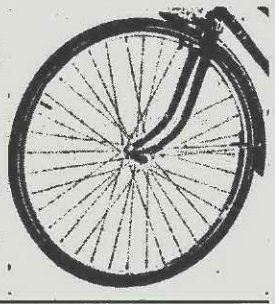


Bike firm's risk hassles coasting page 22



New pollution group endorsements page 6
Monsanto group plan under fire page 20
UMW staffers strike union page 30
Pension cost changes imminent page 44

Entire contents copyright 1973 by Crain Communications Inc.

45¢ a copy; $10 a year September 24, 1973

business insurance®

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

Dental plan, overtime are in UAW pact with Chrysler

DETROIT—The new contract agreement between the United Auto Workers and the Chrysler Corp., set earlier this month, provides for dental insurance, a voluntary overtime system and a 30-and-out retirement plan.

Significantly, it also has what is believed to be the first clause in any major labor contract which provides for payment of any taxes levied on workers if a national health insurance program is enacted.

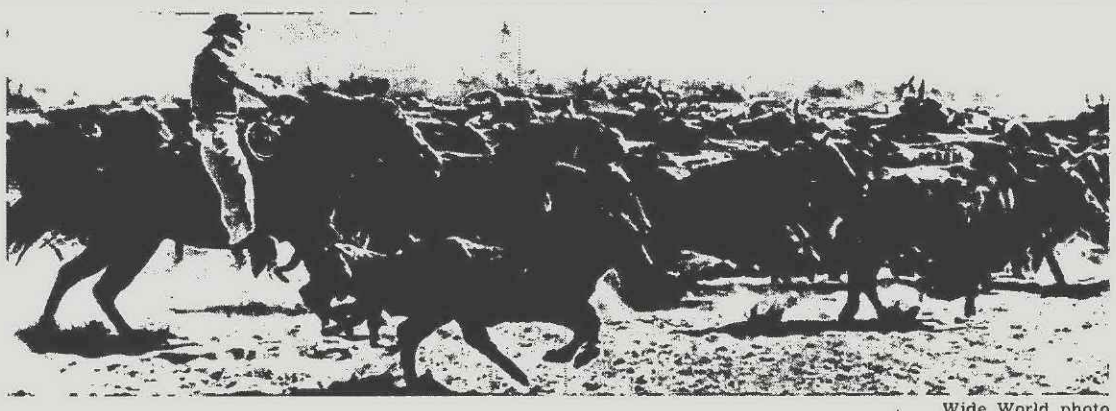
Chrysler has agreed to pay the full cost of any such taxes for a program covering an auto worker and his family. Observers have indicated the provision may spur demands by labor that the national health insurance issue, delayed three years in Congress, be finally acted upon by the nation's legislators.

MOST OF the national health insurance proposals being considered call for the cost of premiums to be split by employers and employes, such as Social Security payments for Medicare are made. But under the UAW-Chrysler agreement, the corporation would pay not only the 3.5% of a worker's earnings toward national health insurance premiums, but the additional 1% of earnings that most proposals expect the worker to cover.

The three-year accord will reportedly raise Chrysler's annual labor costs by more than 7%. It is expected to set the pattern for major union demands with General Motors Corp., the Ford Motor Co. and other industrial companies slated to bargain with the UAW.

The UAW conceded to delayed cut-in dates for certain of the most expensive fringe benefits granted in the new agreement. Dental insurance, for instance, will not go into effect until Oct. 1, 1974. And pension benefit payments, worked out over a six-year span, will reach their peak level of $700 monthly only as of

Continued on page 2



Wide World photo

Insurers are bullish on beef

By MARY ANN CALLAHAN

NEW YORK—Despite the beef industry's currently inflated prices and spasmodic depletions of supply, livestock insurance underwriters polled by *Business Insurance* said they literally feel bullish about their specialty.

Cattle rustling, transport insurance losses and feed lot mortality rates are reportedly on a steady rise, but underwriters indicate other kinds of livestock coverage, including export and breed animal insurance, have gained directly from the beef crisis. Also, cattlemen are reportedly buying more insurance to protect their increasingly valuable livestock investments.

The Insurance Co. of North America seems to be the only major livestock insurer to be hit even indirectly by the beef crisis. As federally-regulated ceilings on processed beef were rolled back, an INA spokesman said his company is withdrawing from the feed lot insurance market, as least temporarily.

A $3 million quarterly loss in February convinced INA its livestock insurance program "was very unprofitable," according to Robert Hansen, deputy underwriter for INA's farm department. Although part of the loss can be traced to a severe winter for cattle in the Texas panhandle and to internal company problems, the beef shortage was unquestionably a factor, Mr. Hansen said.

Continued on page 45

Senate OKs pension bills; amendments are numerous

By TOM WALSH

WASHINGTON—After three years of study and an intensive week of compromises, the Senate has passed a significantly amended version of the Williams-Javits pension reform bill (S.4).

As approved, the bill sets forth a wide range of minimum standards for virtually all pension plans and spreads federal jurisdiction over pension plans between the Labor and Treasury departments. The bill also contains a mandatory pension termination insurance program, a voluntary portability program and a stringent code of conduct for pension plan administrators utilizing a tax penalty schedule for prohibited transactions. The bill also significantly rewrites pension disclosure and reporting requirements and sets forth limits of employer liability for termination.

As approved, S.4 makes any employe who has reached age 30 and worked at least five months eligible for pension plan participation.

THE BILL'S vesting requirements would make an employe eligible for 25% of his accrued pension benefits after five years of plan participation, if at least three years are consecutive.

The bill's funding requirements stipulate each plan will have sufficient assets to meet normal costs and to amortize over a 30-year period initial unfunded past service liabilities and any added costs added by plan amendment. Multi-employer plans are allowed 40 years to cover all past service liabilities.

The funding requirements also establish a 5% excise tax on

Continued on page 12

Policy 11 days old; 'key man' shot dead

PORTLAND, ME.—A substantial "key man" life insurance policy was written on Jon Pownall, a film director, just 11 days before he was discovered shot to death in his office here late last month, *Business Insurance* has learned.

The policy, written by Transamerica Life Insurance & Annuity Co., Los Angeles, named the 39-year-old film maker's employer, Planet 3 Films Ltd., as a beneficiary. The face value of the policy was $400,000.

Fred Roberts, president of Transamerica, told *Business Insurance* "there is considerable reinsurance on down the line" on the policy's face amount, but declined to name specific reinsurers.

THE AGENT on the policy was Michael Doyle, who handled the coverage for Chapman & Drake, an independent insurance agency in Bath, Me. It was reported that Mr. Doyle owned a small interest, around 2%, of Planet 3 Films. In a letter made public by the Portland Evening Express, Mr. Doyle denied ownership of any Planet 3 stock, thus denying he was a beneficiary of the key man life policy.

The case bears certain similarities to the East St. Louis, Il., killing of inventor Victor G. Null, whose life was insured with a key man policy for $2 million, which was written by Lloyd's. (*Business Insurance,* Dec. 4, 1972.) Mr. Null was found shot to death in his office Nov. 8, 1972.

THE POLICY on the late Mr. Null's life has been contested by Lloyd's on several grounds, chiefly that one of the beneficiaries, Ronald Calvert, an executive in the H.C.S. Turbine Co., has an "appalling history of insurance claims," according to Lloyd's attorneys. Mr. Null had been a partner in the firm, which was centered about a turbine engine for use in automobiles, which Mr. Null was designing.

A civil suit has been filed in St. Louis this month to force payment of the $2 million death benefit. Two other policies on Mr. Null's life, written by New England Life and totalling $250,000 plus accidental death benefits, are also being contested. One of the policies lists James Henry Calvert, father of Ronald Calvert, as beneficiary. Other policies originally listed Mr. Null's estate as beneficiary, then were changed to James Henry Calvert as policy beneficiary.

Federal postal authorities are investigating the circumstances, according to sources in St. Louis.

A source close to the case in Maine told *Business Insurance* Mr. Doyle had indeed at one time owned a portion of the film com-

Continued on page 2

Insurers must pay for destroyed jet

NEW YORK—A group of 30 American and British Insurance companies will have to compensate Pan American World Airways for the loss of a $24.3 million Boeing 747 to Arab terrorists three years ago, a federal district court ruled here last week.

In his decision, Judge Marvin E. Frankel said the insurers—including Lloyd's of London and members of the United States Aircraft Insurance Group and Associated Aviation Underwriters—would be responsible for paying the airline because, in his opinion, the destruction of the aircraft by the terrorists in Cairo was not an act of war, therefore not covered by the firm's war risk policy.

The insurers were all in on the huge aircraft's all-risk coverage. Federal Insurance Co. will be hit for the largest amount of the coverage—just about half. Lloyd's carried about 16% of the all-risk insurance.

HAD THE judge's decision gone the other way, Lloyd's would have been responsible for more than 58% of the coverage on a war risk basis. The other 41% of the war risk insurance was written by the United States government under a program approved by Congress to provide coverage when the conventional insurance markets for the coverage proves too expensive or dries up.

In May of 1971, Lloyd's advanced 50% of its interest in the war risk coverage, over $7 million, to Pan Am. A source at the airline, while feeling that the situation was still tenuous, indicated the air carrier would be obligated to return the money to Lloyd's if the present verdict stands.

Judge Frankel felt the hijacking and subsequent destruction of the airliner did not construe an act of war but, rather, "a

Continued on page 2

UAW agreement . . .

Continued from page 1
Oct. 1, 1978. Before then, they will go up in regular intervals, beginning with a boost from $500 to $550.

Management and labor representatives were still working out the details of how dental insurance will be handled in talks last week. The plan will be paid for by Chrysler, but who the carrier would be is a matter of ongoing negotiations.

A UNION representative said the dental plan would cover active Chrysler workers with one year's service, plus their dependents. It will give a prepaid program of preventive diagnosis, treatment and diagnostic services, as well as cost and quality control at no monthly premium cost to the worker. There will be what the union terms "modest patient payments" for a wide range of treatment ranging from diagnostic examinations, oral surgery, fillings, root canal work, gum disease treatment and orthodontics for dependents up to age 19.

Pension improvements allow a worker to retire after 30 years of service, with no restrictions on age levels, as well as increasing his or her benefit payments. This 30-and-out arrangement was among the union's top priorities in the contract talks. (*Business Insurance*, Sept. 10). Additionally, pensioners who reach age 65 will no longer receive a cut in their benefits to offset Social Security.

The union scored a victory in what it indicated was the key issue in this year's bargaining—voluntary overtime. Worker complaints of excessive overtime in what has been a record production year for the country's third-largest auto maker prompted a compromise in which Chrysler gave up a cherished management prerogative.

The 117,000 hourly production workers covered by the new contract no longer may be forced to work longer than nine hours a day or on Sundays. Every third Saturday will be open for a worker to take off if the previous two have been worked.

LEONARD WOODCOCK, UAW president, said voluntary overtime plus new health and safety provisions in the contract were "most certainly a breakthrough and precedent-setting" for the industrial union.

In a television interview, Mr. Woodcock commented, "the new contract puts more money into the pension area than all the contracts negotiated between 1950 and 1970."

In the health and safety area, Chrysler agreed to form a joint union-management committee in each plant. Additionally, a union health and safety expert in each plant will now make weekly inspections. This is the first time a full-time union safety person has been allowed in-plant in a contract between Chrysler and the UAW, according to a union spokesman.

COSTS for the 30-and-out retirement plan and the dental insurance will be defrayed in part by the union's agreement to accept one cent less in the cost of living allowance for 10 quarters, starting in March, 1974. That works out to a total of 10 cents over the life of the contract being diverted from the cost of living allowances to pay for new benefits.

In the case of the dental benefits, amounts will be based on the number of compensated hours a week. A total of $4.00 will be diverted from the cost of living allowance to pay for the new benefits.

Wage increases granted in the new contract average 25 cents an hour for the first year. Second and third year increases will be less, averaging about 3%, or about 15 cents an hour, the same percentage increase workers got under the old agreement. ■

Key man policy . . .

Continued from page 1
pany but had sold his interest at some point before the policy on Mr. Pownall went into effect.

A SPOKESMAN for the Maine insurance department explained there was no provision in the state's insurance law which would prohibit an agent who owns stock in a company from selling a policy which named that company as beneficiary. "The law is silent on that point," the spokesman noted.

As investigations into Mr. Pownall's death continue, Transamerica, a subsidiary of Occidental Life Insurance Co. of California, is sitting tight.

"We don't have a hint of what the police may find," a spokesman for the insurer pointed out. "Until we have all the facts we will not make a decision on paying the claim. We don't really know how this man died. All we know at the moment is that he had a couple of bullets in his head."

The source close to the case commented, "I don't really see how the insurance company can get out of paying it. Unless they can prove that someone involved with the film company killed the man for personal gain, they will have to pay the claim. The policy was only 11 days old but it was definitely in effect."

AT THE time of his death, Mr. Pownall was working on a film to be called "The Salem Six," which was to go into production next month on a budget of $500,000. The key man life policy was taken out to protect the film's financial backers against a catastrophe which might cause production to stop.

"There is nothing unusual about a company taking out this type of insurance," the Transamerica man said. "This is a very popular form of business insurance—in the film industry as well as many other businesses."

It was reported Mr. Pownall wanted to include his wife and three children as beneficiaries on the policy but was told, according to his wife, "the company wouldn't name two beneficiaries." ■

Pan Am . . .

Continued from page 1
random and hastily improvised instance" of terrorism by a small political group.

Rejecting the claim by the all-risk insurers that the incident was actually part of the Jordanian civil war, Judge Frankel noted, "The notions of hijacking and terrorism were perfectly familiar . . . to the all-risk insurers." The all-risk insurers are expected to appeal. ■

GUIDE TO FEATURES

Washington Watch	4
Info for Buyers	8-9
Opinions	14
Dates for Buyers	24
London Line	28
Labor Beat	34
Perspective	39-40

Vol. 7 No. 20—Business Insurance is published every other Monday at 740 Rush St., Chicago, Il. 60611. Controlled circulation postage paid at Chicago, Il. Copyright 1973 by Crain Communications Inc.



34 years ago, Bob Schirmer figured out how business, property and people should be protected today.

In 1939, Bob Schirmer created the first independent loss-control engineering service. Along with it, he developed the Schirmer Total Loss-Control Concept.

Today, Schirmer Engineering offers a full range of loss control engineering activities—for today.

Fire and casualty engineering and inspection service.

OSHA services.

Automatic sprinkler system design.

Fixed extinguishing system design.

Alarm and security system design.

Building and fire code analysis.

Broad range of loss control consultation services.

And today, you'll find Schirmer engineers and designers available throughout the United States and also outside the North American continent.

We're bigger today, of course. But you'll find that we operate under the same guiding principles Bob Schirmer set up in 1939:

To take on, and delve into, each customer's problems individually and totally; and to provide him with solutions that are innovative, practical and economical.

Schirmer

Schirmer Engineering, 5940 W. Touhy Avenue, Niles, Ill. 60648

CPC

Where Successful Experience helps achieve *Insurance Goals*

1898-1973 75th year

What CPC will do for your firm's

☐ RISK MANAGEMENT PLANNING

- Identify and evaluate exposures
- Analyze the financial implications of the exposures
- Critically review and evaluate the existing insurance
- Consider alternatives to insurance: Self-insurance, non-insurance, deductibles and other financial arrangements
- Explore captive insurance companies
- Prepare specifications and analyze proposals
- Counsel on loss prevention
- Offer guidance on avoidance of liability techniques
- Counsel on insurance implications of mergers and consolidations
- Evaluate risk management administration function
- Supplement abilities of internal staff
- Provide day to day counsel

☐ EMPLOYEE BENEFITS PROGRAM

- Objectively analyze program
- Evaluate financial aspects of program
- Recommend needed changes in benefit levels and costs
- Prepare specifications when necessary and analyze competitive proposals
- Consider cash flow and other cost implications of self-insurance, minimum premium arrangements, administrative services only agreements, captive insurance companies, re-insurance, interim accounting and 501 (c) 9 trusts
- Continue program maintenance to keep costs in proper relation to other corporate costs
- Review annually the financial results and renewal action
- Provide continuing information regarding new developments such as health maintenance organizations, foreign insurance, mass marketing, national health insurance, and new legislation

75 years of impartial independent counsel achieving corporate goals in RISK MANAGEMENT

CORPORATE POLICYHOLDERS COUNSEL, INC.

20 North Wacker Drive • Chicago, Illinois 60606

Phone 312 - 372-8225

Send for 12-page brochure

Premium tax on self-funded benefits ouster seen

By MARIE KRAKOWIECKI

ALBANY—Corporations in New York State may soon legally begin self-funded employe benefits plans, either contributory or non-contributory, without being charged a premium tax for executing "insurance business," an insurance department attorney told *Business Insurance*.

The outcome hinges on whether or not a court of appeals decision against the state tax commission holds. The decision granted the Mutual Life Insurance Co. of New York the right to have self-funded employe benefits without paying premium taxes. Mutual won the case by arguing that other employers had similar plans without being taxed, so it, too, should be allowed to operate on the same basis without being penalized because of its position as an insurer.

The decision could be a landmark primarily because of the status it confers upon contributory plans. It has been the position of the state insurance department in the past to regard any employe benefits plans conducted on a contributory basis as the doing of insurance business. Its policy, therefore, was to permit insurance companies, and only insurance companies, to run such plans for their employes because they were the only ones licensed to do "insurance business." Of course, the portions of money contributed by employes were considered to be insurance premiums and thus were taxed.

"AS FAR BACK as 1960, government agencies regarded contributory plans as insurance and wouldn't have allowed private companies to operate self-funded plans on this basis," the insurance department attorney said.

He added: "There was even a 1960 attorney general's opinion which held not only were employe contributions taxable, but also that part of the plans' cost paid for by the employer."

Much of the distinction between contributory and non-contributory self-funded plans has apparently dissolved over the years, at least in the corporate minds of the employers running them.

So while technically, insurance companies were the only ones legally supposed to be able to run self-funded plans (and pay premium taxes on them in the bargain), private companies took the practice up as well—but without paying the taxes.

It was from this point that MONY launched its legal fight against having to pay premium taxes. It lost the case five years ago, but the current proceedings against the tax commission in the New York court of appeals initiated two years ago came out in favor of the insurer.

THE MAJORITY opinion, according to Willard G. Eldred, associate general counsel for MONY, "relied on the concept that maintenance of a non-profit employe benefit plan—incidental to the employer/employe relationship—does not constitute the carrying on of a franchised insurance business. They concluded since the tax is a franchise fee, it applies neither to the company's nor to the employes' contributions."

The opinion, delivered in June, included a judgment calling for a refund to MONY for back premium taxes paid to the New York State tax commission in the amount of $152,531.12, together with interest in the sum of $64,323.72 and costs and disbursements of $6,993.47.

The attorney from the state insurance department said there was some reason to believe the case would be re-argued by the tax commission. However, if the court of appeals ruling sticks, the department of insurance would be forced to abandon its old position which held employe contributions under a self-funded life or health benefits plan are equivalent to taxable insurance premiums and may be collected only by a licensed insurer.

"The superintendent of insurance, Benjamin R. Schenck, is keeping abreast of this decision because," the attorney noted, "the department is currently collecting premium taxes from private companies doing similar business to what MONY does in the area of self-funded life and health benefits packages with employe contributions absorbing part of the cost.

"IF THE decision sticks, it would mean these private companies and employers could adopt such plans for their employes without being licensed as insurers, and they would then not be subject to the jurisdiction of the state superintendent of insurance," the attorney concluded.

If the attorney general's office does not make a successful reargument against the court of appeals ruling, the decision will mark another advance for companies who have been striving to fight prohibitive state regulations in the self-insurance area for non-profit employe benefits.

For a number of years, there has been wide variation among state insurance departments concerning regulation of self-insured benefits, particularly where premium taxes entered the picture (*Business Insurance*, June 4). The high water mark of the controversy, a Missouri ruling that self-insured employe benefits were illegal, was recently reversed by the state legislature there (See story, page 20). Sources have indicated the New York court of appeals case could rank with the Missouri law in being an opening step for corporations looking to self-insured benefits for their employes' life and health packages. ■

Plan covers alcoholism

WAUSAU, WI.—Alcoholics and drug addicts will be covered under a broadened group health insurance program being offered by Employers Insurance of Wausau.

Clyde Schlueter, company president, said the alcoholics and drug addicts would be covered either as outpatient or inpatient cases with the provision they receive treatment at approved medical centers.

Employers Insurance of Wausau also announced it would offer a consulting program to businesses in an effort to combat alcoholism and drug addiction among employes.

The Kemper Insurance Group had previously announced a similar plan. ■

Big is good but better is better

Some insurance companies get so big and muscle-bound they outclass themselves.

Not so Mission. Our people can give you more because they have more to give. Energy. Brains. Time. Talent. Youth.

Big? Yes, we're California's largest publicly owned, independently operated commercial property and casualty carrier.

But we're *better*, too. Quicker. More flexible. We limit claims representatives' case loads, for example, so we can serve you better. Our field men can make on the spot decisions, too, to help you serve your clients faster.

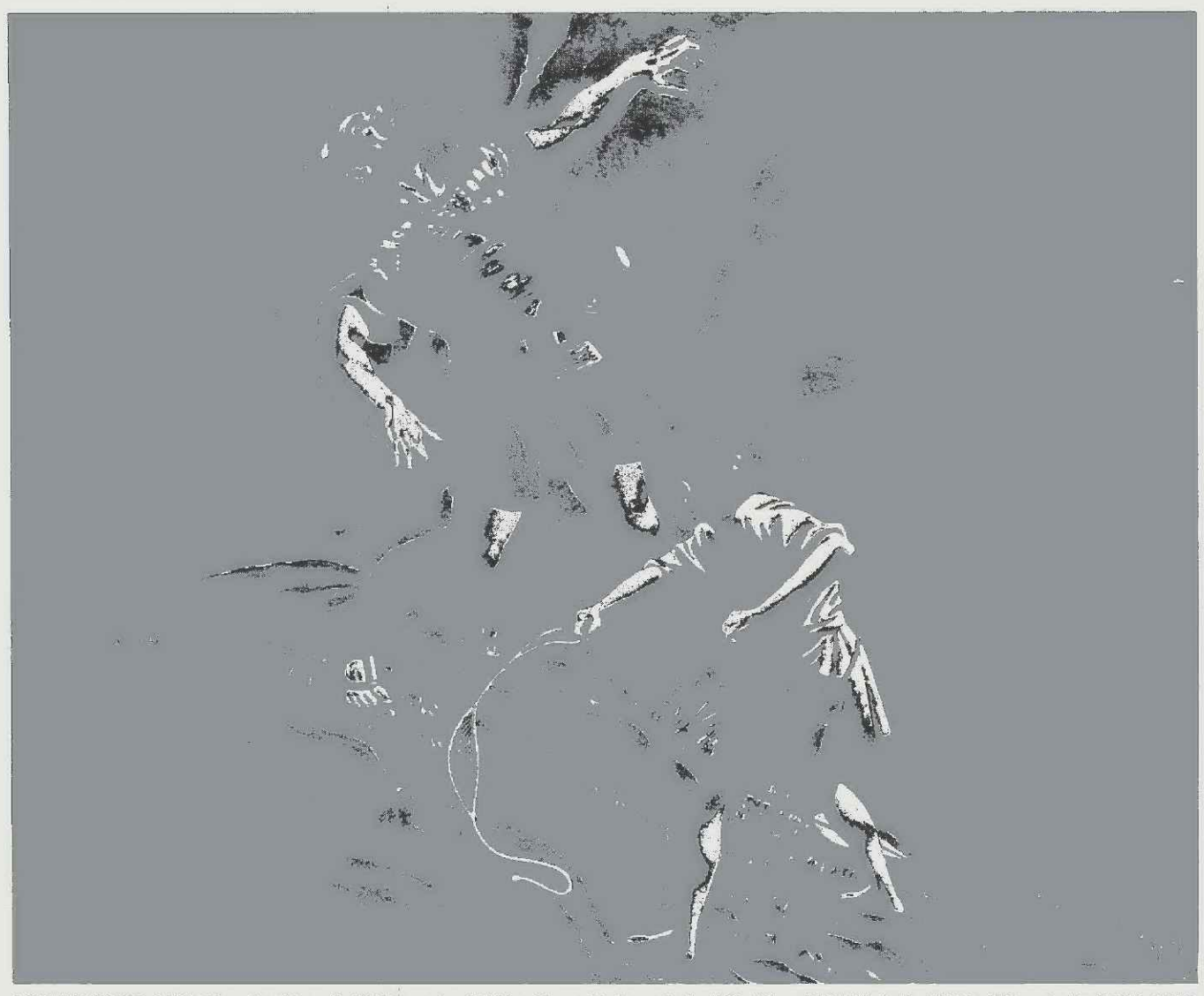
It all adds up to the winning combination that helps you gain and hold business.

Whether you serve big companies or small—whether you write workmen's comp, general liability, surety, commercial property or surplus lines—think first of Mission Equities.

We're the uncommon carrier.

MISSION EQUITIES CORPORATION
Better At What We Do

California's Largest Publicly Owned, Independently Operated Property & Casualty Carrier, Headquarters: Los Angeles (213) 381-6811; San Francisco (415) 982-2940; Fresno (209) 222-2237; Seattle (206) 622-2072; Portland (503) 222-4471; Denver (303) 892-6606; New Orleans (504) 524-1191; Houston (713) 623-8780; Phoenix (602) 254-6621; San Diego (714) 234-8295.



MISSION INSURANCE CO. • SAYRE AND TOSO, INC. • HOLLAND-AMERICA INSURANCE CO. • GEORGE S. KAUSLER, LTD. • DATA TECH CORP.

washington watch

OSHA to eye state performance through new monitoring system

WASHINGTON—The Occupational Safety and Health Administration (OSHA) will soon make public the details of its new State Program Performance Monitoring System (SPPMS), a system designed to police state enforcement of OSHA regulations.

Utilizing a field staff of 600 and a budget of $25 million for fiscal year 1974, the system will keep tabs on states opting to take on the responsibility of enforcing OSHA's wide assortment of job safety and health regulations. Shortcomings discovered through the system in any state program will be dealt with by federal personnel and if the system shows less-than-adequate performance persists within a jurisdiction, the federal government may move to suspend state control over OSHA compliance.

"Essentially, we'll be looking at everything," Barry J. White, acting director of OSHA federal and state operations, said. "We'll be monitoring state record-keeping, inspection procedures, penalties and standards. The enabling legislation that these state programs are based on promises a whole variety of things, and the system will be there to see if the states carry out those promises."

As of Sept. 7, 17 jurisdictions have had their OSHA programs approved by the federal government, although only 14 of the 17 programs have been sanctioned with the necessary enabling state legislation. Another 30 states have filed their plans for a federal okay, but only a dozen out of the 30 have already secured enabling legislation. Nine jurisdictions have either not submitted plans or have withdrawn previously submitted programs and opted to allow the federal government to cope with job safety and health compliance within their areas. No state program submitted has been rejected.

"ONE OF our biggest hangups is legislation," Mr. White said. "You'll run across a state with a Democratic governor and a Republican legislature, or vice-versa, or you'll run across situations where the legislature only meets every other year. So we have states that have indicated they want state plans, but can't get them due to legislative problems. Then, too, we have states who do not want to come up with a program as stringent as we'd like."

The performance monitoring system will depend both on written reports and on-site monitoring and will also include a program to be known as CASPA —Complaints Against State Program Administration.

"We are requiring quarterly reports on compliance standards activity, and annual reports on all other aspects—personnel, training resources, injury and illness data and training and consulatation activities," Clinton Wright, director of OSHA's program review office, explained. "Complaints arising out of CASPA or information contained in the reports that must be filed might cause us to go on-site."

"Of course, we'll be going on-site, too, even if we don't have a specific problem to look into," Mr. White said.

The system will also keep a keen eye on state case files, any changes in standards, penalties and state court handling of non-compliance citation appeals.

"This is one area we'll be watching very closely," Mr. White said. "We'll have to monitor the decisions of state courts to find where the state court system will not support the program. If we don't like the way the rulings are going, our only recourse is to withdraw approval of the state plan."

Under the present law, federal authority over a state program will exist for at least its first three years of operation. At the end of this period, the monitoring system will determine whether the state should be allowed to assume full responsibility.

"WE THINK that we'll find the states will do a good job," Mr. White said. "Once a state plan is approved, our federal inspectors will become state monitors. Once a state's program becomes fully operational, we'll begin to move federal staff people into Pennsylvania, Ohio and other states without the needed legislation for state programs."

Present law allows each state considerable leeway in choosing how much—if indeed any—OSHA enforcement it wishes to assume responsibility for. This leeway, both Mr. White and Mr. Wright predict, will, in effect, lead to a situation where the monitoring system must deal with 50 different programs.

"It's a very tricky process," Mr. White said. "A state can agree to make inspections only in certain areas and choose to leave the rest up to the federal government. The Virgin Islands, for example, has decided it will enforce industrial safety rules but will not administer an industrial health program. No states will handle maritime activities. Unless present federal law is amended, the federal OSHA people will always be doing inspections in states that have docks."

Mr. White said his office has had a few "very informal meetings" with insurers involved in providing OSHA protection.

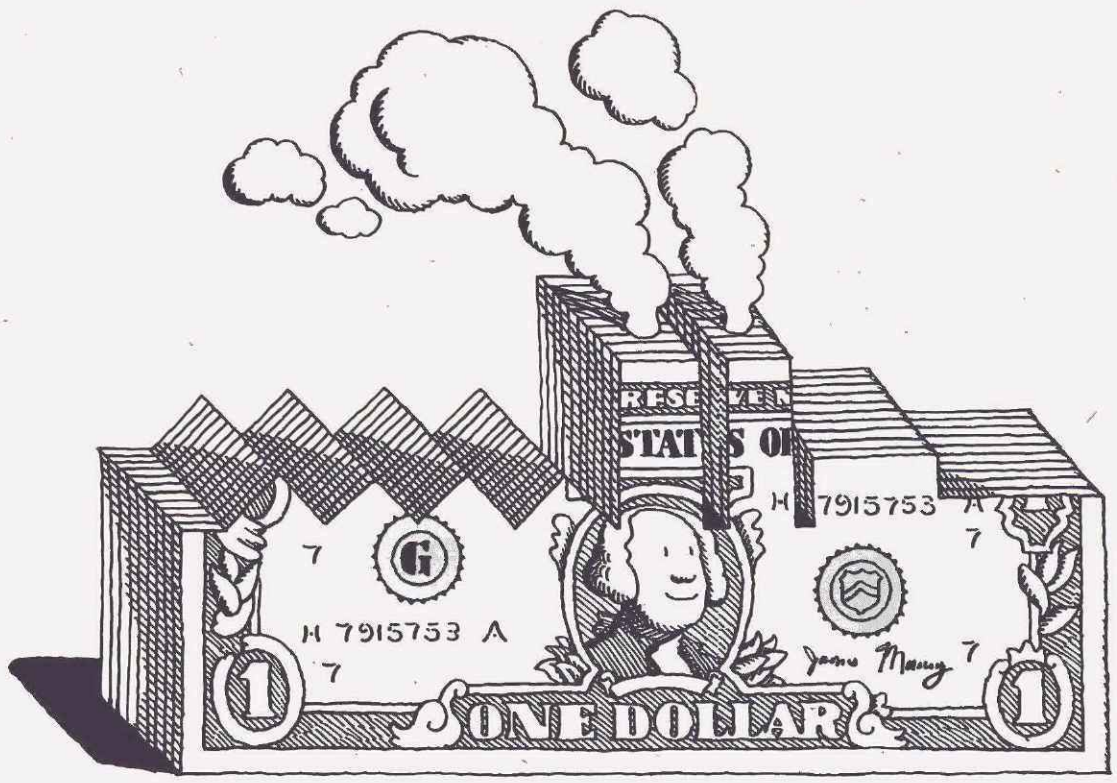
"We've simply been talking together to see what we can accomplish together. Their interest in hazard abatement goes beyond OSHA standards. There are more elements involved for those people than simply bringing operations to within an established level."

Although the monitoring system has not yet been officially announced, it already is in operation.

"South Carolina has been operating since its state program received approval last December," Mr. Wright said. "In fact, they've already begun filing their quarterly reports." ■

Okay, Marsh & McLennan!
You've been helping protect corporate assets for 102 years.

What's new?



We wouldn't last long in the insurance business if we disappeared once the premiums were paid. We wouldn't be the world's leading insurance broker if we didn't deliver something extra in service.

That's why Marsh & McLennan created the National Services concept: to coordinate and deliver the full scope of our technical and professional expertise to a client, no matter where located; to enable us to function as a unified international company, while supporting and augmenting the skil's of our local offices.

We've found it takes an intimate knowledge of clients, insurance markets and the business environments in which they operate to provide the most effective and economical insurance coverages. So we've staffed the National Services organization with senior specialists to meet specific client needs.

Our National Services include:

Accident & Health	Claims	International—Employee Benefits
Average Adjusting	Communications	Life
Aviation	Consumer Merchandising	Loss Prevention
Boiler	Group	Pensions
Bonding	Hull	Property
Captives	International—General	Surplus Lines & Reinsurance
Cargo		
Casualty		

The growing complexity of today's corporate risk management problems frequently requires specialized solutions. These solutions come from local Marsh & McLennan offices working with our National Services organization.

MARSH & McLENNAN
The Knowledge Broker

Thoughts on size from a small-town company.

We're the business insurance company that grew up in the vigorous climate of Wisconsin's north-woods country. Now we stand a billion dollars tall.

Size is important to us because it's important to our policyholder-partners. Size is what lets us develop the ever-growing range of services we need to keep ahead of our customers' needs. Size is strength and financial responsibility and reserve power to protect our policyholders' futures.

With over one billion dollars in assets, Employers Insurance of Wausau is among the top business insurance firms in the country. Which means we have the resources to serve the largest companies in American industry.

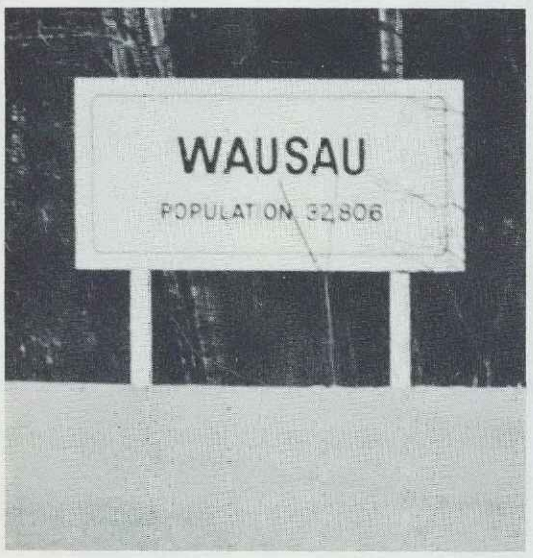
Yet, we have a hidden strength that comes not from bigness but from smallness—from our small-town upbringing and our heritage of neighborly, personal service. And from our concern with the individual needs of each policyholder regardless of his size.

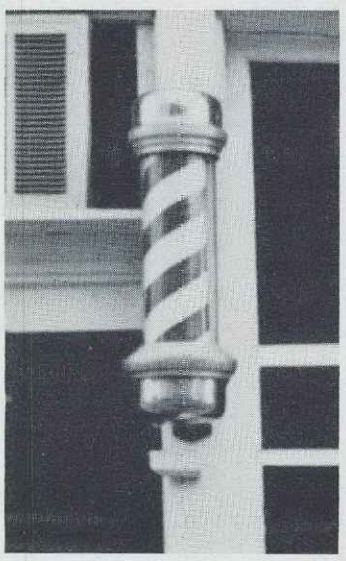
In 228 locations across the country, as in our hometown headquarters shown here, good people with the Wausau spirit see to it that insurance works for a living. That's really how to size us up.







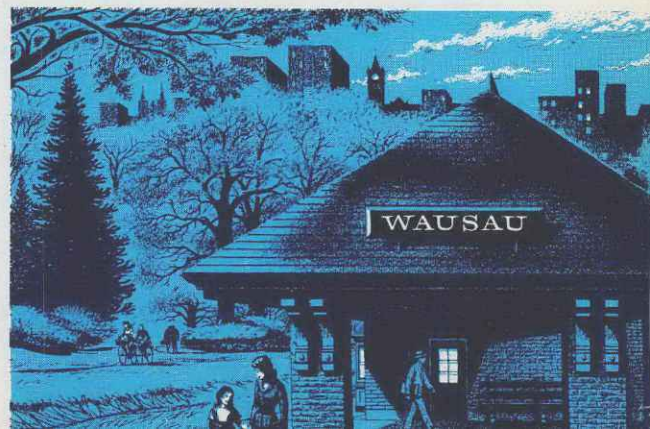






Come to the source

Employers Insurance of Wausau
Wausau, Wisconsin



HOW LONG HAS IT BEEN

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

Herbert L. Jamison & Co.

90 Park Avenue
New York, New York 10016
Area Code 212 — Oxford 7-6678

Pollution syndicate to offer endorsements

NEW YORK—The Water Quality Insurance Syndicate will issue "hazardous substance" endorsements and provide evidence of financial responsibility under the new Insurance Form FMC-322 to its insureds in time to meet new rules of the Water Pollution Control Act Amendments of 1972, according to group president Francis A. Lewis.

He warned, "with so little time remaining before the requirement goes into effect on Oct. 18, it is of the utmost importance that requests for this endorsement be in the hands of the syndicate at the earliest possible moment."

The 1972 Amendments, Mr. Lewis pointed out, besides adding "hazardous substances" to oil, with the same liability on the vessel operator for cleanup costs, had added a stiff new civil penalty up to $50,000 for any spill of a "non-removable hazardous substance." The syndicate's new endorsement, he said, will cover potential liability for this particular penalty.

THOUGH the amendments are already law, their broadened financial responsibility requirements do not become effective until Oct. 18, 1973, one year after enactment. On Aug. 3, the President designated the Federal Maritime Commission agency to administer these requirements. Proposed FMC rules have since been published, with a Sept. 4 cutoff date for comment by interested parties.

The proposed rules, to be promulgated shortly thereafter, require owners and operators now holding valid oil pollution certificates to file new acceptable applications and evidence of financial responsibility before Oct. 18, or have their existing oil pollution certificates made null and void.

The syndicate chairman also called attention to the fact under the new law failure to comply with these requirements will subject an owner or operator to a fine of not over $10,000, and also subject him to federal denial of clearance or entry to vessels involved.

FURTHER complicating the problems of both vessel owners and insurers in their efforts to meet the law's requirements, according to Mr. Lewis, is the fact, while spilling of "hazardous substances" is prohibited, no one has yet defined "hazardous substances."

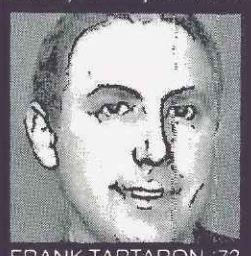
Congress left this detail to the Environmental Protection Agency; but to date the EPA has issued no definitions of such substances, removable or nonremovable.

"The best information I can get," said Mr. Lewis, "is that it may be many months yet before such definitions are available. Meanwhile, with the law and its penalties already in force, neither the vessel owner nor the insurer has any way of knowing until after the fact whether a given cargo is 'hazardous' and must, if spilled, be cleaned up to the tune of $100 per gross ton of the vessel, or whether it is officially 'non-removable' and may by its mere spillage result in a $50,000 penalty. It is an amazing and I think unprecedented regulatory situation." ■



In 1961 Alan Shepard was our first man in space, and Frank Tartaron was just getting his career off the ground with Retail Credit Company.

When Frank Tartaron joined Retail Credit, the company was already in its 62nd year of gathering information for business decisions. Like many of the young people who come with us, his qualifications were considerable: cum laude graduate in psychology from Xavier University; MBA in personnel; captain, Xavier basketball team (1958 NIT champions); 2nd Lt., U.S. Army. Now, 12 years later, he's one of our key personnel selection specialists in Cincinnati. Careful selection and training of people like Frank is one of our main concerns at Retail Credit. And, with over 5,000 field representatives in 1,300 locations, we can get you almost any kind of information you need for personnel selection, market research, insurance underwriting, safety and loss control, credit or real estate appraisal and more. Experienced, reliable people: that's why you can depend on Retail Credit's information for business decisions.



FRANK TARTARON, '73

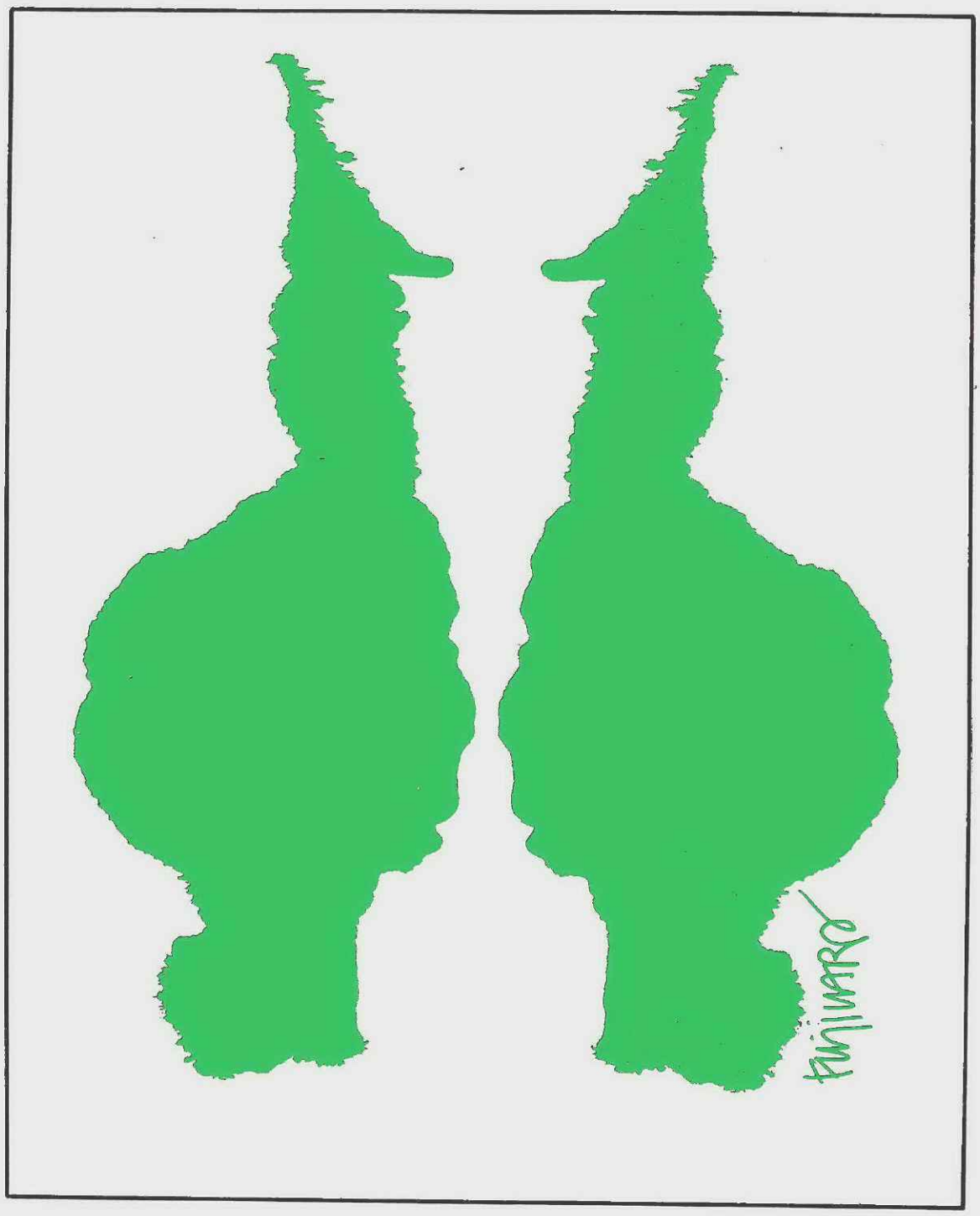
Retail Credit Company

P.O. BOX 4083 • ATLANTA, GA. 30302

Self insurers meet

The Massachusetts Self Insurers' Assn. will hold its third annual seminar Wednesday, Oct. 3, at the Marriott Motor Hotel in Newton, Ma. Keynote speakers at the seminar will be Mary Newman, secretary of the Massachusetts Department of Manpower Affairs, and Massachusetts Industrial Accident Board chairman Edward S. Zelaco. The financial aspects of self insurance will be discussed by George Ellis, president of Keystone Custodian Funds and former president of the Federal Reserve Bank of Boston. The seminar begins at 9 a.m. For further information contact Alvin J. Sims, 45 Bromfield St., Boston, Ma. 02108 (617-542-2437).

JABBERWOCKS



OR?

You name it. An inkblot has many faces.
So does insurance. Consider Workmen's Compensation.
You might see it only as post-accident reimbursement. We see something more.
Accident prevention. Savvy claims management and the cost-conscious
selection of a rating plan. And we see Peopleprotection,
our program for protecting your employees on the job.
And off the job. Call us about it.

American Mutual

INSURANCE COMPANIES, WAKEFIELD, MASS. 01880

There's an original way of looking at everything.

Power loss self-insured

NEW YORK—"Dig we must—into our pockets" could well be the latest variation on the familiar theme of Consolidated Edison of New York Inc. Following a power blackout which affected some 25,000 Queens residents for more than four days in a heat wave last month, the energy giant is liable for claims up to a million dollars.

Con Ed is self-insured for the liability, which applies to food and merchandise spoiled from lack of refrigeration. In a legal notice published in local New York newspapers, the company announced its liability for spoilages due to power blackouts longer than a 12-hour duration.

Since customer tempers flare along with the heat while electricity shuts down, Con Ed's move for assuming responsibility probably followed the theory the company's best offense is a good defense.

At any rate, Con Ed will reimburse residential customers up to $100 for loss of food due to spoilage from lack of refrigeration. It will reimburse commercial customers up to $2,000 for losses of perishable merchandise due to lack of refrigeration.

In the event claims exceed $1 million (the limit of liability) the company will have to adjust individual claims downward on a pro-rata basis, according to Con Ed spokesmen.

Customers who lost their tutti-fruiti ice cream or who watched their chopped meat turn green were advised to act quickly about making their claims. All claims must be filed within 60 days of the loss if payment is expected. ■

GROUP VII SERVICES

A Division of Adams, Scott & Conway, Inc.

Property & Casualty Self Insurance Administrators

127 John Street
New York, N.Y. 10038
(212) 248-1570

175 West Jackson Blvd.
Chicago, Ill. 60604
(312) 922-1400

3807 Wilshire Boulevard
Los Angeles, California 90010
(213) 380-1331

AmCan Printing Division 017203 serivec no. 673 set: September 17, 1973
BUS. INSURANCE September 24th issue Scott Corporation



We'll wrap it up for you.

It's our business, providing complete insurance packages for offshore and land enterprises. We can tie down your casualty needs securely and safely, in the fields of construction, oil, industry, commerce and transportation.

We have the wrappings for workmen's compensation, employer's liability, general and excess liability, property, fire, and marine risks involving offshore platforms, drilling rigs, shipping, pipelines and ocean tows. We excel in special risks coverage and reinsurance.

Come to us for the big wrap-up. There's no extra charge for our delivery service.

HIGHLANDS INSURANCE COMPANIES

Cullen Center Bank Building Houston, Texas 77002

A HALLIBURTON Company

Atlanta / Austin / Corpus Christi / Dallas / London / Los Angeles / New Orleans
New York / San Antonio / San Francisco / Singapore

info for buyers

To receive literature listed in Info for Buyers write directly to the name and address accompanying each item, mentioning that you saw the offering in *Business Insurance*. Readers are welcome to submit items for possible inclusion in the column. A sample of your literature should be sent to Info for Buyers, *Business Insurance*, 740 Rush St., Chicago, Il. 60611.

• Occupational Safety and Health Consulting Assoc. Inc. have published an Inspection Survey Guide and an Inspection Survey Report for use by employers in meeting the OSHA safety and health standards. The guides provide a self-inspection program for voluntary compliance by employers. To obtain brochures describing the guides write Robert D. Gidel, at the company, 721 Ellsworth Dr., Suite 204, Silver Spring, Md. 20910.

• **The Primer of Boiler and Machinery Insurance,** a comprehensive single volume treatment of boiler and machinery coverages in layman's terms is available from Kemper Insurance. Included in the primer are: descriptions of common hazards inherent in the operations of this equipment; a review of the inspection laws of the various states; a review of insurance coverages applicable to various types of operations; and a simple glossary of the common boiler and machinery terms. Persons interested in purchasing a copy, at $3.00 per copy, can write Public Relations Dept., D-1, Kemper Insurance, Long Grove, Il. 60049.

• **For Your Healthy Tomorrow,** a brochure published by American Health Profiles Inc., describes, in pictures and text, multiphasic health screening as performed by the health testing firm. For a free copy, write American Health Profiles, 4304 Harding Rd., Nashville, Tn. 37205.

• **How to Insure Your Insurance,** a brochure available from Marshall and Stevens, lists three important things to check in your property insurance policy. The brochure also contains a discussion about the co-insurance clause. For a free copy write John Health Jr., Marshall and Stevens, 1645 Beverly Blvd., Los Angeles, Ca. 90026.

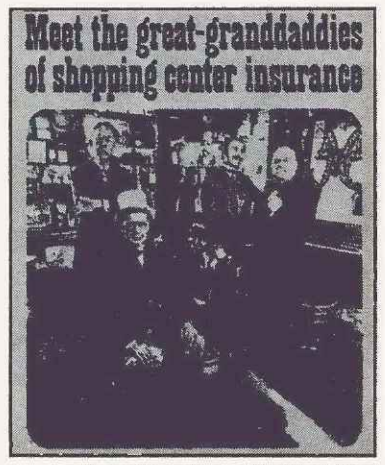
• A brochure available from Justin S. Lencke and Assoc. describes the company's consulting and engineering services as respects these insurance coverages; property, casualty, life, accident and health, hospitalization and engineering. For a free copy, write the company, 2528 Columbus Way South, St. Petersburg, Fl. 33712.

• Marsh & McLennan has issued **Claims Guide for Goods and Merchandise.** The brochure is intended to serve as a guide in the handling of losses and damage to property while in transit. Copies are available without charge by writing to S. Hobart Lockett, Marine Claims Dept., Marsh & McLennan Inc., 1221 Avenue of the Americas, New York, N.Y. 10020.

• To help clarify the many issues of the new Consumer Product Safety Act, Commerce Clearing House Inc. has published **Consumer Product Safety Act—Law and Explanation.** The book outlines the duties of manufacturers, private labelers, distributors, and retailers under the law; the procedures for development and issuance of standards and ban orders; rules for product safety-labeling and certification; and regulations governing defect notices, recalls and refunds. The book is available for $2.50 a copy from CCH, 4025 W. Peterson Ave., Chicago, Il. 60646.

• **Protection For Any Building,** a brochure released by Adams Rite Mfg. Co., explains how proper hardware can defeat the most common forced entry attempts. The emphasis is on modern narrow stile glass door entrances. A free copy can be obtained by writing Russ Hawe, Security Consultant, Adams Rite Mfg. Co., 1425 Grand Central, Glendale, Ca. 92102.

• Commerce & Industry Insurance Co. has put out an unusual brochure titled **Meet the Great-Granddaddies of Shopping Center Insurance.** Actually printed



on a shopping bag, it describes the company's approach to shopping center insurance. To obtain a free copy, write Dept. 12, Commerce & Industry, 102 Maiden Lane, New York, N.Y. 10005.

• A **Computer Center Risk Management** booklet and a self-rating **Computer Security Guide** have been prepared by Risk Treatment Services. They are available without charge by writing the company, 6 East 43rd St., New York, N.Y. 10017, c/o The Sperry and Hutchinson Co.

• Computer Claims Control has released **Cost Control—A Management System for Insurance and Safety Professionals.** The booklet describes a system of risk and cost control designed for large corporate insurance and self-insurance programs. It illustrates how the system works to create effective casualty risk management, property risk management, loss control and safety management and OSHA records management. Also explained is how the system is implemented, including samples of the forms used. For a free copy write Hugh Gilmour, Computer Claims Control, P.O. Box 2827, Amarillo, Tx. 79105.

• The Institute of Life Insurance has released the latest edition of **Life Insurance Buying.** Prepared by the Institute from data supplied by the Life Insurance Agency Management Association, this statistical study presents an analysis of ordinary life insurance purchases in the United States in 1971. Copies are available at 25¢ each from the Institute, 277 Park Ave., New York, N.Y. 10017.

• The General Scientific Equipment Co. has published **Eye and Hearing Safety**, a booklet dealing with many methods of reducing eye and ear risks and injuries. The pamphlet deals extensively with noise standards under OSHA. Free copies are available by writing General Scientific Equipment Co., Limekiln Pike and Williams Ave., Philadelphia, Pa., 19150.

• What You Should Know **About Changes in the 1973 General Liability Policies** has been produced by General Adjustment Bureau. Each revision of the CGL is treated separately and sections compare and explain word changes from the 1966 policy to the 1973 edition. Copies are available without charge by writing Management Services. General Adjustment Bureau, 123 William St., New York, N.Y. 10038.

• **Product Liability and the Consumer Safety Act,** a leaflet prepared by the Travelers Insurance Companies, provides the essentials of Public Law 92-573, the Consumer Product Safety Act. The leaflet outlines in brief form, the effective date, purposes, findings, products covered, exclusions and provisions of this newly enacted law. For a free copy write The Travelers Insurance Co., Commercial Lines PMA, 12 CR, One Tower Square, Hartford, Ct. 06115.

• **True Group Insurance Benefits For Small Employers,** a brochure from Gulf Life Insurance Co., describes a plan for groups of at least five but not more than 20 employes. In addition to general information the brochure includes a schedule of life benefits, optional health plans and special major medical benefits. Copies may be obtained by contacting Gene Vaden, Gulf Life Insurance Co., 1301 Gulf Life Dr., Jacksonville, Fl. 32207.

• **How to Insure Trust Departments Properly,** a reprint of an article by Bernard J. Daenzer, president of Wohlreich & Anderson Ltd., has been made available by the company. The article discusses errors and omissions coverage for trust departments and includes several examples of recent large losses along with the results of a bank trust department survey. For a free copy write Anthony C. Bova, Wohlreich & Anderson, 55 John St., New York, N.Y. 10038.

• Improved Risk Mutuals has released **Guard Against Arson!** The brochure describes the arson problem and gives a number of practical measures for reducing the risk. The brochure may be obtained without charge from Improved Risk Mutuals, 15 N. Broadway, White Plains, N.Y. 10601.

• Royal-Globe Insurance Cos. have issued **Insure to Value,** a brochure describing the dangers of not insuring business property to current value. Included in the brochure are graphs showing percentage comparisons of increases in the cost of construction of ordinary masonry buildings, frame buildings, protected steel frame buildings, reinforced concrete buildings and increases in cost of equipment. For copies contact Joseph Venturelli, Royal-Globe Insurance Co., 150 William St., New York, N.Y. 10038.

• **Group Survivor Benefit,** a brochure available from Confederation Life Insurance Co., briefly outlines the history and development of the group survivor benefit approach. For free copies write the Group Promotion Dept., Confederation Life Insurance Co., 321 Bloor St. E., Toronto, Ontario, Canada M4W 1H1.

• Nationwide Insurance has made available **Overview of OSHA,** a concise, pocket-size digest of what's needed for any size business to meet the requirements of the Occupational Safety and Health Act. The booklet includes typical citations being issued and a checklist to assure proper action is taken to meet requirements. OSHA regional and area office locations are also shown. For copies contact the Marketing Literature Div., Nationwide Insurance, 246 N. High St., Columbus Oh. 43216.

• **Evaluation of Your Estate** is a publication available from Metropolitan Life Insurance Co. The booklet is designed for executive planning of estate distribution and includes worksheets and example of calculation methods. For a copy, write Donald Shapiro, Metropolitan Life Insurance Co., 90 Park Ave., New York, N.Y. 10016.

RCI Risk Controls, Inc.

Serving the Insurance needs of commercial enterprises throughout the world.

Our Specialties Include:
- *MASS MERCHANDISING*
- *COMPUTERIZED COST CONTROL*

Headquarters:
Richard T. Miller, CPCU
Vice President & General Manager
9665 Wilshire Boulevard; suite 805
Beverly Hills, Calif. 90212
(213) 278-5260

David B. Sanborn
Manager
3700 Buffalo Speedway
Houston, Texas 77006
(713) 621-9590

James F. Keating
Vice President
Box 554
1767 Morris Ave.
Union, N.J. 07083
(201) 964-7686

A TOTAL SYSTEMS APPROACH TO RISK MANAGEMENT



Here stands your only supplier.
Can your insurance do anything for you?

Without vital supplies, your company can't produce. And when that happens, you're going to lose money—lots of money—unless you have the right kind of Business Interruption insurance.

Unfortunately, too few people understand exactly what Business Interruption insurance covers—much less what it doesn't. But there is someone who does.

Your Continental Insurance agent.

He knows that, by itself, your Business Interruption policy won't cover your loss if a major supplier burns down.

What do you need?

It's called *Contingent* Business Interruption insurance, and our agent can explain how to use it to cover both supplier *and* customer shutdowns.

But what about the Business Interruption policy on your own plant?

How complete is it? If your plant was forced to shut down because of something like a power failure, would it cover you?

No.

Your Business Interruption policy alone isn't enough. But our agent can tell you how to insure against this possibility at a cost that could be even lower than stand-by electrical equipment.

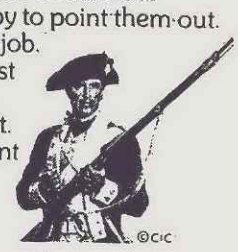
There are many other things to be aware of about Business Interruption insurance; and you can be sure our agent would be happy to point them out.

Because that's his job.

To give you the best possible coverage at the least possible cost.

A Continental agent is as close as your Yellow Pages.

He's worth a call.



©C·I·C

The Continental Insurance Companies
Home Office: 80 Maiden Lane, New York, New York 10038

EXPAND YOUR FACILITIES
IMPROVE YOUR SERVICE
At Our Expense
REUBEN WARNER ASSOC, INC.
General Agents, NEW YORK, NY
SPECIALISTS IN GROUP TRAVEL & ALL FORMS OF ACCIDENT & HEALTH
(212) 964-3670

Stop selling STOP rocks STOP just sell policies STOP

OKLAHOMA CITY—Joe B. Hunt, who seldom fails to thump the tub for his position as one of the few elected insurance regulator in the nation, has taken a crack at "a piece of the rock." The phrase, which backbones the personal lines end of the Prudential Insurance Co.'s advertising, is no longer to be used in Oklahoma whose good people elected Joe to make sure they're taken care of, but never "taken," when it comes to insurance.

In a Sept. 10 telegram to Donald S. MacNaughton, board chairman and chief executive of Prudential, Joe B. Hunt, state insurance commissioner of the state of Oklahoma says:

"You are hereby requested to cease and desist advertising that your policyholders own a piece of the rock. Alcatraz is referred to as the rock and so is the rock of Gibraltar, but we find neither of these rocks listed in Prudential's assets. We can't understand Prudential stooping to this alleged misleading advertising. Prudential is licensed to sell insurance in Oklahoma, not rocks."

A spokesman at Prudential's advertising department told *Business Insurance* that Commissioner Hunt's request is a little late, since a new advertising campaign is underway, centered around a college football scoreboard on the NCAA game of the week programming.

"Several commissioners had complained, including Commissioner Tom O'Malley of Florida and so we had our advertising agency change the message with a disclaimer on the end of the ad," he said.

COMMISSIONER O'Malley, as well as several commissioners who had objected to the "own a piece of The Rock" slogan, apparently were satisfied, the spokesman continued, or had at least indicated a verbal approval.

Originally, Prudential had planned on fighting the orders from the objecting regulators on the basis of the company's "mutuality," the spokesman explained. Since Prudential is still a "pure mutual" company, each policyholder does, by both definition and as a matter of legality, share in the proceeds of the company's assets to the extent of the size of the policies he or she owns.

"But since we have 50 of these guys to please, we thought it better to change our whole plan," he continued. "Now our new slogan will be 'Protect your family and your future with a piece of The Rock'." ■

Our new "Anything-Pension-Plan" is everything you could ask for.



Mutual Benefit Life's Anything-Pension-Plan is a new concept in group pension contracts.

It's anything you desire.

We can limit it to straight investment management, if you wish. In which case, all you get is an asset management charge.

Or you may want us to assume certain short or long term risks for a pension fund. Like guaranteeing the preservation of capital with or without a guaranteed fixed rate of return. Or guaranteeing the maximum future cost of pensions.

We'll do it and charge you accordingly.

The Anything-Plan can include expert plan design. And consulting actuarial services. Or superior benefit administration and employee counseling. Or take in guaranteed or self-insured death benefits and/or disability benefits.

In short, it may include as few or as many of these services and guarantees as you require, with charges tailored to whatever you select. And if you want our Anything-Plan to include all of Mutual Benefit's services and guarantees, it becomes—you guessed it—the "Everything Plan."

For more details, write to Director of Group Pension Sales, Mutual Benefit Life, 520 Broad Street, Newark, N. J. 07101. Or contact the Mutual Benefit Life Regional Group and Pension Office in your city.

For the Group Pension Plan that best fits your needs, remember our name. MUTUAL BENEFIT LIFE

THE MUTUAL BENEFIT LIFE INSURANCE COMPANY NEWARK, NEW JERSEY SINCE 1845

Aetna hikes professional excess lines

HARTFORD—Aetna Life and Casualty has reduced professional liability premiums on surgeons as a part of its revision and streamlining of the company's SCOPE program for excess personal and professional liability.

Other major changes in the SCOPE plan include:

- A new $250,000 medical expense option;
- Broader eligibility for accountants, lawyers, farmers, and individuals with incidental commercial exposures;
- Territorial rating for automobile and broadened professional liability exposures.

Trimming a lot of detailed information previously required on the former application has been accomplished, according to a company spokesman. Rating, too, has been simplified by applying and displaying flat premiums for all rating exposures.

Other major coverage revisions include broadening of nonowned and rented watercraft and recreational vehicles. ■

Back in 1917, we pioneered aircraft insurance in the U.S.

Today, we offer the most comprehensive corporate coverage available.

Royal-Globe created the first policy in the U.S. covering aircraft against loss by fire on land or in the air 56 years ago.

Today, we are recognized as leaders in corporate aircraft insurance. Through such innovative policies as AIRSHIELD—the *only* policy tailored exclusively for professionally piloted corporate aircraft.

AIRSHIELD gives you the most comprehensive corporate aircraft protection available in the industry.

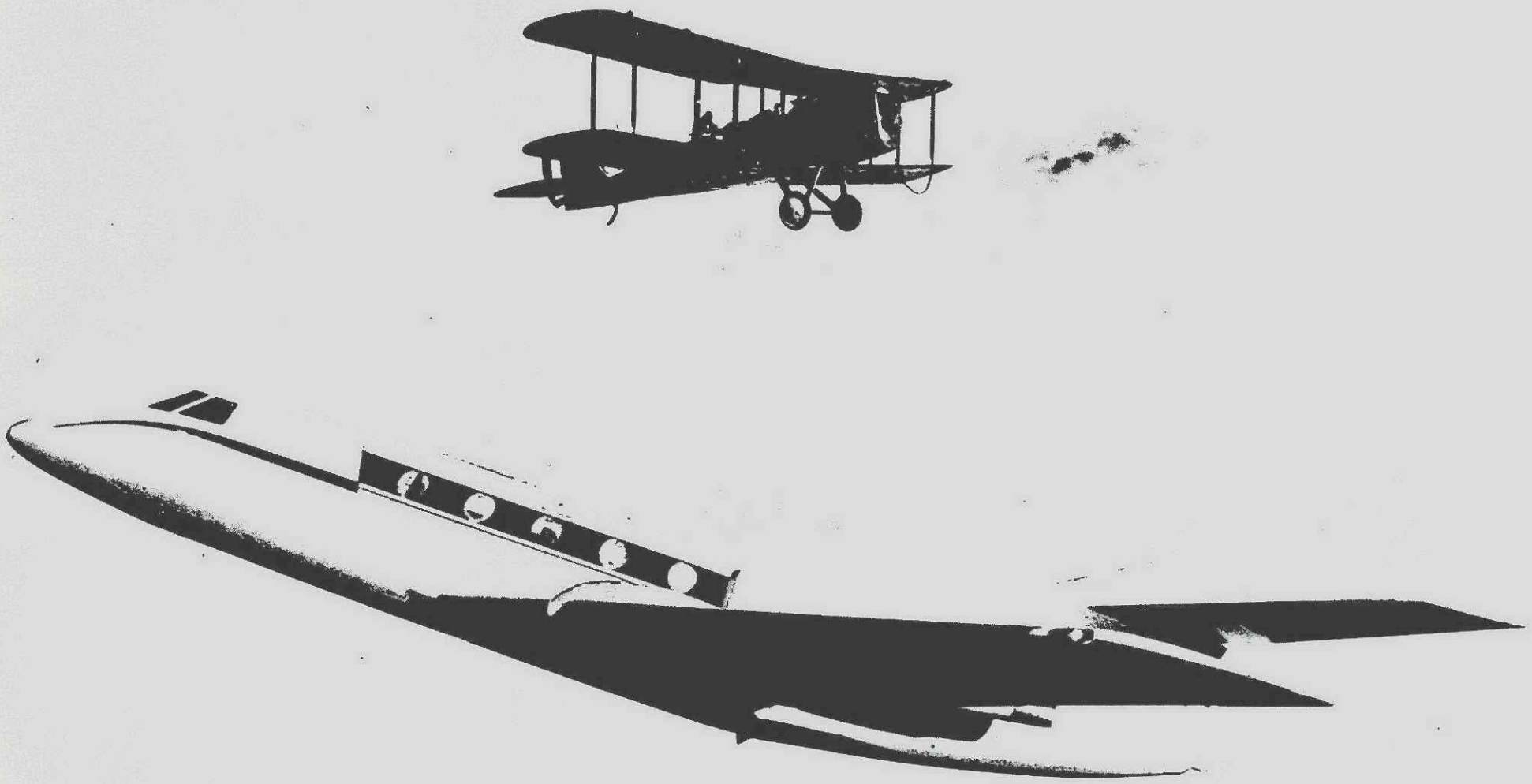
We are not a "pool" operation. Our financial strength and underwriting capability mean you deal only with Royal-Globe.

Our U.S. network of 115 claim offices, plus hundreds of Royal-Globe offices in more than 80 countries, assure you of prompt, efficient, professional service. Worldwide.

If you'd like to know more about the leverage you can expect from a Royal-Globe agent in all areas of corporate protection, ask him.

Royal-Globe Insurance
World-wide shield
Against the unexpected.

ROYAL-GLOBE INSURANCE COMPANIES
150 William Street New York, N.Y. 10038



House approves mandatory HMO option plan

By TOM WALSH

WASHINGTON—The House has approved 369-40 a Nixon administration-backed bill which requires employers who hire more than 25 employes and who offer those employes group health benefits to also allow them the option of joining a Health Maintenance Organization (HMO) if one exists in his area (see related editorial, p. 14).

The House okay came in the wake of a disclosure by Sen. Edward Kennedy—a leading proponent of broad, federally-financed health care—that such a proposal is contained in the officially undisclosed rewrite of the administration's health care legislation (*Business Insurance*, Sept. 10).

The bill stipulates failure of any employer to comply with the HMO requirement will constitute a violation of the Fair Labor Standards Act. The penalties are a fine of not more than $10,000 or imprisonment for not more than six months, or both. First violations are to be punishable, the act states, only by fines.

THE BILL also provides no employer is to be required to pay more for health benefits because of the effect of the proposed legislation—no more, it says, than he would otherwise pay under prevailing collective bargaining agreements or other legally enforceable contracts which include provisions for health benefits to be provided to the employes by the employer.

The House bill exempts employers not subject to the minimum wage law.

"The possibility that these provisions would represent extra costs to employers is of concern to the committee," the House committee on interstate and foreign commerce said in its report on the bill. "The legislation therefore requires a study by the Comptroller General of the economic effects of this provision, which is to be reported to the Congress no later than 36 months after enactment."

The logic of the proposed requirement, the committee says, is this: "This section is intended to achieve the dual purpose of giving HMOs additional access to the health care market-place and providing individuals with additional alternatives from which to choose for their care."

Any HMO wishing to be offered in an employe health care plan must demonstrate to the federal government it fits the definition put forth under the bill. Among the requirements are stipulations HMOs carry malpractice insurance approved by the government and institute "grievance resolution mechanisms" which the Commission on Medical Malpractice recently concluded are "potentially useful for averting both malpractice and suits for malpractice."

THE BILL also provides for grants amounting to $240 million to be used over a five-year period to fund "a limited demonstration program" of the effectiveness of HMOs in holding down health care costs.

The money would be used to provide some 100 public and non-profit groups with grants, contracts and loans needed to determine the feasibility of HMO development, for planning and initial development or expansion of HMOs, or to help a new or significantly expanded HMO meet costs for up to three years.

Assistance in planning HMOs is authorized through fiscal year 1976, for their initial development through FY1977, and, for their initial operations, through FY1978.

In his recent message to Congress, President Nixon termed the bill "an attainable goal" for Congress this year. Mr. Nixon said the bill would provide money "to demonstrate the promising innovation of group medical centers where quality care can be maximized and costs minimized."

The Senate has already passed a bill authorizing $805 million in grants over three years for HMO development, but Mr. Nixon—in his message to Congress—made it clear he does not approve of the Senate measure.

"The Senate has passed a bill to further the HMO concept," he noted. "That bill, however, calls for a full-scale development effort rather than a limited demonstration program. A national development effort would require funding levels far beyond what is needed or what we can afford."

Mr. Nixon said that, if the recently-passed House bill is okayed by the Senate, he will sign. ■

Continental Assurance
makes the
products.

The Teare Agency
makes the
difference.

The Broker
uses both
wisely.

H.
Malcolm
Teare
Agency,
Inc.

500 FIFTH AVENUE, NEW YORK, N.Y. 10036 • (212) 564-8130
General Agent for Continental Assurance Company

Pensions . . .

Continued from page 1

the amount a plan falls short of full funding. If the deficiency is not eliminated within 90 days of required notification of unfunded liabilities, the tax penalty jumps to 100%.

The excise taxes collected through the formula and a mandatory $1 premium to be charged for the first three years of the program for each plan participant will be used to fund the bill's termination insurance program. The bill empowers the Labor department to establish the Pension Benefit Guaranty Corp. to insure each plan participant's benefits up to 50% of his highest five-year average compensation prior to plan termination, or $750 monthly, whichever is less.

ONE ELEMENT important to risk managers is a provision making corporations liable for the value of vested benefits at the time of termination or 30% of the net worth of the corporation determined at a level 120 days prior to the termination date.

The bill also empowers the Labor department corporation to establish a pension benefit portability fund. This fund will be used as a "bank" to permit tax-free transfers of vested benefits on a voluntary basis.

The bill's disclosure section provides for annual reporting of employer contributions; a breakdown of benefits paid; a statement of assets, liabilities, receipts and disbursements; a detailed statement of salaries, fees and commissions charged to the plan and a breakdown of who received what amount for what services.

Editor's note: Since Senate action on pension reform coincided with the Business Insurance *press deadline, only the most up-to-date information on the floor debate is included here. A full analysis, as well as predictions for the future of the legislation, will be contained in the next issue.* ■

When catastrophe closes your doors, we help you hold on to your customers.

The St Paul

If disaster strikes your business, your customers have two choices. They can either wait for you to reopen. Or they can take their business elsewhere.

It's The St. Paul's goal to make sure your customers stay your customers. Our new Blanket Earnings and Extra Expenses coverage not only covers lost earnings but also pays extra expenses of operating from a temporary location so you can continue to serve your customers.

Until now, it's been necessary for you to purchase two separate policies and set limits of protection for each kind of loss and for each location where you do business. The St. Paul combined Business Interruption and Extra Expenses into one simplified policy which means separate policies and individual limits are no longer necessary.

All you do is select your limit and deductible. If a loss occurs, we'll pay the claim right up to the limit without regard to whether it's lost earnings or extra expenses.

We believe this new blanket coverage will give you more for your premium dollar. For example, The St. Paul will continue to make up lost earnings until you reach your previous level. Up to 120 days if necessary — at no extra charge.

Look for the name of your nearest St. Paul Agent in the Yellow Pages. He represents the insurance company that holds a place on Fortune Magazine's list of the top fifty largest diversified financial companies. The company with over a century of innovative insurance know-how.

THE ST. PAUL COMPANIES
St. Paul, Minnesota 55102

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



editorial opinions

Gearing up

THE STATE legislature in Jefferson City, Mo., has passed a measure since signed by the governor that legalizes self-funded health benefit plans such as the one under lengthy fire at Monsanto Co. (See story, page 20).

The law, which goes into effect Sept. 28, we feel, will insure the natural growth of self-funded benefit plans in the state of Missouri. Moreover, it is likely to contribute to this growth nationwide, for the situation in Missouri seemed a perfect stage and others have been awaiting the outcome before writing their own plays.

While corporate self-insured benefit plans will become legal in Missouri, they will not go unregulated. The measure puts such plans under the jurisdiction of the superintendent of insurance. Companies like Monsanto, for example, will have to file annual reports of the plans and the insurance department will have the authority to investigate and examine all books and financial records pertaining to such plans. Effective regulation by Missouri's insurance department should allay the fears of those opponents of self-insured benefit plans who argued against them on the premise they do not afford beneficiaries the utmost in financial security.

Missouri's insurance department, meanwhile, continues to press its old suit against Monsanto, seeking to collect premium taxes it estimates the state lost during the 10 years the Monsanto plan operated "illegally."

Perhaps the state insurance department feels the Monsanto case has dragged on for so long that it must persist and carry it through to a legal conclusion. Or maybe the department feels it is a profit center and must collect due taxes for the state's treasury.

We feel the time and energy would be better spent gearing up for the implementation of the new law and facing the jurisdictional responsibilities that will follow.

Reckoning

THE UNITED AUTO Workers, *Business Insurance* disclosed in its last issue, put a rather interesting demand on the bargaining table at Chrysler Corp. during talks leading up to the Sept. 14 deadline when labor contracts expired for some 700,000 autoworkers. The UAW asked Chrysler, the target for what it hopes will be an industry-wide contract and model settlement, for some form of auto industry-financed pension termination insurance.

The pension reinsurance issue is one of the stickiest facing pension reform. The William-Javits bill (S. 4) has such a provision, but it has been fought long and hard by most pension fund administrators on the grounds it would be extremely costly for the larger plans that usually fulfill their obligations. There is some merit to this argument, although we believe the termination insurance issue will have to be reckoned with at some point down the road.

The UAW negotiated its first pension plan with the Ford Motor Co. in 1949, and thereby established the first major private pension plan covering a large number of workers which provided a $100 monthly benefit. Thirteen years later the UAW negotiated a survivor's pension benefit, and in 1964 it won contract provisions providing for full vesting after 10 years' service regardless of age. Three years ago, auto workers won retirement after 30 years of service at age 56. This year they're seeking 30-and-out regardless of age.

The UAW, then, is a force to be reckoned with and the bargaining table just might be a good place to begin reckoning with the issue of pension reinsurance. The automakers have undoubtedly calculated how much an industry-wide pension termination insurance plan would cost them. Around that bargaining table, of course, they are talking dollars and it would be interesting to see if the UAW membership is willing to pay the freight for pension reinsurance.

HMO leaks

IN A YEAR when unknown "sources" are being criticized for "leaking" information to the press and the press is being lambasted for printing same, it's refreshing to find not all the leaks involve the reputation of high officials in government.

We're speaking of an "action memorandum" recently issued within the Department of Health, Education and Welfare and "leaked" to the press by Sen. Edward Kennedy. The memorandum involves a proposal now being studied by the Nixon Administration which would require employers with more than 25 employes to offer workers memberships in Health Maintenance Organizations in addition to providing them with standard group health insurance.

Leaks often develop out of self-serving interests, and Sen. Kennedy has an interest. A bill he has pushed for calls for the spending of $805 million over three years to finance the formation of HMOs. The action memorandum out of HEW tends to support the idea HMOs are the cure-all for a sick medical delivery system.

Experiments with HMOs to date have been encouraging and, indeed, educational. But the growth of such facilities should proceed gradually and not, for now at least, at the expense of the taxpayer. Witness some of the government-backed fiascos of the '60s; the housing schemes, for example.

The Wall Street Journal summed it up nicely:

"If HMOs really are a better idea, they will prove their worth if government merely provides them with the opportunities to grow freely. . . ."

letters

This column is a reader's forum. Letters are welcome. Address Letters to the Editor, Business Insurance, *708 Third Ave., New York, N.Y. 10017.*

Porter mention

To the Editor: I would like to obtain a copy of the issue of *Business Insurance* magazine referred to by Sylvia Porter in her Sept. 4 nationally syndicated column.

C. Frederick Eisele
Associate professor, North Dakota State University, Fargo, N.D.

*Editor's note: The issue referred to by Ms. Porter (*Business Insurance, *April 9, 1973), dealt with the variance in state workmen's compensation laws. A copy is en-route.*

A friendly reminder

To the Editor: Your August 13 issue reports the action of the U.S. Senate commerce committee in reporting out the National No-Fault Motor Vehicle Insurance Act.

In that article, your correspondent wrote that "Illinois-based State Farm Life and Accident Assurance Co., the nation's largest auto insurer and previously an adamant opponent to the bill, announced its support for the measure."

State Farm Mutual Automobile Insurance Co. is the nation's largest auto insurer, not State Farm Life and Accident Assurance (which writes not a single auto insurance policy).

Such a slip, in the general press, might be understandable and probably wouldn't prompt a letter. After all, State Farm is a six-company group and four of those companies do, in one way or another, involve themselves in auto insurance.

But since *Business Insurance* holds the place of prominence it does among the insurance trade press, we thought you and your staff would appreciate a friendly reminder that it's the parent company of the group—State Farm Mutual—that insures more than 13 million cars . . . not one of the offspring.

Ron L. Arnold
Asst. vp, State Farm Insurance Cos., Bloomington, Il.

Health plan profits

To the Editor: In reply to the article by Thomas Walsh titled "Freeze Blamed for Health Plan Profits" on page 12 of the August 13 issue, there appear to have been some very pertinent points left out.

First, the article dwells on "windfall profits" during the year 1972 for the six largest health insurance carriers. The table of profits indicates a total loss of $86.9 million for 1970 and 1971, with a profit after taxes of $81.7 million in 1972. Over a three year period it clearly shows a net loss of more than $5 million. Surely Mr. Woodcock is aware of the consequences to his membership in the extent a major industry continually sustains losses. The article also failed to point out the disastrous losses suffered in 1968 and 1969 by the majority of group health underwriters.

The article neglected to mention the highly important fact

Continued on page 16

business insurance

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

G. D. CRAIN JR., *Chairman and founder*
S. R. BERNSTEIN, *Chairman, executive committee*
RANCE CRAIN, *President and editorial director*
ALFRED MALECKI, *Publisher*

STEPHEN D. GILKENSON, *Editor* (New York)
DAVID GRIMM, *Managing Editor* (Chicago)
Associates: Chicago—LESLIE MURRAY. *New York*—PATRICK A. THOMAS, MARY ANN CALLAHAN. *Washington*—TOM WALSH. *Los Angeles*—CHARLES WINGIS. *Editorial Assistants: Chicago*—DIANE DeROCHER. *New York*—JUDI TALIT. *Art Director:* JOE FARACI. *Correspondents: San Francisco:* KENNETH R. MACDONALD (415-474-8532) *Hartford:* ALLEN M. WIDEM (203-232-3101). *Los Angeles:* ROBIN SUHRBIER (213-547-9587).
Contributing editors: ROBERT ABRAHAMSON, insurance manager, Control Data Corp., Minneapolis. J. E. BENOIT, J. E. Benoit & Associates, St. Leonard, Quebec. WARREN G. BROCKMEIER, director of risk management consulting services, The Wyatt Co., Chicago. BION H. FRANCIS, insurance consultant, Milford, Ct. JOHN W. GILES, attorney at law, Washington, D.C. JOSEPH GULLO, vp of insurance, D. H. Overmyer Co., New York. NORMAN HOFFMAN, Walter Kaye Associates Inc., brokers, New York. PAUL C. JOHNSON, insurance division, U.S. Maritime Administration, Washington D.C. CHARLES LEVINSON, director of insurance, United Brands Co., New York. NED MILLER, executive vp, Compensation Planning Corp., New York. JOHN P. OLSEN, assistant counsel, Ingersoll-Rand Co., Woodcliff Lake, N.J. HOWARD L. PECK, partner, Hewitt Associates, Deerfield, Il. MARSHALL W. REAVIS, university professor of business administration, Governors State University, Park Forest South, Il. DAVID WARREN and DONN McVEIGH, partners Warren, McVeigh Associates, San Francisco.

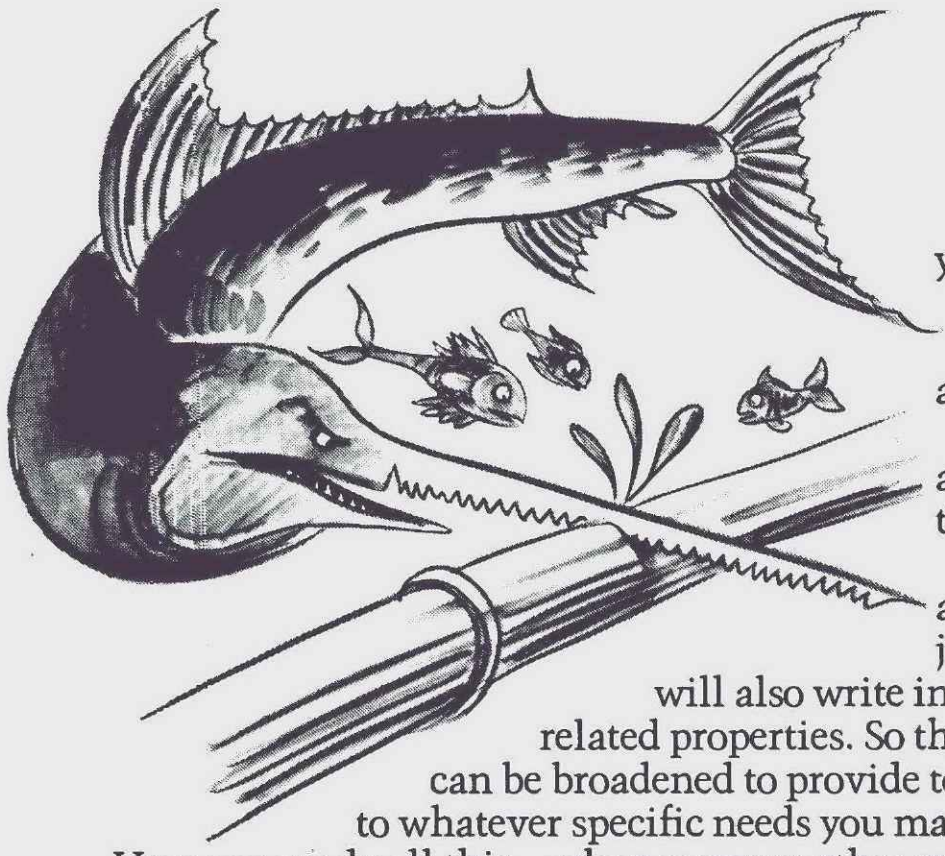
Advertising
District managers: New York—CHARLES A. HORVATH, THOMAS J. O'MARA
Chicago—ROBERT L. NIESSE
Los Angeles—DENNIS KOCH
Production manager: Chicago—JOHN JAMKA
Manager, marketing services: New York—DAVID E. COHEN
Assistants to publisher: New York—RONNIE I. DRACHMAN
Chicago—CELIA MALOUHOS

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

Published biweekly at 740 Rush St., Chicago 60611 (312-337-5200). Offices at 708 Third Ave., New York 10017 (212-986-5050); National Press Bldg., Washington, D.C. 20004 (202-638-5300); 6404 Wilshire Blvd., Los Angeles 90048 (213-651-3710). 45 cents a copy. $10 a year in U. S., Canada and Pan America. Elsewhere $4 a year extra. WILLIAM STRONG, circulation director. ROGER DIGREGORIO, subscription manager. Four weeks' notice required for change of address. Address all subscription correspondence to subscription manager, Business Insurance, 740 Rush St., Chicago, Il. 60611.

BPA Member of Business Publications Audit of Circulation ABP

We insure companies against their worst pipedreams.



A nearsighted swordfish probably won't be your problem.

And no genie is likely to tie you up in knots.

But the list of real pipeline hazards is getting to be as long as the pipeline itself.

And that's why more and more brokers and agents are turning to American Home Assurance Company, these days.

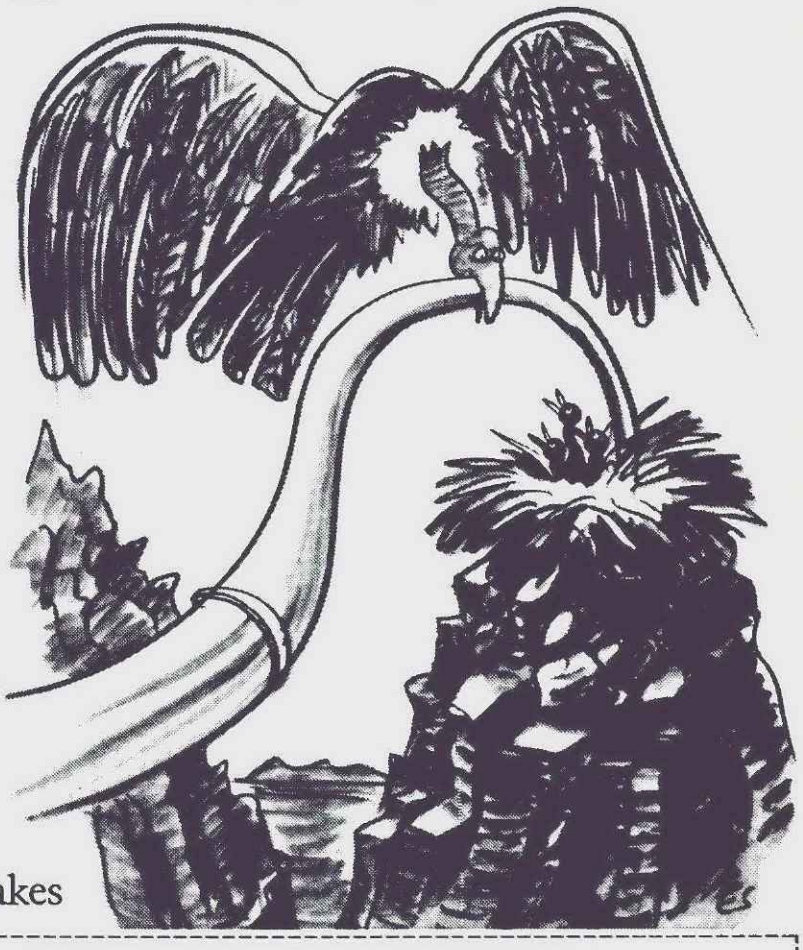
Here you can find the flexibility of coverage that an oil or natural gas pipeline operator must have: Not just protection for the pipeline itself. American Home will also write insurance on pumping stations, tanks, towers, and related properties. So that, in effect, our basic all-risk pipeline coverage can be broadened to provide total property protection. Or, indeed, tailored to whatever specific needs you may have.

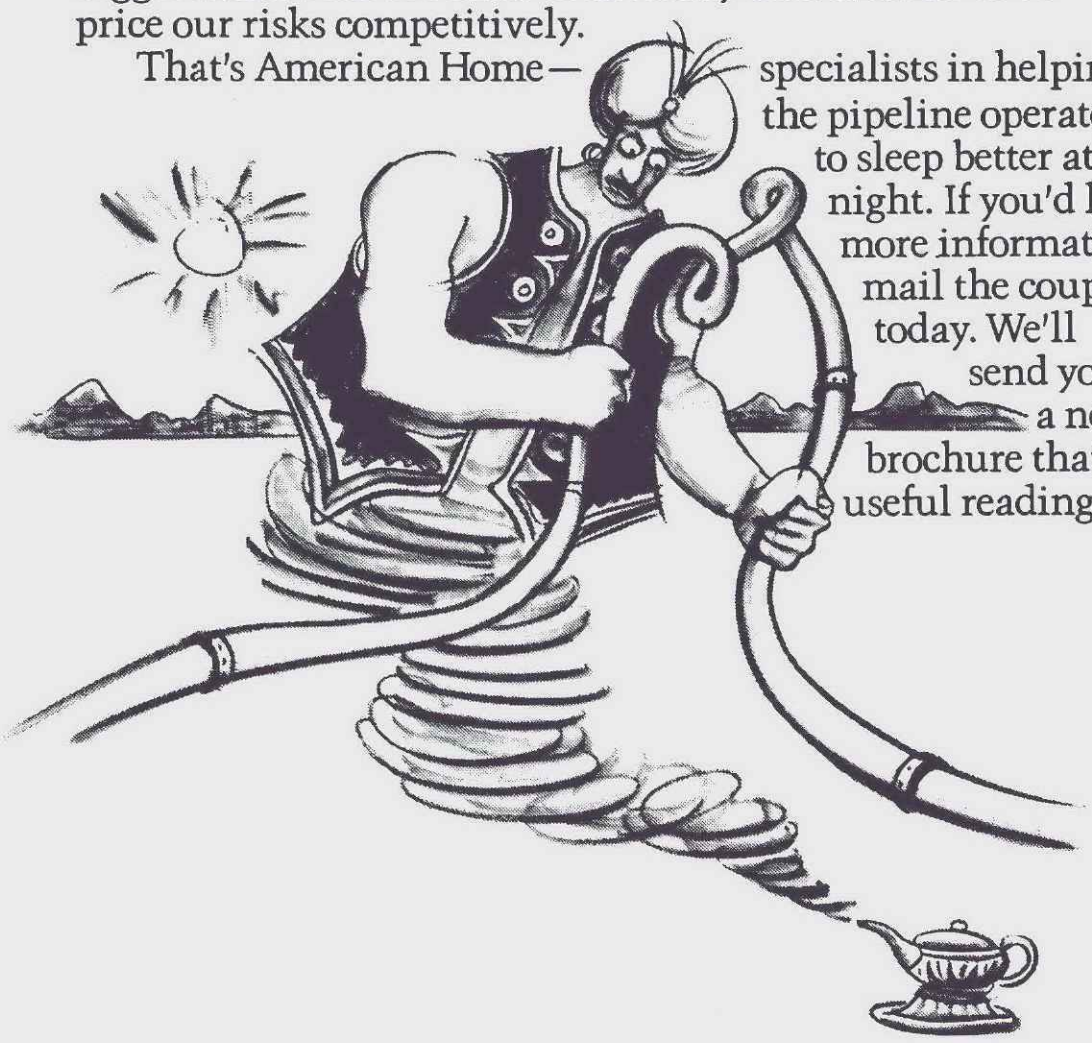
How can we do all this—when so many other companies shy away?

One reason is technical expertise. With the engineering specialists of the American International Group of companies on our team—we just naturally will consider coverages that other companies can't handle.

And, as a member company of American International Group, we've got the kind of capacity that's needed to handle bigger risks. Plus the kind of diversity that enables us to price our risks competitively.

That's American Home—specialists in helping the pipeline operator to sleep better at night. If you'd like more information, mail the coupon today. We'll send you a new brochure that makes useful reading.





American Home Assurance Company

Dept. BI093, 102 Maiden Lane, New York, N.Y. 10005

Please send me your new brochure on insurance of pipelines and related properties.

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

A Member Company of American International Group.

We welcome inquiries from any licensed agent or broker. You don't have to be a regular producer to place business with American Home.

Specializing in multiple employer groups
and employers with multiple locations.

**JOHN O. FELKER
ADMINISTRATORS**

LIFE HEALTH PENSIONS

J. O. Felker, CLU, CPCU; J. L. McKown, Jr.; William Togias; Charles Ambrosia

P.O. Box 8895, Jefferson Memorial Station, St. Louis, Mo. 63102
Phone: 314 621-0040 (telex # 044-7228)
Associated with Lawton-Byrne-Bruner

Letters to the Editor . . .

Continued from page 14

that the majority of group policies, with annual premiums over $50,000, (let us realize that most health premiums are group premiums) provide an agreement with the policy holder that if losses do not exceed a certain level, a portion of the premium paid is credited or refunded to the policyholder; thus allowing lower net costs, which give the employer additional funds to increase benefits in any negotiable area.

Secondly, it would appear from all indications that price controls have held hospital costs in line, along with physicians charges. Newspaper articles have consistently verified this fact. Inflationary trends have been in the area of 12 to 18% per year and have now been cut to a level of 6 to 8% increases per year.

Perhaps many people fail to realize that utilization of existing health care facilities has increased, which naturally results in higher TOTAL COSTS, but not necessarily in higher per capita spending for health care. In addition, our total population in this country has not decreased, but has increased, which must also be taken into consideration when speaking of higher TOTAL health care costs.

I would like to suggest that prior to nationalizing the health care industry, or any form of national health insurance, we take action in the following areas:

1. Increase the number of qualified health personnel.

2. Set up regional hospital planning committees to control duplication of facilities.

3. Utilize management consulting services to increase efficiency of hospital operations.

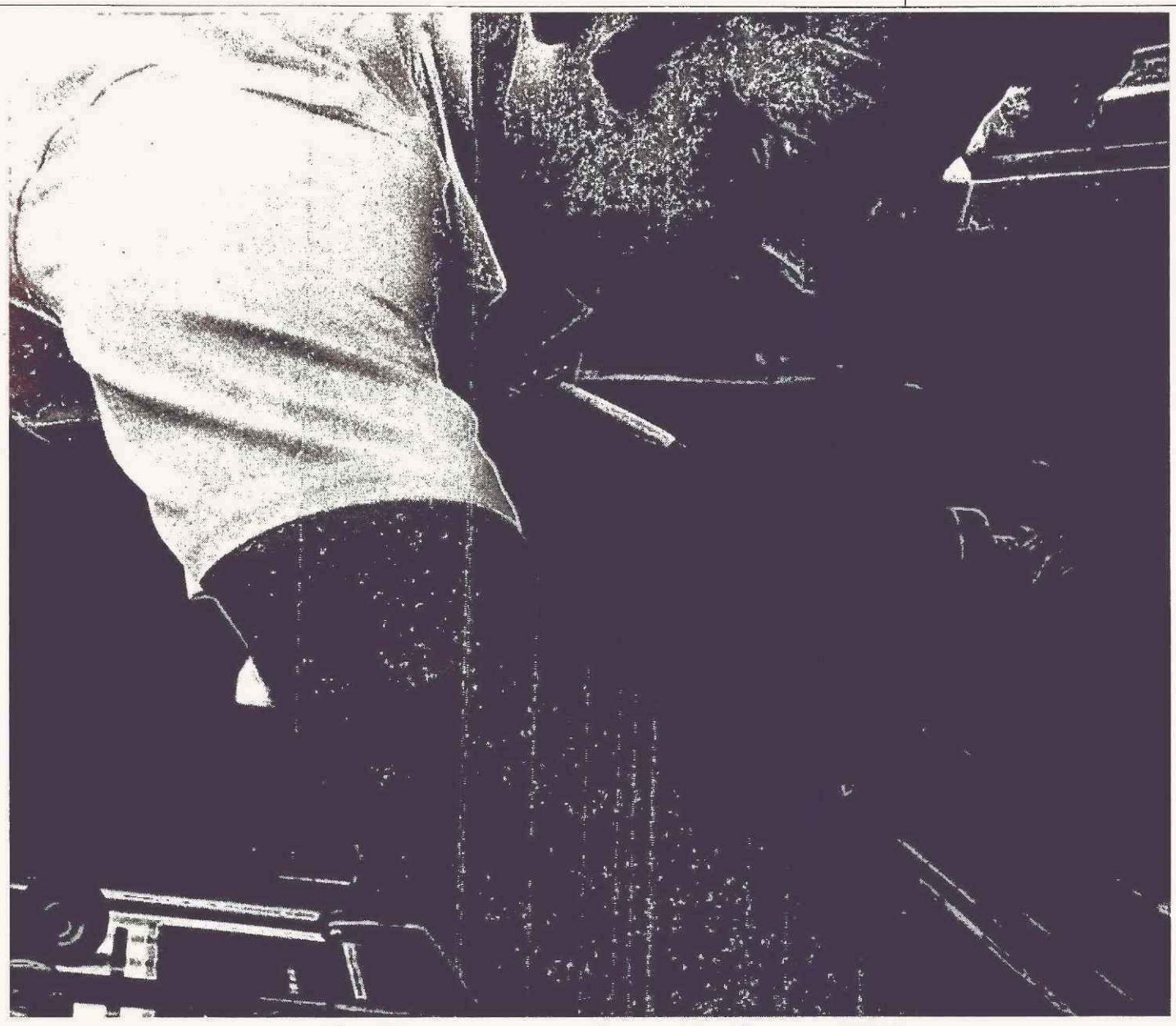
4. Require non-profit health providers to pay 100% of eligible contract charges. Life magazine reported two years ago that many non-profit health providers negotiate with member hospitals to pay 96 to 98% of eligible contract benefits. Most people must realize that hospitals then must make up the 2 to 4% differential from other sources.

In the wake of Medicare legislation, let us not forget that benefits have been cut, while premiums have been increased more than once in the last several years.

We must realize that neither health care, nor any other product, is free. When any form of enterprise, private or federal, provides a service, we must pay for it, either in the form of premiums or taxes.

Remember, competition (in the health care field, as well as other fields) breeds competence.

Patrick A. Tillemans
Insurance agent, Burnsville, Mn.



A four-color job will run through your press in 1/10 second. So will a two-bit ballpoint.

Would your ordinary insurance pay the cost of press repairs? Or take care of the lost business while you wait for parts from the Black Forest?

Maximate would. Unigard's exclusive Maximate program is based on a simple idea: That good insurance ought to cover as much as possible to start with. But also give you the flexibility to *exclude* risks that don't apply to your business.

Your present insurance program no doubt insures you against risks you thought were likely. But Maximate covers things you never thought about.

Maximate is only one of the specialized commercial insurance programs available from Unigard through independent agents. You'll find a nearby Unigard agent in the Yellow Pages.

Unigard: Changing ideas in insurance.

Unigard Insurance Group
Corporate Headquarters: Seattle, Washington 98161.

New York's claims top billion dollars

NEW YORK—Broken sidewalks and water main breaks helped edge personal and property damage claims against this city over the billion-dollar mark, a new first, according to city controller Abraham D. Beame.

Only about 5% of the money claimed $(1,139,017,226) was actually paid out by the city for the fiscal year that ended June 30. The city is self-insured for all such payments, about $57 million in this case.

THE LARGEST number of claims involving personal injury came from broken sidewalks (2,597), while the largest amount of property damage claims were for auto collision (2,318), defective roadways (1,111), water main breaks (246) and sewer overflow (95).

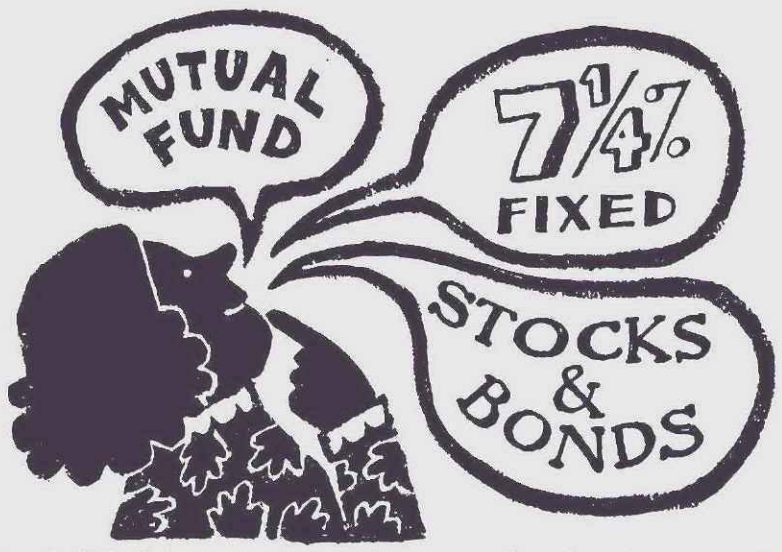
The reason only 5% of the claims were paid, according to a spokesman for the controller's office, is that the city self-insurance fund only pays what it is ordered to by the courts. "Obviously most of the claims were over-inflated when they were presented to the controller's office," he commented. ■

Add a little variety to your benefit plan.

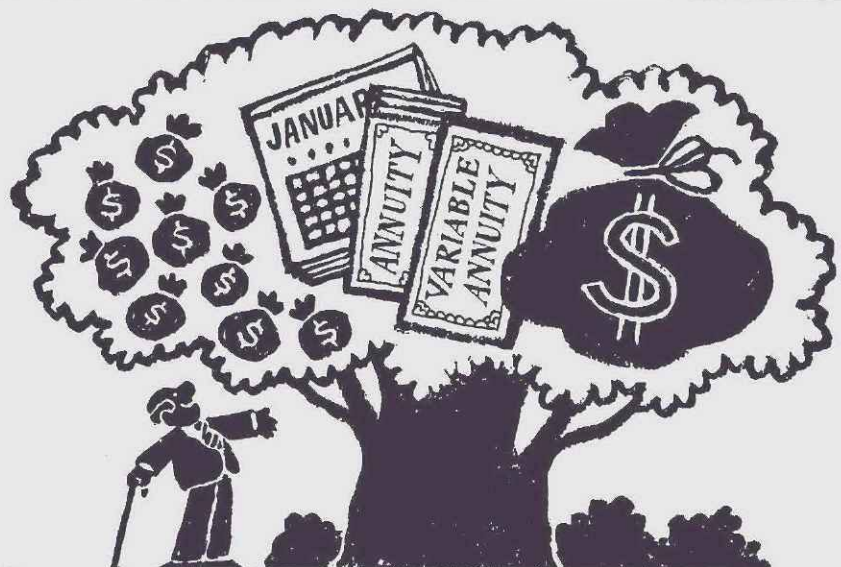




Ætna's MULTIVESTOR keeps employees happier from hiring to retiring. (with less work for you)



Add Multivestor to your profit-sharing or thrift plan, and employees can have their individual accounts invested the way they choose. In a mutual fund. In a mix of fixed dollars and equity investments. In a fixed investment account currently yielding 7¼%.* Or in a combination. And they can switch periodically. **Credited from first day of month of deposit.*



Super-flexible Multivestor is equally accommodating at retirement time. The employee takes his money the way he wants it. In a lump payment, or in a series of lump sums. Or in monthly installments over a set period. Or he can have an annuity or variable annuity, if he wants. (Compare that to the choices you can offer him now.)



Ætna's Multivestor is a package of services designed to give your employees a real sense of participation, a package which will help each one of them meet his or her individual objectives. Multivestor turns out to be one of the best benefit plan ideas Ætna has ever cooked up. Discuss it with your Ætna Group representative, broker or consultant soon, because it'll give you plenty of food for thought. Multivestor. It's one more proof we're not your average insurance company.

Ætna
LIFE & CASUALTY

You get *action* with Ætna

Ætna Life & Casualty,
151 Farmington Avenue, Hartford, Connecticut 06115

Monsanto health plan legal, but still under fire

JEFFERSON CITY, MO.—The suit pressed by officials in the Missouri division of insurance against the self-funded health benefits plans of the Monsanto Co. will not be withdrawn despite a bill passed by the state legislature last month which makes such plans legal.

"We're suing them for the past, not for the future," commented Neil Bernstein, general counsel for the Missouri division of insurance. He noted the St. Louis-based producer of chemicals, plastics and fibers has been self-insuring benefits for its 59,000 employes since 1964. Since the new bill will not be effective until Sept. 28, the counsel contends Monsanto should be held accountable for nearly 10 years of illegal operation.

Monsanto has been the target of state accusations it was acting in an illegal insurance capacity since it first offered its plans in 1964. Recently, it bore the brunt of heavier fire when a landmark ruling by a St. Louis circuit court held the company's self-insured health benefits were in violation of state law (*Business Insurance*, Jan. 15, 29; Mar. 12, 1973).

MONSANTO spokesmen are welcoming the new bill, but cautiously. "Monsanto's employe health benefits are typical of programs offered by other companies, none of which have been declared illegal," one source was careful to state before he confirmed the suit against the company's self-insured plans was still in effect.

Monsanto's official line about the legislation's final outcome on their health plans is limited to a short, somewhat terse statement: "A bill adopted by the Missouri legislature was signed into law last month, confirming the legality of corporations and unions offering their employes and members health benefits without the compulsory purchase of insurance. Under this new law, Monsanto can continue its present employe health benefits program."

Mr. Bernstein of the Missouri insurance division put less stock in the bill's scope as far as it confirms the legality of what Monsanto is doing in its health benefits.

"The bill in question," he said, "was aimed primarily at regulating Blue Cross and Blue Shield regulation. At the tail end, there was a section tacked on that did three things."

ACCORDING TO Mr. Bernstein, the first two things the section of the bill did was to exempt all labor union plans and certain trusts from the regulatory authority of the superintendent of insurance and to rule wage continuation plans outside the jurisdiction of the state insurance division.

"Third and most important," Mr. Bernstein continued, "the last section of the bill puts all other health benefit plans under the jurisdiction of the superintendent of insurance."

This jurisdiction applies in four areas. Companies like Monsanto which have self-insured health plans are required by the new bill to file an annual report, describing their plan to the division of insurance. The division will have the authority to investigate the plans and any complaints made about them. In addition, it will have access to examine all books and financial records pertaining to such plans.

FINALLY, according the general counsel, the bill gives the division of insurance the right to bring an action in court against the authors of any such self-insured plans for practices the division considers unfair under the law.

Apparently the state insurance division will take every opportunity to apply this portion of the law in the courts. Its spokesmen are still vigorous about their right to keep the suit against Monsanto alive although it can now only apply retroactively.

But even though Monsanto is keeping its response to the new bill carefully veiled, there is some indication from the self-insurance community the legislation will mean an eventual loosening up for companies looking to self-insured plans for their employe health benefits.

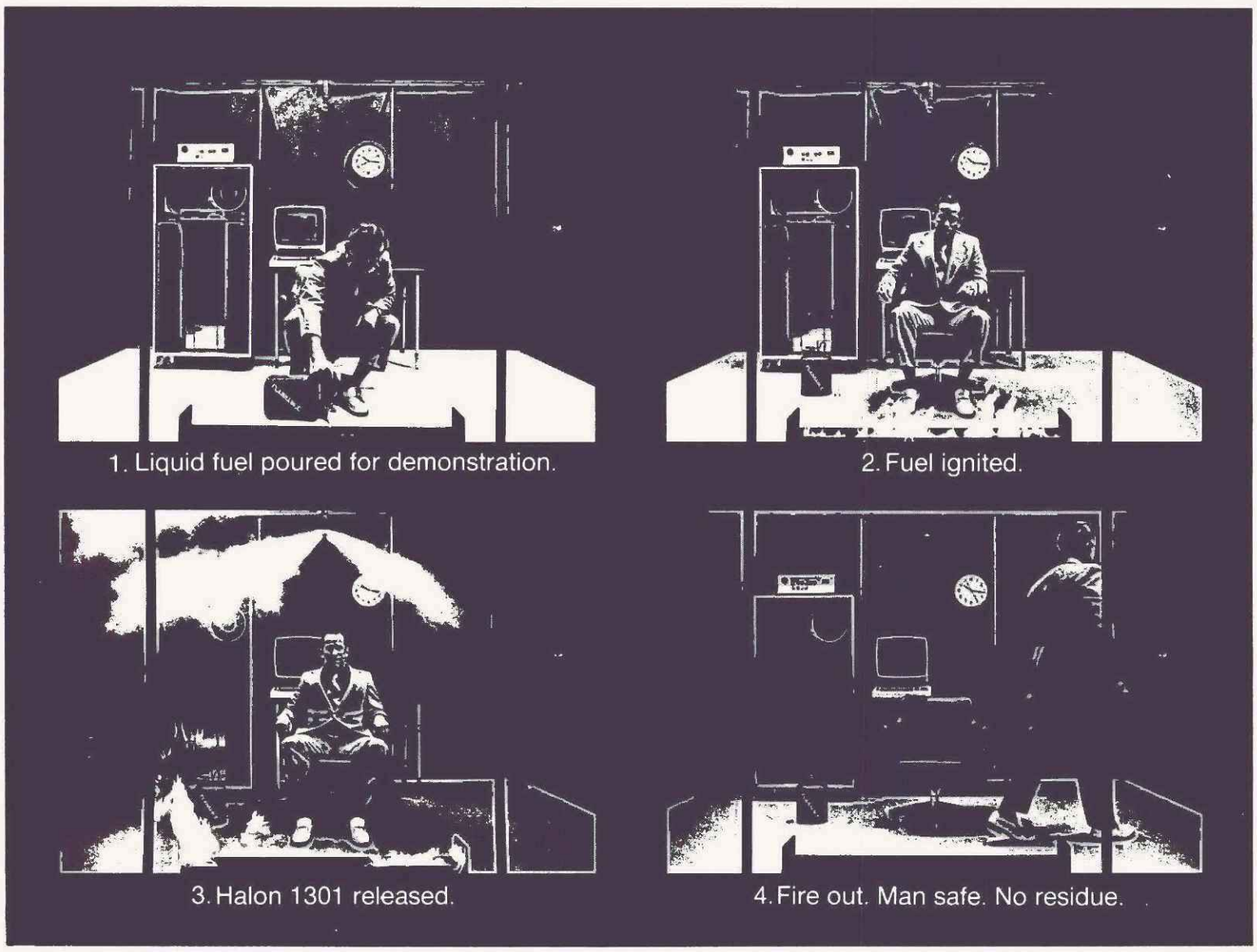
One prominent spokesman for a large concern which services self-funded health plans put it succinctly when he commented, "The new bill in Missouri is bound to make a lot of people, a lot of self-insurers, happy." ■

Suicide ends life of Funt's manager

NEW YORK—An apparent suicide abruptly ended the story of the business manager who embezzled $1.25 million from his client Allen Funt, creator of Candid Camera television series. Seymour Goldes, 41, was found dead in a room in the Biltmore hotel from an overdose of sleeping pills on the eve of his sentencing. He faced up to 14 years in prison.

At the time of his indictment last December, *Business Insurance* discovered Mr. Goldes also handled insurance matters for A.A. Funt Productions, leaving the producer subsequently uninsured for the loss (*Business Insurance*, Dec. 18, 1972).

Mr. Goldes was under psychiatric care following a previous suicide attempt after his indictment.



In the time it takes to read this sentence, Halon 1301 extinguished this fire with no harm to man or equipment.

It's protection you need when people and high-value equipment are together.

Du Pont Halon 1301 has the unique ability to protect lives and property from fire while not causing extinguishant damage.

A total flooding system using Halon 1301 works fast and can be released fast—while people are in the area, because exposure to usual extinguishing concentrations for up to five minutes is not harmful.

Halon 1301 is a chemical vapor that can penetrate cabinets, above ceilings and under floors. Yet it doesn't leave residue or cause thermal shock damage to equipment. And systems using Halon 1301 are economically competitive with other gaseous fire protection systems.

National Fire Protection Association has approved a standard for the use of Halon 1301 (Standard 12A). And many insurance rating organizations now include Halon 1301 systems as another method of protection.

Write or call for more information on how Halon 1301 can protect your installation and perhaps solve some of your insurance problems. Du Pont Company, Room 23486, Wilmington, DE 19898. 302-774-7381.

Total flooding systems using Halon 1301, with UL and/or FM approval, are manufactured by:
The Ansul Co.
Cardox Div. of Chemetron Corp.
Fenwal, Inc.
Walter Kidde & Co., Inc.
Norris Industries
Safety First Products

DUPONT RES. U.S. PAT. OFF.
Halon 1301 fire extinguishant

British Standards exec

Industrial health and safety laws to be nearly voluntary in Britain

WASHINGTON—All occupational safety and health legislation in Britian will be on a nearly voluntary basis, according to the chairman of the executive board of the British Standards Institution.

Speaking before a meeting of the International Organization for Standardization, E. W. Greensmith told a panel session on safety and health the legislation now being prepared by the British government "was unsuited to the characteristics of the modern industrial context and not geared to keep pace with rapid technological changes."

THESE observations were based on a report given to government agencies by the Robens Committee on Occupational and Public Safety in the United Kingdom, which had been charged, Mr. Greensmith said, "with investigating the scope, nature, and effectiveness of both existing government legislation and regulation, as well as industrial self-regulation to determine whether changes were required to safeguard workers and the public."

Existing legislation, the committee found, was "unwieldy, difficult to revise or revoke, and often irrelevant to real underlying problems."

THE COMMITTEE "identified apathy as the greatest single factor contributing to accidents at work," which was a situation which could not be legislated against and which, it thought, was even encouraged by emphasis and reliance on state regulation, Mr. Greensmith said.

The report gave fresh endorsement to the principle of reference to standards, emphasizing those voluntary standards would be easier to prepare, to introduce and to update than the current system of emphasizing technical criteria in greater detail, the speaker continued.

SUCH voluntary standards were also thought likely to be more progressive because technological progress could more easily be taken into account and because there need be no restriction to minimum standards. The committee recommended the practice of supplementing regulations by linking them with standards, a practice supported by the speaker as something highly desirable for development in the future.

No interpretation of this pathway as a move toward watering down controls should be made, Mr. Greensmith cautioned. The route proscribed should be more flexible and discriminating, rather than more slack.

"Industry should be encouraged to deal with more of its own routine problems so that official regulation could be concentrated on the bigger ones," he said.

Equipment regulation would have a priority placed on the manufacturers of plant machinery, rather than its users, as exists now. Improvement and prohibition notices would serve as enforcement tools, Mr. Greensmith said, to ensure rapid alteration of unsafe or unhealthy conditions.

The notices would be based on either the voluntary or the code methods or the traditional regulatory ones, he concluded. ■

Board okays sick leave for childbirth

HARTFORD—In what the Connecticut Education Assn. labels a "landmark ruling," the Connecticut human rights commission has ruled teachers are entitled to certain kinds of sick pay during childbirth leave.

State examiner Emanuel N. Psarakis made the decision in the case of Mrs. Bonnie R. Ferranti of West Hartford, a learning disabilities teacher at Central High School, Bristol, ruling the Bristol board of education had violated the Connecticut Fair Employment Act in denial of the opportunity to use accumulated sick leave for time she was disabled because of childbirth.

Mrs. Ferranti's legal costs were paid by the CEA and the National Education Assn.

CEA PRESIDENT Arthur S. Colley said the ruling should settle "once and for all" the question of maternity sick leave pay in every Connecticut school district.

CEA, which has some 27,000 members, is sending out summary analyses of the ruling to all local-level teacher groups. and expects the ruling may void some existing teacher contract categories.

Until this new ruling, Mr. Colley remarked, some school boards allowed sick pay for every kind of physical disability except childbirth. "The commission's ruling," he said, "means that this kind of discrimination is now ended in our state." ■

Deductibles in auto plan cut premium

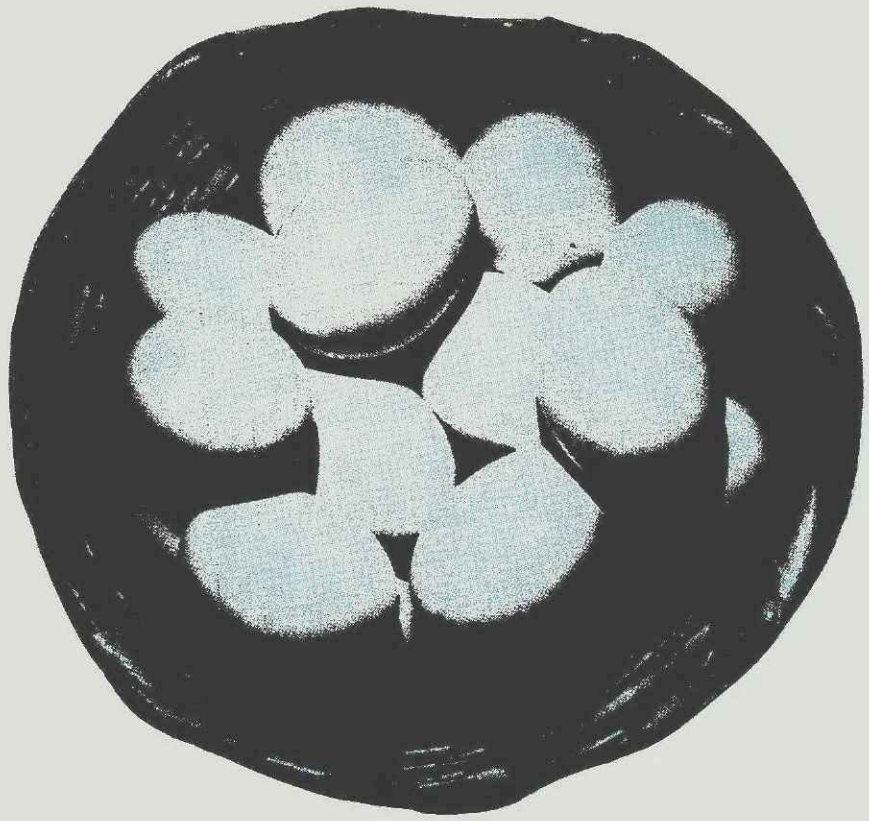
TUCSON, AZ.—An insurer here has begun a new automobile insurance policy which reduces annual premiums by basing coverage on higher deductibility than standard policies.

Originator of the policy was Essential Protection Inter-Insurance Co. of Scottsdale.

THE POLICY allows the driver to have his deductibility increased in proportion to the number of driving violations rather than a premium increase.

"We experience fewer losses because of higher minimum deductibles," Mr. Trotter stated. "The higher deductibles also promote more responsible driving habits."

The initial deductibility of $300 is based on the number of violations the driver has had in the last two years, he explained. ■



You can't tell
a bad egg by its shell—

and it is not just with eggs that appearances are deceptive. As many companies have learned through disastrous losses, it is often the most innocent-looking employee that turns out to be the biggest thief. New and improved controls can lessen the risk, but the fact is that corporate stealing is increasing at an alarming rate. Only adequate insurance guarantees a company against critical financial loss. Our dishonesty bonds are exceptionally broad in coverage. The form, which provides money and forgery coverage, not just dishonesty coverage, is brief and clear. To provide this much needed protection we offer expert fidelity underwriters to analyze your needs, and a staff of commercial fidelity claimsmen whose sole area of responsibility is crime claims from commercial assureds. Before you are faced with a catastrophe, call a Chubb agent or broker and find out what you can do now to avoid it.

CHUBB

CHUBB/PACIFIC INDEMNITY GROUP
Subsidiaries of The Chubb Corporation, 100 William St., New York, N.Y. 10038

CHUBB & SON INC., *Manager:* Federal Insurance Company + Vigilant Insurance Company + Great Northern Insurance Company + The Sea Insurance Company Limited + The London Assurance + Alliance Assurance Company Limited + Sun Insurance Office Limited + The Sumitomo Marine and Fire Insurance Company, Limited • Affiliated through THE CHUBB CORPORATION: Pacific Indemnity Group + The Colonial Life Insurance Company of America + United Life and Accident Insurance Company Aviation Insurance through Associated Aviation Underwriters.

Stelber Industries Inc.

Bicycle maker clips cuff of risk problems

By PATRICK THOMAS

NEW YORK—For the management of Stelber Industries Inc., the world's third largest manufacturer of bicycles, insurance used to place rather high on the list of corporate headaches.

"We did business with a number of brokers," Benjamin Abrams, the company's executive vp, told *Business Insurance*, adding each of the company's divisions operated independently when it came to insurance matters. "We were constantly being badgered to change coverages and I, frankly, didn't have any confidence in our brokers."

For this reason, Stelber looked with favor on Brokerage Resources Inc., a division of Integrated Resources Inc. here, when the broker approached the manufacturer with an ocean marine insurance deal that looked, well, promising.

But there turned out to be more to the deal than merely ocean marine coverage. Not only did the bike maker consolidate its numerous insurance coverages, it found a vehicle for financing the construction of a new plant.

THE NEW facility, which, according to Jerry Sircus, president of Iverson Cycle, a subsidiary of Stelber, will be the largest nongovernment manufacturing plant on Long Island, is being financed by yet another Integrated Resources subsidiary, American Property Investors.

Basically, what happened under the agreement reached between Stelber and Integrated

corporate profile

was American Property Investors advanced the money, which it raised through a public offering, to Stelber to purchase the property and will offer more cash during the construction phase.

Under the terms of the agreement, Stelber must build the facility by a certain date, by which time API will know just how much money has been lent.

What it all boils down to, according to Arthur Goldberg, integrated's youthful president, is API is the owner of the property and, in turn, leases it back to Stelber. It was added Stelber had the periodic right to purchase the $5 million facility in the township of Brookhaven, L.I., during the course of the 30-year lease arrangement.

BY FINANCING in this manner, the participants concurred, Stelber avoided the annoyance of having to deal with both construction and permanent lenders, as well as working with persons who, because of the insurance relationship, were totally involved in the project.

At the same time, Mr. Goldberg added, "These are net lease transactions which keep the investors safe and give them about a 9% yield, 60% of which is tax-sheltered. It's a good investment opportunity, even for the officers of the company involved."

Mr. Abrams indicated the company could go even further with the "sale and leaseback" approach while building new plants in Austria.

Stelber has plants in many countries around the world, which had created problems in its ocean marine coverage.

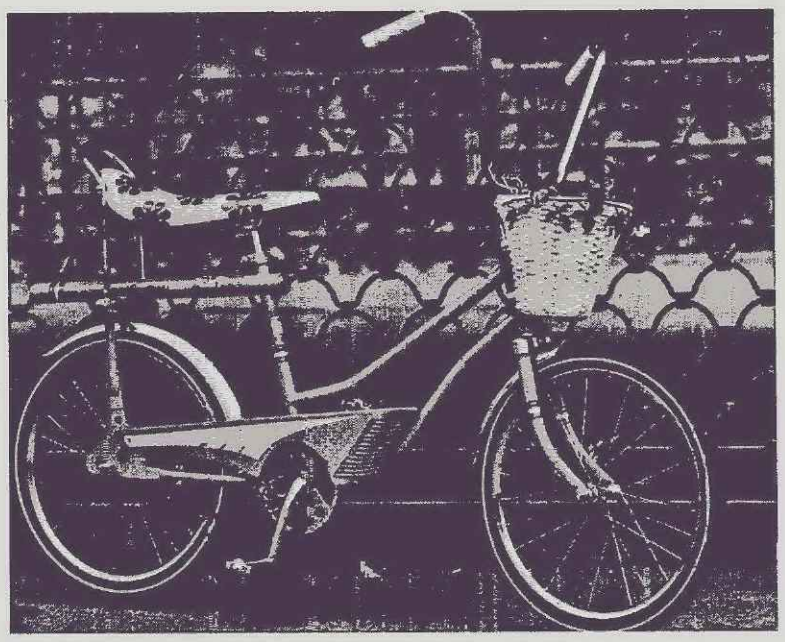
"STELBER's old ocean marine insurance covered their shipments only from a place in the world to the United States," explained Howard Miller, vp and national sales director for Brokerage Resources. "The coverage

Continued on page 23



Stelber Industries Inc., world's third largest bike manufacturer, recently consolidated its insurance coverage, and discovered a construction finance vehicle as well.





Bicycles have been cited as a high priority item by the Consumer Product Safety Commission.

Wheeling through a finance maze

Continued from page 22

we arranged for them covers shipments from any point in the world to any point in the world on a profit-sharing basis."

Mr. Miller said the new policy, which is written by the Kemper Insurance Group, was attractive to Stelber not only because it offered initial savings, but contained the profit-sharing provision.

Under that plan, depending on the loss ratio, Stelber would have returned to it by the underwriter 50% of the difference in losses and 50% of the premium. In other words, if the company were paying a premium of $200,000 (50% of which would be $100,000), the insurer would return to the insured 50% of the amount of any loss under $100,000.

"The biggest problem with Stelber," Mr. Miller noted, "was consolidating the coverages."

Now, he pointed out, instead of being spread all over the market, the firm's property coverage is written entirely by Service Fire Insurance Co., New York. The new plant on Long Island, covered by Service, is being built to Stelber specifications though Integrated engineers are installing a highly protected risk (HPR) program at the site.

ALL STELBER'S casualty coverages, Mr. Miller said, are now being written by Fireman's Fund American Insurance Cos.

Interestingly, while bicycles have been named as a high priority product by the Consumer Product Safety Commission, both Mr. Abrams and Mr. Sircus said product liability had not been a problem at all for the manufacturer. In fact, Mr. Sircus noted that the standards proposed by the CPSC relating to bicycle manufacturing were not as strong as the Bicycle Manufacturing Assn. of America's standards, in effect for years.

The company's benefits, which cover approximately 3,000 employes throughout the world, are constantly being reviewed and, like the property-casualty coverages, are being standardized. Much of the domestic coverage is with Blue Cross-Blue Shield.

"But with employes all over the world," Mr. Miller said, "you can't really have a single program of employe benefits. Laws and needs vary in the different countries."

So the relationship between Stelber and Integrated is one in which all parties seem happy. The broker is happy collecting its commission and keeping the client contented, and the manufacturer is happy having both its building financing and its insurance coverages coordinated under one roof. ■

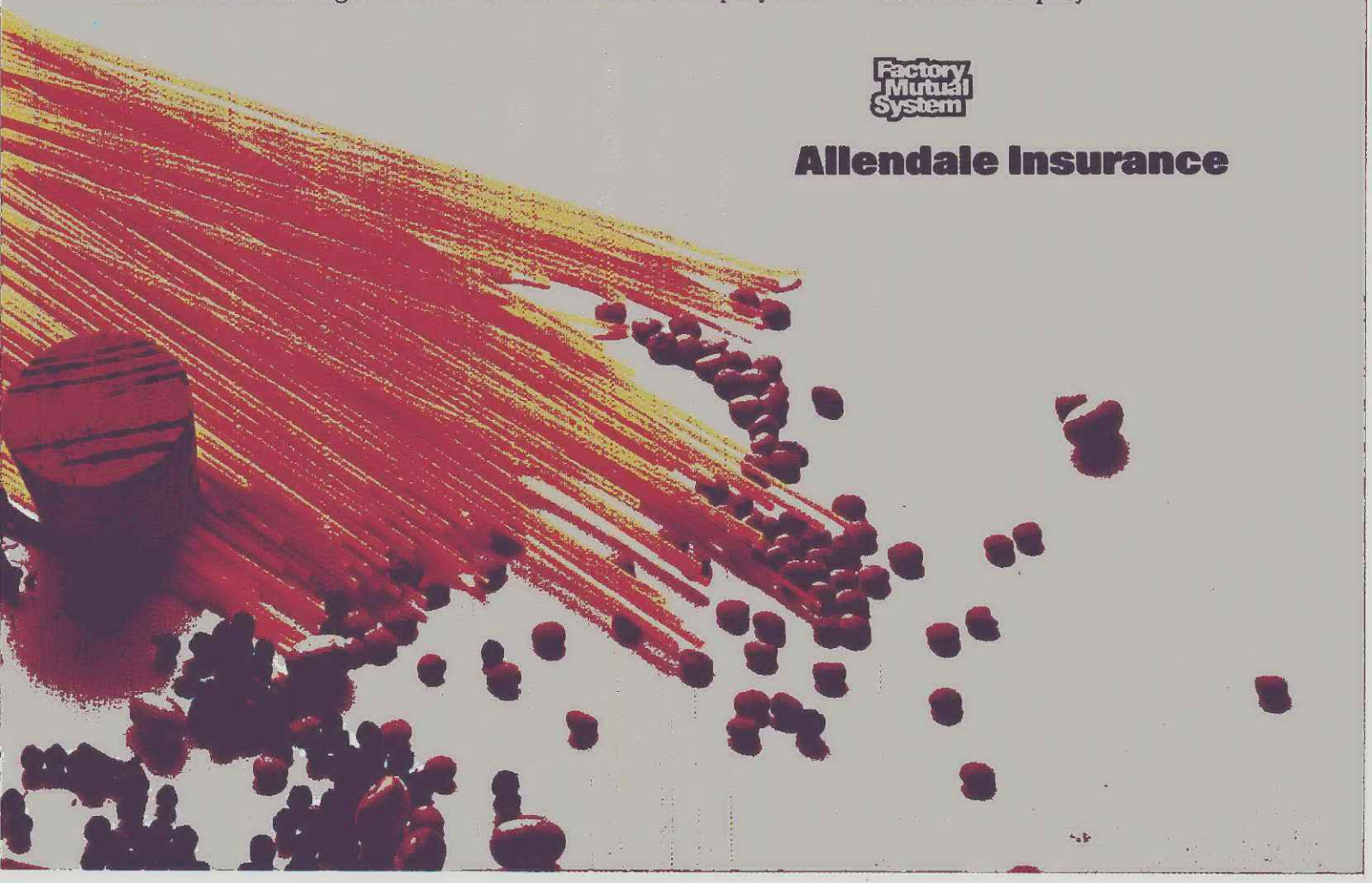
We'll cook up a corporate insurance program with all the right ingredients for you.

We've done it for hundreds of companies. Specially prepared policies to meet their specific needs.

It's nothing new. Such individualized catering has been an Allendale practice from the very outset. Throughout our history we've continually added coverages and liberalized existing contracts as property insurance requirements of industry enlarged with the introduction of new perils.

It demands endless study and creative underwriting, but the result is that we can create a policy to fit about any situation.

Allendale. We don't think you'll find an insurance company that can cook up a policy the way we can! Allendale Mutual Insurance Company, Allendale Park, Johnston, Rhode Island 02919. Associates: New Providence Corporation, underwriting, manager for Affiliated F M Insurance Company and Appalachian Insurance Company.



Factory Mutual System

Allendale Insurance

Pension law mill grinding for Canada

OTTAWA—The legislative wheels aimed at improving the position of Canada's pensioners are starting to turn.

Two measures have been introduced in the Commons, designed to ease the financial burdens of the retired and the elderly by keeping pensions more in pace with the rapidly increasing cost of living.

One measure, which amends the Old Age Security Act, calls for cost-of-living adjustments to old age pensions every three months compared with the present system under which adjustments are made once a year.

The second measure, which amends supplementary retirement legislation, calls for elimination of a 2% annual cost-of-living increase ceiling on Canada Pension Plan benefits and also reduced qualifying ages for additional benefits.

AT THE same time, pensioners would be protected against a decrease if the cost-of-living index should decline. The bill contains a clause which would forbid cutting the pension to "lower than the amount . . . payable for a month in any earlier period."

Under the amendments recommended for the Supplementary Retirement Benefits Act, it is proposed the government assume the cost of removing the annual 2% ceiling on increases for persons who retired before 1970. For persons who retired before 1969, the government would assume a portion of the costs.

The proposed pension changes also would call for altering pensions of members of Parliament, diplomats, public servants, Canadian servicemen and the Royal Canadian Mounted Police.

Assuming the two measures are approved by lawmakers, old age pensions would increase to $105 from $100 on Oct. 1 and the supplement would boost the total from $170 to $179.

Marc Lalonde, Canada welfare minister, said the first extra payments could be made on October pension checks. ■

Texas work comp law has tough safety stance

AUSTIN, TX—The new workmen's compensation legislation which took effect here Sept. 1 does more than boost disability and death benefits. It will soon be the vehicle for a set of guidelines designed to cut back on the number of disabilities and deaths suffered by the Texas work force.

The guidelines will monitor the qualifications of field safety representatives furnished by insurance companies. The state board of insurance will be the agency issuing the guidelines. Once it acts on them, Texas will become the first state to follow the suggestion of the President's Commission on Workmen's Compensation Insurance.

While this may mark a milestone for Texas, many insurance companies, including the Travelers, Aetna and Lumberman's Underwriting Alliance, are not happy at the prospect of the insurance board telling them what criteria they must use in selecting field safety representatives.

AT PUBLIC hearings Aug. 29, these and other insurance companies voiced protests that guidelines, developed by an advisory committee headed by Dr. Ralph Vernon of Texas A&M University, would disqualify many safety representatives who work in specialized areas of accident prevention.

The insurance companies requested less stringent requirements for safety representatives who have developed expertise in certain fields like trucking or liquefied petroleum gas safety.

"The board has not yet taken action on the guidelines, but they almost certainly will be adopted," *Business Insurance* was told by Edward Kasper, manager of the insurance board's workmen's compensation division. He said the advisory committee would be looking into the complaints by insurance companies to try to work out a solution satisfactory to both the new workmen's compensation legislation and the demands that qualified personnel not be disqualified.

Many of the points of the guidelines are set forth by the new legislation. On these points, the insurance board committee may not modify requirements to make them less broad. However, insurance board chairman Joe Christie has promised the board will attempt to work out conflicts and will try to prevent qualified safety representatives from being excluded.

ALTHOUGH the guidelines are in abeyance, the liberalized workmen's compensation law which prompted them has already swung into action. Mr. Kasper explained some of the increases workers are now entitled to because of the law:

"The legislation has increased disability benefits from 60% of an employe's average weekly salary to 66.67% subject to a weekly maximum of $63. Formerly the maximum was $49.

"Death benefits are now payable to the spouse for life or until remarriage. If the spouse remarries, he or she may then also take a two year lump sum in addition to what has already been drawn from the death benefits. Children will receive benefits of deceased parents until they are 18 years old, or 25 years old if enrolled in college and still dependent.

"Before this new workmen's compensation law was passed," Mr. Kasper explained, "there was a 360-week maximum time limit on how long death benefits would be paid to the spouse or survivors of someone who died on the job."

QUALIFICATIONS for field safety representatives, prompted by the new legislation, include several alternate methods. The one discussed, although not yet settled upon, includes a baccalaureate degree in science or engineering; certification by the Board of Certified Safety Professionals; registration as a professional engineer; completion of a course of training as determined by the board of insurance; 10 years experience in occupational health and safety; or certification by the American Board of Industrial Hygiene.

New field safety representatives of insurance companies would qualify by combining experience and education credits with completion of the examination of the Board of Certified Safety Professionals. They could also take exams administered by either the American Board of Industrial Hygiene or the board of insurance. ■

Casualty firm moves

Harco National Insurance Co., the casualty subsidiary of International Harvester Co., has moved its main office from Chicago to Milwaukee. In its new quarters at 749 N. 2nd St. the firm is adjacent to the offices of its sister company, Association Life Insurance Co.

MATTHEWS-DANIEL COMPANY

INDUSTRIAL • MARINE • MD • SURVEYORS • ADJUSTERS

7015 GULF FREEWAY, SUITE 232
P.O. BOX 26836, HOUSTON, TEXAS 77032
TELEPHONE 713 644-1971

SURVEYORS • ADJUSTERS
DRILLING RIGS • WELL SERVICE UNITS
SPECIALIZED PETROLEUM SERVICE EQUIPMENT
COMMERCIAL HULLS • OFFSHORE STRUCTURES

First State
Insurance Company

Wears well

First State is the largest and oldest domestic company formed to write Surplus Lines, Special-Purpose and Reinsurance Business.

And through the years we've created problem-solving insurance and reinsurance programs for businesses of every description — including over 500 of the world's major corporations. We've also provided them with continuity. Many have been clients since our beginning — many, many more for over twenty years.

***First State* . . . we're here now and shall be here in the future . . . call us, we're ready to listen, ready to create and assist in areas of common interest to agents, brokers and their insureds.**

MULTINATIONAL
PROPERTY and LIABILITY
MULTIPLE LINE THROUGH
AGENTS AND BROKERS

A+:AAAAA, Alfred M. Best, Inc.

FIRST STATE
INSURANCE COMPANY
(a CAMERON and COLBY activity)

60 Batterymarch St., Boston, Mass. 02110 • Telephone 617/357-8400

dates for buyers

October 1-3, Society of Actuaries, annual meeting, Waldorf-Astoria, New York City. For more information write the Society, 208 S. LaSalle St., Chicago, Il. 60604.

October 4-5, Profit Sharing Council of America, 26th annual conference, Hyatt Regency Hotel, Atlanta, Ga. For more information write the Council, 20 N. Wacker Dr., Chicago, Il. 60606.

October 7-10, The Society of Chartered Property & Casualty Underwriters, annual meeting and seminars, Washington Hilton, Washington, D.C. For more information write the CPCU, P.O. Box 566, Media, Pa. 19063.

October 15, American Management Assn., "Group legal insurance," AMA headquarters, New York City. For more information write the AMA, 135 W. 50th St., New York, N.Y. 10020.

October 17-19, American Management Assn., "Establishing and maintaining employe information programs," AMA Management Center, 8655 W. Higgins Rd., Chicago, Il. For more information write AMA headquarters, New York.

October 18 American Management Assn., "New product safety act's impact on corporate liability," Huntington-Sheraton Hotel, Pasadena, Ca. For more information write AMA headquarters.

October 21-24, National Foundation of Health, Welfare and Pension Plans Inc., "Special joint trust institute," Fairmont Roosevelt Hotel, New Orleans, La. For more information write the Foundation, P.O. Box 69, Brookfield, Wi. 53005.

October 21-24, Conference of Insurance Legislators, 5th annual meeting, Marriott Motor Hotel, Atlanta, Ga. For more information write Arnold M. Malmom, Associate Secretary, 411 E. Mason St., Milwaukee, Wi. 53302.

October 28-31, American Society of Pension Actuaries, 5th annual conference, Washington Hilton, Washington D.C. For more information write the Society, 1107 Sinclair Bldg., Fort Worth, Tx. 76102.

October 28-31, Health Insurance Assn. of America, 1973 Individual insurance forum, Hyatt Regency Hotel, Atlanta, Ga. For more information write the Association, 750 Third Ave., New York, N.Y. 10017.

We do our homework

Consider some of the things that are happening in the insurance industry today ... OSHA legislation ... a continuing interest in self insurance and the captive company concept ... the dramatic increase in the number and size of products liability claims ... spiraling court costs and awards ... increasing pressures in the area of employee benefits programs ... and much, much more.

Now consider how these developments can affect your company's exposures. Unnerving, isn't it?

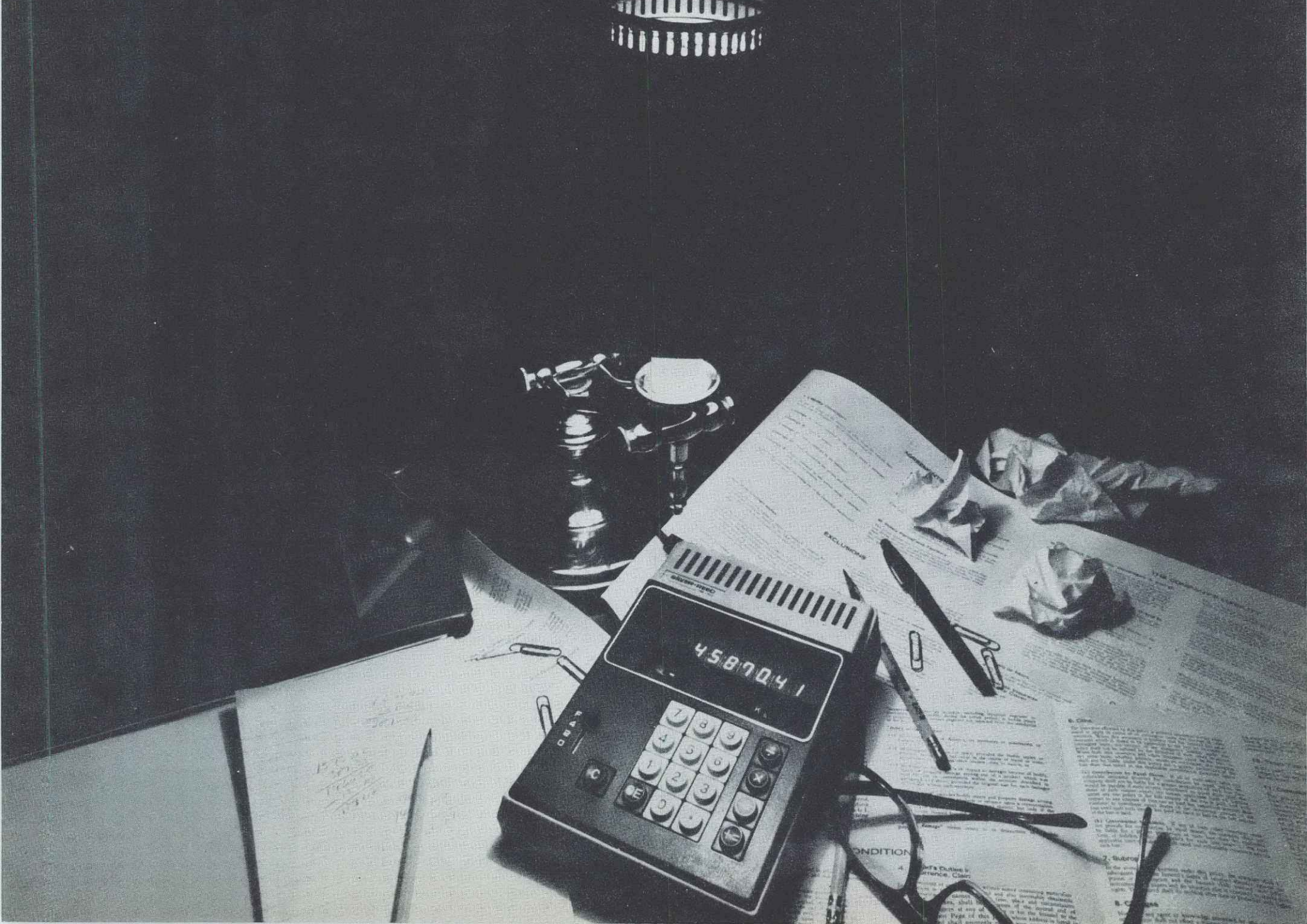
It doesn't have to be. Not if you've got the right insurance broker behind you. Someone who knows the insurance market inside and out ... someone who is thoroughly skilled in custom designing the right type of protection plans for your various exposures ... someone who can save you additional premium dollars by instituting an effective loss control program ... someone who follows through by constantly reviewing your total protection package and makes changes when and where they are needed ... someone, in short, who does his homework.

Doing our homework has been a Corroon & Black trademark for nearly 70 years. It's helped us become one of the largest and most knowledgeable brokers in the world today, one fully capable of meeting the insurance challenges of tomorrow.

So, next time you're in the market for a truly professional brokerage service, contact the Corroon & Black office nearest you. You'll find we do a lot more than just buy insurance.

CORROON & BLACK

We make it our business to understand your business.



Illinois no-fault veto thought best for insurers

CHICAGO—Although the question of no-fault auto insurance in Illinois is up in the air, at least for the remainder of this year, property and casualty insurers are apparently confident viable no-fault legislation will be enacted in the next year.

When Gov. Dan Walker vetoed the no-fault legislation early this month, the state insurance industry breathed a collective sigh of relief, sources indicate.

The measure had been sponsored and engineered through the legislature by legal profession spokesmen and professional groups, including the Illinois State Bar Assn. and state Trial Lawyers Assn.

And it's generally agreed the governor's thumbing down the measure will stand the test of further house action on the matter, since Senate Bill 416, sponsored by senate president William Harris, a Republican, is waiting in the wings for house action.

The October legislative session, however, is limited to action on the governor's past veto action and other matters pending before him. To overturn the veto, a three-fifths vote of both 177 representatives and 59 senators is required.

THE SENATE measure has received the blessings of the insurance industry on the strength of claims it is a model bill.

Its features include:

- $10,000 for medical rehabilitation expenses;
- $200 a week for wage loss and $200 a week for payment to a person needed for household duties;
- Litigation privilege for out-of-pocket expenses not covered by basic no-fault benefits;
- General (pain and suffering) damages available only in case of death or total disability or within 60 days for serious injury.

Most of these provisions, according to Thomas F. Reynolds of the Illinois Insurance Information Institute, had been stripped from the legislation vetoed by Gov. Walker. The bill "could quickly be restored to its workable, cost-saving form and be enacted by an assembly willing to recognize that the public demands workable no-fault insurance in this state."

Mr. Reynolds, speaking "on behalf of the 250 companies that write insurance on the more than six million vehicles in this state," predicted the veto would "open the door for enactment of a meaningful, workable, cost-saving law in Illinois."

FRED A. MAUCK, Illinois' director of insurance, isn't too sure. "In its present form, in the house it is wholly unacceptable," he contended. The "model" bill was passed in the senate, then amended in the house where, after failing to pass, it was placed on the postponed consideration calendar.

In the amendment process, Mr. Mauck related, the threshold on lawsuits and the provision to reduce premiums statewide under a no-fault legislation were removed.

THE THRESHOLD had specified general damages for pain and suffering could be sought by lawsuit only in the case of death, total disability for 30 days, or serious injury.

Mr. Mauck said any bill the governor signs must contain both the savings to consumers provisions and a threshold. "It is possible that the bill can be resurrected and put into a form that will provide a good no-fault plan for Illinois."

Mr. Mauck also felt the bill presently in the house could be "acted on in October" since it was currently on the postponed consideration calendar.

Gov. Walker has promised drivers a form of no-fault, Mr. Mauck said, if it is at all possible. If no action is taken on the legislation during the October session, then a question arises as to whether the next session, in January, can hear the matter.

That, since the session is left open to appropriations and revenue matters only, may be up to either senate president Harris or house speaker Robert W. Blair, another Republican. It is not certain whether the Harris sponsorship on the measure, together with 21 other senators in both parties, will stand if the bill remains as amended.

Gov. Walker, aided by Mr. Mauck, will draft another no-fault measure of his own, if the matter isn't passed during the January session.

HE HAD charged in his veto message the bill was "bogus no-fault" and would increase insurance rates to state drivers as well as hike the number of automobile accident court cases.

To combat these drawbacks, Gov. Walker has promised to include many features of the industry bill as it was originally introduced in the senate, should footdragging by the legislature require no-fault be initiated by the executive office.

Had the legal profession's no-fault been passed, Gov. Walker, himself a lawyer, said, the legislation would have amounted to "a tax on automobile driving" in the state. ■

Disability pay given lead victims

MILWAUKEE—Eleven employes of Globe-Union Inc., in Middletown, De., are entitled to partial disability benefits as a result of lead poisoning.

Andrew D. Christie, superior court judge, ruled in Wilmington that the Milwaukee company must pay the benefits. His order upheld a decision by the Delaware Industrial Accident Board.

Lead poisoning was a major issue in a month-long strike earlier this year at Globe-Union's battery plant in Middletown.

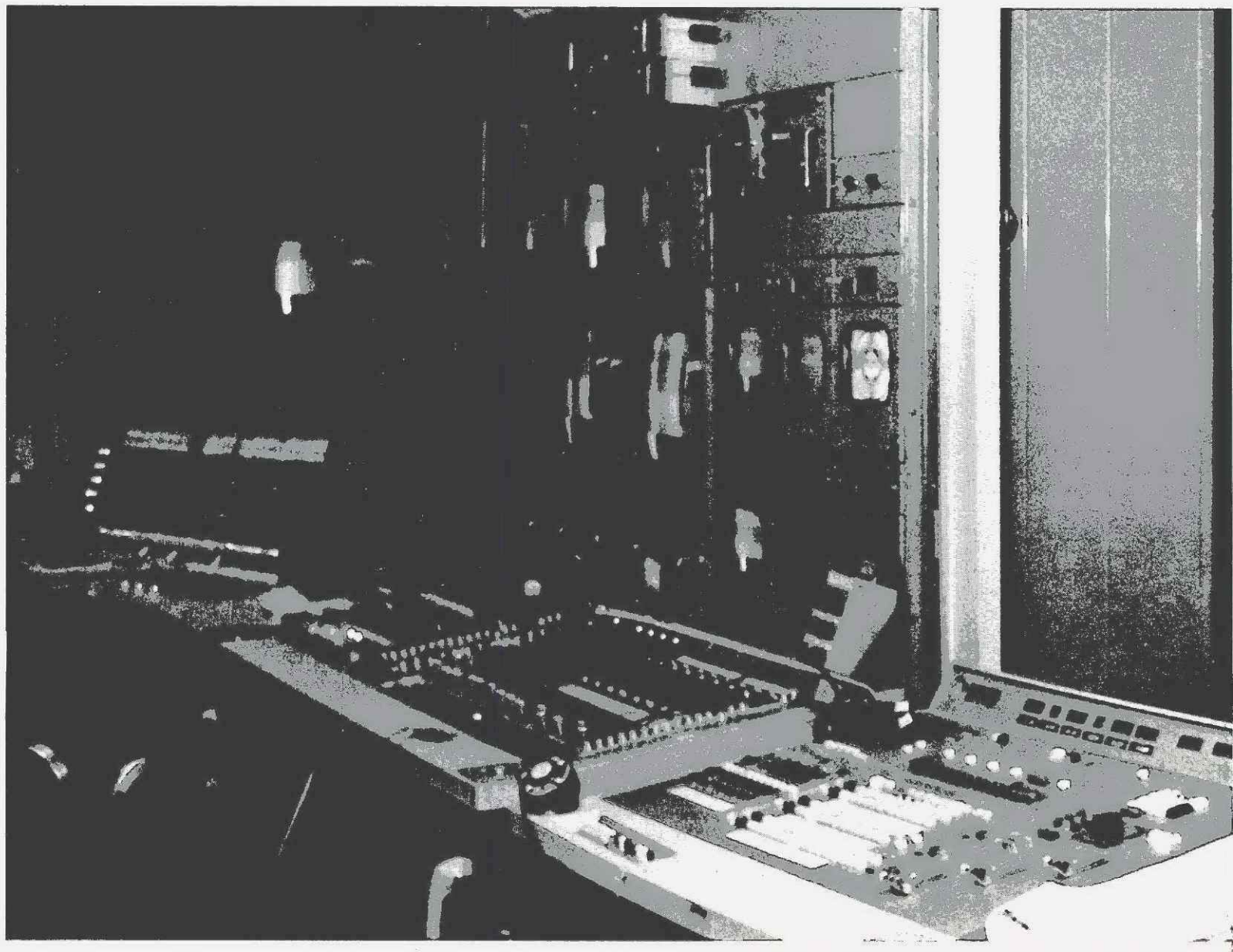
EMPLOYES worked under high exposure to lead dust and poor ventilating conditions, witnesses testified at a board hearing last December. Eventually, the em-employes returnd later to their constipation, fatigue, irritation, aches and cramps, witnesses testified.

The employes were transferred to other jobs, paying less money, after blood tests disclosed high levels of lead content. Most of the employes returned later to their higher paying jobs.

Judge Christie ruled the employes were entitled to two-thirds of the difference between the higher and lower rates of pay. ■

If anyone can help you line up the perfect Excess insurance program, it's Tony Christian. He's the insurer to the top ten in the Fortune "500."

Home Senior Vice President Anthony "Tony" Christian (left) discusses part of the Excess insurance program of the Columbia Broadcasting System with CBS Director, Insurance, Mr. Joseph J. Carazzone. Looking on in a television control room is Mr. Hilliard Feldman, Executive Vice President of Schiff Terhune, the broker who writes the business.



No-fault property damage future probably dim

ELLENSVILLE, N.Y.—Encompassing property damage within the framework of New Jersey's no-fault law is out of the question, at least until a way can be found to demonstrate its worth to policyholders in the state in actual premium savings.

This was the present option of New Jersey Superintendent of Insurance Richard C. McDonough profferred early this month during a press conference at the annual meeting of the Independent Mutual Insurance Agents of New York and New Jersey held here at the Hotel Nevele.

New York's insurance commissioner, Benjamin R. Schenck, agreed. In his state, he felt, property damage was not an area which could easily be handled under no-fault.

New Jersey's governor had asked Mr. McDonough to explore avenues of establishing property damage no-fault and he had sought out the Massachusetts no-fault plan which provides optional coverage for property damage. So far, he said, "the department feels that providing no-fault coverage for property damage would not realize any great savings in premiums. In fact, it would create more problems than it would be worth."

ALTHOUGH the no-fault plan in New York isn't to become effective until Feb. 1, 1974, Mr. Schenck said New York insurance regulators had targeted Dec. 1, 1973, for drawing up policy forms and instituting a rating system. For this reason, he continued, New York regulators are conducting a series of hearings during which industry representatives will be asked to comment on specific problem areas. One of these hearings was held Sept. 10, he said.

New Jersey will spearhead New York's advance into no-fault, Mr. Schenck said, by being the source of statistics his state will draw on in making decisions regarding the New York law, but New York will determine its rating structure based upon data drawn from within its boundaries.

Constitutionality of the no-fault legislation doesn't worry either commissioner, they told newsmen. Mr. McDonough contended as far as he knew there were no suits being filed and he had no reason to believe there would be.

Subrogation is becoming an issue in New Jersey, Commissioner McDonough allowed, and he cited efforts on his part to force a court case on the matter. Under the law, he explained, one insurer who has paid a no-fault claim is allowed to sue another insurer for damages. Insurers, he revealed, are trying to interpret subrogation as monies paid by one insurer to another and deductible from a payment made to the no-fault policyholder.

As commissioner, Mr. McDonough has ruled it's all right for one insurer to sue another for payment made to a policyholder but the suit should in no way cut payments to policyholders.

"So far," he explained, "there have been no attempts to challenge my decision in the courts—at least no direct attempts. I've been told the insurers aren't happy about my interpretation of subrogation. If they want to sue, let them. I'd welcome a test case.

AFTER 1974, any rulings concerning subrogation in New Jersey may become moot, since the subrogation clause in the state no-fault law expires at the end of the year and Mr. Donough doesn't have much hope for its renewal.

In another matter related to no-fault, both regulators commented on a developing controversy regarding Blue-Cross/Blue Shield seeking to be named primary medical coverage carrier in some no-fault states.

In New Jersey, Mr. McDonough said he had unofficially ruled auto insurers would stay being primary carriers under no-fault and also mentioned he had rejected a Blue Cross request to form its own insurance company to serve in that capacity.

"I DON'T think," he said, "the statute calls for a hospital plan using surplus company funds to start an insurance company." He did not rule out the possibility of an insurer such as Blue Cross seeking its own legislative routes, but felt as things stand now, the first-dollar payments for medical coverages will begin with the auto insurer.

In New York, Commissioner Schenck also felt Blue Cross would be required to drop payments for auto accidents in order to avoid duplication of no-fault benefits. Any resultant cuts in Blue Cross premiums weren't discussed by Mr. Schenck.

Asked about the possibility of enabling legislation being sought by Blue Cross in New York, Mr. Schenck expressed doubt, saying, "Blue Cross has problems of its own and I don't think they are pushing too hard in New York to handle medical payments under no-fault." ■

In fact, nearly half the Fortune "500" companies choose The Home for Excess coverage. Why?

One reason is Tony Christian—and all of The Home's other highly experienced Excess specialists. Working with you and your agent or broker, they know how to develop the most complete and economical Excess program.

Time and time again, the Home-plus-broker team succeeds for business. Whether yours is a multi-location company or a relatively small enterprise, you'll find The Home makes the special protection of Excess coverage available at very attractive rates.

With The Home, you get it all—the capacity, the program, the price and the people. Why not contact your broker now or look for your local Home agent in the Yellow Pages!

People make the difference.

INSURANCE HOME COMPANIES

Home Insurance Companies



Accident carrier named

Supreme Life Insurance Co. of America, Chicago, a black-owned and operated carrier, has been named by Levi Strauss & Co., San Francisco, to underwrite the sportswear manufacturer's voluntary personal accident insurance program. The plan will provide more than $77 million worth of insurance coverage for 1,150 of the headquarters and sales personnel of Levi Strauss.

With your Texas Workmen's Compensation Coverage, separate may be better.

Placing your Texas Workmen's Compensation coverage separately from your national coverage could prove to be a most profitable decision. Especially if you choose Texas Employers' to write your coverage. In 1971 alone, we returned well over $10.6-million to our policyholders.

It's worth a phone call to learn why separate is better. Call us collect at 214/742-9331, National accounts Division.

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

Employers Insurance of Texas:
Texas Employers Insurance Assn.
Employers National Insurance Co.
Employers Casualty Co.
Employers National Life Insurance Co.

london line

Labor party announces intentions to nationalize British insurance trade

LONDON—Plans for nationalizing the British insurance industry, except for Lloyd's, are being put forward by the Labor party in the event it wins the general election in two years time and returns to power in Parliament.

The scheme is so massive it will face tremendous opposition from the present ruling Conservative party under Prime Minister Edward Heath.

Obviously there will be opposition from the long-established insurance companies which for two hundred years or more have dominated the insurance scene, to such an extent that they now have an investment portfolio of $45 billion and an annual world premium income of $10 billion.

The proposals will be debated at the annual conference of the Labor party this fall, but they will almost certainly be accepted as a political plan, together with equal control of the banking industry, to which the party will be committed in its campaign.

It will be late 1974, or early 1975, before anyone really knows whether the Labor party can get into power so effectively that it can achieve its hope to switch insurance from private to public ownership.

But *Business Insurance* has learned some of the intentions, together with their effect on the U.S. market, if Labor gets control.

A Labor party spokesman put the position this way:

"We recognize the immense importance to the nation of the insurance industry, but there is great room for increased efficiency, and the costs of administration appear to be inordinately high.

"The high profits made by some insurance companies stem largely from overpricing, and the basic purpose of reorganizing the industry under public ownership is to provide more efficient service to the policyholder.

"Life assurance and auto insurance within Britain should both become public monopolies under state control, rather than be run by a largish number of private companies as is the case at present.

"The home market for both fire and accident risks should also be dominated by state insurance. But it is necessary to take into account that part of this branch's overseas earnings is affected by the fact that 29 of the states in the U.S. have legislation forbidding insurance operation in those states by companies owned wholly or in part by foreign governments.

"So if we take control, we will return a sector of fire and accident insurance to private control, for the purpose of covering some parts of overseas business, but cannot say yet just how this will be done."

Dealing with marine and aviation business, the spokesman went on: "Lloyd's is a unique feature of the British insurance market, and its value lies in its being the largest society of independent insurance experts in the world.

"Its business in domestic life and auto insurance is so small that its activities will be only slightly affected if these become a state monopoly.

"But its great skill and experience is needed in the field of marine, aviation and transit insurance. We see no overwhelming case for nationalizing marine and aviation insurance, of which Lloyd's does 60%.

"So we do not propose to bring Lloyd's activities under the control of state-run insurance in any way."

So far the British Insurance Assn., which looks after more than 300 leading companies, has shown no major reaction to the plan. This is largely because it was predicted by the Labor party in general outline last year. Details are only now being revealed, dependent on the uncertain factor of which political party will next gain power in the general election.

But there will certainly be a big fight by the major corporations as voting day draws near to convince the populace that nationalizing the insurance industry is an unnecessary step in Britain's economy.

* * *

PAUL DIXEY, chairman of Lloyd's, told leading Japanese insurers during a Tokyo goodwill visit that he believed there was an enormous potential market for risk coverage everywhere in the world.

He disclosed that five major Japanee insurance companies

Continued on page 29

How to Cope with

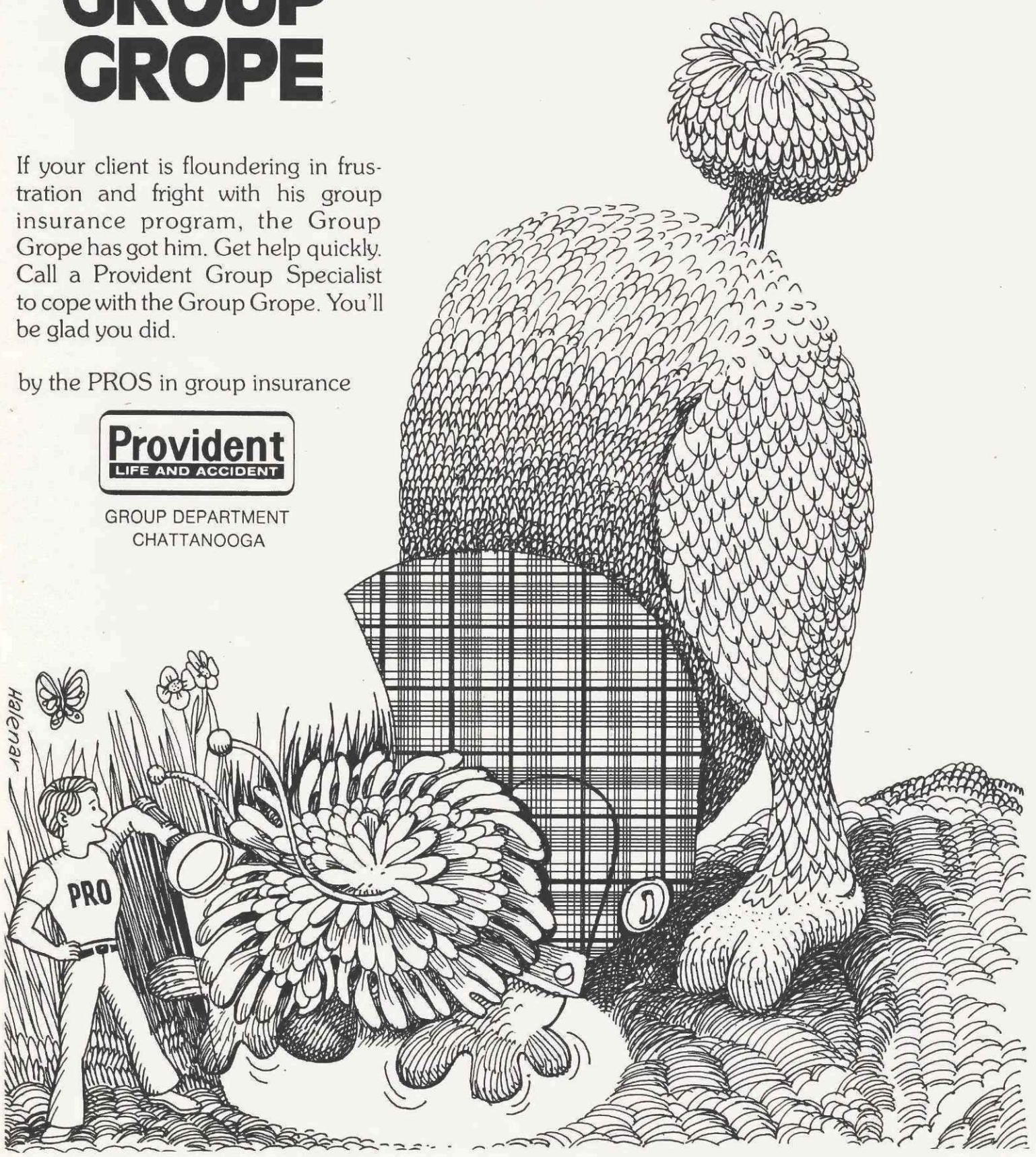
The GROUP GROPE

If your client is floundering in frustration and fright with his group insurance program, the Group Grope has got him. Get help quickly. Call a Provident Group Specialist to cope with the Group Grope. You'll be glad you did.

by the PROS in group insurance

Provident
LIFE AND ACCIDENT

GROUP DEPARTMENT
CHATTANOOGA



Safety laws tightened for submersibles

LONDON—Safety laws for underwater submersibles are being tightened up after two men were trapped for three days in the mini-submarine Pisces Three off the Irish coast. An international team of workers from Canada, the U.S. and Britain eventually rescued them.

The laws may help worldwide activity in underwater work, which is growing in both the scientific and industrial field and has already cost some lives, as a recent U.S. incident showed.

The new moves, in which the British government will play a part in providing legislation, will also be of importance to oil rig operators and other ocean activities in the waters off Western Europe where many international companies are involved. Further details will be given to Parliament later this year.

Also, Lloyd's Register of Shipping is introducing stricter controls for the construction and operation of submersibles which are classified under its rules and so hope to get better insurance ratings. ■

Reciprocity in private pensions are on horizon

MIAMI BEACH—Reciprocity may soon be spreading to private pension plans thanks to activity by labor unions on that front, according to Maurice E. McDonald, insurance professor of Georgia State University.

Speaking at the annual meeting of the American Risk & Insurance Assn. here, the professor predicted reciprocity, an agreement under which an employe can preserve pension credit even after leaving a specific plan providing he does not leave a circle of participating plans, promised to develop in a national network.

At the moment, most reciprocity arrangements are found almost solely among collectively-bargained, multi-employer contracts. In fact, some 700 of the 1,225 multi-employer negotiated pension plans provide for reciprocity. And Professor McDonald forsees the trend spreading.

He explained the type of reciprocity agreement he expects to blossom shortly incorporates a system in which two or more plans mutually recognize an employe's service in any of the plans in the agreement. The employe's retirement status in the plan in which he is enrolled is determined by this mutual recognition of service.

Most plans give a pro-rata benefit, the insurance expert said. Each plan in which the employe has been enrolled pays a separate, partial benefit, with no movement of money between plans.

In another reciprocity arrangement known as the money transfer technique, the original plan in which an employe has been enrolled is wholly responsible for providing the total retirement benefit. Other plans in which the employe may have been subsequently enrolled send their portion of the payment to the original plan. A single payment check is sent to the employe.

WHILE most reciprocity agreements have no waiting period and apply a uniform benefit formula, there is often either no vesting or no strict vesting provisions. Predicting the rate of withdrawal from plans causes a major cost problem in this type arrangement as well.

Prof. McDonald noted little empirical data exists in the area of withdrawal prediction, and said more work is essential to make it more likely that calculations could be made on how long an individual would remain within the circle of certain prescribed pension plans.

At the conference's session on pension cost, the assistant professor of insurance and actuarial science at the Wharton School of Business said the dollar cost for a completely unfunded plan would be twice as high as the dollar cost for a plan that was 50% funded.

Howard Winklevoss added that a low interest rate would create a lower percentage increase in the net cost of a pension plan. As an example, he cited the case of a 3% interest rate which would result in a plan twice as expensive as one providing for a 6% interest rate.

Vesting provisions can also influence the cost of the company pension plan, Mr. Winklevoss illustrated. He noted the dollar cost under a career vesting plan is lower than one under a final average plan.

Although the dollar cost of vesting drops at age 50 and remains fairly stable, Mr. Winklevoss warned that retirement costs go up greatly with entry age of the employe in the plan. ■

Geography given as major reason for merger of Canadian brokers

TORONTO—When E. A. Whitehead Ltd. and Tomenson-Saunders Ltd. merge their respective operations next month, the largest Canadian-owned brokerage in Canada will be created. But, the participants point out, size was not the reason for the merger.

According to Kenneth M. Elliott, director of Tomenson-Saunders, the merger was put together mainly because the two brokers were geographically suited (Tomenson-Saunders is headquartered here, Whitehead in Montreal) and their staffs complemented one another.

While both firms carry "sizable personal lines portfolios," they are mainly commercial insurance brokers, Mr. Elliott explained. They both offer broad facilities—from group benefits to consulting to funding for self-insurance—with Whitehead showing particular strength in builders' risks, aviation and marine insurance on Canada's east coast. At the same time, Mr. Elliott noted his firm had developed a great expertise in livestock coverage, aviation and marine insurance on the west coast.

"BOTH FIRMS have very good connections in the London market," he said. "And they are separate connections, which will make us that much stronger."

Tomenson-Saunders-Whitehead Ltd., as the brokerage will be known, will have nine offices across Canada—separately, they have more than that now but will consolidate in cities where each firm has maintained an office—as well as wholly-owned subsidiaries in Bermuda and the Bahamas.

When the merger is completed, the new firm will have a staff of 475. Mr. Elliott said there would be no cut down in the present number of employes and added, "We do hope, however, this will arrest having to go out and hire any more people."

In announcing the merger, William E. Toyne, Tomenson-Saunders president, said, "Our new organization is the direct result of long term planning to establish a full service agency with the widest possible geographical basis. A benefit of equal importance is the retention of Canadian ownership, thus strengthening the Canadian position within our own industry." ■

London Line . . .

Continued from page 28

have opened direct writing offices in London, and have been admitted as associate members of the Institute of London Underwriters, even though they compete with Lloyd's on equal terms.

"We welcome the new arrivals" he said, "because I regard it as a compliment that the Japanese recognize London's position in world insurance, and we appreciate their desire to take a share in the international reinsurance market."

* * *

TRADE UNION leaders are threatening to call protests in Britain unless public pensions, paid out of Social Security funds from government offices, are hiked by 50% this winter.

It is the first time that the Trades Union Congress, which represents millions of workers, has stepped into the campaign to improve pensions for all citizens.

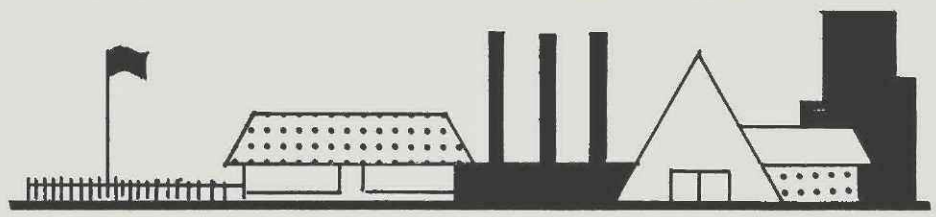
State-run pensions are provided for all men at 65, and women at 60, to supplement corporate or private retirement funds. They are currently around $17 weekly for single men, and $25 for a married couple.

* * *

FIRE DAMAGE in Britain is rising so rapidly that it is already 70% above last year's losses, and insurers are calling on the central liaison panel of loss prevention authorities to convene an urgent meeting to discuss the problem.

According to Aonghais Macconald, chairman of the British Insurance Assn., the seven largest blazes recently occurred in buildings without sprinklers and cost insurers $20 million.

He told *Business Insurance*: "It is significant that of nine fires which have lately broken out in sprinklered premises, the top loss was less than $250,000 except in one isolated case." ■



UP
UP

COSTS HAVE GONE UP!

Would your insurance cover only a fraction of your property's insurable value?
If there is any doubt in your mind, call the professionals.

INDUSTRIAL APPRAISAL COMPANY

NATIONWIDE SERVICE
HOME OFFICE: 222 BOULEVARD OF THE ALLIES, PITTSBURGH, PA. 15222
EXECUTIVE OFFICES: CHICAGO • NEW YORK • LOS ANGELES

Coverage Classics

The Hundred And One Dalmatians

New "in-house" facilities have been designed to provide protection for mortality on one animal . . . or a hundred . . . or more.

We can handle up to $100,000 any one animal or $150,000 any one occurrence immediately and arrange for higher limits if necessary within twenty-four hours. This new facility is designed for horses and cattle either on an individual or multiple basis. We also do canine coverage up to $10,000 any one animal—$50,000 any one loss, with higher limits upon request.

Hogs, sheep and goats can also be handled on either a full animal mortality basis or on a special named perils floater.

This new facility can be used either to "beef-up" your regular animal mortality capacity or as an alternative to the usual markets for this class.

For further information, contact your local W&A Branch Manager or Mr. Anthony C. Bova, C.P.C.U., Senior Vice President-Marketing at our New York Home Office.

Special Risks and Unusual Situations • Exclusively Through Agents and Brokers

Members of the Howden Swann Group

New York
Wohlreich & Anderson Ltd.
55 John Street
New York, N.Y. 10038
(212) 349-3020

Pennsylvania
Wohlreich & Anderson, Ltd. (Inc.)
570 DeKalb Pike
King of Prussia, Pa. 19406
(215) 265-6210

New Jersey
Wohlreich & Anderson, Ltd.
1 Grand Union Plaza
North Arlington, N.J. 07032
(201) 991-5611

Ohio
Wohlreich & Anderson Agency
662 Hanna Building
Cleveland, Ohio 44115
(216) 241-2917

D.C. Area
Wohlreich & Anderson (D.C.) Ltd.
The Teachers Building
10221 Wincopin Circle
Columbia, Md. 21044
(301) 997-1272

New England
Wohlreich & Anderson (New England) Inc.
One Boston Place
Boston, Mass. 02108
(617) 723-5770

Correspondents In All Other States

United Mine Workers struck over pension plan

WASHINGTON—The operations of the United Mine Workers of America Welfare and Retirement Fund have been halted for more than a month by a strike by fund employes over the fund trustees' refusal to immediately fund a pension plan for the 400 workers and grant other contract concessions.

The strikers have in effect closed down the operations of the 11 fund offices throughout the country, and the benefit bills which the workers normally process for payment are piling up at a rate of 12,000 to 15,000 a week.

The office workers are being represented in the dispute by the United Mine Workers Welfare and Retirement Fund Employes Union, an independent labor union which was finally formed in April after winning legal battles with the UMW International and the AFL-CIO.

"The backbone of this dispute is our request for the funding of a pension plan," Carl Kieler, chairman of the union's negotiating committee, told *Business Insurance*. "There has been a pension plan on paper for 18 years, but not one damn dollar has been contributed for funding. You can't ask people to depend on a plan that is without funding."

THE PENSION "plan on paper" was set up for the employes when a similar fund was established for retired miners. Benefits for both funds are now paid out of the UMW general revenues and come directly from a 40-cents-a-ton royalty paid by mine operators on the coal they sell.

The union is now in the process of reorganizing the pension program and has promised the fund employes a funded plan after the details for a funded miners' plan are filed with the Internal Revenue Service and approved.

"The trustees, through their negotiators, have told the representatives of the striking employes that the employes' pension will be funded as soon as the miners' pensions are funded," a statement released by the fund said. "The miners' pensions will be funded as soon as the requirements of the IRS can be met. Pensions for coal miners are not presently funded. For quite some time, attorneys for the fund, the UMWA and the coal operators have been working diligently to modify the miners' pension plan, which now has over 70,000 retired soft coal miners on its rolls, so that it will meet IRS qualifications. The proposed plan is to be submitted to the IRS very soon, and we anticipate that it will qualify.

"WE HAVE given the striking employes' representatives assurance that we will then take immediate steps to achieve the same type of funding mechanism for employes of the fund," the statement said.

"Sure, they've told us that they'll fund our pension plan after they straighten out the miners' plan," Mr. Kieler said, taking a break from the picket line. "But they haven't told us how they will go about funding it."

The union claims, with the pension funding and other demands, the fund employes are asking increases equal to a 75% increase or approximately $3 million per year.

"The talk about 75% is ridiculous," Mr. Kieler said. "If you want to figure in the fund's irresponsibility for not funding the pension plan over the last 18 years, then it might be 75%. But, had they contributed $1 million or even a half-million, they would have a fully-funded pension plan now."

The Union is also seeking pay increases of 5.5% retroactive to Jan. 1 and an additional 5.5% next Jan. 1. The fund trustees have offered a flat 5.5% improvement, with no retroactivity and no additional increase next year.

THE 400 office workers are also seeking improvements in the Blue Cross-Blue Shield group health benefits they receive, most notably the initiation of a dental care program.

The dispute has reached the point where the fund trustees say the fund is in a "critical situation." While the trustees have pledged to keep pension checks and medical benefits flowing to fund beneficiaries, the workers doubt that's possible.

"Aside from the 12,000 to 15,000 requests for payments that pour in each week, we now have a year and a half backlog of pension applications," Mr. Kieler said. "A recent court ruling has made all miners who have worked 20 years eligible for the fund, and, consequently, we had 30 to 50 people working overtime to process 17,000 to 20,000 applications. Nothing's been done on any of these matters now for over a month.

"We feel the trustees have been entirely irresponsible to the beneficiaries of the fund and to us by allowing this contract issue to get to the strike stage," he said. "If this wasn't a first contract, then we could get by on substantially less. But we haven't had a pay increase in 20 months, and our people, we figure, are 13% behind what government employes are paid to do the same jobs." ■

Insurer profit cuts in force in Arizona

PHOENIX—Millard Humphrey, Arizona insurance director, said insurance policy costs to Arizona motorists have declined by $3,700,000 since a campaign began against large profits by insurance companies.

He said last month his goal for reductions is between $6 and $7 million.

State Farm, the second largest car insurer in the state, reduced rates and refunded $1,900,000 in dividends to policyholders, the official noted.

Members of the Insurance Service Offices refunded $1,600,000. Other reductions and refunds were made by several smaller companies, he added.

Mr. Humphrey said an investigation showed Allstate Insurance Co., Arizona's largest, had "a high loss ratio" last year and its current rates were justified. A few other companies were in similar positions, he stated, but some were maintaining higher rates than desired. ■

$100,000
CAPAC
FIRE &
Capacity, Capacity, Capacity . .
Devonshire underwriters really underwrite. Devonshire engineers really engineer.
Devonshire production people really produce. Devonshire claims people really know what claims are all about.
Our underwriters don't rely on manuals, but use a creative approach to large lines; they look for solutions to problems, not just problems.
If you really want action on large
Devonshire man a call!!!
DEVONSHIRE COVE
Los Angeles
Jan Krajewski, President
630 S. Shatto Place
Los Angeles, California 90005
(213) 380-6151

Group health plan contributions by federal agencies hiked in bill

WASHINGTON—A bill designed to increase federal government contributions to the group health insurance program covering 2.8 million federal employes has cleared the House subcommittee on post office and civil service largely intact and is awaiting a floor vote.

The proposed legislation to increase the government's contributions from the present level of 50% to 75% over the next four years was introduced early in the session by the subcommittee's chairman, Rep. Jerome Waldie (D-Ca.). The bill seeks contribution increases at a rate of 5% annually, until the 75% level is reached in 1977.

The federal government now provides health coverage through Blue Cross-Blue Shield. That contract is now the source of a class-action anti-trust lawsuit filed jointly by a labor union representing 1.6 million federal workers and a number of associations representing 60,000 psychologists (*Business Insurance*, Aug. 27).

The House bill also would allow federal workers who have retired prior to July 1, 1960—some 150,000 persons—to benefit from the increases.

A MEASURE asking extensions of increases to unmarried student dependents over age 22 was deleted by the subcommittee. "It seemed elitist," the Congressman's general counsel said.

In his remarks introducing the legislation, Rep. Waldie recalled a request once made by President Nixon asking private employers to provide by 1976 at least 75% of the total cost of employe health insurance.

"Members of Congress have a special duty to see that federal employes are treated equitably," he told the House. "If we insist that they not strike—a proposition with which I strongly disagree—then we must in all fairness at least give them benefits for which they might justifiably strike, if permitted."

During the subcommittee's hearings on the bill, officials of the National Federation of Federal Employes characterized both the federal government as "lagging far behind the trend in the private sector in this field" and Blue Cross-Blue Shield as "the major beneficiary of the present system."

"We learned that Blue Cross was guaranteed a rate increase to offset a $75 million deficit," the union noted in testimony. "So far as we can tell, no effort was made to determine the reason for the deficit. We think it could have been shown that Blue Cross was inefficient, failed to provide proper claims service and spent far too much money investigating claims."

THE UNION further charged the present arrangement with the Blues "is not good and should be scrapped."

"The machinery is available, and we believe the Social Security Administration, as efficient an agency as there is in the government, has the facilities and experience to administer a health insurance program for federal employes with a modicum of fairness and a minimum of red tape." ■

Lease suit appeal lost by insurer

SPOKANE—The Washington state court of appeals has rejected an appeal by United Pacific Insurance Co. of a Yakima county superior court ruling holding the firm liable for damages stemming from a truck-auto accident involving a trailer owned by a policyholder but leased to another party.

Judge Blaine Hopp, Jr., Yakima, had granted a summary judgment in favor of Mr. and Mrs. Lee Semon Jr., whose car was struck by a flattened car body which fell off a trailer owned by Elijio Gomez on April 10, 1966, between Yakima and Ellensburg.

The trailer had been leased by Mr. Gomez for 30 days to Salvadore Manjarrez, whose employe was towing it with a truck owned by Mr. Manjarrez when the accident occurred.

Judge Hopp ruled a clause in the insurance policy held by Mr. Gomez covered accidents which occurred while the trailer was being used by another party with Mr. Gomez's permission.

COUNSEL for United Pacific argued "permission" implied a right to withdraw the permission which Mr. Gomez did not have during the period of the lease.

Judge James Ben McInturff wrote the unanimous appeals court decision which cited a 1966 decision by the state supreme court, which said, ". . . where a provision of a policy of insurance is capable of two meanings, or is fairly susceptible of two different constructions, that meaning and construction most favorable to the insured must be applied, even though the insurer may have intended another meaning." ■

0,000.00
TY FOR
R SMP

The Devonshire Secret is PEOPLE

There are no written rules for engineering at Devonshire; our engineers study a risk from an asset protection standpoint.

Our production people have authority in the field; they know their business; they help the broker prepare the risk for acceptance, not rejection.

When our claims people handle a claim, they handle it for the client and the broker. What ever the claim, they've been there before.

Fire and SMP coverage, give your

RAGE CORPORATION

New York
Henry Dunn, Vice President
Suite 2500
116 John St.
New York, New York 10036
(212) 964-1900

Chicago
James Carroll, General Manager
102 E. Chestnut
Chicago, Ill. 60611
(312) 944-4012

HOW TO ORDER B.I. REPRINTS

Readers may now order low cost reprints of articles that appear in BUSINESS INSURANCE directly from this magazine. Articles are reprinted on 8½" x 11" sheets and carry the BUSINESS INSURANCE credit line and issue date.

Quantity	Price*
50	$ 10
100	$ 16
Additional 100's, per 100	$ 6
1000	$ 40

*For articles requiring more than one page, multiply the price by the number of pages needed. Two-page reprints are furnished on one sheet, back-to-back. Shipping extra. For additional information contact:

David Cohen
business insurance
708 Third Avenue
New York, N.Y. 10017
212/986-5050

Safety expert says air crash probers lacking training and basic expertise

TORONTO—There is a serious need for more formal academic training and a higher level of technical expertise among air accident investigations in which insurance companies have a stake.

This point came out strongly at the fourth annual seminar of the Society of Air Safety Investigators in Toronto.

G.H. Saunders, a lecturer on aerospace safety at the University of Southern California, asserted governments, insurance companies and lawyers are sometimes "seriously let down" by incorrect or inadequate evaluation of engineering factors in air accidents, especially smaller accidents without a massive loss of life or property.

Mr. Saunders stressed he was expressing his personal opinion, based on his experience as a technical consultant and expert witness in California. He felt: "In many cases, clients, unknowingly, are being seriously let down by either incorrect analysis of physical evidence, or, more often, by a cursory interpretation of physical evidence in favor or other areas in which (the investigators) are more familiar, such as operational and piloting factors."

LOW LEVELS of technical expertise among investigators is a source of continual amazement, Mr. Saunders said. He noted many investigators are former military pilots, many of whom don't have science or engineering degrees.

While knowing the pilot's point of view and operational systems are important, said Mr. Saunders, "it by no means automatically qualifies a man to call himself a professional investigator." He maintained the amount of time a man spends in a cockpit has only a remote relationship to his true understanding of the physics going on around him.

Robert Besco, an aviation and engineering consultant at the University of Southern California, told the seminar it is only a matter of time before the question of certification for investigators comes up before the air safety investigators.

It was the stated opinion of R.C. Clarke, manager of the flight safety department of British Aircraft Corp., investigators should undergo training at a recognized institute. He contended developing countries unable to establish a national air safety investigation school should send their investigators overseas for training.

MR. CLARKE would like to see a central international school to established agreed upon global standard procedures. Such a system would be better able to respond to the increasing legal and technical complexities of international aviation, he added.

There is a need for accident investigation to be more prevention-oriented, said Prof. George Parker, head of the accident prevention and investigation department at the University of Southern California. The emphasis, he felt, should be on preventing accidents from occurring rather than recurring. "There's an old concept that if you feel you have to have an accident to prevent one, then you're part of the problem. It is not necessary to have an accident investigation to prevent an accident," he added. ■

Hospital fire fatality is suit basis

PHOENIX—A $1,502,501.69 suit has been filed in superior court by Morris Baumgarten, Chicago, Il., father of Neil E. Baumgarten, 27, who died in a fire last November while under restraint for a mental condition at Camelback Hospital.

Named defendants were Frank J. Dunning, administrator of the hospital, and hospital employes Lucy Doll, Florence Scott, Dulcie Braddell and Frank Cox.

The suit contends Mr. Baumgarten was negligently left unattended after being placed in restraint on a bed in a secluded room by hospital employes, although he was admitted to the institution to prevent him from harming himself.

ACCORDING TO the action, the hospital and its employes failed to exercise proper supervision over plaintiff's son and to provide him with constant care, although the defendants knew these things were required because of his mental condition.

While Mr. Baumgarten was restrained, the suit said, a fire broke out in the room, igniting a mattress, pillow and his clothing and burning him severely.

The suit charges the defendants negligently failed to search Mr. Baumgarten and remove matches from him or from the room. In addition, the suit said, he was carelessly left in restraint in an area of the hospital lacking an adequate and operable fire alarm system and sprinklers or equipment which could have extinguished the blaze.

Plaintiff seeks $1,000,000 compensatory damages, $500,000 punitive damages and $2,501.69 for funeral expenses for his son. ■

Fair fouled over coverage for liability

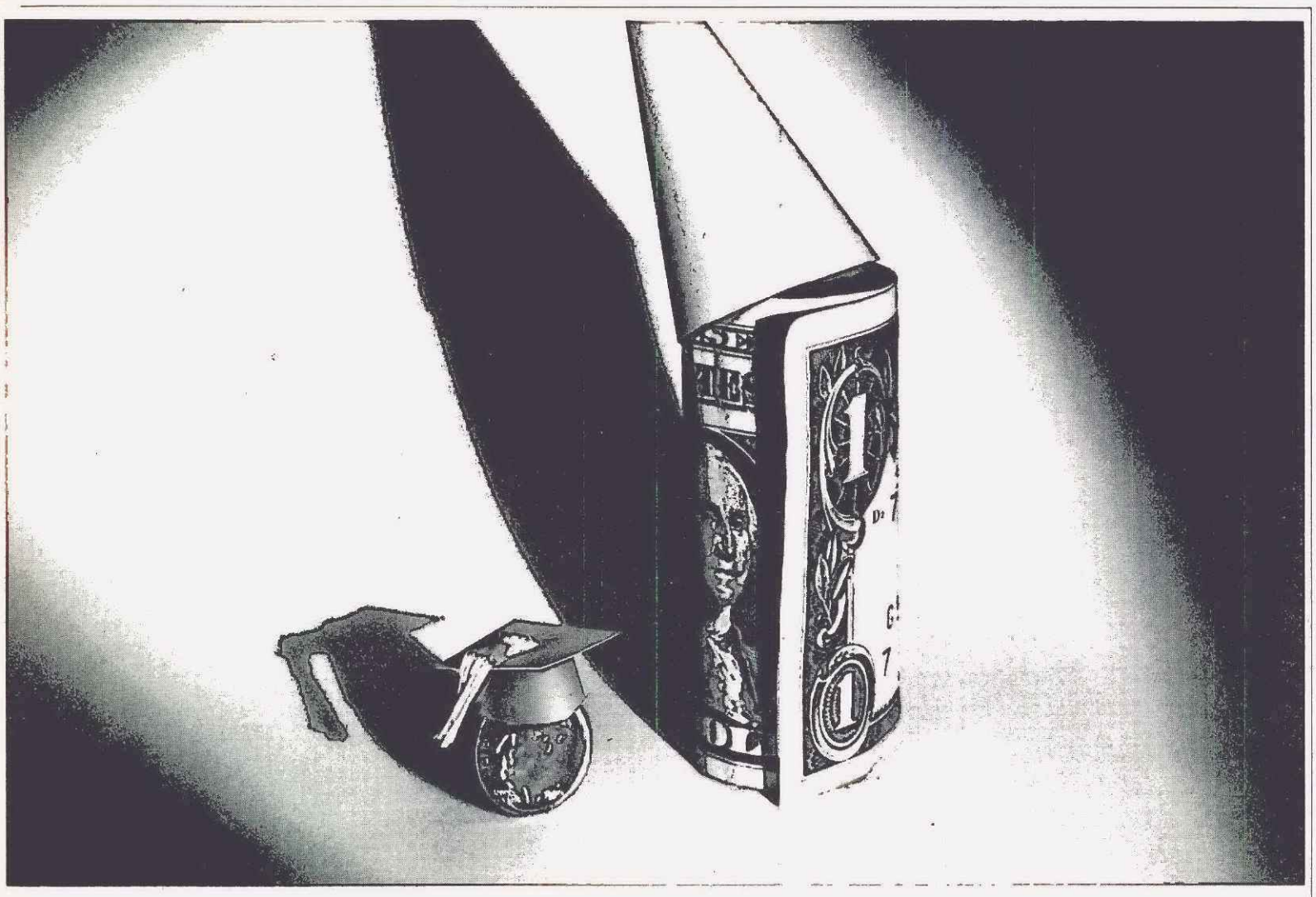
GREEN VALLEY, AZ.—Because operators of the annual Green Valley Country Fair and the new owners of the property, the Havens Management Corp., could not reach an agreement on insurance coverage, the September event has been cancelled.

The fair has been one of the highlights of the retirement community's fund-raising activities for the past nine years.

Havens recently purchased the property owned by the Federal Housing Administration.

"Havens wanted us to take out a $4 million insurance policy covering liability and damage," said Jack Toole, president of the Green Valley Country Fair Inc.

Mr. Toole said last month the fair had a $300,000 policy but this did not meet the guidelines set forth by the new owners. He said the FHA had found the $300,000 policy adequate. ■



How a smart self insurance dime can beat a dumb premium dollar

When you self-insure with Gallagher's assistance, *you* keep those premium dollars. Not some insurance company.

Your working capital picture becomes brighter. Our clients—major corporate and institutional self-insurers—are proving it every day. To their increased profits.

We offer tailor-made, computerized claims control—with O.S.H.A. compliance inspections—and complete safety engineering. All on a nationwide basis.

And all exposures can be covered: property, automobile, general liability, product liability, dishonesty, workmen s compensation.

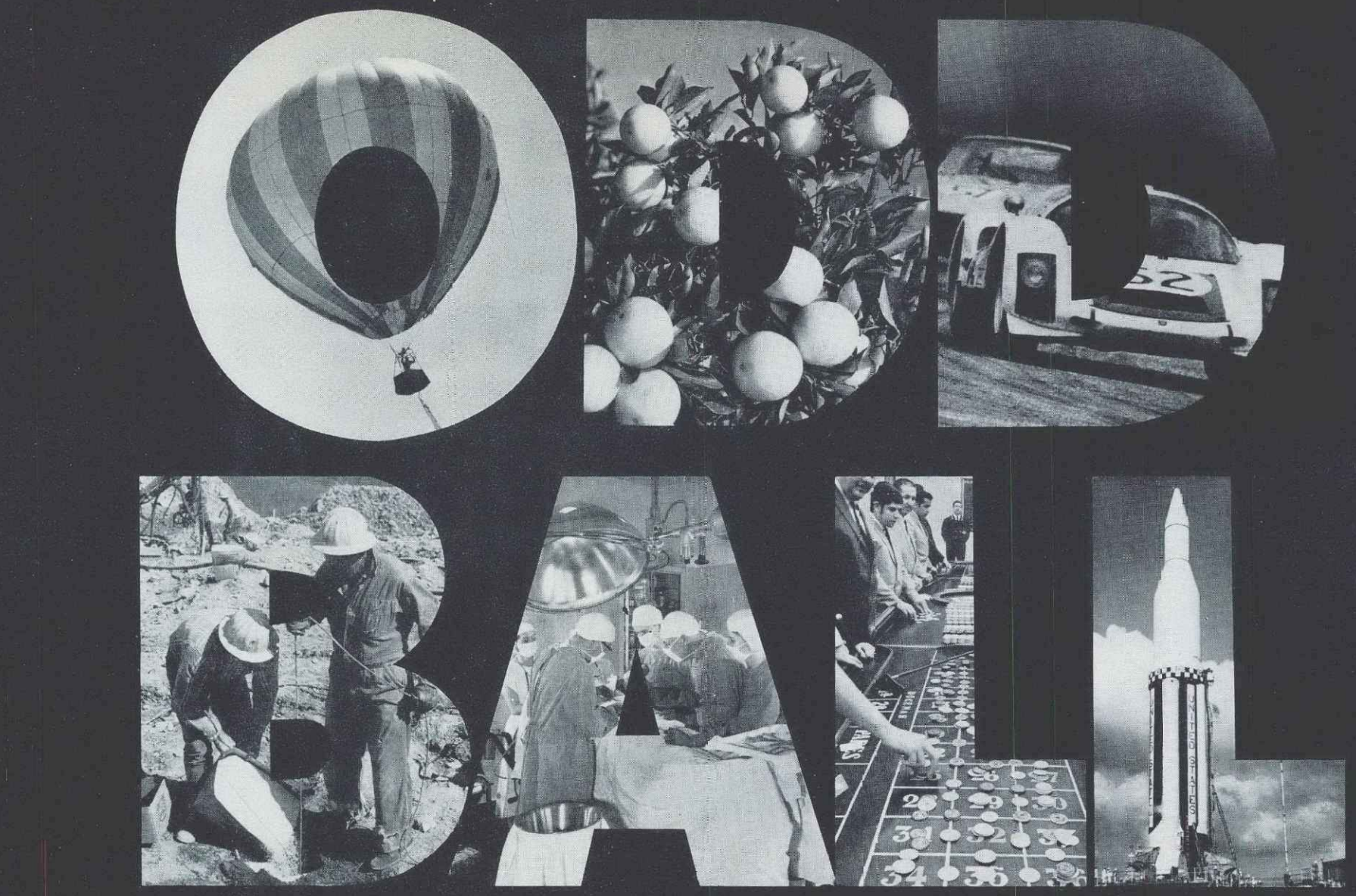
Last year we handled more than 21,000 losses and claims and administered client funds exceeding $10,500,000.

We wil be glad to provide a competitive comparison of your present program, at no cost or obligation.. To see how your insurance dimes can work like dollars, simply contact us.

ARTHUR J. GALLAGHER & CO.

1 E. Wacker Drive, Chicago, Illinois 60601 · Phone 312/321-1700

• A Nationwide Organization Providing Excess Coverages and All Related Services for Self Insurers
• Brokers for Commercial, Industrial, and Institutional Insurance Programs



(They're our bread and butter.)

To most insurance companies, an off-beat risk can be a real problem.

If they've had no prior experience with it, they get nervous.

And if there's no standard form to cover it, they get downright panicky.

Not here.

At the Lex, as an excess and surplus lines company, we specialize in risks that most other companies wouldn't touch with a gun, a whip, and a chair.

Like property and casualty insurance for gambling casinos.

Or protection for dealers and haulers of explosives.

Or coverage of space vehicles, in case they fail to make it into orbit.

Catfish farms and cyclotrons, racing car speedways and citrus groves—we've handled them all. And lots more. Because our hard-to-scare underwriters will listen to any proposal... look hard for ways to help you...and then give you a prompt answer.

Chances are, you'll like the answer, too. At the Lex, our underwriters aren't ruled by rate manuals. They don't have to limit themselves to standard forms. And they're out to prove there's a way to take on just about any risk, with the application of the right terms. And conditions. And pricing.

Do you have an Odd-Ball risk? Send the coupon today.

Lexington Insurance Company

Dept. BI093, 25 New Chardon Street
Boston, Mass. 02114

Name_____
PLEASE PRINT

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Note: The Lex deals exclusively through surplus line brokers—but *all* agents and brokers are welcome to place business with us through such brokers.

labor beat

AMIA eyes stanardized work comp; AFL-CIO says they're dreaming

WASHINGTON—The American Mutual Insurance Alliance (AMIA) has suggested a workmen's compensation interstate compact could be used to retain state control of the workmen's compensation system and standardize and upgrade its widely varying benefit levels from state to state.

The AFL-CIO has suggested the AMIA is dreaming.

"This proposal is essentially a diversionary tactic to stall the establishment of minimum federal standards in the workmen's compensation area," Bert Seidman, director of the union's Social Security Department, told *Business Insurance*. "As far as the AFL-CIO is concerned, this interstate compact idea is a clumsy, cumbersome and uncertain. way of getting improvements. Federal standards are the sure way."

THE AMIA has been studying the interstate compact approach to workmen's compensation for some time, and, recently, the alliance published a study by Dr. Mitchell Wendell, a Washington governmental affairs consultant, which calls the approach a "timely and effective solution to the basic problem—how to strengthen the workmen's compensation system within the context of state government and state responsibility for the care of the occupationally injured."

The study declines interstate compacts as roughly akin to "legal contracts among states" and says some 150 of them exist to standardize handling of such state procedures as paroles, probationers, teacher certification, interstate taxation, driver licensing, etc. The compacts are enacted by the state legislatures wishing to participate, the AMIA study notes, and—the AFL-CIO is quick to point out—can only be amended with the approval of all the states involved.

THE AMIA compact plan calls for the establishment of a common agency, accountable to the states, to monitor progress in the area, conduct research and develop new approaches to improve state systems.

The AFL-CIO's Mr. Seidman charges such an arrangement "would be taking this country back to the days of the Articles of Confederation."

While the union is not out to end the insurance industry's piece of the work comp action, the AMIA and the AFL-CIO have been at odds over federal intervention for, it seems, longer than always.

At this point, the cards seemed to be stacked in the union's favor: The National Commission on Workmen's Compensation Laws has recommended the states be given until 1975 to update their laws; efforts on the state level to legislate the needed improvements to meet the deadline and prevent federal takeover have been few and far between, at best; and, last, but certainly not least, in the AFL-CIO's mind, is a bill recently introduced in both the Senate and the House proposing minimum federal standards and federal takeover of any state program which refuses to comply either with the standards set forth in the bill or enforce the provisions of the Federal Longshoremen's and Harbor Workers' Act (*Business Insurance*, July 2).

"I THINK the handwriting is on the wall on this matter, what with the Senate and House bills introduced and hearings coming up," Mr. Seidman said. "We'll not waste our time with this interstate compact proposal. We're putting all our eggs in this basket. Under the bill, these standards won't become effective until 1975, so of course, until then we'll be doing what we can to get the states to improve their respective laws."

James O'Brien, the Social Security Department's assistant director, said he was approached by the AMIA last year and asked to participate in the alliance's interstate compact activities. He declined, he said, because the union is not interested in any program designed to preserve state control.

"The long-range goal of the union is complete federal takeover of the system," Mr. O'Brien, a former member of the national commission, said. "But now, as an important immediate step toward that goal, we are moving for minimum federal statutes while retaining state administration.

"When the AMIA first approached me on this interstate compact issue, they seemed to feel they would have numerous sponsors," he said. "As far as I know, they have no others but themselves."

THE PROBLEM with the compact theory, according to Mr. O'Brien, is ammendments to the agreement must be approved by every state.

"A state can get in this thing one day and get out the next," he said. "It's no answer. In the commission that would control the compact, a state like Wyoming and a state like New York would have an equal say. We've run into this problem before—a largely rural state and a largely industrial state passing equal judgements."

Both Mr. O'Brien and Mr. Seidman feel passage of legislation establishing minimum federal standards will pass without the normal stumbling blocks which tend to appear before any bill which is backed by organized labor.

"We're not really sure the insurance industry is opposed to minimum federal standards," Mr. O'Brien said. "Some employer groups—especially concerned employers who self-insure work comp—are behind the legislation. Governors and state administrators have indicated they look upon it favorably. These are groups that have not had a voice in the past, and I think their voice on this matter will be a strong one indeed." ■

Risk management. James never leaves your company in the dark.

First things first. James has just one goal in mind for each of the thousands of corporate clients we serve. That goal is effective risk management.

Not insurance.

Because insurance, with all its strengths, is one tool—one means to the management of risk. And we use it that way. Where it fits.

James uses all the other tools, too. Deductibles. Self-insurance. Non-insurance. Loss prevention. Safety engineering. More. All to make a company's risk management more effective than it was last year—or last week.

You may be a full-time risk manager. Or you may carry this responsibility, among others, for your company. Either way, you're likely to find working with the James' professionals a refreshing and rewarding experience.

First, because we get to know your risk in depth. And in a hurry.

Second, because we aim at building effective risk management, not insurance premiums.

Sound good to you? Ask us how James can bring your company more effective risk management.

James Risk Management

Fred. S. James & Co., Inc.
Insurance Brokers and Consultants since 1858

Atlanta • Boise • Boston • Chicago • Dallas • Detroit • Fort Lauderdale • Fresno • Harrisburg • Hartford • Jersey City Laguna Beach • Little Rock • Los Angeles • New York • Newark • Oklahoma City • Philadelphia • Pittsburgh • Portland Rochester, N.Y. • Salt Lake City • San Francisco • Seattle • Spokane • Tucson • Tulsa • Washington, D.C.
International Service Through Associates In Major Cities Throughout The World



...and we'll give you our Graded Death Benefit.

It's a concept bound to spark a revolution! It's Bankers Security's Graded Death Benefit for pension participants who don't quite make "passing marks" on the standard life insurance rate scale. But, instead of raising the premium, we've lowered the coverage *initially*. We've underlined initially because the death benefit rises as the years go by!

Everybody's happy! The insured and you. The insured because he doesn't have to pay a higher premium and *he is entitled to the same paid up insurance benefits*—including full cash values—as the standard participant. And you, because you can now include life insurance for the "rated" pension plan participant.

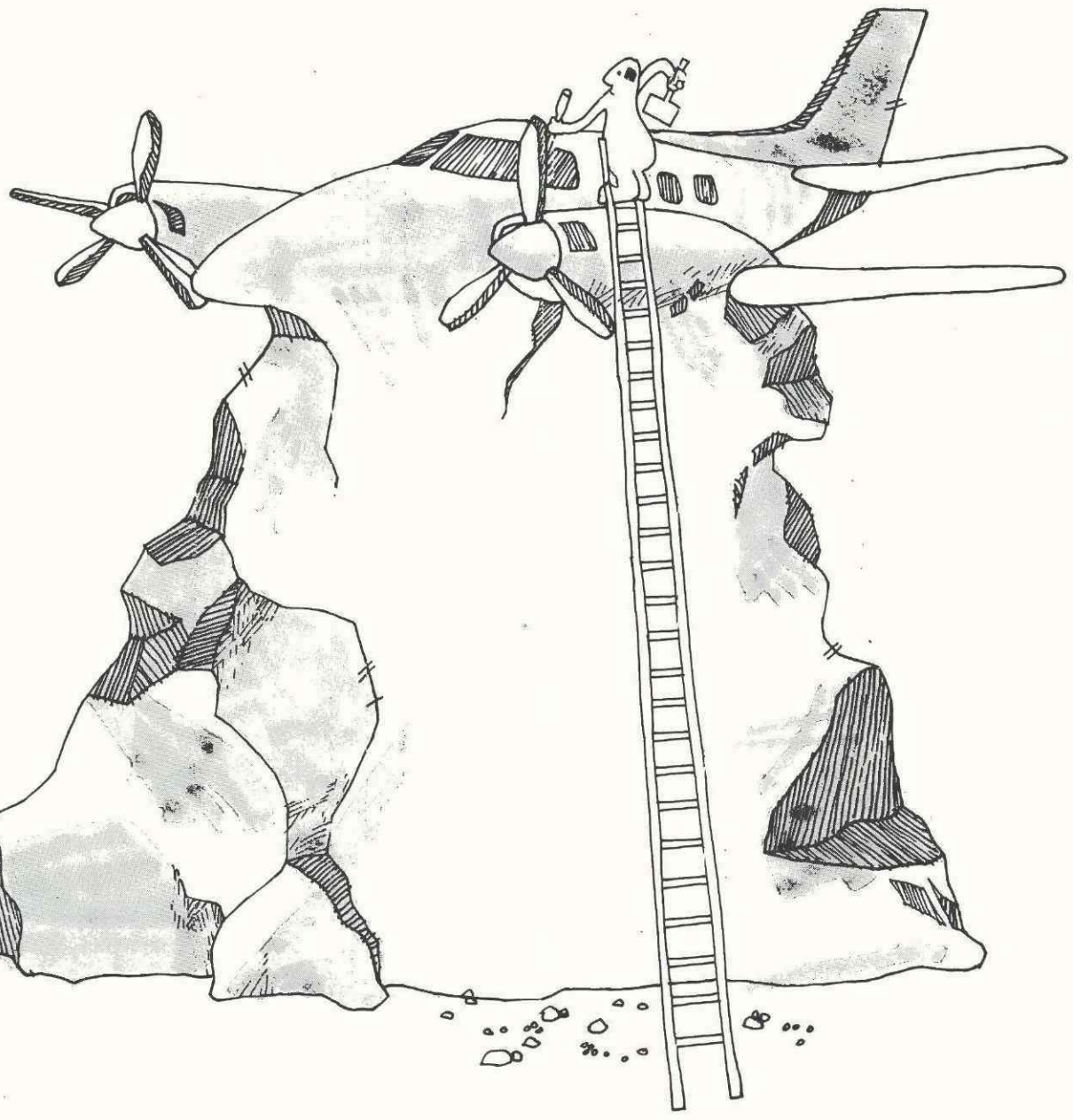
Talk to us today about this modern remedy to an old ailment. Bankers Security's Life Graded Death Benefit: *It's therapeutic.*

Contact your nearest Bankers Security General Agent or write:

Bankers Security LIFE INSURANCE SOCIETY
Executive Office: 1701 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
Home Office: New York City

we've been mass marketing Specialty Group Insurance for 25 years.

but now our service reaches new heights.



We are not big on small groups, but when you are developing an insurance program for associations, police and fire departments, creditor groups, or employer trusts, we provide the coverage and answers you need fast! North American has established two great new services. There's a new toll free telephone system for "now" answers. And we've established a "Sky Writers" group of Mass Marketing people who'll fly anywhere in the country to assist with proposals and problems. All it takes to get "Sky Writer" service is a call to North American's Mass Marketing Division. Our new toll free number is 1-800/328-7402.

north american
LIFE AND CASUALTY COMPANY
1750 Hennepin Avenue, Minneapolis, Minnesota 55403

business insurance PERSPECTIVE



BY EUGENE F. JOHNSON
Assistant vp,
Rollins Burdick Hunter Inc., Chicago

Civil disorder loading points out lack of available statistical data

IN 1963, SERIOUS disorders broke out in Birmingham, Savannah, Cambridge, Maryland, Chicago and Philadelphia. This was the beginning and forewarning of a wave of civil disorders that would spread across the nation throughout the 60s and early 70s. In retrospect, serious questions arise concerning actions taken by various state regulatory departments in granting a civil disorder loading in rates for most property insurance coverage.

When the writers of extended coverage added riot and civil commotion among its insured perils, they could not have foreseen the magnitude of riot-caused damage and destruction as evidenced by the Watts riot of 1965. At that time, there was no more than a token charge for the peril in the extended coverage rates.

Shaken by the turn of events, and an ever-mounting potential for large loss, the insurance companies requested help from both the state and federal government in 1968. The federal government responded by creating the Federal Riot Reinsurance Program. More than half the states now have FAIR plans which entitle the companies to a reinsurance backup program of state and federal protection.

State regulatory departments in 27 states responded, excepting one, during a 10-month period in 1968 with a civil disorder loading (See accompanying table). This loading varied by state, but for the most part followed a pattern of granting a dwelling extended coverage increase of .010 per $100. Mercantile fire, extended coverage and vandalism rates were increased 2% to 4% based on potential city threat to a civil disorder.

In the granting or denial of this civil disorder loading by state insurance regulatory officials, immediate questions arise: Why did the 27 states respond and the remaining 23 states deny a civil disorder loading? Why did the insurance commissioners of Nevada, Idaho and Montana think the existing rate increment in the extended coverage was not sufficient to meet potential riot and civil commotion exposure in those respective states? Why did Arkansas, Mississippi, Missouri and Alabama insurance commissioners deny such a loading when they not only had the potential exposure in those states but actually experienced riots and civil commotion? These questions or actions underline that spread of risk, through the insurance mechanism, was not working in a fair or equitable manner for all people throughout the United States.

THE 1972 "Insurance Facts" booklet, published by the Insurance Information Institute, lists civil disorder estimate loss payment figures for 1965 thru 1971, excepting 1966. Totals for the year 1964 and 1966 were reported in the July, 1970, issue of "The Spectator." These figures are shown in another accompanying table.

The Insurance Information Institute states in the "Insurance Facts" booklet that "estimates are based on data reported to the American Insurance Assn. and Insurance Service Office and reported insurance losses on fixed property only, and not total property damage."

Civil Disorder Loading Effective and Withdrawal Date By State

State	Effective Date	Withdrawn
California	May 1, 1968	July 15, 1970
Connecticut	May 8, 1968	June 6, 1973
Florida	May 1, 1968	Jan. 20, 1969
Georgia	May 15, 1968	Apr. 15, 1969
Idaho	May 1, 1968	March 15, 1969
Illinois	Aug. 19, 1969	
Indiana	March 1, 1968	Partial June 6, 1973
Iowa	Dec. 1, 1968	Jan. 1, 1973
Kentucky	Apr. 22, 1968	July 1, 1971
Louisiana	Nov. 1, 1968	July 10, 1970
Maryland	July 25, 1968	Under Consideration
Massachusetts	May 8, 1968	Apr. 4, 1973
Michigan	June 15, 1968	July 1, 1972
Minnesota	May 1, 1968	June 1, 1972
Montana	Apr. 10, 1968	Oct. 15, 1969
Nebraska	Apr. 8, 1968	March 3, 1969
Nevada	May 1, 1968	Apr. 18, 1969
New Jersey	July 1, 1968	Aug. 1 and Sept. 1, 1973
New York	May 1, 1968	Oct. 30, 1972
North Carolina	Aug. 1, 1968	Aug. 1, 1971
North Dakota	May 1, 1968	June 1, 1971
Ohio	March 18, 1968	Sept. 1, 1972
Pennsylvania	May 15, 1968	Apr. 1, 1973
South Dakota	May 1, 1968	Feb. 28, 1973
Tennessee	July 15, 1968	Apr. 1, 1973
Utah	June 1, 1968	Sept. 1, 1969
Wisconsin	Dec. 16, 1968	Under Consideration

A request was forwarded to the Property Claim Services Office of the American Insurance Assn. for civil disorder information covering the years 1964 thru 1972. The reply to this request was, "Sorry to advise that the information you request is not available, we have discontinued the program." This writer located an in-depth statewide breakout of riot and civil-disorder information for 1969, as prepared by Property Claims Services Department of The American Insurance Assn., in the June, 1970, issue of Best's Review. The Insurance Service Office loss information is limited to member companies only.

Continued on following page

Employes cry, 'Listen to me'— benefit designers are listening



BY ALBERT S. SCHLACHTMEYER
Consultant, Hewitt Associates,
Deerfield, Il.

"Today, the traditional 'shotgun' employe study has given way to more specialized exercises targeted to more specific objectives, including benefit preferences."

LIFE USED TO BE at lot simpler for those who manage employe benefit and compensation programs.

Time was when you could sit back, make sure the paper work was flowing smoothly, settle a few questions on plan provisions now and then, and check the trade press or your broker for new benefit wrinkles. Changing a pension or group insurance plan was merely a matter of making sure you were up-to-date in terms of competitive practice.

Not so today. Now, benefit and compensation decisions have to be made in terms of a more complex and less predictable environment. And, in this age of consumerism, the increasing cry among employes is, "Listen to me!" These days, more and more benefit and compensation planners are learning how to listen effectively to what their employes are saying.

THERE ARE two basic techniques being used to collect employe input on pay and benefit matters—qualitative method and quantitative method. Both can help management find out what dissatisfactions are present in the existing program, what employe knowledge gaps exist, what priority for change employes would set and how people might react to possible future changes.

This information can then be combined with management's employe security objectives and financial practicalities to evaluate existing programs or to change them.

Qualitative techniques take many different forms. "Armchair analysis" may involve simply sitting down and talking with selected groups or individuals to probe what they think or what they think the rest of the troops are thinking. The only difference between this and the normal management process may be that it's done on an organized basis over a defined period of time, with perhaps some attempt at equal representation of the various interest groups within the work force. It may or may not involve an outside third party as a discussion leader.

Another qualitative method involves a series of individual one-on-one interviews. Using a prepared list of questions ranging from the very general to the very specific, employes are given the chance to make their feelings and suggestions known behind closed doors. Some element of science can be brought to studies of this type by using a qualified outside resource to conduct the interviews, selecting a statistically representative group of participants and analyzing the responses in terms of various personal characteristics.

Continued on following page

business insurance PERSPECTIVE

Reply . . .

Continued from preceding page

Referring back to "Insurance Facts," one finds disorders for July 23, 1967, in Detroit, Mi., at $41.5 million. Consulting a second reference, "The National Advisory Commission on Civil Disorders Report," one finds that, "a December, 1967 estimate by the State Insurance commission was between $40 and $45 million. The insurance commission indicated that almost $33 million will be covered by insurance." Inquiry was then made of the Michigan department of insurance, which responded that insured losses were $33,828,864.07 for all perils (auto, burglary, fire, glass, etc).

A second check of "Insurance Facts" shows disorders July 12, 1967, Newark, N.J. at $11 million. The National Advisory Commission states "$10,251,000 total."

INQUIRY was then made of the New Jersey department of insurance as to total losses on fixed property insured and non-insured for this singular occasion. The department replied they had "no data on uninsured losses" and went on to say "you will not find more authoritative sources on this event than those you quoted. Our principal interest is in receiving these statistics by line of business for rate making purposes. The losses are also aggregate statewide experience period amounts rather than for an isolated Civil Disorder."

A final check shows disorders Aug. 11, 1965, Los Angeles (Watts), Ca., $38 million. The National Advisory Commission states "approximately $35 million in damage had been inflicted."

The California department of insurance was contacted and requested to clarify the correct total losses on fixed property insured and non-insured. Their answer: "In response to your request for the above noted information we advise that this Department did not compile the statistics you request."

Consumer advocate Herbert S. Denenberg, insurance commissioner of Pennsylvania announced the elimination of the civil disorder surcharges for his state in Apr., 1973. He stated then that "the surcharge has served its purpose and now we can return the savings to the public. It "is expected to save Pennsylvania policyholders somewhere in the neighborhood of $11 million a year."

Based on this information, it is indicated that over the four years and 10 months this surcharge was in effect, the people of Pennsylvania paid out in excess of $50 million dollars.

Commissioner Denenberg was requested to provide civil disorder loss information for the years 1965 through 1972. The answer from his department was, "please be advised that we do not have up-to-date statistics for civil disorder losses in the state of Pennsylvania. The Insurance Service Office and its various predecessors were designated as the statistic gathering bureau for civil disorder. I have asked them to furnish me with the data you want, and, if they are successful in researching their files, I will forward the data to you. Unfortunately, over the years that civil disorder was in effect, we had problems getting statistic data, therefore, I cannot promise you too much."

IN ILLINOIS, one of the few remaining states to have a civil disorder loading, termination of insurance rate regulatory law has led to Insurance Service Office incorporation of the loading in the total rate make-up charge. Use of this charge varies by insurance company and can be eliminated through filing a rate deviation.

Removal of the civil disorder loading by the states does not mean that the issue is no longer of importance. In revoking the visible rate loading, some state insurance departments have granted higher loss deductibles or increases in the extended coverage increment rate to offset the charge removal. It was found that in one state a general extended coverage rate reduction, based on experience, was not granted in lieu of withdrawing the civil disorder charge.

The total estimated civil disorder loss record as shown in the table does not exceed the estimated insured fixed property losses for Hurricane Betsy in 1965 ($500 million) and Celia in 1970 ($309.95 million). These hurricane losses did not precipitate nationwide need for rate loadings nor did the insurance companies request government action. Did the cure prescribed for riots and civil commotion, as granted by various state insurance departments, exceed the problem?

THAT AN increment is warranted in the extended coverage rate to reflect riot and civil commotion, I do not take issue. The insurance companies are entitled to a fair rate level in order to remain solvent. What I am questioning is the statistical basis upon which state insurance departments arrive at what is a fair and equitable increment charge for this specific peril.

It may be obvious to the reader by now that meaningful statistical information is not available regarding the civil disorder loading. Without premium and loss information, uncontaminated by other non-fire loss data, the insurance buyer cannot enter the marketplace informed.

I think the need for a national computer bank, to which all writers of insurance must report premiums and loss information, is apparent. Data should be in a standarized form, by state, and accessible to all individuals.

When insurance regulatory departments grant a mandatory rate increment charge to insurance companies, the buyer should be in a position to take an accounting of the supporting data for that specific increment charge. Without access to such information, the insurance buyer must wonder if he has been subjected to an excessive or unfair rate. ■

Mr. Johnson, assistant vp, Rollins Burdick Hunter Co., Chicago, serves in the company's fire engineering division, research, planning and engineering department. He has had 17 years of insurance-related experience, including 11 years with the Missouri Inspection Bureau. Mr. Johnson joined Rollins Burdick Hunter in 1965. He holds a BA degree in economics from Drury College, is a CPCU and associate in risk management, Insurance Institute of America.

Civil Disorder Loss Record, 1964-1971

Year	Date	Place	Estimated Loss Payments (in million)
1964	Various	Miscellaneous	$ 2.0
1965	Aug. 11	Los Angeles, Ca. (Watts)	38.0
1966	Various	Miscellaneous	1.0
1967	July 12	Newark, N.J.	11.0
	July 23	Detroit, Mi.	41.5
	Various	Miscellaneous	15.0
1968	Various	Miscellaneous	10.4
	Apr. 4-15	Washington, Baltimore, Chicago, etc.	68.1
1969	Various	Miscellaneous	31.3
1970	Various	Miscellaneous	4.6
1971	Various	Miscellaneous	open
	June 13-15	Albuquerque, N.M.	3.0
	Aug. 19	Camden, N.J.	1.0
		Total	$226.9

Study . . .

Continued from preceding page

Group interviews can be conducted in much the same manner. Some interesting variations on the group interview theme are now being used in the planning of total compensation programs. Usually, one-time-only group sessions, perhaps lasting two hours or more, are used to take a reading on reactions to particular plans or specific provisions. After the one two-hour session. group comments are sifted, categorized and taken into account in redesigning the program or plan.

ONE WELL-KNOWN office equipment manufacturer took a somewhat different route. First, a series of suggested group insurance changes were developed for pre-testing with scientifically-selected groups throughout the organization. The groups met in half-day off-premise sessions over a period of several weeks. Using outside resources, they were given an extensive background on what is and what is not possible in group insurance. They were then given preference questionnaires and a "game board" exercise in which they could choose how to spend additional total compensation dollars. Only then were they shown and asked to comment upon the company's proposed program of changes.

Quantitative methods usually involve some sort of written collection instrument such as a questionnaire. The questionnaire can be administered on-site to groups of employes or sent through the mail, and responses can then be analyzed and reduced to a computer print-out.

Today, the traditional "shotgun" employe study has given way to shorter, more specialized exercises targeted to more specific objectives, including benefit preferences. These have ranged from simple six-question postage-paid return cards to hundred-question documents concerned only with the flow of communication within the organization. Often, such quantitative studies are used in conjunction with individual interviews or group discussions, for a two-pronged approach reveals additional dimensions that cold statistics simply can't provide.

The method used depends on the nature of the problem and management style. Some people feel group interviews stir up less fuss than formal questionnaires. Then too, group interviews can reveal attitudes that might not have been anticipated in designing a questionnaire.

"There can be little doubt that the next decade will see greater involvement on the part of employes in pay and benefits decisions and certain guidelines are emerging. . ."

One organization we know of got some surprising results from a series of group interview sessions. Before the sessions were conducted, the company had made some significant benefit program improvements. Plans had been liberalized, financing arrangements were brought up to date, employe communication materials were streamlined and rewritten. But the employe appreciation which management fully expected simply did not materialize. And with a new round of labor negotiations coming up, management felt uncomfortable.

One benefit program change had been a switch from a contributory to a company-pay-all pension plan. Through the discussion sessions, this company discovered a sizable portion of its work force felt that by making the switch management had taken the plan away from them ("We had some control over the pension plan before . . . when we were putting money into it. Now, it's all up to the company. If they wanted to, they could discontinue the plan tomorrow without asking us!").

THE misunderstandings didn't end there. When the plan went non-contributory, a Social Security offset provision was put in. The new benefit level was set at about 50% of "final average pay" (best five out of the last 10 years) including a portion of the employe's primary Social Security. In its announcement materials, management outlined the new plan and described its rationale for incorporating the offset. Yet, two years later, strong voices were heard against the idea of "penalizing us because we draw Social Security." These unexpected responses became the target of a revitalized employe communication program.

In another organization, results from a written questionnaire formed the basis for management's decision on how to change the benefit package. It all started with the re-financing of a pension plan: Because of a new funding arrangement, additional money would become available for benefits.

How should the money be spent? One obvious answer was to improve the existing pension plan. Another possibility was to apply the money to other benefit areas, such as medical coverage or life insurance. A third alternative was to install a thrift plan that featured company contributions related to what the employe put in.

Outside resources were called in to design, administer and interpret a detailed benefit preference questionnaire. Employes were asked about their general feelings toward benefits and were given the opportunity of choosing among the three alternatives.

Management and the researchers recognized that an education job had to be done before employes could make informed choices. Therefore, the questionnaire included complete descriptions of the proposed alternatives as well as the preference items. It was administered through the mail, and follow-up interviews were used to give dimension to the tabulations and to check validity.

RESULTS OF the study dominated management's decision to install a new thrift plan. But, along the way, management also learned a great deal about what employes knew (and didn't know) about their total compensation package. Could management have made the decision without employe input? Certainly. Yet acceptance of the change would probably not have been as great—people like to be involved in decisions that affect their working lives.

Right now, several organizations throughout the country are in the process of developing flexible (or "cafeteria")

Continued on page 48

Why does Weyerhaeuser insure with AFIA?



Because to protect the future the present has to be cared for. It's why each year Weyerhaeuser plants millions of seedlings, promising new forests and an abundant supply of wood. Taking care of tomorrow at Weyerhaeuser is more than an operating philosophy...it's a way of life.

So it was natural that when Weyerhaeuser and their brokers needed to protect their assets abroad, they looked for a foreign underwriter with a similar viewpoint. With more than 3600 trained and knowledgeable employees in over 200 branches overseas AFIA has a world outlook in tune with America's tree-growing company.

Caring about tomorrow is just one of the reasons why 90 of the top 100 companies operating abroad insure with AFIA.

AFIA

WORLDWIDE INSURANCE *World Headquarters:* 1700 Valley Road • Wayne, N.J. 07470
U.S. branch offices: New York • Chicago • Dallas • Houston • Los Angeles • Miami • San Francisco • Wash., D.C.

New Canada reinsurance facility finds initial going a little tough

TORONTO—A new insurance facility, formed during the summer by an association of 39 stock insurance companies to handle Canada's growing commercial property damage and business interruption risks, is finding the going a bit slow at first.

"There has definitely been activity," a spokesman for Canadian Industrial Risks Insurers told *Business Insurance*, "but so far it has been a little slow. We just have to indoctrinate agents and brokers who are used to dealing with other markets."

CIRI, headquartered here, was formed along the lines of the Factory Insurance Assn. in the United States and is receiving strong reinsurance capacity from the American association. FIA expertise is also available to the new facility.

The spokesman said CIRI policies would "pretty much" be tailor-made for each individual manufacturing and industrial risk. While the policies will adhere to Canadian statutory requirements, the spokesman noted they would "track the basic multi-peril policy."

HE EXPLAINED the association would consider Canadian risks with a single exposure of $10 million or more. "However," he added, "CIRI may also help out on the Canadian portion of a United States-based risk."

The ideal CIRI client would be a "superior risk," he said, adding eligible industries must indicate a willingness to work closely with CIRI loss prevention experts to reduce the chance of loss.

"That is probably the most important consideration when it comes to an ideal client," the spokesman commented. "The management of the company must be deeply concerned and committed to loss prevention."

Tom Hanson, general manager of the Canadian Underwriters Assn., will serve as CIRI's general manager, Harry Hougas, the new facility's underwriting manager, was formerly in the loss prevention and underwriting areas with the FIA. Chairman of the governing committee is Roy A. Elms of the Royal Insurance Group.

The business will be written entirely by insurers registered in Canada through agents and brokers, the CIRI spokesman said. Many of the insurers are native Canadian companies while others are U.S. insurers with substantial operations in Canada.

Among the subscribers are Aetna Casualty & Surety, Canadian Indemnity Co., CNA Assurance Co., Fireman's Fund Insurance Co., Guardian Insurance Co. of Canada, Hartford Fire Insurance, Home Insurance Co., Insurance Co. of North America, Lloyd's of London, Phoenix Assurance Co. of Canada, Royal Insurance Group, St. Paul Fire & Marine Insurance Co., Travelers Indemnity Co. of Canada, Travelers Indemnity Co. and Zurich Insurance Co. ■

National Healthcare is sought by speaker

SAN FRANCISCO—Pushing the passage of the insurance industry-supported National Healthcare Act is nothing new to J. F. Follmann Jr., vp of the Health Insurance Assn. of America, and he took the opportunity at a conference here to get his message across once again.

Contending the act's enactment would go a long way toward improving the country's health care delivery system, Mr. Follmann told the annual educational conference of the International Foundation of Employe Benefit Plans the bill's passage would also help "contain the costs of care, and make universally available a system of comprehensive health insurance."

He admitted the interest in national health insurance had not been as widespread as when it peaked in 1971, but added it was generally expected broad action would eventually be taken.

THE NATIONAL Healthcare Act, he pointed out, would provide comprehensive coverage for catastrophic illness with a benefit limit of $250,000, the same amount which has lately become "predominant" in the health insurance coverage offered the public by private carriers.

Among other developing trends in the health insurance arena, Mr. Follmann listed:

- Generally available coverage for mental illness;
- The continuation of the insurance on disabled dependent children into adulthood, including the mentally retarded;
- Coverage for prescription drugs;
- Nursing home coverage;
- Insurance coverage for home care services;
- Vision care coverage;
- Insurance for the treatment of alcoholism.

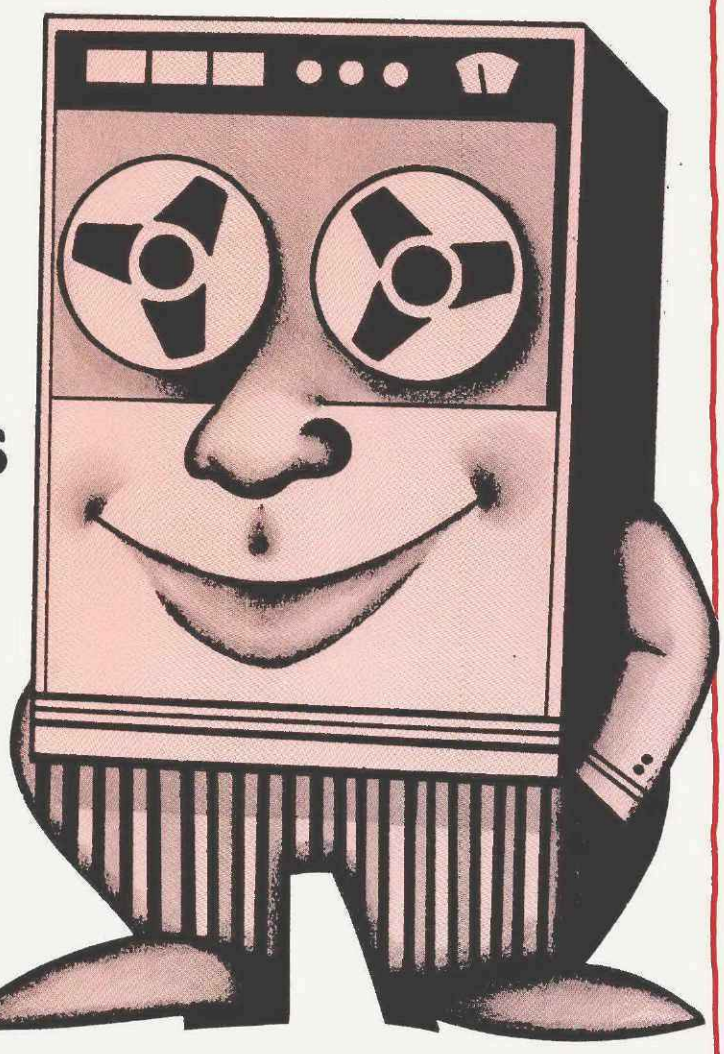
He added comprehensive dental coverage was now generally available and private insurance companies were its principal providers.

"Presently, coverages are being extended to such things as kidney dialysis and the costs of donors in transplant cases," he commented. "Definitely on the horizon are coverage for preventive services, well-baby care and family planning.

"In toto," he continued, "these developments are evidences of progress which are of extreme importance."

He thinks if these evidences were placed in perspective "they present a clear indication of the changing role of the insurance coverages in financing health care." ■

how to get pension plan problems out of your system



use ours...

By ours we mean APPS (Administration & Proposal Pension System), Fidelity's uniquely automated pension and profit sharing system which will give your clients what they need. And give you what you must have: a complete, problem-free service that will work for you while you're working on other things, and make money for you for years to come instead of draining it off after those first year commissions are gone.

There isn't nearly enough room here to list all the facts about APPS. Facts like (a) APPS is a continuing service that efficiently reduces your overhead and practically eliminates your work-load, (b) APPS plans may be integrated with Social Security, the Railroad Retirement Act, or any other plan of deferred compensation—including correlation with collective bargaining plans, (c) APPS creates and annually maintains an individual corporate Master Record containing all pertinent Trust, Plan and Employee Information.

If you want to know all there is to know about APPS, every last word is in an interesting, informative Fidelity kit. Write to us for one. Or, if you would prefer an APPS proposal send the usual corporate data to APPS, P.O. Box 2368, Richmond, Virginia 23218. This may very well be the end of your pension plan problems.

Fidelity Bankers Life
A Fidelity Corporation Company

A RISK MANAGEMENT SEMINAR?

ABSOLUTELY!

How do you deal with the perennial problems of risk identification, evaluation, control and funding? Are you seeking a fresh approach to these problems?

If so, the second annual Risk Management Seminar sponsored by The College of Insurance can help YOU. This week-long seminar will consider these and other topics in a program of lecture and discussion. You—the participant—will be able to question the experts about the practical application of their ideas. The dates of the seminar are October 29 through November 2.

Faculty members will include: James E. Bailey, legislative counsel for ASIM; A. Hawthorne Criddle, executive vice president of Fred S. James & Co., Inc.; Bernard J. Daenzer, president of Wohlreich & Anderson, Ltd.; H. Felix Kloman, president of Risk Planning Group, Inc.; and William L. Hollingsworth, director of insurance and loss prevention for the Olin Corporation.

This seminar will be an in-depth study of your job. Its objective is to broaden your horizons, sharpen your skills and enable you to do your job more effectively.

Tuition for the one week seminar is $720 per person. This includes all expenses. The program is limited to 30 participants so call or write today for registration forms.

Matthew Lenz, Jr. CPCU
Property-Liability Insurance Division
The College of Insurance
123 William Street
New York, New York 10038
(212) 962-4111

tci

'Make peace with public,' insurers are told

CHICAGO—The Federal Insurance Administrator George K. Bernstein told a conference of reinsurance experts here the insurance industry had best make its peace with public interests before the federal government begins making pieces of the industry.

Speaking at the Continental Assurance Co.'s reinsurance conference, Mr. Bernstein said state inaction on insurance matters is prompting a public outcry which is beginning to be heard by vote-hunting politicians on Capitol Hill. Many of the problems being bemoaned, he claims, could have —and can still be—resolved by new services provided by the private insurance industry at a profit.

The industry, he said, has helped contribute to the public "arrogation" of "areas of private domain" through "an acquiesence by the industry in the inevitability of a governmental role.

"This apparent acquiescence is manifested not so much by a failure to oppose harmful legislation, but by an absence of the broad-based initiatives through new and more comprehensive coverages which the industry is capable of providing," he said. "Catastrophic coverage for all Americans is certainly achievable within the private insurance industry on a profit-making basis and without governmental coercion or involvement."

The industry's alternative to establishing demanded coverages, Mr. Bernstein warned, is "to trust its fate to a political process that may be more responsive to uninformed mass opinion than to reasoned consideration of valid goals and the appropriate methods by which to achieve them."

"IT WILL be interesting, at least," he said, "to witness governmental response to the failure of more than a handful of states to enact the NAIC (National Assn. of Insurance Commissioners) model life and accident and health insolvency bill, particularly after the recent Equity Funding failure. That collapse could provide fertile ground for governmental over-reaction to stave off public outrage. It would appear advantageous to the insurance industry to utilize the existing state reglatory forum for resolution of insolvency-related problems by enacting needed state laws rather than expose itself to a federal debate where judgements may well be affected by public clamor."

Noting his surprise that the no-fault area was not more indoctrinated with government pressures, Mr. Bernstein said "Only the most naive can expect extended federal detachment in the face of continued state nonperformance. And, if the federal reaction finally materializes, we cannot be confident that it will adequately reflect either differing circumstances in the various states or the complicated structure of the insurance business with which the states, had they the will and were they afforded real support from the industry, are, by experience, so much better able to cope."

MR. BERNSTEIN pinpointed the issue of workmen's compensation as one where "we can certainly anticipate some federal reaction to the growing public complaint of inadequate compensation for injured workers."

"Despite the urging of the President's Commission on Workmen's Compensation and the efforts of the insurance industry to increase levels of required workmen's compensation benefits in the several states, inaction has been the rule," he said. "When we weigh the alternative of federal legislation, unresponsive to varying and unique state requirements and conditions, we see evidence of the dangers of government far removed from the people and yet prepared to offer a generalized response to a real but inadequately understood dilemma—a response which could destroy the very system it seeks to improve."

Congressional tampering with the National Flood Insurance Program, he said, could result in taxpayer-subsidized insurance becoming available to new construction in areas prone to high flood levels.

As a possible cure-all to the problems of federal intervention, Mr. Bernstein once again outlined the principles behind the "Full Insurance Availability System."

"UNDER THIS system, which would be adopted without federal legislation or any role in its implementation, all insurable risks would be able to obtain full coverage from any licensed insurer at unsubsidized rates, established under the appropriate state rate-making procedure and charged by that insurer for similarly classified insurer for similarly classified risks," he said. "In turn, a reinsurance faclity would be established to assure equity and financial security among insurers."

The proposed program, he said, is being pursued in a number of states and is endorsed, he claimed, by a number of insurers.

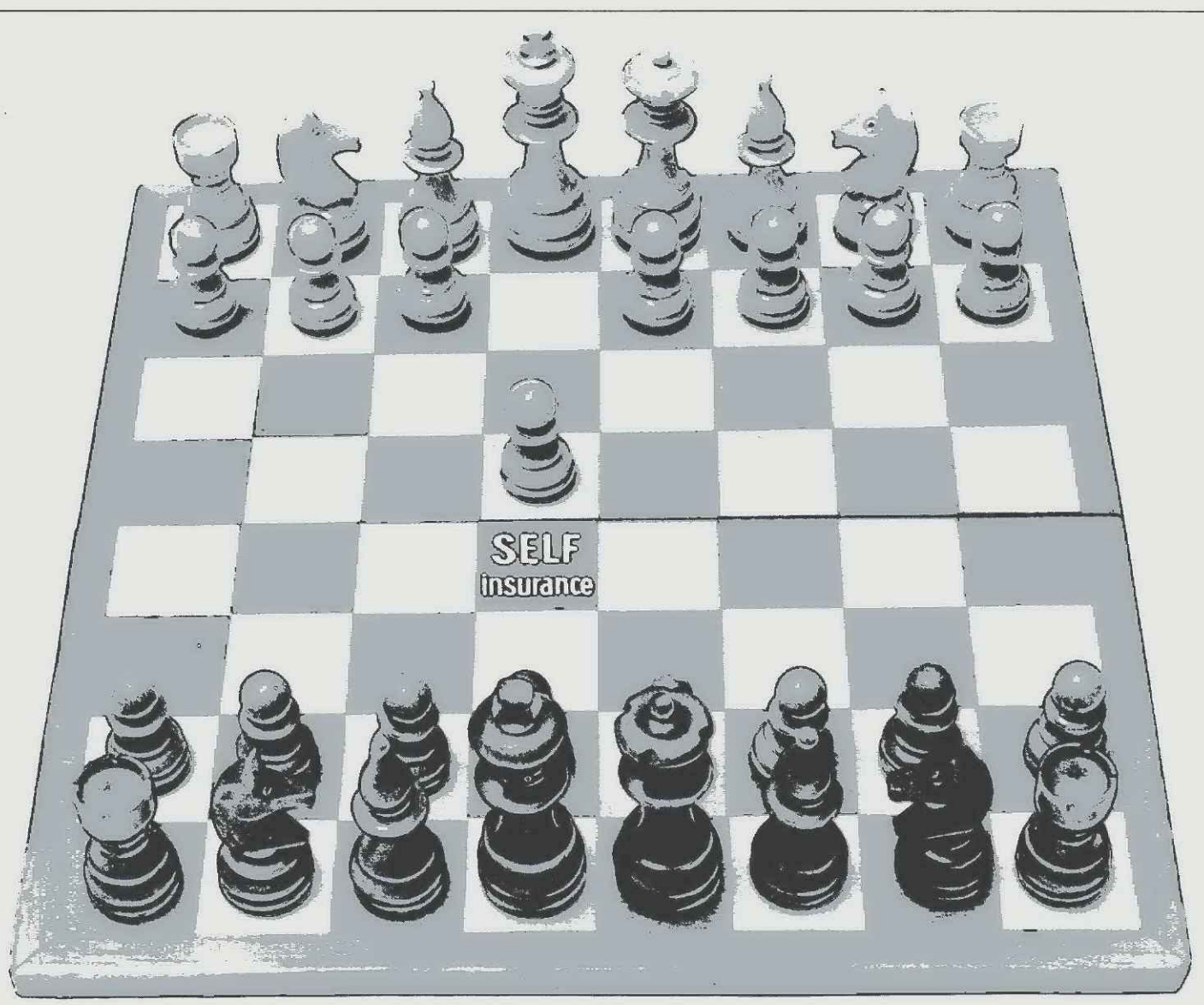
"The time for the private industry to solve the problems of its consumers in a framework that retains the perogatives of private enterprise and the ability to make a profit is before an issue escalates to political levels where, too often, the players are subject to distorted rules which almost preordain the result," he said.

"In an era where property rights are derogated and in an atmosphere where participatory democracy, by whatever name, is extolled, it would seem advantageous for an industry affected with the public interest to make its peace with those who depend upon it privately, and to do so on equitable terms, rather than to permit the issues to be settled in a public forum where right does not always make might." ■

Nixon's sick bills less than citizen's

DETROIT—The United Auto Workers union (UAW), a long-time proponent of national health insurance, recently carried the following item in its Detroit-based newspaper, "Solidarity:"

"Speaking of Health: While President Nixon opposes government health insurance for working people, he doesn't mind a little for himself. The U.S. Navy reported that Nixon's recent stay at Bethesda Naval Hospital—where he was treated for pneumonia—cost him a total of $1.75 a day."



YOUR MOVE!

More and more companies are finding it's a good move to self-insurance. Aside from improved cash flow, they discover closer employee relationships. But, to make the move to self-insured workmen's compensation or group health & accident plans, they need the guidance of masters of the game to set up and administer their self-insurance program. GMcD is the champion grand master.

Since 1938, GMcD has been administering self-insurance and compensation plans of every scope. GMcD has innovated many of the basic techniques, set trends. We're computerized and conveniently located with offices everywhere they count. GMcD is the number one organization offering administrative services to self-insurers . . . the number one organization offering loss control services to any organization. And, we want to stay Number One. So, we're working at it a little harder than anyone else.

If you want to get the MOST out of YOUR capital, and assure the success of self-insurance-loss-control administration . . . from the best in the field, contact your broker, or call Gates, McDonald & Company. WATS line: 800/848-4917. Or write . . .

Because YOU care . . . WE care.

GMcD

1261 Dublin Road, Columbus, Ohio 43215

GATES, McDONALD & COMPANY

26 offices serving industry across the country.

Broker rates, if altered, could affect pensions

WASHINGTON—A dual move by the Securities & Exchange Commission could change drastically the securities brokerage industry as it now stands, particularly in its relation to large institutional investors which handle pension funds.

Earlier this month the commission announced it will allow the brokerage firms to hike their fees, but will eventually force them to drop fixed commission levels in favor of competitive, negotiated rates.

In a historic decision, the SEC announced it "will act promptly to terminate the fixing of commission rates by stock exchanges after April 30, 1975, if the stock exchanges don't adopt rule changes achieving that result" by then.

The New York Stock Exchange, meanwhile, may immediately effect a 10% increase on brokerage fees for transactions ranging between $100 and $5,000 and may increase fees on orders ranging between $5,000 and $300,000 by 15%. Since the Big Board is the effective rate setter for the brokerage industry under the present system, other exchanges will follow the same percentage increases up to the $300,000 level, the current divider for fixed rates.

The 10% and 15% increases hinge, however, on the exchange's willingness to ease into the negotiated rate system. Unless the exchange adopts two rule changes designed to incorporate competitive rates, the increases will terminate on March 31 and drop back to current levels.

The first of these rules would eliminate part of the exchange's Rule 383, which sets maximum fixed rates on small orders ranging up to $5,000. This would let firms charge small investors fees higher than the current fixed rates for the first time.

THE SECOND rule would "permit member firms to provide less than a full range of brokerage services presently furnished customers in return for discounts of up to 10% from the fixed rates."

Wall Street observers have predicted the SEC move will cause profound changes in the securities industry, and may well solve the problem of institutional membership on stock exchanges.

Institutions such as insurance companies, mutual funds and even the state of Connecticut have sought seats on stock exchanges to save on the fixed commission rates they would otherwise have to pay. However, the SEC ruled they must transact at least 80% public business in order to join an exchange, and few institutions met this qualification. A furor, joined by some Congressional leaders, ensued over the whole fixed-fee question.

Sen. Harrison A. Williams, (D.-N.J.) argued in the Senate that keeping institutional investors off exchanges without doing away with fixed brokerage fees "would be grossly unfair to our nation's pension funds, mutual funds, and insurance companies, and the millions of individuals whose savings they manage."

However, Sen. Williams, chairman of the Senate securities subcommittee, said the new SEC decision to hike fees if fixed levels remain in force has his full support. He called the move a "bold and auspicious beginning" for Ray Garrett Jr., the new SEC chairman.

Commenting on the fee increase, due to go into effect Oct. 1, Sen. Williams observed: "There isn't any question that the securities industry needs a financial shot in the arm. The SEC's action will help in this regard, while at the same time pointing the way to a stronger industry through vigorous price competition."

The fee increase is an interim measure which does not require approval of the Cost of Living Council. It may be extended for one year beyond the March 31, 1974 termination, providing the exchange complies with the rule changes outlined. The increases could lift the revenues of member firms about $300 million above the 1972 level of $3 billion.

ONE OF THE major changes the SEC proclamation could bring about among brokerage firms would be the "unbundling" of services. That is, a brokerage house could do away with services and charge a fee for executing transactions only. If additional services are provided, the fee would go up proportionately. Under the old system, one fixed fee applies whether or not an investor uses the research services and investment advice of his brokerage firms.

When brokerages can unbundle these services, it is expected more "discount houses" will spring up in the field. Some exist already, but the practice of supplying transaction orders without attendant services has not before been widespread among brokers.

Ultimately, this unbundling process could mean higher fees for small investors who depend on their brokers for a wide range of services like furnishing research reports and holding stocks in custody. At the same time, there may be lower rates for those who use brokers only to execute transactions.

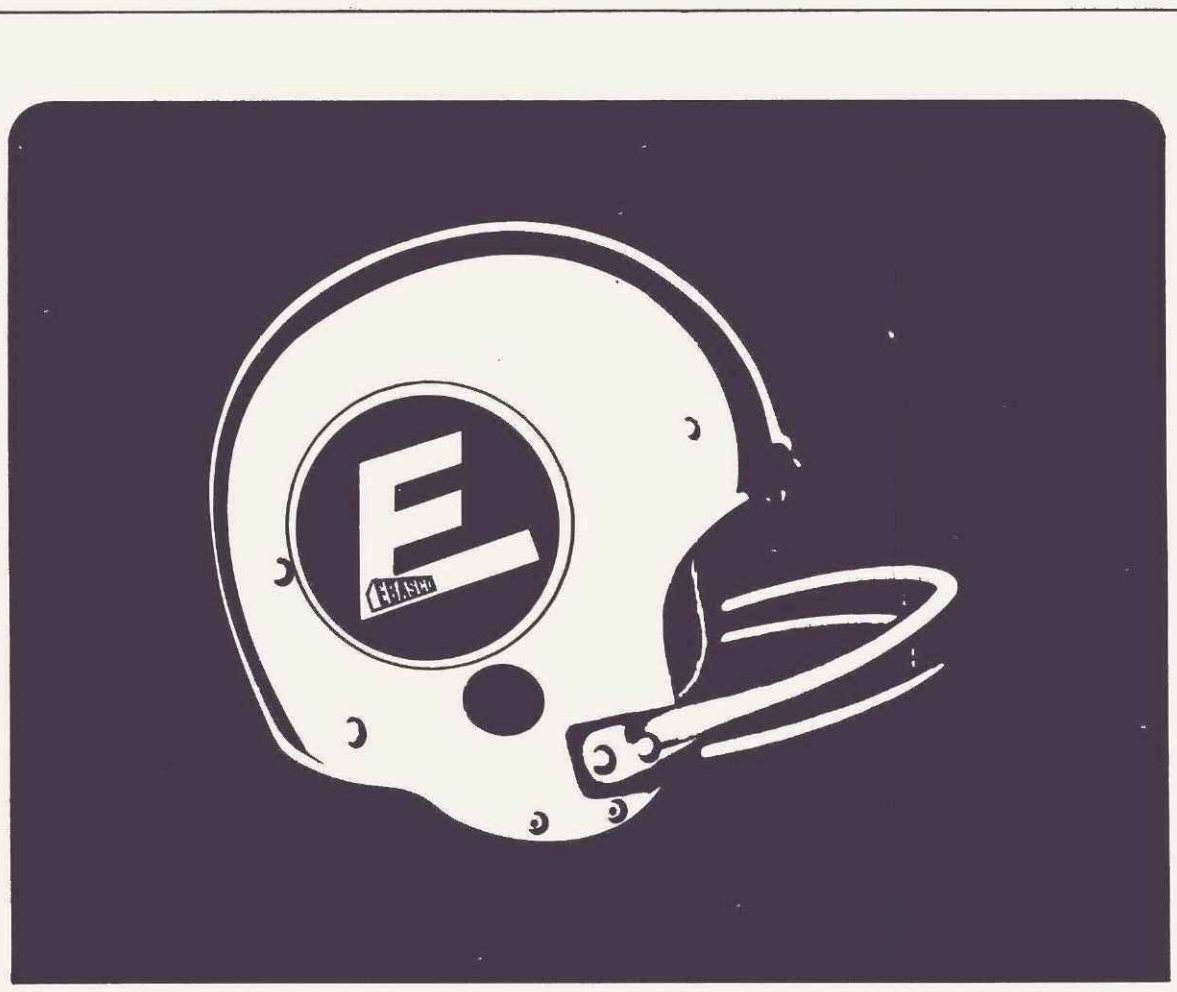
SEC officials said the commission would drop its plans to lower the breakpoint for negotiated rates from $300,000 to $100,000 in light of its new proposal to have all fixed fee levels dropped by 1975.

THEY INDICATED the unanimous decision to hike fees and cut off fixed-fee levels reflected the SEC's desire to end uncertainty about the commission structure, particularly since the fixed-rate system has been under attack in the courts and in Congress.

In announcing its move, the SEC rejected a proposal by the PBW Stock Exchange to offer a "14-day round-trip discount." This would have granted investors a 50% discount on the commission charge on the second trade in which a stock was bought and then sold within 14 days. It also denied an American Stock Exchange proposal calling for a smaller rate increase on trades under $5,000.

The PBW Exchange is challenging the new SEC pronouncement as being too restrictive. If full freedom is granted to negotiate rates with brokers, institutions won't bother to join stock exchanges, the reasoning goes.

And for those institutions which manage pension funds, at least, the reasoning may be correct. Representatives for the treasury department of Connecticut have repeatedly told *Business Insurance* the state would give up its exchange seat if brokerage fees became fully negotiated. ■



The bigger the risks, the rougher the game.

Anyone who loves the sporting life knows there's a world of difference between professional and nonprofessional football.

And anyone who knows the corporate insurance business, knows there's more to risk management than insurance.

That's why your risk manager needs the help of professionals . . . Ebasco's Risk Management team. They are objective consultants who do not sell insurance.

Ebasco's record is one of the best in the business. Over 65 years of experience in all areas of risk management from loss prevention to employee benefits. Serving industry, institutions and government on a world-wide scale.

If your game is going the wrong way, maybe it's time you had some professionals on your side.

Write Dept. R for our BIG E brochure. We play to help you win.

EBASCO RISK MANAGEMENT CONSULTANTS, INC.
A Subsidiary of Ebasco Services Incorporated
100 Church Street, New York, N.Y. 10007 • (212) 344-4400
A HALLIBURTON Company

Beef shortage spurs cattle theft, higher mortality...

Continued from page 1

"As the demand for beef increases, the meat industry finds it hard to catch up," he said, "and cattlemen are sending younger, lighter, and smaller cattle to the feed lot.

"These are calves, freshly weaned, castrated, given their shots, dipped in chemicals and then shipped long distances when they are too young to withstand the strain," Mr. Hansen said. "Even though the railroads require that cattle cars must stop after 24 hours to give the animals a rest, no similar restriction applies to trucks.

"As a result, the cattle mortality rate has gone up significantly," he said. "Our livestock business seemed to be getting out of hand, so we decided in February to get out of the market for a while," he continued.

"We want to be able to re-design a feed lot insurance package that will be fair to both the policyholders and the company and then we will re-enter," Mr. Hansen said, noting, "We have let the policies come to term instead of a mass cancellation.

"IN THE meantime, our losses continue to go up, as cattle theft, practically unheard of a year ago, becomes more and more prevalent. At some farms, the carcass is left and only the more expensive cuts of beef are stolen," Mr. Hansen said.

"We are still paying on some of those losses, as well as experimenting with new ways of insuring livestock," he added.

Spokesmen for several major beef suppliers told *Business Insurance* their insurance needs have not changed to any great extent. Plants closed down because of beef shortages are not covered by business interruption insurance, since supply shortages are never a named peril.

Roy R. Green, a spokesman for Swift and Co., said his company maintains its usual blanket coverage, and in some cases, buys more insurance when a plant closes down. An idle plant is more exposed to risks, he said.

AT ARMOUR & Co., vp Robert Egner said no special coverage has been added. Both Mr. Egner and Mr. Green said the claims ratio at their respective companies is no higher than when the crisis began.

Raymond Boettcher, insurance manager at George A. Hormel & Co., said the shortage of meat and high prices "really has not affected us, although there is a greater quantity of meat tied up in insurable inventory."

"Prices reach the level where people just won't buy, and when the product does not move, we have more inventory to insure," he said. "Fortunately, we haven't had a mass closing of our packing houses, although we did close a small beef-kill operation we had only recently acquired. Whether that was due to the beef shortage, I couldn't say," he added.

W. M. Timmons, manager of Hartford Insurance Group's livestock department, said feed lot and theft losses there "have materially increased."

"Insurance companies, like everyone else, are paying increased prices for animals going to market. There have been wild fluctuations in slaughter prices for hogs and cattle, and these will continue until such time as supply can equal the demand," Mr. Timmons said.

"ALTHOUGH cattle have undoubtedly been held back by the price controls, the lifting of the ceilings threatens to open the cattle business to wilder fluctuations," he warned. "We pay the slaughter date price for cattle covered by the transport insurance, and the increases in the value of the meat have contributed to our high loss ratio during this period," he said.

"In addition, the frequency of loss by theft—which seems to be up by about 70% this year—gives us greater losses," he said.

But, Mr. Timmons noted, there seems to be a greater percentage of farmers interested in insuring their livestock. The insurance policy becomes collateral if they need to borrow for next year. That, and increased coverage of exotic breeds, is helping to stabilize the overall livestock insurance program at Hartford. Exotic breeds are crossbred with English breeds to produce a heavier offspring.

JAMES TURNBULL, assistant manager of MOAC (Marine Office, Appleton & Cox) Western department, a subsidiary of the Continental Insurance Co., said, "An educated guess would indicate that theft of cattle while in transit is substantially higher this year. Livestock is taken away in trucks, while on the road to the feedlots."

The feed lots insured by Continental are attended most of the time, he said, so there are no problems there.

"Of course, the moral hazard is obvious. We have cases where we suspect collusion (between owners or drivers and rustlers), but we've not been able to prove it," he added.

"It's true, of course, that people are increasingly buying insurance to protect their livestock investment," he said, "because, especially now, they can ill afford to suffer a loss."

THE AMERICAN Livestock Insurance Co. has noticed "a substantial increase in the value of breeding cattle that is long overdue," according to vp Clinton K. Tomson. Farmers are seeing the value of breeding female livestock, rather than marketing them, he said.

"When you market females, there may be a lot of hamburger, but if they are bred there will be far more beef around in about 24 months," he said.

A. D. Vita, vp of J. S. Freylinghuysen Corp., one of the largest brokers in the livestock insurance field, said he sees an increase in livestock export insurance as the major trend.

"Livestock owners are finding out that foreign markets, particularly Greece and Japan, are willing to pay very high prices for North American beef," he noted.

SECONDLY, Mr. Vita said, "Cattle rustling, now covered by many livestock theft insurance policies, seems to be increasing. This type of illegal activity usually means a loss of $10 million a year, "but with the shortage of beef, amateurs are getting into the act and finding it a lucrative business.

"There's very little checking done, so if a thief gets the cattle out of the field, loads it on a truck and takes it to the stockyards, he will not be questioned about legal ownership," he said.

John Creer, attorney for the American National Cattlemen's Assn., said his organization is currently making a survey to determine the volume of cattle thefts in states with branding laws. In 14 states with branding laws, there were $7 million worth of livestock stolen last year with $3 million eventually recovered, he said.

He said the cattlemen's association is inundated with inquiries about the possibility of export beef trade. "The foreign economies are not dependable, and it takes a tremendous amount of tooling up to arrange all the contracts and other details," he said. "We consider it risky and don't advise it.

"Livestock insurance seems to be a ripoff, in a way," he observed, "because if the cattleowner has a high enough death loss on a feed lot to collect on his policy, he's really foolish not to move his herd."

Mr. Creer suggested other kinds of livestock insurance be considered, noting as one alternative, a feed lot where cowboys are paid the premium as incentive to protect the herd. ■

Joint insurers ruling

The Washington state supreme court has ruled that payment of liability claims in the case of joint insurers of the same person should be pro-rated according to policy limits. The unanimous opinion rejected the idea that liability of insurance companies should be based on the amount of premiums paid or should be split equally.

Umbrellas . . .
if it's big or unusual
we'd like to quote.

J.H. BLADES & CO., INC.
713/526-6551 P. O. BOX 22003 HOUSTON 77027
512/826-2378 P. O. BOX 12085 SAN ANTONIO 78212
J.H. BLADES & CO. (INTERNATIONAL) LTD.
2-6971 P. O. BOX 691 HAMILTON, BERMUDA
J.H. BLADES & CO. PTE. LTD.
377295 P. O. BOX 60 TANGLIN P. O. SINGAPORE 10

Need a specialty market?

Take a look at
The Stuyvesant Approach

Since 1850, Stuyvesant has been developing and writing specialty lines. Today, Stuyvesant companies field such specialty programs as:

- Mobileowner Insurance
- Mobile Home Credit Insurance
- Mobile Home Physical Damage
- Recreational Vehicle Insurance
- Surcharged Commercial Fire
- Surcharged Dwelling
- Surcharged Private Passenger Auto Physical Damage
- Motor Home Physical Damage & Liability Insurance

Have a new program and need a specialist to write it?

. . . Check out The Stuyvesant Approach to specialty lines programs for Managing General Agents. Rely on a substantial ('A' rated), experienced and reliable specialist to custom-tailor an innovative program for your needs.

For more information about The Stuyvesant Approach to your specialty lines programs, write or call collect. . . Mr. A. H. Turcotte, Director of Agency Marketing, or Mr. H. L. Williamson, Vice President — Mobile Home Insurances. Telephone (215) 437-8000.

Stuyvesant Insurance Group
EXECUTIVE OFFICES—*1105 Hamilton Street, Allentown, Pennsylvania 18101*
The Stuyvesant Insurance Company, New York, New York
Stuyvesant Life Insurance Company, Allentown, Pennsylvania
Mohawk Insurance Company, New York, New York
Trans-Oceanic Insurance Company, San Juan, Puerto Rico
Trans-Oceanic Life Insurance Company, San Juan, Puerto Rico

The fastest-growing private pool of capital in the world.

Now there's a newsmagazine for the $283 billion pension fund market.

It's called "Pensions & Investments," and it will cover the largest and fastest growing segment of the entire money management field.

The "money trees" tell the story. Dollars invested in pension and other tax-exempt funds have been growing at the incredible rate of 11 percent a year, compounded.

In 1972, the pension fund market had assets and reserves of about $283 billion, of which private pension and retirement plans accounted for $166 billion. State and local government plans accounted for $72 billion and educational endowment and private foundations another $45 billion.

Performance is the name of the game as fund managers try to keep up with earlier retirement, more generous plans, and the increased cost of pension payouts.

To help fund managers and administrators meet investment goals, Pensions & Investments will provide a bi-weekly news service covering the investment scene.

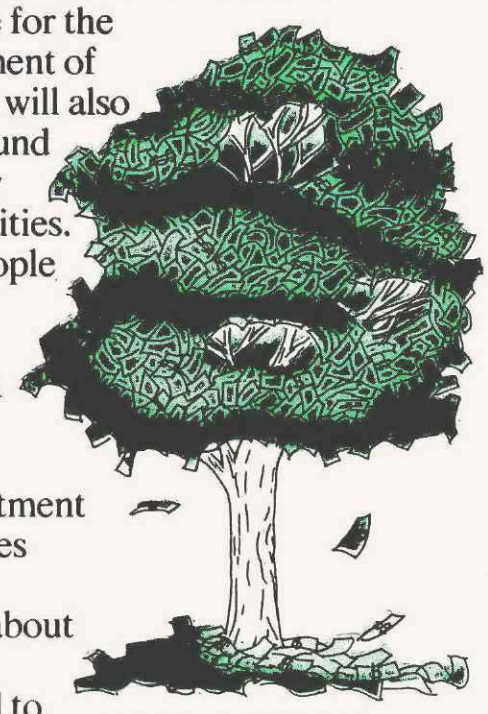
The new publication will analyze criteria and techniques used by successful money managers, report on effects of corporate mergers and plant closings on fund requirements, and highlight changes in federal and state regulations that affect the financial end of pension funds.

Pensions & Investments, like its well known sister publications Business Insurance and Advertising Age, will be a tabloid size newsmagazine with the emphasis on news.

It will have a large staff of editors, reporters, correspondents and contributing editors who will report news from money markets throughout the nation as well as legislative developments from Washington, D.C. and state capitols.

Pensions & Investments will be independent. Not beholden to any organization or group other than its primary audience. Reporting will be timely, objective and unbiased. The publication's only goal is the fund manager's education, to the ultimate end that he or she may do a better, more informed, more competent job.

Pensions & Investments will cover virtually every major pension fund in the market universe by reaching fund managers, administrators and chief financial officers responsible for the administration and management of these funds. The publication will also be read by those who serve fund managers as advisors, money managers and in other capacities. Such readers will include people like investment advisors, portfolio managers, security analysts, stock brokers, bank trust officers, insurance company and mutual fund management company investment officers, consultants, actuaries and attorneys.

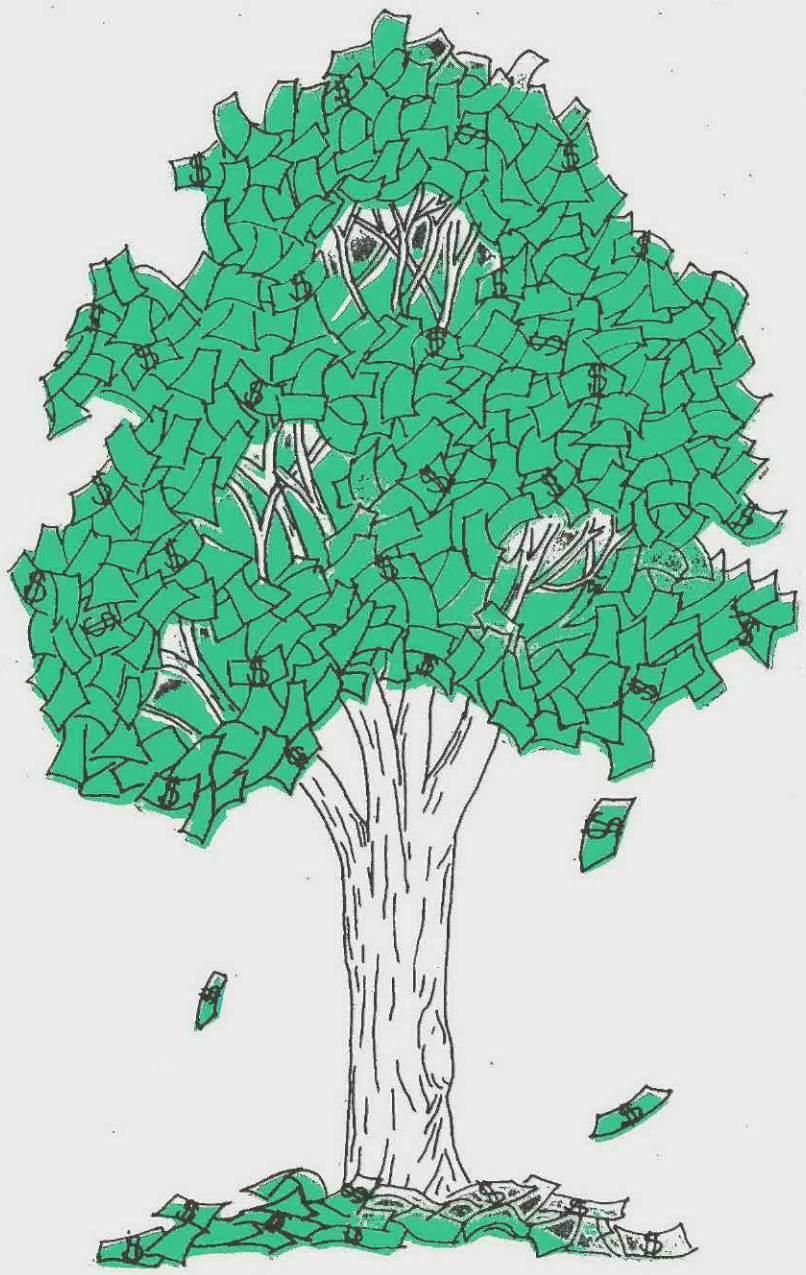


1952: $35 billion

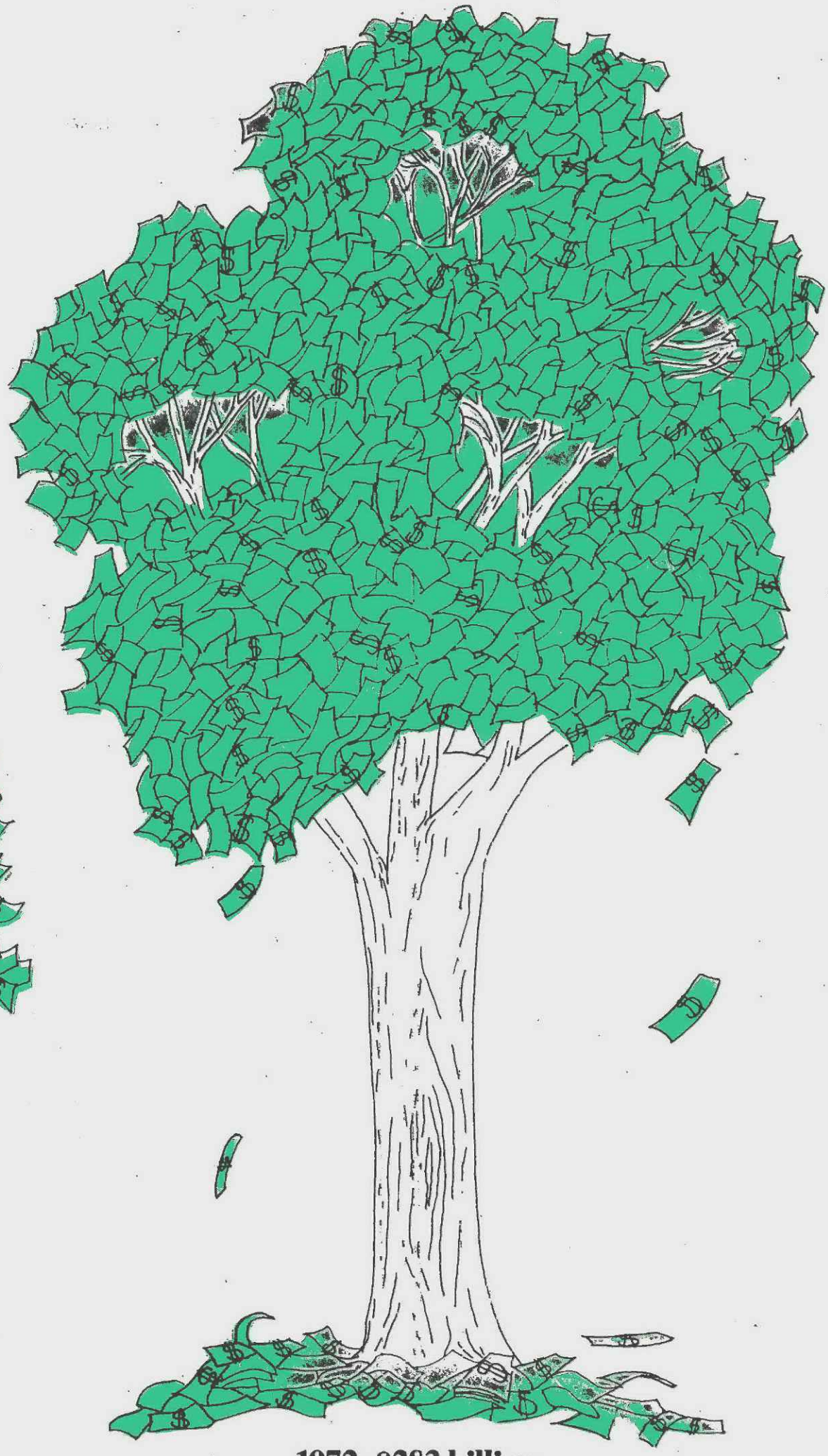
Detailed information about each fund, including asset figures, will be computerized to provide advertisers with a well-defined market universe whose coverage will be continually refined and updated by the experienced staff of a modern and large circulation department. In addition, circulation will be broken down by type of fund, asset size and geography.

Initial circulation of Pensions & Investments will be 25,000 (BPA membership applied for). The first issue will be published October 29, 1973.

Potential advertisers include banks, insurance companies, and investment advisory services of all types. Also, listed corporations with institutional messages to tell.



1962: $111 billion



1972: $283 billion

Charter advertisers can take advantage of a special offer that is almost too good to be true.

For more information about this unusual offer, please get in touch with your nearest Pensions & Investments representative.

In New York, call Don Angela or Steve Stone at (212) 986-5050.

In Chicago, call Joe Guarise at (312) 337-5200.

In Los Angeles, call Dennis Koch at (213) 651-3710.

Or mail the coupon.

pensions & investments

708 Third Avenue,
New York, N.Y. 10017
A publication of
Crain Communications Inc.

☐ Send me more information about your charter advertising offer.
☐ Call me for an appointment. My phone number is:_____
☐ Send me subscription information.

Name_____

Company_____

Address_____

City & State_____ Zip_____

Perspective: Employes cry, 'Listen to me' . . .

Continued from page 40
compensation programs. Getting employe input in the design of the program seems to have both theoretical and practical advantages, for experience indicates a combination of input-gathering techniques during the initial design stage pays real dividends.

In one company, the process started by appointing an employe study group to make recommendations as to the choices that should be offered. In addition, a questionnaire has been developed to determine the degree of total compensation satisfaction among employes both before and after the implementation of the flexible program. The questionnaire will also check on employe reactions to the process of being involved in compensation decisions.

Another organization appears to be very close to implementing what may be the world's first truly flexible total compensation program. As benefit designers, its employes fared exceptionally well: They developed a new kind of dental plan that effectively sidesteps the adverse selection problem resulting from offering the coverage on an optional basis.

THERE CAN BE little doubt that the next decade will see greater involvement on the part of employes in pay and benefit decisions. Certain guidelines are emerging as more and more management people build experience in using the techniques available. Some of those guidelines are:

• Be sure you're ready. One large Midwestern manufacturer was interested in examining general communication flow among its management group. How effectively was financial and other job-related information being disseminated through the top level of management? How did executives perceive the relationship between their total compensation and their job or divisional performance? Where were the misunderstandings and information flow bottlenecks?

The company spent quite a bit of management time in thinking through its objectives and determining the general outlines of a questionnaire-based study. A comprehensive "pool" of questions was developed for the consideration of top management. After analyzing these questions, it became obvious the company was not really prepared to act on the findings that might result. Checking on compensation attitudes and communication flow seemed innocent enough —but only at first blush.

• Match the study to the situation. Research methodology must be chosen carefully to be compatible with management style and the particular employe relations situation. It should also reflect the use to which the results will be put. There may be no need to spend the time and money in developing an elaborate and carefully-validated questionnaire if, for example, you are really only curious about what your younger workers think about their medical benefits.

• Plan your follow-up as you plan the study. Most researchers will tell you that, despite noble intentions, "almost nothing ever happens" as the result of an employe attitude study. This is usually the result of a "scatter-shot" approach of faulty research design.

As the dimensions of your proposed study become apparent, suggestions for follow-up should begin to emerge. Decide in very specific terms what your posture will be on each issue if the responses received are strongly negative or strongly positive. If your action is likely to be the same in both instances, perhaps that issue is not worth investigating. Those who will be responsible for taking action on the results of the study should be involved in the planning phase of the study.

• Beware of the "canned" approach. A questionnaire or research design used by some other company may or may not be right for yours. While comparisons to external standards and national norms may be interesting, remember that no other organization has exactly the same type of business mix, work force, management style and employment environment as your own. What's good for General Motors in Detroit may be totally inappropriate for General Widgets in Fargo, N.D.

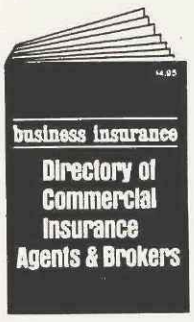
Beware of any approach that promises definitive decision-level information based on a predetermined research design. Employe attitudes are only one of the variables that should be considered in changing a plan or program.

• Define your objectives. As early as possible, put down in black and white your expectations as to what goals the study should accomplish. These objectives should then form your criteria for evaluating individual questions and for judging the success of the project later on. Try to make your goals as specific and detailed as you can possibly make them.

• Get people involved. Try to bring as many viewpoints as possible into the planning process. Sales representatives, clerical people, computer programmers and others outside the personnel function can provide valuable insights and creative input. Lower-level employes may have very good ideas on the types of questions management should be asking.

There can be little doubt that social trends are building to make the management process more and more democratic, and employe studies may even become for total compensation planners what the Harris or Gallup polls have become for politicians. Many management men believe the success of tomorrow's organization may depend to an increasing degree on how well it listens to its employes. ■

Mr. Schlachtmeyer, consultant, Hewitt Associates, Deerfield, Il., serves as a general consultant to management on all phases of internal communications, with special concentration on employe benefits and compensation. Before joining Hewitt Associates, Mr. Schlachtmeyer was a consultant with and promotion manager for a major international management consulting organization. He holds a BS degree from Northwestern University and attended the Northwestern Graduate School of Business Administration in Chicago.



business insurance
Directory of Commercial Insurance Agents & Brokers
September 1973 edition

Contains profiles—including financial information—on the leading insurance brokers and agents who predominantly serve commercial consumers of insurance and employe benefits plans; and editorial features which analyze the agency and brokerage business.

The Directory is available at $4.95 per copy; $3.95 per copy on orders of ten or more. Make checks or money orders payable to Business Insurance, and mail, with coupon, to Business Insurance Directory, 740 Rush Street, Chicago, Illinois 60611. (Illinois residents add 5% sales tax.)

Please send me_____copy(s) of the Business Insurance Directory of Commercial Insurance Agents & Brokers, September 1973 edition. (Payment must accompany order).

Name_____

Address_____

City_____State_____Zip_____

business insurance
740 Rush St., Chicago, Ill. 60611

Over 80 years of specialized service

E.A.Whitehead LTD LTÉE
1892 1972

in all lines of insurance including:
- **Engineers and architects professional liability**
- **Aviation insurance**
- **Employee Benefit Plans**

Whitehead's, one of Canada's argest brokerage firms, stands second to no one when it comes to solving insurance problems. We're proud of the fact that some of our clients have been with us for over seventy years, because it means we know how to look after them and they have considered us the best in the business for over three-quarters of a century.

If you have an insurance problem, talk to one of our specialists. You'll like the way we mind your business.

E. A. Whitehead Limited
Insurance Brokers and Employee Benefit Plan Consultants

Montreal 101, Quebec
Place du Canada
Tel.: (514) 878-4331
Telex: 01-26461

Toronto, Ontario
Toronto-Dominion Centre
Tel.: (416) 863-1800
Telex: 06-22100

Whitehorse
Yukon Territory
3107 3rd Avenu
Tel.: 667-2587
Telex: 0498-292

Vancouver 1, B.C.
540 - 1199
West Pender St.
Tel.: (604) 688-1294
Telex: 04-54597

Calgary, Alberta
301 - 505 8th Ave. S.W.
Tel.: (403) 265-2444
Telex: 038-21868

California alters rates on schedules

SAN FRANCISCO—An order revising compensation rates has been issued by Gleeson Payne, California insurance commissioner. The order eliminates schedule rating, broadens experience rating and holds all expense provisions at existing levels.

The revision is applicable to new and renewal policies effective Oct. 1.

Commissioner Payne's order abolished the former schedule rating, under which manufacturing risks have received credits for machine guards and other safety features. The order indicated schedule rating was eliminated because it carried such a high loading that only 2,500 risks enjoyed lower rates under it, compared with 40,000 risks which under state regulation had to pay higher rates.

MR. PAYNE'S order also rejected recommendations of the California Insurance Rating Bureau for a .58% increase in expense factor in rating formula, leaving it at the existing 36.27% level.

Mr. Payne also approved the bureau's proposal to reduce premium eligibility for experience rating from $3,000 to $2,500. Rates approved by the order reflect an increase of 1.3% in the manual rate level and 3.4% in the collectible rate level. They also represent increases in existing rates for 238 classifications; decreases for 192 and no change for six classifications. ■

Federal, provincial pension quirks promise chaos

BUFFALO, CANADA—Chaos in the employe benefit industry in Canada is threatened by inability of the federal government and the provinces to agree on pension plan policies.

The trouble began to take shape early this year when a split developed between the Canada and Quebec pension plans. The other nine Canadian provinces and the federal government have been unable to agree to changes which would bring the Canada and Quebec programs back into line.

Spokesmen for two leading Canadian employe benefit companies have expressed concern Canada may be moving toward a variety of government contributory pension plans. Admitting such a development is possible are A.J.C. Smith, executive vice president of William M. Mercer Ltd. Toronto, and Dudley Funnell, president of Tomensen-Alexander Ltd., Montreal.

A third employe benefit firm executive, R.F.K. Anthony, manager of Wyatt Co. Toronto, asserts he does not look for a number of government pension plans at this juncture.

But all three executives were in agreement on one point: If such a development comes it will bring chaos to the employe benefit industry.

THE FOCAL point of difference between the various government pension attitudes appears to be the maximum annual earnings upon which contributions are based.

Last fall, amendments were made to the Quebec plan which boosted the income ceiling on which contributions are made to $5,900 a year compared with $5,600 in the Canada Pension Plan. Current laws call for a ceiling in 1975 of $5,800 for the Canada Pension Plan and $6,300 for the Quebec plan.

The federal government has proposed a $7,500 ceiling for 1975, with annual escalation thereafter based on an earnings index, derived from a long-term moving average of contributors' incomes.

However, other provinces have come up with divergent pension plan proposals. Ontario and British Columbia are favoring a ceiling close to $10,000 by 1975, which, in the short term, would boost sharply the cash flow to the provinces from Canada Pension Plan contributions.

THE CANADA Pension Conference, which is headed by Mr. Funnell, has warned Marc Lalonde, minister of national health and welfare, of the problems which would be created for employers and employes by a variety of government pension programs.

Mr. Funnell believes three or four different plans might emerge in Canada because discussions are going on among people who want a decision at any cost. Funnell also maintains the people making these decisions do not consider the problems facing employers and employes from divergent plans as "really significant".

Mr. Funnell says it is apparent British Columbia and Ontario can't accept the Quebec ceiling.

A year ago, Mr. Smith said, he felt the idea of separate pension plans was "unthinkable". He added: "Now there's a significant chance it's going to happen. Ontario officials on occasion lapse into talk of an Ontario Pension Plan."

It was pointed out even if the federal and provincial governments accept the proposal for the ceiling on the Canada Pension Plan to go to the $10,000 range, it would create two distinctly different plans in Canada—the Quebec and the Canada pensions plans. In contrast, until the start of this year, even though there were two plans in Canada, their payments and benefits were the same.

It is of utmost importance government contributory pension programs be uniform, says Mr. Smith. "People in the business community haven't realized what a mess this (lack of uniformity) would make."

Varying plans would make it necessary for companies to make different sets of calculations for payrolls and possibly run different company pension plans in different areas. It was noted many company pension plans are integrated with government pension plans in establishing benefit levels.

AS AN end result, notes Mr. Smith, an employe who has moved from one area of Canada to another in the course of his career might wind up receiving pension checks from various government and employer pension programs.

A huge administrative problem would be created, says Mr. Funnell. If a number of plans emerge, he forecasts that labor mobility will be reduced as companies cut back their administrative problems by cutting down the number of employe transfers. In addition, employers would have major problems trying to explain all the ramifications of the various pension plans to their workers. ■

Plan flexibility urged

TORONTO — Superintendents of insurance for the ten provinces of Canada have urged a shift toward more flexibility in the coverage and amounts of insurance which can be secured in a group life insurance plan.

Such proposed changes would serve to open up group life programs and provide improved benefits to survivors of group members, according to Leo Beaudry, superintendent of insurance for Saskatchewan.

Mr. Beaudry is chairman of the superintendent's standing committee on life insurance legislation. This committee recommends that the proposed ammendments should become law in all provinces as of Jan. 1, 1974, and it urges that the changes be made by provincial legislatures.

The proposed plan calls for dividing group life benefits into two categories—plans containing a mandatory basic benefit, such as in most employer-employe programs, and plans without a basic benefit, such as in many association and professional group plans.

The current program insists all group plans must offer a non-optional basic benefit. In addition to this mandatory coverage, members can choose an extra benefit of one or two times an additional amount, usually pegged to annual salary.

EMPLOYER-employe group life programs, under the new rule, would function in a similar manner. They would observe the same upper and lower limits but the benefits could be set at amounts between these maximum and minimum amounts, thus offering more flexibility.

Should a plan lack a basic benefit, there would be a choice of a first optional benefit, plus a second optional benefit of two times the first one. The optional benefit, it was noted, is not necessarily expressed in terms of dollars. It might take the form of salary amounts or percentages of income to survivors.

The superintendents' committee also has proposed changing the rule governing creditors' group insurance on agricultural loans or agricultural credit commitments. ■

WANT AD ORDER BLANK

RATES AND CLOSING TIME: $2.25 per line, minimum charge $9.00. **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 $19.50 per column inch, and card discounts on size and frequency.
Mail ads to Business Insurance, 740 N. Rush St., Chicago, Illinois 60611.

Number of Insertions:_____ Amount Enclosed $_____

Issue dates:_____

Name:_____

Company:_____

Address:_____

Clip and Mail This Form To:

WANT AD DEPARTMENT

business insurance

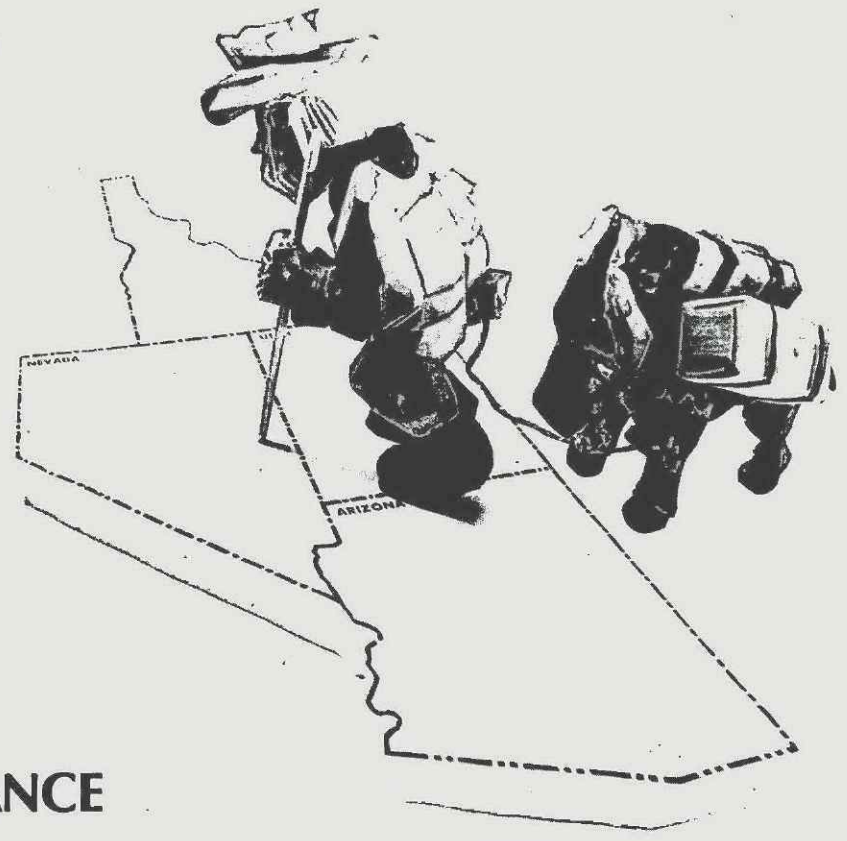
740 Rush St., Chicago, Ill. 60611

In the Mountain states ... it's All-Star

All-Star Insurance Corporation is an expert at tailoring excess/surplus coverages to fit the risks working through an experienced corps of general agents who understand All-Star's professional standards.

All-Star is a growth company with a tradition of service and skilled underwriting to meet today's rapidly changing social and economic conditions.

If you are in the mountain states or anywhere in the United States, All-Star is ready to serve your needs. Contact All-Star today for information on coverages and representatives in your area.



ALL-STAR INSURANCE CORPORATION

The domestic company that specializes in excess/surplus risks.

5401 N. 76th Street P.O. Box 2917 Milwaukee, Wis. 53218
(414) 466-8300 CABLE: ALLSTARWIS MILW TELEX: 2-6879

a Post Corporation company

Canada's health plans in need of private help

TORONTO—The health insurance industry here, according to a report by a university professor, should come up with new areas of coverage to supplement governmental health plans and should attempt to work more closely with the government where the partnership would be beneficial.

At the same time, the Canadian Assn. of Accident and Sickness Insurers report recommended the industry challenge the government in cases where the industry feels government initiatives are unnecessary.

The report, which was prepared for the association by University of Western Ontario business professor D.H. Thain, predicted most health service in the future would be supplied by the government and health care will be looked upon as a service along the lines of education.

"It is clear that governments want to extend their universal coverage to dental and drug plans," the report stated. "The major obstacle to immediate takeover appears to be the prohibitively high cost. Despite this, these programs are now under consideration."

WHEN THIS happens, health and accident insurers will have a market for already existing special risk and supplementary coverages, the report noted, and should develop new markets as new needs appear.

Income replacement and long term disability markets will change markedly in the coming 10 to 20 years because labor unions will push very hard for including long term disability as a fringe benefit, according to the report. However, the Canada Pension Plan will probably supply the major impetus for changes in this area.

During the next 20 years, the report predicted "the maximum contributory wage level will be set at the average wage in the labor force, and the level of benefits will be 50% of normal earnings.

"This will leave a fairly substantial market consisting of those people who want greater than 50% and those people who have an income greater than the average wage in the labor force."

LOOKING AT cooperation between the health insurance industry and government, the report said the industry "has done little to establish good working relationships with key government planners, officials and politicians. As a result, the industry has little knowledge of, participation in, or influence on government plans which affect the industry."

The report admits there are some areas in which the government performs better than the industry and reinforces the point that government will be involved to an even greater extent in the future.

"It would be fruitless for the industry to try to fight, at least in the short run, the fundamental change forces in society which are causing government to become involved," it said.

Commenting on the report, association president R.L. Whaley noted, "The development of a parallel health care system such as that now in force in Britain but precluded under most provincial medical care plans might be welcomed by governments if it helped to relieve the cost squeeze on public services." ■

Grain insurance eyed for granary deposits

WASHINGTON—The chairman of the House subcommittee on livestock and grains has introduced legislation which would create a Federal Grain Insurance Corp. to insure grain deposits by farmers in the same way the Federal Deposit Insurance Corp. (FDIC) insures bank deposits.

Under the terms of the bill, coverage would be made available to warehouses, elevators and other grain dealers on a voluntary basis with a $25,000 limit per farmer-customer.

In introducing the bill, Rep. Paul Findley (R-Il.) explained the rationale for the proposed legislation and asked for early hearings on the measure.

"A FARMER'S deposit of grain in an elevator or warehouse should be just as safe as a deposit of money in a bank. Now, in some cases, it is not," he said.

"Under traditional business practices, a farmer may deposit grain but retain title to it, sell the grain at an agreed price but defer receipt of payment, or sell with price agreement deferred to a later date. In each circumstance, he loses custody of his grain but does not receive immediate payment. The purpose of this bill is to insure the value of his grain up to $25,000 until he gets paid."

THE CONGRESSMAN noted over the past few years over 20 grain warehouses and elevators have closed, gone into bankruptcy or lost their licenses for various reasons.

"These closings have resulted in more than $2 million losses to farmers," he said. "Even the best bonding protection is only partial."

After the initial expense of setting up the program, the Congressman promised, the corporation would be self-financing through fees charged participants. The program, the bill states, will be administered by the Secretary of Agriculture.

The insurance, Mr. Findley estimates, will cost the farmer one-tenth of a cent or less per bushel stored, or $25 for the maximum $25,000 coverage. ■

For your special fire hazard:

Cardox systems. Two kinds of protection. All kinds of engineering help.

The Halon 1301 advocates tell you their special hazard protection systems are best. The carbon dioxide people say their systems are best. Chemetron offers *both* Cardox-brand Halon 1301 and CO_2 systems. So we can tell you which is *better*, which is exactly right for you.



We have more than 30 years of experience in evaluating and designing Cardox fire-protection systems for all kinds of special hazard locations. Such as record storage rooms, computer areas, printing plants, power stations, stock exchanges, banks—the full range of business and industry.

You'll find our experience can help prevent over- or under-engineering your protection system. Help prevent oversights that later lead to sub-par protection. And our technical manpower is backstopped by extensive manufacturing facilities for customizing a protection storage and delivery system for you alone.



Now's the time to call on Cardox protection of special fire hazards. While things are still in the thinking stages. Write: Chemetron Corporation Cardox Products, 111 East Wacker Drive, Chicago, Illinois 60601.

CHEMETRON™
Cardox Products
Chemetron Corporation

© Copyright 1973

Group rates for students discontinued

SAN FRANCISCO—Kaiser Foundation Health Plans Inc. and Blue Cross both have discontinued student group rates for 4,300 California student members who must now gain such health insurance coverage as individual members at $17.80 a month or under their parent's coverage.

Kaiser executives said the special rate of $8.45 a month was discontinued because "participation was not as high as anticipated" while Blue Cross claimed "much too high a utilization" prompted its discontinuance.

Of 1,250,000 northern California Kaiser members, only 1,200 students participated under the special rate and this, the organization said, "was not enough to justify the paper work and administrative costs."

THE STUDENT insurance plan included full hospital coverage for 60 days for each illness or injury plus an additional 90 days at half the prevailing rate.

Definition of "student" also caused Kaiser some difficulty, according to spokesmen who explained, "we had no way to prove who were really full time students and we had no way to make sure they remained full time students."

Blue Cross executives said about 3,100 students had participated in its program, out of a total of 1.5 million Blue Cross members in northern California.

"Students enrolled with us," Blue Cross said, "used more money than they put into the group plan which provided 100% hospital coverage up to 180 days as well as $1,000 towards surgical care" at a cost of $9.50 a month for male or female students. In any conversion men students will pay $19.95 a month and women $25. ■

classified advertising

Zoned multi-family in Dairen, Illinois

One of the better locations in fast growing Du Page County, Illinois. Parcel of 32 acres upon which 510 units can be constructed. EPA approved. Full sewer and water to property boundary. Engineered completely for immediate development. Complete feasibility and extensive market exposure to RTE. 66 and Interstate 55 at Cloverleaf. In immediate area of Argonne National Laboratory; Hinsdale Airport; Village of Oak Brook. Nearby are two of the largest shopping centers in Northern Illinois (Oak Brook and Yorktown). Interstate 55 access is conveniently situated whereby travel to downtown Chicago is minimal. Principals are now ready to discuss outright sale or joint-venture.

Call area code 312-779-7400.

GET RESULTS HERE

HOME OFFICE STAFF AND FIELD POSITIONS with leading, independent property-casualty consultants. Degree, CPCU, broker or risk management experience helpful. Resumes with earnings history and references confidentially treated.

Box 394, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

SAFETY ENGINEER — Marshall Durbin Companies, a vertically integrated poultry production firm headquartered in Birmingham, Alabama, with operations in Alabama and Mississippi, has an opening for a safety engineer. Company currently has 1,375 employees with expected addition of 200 next year, and 240 automotive units. Applicant should have experience in workmen's compensation and fleet engineering. Send resume and expected salary to Irby Sellers, Marshall Durbin Companies, P. O. Box 6775, Birmingham, Alabama 35210.

Major insurance company wanted. Domestic or foreign.

Affluent financial group desires to purchase controlling interest on a cash basis.

Reply by principals only on a strictly confidential basis.

Box 396, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

$2,500.00 REWARD

A reward of $2,500.00 will be paid to any person whose information leads to purchase of a Fire & Casualty Insurance Agency in the Los Angeles, San Diego or San Francisco areas. (Reward of $3,000.00 if Agency located in San Fernando Valley). In the event of duplicate leads, the letter with the earliest postmark will earn the reward.

All replies confidential—Reply:

Box 390, BUSINESS INSURANCE
740 Rush St., Chicago, Ill. 60611

LOSS PREVENTION SUPERVISOR (Workmen's Compensation)

Major division of a natural resource corporation located in Indianapolis, requires supervisor with a minimum of three years experience in handling workmen's compensation. Will establish a new section reporting to the Safety Director setting up policies, procedures, and programs. Prefer candidate with college degree and Insurance company experience. Send resume' in confidence, including education, experience, and salary history to:

Manager, Personnel & Employee Development
Box 967
Indianapolis, Indiana 46225
(An Equal Opportunity Employer)

FIRE PROTECTION ENGINEER

A large, regional insurance brokerage firm is currently seeking an individual to fill the position of fire protection engineer.

We require someone who is familiar with fire rating procedures. Knowledge of property appraisals and some experience in casualty safety engineering beneficial.

A minimum of 5 years' experience is necessary. Salary will be commensurate with experience. We offer an excellent employee benefits program.

Please submit detailed resume in confidence to P.O. Box 7669, San Francisco, California 94120.

An equal opportunity employer.

The most expensive thing in the world to repair... is about to break.

There's an employee injury every 14 seconds. So by the time you finish reading this, somewhere there will be three very important people off the job.

At Kemper Insurance we work hard to help our policyholders prevent accidents. That's why we have an expert staff of loss control representatives.

With their training and experience, they can spot potential loss situations and offer corrective measures.

And they can help your business set up a control program that is designed to reduce accidents and injuries.

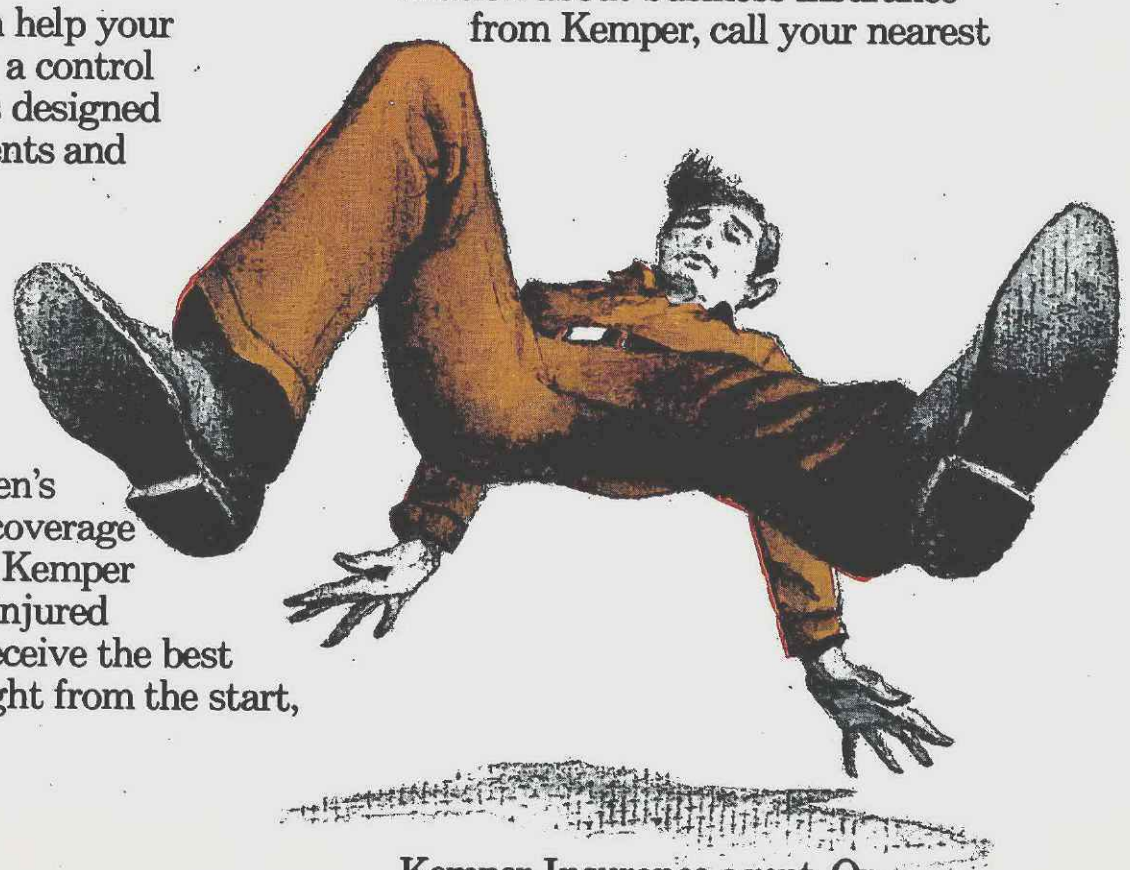
But should an accident occur, Kemper stands ready to enter the case quickly.

With Workmen's Compensation coverage from one of the Kemper Companies, an injured employee can receive the best possible care right from the start, when the most good can be done.

Whether your business operates from a single location, or nationwide, our network of claims offices is staffed to provide fast and fair claims handling.

The same service and expertise we bring to Workmen's Compensation we also bring to General Liability, Fire, Burglary, Boiler and Machinery, Travel Accident insurance and more.

If you'd like additional information about business insurance from Kemper, call your nearest



Kemper Insurance agent. Or write Walter R. White, Kemper Insurance, Long Grove, Illinois 60049.

Kemper
INSURANCE
small enough... big enough
for every size insurance need

Lumbermens Mutual Casualty Company, American Motorists Insurance Company, American Manufacturers Mutual Insurance Company.



"Let's say one of my trucks just had an accident in Dexter, Iowa. How would Allstate handle it?"

In a case like that, our adjuster was immediately sent to the scene.

The entire cargo transfer was completed and a relief truck was on its way to its destination in about 12 hours.

You see, Allstate has the largest full-time staff of claims specialists in the business. They're located coast to coast and trained in Allstate's advanced way of doing things.

When an Allstate Account Executive calls on you, sit him down and pick his brains. He can tell you about the fresh ideas we're bringing to the commercial insurance business. And how they'll work for you.

Insurance is as competitive as your business, so we have to capitalize on our advantages.

Extra hustle. An aggressive, just-let-us-quote attitude. And a management that thinks an insurance company's service should bend to suit the customer instead of the other way around.

And the price? That's right—very competitive.

We wouldn't expect you to just take our word for all this. So when our Account Executive shows up, put him to the test.

Ask him to quote.

Allstate®
BUSINESS INSURANCE