALLAS · HOUSTON



No date set on steel suit

WHEELING, W. Va.—No date has been set for the pre-trial hearing of Wheeling Steel Corp.'s \$5,400,000 suit against its insurance agency, Lee C. Paull Inc., and the agency's chairman, Lee C. Paull Jr.

The proposed merger of Wheeling Steel and Pittsburgh Steel is not expected to have any effect on the suit, *Business Insurance* was told. Formal merger agreements may be concluded this month.

The Wheeling suit charges that Mr. Paull and his father, Lee C. Paull Sr., purchased for Wheeling certain types of insurance, including liability, "far in excess of its needs and at costs grossly disproportionate to losses reasonably to be anticipated based upon Wheeling's own experience."

Both the Paulls served on the board of directors of Wheeling Steel, and during the period complained of, Wheeling didn't employ an insurance manager. ■

Air France liability on air crash muddled

NEW YORK—An Air France twin-jet Caravelle which crashed in the Mediterranean Sea killing all 89 passengers and a crew of six is estimated by U.S. aviation insurance sources to have hull and liability losses exceeding \$4,500,000, most of which was covered by the London market.

The hull loss value of the Caravelle, which was in service for only six months, was placed at \$3,500,000. The extent of the liability loss is still unknown because of modifications and confusion over the Warsaw Convention which originally limited liability to \$8,300 a passenger.

The Warsaw treaty was modified in the 1950's by another treaty known as the Hague Protocol which raised the liability limit to \$16,600, but was never approved by the U.S.

IN 1966 the Montreal Agreement raised the limit to \$75,000 a passenger. Frederick B. Lacey, a Philadelphia attorney, said the Montreal Agreement is still largely untested because of a lack of court decisions.

International carriers flying into the U.S. have agreed to a limit of \$75,000 a passenger.

To further complicate the issue of an airline's liability, many countries, whose citizens are flying within the country on board a local airline, restrict coverage to \$8,300 per passenger. Most of the passengers on board the Caravelle were said to be French citizens returning from vacations in Corsica, a French island in the Mediterranean.

In the Caravelle crash, a

U.S. insurance source said, the amount of liability claims to be paid each passenger would depend on how the person was ticketed, namely the point of origin and ultimate destination as well as intervening stops. He said most passengers were probably limited to \$8,300.

MOST OF the Caravelle loss was covered in the London market although Camat, a French insurance company, and U.S. insurers were said to have shared some of the loss either directly or through reinsurance.

According to Air France, the pilot was trying to make an emergency landing after having radioed the airport tower that an engine was on fire. The plane crashed ten minutes short of the runway in Nice, Italy. ■

Hike rates on old ships

NEW YORK—An insurance penalty on cargo transported aboard vessels built before 1953 has been established by British underwriters, a charge that will be borne by the shippers through a readjustment of shipowners' freight rates.

The penalty, which is expected to become effective October 1, was necessitated by a continuing trend of major losses on older vessels, according to London underwriters.

Previously, a penalty was charged on vessels when they reached the age of 20 years—which means the new adjustment reduces the definition of an old vessel by five years. ■

Fender dents, retail store arson face Hoffman in new risk post

LOUISVILLE, Ky.—Norman Hoffman has taken on a risk management challenge that extends from fender dents on Memphis taxicabs to fires touched off by arsonists at Puerto Rican retail stores.

As newly appointed corporate insurance director of National Industries Inc. headquartered here, Mr. Hoffman will oversee the placement of property, liability and employe benefits coverage for a complex of companies with aggregate sales of more than \$300,000,000 and 18,000 employes. Insurance premiums for National Industries total more than \$2,000,000 a year.

Under Mr. Hoffman's risk management wing are the diverse perils that confront Hawthorn-Melody Dairy in Chicago, Yellow Cab Cos. in Louisville and Memphis, Cott Beverage Co., Columbus Stove Co., Kingwood Oil Co., LaSalle National Insurance Co. and Retail Centers of America, among several others.

"YOU CAN CALL this job a challenge," Mr. Hoffman said modestly. "It will involve surveying every single company and the coverage it now has. We will consolidate policies to get the broadest possible coverage consistent with local service, and we will use the size of our insurance program to achieve a volume discount.

"I should make it clear that each subsidiary will retain its safety engineering department and personnel department capable of administering the group insurance programs. But every insurance contract will be negotiated here at the headquarters of our relatively new company,"



Norman Hoffman

Mr. Hoffman added.

He said that National Industries' transportation division is already expert in handling its fleet coverage and that the oil division in Oklahoma has experience with the unique insurance and loss prevention problems of the oil business.

"I'M NOT GOING to upset their applecarts until I know as much about their coverage problems as they do; anyway, I don't profess to be an expert on the insurance problems of all of our diverse companies," Mr. Hoffman told *Business Insurance*.

Prior to assuming his risk management post with National Industries, Mr. Hoffman was administrative vp of Tobin & Tobin, a commercial lines agency in Miami, Fla., which serves a number of major corporate accounts. National Industries announced that his appointment is "another step in the policy of providing technical services to its subsidiary companies on a company-wide basis."

Mr. Hoffman, who started in the insurance business in 1941 as an office boy, has taught principles of insurance and CPCU classes at the University of Miami and other colleges. ■

Risk cost...

Continued from page 1

which are subject to reduction by the risk manager."

MR. LONG SAID that computerized central information systems offer "exciting possibilities" for increasing efficiency and lowering costs. He noted that in addition to analysis potential, identification of risk can be enhanced by computer programs which determine potential risks through trend projections of property values, actual losses of unusual concentrations of expenditures or sales.

Computerized risk management information will also provide the basis for risk management control of past decisions, Mr. Long stated.

"The quality of quantitative work done by the risk manager three to five years from now will depend on the quality of the planning and data collection being done now," according to the Standard Oil executive.

Risk management today recognizes that "hazard losses"—whether arising from risks which are "insurable" or "uninsurable"—have the same negative effect on the financial status of a capital investment, Mr. Long explained. ■

Faison named vp

Seth S. Faison, assistant vp of the production and coordination department of Johnson & Higgins, New York, has been elected a vp. Prior to joining J&H, Mr. Faison was insurance division manager of the American Management Assn. and employe services manager for the National Broadcasting Co. ■

D & O...

Continued from page 1

suit," according to John P. Olsen, insurance manager of Ingersoll-Rand and a *Business Insurance* columnist. "In effect, the corporation would be paying the officer for the amount they had just recovered from him," he said.

Under a new Delaware corporation law, however, the director or officer can recover his legal expense if he acted "reasonably and honestly"—even if he loses the derivative suit.

BUT THE GLEN Alden D&O coverage would really come into play to cover against third party suits filed by disgruntled stockholders who would have liked to be privy to the inside information about Schenley, explained one underwriter who specializes in the coverage.

Directors' and officers' liability insurance has two forms—one protecting individual executives if their corporation's bylaws don't allow the company to indemnify officers and directors, and the other compensating the firm itself for indemnifying executives if bylaws permit.

Although there are several major exclusions to the D&O policy covering individual executives—including dishonesty and unjust enrichment—the form indemnifying the corporation itself has only a "prior insurance" exclusion. Because it would be contrary to public policy, neither the insurer nor the corporation can indemnify officers and directors for fines or penalties exacted by the courts or the government.

THE BIG QUESTION in all the "insider" cases, according to insurance underwriters, is whether the courts would interpret the executives' actions in giving out inside information to some and not to others as dishonest or unjust enrichment—which are both exclusions under the D&O form covering individual officers and directors.

Up to now, no D&O policy has ever been taken into court for interpretation, and, as one insurance manager put it, "the spectre that continues to hang over" the D&O situation is that the courts have yet to decide what can be covered and what can't.

The secretary of one big national variety chain store told *Business Insurance* the firm's board of directors has just turned down D&O coverage "because you don't know what you're paying for."

Another hangup, say insurance buyers, is the cost. The price of the coverage has more than trebled on new policies in the past two or three years. One broker said insurers are now getting \$200,000 for a D&O policy; the same coverage could have been bought for \$40,000 to \$50,000 two or three years ago.

ONE INSURANCE manager for a major industrial firm said that D&O coverage would cost his company more than it's paying for umbrella liability coverage.

One of the biggest D&O policies in the U.S. was taken out by General Motors in November of last year. The coverage, through Lloyd's of London, is a single policy that covers the corporation's liability under the indemnification provisions of its bylaws, and the officers and directors for individual liability which they might incur.

The corporation does not pay the premium for its officers and directors liability portion, but only for coverage on the corporation itself. The officers and directors pay for their own individual policies and can decline coverage if they choose. ■

WE TAKE PLEASURE IN ANNOUNCING THE MERGER OF

MILLER & AMES
(A CALIFORNIA CORPORATION)

into

CORROON & BLACK CORPORATION

The executives and staff of each organization will continue to operate from their present locations, and the complete facilities of both firms are now available to all clients.

Commencing immediately, the business will be conducted under the names of—

MILLER & AMES - CORROON & BLACK

255 California Street, San Francisco, California 94119
(415) 981-0600

3600 Wilshire Boulevard, Los Angeles, California 90005
(213) 386-2360

CORROON & BLACK CORPORATION

150 William Street, New York, N. Y. 10038
(212) 732-4900

Hamilton Watch, Shell Oil begin benefits for dealers and jobbers

NEW YORK—Hamilton Watch and Shell Oil companies have begun campaigns to get their dealers, jobbers and distributors to participate in insured benefits programs.

The program developed by Modern America Cos., Dallas, and endorsed by Hamilton Watch, Lancaster, Pa., offers the independent businessman a retirement plan "tailored to his needs," said William G. Gassman, director of market development for Hamilton Watch.

The Shell Oil program developed by Percy H. Goodwin Co., San Diego, offers specially designed medical insurance to independent marketers, their employes and dependents. The program is tailored to meet variations in medical costs in various parts of the country.

IN EACH CASE the parent company acts as a catalytic agent in getting its independent businessmen to participate in an insured benefits program; the parent company helps set up the initial contact in introducing the program.

In the Shell Oil medical benefits plan, the hospital semiprivate room charge prevalent in the participant's area determines which one of the six different room and board limits can be purchased.

Depending on the region, the program provides \$2,000 life insurance, hospital room payments from \$20 to \$45 a day, surgical benefits of from \$700 to \$1,100, and major medical coverage from \$10,000 to \$15,000. Other features of the plan include automatic coverage of spouse and unmarried children from birth to 19 and to 24 if children are in school.

It is recommended that Shell dealers pay 50% of the cost of the plan for employes but minimum required contribution is much less, according to the Goodwin Co.

Oil rigs...

Continued from page 36

amount INA will write on any one rig will depend on the participation of domestic insurers.

Originally the firm set its sights on \$2,000,000 for each rig based on an estimate of how many companies could be expected to join in writing the offshore business.

Other schemes which failed to get off the ground such as the American Marine Drilling and Exploration Insurance Assn. are not expected to be revived, according to John Ricker, president of the Marine Office of America.

Scoring self-insurance plans and a captive insurance company set up by Humble Oil Co., Houston, Mr. Ricker said rig operators and the oil companies don't seem to understand the "spread of risk" principle.

"**THERE ARE** only about 200 high-valued rigs in existence," he said. "Moves toward self-insurance and captive companies only diminish the spread of risk that much more."

Mr. Ricker also pointed out that most losses in the rig business are total losses. Offshore drilling rig companies will have to realize they need a U.S. insurance market willing to write the business, he said.

In the western marketing region the program will be offered by Goodwin and in the East, South and Midwest, by Davenport-Dillard of Washington. Bankers Life Co., Des Moines, will underwrite the plan.

The retirement plan offered Hamilton's independent businessmen gives a participant a choice between a guaranteed dollar plan and a dual dollar plan which divides the monthly

deposit between guaranteed and variable dollars.

Continental Assurance underwrites the guaranteed dollars in both instances and Stein Roe & Farnham Fund Inc. handles the variable dollars.

The retirement program is offered to Hamilton's 20,000 dealers but those who are associated with the large chains or department stores may already be participating in a retirement plan.

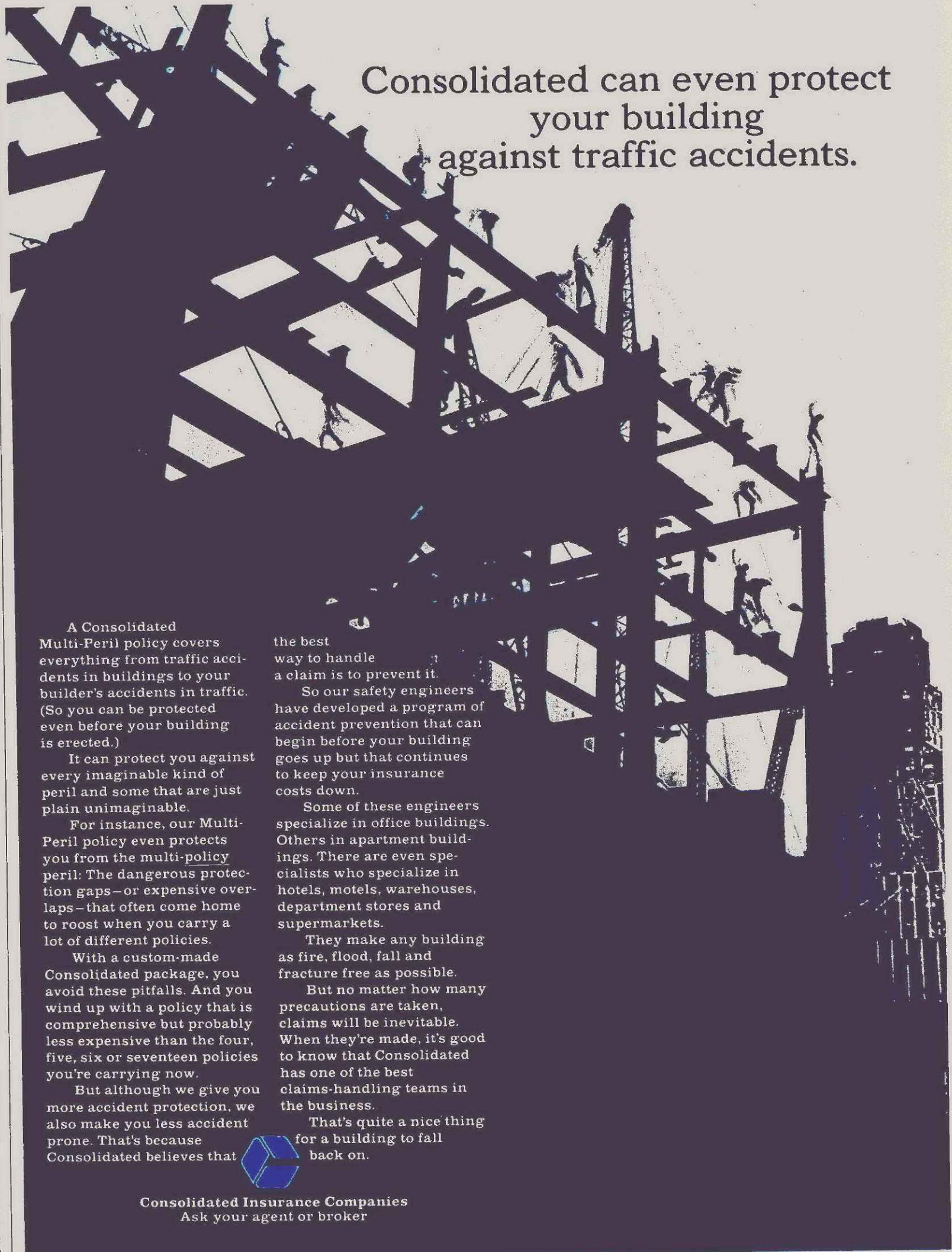
According to Mr. Gassman, his company sensed a "real need to offer a program to its dealers" and this plan is designed for the smaller dealer.

THE PLAN IS offered only to domestic dealers and in no way affects Hamilton's existing retirement plans for its own company employes.

As with other such programs already started in the automotive industry and by American-Standard Inc., Hamilton Watch endorsed the retirement plan; beyond that it has no legal or financial involvement in the program. The same is true with the Shell plan; the company has ap-

proved the medical benefits plan and is recommending it to dealers.

Both Hamilton and Shell agreed that such benefits programs will improve dealer relations and help reduce turnover. According to Hal Parker, manager of the Orange County insurance division of the Goodwin firm, "Shell has found that married men with families are the most dependable employes, and to keep these good employes, the individual station operator finds it necessary to offer a good, workable medical insurance plan comparable to various other industries."



Consolidated can even protect your building against traffic accidents.

A Consolidated Multi-Peril policy covers everything from traffic accidents in buildings to your builder's accidents in traffic. (So you can be protected even before your building is erected.)

It can protect you against every imaginable kind of peril and some that are just plain unimaginable.

For instance, our Multi-Peril policy even protects you from the multi-policy peril: The dangerous protection gaps—or expensive overlaps—that often come home to roost when you carry a lot of different policies.

With a custom-made Consolidated package, you avoid these pitfalls. And you wind up with a policy that is comprehensive but probably less expensive than the four, five, six or seventeen policies you're carrying now.

But although we give you more accident protection, we also make you less accident prone. That's because Consolidated believes that

the best way to handle a claim is to prevent it.

So our safety engineers have developed a program of accident prevention that can begin before your building goes up but that continues to keep your insurance costs down.

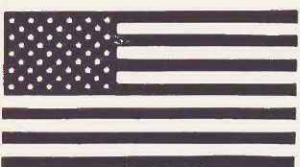
Some of these engineers specialize in office buildings. Others in apartment buildings. There are even specialists who specialize in hotels, motels, warehouses, department stores and supermarkets.

They make any building as fire, flood, fall and fracture free as possible.

But no matter how many precautions are taken, claims will be inevitable. When they're made, it's good to know that Consolidated has one of the best claims-handling teams in the business.

That's quite a nice thing for a building to fall back on.

Consolidated Insurance Companies
Ask your agent or broker



washington watch

Labor pushes for two new benefit amendments to Taft-Hartley Act

WASHINGTON—The U. S. Chamber of Commerce recently estimated that aggregate employee benefits paid by U.S. employers this year will reach \$100 billion, 25% of total payroll costs. This, the Chamber points out, is up from \$36 billion (17%) in 1965 and \$1.5 billion in 1929.

The various types of benefits being provided are also growing, with dental care, psychiatric treatment, prescription drug and bonus vacation pay taking their places along with pensions, profit-sharing plans, stock option agreements, and health, acci-

dent, unemployment, life and other corporate insurance programs as inalienable rights of organized labor.

Of particular interest are the number of entirely new benefits being pushed for by the Washington labor lobby in the form of two amendments to section 302 of the Taft-Hartley Act.

One of the bills would permit employer contributions to trust funds to provide employees, their families and dependents with educational scholarships and to establish child care centers for both preschool as well as school-

age dependents.

THE OTHER would permit employer contributions for joint industry promotion and research and development of products in the construction industry and for joint committees or boards to interpret provisions of collective bargaining agreements.

Both bills have passed the House and the implications of each deserve careful consideration by employe benefit managers.

The Taft-Hartley Act was passed by Congress in 1947 and is

described in basic texts covering this subject as a "two-edged" labor relations law that prescribes standards of conduct for unions and employers.

The specific function of section 302 of the act was to flatly prohibit employer contributions to trust funds except in very limited, and carefully defined, situations. These include medical or hospital care, pensions on retirement or death, compensation for injuries or illness resulting from occupational activity, unemployment benefits and life, disability, sickness and accident insurance.

THE SECTION was amended in 1959 to include payments to trust funds for pooled vacation, benefits or apprenticeship and other training programs.

The purpose of section 302 was to eliminate bribery, extortion, shakedowns, "sweetheart contracts," and other corrupt practices and to protect the interests of beneficiaries of lawful employer-supported funds. It was added partly in response to a growing concern about the huge sums of money being accumulated in a fund over which a union maintained almost complete control.

Both of the new proposed amendments to section 302 are ostensibly voluntary—that is, if management does not want to bargain with the union on these trust funds, it can refuse without it being unfair labor practice.

From a practical standpoint, however, some observers feel that this management "out" is almost meaningless. It is no secret that during the heat of contract negotiations any item which labor wants to discuss is seldom ignored by management

if there is hope that this discussion will break an actual, or potential, impasse.

THE AMENDMENT concerning scholarships and child care centers passed the House virtually unopposed. This was, of course, due to the recognition on the part of almost all House members of the growing need for educational funds in our nation today.

The amendment concerning the construction industry and collective bargaining boards met stiff opposition.

A primary objection is that jointly administered product promotion funds will impede technological promotion badly needed today in the construction industry.

One of the leading opponents of the bill, Rep. John B. Anderson (R, Ill.) put it this way: "It is not any secret that many of these locals vigorously oppose any kind of automation or pre-site assembly that would cut down on costs.

"What is their primary concern in promoting products? It is to make sure that the area of their jurisdiction, of their craft jurisdiction, is preserved for that union, and that they have a right to do that. I do not challenge the right of any union to be interested in carving out for itself a jurisdiction, an area of jurisdiction which they want preserved intact, but one witness before the committee, I believe, put it very, very succinctly when he said, '... one must concede the union's right to oppose automation, or development of time-, labor-, and money-saving devices, but it requires a peculiar

Continued on page 41

Announcing the merger of

Reed, Shaw & McNaught

Osler, Hammond and Nanton Insurance Limited,
and its associated companies

Cronyn, Pocock and Robinson Limited

Bringing together extensive Canadian resources
of knowledge, experience and purchasing skills
to provide a complete insurance service.

REED SHAW OSLER

Limited

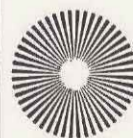
Insurance Brokers

Offices across Canada,
and international representatives.

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.

HELP WANTED



INSURANCE

KAISER ALUMINUM needs a recent college graduate for home office position in corporate insurance-risk management. An unusually good opportunity. Varied and challenging work assignments due to Kaiser's world-wide operations. No employee benefits work involved.

Applicant should have a minimum of four years' experience in production and/or underwriting. Send resume to Fred Gillette, Assistant Insurance Manager, Kaiser Aluminum & Chemical Corporation, 300 Lakeside Drive, Oakland, California 94604.

an equal opportunity employer

KAISER
ALUMINUM & CHEMICAL
CORPORATION

It
pays to
advertise

I have thoroughly enjoyed Business Insurance. . . the format is very attractive and the articles well written.

Harry F. Bremer
Assistant Treasurer
The Borden Company

every-
other-
Monday

**business
insurance**

Edited for the 36,000 most important buyers/buying influences of business insurance in the United States • 740 Rush St., Chicago, 60611

New York welfare department left without cover for forgery

NEW YORK—A city welfare department which paid out approximately \$750,000,000 in checks last year was left without coverage when its insurance carrier, plagued by heavy losses, refused renewal of its coverage.

The department of social services, which issued about 10,000,000 checks last year, said it was forced to begin its own program of recovering losses when it was unable to place the insurance elsewhere.

A spokesman for the department said American Casualty Co., which wrote a depositors forgery bond, found the account to be "unprofitable" after it sustained continued losses for several years. The policy expired last month.

It was reported that American Casualty charged about \$37,000 in premiums last year and paid out about \$200,000 in losses—an amount which represented close to 2,000 forged checks.

A SPOKESMAN for the insurer said the amount paid out to the city was about \$200,000, but some of it was recovered from the banks.

Under a new program of non-insurance set up by the welfare department, a bank is required to pay the city directly if it cashes a forged welfare check in-

Helo patrol may fly; get coverage bids

SAN FRANCISCO—This city's police department helicopter patrol, temporarily grounded because of inability to obtain liability insurance, may soon be flying.

Several bids have been offered for insuring the patrol's two 13-year-old helicopters, borrowed from the Army. One reportedly offers the \$25,000,000 liability coverage specified by the city to protect itself against damage claims.

Previously insurance carriers indicated they were willing to bid only on a \$3,000,000 coverage.

Mund, McLaurin & Co., insurance consultants for the city, indicated the \$25,000,000 bid would have a premium of \$36,637.80 for three-years.

Police Chief Thomas Cahill already has named five officers to the helicopter patrol. All of them have had previous experience as pilots.

Wash Watch...

Continued from page 40

type of thinking to legislatively compel these very employers against whom the unions will take those positions to contribute funds to support these unions' positions in the name of product promotion."

Opposition to the second part of the bill concerning jointly administered funds for use in resolving collective bargaining agreements took the form of a fear that the provision would increase the number and length of labor disputes. Currently management and labor generally share the cost of resolving their differences and under the proposed bill the employer alone must pay all the costs of an arbitration proceeding.

stead of to the insurance company.

According to the city, some claims payments from the insurance company were running two years behind because of the administrative work required to prove the losses were forgeries.

An insurance source said the city, with substantial deposits in many banks, should find little difficulty in collecting for forged

checks cashed by the banks.

The city's public affairs department said 50,000 checks, which were stolen last year, represented losses from recipients in 37 welfare centers in New York's five boroughs.

Most of the claims, he said, resulted from recipients who lost their checks or were robbed. This was the first step leading to the forgeries.

strictly top drawer

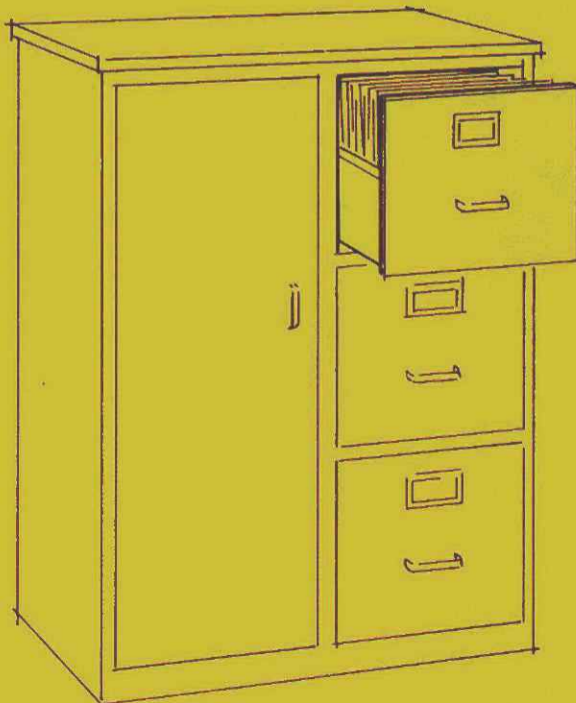
As individual businesses these firms are the outstanding sources of insurance in their respective areas.

Collectively they form Insurance Service Associates—the world's most knowledgeable network of independent brokers.

A network that can serve you with on-the-spot insurance representation virtually anywhere, any time . . . that can also provide influential contacts wherever you choose to grow, or sources of information, or ease you through language barriers.

Clearly, those who insure through I.S.A. members get the attention they deserve. They also get broader protection and more attractive rates. (I.S.A. has a combined purchasing power approaching \$250,000,000.00 in annual premiums.)

Sound interesting? The member near you will be glad to give full details.



INSURANCE SERVICE ASSOCIATES

Convicted of manslaughter of husband, wife collects

SANTA FE, N. Mex.—A widow convicted of voluntary manslaughter of her husband—not murder—can collect from an insurance policy on his life, the New Mexico supreme court ruled.

THE DISTRICT court judge had ruled that the wife was not entitled to the proceeds of a \$10,000 insurance policy on the life of her husband.

The supreme court justice pointed out that the New Mexico legislature has specified that the "acquiring, profiting or realizing benefits from the commission of a capital, first or second degree felony is contrary to the public policy of the state."

The judge said that the legislature by express and unambiguous language has prohibited only those convicted of murder from profiting from their crime.

A-C
 ALABAMA, Birmingham, Independent Insurance Agents, Inc. Mobile, Thames & Batre.
 ALASKA, Anchorage, LaBow Haynes Co. of Alaska, Inc.
 ARIZONA, Phoenix, National-Heard Insurance Agency
 ARKANSAS, Little Rock, Rector, Means and Rowland, Inc.
 CALIFORNIA, Los Angeles, Kindler, Laucci & Day San Francisco, Clifton & Company
 CANADA, British Columbia, Vancouver, Durham & Bates Agencies Ltd. Manitoba, Winnipeg, Ryan Agency Limited Ontario, Toronto, Tomenson, Saunders Limited Quebec, Montreal, E. A. Whitehead Limited Saskatchewan, Regina, Ducketts Limited
 COLORADO, Denver, Van Schaack & Company
 CONNECTICUT, Hartford, Goodwin, Loomis & Britton

D-I
 DISTRICT OF COLUMBIA, Washington, Howard & Hoffman Incorporated
 FLORIDA, Jacksonville, Donald A. Bolton & Company Miami, D. R. Mead & Company
 GEORGIA, Atlanta, Dunlap and Company Savannah, Palmer & Cay, Inc.
 HAWAII, Honolulu, The Hawaiian Insurance & Guaranty Company, Limited
 IDAHO, Boise, Stein-McMurray Insurance Inc.
 ILLINOIS, Chicago, Stewart-Keator-Kessberger & Lederer, Inc.
 INDIANA, Indianapolis, Robert N. Bowen & Associates, Inc.
 IOWA, Des Moines, LaMair-Mulock-Condon Co.

K-N
 KANSAS, Wichita, Wheeler Kelly Haggy Insurance, Inc.
 KENTUCKY, Louisville, Nahm and Turner, Incorporated
 LOUISIANA, New Orleans, Gillis, Hulse & Colcock, Inc.
 MAINE, Portland, Morse, Payson & Noyes
 MARYLAND, Baltimore, Riggs-Warfield-Roloson, Inc.
 MASSACHUSETTS, Boston, Boit, Dalton & Church, Incorporated Lowell, Fred. C. Church & Co.
 MEXICO, Mexico, D.F., Kennedy & Hijo, A. P.
 MICHIGAN, Detroit, General Underwriters, Inc.
 MINNESOTA, Minneapolis, Wirt Wilson & Company
 MISSISSIPPI, Jackson, Fox-Everett, Inc.
 MISSOURI, St. Louis, Lawton-Byrne-Bruner Insurance Agency Co.
 NEBRASKA, Lincoln, Weaver-Minier Company, Ltd. Omaha, Jones-Weaver-Minier-Martland, Inc.

N-T
 NEW YORK, Buffalo, Laverack & Haines, Inc. New York, Despard & Co., Inc.
 NORTH CAROLINA, Charlotte, James J. Harris & Company
 OHIO, Cincinnati, A. W. Shell & Company Cleveland, The W. F. Ryan Corporation
 OREGON, Portland, Jewell, Barton, Leavy & Kern
 PENNSYLVANIA, Philadelphia, O-W & Criddle Associates, Inc. Pittsburgh, O-W & Criddle Associates, Inc.
 SOUTH CAROLINA, Columbia, Boyle-Vaughan Agency
 TENNESSEE, Kingsport, Bennett & Edwards Agency, Inc. Memphis, E. H. Crump & Company

T-Z
 TEXAS, Dallas, Munger-Moore & Associates Houston, Houston, Stevenson & Cummings
 UTAH, Salt Lake City, Ed. D. Smith & Sons
 VIRGINIA, Richmond, DeJarnette & Paul Roanoke, Chas. Lunsford Sons and Izard, Inc.
 WASHINGTON, Seattle, LaBow, Haynes Company Inc.
 WEST VIRGINIA, Charleston, McDonough-Caperton-Shepherd-Goldsmith
 WISCONSIN, Milwaukee, Carney-Rutter Agency, Inc.
 PUERTO RICO, San Juan, American Commonwealth Agency Corporation
 ARGENTINA, AUSTRALIA, BELGIUM, COLOMBIA, ECUADOR, FRANCE, GERMANY, ITALY, JAPAN, NETHERLANDS, NEW ZEALAND, PERU, VENZUELA

Behind scenes..

Continued from page 23

might be invasion of privacy or slander; unauthorized use of a story; or breach of an implied contract.

• The third category is the more generalized coverage such as workmen's compensation, general liability or even simply fleet coverage.

BOTH UNITED ARTISTS and Paramount maintain blanket policies. Individual films are then "declared" as subjects of insur-

ance, when they actually go into production.

Losses indemnified by entertainment insurance cover a wide range, although the basic policy still remains cast insurance, in which losses resulting from death, injury or illness of a director or actor are paid.

This is the type of coverage that cost Lloyd's the highest known payment in the history of the business, \$2,500,000 for the illness of Elizabeth Taylor during filming of "Cleopatra".

SETTLEMENT OF A cast policy can be complicated (as witness the death of Bert Lahr,

with negotiations still being worked out).

When a principal of a movie is lost to production, one of five alternatives are available, depending on medical advice, production schedule, script requirements, costs and other factors.

The alternative most favored, when possible, is to "shoot around" the disabled star by filming all those scenes in which he or she does not appear. Although the least costly, this choice can usually be made only during the early stages of production.

THE NEXT CHOICE is to suspend production and film nothing until the star can return to work. With this alternative, salaries and location costs usually continue to rise.

The third alternative is to re-write the script. With only minor injuries, an actor can then go through his scenes with a plaster cast, crutch or bandage. The fourth alternative is to replace the ill or injured actor.

Tyrone Power suffered a fatal heart attack while filming "Solomon and Sheba" in 1958.

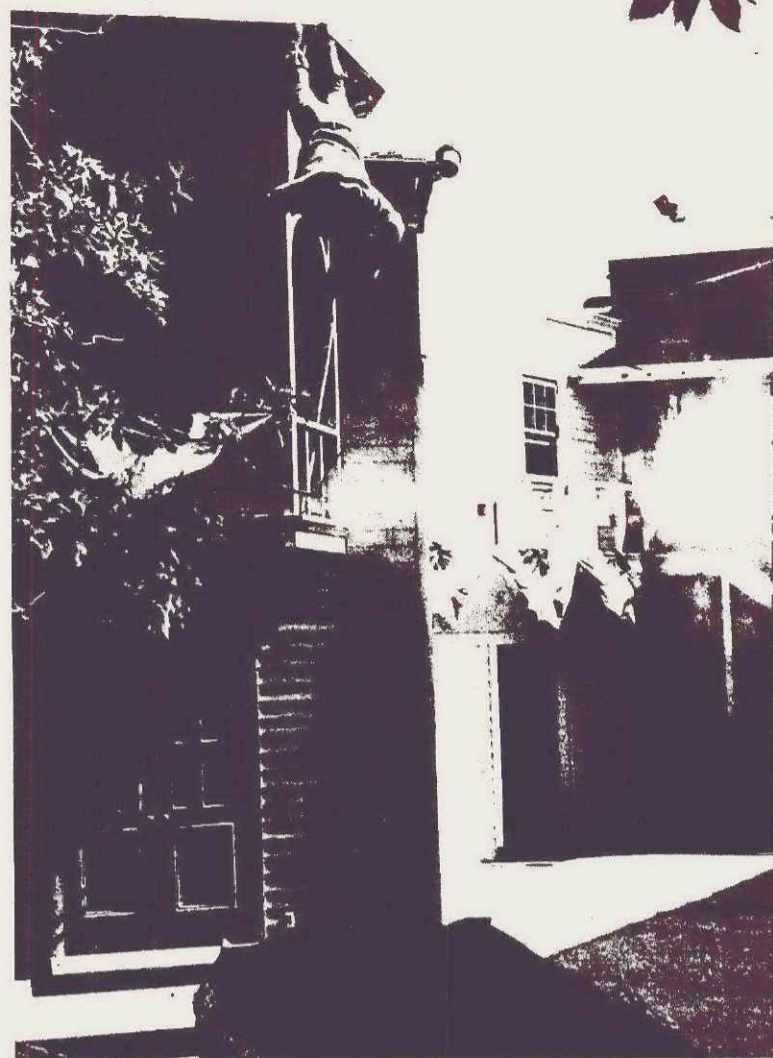
United Artists received more than \$1,000,000 in insurance to cover the expenses of reshooting those scenes in which Power had already appeared.

A MORE RECENT example occurred while filming "The Eye of the Devil," when M-G-M had to replace Kim Novak who had suffered a back injury.

This loss was particularly expensive because the film was nearly completed. Industry sources estimate the London insurance market would eventually have to pay M-G-M as much as two thirds of the movie's original \$3,000,000 budget on the cost of reshooting the scenes in which Miss Novak was involved.

The final and least desirable alternative is to abandon the film. Any opportunity to produce a profit disappears, of course, when a film is abandoned.

One of the more ironic insur-



Although the insurer probably shudders at the thought of it, in case this stunt man misses the canvas below, the insurance policy will pay.

ance payments occurred a few years ago when a western movie was being produced in Arizona.

The script called for a man-made flood to sweep into a dry ravine. Stage hands spent an afternoon setting up sun reflectors, camera booms and props to be ready for filming the next morning.

Unfortunately, during the night it rained and a flash flood swept through the location, with considerable damage to property and equipment.

WHILE FREAK FLOODS may be routine hazards, insuring people is never routine, especially "when we have to balance the risks of the unknown against the chance of a prior physical problem recurring," according to Edward E. Hamby, director of Fireman's Fund's entertainment department.

"The solution," Mr. Hamby declares, "lies in an underwriting flexibility that recognizes all of the risks before a film begins."

Mr. Hamby has written coverages for both Peter Sellers and Walter Matthau after both actors had suffered heart attacks.

"The problem in those cases," Mr. Hamby pointed out, "was not so much the risk of an unpredictable accident injuring either actor, as it was simply insuring against the risk of a known hazard, another heart attack."

Planning for risks and coverage means placement of insurance well ahead of actual production. This also means, in many instances, separate policies, with the risks underwritten differently.

Entertainment insurance, of course, is never limited to protection of people alone. Supplementary coverages insure props, miscellaneous equipment and liability for the property of others. Certain extra expenses also are covered. Even negative film can be insured, with cost of reshooting paid if film is damaged.

Producers' liability protection is also a major type of insurance

in entertainment.

This protects against libel and slander, defamation of character, plagiarism or breach of implied contract resulting from alleged submission of ideas.

This coverage includes legal defense costs in the event that a suit is filed.

The insurance perils of motion picture producers are not exactly the same as those of television producers.

While both film and tv production budgets can suffer from schedule delays, the normal half hour tv feature can be made in six days instead of the six weeks required for a routine film.

The single episode tv exposure to accident, illness or injury of a star is not so great. Thus, fewer tv productions are now insured.

"Virtually any major development here," I. A. Ruman, of I. A. Ruman & Co., Los Angeles, asserted, "could blow wide open the market for insurance. Subscription tv, for example, could quadruple the demand for full length films being broadcast."

"Even now," he added, "the existing networks are expanding motion picture programming. The studios are producing more films to meet this demand."

The sale of feature broadcast rights and network episode productions now account for a third of the revenues of major Hollywood studios.

INSURANCE EXPERTS reason that executives here will protect their investment in the television field, since the studios have now become accustomed to insuring film productions.

Blanket coverage is provided for such programs as "Bonanza," "Rat Patrol," "The Fugitive" and "Beverly Hillbillies."

Fireman's Fund covers all television productions from such major companies as Desilu, Filmways and Talent Associates Ltd. Special policies are written on Bing Crosby productions and for Frank Sinatra, Jonathan Winters, Jack Benny, Bob Hope and Andy Williams.

Our C.I.A. man in Lisbon

... can be your Corporate Insurance Attache there or throughout Free Europe. He's your private expert on laws and custom, advising you on proper coverage, company responsibilities, operating conditions ... even smoothing the way for other corporate activities or personnel.

Your C. I. A. can also carry out large underwriting of major companies. Reliably, too, for he works through an association of established, owner-operated brokerage firms staffed with high-caliber professionals. He's all "pro" himself ... and he's yours when you specify Donnelly.

A SUPERIOR INSURANCE SERVICE



24 Lackawanna Pl., Millburn, New Jersey 07041 / Phone: 379-6000 / Cable Donbro.

Complete Brokerage Facilities in: Atlanta • Boston • Chicago • Cleveland • Dallas • Detroit • Indianapolis • Jacksonville • Kansas City • Louisville • Los Angeles • Milwaukee • New York • Oakland • Philadelphia • Pittsburgh • Portland • Saint Paul ... and Foreign Affiliates in: Amsterdam • London • Milan • Paris • Rome • Toronto • Zurich



Perhaps you need DIRECTORS' and OFFICERS' liability insurance

Within the last few years, stockholders' liability suits have been on the increase. Whether or not a judgment is rendered against the individual, defense costs can be substantial. Whenever a corporate Director or Officer makes a decision he becomes vulnerable to the threat of legal action by disgruntled stockholders. Underwriting information required for a quotation is easy to obtain, the application is streamlined and the premiums are substantial. Don't let your competition get there first! Write or call for the facts and figures required for a quotation.

EXCESS UNDERWRITERS

INCORPORATED

175 WEST JACKSON BLVD.
Phone (312) WEbster 9-5535



CHICAGO • ILLINOIS 60604
Telex Number: 25-4127

We've cracked the technical risk insurance business.

Because somebody had to.

So C. V. Starr & Co. formed The Starr Technical Risks Agency, Inc. Fifteen companies have now joined with them in this new pool, providing additional capacity badly needed in the oil, petrochemical, natural gas and related process industries.

As senior company of the American International insurance groups, Starr is well known to oil and petrochemical executives and brokers throughout the world.

Starr Tech is now using this world-wide experience to develop imaginative, flexible insurance programs for properties in the United States and Canada. These are individual programs, based on sound, simple principles.

1. A more realistic underwriting method—the “amount subject to loss” rather than the “probable maximum loss” which has proven totally inadequate in recent major losses but remains the basis for most technical risk coverage.

2. A single source of responsibility for brokers and insureds in protecting both domestic and foreign installations.

3. A broad base of many insurance companies backed by world-wide reinsurance facilities to absorb the impact of any loss and to assure the continued strength and responsibility of the agency.

The credentials of the people responsible for the management and administration of Starr Tech are impressive—even more so when combined with the demonstrated record of strength and service of C. V. Starr and AIU.

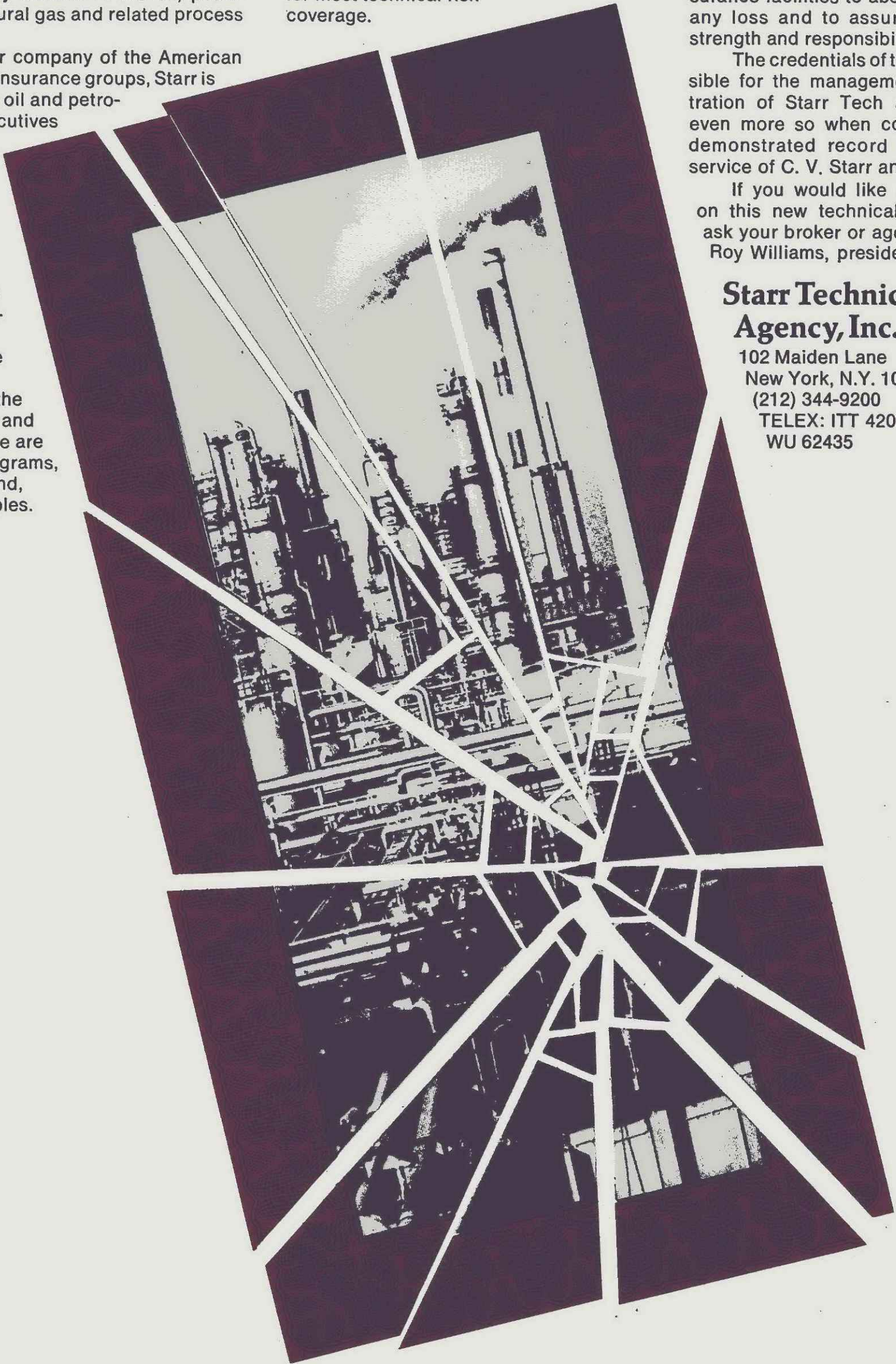
If you would like more information on this new technical insurance pool, ask your broker or agent to contact Mr. Roy Williams, president of Starr Tech.

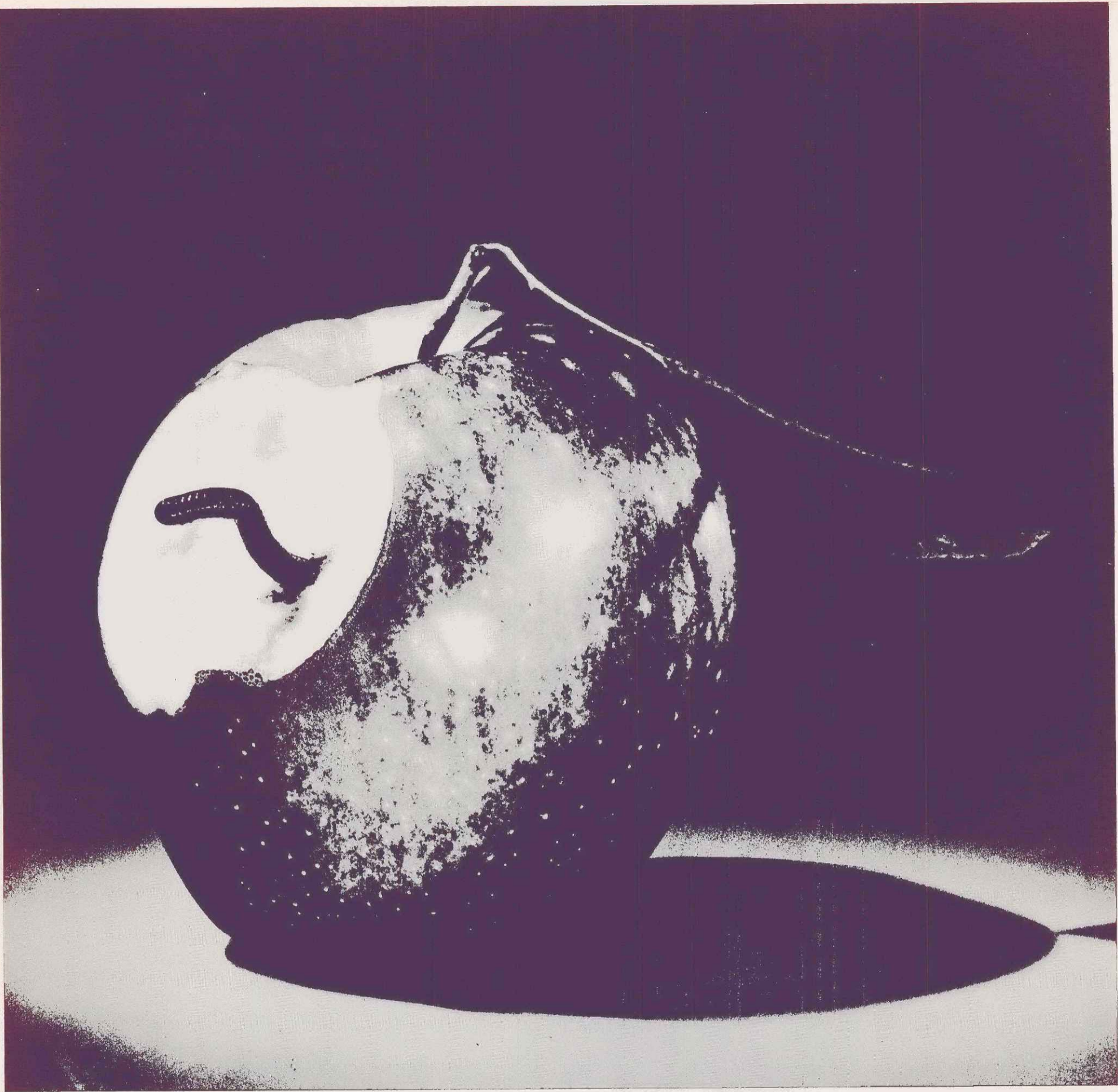
Starr Technical Risks Agency, Inc.

102 Maiden Lane
New York, N.Y. 10005

(212) 344-9200

TELEX: ITT 420627, RCA 222019,
WU 62435





Has one turned up on your desk?

The problems always seem to land on *your* desk, don't they? Like trying to find out what's eating into your profits. Well, if it's the same in your company as in a lot of others, the "worm in your apple" could be the increasingly complex problem of insurance risk. And *managing* insurance risk instead of just protecting against it, is a job for professionals. We've developed

a new concept called All Risk Management. It's helped a good many others. It could help you. Help you—working with a team of our all-lines professionals, to free up assets for more profitable use elsewhere in your business. When that "worm in the apple" is insurance risk, call us. We're in the Yellow Pages. We'll get to the core of your problem . . . fast.

American Mutual 
INSURANCE COMPANIES, WAKEFIELD, MASS. 01880

Workmen's Compensation • Fire • Liability • Crime • Group Insurance • Auto • Home • Life* • Accident and Health

*AM Life Insurance Company