Product withdrawal: What cover do you need?

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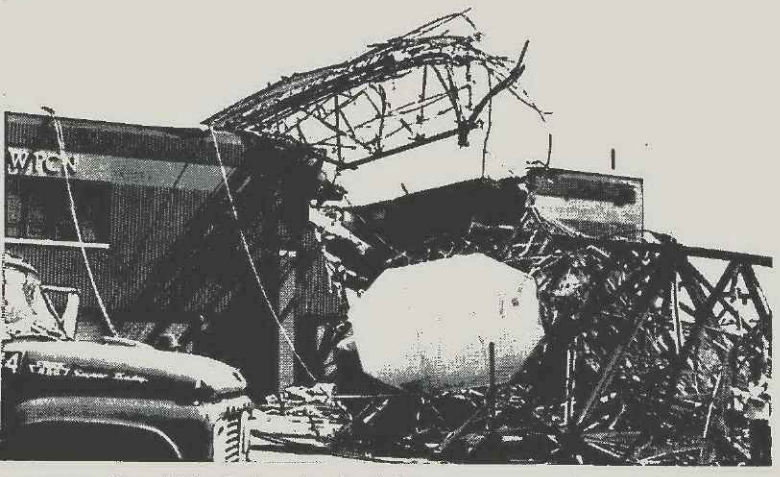


Insurance Co. of North America had the coverage on the 1,375-foot television tower that crashed to the ground in Shoreview, Minn., killing seven workers. Damage is estimated at more than $1 million.
—Business Insurance photo

INA on tv tower crash

By ROBIN SUHRBIER

SHOREVIEW, Minn.—The 1,375-foot television antenna tower that crashed here, killing seven and causing more than $1 million damage, was insured through Insurance Co. of North America.

The tower, owned by Dresser Crane, Hoist and Tower, a division of Dresser Industries Inc. in Dallas, was still under construction and once completed and accepted it was to have been turned over to Telefarm Inc., a company composed of three television stations.

The remains of the crash, which left the three stations without a permanent home, must now be unscrambled and pieced together to determine the cause of the accident.

DRESSER'S coverage, according to an insurance source, included a builder's all-risk policy based on the value of the tower, which was approximately $833,000, and a care, custody and control endorsement to the policy for $400,000 to cover antennas and lines on the tower that were al-

Continued on page 2

Compensation system breezes along in a threatening gale

By STEPHEN GILKENSON

BOSTON—Despite the ominous threat of federal intervention lurking in the workmen's compensation closet of every state capital, commissioners and administrators of the nation's 50 different—and in some cases dreadfully deficient—compensation systems appear to be reacting like residents of low-lying coastal areas just as a hurricane approaches: They are steadfastly hoping the whole damn mess will blow over. *(See related story on page 43.)*

That possibility is remote. The Occupational Safety and Health Act of 1970, for example, authorized a Presidential commission to study the adequacy of state workmen's compensation laws. That commission of 15 members was appointed in July. Initial hearings have been held in Washington, D.C. The next hearings will be held Oct. 4 and 5 in the Dirksen federal building in Chicago with the first session beginning at 10 a.m. on Oct. 4.

For John F. Burton, the young college professor who was appointed by President Nixon to head that commission, the trip here from the nation's capitol two weeks ago must have been extremely interesting. He spent a day at the 57th annual convention of the International Assn. of Industrial Accident Boards and Commissions (IAIABC) and, while it was not precisely like being a Black Panther at a Daughters of the American Revolution convention, Mr. Burton wasn't likely to find a bottle of champagne in his room at the Statler Hilton Hotel.

NONETHELESS, the young University of Chicago professor received the usual courtesies. He spoke briefly to a luncheon crowd of about 300 commissioners, aides and compensation attorneys, asked for their assistance and cooperation, and invited one and all to testify before hearings that will be held in various cities between now and early 1972. Then he retired to a hotel conference room where, for most of the afternoon, his ear was bent by commissioners and others intent on learning a little more about this soft-spoken academician who is to spend a year looking into their affairs.

The National Workmen's Compensation Commission Mr. Burton heads, he told *Business Insurance* in an interview, hopes to get the full cooperation of the IAIABC, although he admits there is little the association can do as a whole except argue for continued state regulation.

Mr. Burton did note, however, that he had spoken with James E. Bailey, the American Society of Insurance Management's legislative counsel, and that Mr. Bailey "has made a very full offer to the commission" on behalf of the society, which represents almost 2,000 large corporate risk managers.

Later, Mr. Bailey told this magazine that ASIM intends to testify before the commission at hearings in Washington later this year.

"We support state regulation of workmen's compensation and insurance," he said, "but we are not opposed to federal uniformity unless it becomes uniformity for uniformity's sake. As far as workmen's compensation goes, we are interested in the broad scope of the problem; we are interested in levels of benefits and in the improvement of benefits in some marginal states. Nor are we opposed to the elimination of the

Continued on page 38

Henry Mance chats about Lloyd's U.S. clients

CHICAGO—Sir Henry Mance, the forceful chairman of Lloyd's of London, believes that American corporate clients of Lloyd's ought to visit London to chat with underwriters about their risks and coverages.

But, he sternly warns, such visits "must not be a replacement for the services of Lloyd's brokers or representatives of Lloyd's brokers in America."

Once upon a time, according to Sir Henry, "it was a crime for a Lloyd's underwriter to speak with a client, but now it's probably a good thing. Underwriters today must be alive to the kind of risks they are underwriting, and some of them are going out to look at the risks, a thing they never did years ago."

Sir Henry, who was on a U.S. tour, sees the "new underwriting" as something developed during the past decade or since World War II. He cautioned American clients of Lloyd's that they must retain the relationship between the experienced underwriter and the knowledgeable broker.

"Only in this way," he said in an interview with *Business Insurance,* "can the client come well prepared to the hard questions of rates and conditions."

The Lloyd's chairman freely conceded that insurance, and particularly the liability side, is changing so rapidly that underwriters must go out to look at risks. "The underwriter," he said, "must be alive to the kind of risks he's taking."

Sir Henry emphasized the close relationship between Lloyd's and its American clients. Here are some of the questions and answers in an exclusive interview between Sir Henry and Richard Bjorklund, editor of *Business Insurance:*

Q. What is the effect on the American client of Lloyd's of President Nixon's economic policy that seeks to undergird the dollar and stem inflation?

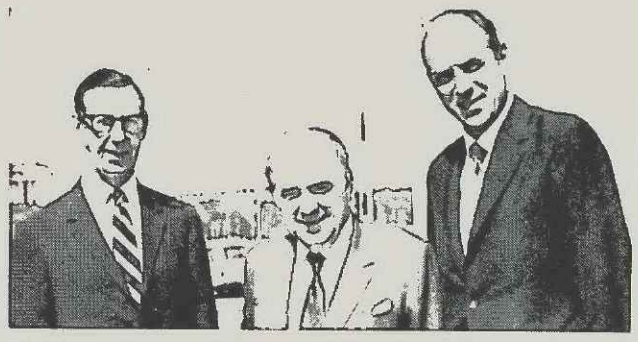
A. The key to the President's message for our American clients, and corporate risk managers generally, is the inflation problem. Our policies are written in dollar values, and losses are paid in dollar values. Therefore, the matter of valuation has little importance. What does affect the American client of Lloyd's is the inflationary problem. If it can be controlled it will be helpful in adjusting premiums in the future. The key to our prosperity is control of inflation because we must keep pace with the inflationary spiral. Our policies are typically written on a long-term basis and there are many long-deferred claims. There may be, however, an effect of the President's policies on the non-American business of Lloyd's because some countries may change the currency they use.

Q. Will President Nixon's freeze on fringe benefit increases hamper the progress of your new life insurance subsidiary?

A. I was not aware that the President's wage-price freeze affected fringe benefits, but I suppose that such an order would have a slowing effect on future Lloyd's life assurance expansion plans in the U.S.

Q. What will be the effect on marine insurance of President Nixon's thaw toward Red China which will probably result in greater U.S. trade in the Far East?

A. The Chinese are very able at insurance matters and very straightforward in their dealings. We have completed many insurance deals satisfactorily with the Chinese. They pay premiums promptly and don't argue about claims settlements. The Chinese and Russians are very much alike in that regard.



Sir Henry Mance, chairman of Lloyd's of London (center), was met by Herbert C. Brook (left) and John G. Smith (right), of Lord, Bissell & Brook, upon arrival in Chicago.

Q. Will the increase to 500 in applicants to be "names" of Lloyd's have a favorable effect on capacity?

A. Yes, of course. We now have 72 foreign members, and more are becoming interested because of the favorable profitability picture. The capacity situation is directly influenced by the number of "names" we have and by the willingness of present "names" to increase their commitments. Yet growth in the past several years of

Continued on page 37

INA . . .

Continued from page 1

ready in use by two of the broadcasters.

Part way up the tower there was to have been a platform housing the three antennas for the broadcasters. It was this platform that six of the workers were on when the tower gave way. A seventh worker, on the ground, was killed when the tower fell on him.

The men were all employes of the National Steel Erectors Corp. of Muskogee, Okla., a subcontractor on the project. Tower workers, such as these men, get about $4,900 death benefits from the Iron Workers Union and their survivors qualify for workmen's compensation benefits.

The tower fell across a transmitting building causing extensive damage to it and to equipment located inside. The building, constructed by James Leck Co., Minneapolis, was already completed and owned by Telefarm. It was insured under a special radio and television form through INA. This policy would have included the tower once it was completed.

THE TRANSMITTING equipment inside the building is all individually owned and insured by the broadcasters. The same would have applied to the broadcasters' antennas up on the tower once all construction had been completed.

Basically, the tower collapsed over the section of the building occupied by WCCO and damaged much of its transmitting equipment. WCCO's radio and television equipment, according to an insurance source, is insured through an inland marine policy with a radio-television transmitter endorsement, also underwritten by the INA. At the Telefarm site, WCCO, as did the other stations, had between $300,000 and $325,000 in transmitting equipment. Apparently, the source said, the other two stations' equipment escaped damage.

Catheart & Maxfield Inc., a St. Paul agent, placed the coverage for WCCO and Telefarm; Harris-Moore & Associates, Dallas, placed the coverage for Dresser.

Damage in dollar value to the building and transmitting equipment has not yet been determined. The building is valued at $270,000.

The building was divided into three identical sections, each occupied by one station. The building was constructed of fire and wind resistant materials and the entire suburban site, which includes a second antenna tower, 1,400 feet high, is protected by Shoreview's fire department.

THE SECOND tower, owned by KMSP, was already completed and accepted by inspectors. This tower was built by Kline, Iron and Steel of Columbia, S. C. According to a KMSP source, since the tower was inspected regularly during construction and is now under constant inspection, "we don't fear a reoccurrence."

The Dresser tower, before it was turned over to the three stations, would have had to pass inspection by an engineering firm hired by Shoreview and paid for by Telefarm.

When the tower collapsed, WCCO and WTCN switched back to broadcasting facilities on the Foshay Building, in downtown Minneapolis. This tower would have come down once the new tower was in operation. According to reports here, WCCO has always had regular inspections of its broadcasting facilities plus immediate inspections after wind storms. KSTP continued broadcasting from its present facilities. It had not yet switched over to the new tower.

Speculations from all directions have been made as to the cause of the collapse and what type inspections were made during the construction of the tower. No comments could be obtained as to the safety conditions the men worked under or what kind of inspections were made of materials used in the construction of the tower or the tower itself.

A decision as to whether the tower will be rebuilt has not been made. ■

the risk management manual is coming
october 25th issue

International services

CHICAGO—This is a supplement to the 1971 *Business Insurance* listing of international services containing descriptions and locations of services that are available to risk managers and employe benefits administrators of companies that expand overseas or have installations in foreign countries.

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Anti-discrimination bill

The Oregon house has approved senate changes in House Bill 1290 designed to prevent discrimination in issuance of insurance policies and has sent the measure to Gov. Tom McCall for approval. The bill applies only to Portland where no insurer shall make or permit any unfair discrimination between risks of essentially the same degree of hazard in the issuance of burglary and theft or robbery insurance policies or casualty insurance policies that insure against liability rising out of the use or control of real or personal property.

Bridge loss self-insured

CHARLESTON, W. Va.—The collapse of the Washington Street Bridge is self-insured by the state of West Virginia though the liability for the collapse has yet to be ascertained.

Joseph Delia, West Virginia state risk manager, told *Business Insurance* that "the bridge will probably be declared a total loss. I mean, one-third of it is in the river. It would probably be cheaper to get a new bridge than to try to repair this one." He said that the bridge had been built in 1911 and that "no one is exactly sure how much it is worth."

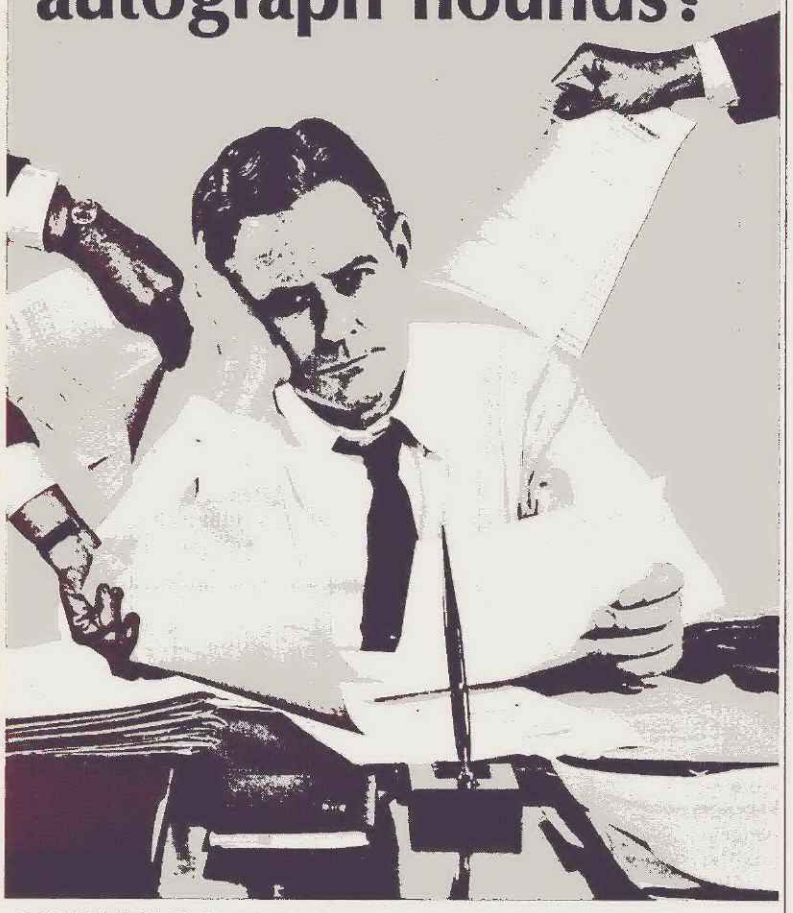
The bridge had been closed for six days after 10 barges and two larger boats broke loose from their moorings up river and damaged it. They were owned by Tri-State Material Corp. but liability is not known. Mr. Delia said the "army engineers have looked at it, trying to find out if the barges were the prime, factor in the collapse."

The governor of West Virginia has declared the collapse an emergency and has appealed to the federal government for aid under the Federal Disaster Assistance Program. ■

Ruling ok's fund usage

California Attorney General Evelle J. Younger has ruled that soil conservation districts may use their funds to pay premiums for their directors' participation in a major medical group insurance plan offered through the California Special Districts Association.

Pursued by autograph hounds?



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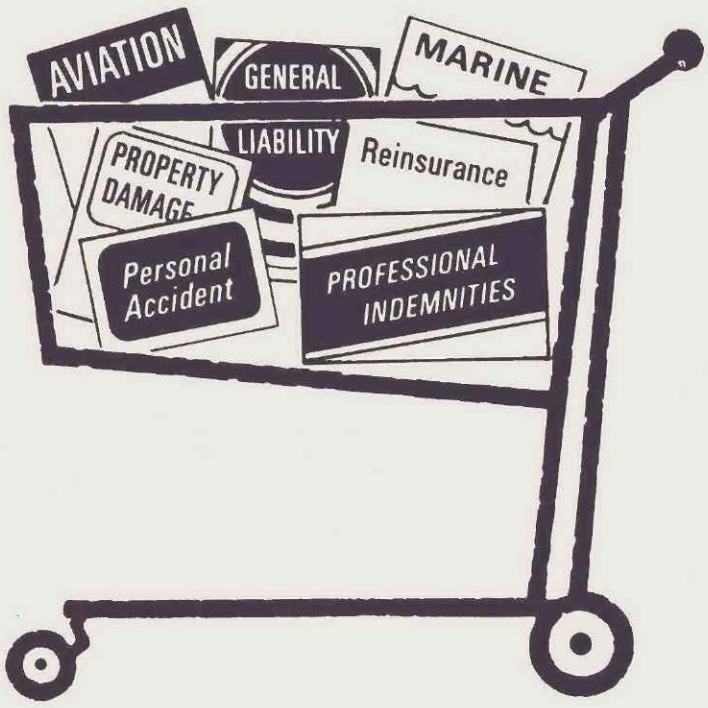

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Contingent comp plan is settled

PHILADELPHIA—Trustees of the Penn Central Transportation Co. say they have reached accord with most Penn Central employes covered under a contingent compensation plan that has been hanging since the company's bankruptcy reorganization.

The contingent comp plan, which was set up by the predecessor Pennsylvania Railroad in 1952, gave certain key employes allotments in addition to their regular salaries. These monies were invested and were earmarked for the employe upon his retirement, or to his widow if he died before retirement. The plan, however, was not a trust fund and employes didn't have any vested rights to the funds, the trustees contend. Penn Central stopped contributions to the plan when the railroad entered bankruptcy proceedings last year.

The agreement between trustees and 74 of the 121 participants in the plan (38 rejected the offer and the rest didn't reply), must be approved Oct. 4 by the federal district court here, which is overseeing the company reorganization. If approved, 121 participants in the plan would receive a total of $2.7 million while another $6 million in the fund would be freed for general use by the financially troubled railroad. Last January, the trustees asked the court to terminate the plan and free all $8.7 million in the fund, but that proposal had been strongly opposed by the participants.

The proposed settlement would give the eligible employe the market value of his investment in the plan as of Dec. 31, 1970, or if retired, to receive his contribution to the plan less any payments from it. Participants, however, would not benefit from the growth of the plan during the years of their participation.

Excluded from the settlement by the trustees is any payment to David C. Bevan, the former Penn Central chief financial officer, who is being sued by the trustees. ■

Would you attend a BI workshop on products?

CHICAGO—A workshop on prevention and defense of product liability claims is being considered by publishers of *Business Insurance*.

The one-and-a-half-day workshop would cover product safety and product liability potentials in manufacturing, marketing and product service, all of which play key roles in the development of product claims and the defense against suits involving products.

Among those whose responsibilities would be covered by the workshop are corporate risk managers, advertising and sales promotion managers, product service managers, corporate legal counsel involved in product claims as well as general corporate executives concerned about the rising number of substantial claims involving product defects, improper service or misrepresentation.

This workshop would include shirt-sleeve discussion groups on product liability prevention as well as some speeches and panel discussions on trends of product liability claims and methods of defending against them. Included in the formal program would be speakers representing the defense bar, the plaintiffs' bar, consumer advocates, insurers and government officials concerned with regulating product safety. Discussion leaders for the shirt-sleeve workshop sessions would be persons with experience in achieving product safety in the plant and preventing marketplace claims.

The workshop, to be held in Chicago, will bring participants up on the latest in the explosive field of product liability. If you are interested, use the coupon and return it immediately. ■

Send to: Product Liability Workshop, Business Insurance, 740 N. Rush St., Chicago, Illinois 60611

___ Yes, I would certainly make every effort to attend your proposed Product Liability Workshop. Please send me full details if you go ahead with it.

Name _____ Title _____

Company _____

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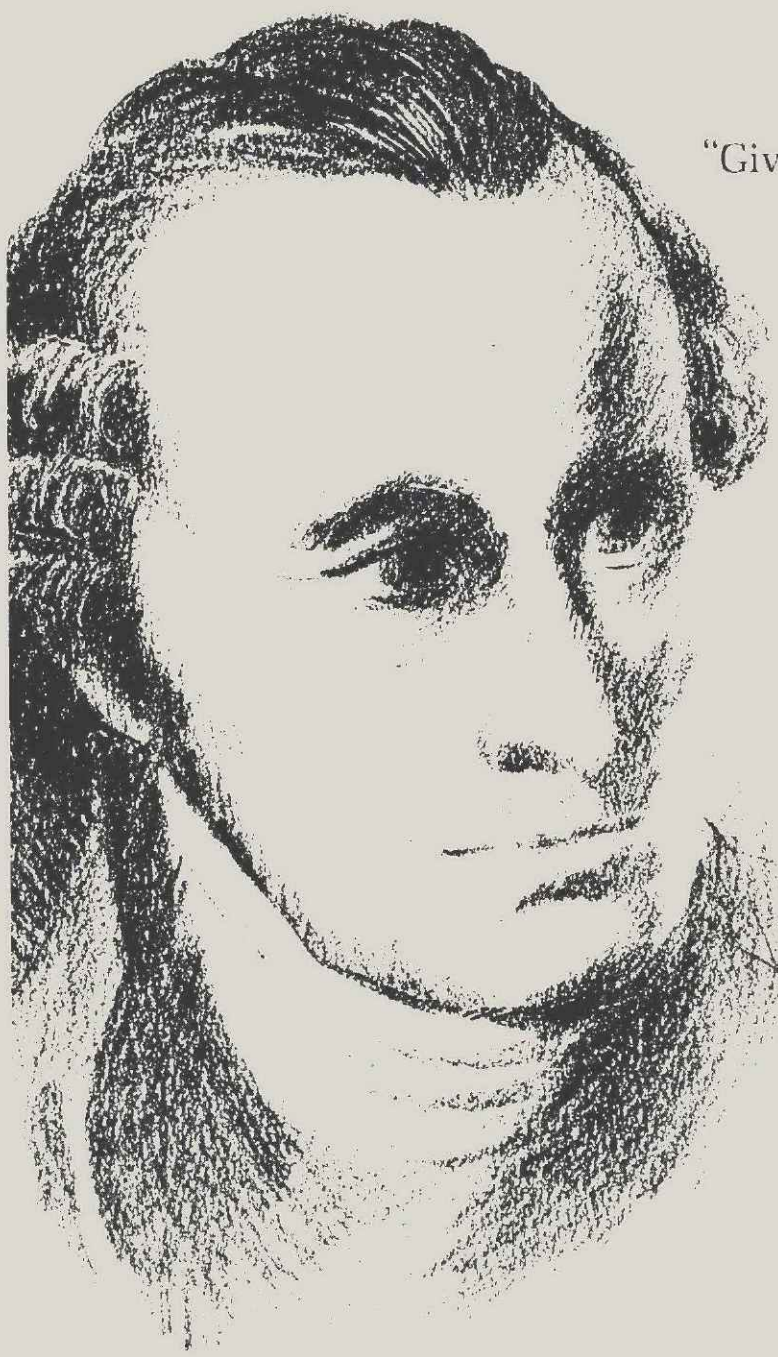
Robert L. Jones has been named insurance manager for Kaiser Cement & Gypsum Corp. Kaiser business is primarily brokered through Underwriters Service Inc., San Francisco, with extensive use of the London market. Mr. Jones joined Kaiser in 1968, as insurance representative, after having been insurance manager for American Sterilizer Co., Erie, Pa., and special agent with Aetna Life & Casualty Insurance Co., in Pittsburgh. In his new position he succeeds Ralph F. Perry, who resigned to become director of insurance for Fairchild Camera & Instrument Corp., Mountain View, Cal.



"Give Me Liberty or Give Me Death."

Patrick Henry

Patrick Henry had a healthy respect for law and order. Born in a century tempered by hard and bitter times, he was compelled frequently to speak out against injustice and a paralyzed government. When he spoke, people listened even across the wide Atlantic. Statesman, governor, lawyer, he was willing to pay any price, bear any burden, meet any hardship to assure the survival and success of liberty. He expressed it in immortal words in 1775.

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washington watch

Rising costs of public employe pension plans being questioned

By JOHN REVETT

WASHINGTON—Anyone who ever stood behind a government employe in a hospital bill-paying line knows the feeling. This guy's covered for almost everything!

It can come as a shock.

But the man with a government employe for a next door neighbor may be in for a greater one when the neighbor retires—younger and with close to twice as much pension money as the average worker retiring from private industry.

The question, "What's going on here?" isn't an easy one. Even congressmen who say the good old American way of preparing for retirement should be by personal savings etc. give the actual amounts involved for any pensions a wide berth. What kind of argument could be presented against $3,000-to-$5,000 a year under public or some of the more liberal private plans?

Supporters of increased government employe pensions—and salaries—say raises are only fair and insist they merely bring compensation for the public worker up to the level of his private industry counterpart. Their answer to complaints from businessmen and congressional constituents, that in most cases the benefits are now way out of line with the private sector's, is simple: Government employes made the same argument 10 years ago, and they had some catching up to do.

But business groups who have been keeping an eye on the federal, state and local trend don't see it as a game of see-saw. They say the raise rate clearly runs counter to the general rule of keeping public salaries and other compensation comparable to private industry's. If government didn't do it before, that's government's fault.

While none of the groups seems quite willing at present to come out for legislative reform, mainly because of pending legislation on liberalized private plans, there is a good deal of turmoil just below the surface.

THE U.S. CHAMBER of Commerce, for instance, seems ready to do something more than merely watch the situation closely. "There's real concern," said a source, "that public plans, especially state and local, could force private industry into paying more than it can afford."

What the chamber and other business groups note at the state and local level are increases such as Baltimore's, up $1.7 million to a $30.7 million total for fiscal 1972; New York's, $215 million a year 10 years ago, twice that now and estimated to be $1.3 billion 10 years from now; Cleveland, where the payments to the state will increase from 3% to 5% in 1973 because of a huge liability in the state-run system and where only three quarters of the bill on a $330 million city retirement system liability could be made last year.

In New York state, a new pension commission is being established to curb spiraling pension costs. They amounted to $93.3 million in 1960 and $520 million last year.

Much of the increase trend is the result of rising public employe salaries not taken into account when pension plans were set up. In Baltimore, for instance, the system anticipated employes would be getting an average salary increase of 1.5% a year, but in recent years the boosts have been from seven to eight percent.

Elsewhere pension benefits have been increased separately, in some cases taking the place of bigger salary raises. State and county employes led by workers who double as political aides have been known to benefit nicely in pensions when more obvious pay boosts would have raised loud public complaints.

For reasons some say are not altogether unrelated, there is no sign of federal activity in the government pension area. "It's a hairy subject," said a congressional staff member attuned to legislative complexities.

Only one of the pension bills going before Congress, that of Rep. John Dent (D.-Pa.), makes reference to government plans. It includes state and local employes in an early vesting provision. But whether the rate of increase will come up in a six-month study Rep. Dent's staff hopes to make "is something we're not sure of yet," said a spokesman. "It's not one of the main issues right now."

About the only close national look at public pensions scheduled at present is the Twentieth Century Fund's. The fund, a research foundation administered as a public trust, says its study will examine the entire structure of public pension systems and will include recommendations for reforms "to meet the needs of public employes without overburdening the taxpayers." ■

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On-job thefts attributed to attitudes

CHICAGO—Improving employe attitudes may be more important than raising wages in preventing employe dishonesty, according to an executive of a behavioral science firm.

Fred Streit, exec vp of Human Systems Institute, told the Mass Retailing Institute here that "the satisfaction of social and ego-satisfying needs are more important in motivating employes than are physical or safety factors."

He cited as motivating factors good wages, job security, promotion and growth, interesting work, full employer appreciation, sympathetic help and good working conditions.

Stock shrinkage in the self-service general merchandising business reached $750 million last year, according to retailing institute officials. ■

Touchy Question #86

What does your company do about the worker or executive who drinks too much?

If yours is like most companies, you call it a "personal problem" and hope it will go away.

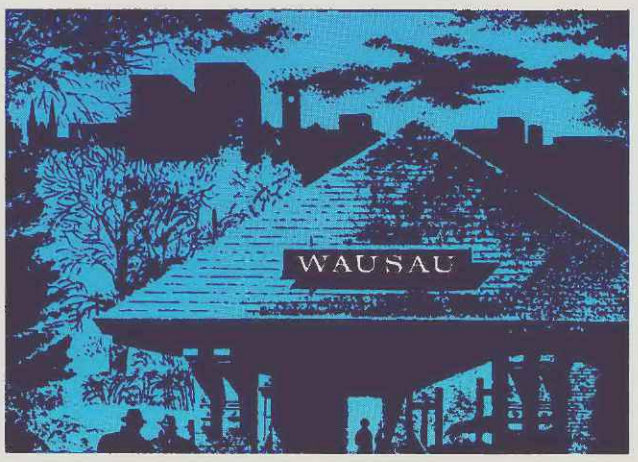
Alcoholism isn't a personal problem. It's a corporate problem. And it won't go away.

If it isn't arrested, it gets worse. If the drinker doesn't cure himself, he will eventually fall or be pushed out of the company. But he will be succeeded by other drinkers, and the corporate problem will remain.

Why should an all-lines insurance company get into this particular act? Because it belongs there. The problem of the employee who drinks too much is definitely a problem for the employer's insurance carrier. He's more apt to get hurt. He's more apt to hurt someone else. He's more apt to expose his employer to claims or lawsuits of every kind.

(We know. Don't think we've never had employees who drank too much.)

We offer our policyholders specialized consultation on management systems to deal with problems arising from emotional disturbances and the misuse of drugs or alcohol by their employees. Our safety and heath consultants are trained in this field by Mr. James S. Ray of our staff, an experienced counselor on alcoholism and related problems.



The solution to the problem of the worker who drinks too much is seldom to get rid of the worker. It's to resolve the problem for the company as well as the individual.

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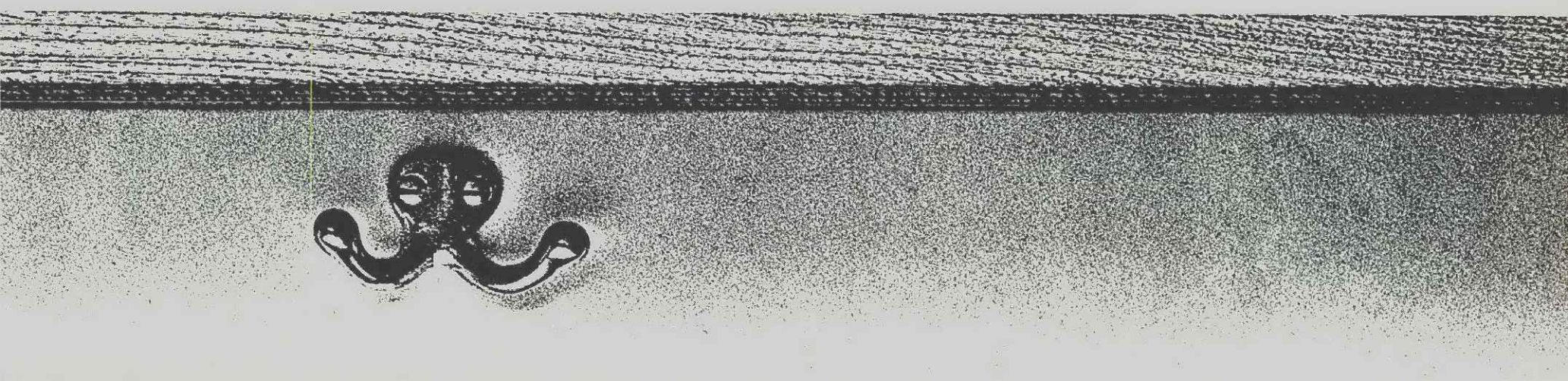

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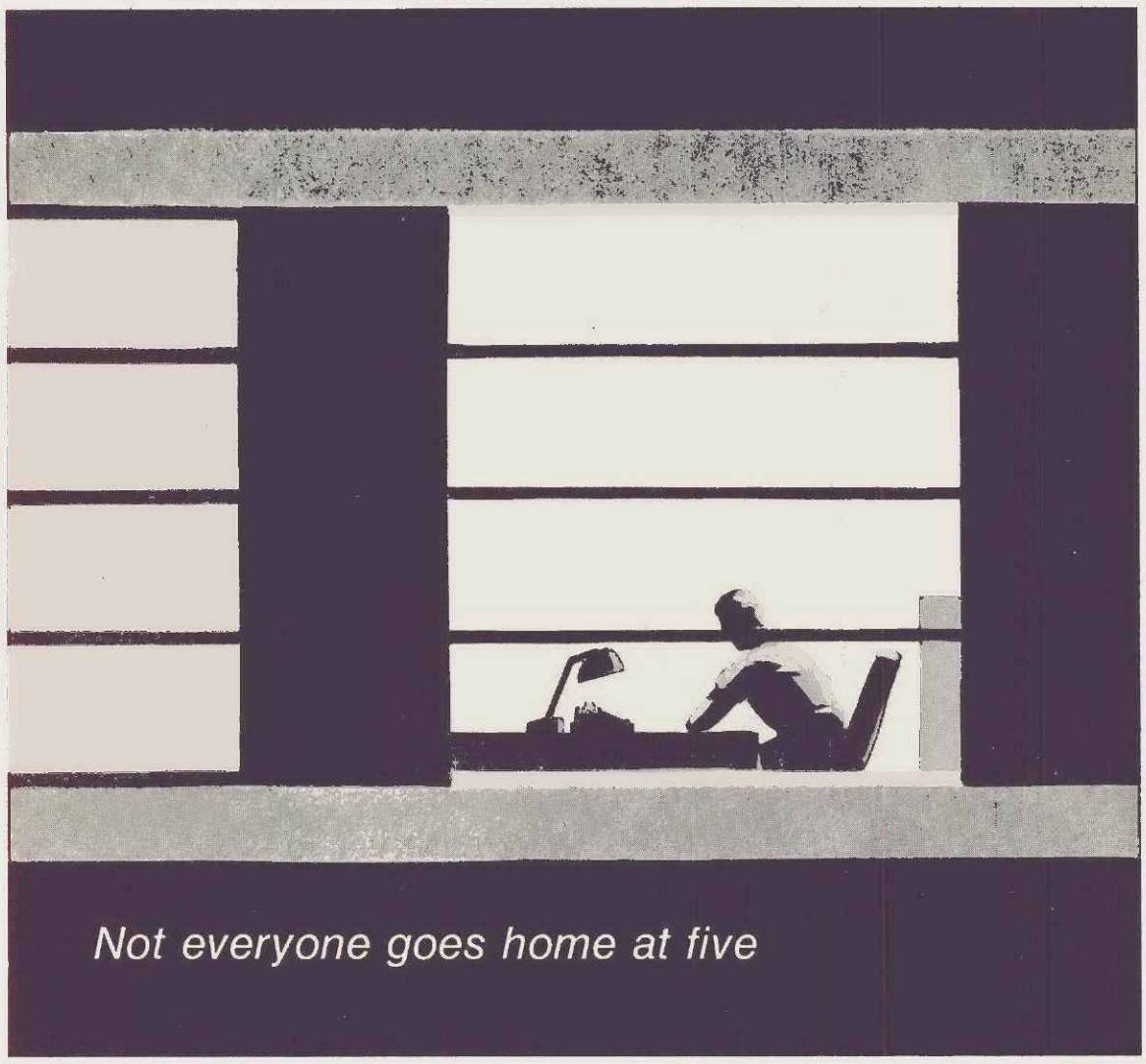

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info for buyers

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

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

• Alexander & Alexander has released a revised edition of its brochure, **Notes on Old Age Benefits Under Social Security,** based on 1971 amendments. The pamphlet contains notes and tables for calculating maximum primary Old Age Social Security benefits at retirement for ages 55 to 70. Single copies are available to *Business Insurance* readers by writing the Consulting Actuarial Division, Alexander & Alexander, 2 N. Riverside Plaza, Chicago, Ill. 60606.

• **How to Create a System for Accident Cost Control out of OSHA Recordkeeping** is a bulletin put out by Computer Claims Control. It features sections on OSHA recordkeeping requirements, samples of forms to be used, available recordkeeping alternatives, and the Computer Claims Control System '70 recordkeeping system designed to manage all reports and records in the OSHA regulations. Copies of the booklet are available free of charge from Computer Claims Control, Amarillo Building, P. O. Box 2827, Amarillo, Tex. 79105.

• Insurope, the multinational association of group benefit insurers, offers a facts and figures newsletter, **NEWSCOPE**, covering current developments in the international employe benefit field. Copies are available free of charge by writing the Insurope Secretariat, Rue du Pont Neuf 17, 1000 Brussels, Belgium.

• **IIA on Tape,** a series of 14 cassette lessons written by Dr. Robert Strain, Dean of The College of Insurance, and Hayes Tucker, IIA teacher, is now available for use in the fall semester courses of the Insurance Institute of America. Designed to help individual students or groups prepare for the IIA examination, the tapes are co-ordinated with a topical outline, written text material and sample exams. The seven tapes (14 lessons) can be ordered at $89 per set from the Insurors Press, 1631 18th St., Santa Monica, Cal. 90404. Information concerning the price of printed text material is also available.

• The Cardox Division of Chemetron Corp. has released two brochures describing their fire extinguishing systems. **Cardox Foam Fire Extinguishing Systems: Folio 5-1** describes the Cardox pressurized and pumped foam systems and the Cardox foammaker pump. **Cardox Halon 1301 Fire Extinguishing Systems and Equipment: Folio 9-2** describes the firm's high-pressure, modular and low-pressure Halon 1301 systems. Included are illustrations of a typical high-pressure setup and actuation diagram. Additional information is on optional components, Cardox engineer capabilities and advantages in safety and operation of Cardox Halon 1301 systems. For copies of the material write William Berglind, Advertising Manager, Cardox Division, Chemetron Corp., 840 N. Michigan Ave., Chicago, Ill. 60611.

• American Home Assurance Company's **Personal Catastrophe Insurance** brochure illustrates the need for personal umbrella coverage for the working man or woman with something to lose. Available to agents, brokers and buyers it also provides a description of the various optional plans available with this program, including major medical. Send requests to the attention of Dept. A-14, 102 Maiden Lane, New York, N. Y. 10015.

• SAFECO Insurance Cos. has made available free of charge, two booklets regarding prototype retirement plans. **Those Questionable Prototype Retirement Plans** discusses it's approach to retirement planning and **Prototype-Plans For Professional Corporations** discusses the tax and other advantages as well as the disadvantages of incorporations by professionals. It also examines provisions of master and prototype plans. Write the firm to the attention of the PEP Department, 4347 Brooklyn Ave. N. E., Seattle, Wash. 98105.

• The Travelers Insurance Co. has released **Your Employee Savings & Investment Plan,** a brochure describing the company's new plan offering a wide variety of options for both employers and

eligible employes in groups of 25 or more. Copies may be obtained by writing Group Sales Promotion, the Travelers Insurance Co., One Tower Square, Hartford, Conn. 06115.

• **Engineered Systems for Combustible Gas Detection,** describing their continuous monitoring combustible gas alarms has been released by Bacharach Instrument Co., Division of AMBAC Industries Inc. The booklet covers such items as applications, operating principle, maintenance, safety and sampling methods. Diagrams and specification data is also included. For a free copy wite the Advertising Manager, Bacharach Instrument Co., Division of AMBAC Industries Inc., 625 Alpha Dr., RIDC Industrial Park, Pittsburgh, Pa., 15238.

• A foldout discussing **Smoking and Lung Cancer** has been published by U.S. Dept. of Health, Education, and Welfare. Lung cancer is defined, a list of symptoms is given and methods for diagnosing the disease are covered. What causes lung cancer and the relationship between lung cancer and

cigarets is discussed along with some preventive measures for those smokers who can't kick the habit. This would make an excellent employe handout. Single copies are 10 cents, 100 copies are $5. For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402.

• **Kirschner's Insurance Directories** published since 1925 include insurance companies and personnel, insurance brokers, independent adjusters, associations and bureaus and firms serving the insurance industry. Their names, titles, addresses with zip code and telephone numbers are given. The directory for the Los Angeles area is published every January and July, and the directory for the San Francisco Bay cities is published every April and October. Each copy is $2 from Kirschner and Co., 644 Emerson St., P. O. Box 120, Palo Alto, Cal. 94302.

• **The Information Explosion and Communications in the 1970s** is a summary of a presentation by Warren R. Harrop, principal, Towers, Perrin, Forster & Crosby, before the American Management Assn.'s briefing session on managing benefits impacted in the economic and social environment of the 70s. The speech deals with the how's and why's of different communication problems in the future. Send requests to Joseph A. Banik, Towers, Perin, Forster & Crosby Inc., Three Penn Center, Philadelphia, Pa. 19102.

• Westinghouse Electric Corp. has released a brochure describing its **Periguard System** which is concealed underground in paths around a guarded area, detects the footsteps of the intruder as he approaches and flashes a warning signal to a security center to bring assistance. For a copy of the brochure write Alan Zimmerman, Specialty Electronics Division, Westinghouse Electric Corp., 7800 Susquehanna St., Pittsburgh, Pa. 15221.

• Information about Halon 1301 fire protection systems for industrial and commercial total flooding applications is available from Safety First Products Corp., 175 Saw Mill River Rd., Elmsford, N. Y. SF1301 automotive systems are manufactured by Safety First and are the first Halon clean gas fire extinguishing systems to be listed by Underwriters Laboratories in their categories.

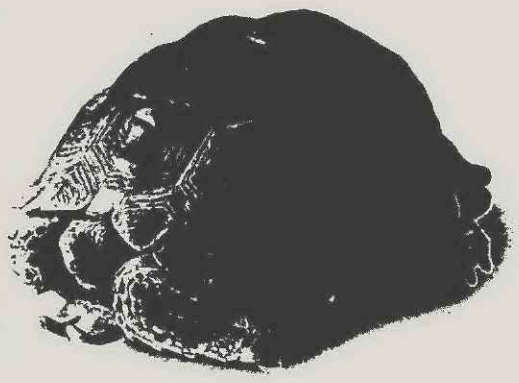
• **Paying for Your Pension** is a pamphlet designed to explain, in clear and concise language, what goes into a pension fund, how pension money is provided and what happens to the money. Samples and price information are available on request from Mrs. Retta Renich, Hewitt Information Service Inc. (a subsidiary of Hewitt Associates), Libertyville, Ill. 60048.

• **Organization of the Employe Benefit Function** is a foldout dealing with the results of a survey conducted by Towers, Perrin, Forster & Crosby to form the basis of a suggested organization geared to present trends and future needs in industry for professional administrative competence in the employe benefits field. The survey was conducted among 33 firms in the United States varying in industry affiliation, size, sales volume and management practices. Written by William A. Jaffe, a member of the firm, the report is a reprint from Pension and Welfare News. For a copy write the firm at Three Penn Center, Philadelphia, Pa. 19102.

• America's Insurance Center has published a booklet describing the coverage afforded for business interruption on a valued form for a maximum of 90 days with a three-day delay for all types of mercantile and manufacturing risks located in urban areas. **Valued Use and Occupancy Coverage** is free by writing Marko Popin, vp, Specialty Lines Division, America's Insurance Center, 562 Boulevard, Kenilworth, N. J. 07033.

• The State Farm Insurance Co., 112 E. Washington St., Bloomington, Ill. 61701, has made available a brochure dealing with the problems of burglary. **How's Business . . . After Hours?** discusses exterior doors, locks, windows, illumination, mainterance, alarms. It also provides a check-list for a rapid way of reviewing the security of your building. For a copy write the firm.

What's so new about protecting yourself?



Self-insure with ESIS. For nearly two decades now, we've been increasing cash flow for companies like Safeway Stores, Inc., Honeywell, Inc. and Foremost-McKesson, Inc. We'd like to do the same for you. For personalized counseling from top management, call collect or write:

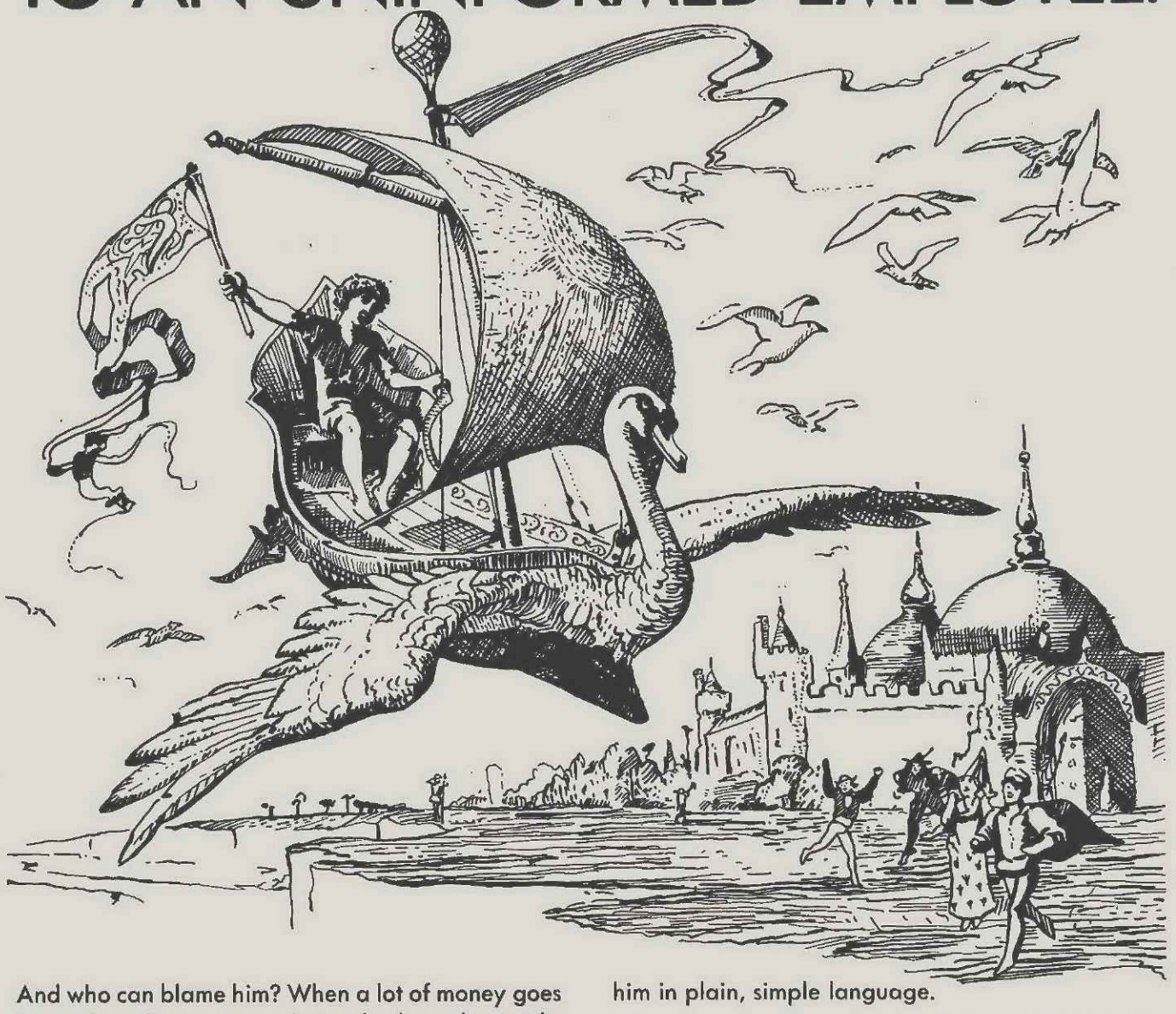
Mr. James S. Carpenter / Vice President, ESIS / P.O. Box 7728, IVB Bldg., Philadelphia, Pa. 19101, (215) 241-3416

Mr. Robert R. Ham / Vice President, ESIS / 167 West Jackson Blvd., Chicago, Ill. 60604, (312) 922-9245

Mr. James Schramm / Vice President, ESIS / 4050 Wilshire Blvd., Los Angeles, Calif. 90010, (213) 383-4848.

ESIS EMPLOYERS SELF INSURANCE SERVICE
an INA CORPORATION company

HERE'S WHAT AN EMPLOYEE BENEFITS PROGRAM CAN LOOK LIKE TO AN UNINFORMED EMPLOYEE.



And who can blame him? When a lot of money goes into a benefits program that nobody understands, people don't realize the value of the program the company has set up.

It's important to make your employees aware of the day-to-day benefits, and the long term security the program you've worked out provides them with.

Halltech Reports are designed to do just that. They provide a clear and concise, dollars and cents account for every person in your company that tells him exactly what benefits you have arranged for him in plain, simple language.

When your employee knows what you're doing for him you really capitalize on your benefits investment.

Write for free sample Halltech Reports and descriptive literature.

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Employee Communications Service
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How to tell value from value from value.

There are 43 interpretations of value in business. At least. Knowing which is which could make a big difference in your company's profits. Write for "What Is Value?" Marshal and Stevens Incorporated, Dept. K6, 1645 Beverly Blvd., Los Angeles, California 90026.

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for the record

Aetna would pay Viet death claim in Virginia

HARTFORD—Aetna Life & Casualty, the country's largest stockholder life insurance company, would "tend to pay" death benefits for Virginia Vietnam victims but would contest claims from other states, *Business Insurance* has learned.

An Aetna spokesman remarked that the company would comply with a precedent-setting order by the Virginia state supreme court that the North American Assurance Society pay $1,000 benefits to the grandmother of a serviceman killed in Vietnam.

The Virginia decision is believed to be a "first of its kind." And, to the Aetna spokesman, the Virginia move has the potential for far-reaching impact. "This is kind of a tough thing," he added.

The Virginia high court, ruling that the Vietnam war is not a conflict in a legal sense—since Congress has never officially declared war—remarked that death clauses are too vague and the benefit of the doubt should be given to the beneficiary.

The sum of $1,000 goes to Mrs. Christine Jackson of Petersburg, Va., in the death of her grandson, Calvin Cook, fatally injured in a military vehicle wreck while on active duty in Vietnam.

The Aetna spokesman said it was not immediately known how many policies were affected by the Virginia decision. Spokesmen for two other major Hartford-based carriers, the Hartford Insurance Group and Travelers Insurance Cos., noted neither company had had the time to review the Virginia decision in depth.

Business Insurance sensed an atmosphere of extreme caution in the HIG and Travelers responses. The Travelers spokesman remarked that policies written by different companies word the death clause differently. The HIG spokesman remarked that if HIG had been insurer in the Jackson case, the company would have sought to keep the case active on the court docket, possibly even going as high as the U.S. Supreme Court.

As for Aetna, the spokesman said that in Virginia the firm's tendency would be to pay. He added that the situation would be applicable on a state-by-state basis, since there is no federal regulation of the industry.

He asserted that the Virginia court ruling must not be categorized as a bellwether type of decision. By tradition, he said, the insurance industry is resistent to such a performance pattern.

New ASIM officers in California

SAN FRANCISCO—Woodrow B. Anderson, insurance representative, Kaiser Industries Corp., Oakland, has been elected 1971-1972 president of the northern California chapter of the American Society of Insurance Management. He succeds John A. McEachern, insurance administrator, Hills Bros. Coffee Inc., San Francisco, who remains as a member of the ASIM board of directors.

Other new chapter officers are: vp, Norman S. Wintemute, Bank of America; secretary, Robert D. Milligan, Levi Strauss & Co.; treasurer, John C. Wilson, DiGiorgio Corp.

Justin A. Crockwell, Pacific Gas & Electric Co., has been named to succeed A. J. Trimble, FMC Corp., as chapter representative to the national ASIM.

Rules insurer can sue employe for damages

SALEM, Ore.—The Oregon supreme court has ruled that an insurance company is entitled to sue an insured employer's work-

Continued on page 12

CAPITAL PUNISHMENT.

When a company goes up in smoke, chances are it may never open its doors again.

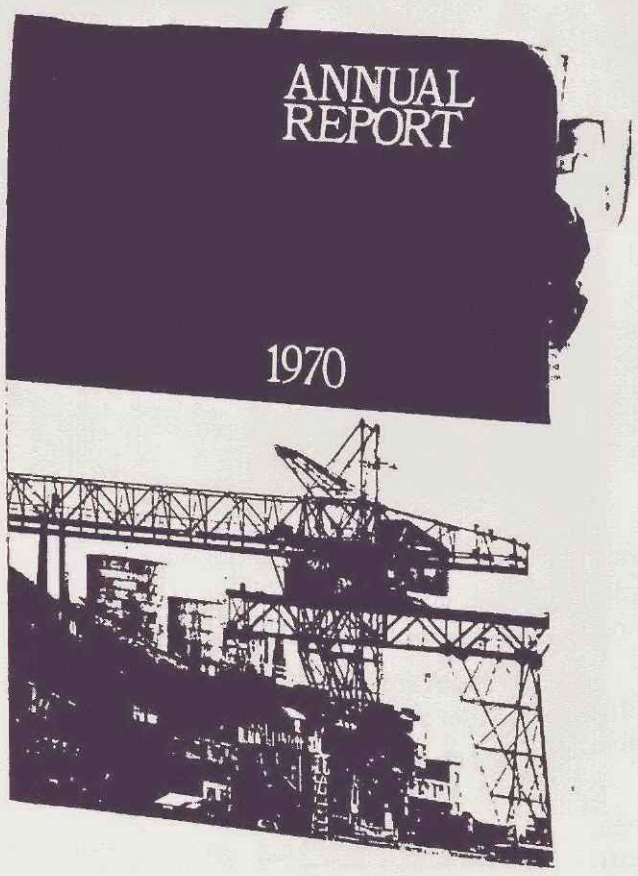
But even if it should; even if a firm has the kind of protection that can help put its plant back in shape after a disaster, there's no insurance that can cover all losses.

Fortunately, there is a way you can reduce the chances of your plant being shut down by a holocaust. Institute a Property Conservation Program.

Under such an organization, rules are set down and procedures set up for the protection of property.

And we'll assist you in establishing one by providing you with everything you need from management-training guides, employee-training films, circulars, posters, books and booklets to do it.

Helping policyholders establish Property Conservation Programs is only one aspect of the complete loss-prevention package the Factory Mutual Companies provide. For further information, contact your nearest Factory Mutual district office or write Factory Mutual System, Dept. E, Norwood, Mass. 02062.



Factory Mutual System

Allendale Insurance
Arkwright-Boston Insurance
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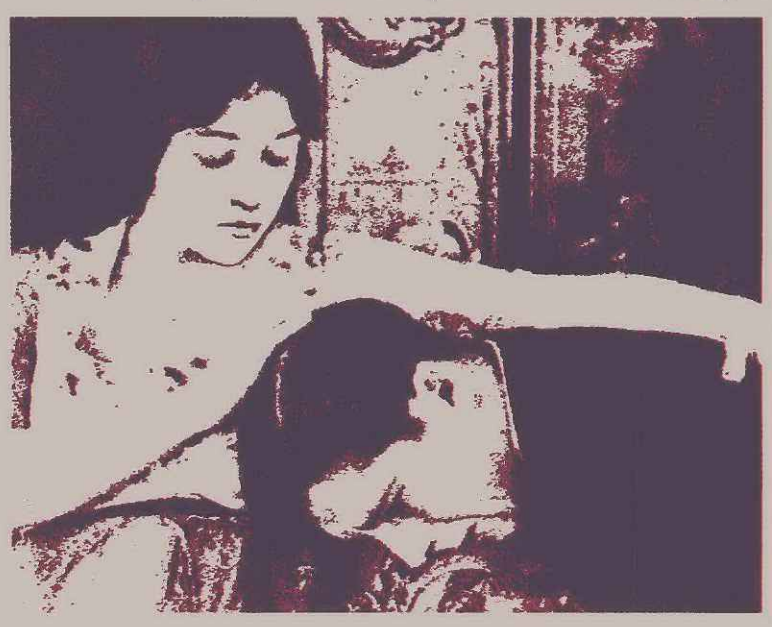
FUTILITY® Bugle

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

INSURANCE GAME RATTLES INSURANCE BIZ!!!

CHICAGO BROKER MAULED IN MARATHON

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



FUTILITY BREAKS RISK MGR.

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

FUTILITY CHAMP IS TOAST OF SECAUCUS JET SET !!!

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

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

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

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

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

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

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

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

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

GAME INVENTOR APPLIES GENIUS TO CHALLENGING NEW CAREER

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

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

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

Name_____
Company_____
Street_____
City_____ State_____ Zip_____

Four insurers sue Arthur Andersen over auditing

NEW YORK—The accounting firm that audited the books of a now-bankrupt cattle business has been sued for $10.27 million by four insurance companies. The suit accused Arthur Andersen & Co. of fraudulent and misleading financial statements about Black Watch Farms Inc., a subsidiary of the Bermec Corp.

The suit, filed in Manhattan Federal Court, said that Andersen had violated disclosure and anti-fraud provisions of Federal securities laws for two years.

The four insurers who brought the suit were the State Mutual Life Assurance Co. of America, which was said to have purchased $8 million worth of Black Watch promissory notes in 1968-1969; Citizens Mutual Insurance Co., $200,000; Worcester Mutual Fire Insurance Co., $150,000; and Beacon Mutual Indemnity Co., $50,000.

BLACK WATCH Farms, raisers of Aberdeen Angus herds, was declared bankrupt April 30. Last year the company petitioned for an arrangement with creditors under the Federal Bankruptcy Act and a receiver was appointed last Sept. 28.

The insurers said that Andersen had portrayed Black Watch as "a growing, successful, solvent business enterprise" that had been "experiencing cash flow difficulties, primarily as a result of a temporary cessation of sales and proposed changes in the Internal Revenue Code."

The suit also alleged that the audits and financial statements for 1968 and 1969, made by Andersen, had hidden "a fraudulent course of conduct (on the part of Black Watch) to raise funds to finance its business operations by various means, including the sale of its securities to institutional investors such as the plaintiffs."

Arthur Andersen & Co. has denied any liability in the matter. A source in their Chicago office told *Business Insurance* that their errors and omissions insurance would cover the cost of defense of such a suit. He termed the suit "frivolous" and said it was "unbelievable that such a suit could be filed." He said Andersen's lawyers are looking into defense aspects and that it was entirely possible that the insurers who are suing did not conduct a thorough investment review of Black Watch Farms. ■

The ACI Credit Tool

keeps your working capital in good repair

Crush the capital crunch.

With ACI insuring your receivables, you'll be able to squeeze more borrowing power out of them. Credit sources are reassured by this guaranteed value and are more willing to lend.

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You can make "no-risk" credit decisions with ACI's professional evaluations.

Dig out slow-pays.

Slow-pays can really burrow into your company's working capital. But ACI can assist you with a practical plan to dig them out so you can use your capital more efficiently.

Cheer on your salesmen's efforts.

With solid protection from loss provided by ACI, your sales department can push for the big sale without worrying about customer credit.

Shield yourself from customer default.

ACI protects you if a major customer defaults and leaves you out in the rain. Your company is insured against other natural and man-made disasters; let ACI protect you from this one, too. The cost is low—usually a fraction of 1% of your sales volume.

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Baltimore, Md. 21201

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City.....State.....Zip.....

Record . . .

Continued from page 10

man to recover damages caused in an on-the-job accident.

The court overturned an earlier judgment in favor of an employe, Robert S. Turner, who ran into another automobile while driving on the job. The owner of the second vehicle brought suit against the employer and Mr. Turner and won.

Firemen's Fund American Insurance Cos. defended the employer and Mr. Turner. The insurance company then sued the employe for $8,500 spent in defending the suit and paying most of the judgment won by the injured party. The state high court reversed Multnomah County Circuit Judge Alan Davis' judgment in favor of Mr. Turner and ordered a new trial. The court held the employe was at fault and is subject to suit.

Mr. Turner had argued that his employer had known of the risk involved in driving as part of his employment, and that the employer should have to bear the cost of the suit and judgment.

The supreme court agreed that Mr. Turner's position "may have considerable merit as a matter of abstract justice," but held that it was strictly bound by the doctrine that losses from negligence, even mere inadvertence, should be borne by the party at fault. ■

Nichol is president

The Insurance Distaff Executives Assn. of Chicago has elected Elsie M. Nicol of Marsh & McLennan Inc. its new president. The group is an affiliate of the National Assn. of Insurance Women, International and conducts an introductory course on insurance each September. ■

Billboard protest bomb blast covered

SAN FRANCISCO—Outdoor advertising became another target of revolutionary dissent with the Sept. 5 bombing of the Oakland headquarters of Foster and Kleiser Co.

Credit for the bombing, which caused $40,000 insured damages to the F&K building, was taken by "The Revolutionary Army" in a letter mailed to the Metromedia Inc. radio station KSAN here. The letter asserted that "billboards in Babylon are an offensive manifestation of pig-think. Their fascist distortion of our people's reality can no longer be tolerated."

Babylon, police pointed out, is the term for the U.S. coined by Black Panther leader Eldridge Cleaver.

Both KSAN and the outdoor advertising company are divisions of Metromedia Inc.

THE BOMB blast tore a five-foot wide hole in a four-inch thick concrete reinforced floor of the building and shattered stained glass windows. The ad company's business affairs were badly strained also by the bomb blowing out the F&K telephone switchboard and smashing the office receptionist's desk. No one was injured.

The letter to KSAN also suggested that the radio station cancel an outdoor ad campaign it is now running, with a $1,000 prize for the best design of an outdoor bulletin for the radio station.

"Instead of doing this," the letter continued, "donate the prize money to a revolutionary need. Billboard companies are herewith ordered to withdraw from the People's Community of Alameda County. Foster and Kleiser has just received its first warning."

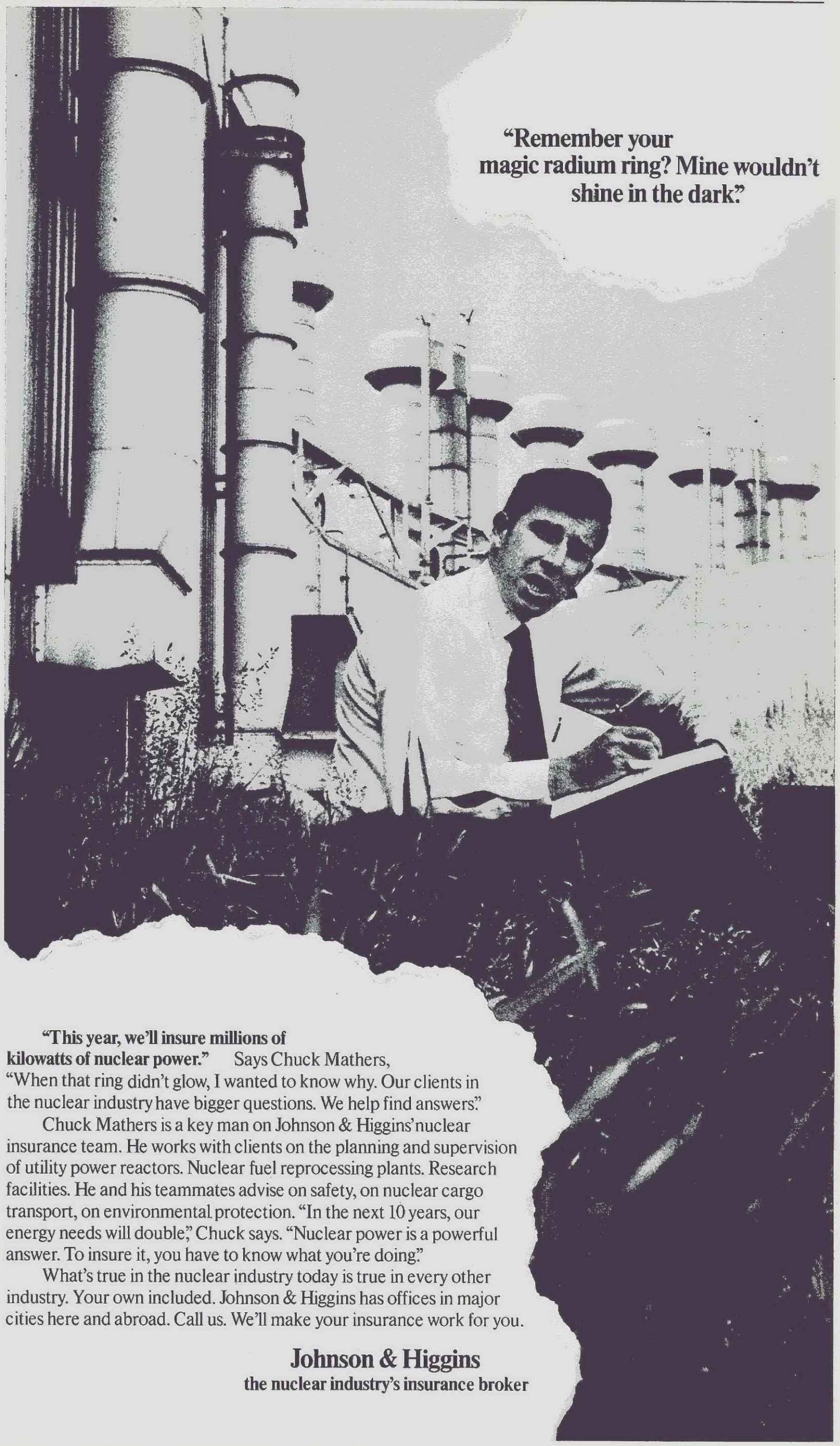
Company spokesmen, who said the damage probably would be fully covered by the firm's property damage insurance carried by Employers' Surplus Lines, had no comment on the letter, which was turned over to the FBI. ■

Long hair cut off his unemployment pay

SAN FRANCISCO—Michael Hughes of suburban Fremont is 21. His hair is red. It is long, falling three inches below his shoulders. The state of California does not like this. And Mr. Hughes has been told to cut his hair or the Hayward unemployment insurance office will cut off his $25-a-week benefit payments.

It all began in July when Mr. Hughes received a termination notice from the Hayward office. He was told: "You have adopted a mode of appearance which significantly reduces your chances of finding work. A claimant who for personal reasons reduces his chances is not considered available for work."

Having appealed the termination to the Hayward office and being rejected, Mr. Hughes now will appeal to the state unemployment insurance appeals board. He said he will ask only for back payments inasmuch as he now has a job issuing dog licenses for Alameda County.



"This year, we'll insure millions of kilowatts of nuclear power." Says Chuck Mathers, "When that ring didn't glow, I wanted to know why. Our clients in the nuclear industry have bigger questions. We help find answers."

Chuck Mathers is a key man on Johnson & Higgins' nuclear insurance team. He works with clients on the planning and supervision of utility power reactors. Nuclear fuel reprocessing plants. Research facilities. He and his teammates advise on safety, on nuclear cargo transport, on environmental protection. "In the next 10 years, our energy needs will double," Chuck says. "Nuclear power is a powerful answer. To insure it, you have to know what you're doing."

What's true in the nuclear industry today is true in every other industry. Your own included. Johnson & Higgins has offices in major cities here and abroad. Call us. We'll make your insurance work for you.

Johnson & Higgins
the nuclear industry's insurance broker

Offers 'variable' plan of his own

Economist criticizes national health schemes

WASHINGTON—A Northwestern University economist has declared that most proposals for national health insurance now being considered would encourage overuse of the medical system by people who already have effective care.

In a special analysis of pending health bills published by the American Enterprise Institute for Public Policy Research, Mark V. Pauly suggested that a more efficient approach to the problem would be to "direct public funds to those people who are thought to be most in need," and outlined such an approach.

"It is not middle and upper income persons who use too little care, for their adverse health experiences appear to result primarily from features of their life style (such as smoking, or diet, or lack of exercise) or from chance," Dr. Pauly said. "Thus, in general, their health would be affected only slightly, if at all, by additional medical care.

"IT IS CLEAR that U.S. health indexes are low because of significantly adverse experiences of poor, largely non-white Americans," continues his 48-page report. "These are the people who are experiencing a health care crisis of life-affecting magnitudes. Insurance can be expected to cause them to increase their usage of care. Therefore, if the rest of society wants to get them to increase their usage, the way to do it is to increase their insurance coverage. For the non-poor, additional coverage would lead to overuse of medical care."

Dr. Pauly, an assistant professor of economics at Northwestern who has specialized in the study of health care for the public, believes, however, that both the poor and the non-poor should receive a subsidy to purchase coverage of large, catastrophic medical expense.

The major health proposals being debated today, he emphasized, have limitations "when judged in terms of appropriate usage, risk-spreading and organizational efforts." In general, he noted, they would offer too much coverage, which implies overuse of a medical system already strained by high levels of demand and thus higher unit costs.

Analyzing the major health care proposals against criteria he believes an efficient national program should have, Dr. Pauly suggested that such a system:

- "Ought to induce people to consume optimal amounts of medical care."
- "Ought to provide appropriate insurance protection."
- "Ought to induce persons to be covered under arrangements in which care is provided in the most efficient way."
- "Ought to induce providers of care to organize the production of care in an efficient way."

POINTING TO THE Kennedy-Griffiths and the Javits proposals, both of which would provide the entire population, regardless of income, with almost complete coverage of anything that could be classified as medical expense, Dr. Pauly said that they would encourage overuse, particularly by the non-poor, would give an "unwise" advantage to prepaid group practice, and would be extremely costly.

In regard to the latter point, he said, "The pronounced advantage that the Kennedy-Griffiths plan gives to prepaid group or capitation forms of practice seems to be unwise. This plan does provide an incentive for consumers to seek out the arrangements that give them the most benefits, since they can switch from one capitation-paid primary physician to another or from one group plan to another, but they have no incentive to consider the cost of alternative forms. In sum," he added, "these plans seem to favor forms of care that are not obviously superior."

Turning to the American Hospital Assn.'s "Ameriplan," Dr. Pauly declared that such a system would encourage overuse in middle and upper income groups, and underuse among lower income families. Its main component is a "facelifted form of prepaid group practice, whose value has yet to be demonstrated."

The American Medical Assn.'s "Medicredit" plan, on the other hand, would not "necessarily" give the largest subsidy and the largest coverage to the poor in the opinion of Dr. Pauly. However, he did praise Medicredit's feature that provides incentives to participants to choose among competing plans of providing medical care on the basis of costs as well as benefits.

FOCUSING HIS attention on the Nixon Administration's proposal for a national health scheme, Dr. Pauly said that this system might result in underuse by one category of the poor, the employed poor, and overuse by middle and upper income families. Nonetheless, he did praise the catastrophic coverage provision of the Nixon-backed proposal.

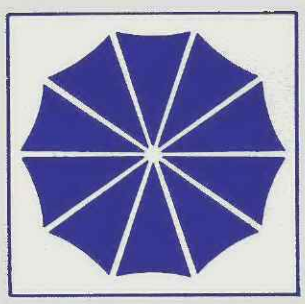
While highly critical of the major proposals he did scrutinize, the Northwestern University professor did not leave his analysis blowing in the wind. He instead offered a plan of his own, called "Variable Subsidy Insurance," which would use public funds "to provide care and coverage to those for whom it would do the most good.

"In other words," he outlined, "subsidies would not be provided for those who already have so much medical care and medical insurance that additional care or coverage would cost more than it is worth."

Referring to it as his "optimal scheme" of national health insurance, he said it would protect four basic categories of citizens:

- "For the very poor, say, four-person families with incomes of less than $2,000, insurance would cover everything with no positive prices, and perhaps negative prices for preventive care or other kinds of care, e.g., care for children."
- For the poor, for example, four-person families with incomes between $2,000 and $4,000, some small charges or small deductible might be levied to discourage excess usage, but the rate would be nominal and coverage would be essentially complete."

Continued on page 20



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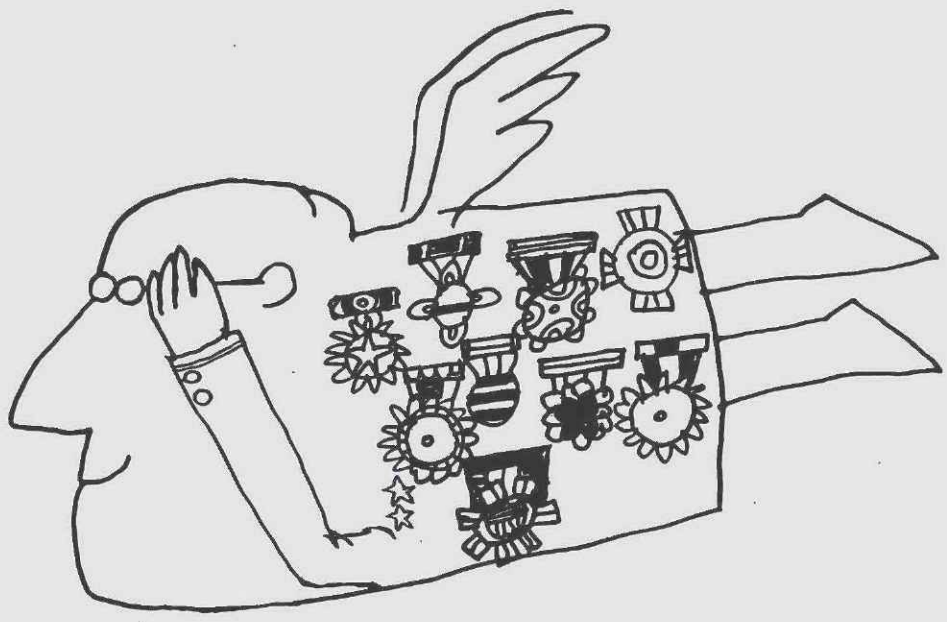

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opinions

Some straight talk

PENNSYLVANIA Insurance Commissioner Herbert S. Denenberg, who can be counted upon for straight talk, delivered some sound advice about no-fault auto insurance at the national governor's conference in Puerto Rico, which uses a no-fault law designed in part by Commissioner Denenberg.

"State government has little choice on no-fault," he said. "Here is a ripe and ready issue that is well understood by Congress. If the states don't act and create a reasonably uniform and adequate network of no-fault laws, the federal government will act."

Existing state no-fault laws are "inadequate," he added, alluding to state plans that this magazine has dubbed partial no-fault plans and statutory advance payment schemes. Delaware, Minnesota, Oregon and South Dakota tack no-fault benefits on the present system without needed reforms, the commissioner charged, and plans in Florida, Illinois and Massachusetts do not go far enough.

"We need substantial no-fault benefits and some limitation on the right to sue for pain and suffering," he declared. "Otherwise, we will produce lawsuits and attorney's fees rather than compensation for accident victims."

Right on, Commissioner Denenberg. Nobody should see the logic of this position more clearly than corporate risk managers who pay about one-fourth of the national auto insurance bill.

Look at the figures. The Senate antitrust and monopoly subcommittee, basing its figures on the Department of Transportation auto insurance study, determined that last year auto liability insurance cost U.S. motorists and businesses $9.5 billion, of which only $4.5 billion was paid back in claims.

Of the $5 billion that didn't come back to policyholders, $2.2 billion went for company overhead, including loss adjustment expense and acquisition costs, and profits; $1.3 billion went for sales commissions; $1 billion went to plaintiffs' lawyers; $300 million went to defense attorneys, and $200 million was spent on litigation expenses.

Sponsors of the Magnuson-Hart plan for federal no-fault auto insurance point out that the DOT study indicates that $2.8 billion was paid last year for bodily injury liability claims to cover compensable economic losses of $6.8 billion. The $1.7 billion paid for property damage liability and $2.1 billion paid under collision policies was not enough to cover compensable property damage economic losses of $6.3 billion.

It doesn't take much imagination to understand that the auto insurance industry is now backing away from no-fault auto insurance because it sees in an effective no-fault plan a drastic reduction in its cash flow. Sound no-fault laws would also severely cut into the fees of plaintiffs' lawyers, but that point has been made repeatedly by spokesmen for the American Trial Lawyers Assn. and by insurers.

Illinois Gov. Richard B. Ogilvie, whose state passed a law virtually copied from an insurance association's "dual protection" scheme, provided a comic touch at the governors' conference when he sullenly replied to Commissioner Denenberg, saying that those states which have "made progress" should be complimented and "not ridiculed by those who have yet to enact action programs."

Gov. Ogilvie failed to suggest to Commissioner Denenberg that it would be simple to slip through the Pennsylvania legislature a weak bill supported by insurance companies and only limply opposed by fee-hungry lawyers. That's the easy route Gov. Ogilvie took in Illinois.

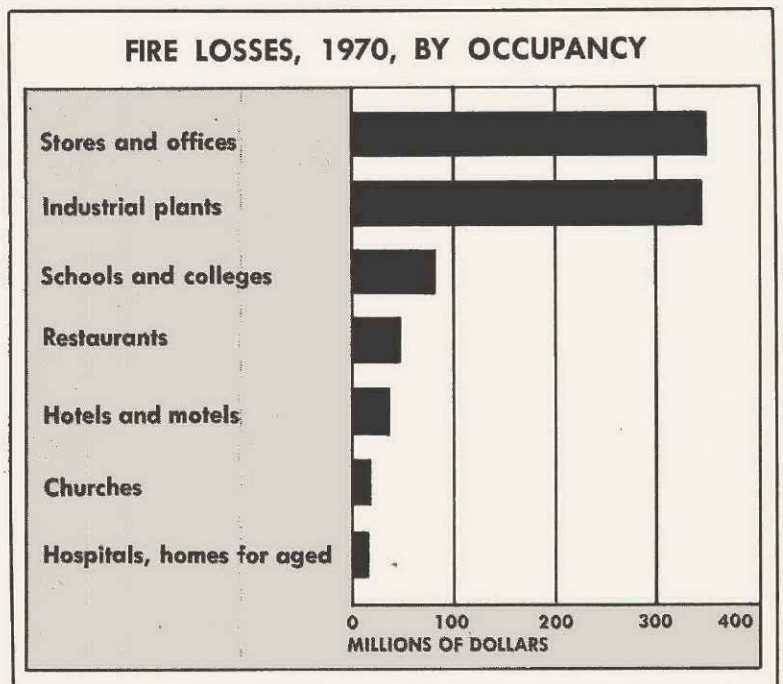
Apart from Commissioner Denenberg's straight talk to the governors, there has been another encouraging development in the battle to enact meaningful no-fault legislation with some national uniformity.

The American Society of Insurance Management, showing increasing legislative moxie under the leadership of Edward Lalley, its legislative vp, is participating in discussions of provisions for a uniform no-fault bill to be suggested to state legislatures by the Council of State Governments. Some funds for the study of a nationally uniform bill have come from the Department of Transportation.

This may in some way atone for DOT Sec. John Volpe's rash invitation to states to "experiment" with no-fault legislation. His suggestion was a move toward choas for those who insure corporate motor fleets that could operate in as many as 51 insurance jurisdictions with just that many variations in no-fault statutes.

ASIM is doing its members a service by getting its oar in at both national and state levels. The organization, after temporizing too long, has at last joined the good fight for meaningful and uniform no-fault legislation.

We hope that in fashioning a proposal for state no-fault laws the Council of State Governments is not overwhelmed by the auto insurers and trial lawyers and listens instead to the consumers who are truly interested in reforming a system that is costly and cumbersome.



In 1970 property lost to fire was valued at $2,630,400,000, an increase of 7.5% over 1969. The number of fires during the year reached 2.5 million, an increase of 5.1% over the previous year. While the amount of property available to burn has been increasing rapidly, the number of fires per thousand population rose only .74 in the past decade Because of the diminishing value of the dollar, however, the cost of fire per capita continues to climb; in 1960 it was $8.61 per person and in 1970 it was $12.81 per person. Industrial plant fires last year showed a drop of 4,800 in number but cost $65 million more than in 1969 and although church and restaurant fires both dropped slightly their costs remained constant with 1969 figures. Source: National Fire Protection Assn.

Special life-health report

DYNAMIC aspects of group life and health insurance as employe benefits will be featured in a special report in the Dec. 6 issue of *Business Insurance*.

Authors of the six major proposals for reform of the health delivery system have been invited to write articles on their proposals to be included in an enlarged Perspective section. Legislators, the Administration and private organizations will explain how their proposals would affect health insurance as an employe benefit.

Another key feature of the life-health report will be a full report of a survey of readers that will ask how they would modify the nation's health delivery system to save money and to make the system less cumbersome. Questionnaires asking for opinions will appear in *Business Insurance* on Oct. 25 and Nov. 8.

Articles will review the expanding field of disability income insurance and recent extensions and improvement in health insurance contracts.

Among subjects to be covered in the life insurance field will be new uses of life insurance to replace income and as part of the executive compensation package. Problems and hazards in variable life insurance, an equity-type product, will also be reviewed.

An added feature of this year's life-health insurance report will be a look at the progress of the sale of mutual funds through payroll deduction and the use of savings plans as an employe benefit.

Readers are invited to submit suggestions and material for the special life-health benefit report by Nov. 15 to Richard C. Bjorklund, Editor, *Business Insurance*, 740 Rush St., Chicago, Ill. 60611.

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letters

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

Association captive

To the Editor: Please refer to page 12 of your Nov. 9, 1970, issue concerning a mini-captive insurance company of the National Paint, Varnish and Lacquer Assn. We would be interested in any up-to-date information you may have concerning this organization. We would be particularly interested in its current address so we can communicate with them directly.

Wallace L. Beneville
Carle & Carle Inc., New York, N.Y.

Editor's note: For further information you may write to the association at 1500 Rhode Island Ave., N.W., Washington, D. C. 20005

More anguish

To the Editor: We have recently received a copy of your June 21, 1971, publication, with our attention drawn to the article on page 15. The headline is "Collection agency caused $12,000 worth of anguish."

The "anguish" was caused by the General Motors Acceptance Corp., according to the article, which is a financing subsidiary of GM, and not a collection agency. I think you can understand the sensitivity of the more than 2,500 collection agency members of this association to being blamed for the actions of all types of creditors (including insurance companies and agents occasionally) when we've got enough problems of our own without being blamed for theirs.

A more accurate heading for the article would have been "Finance company's collection efforts cause anguish."

Although this may seem like an insignificant point, we hope that the desire for accuracy in reporting it will make it understandable.

John W. Johnson
Executive Vice President, American Collectors Assn. Inc., Minneapolis, Minn.

Editor's note: The headline in our GMAC story was, indeed, inaccurate. We do not feel that this is an "insignificant point" and are glad to have an opportunity to clarify the facts.

Further crash facts

To the Editor: You inadvertently put the cart before the horse in your Aug. 16 story on an accident suffered by a Pan American 747 at the San Francisco International Airport on July 30. The implication was that a "defective landing gear" was a contributing factor.

If you check out the official reports of the incident, including, most recently, testimony given at a National Transportation Safety Board hearing, you will find that the landing gear "deficiency" was a result of the mishap, not the cause of it. The gear was damaged when the aircraft struck an approach light structure on takeoff.

The distinction is not only a very valid one, but a very important one when you supply the landing gears for the 747.

David V. Sheehan
Director, Public Relations, Pneumo Dynamics Corp., Cleveland, O.

A lot of utility companies are growing too fast for their insurance companies to keep up with them.

The last thing a utility company that's on the move needs is an insurance company that isn't.

Unfortunately, in many cases, that's exactly what's happening.

The way utilities are growing and merging these days there just aren't enough insurance companies with the necessary capacity and experience to go around.

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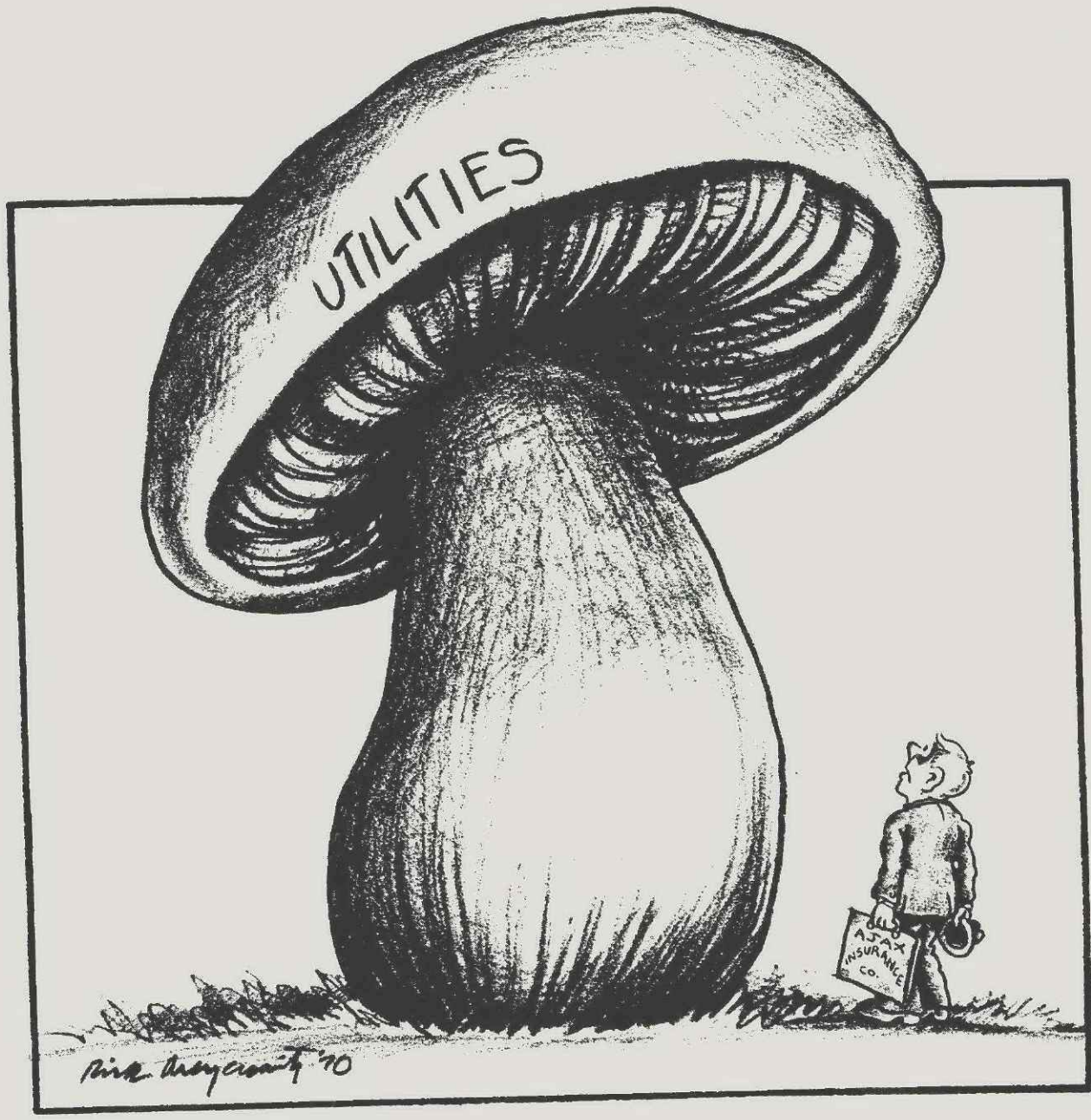

you that you haven't had time to watch the insurance company behind you, contact your agent or broker. Or drop American Home a line.

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Will try 'little Kennedy' health bill again in 72

SACRAMENTO, Cal.—A California state comprehensive health insurance program, which has come to be known here as the "little Kennedy bill," will be reintroduced in the 1972 legislature by John Burton, San Francisco liberal Democratic assemblyman.

The bill was defeated by the 1971 legislature. It is patterned after the national health insurance plan introduced by Sen. Edward Kennedy.

"The whole idea of my effort, which I shall continue battling for," Mr. Burton said, "is to make a high standard of medical care available at a reasonable cost to everyone, not just the well-to-do and the poor who qualify for Medi-Cal. "There is no need for California to wait for federal laws. We have led the way in California in other areas and our leadership in this may give impetus to national action."

THE BURTON bill has been called the "most far-reaching" state health insurance program introduced in any state. It would phase private insurance programs completely out of the health insurance field.

Mr. Burton's program would be financed by a health insurance tax on individual income and by a payroll tax on employers. Premium rates for individuals would be on a graduated scale according to income, with workers who have less than a $5,000 income paying 2% a year.

Those with incomes between $5,000 and $10,000 would pay $100 annually plus .6% of the excess over $10,000 income. For incomes of $25,000 to $30,000, $265 a year plus 2.5% would be paid.

Employers would be assessed from 1.5% to 2.5% of the gross earnings of their employes.

The Burton measure has the support of labor organizations. ■

the risk management manual is coming

october 25th issue

Insurance pool must provide new coverage

NEW YORK—The New York state insurance department has ordered the New York Property Insurance Underwriting Assn.—better known as the fire pool—to "proceed expeditiously" in offering vandalism and malicious mischief, and sprinkler leakage insurance to consumers.

Established in 1968 to write fire and extended coverage insurance on insurable property for owners not able to secure coverage on the voluntary market, the fire pool was found by a department study to be in "serious shortage" of these kinds of coverage. On a recommendation from the department, the New York legislature passed a measure authorizing extension of the coverage.

The department directly outlined the following changes:

- "Rates for the vandalism and malicious mischief coverages to be written in the pool for all risks except educational institutions and dwellings should be the rates recommended by New York Fire Insurance Rating Organization (NYFIRO) for the voluntary market increased by 39.7%.
- "That for educational institutions the vandalism and malicious mischief rates should be the advisory rates for such risks promulgated by NYFIRO, effective July 1, 1970.
- "For dwellings, the vandalism and malicious mischief rates should be the advisory rates for such risks now in effect increased by 25%.
- "The proposed deductible (2% of the amount of insurance but not less than $250 or more than $2,500) for vandalism and malicious mischief should be approved."

TERMING the rates "comparatively low," the department offered the following example: The vandalism and malicious mischief rate for most residential and commercial properties has been 1¢ per annum for $100 of coverage on the usual 80% coinsurance basis. Thus the annual premium for $50,000 of vandalism and malicious mischief coverage for residential property or for a retail store is $5 and if the NYFIRO proposal is approved the premium would be approximately $7.

Sprinkler leakage insurance provides coverage for damage resulting from "leakage or discharge of water or other substances from any automatic sprinkler system including direct loss caused by collapse or fall of tanks forming a part of such systesm."

The order directs that pool rates be the same as those in the "normal market," and that a uniform deductible of $250 should apply to all risks regardless of amount of insurance. ■

Economist . . .

Continued from page 16

- "For the 'medically indigent,' perhaps four-person families with incomes between $4,000 and $9,000, a larger deductible might be imposed, with co-payments decreasing to zero for expenses over a certain amount."
- "For other families, a 'catastrophic' or 'major medical' insurance policy would be provided, with the size of the deductible increasing with income."

Under his program, the professor declared, "overuse would be discouraged, coverage would be there when it was needed, and underuse by the poor and the non-poor would be reduced or eliminated."

Addressing himself to the question of greater control of the American medical system by government, Dr. Pauly stated that "there is no reason to expect government to be more successful in controlling this industry than others have been." Rather, he argued, "the solution is to permit more direct control by consumers in the kind of care they get . . . to preserve as much market control in the medical care sector as is consistent with appropriate public subsidization for appropriate groups of people."

The Pauly study was subsidized by the American Enterprise Institute for Public Policy Research, a nonpartisan, non-profit, publicly supported research and educational organization. ■

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london line

Labor party is asked to nationalize insurance industry if it wins in 1975

LONDON—Britain's Labor party is being asked to support moves to nationalize the insurance industry. It faces a call at its annual political congress to set up a study group on these lines because its adherents feel that this ought to be a vital part of its policy if it gets back into power in the seat of government.

Resolutions to be debated by delegates to its convention include, in particular, one from West London protesting that it is impossible to control the national economy "while so much power rests in the hands of the insurance companies."

Officials at Labor party headquarters are being pressed to look into the issue of nationalizing auto insurance so as to protect both drivers and passengers from the default of any private insurance companies. There is also a suggestion of higher taxes being levied on gas sold to motorists, so that some form of state insurance to cover road injuries could be provided. But with the Labor party currently out of government office, these are long-term plans in case it resumes power at the next election in 1975, for the present Conservative government does not favor nationalization.

* * *

EFFORTS ARE being made to persuade department store executives throughout Britain to treat fire prevention as part of risk management.

The Fire Protection Assn. is planning a seminar for them this fall to remind them that insurance cannot compensate for all the consequences of fire outbreaks. Lecturers will ask store managers: "Can you afford the loss of markets to competitors if you have a disastrous fire?"

They will be instructed on how to identify, evaluate and control fire risks in the retail distribution industry.

* * *

SHIPPING experts are still probing the mystery of the three super-tanker explosions in December, 1969, that caused anxiety among insurers. They involved the Marpessa, Kong Haakon and Mactra.

After spending more than $2.5 million on research, the tanker committee of the international chamber of shipping, has declared:

"Research has been concentrated on two aspects, namely sources of ignition and tank atmosphere, and this has included considerable work on electrostatic aspects, as several other possible causes have been ruled out.

"It is still not possible even now to state the cause of the explosions, but it is hoped that work in hand on electrostatic phenomena will at least lead to knowledge which will prevent a repetition."

Scientists in the U.S., Europe and Japan are sharing the research work.

* * *

SAFETY LIMITS are being checked on more than 60 British bridges that have been constructed on the box-girder system. This follows the collapse of the Yarra River bridge at Melbourne, Australia, last year, which killed 35 men.

Engineers favor the box-girder system because it can cut costs by 30% to 50%, and save $20 million on a $60 million bridge. But until government inspectors have pronounced them completely safe, there will be traffic restrictions on these British bridges to ensure they do not bear too many heavy loads at once.

Designers of the box-girder bridge in Melbourne have denied suggestions that it was not technically sound, in spite of an Australian Royal Commission that largely blames them for the disaster.

* * *

UNDERWRITING agents at Lloyd's have been invited to take up stock in the newly formed Lloyd's Life Assurance company, which will have an equity capitalization of nearly $5 million for stock exchange purposes.

As soon as these financial details are settled, the company will swing into operation and hopes to complete its plans for handling life assurance (see *Business Insurance*, Aug. 2) early in 1972.

It will supplement the cover that Lloyd's already gives through its traditional underwriters for other types of non-life risks, but will be centered on the U.K. life field in the beginning.

* * *

INSURANCE costs for Britain's state-run airline, British Overseas Airways Corp., have risen to $8.7 million in the past 12 months, compared with $5.3 million in the previous year. This covers its fleet of worldwide aircraft, one of which was hijacked last year by guerrillas and flown to Jordan, where it was blown up. ■

Crime cover without state request

WASHINGTON—Federal crime insurance officials say they are prepared to provide coverage for businesses and homeowners in troubled cities with or without state requests.

"We did it in Cleveland and we could do it in the case of Miami and also Jacksonville," said an administrator of the crime insurance program run by the Department of Housing and Urban Development.

As the federal program is being operated, the government leans toward taking its cue from state rather than local officials.

"But if it becomes apparent that a state isn't looking at the facts and proceeding on them, we would have to act as we did in Ohio," the administrator said. The department qualified all of Ohio for coverage after urgent requests from Cleveland where the first commercial claim resulted in a $350 payment to a welding shop. ■

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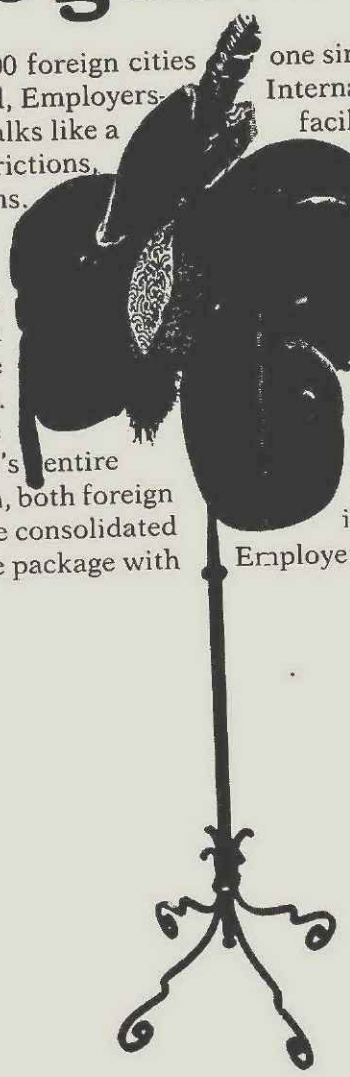

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State names pension, trust investment group

HARTFORD—Robert I. Berdon, Connecticut state treasurer, has created an eight-member investment advisory council to advise him on investment for state trust and pension funds. Chairman will be Dr. Robert C. Harvey, dean of the University of Connecticut's school of business administration.

As previously reported, Mr. Berdon has been reorganizing the administration of state trust funds whose asset value as of June 30, 1970, had dropped by $140 million.

Mr. Berdon said that he had applications from nearly 100 persons for the newly-created niche of chief investment officer for the state trust and pension funds. He has been advertising nationally for applicants.

NAMED TO THE new council were three incumbent members of the state investment committee, state finance commissioner Adolf Carlson; George S. Chase, vp of Aetna Life & Casualty; and John H. Bloodgood, vp of Travelers Insurance Cos.

Also appointed were William W. Wilcox, vp-treasurer, Society for Savings, Hartford; John F. Healey, principal examiner, state banking department; Allan L. Cone, principal, Bennett Junior High School, Manchester; and Harold E. Bigler Jr., vp, securities department, Connecticut General Life Insurance Co.

Mr. Healey was designated as representative of state employes and Mr. Cone as representative of teacher interests.

Mr. Berdon commented that Alexander J. Pardee, who has administered the trust and pension funds for 16 years, will continue as deputy treasurer of investments. One of his main duties will be the investment of civil list funds, which run to about $2.5 billion a year.

The new section of the investment department will be headed by a chief investment officer to be named soon. He will be assisted by two persons "experienced in stocks, bonds, private placements and mortgages," according to Mr. Berdon.

The state treasurer is also seeking proposals for outside advisory consultation from financial institutions. ■

Ætna LIFE & CASUALTY

OUR CONCERN IS PEOPLE

Skyjack joke not funny to authorities

HARTFORD—A 32-year-old Old Lyme, Conn., man has been served with a federal summons charging that he told a stewardess on an Allegheny Airlines flight there was a bomb aboard and suggested the plane be diverted to Cuba.

In an unusual legal action, federal authorities are suing Ronald A. Soccoli for $1,000 in damages for his alleged remarks.

The incident reported occurred Oct. 26, 1970, while Mr. Soccoli was traveling with six fellow employes of the U.S. Navy Underwater Systems Center of New London, Conn.

ACCORDING to legal papers filed by Assistant U.S. Atty. B. Blair Crawford, Mr. Soccoli told a stewardess a certain suitcase in the craft's cabin contained a bomb. He is then reported to have remarked, "Well, how about going to Cuba?"

After this comment, the plane was evacuated and authorities searched for the bomb, which was not found and, because of the search, the flight was cancelled.

The federal suit charges that Mr. Soccoli's remarks were not only false but were made in violation of two federal laws.

Federal authorities have the choice of either arresting those who make alleged bomb and skyjacking threats or suing them for civil damages. Mr. Crawford said that Mr. Soccoli's conduct constituted an "unfortunate joke" and was not "a malicious or reckless disregard for human life." ■

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David W. Shand, Jr. Joseph E. Morahan, Jr.

National, two insurers lose rental car suit

MIAMI—A former high school football player, paralyzed from the neck down when his car was struck by a rental car that had ignored a stop sign, has been awarded a $1,695,000 settlement.

The settlement was negotiated on behalf of Jams C. Parrish Jr., 19, whose father is Miami regional director for the Florida Insurance Commission.

Defendants in the case were Morse Auto Rentals; its parent firm, National Car Rental System; and two insurance companies, Allstate and Market Facilities-Atlanta Inc.

MR. PARRISH JR., was paralyzed in a two-car crash on Sept. 7, 1970, when an auto driven by Vasco A. Arosemena of Panama City went through a stop sign and struck the boy's car broadside at a street crossing. Mr. Arosemena had rented the car shortly before the accident at Miami International Airport.

The rental firm's insurers offered the settlement after Circuit Judge Jack Falk ruled that they could not use as a defense Mr. Parrish's failure to wear the seat belts in his car. He was thrown from the vehicle in the crash and crushed when the auto rolled on top of him.

Judge Falk said that no Florida statute requires that seat belts be worn, as is the case in some other states. He ruled that "contributory negligence" as a defense has been disallowed by appellate courts in previous cases.

Mr. Parrish originally had asked $7 million in damages, but one of his three attorneys, Gerald Psyzka described the settlement as "very fair for both sides."

MR. PSYZKA said the medical expenses to date have exceeded $90,000 and added that the youth's maintenance costs for the rest of his life "are out of sight." Mr. Parrish is being cared for in Jackson Memorial Hospital, Miami.

The settlement was based both on the cost to keep Mr. Parrish alive during his remaining years and on what he could have expected to earn during the next 50 years of normal life. ■

Retired shoe workers get pension cut

BOSTON—Monthly pensions for about 1,400 retired shoe workers in Massachusetts will be reduced next month to $25.50 from $33.90 because of lack of funds in the retirees' pension system. The reduction is attributed to the closing of about 30 shoe factories in the state in the last three to four years.

According to James de Rosa, vp of the Shoe Workers of America, the union pension fund was based on an agreement with the shoe manufacturers in a 1959-1960 contract renewal calling for a 2-cent-an-hour payment by shoe workers into a pension fund. The 2-cent figure was subsequently increased to the current 13 cents an hour as contracts were renewed. Mr. de Rosa said that when the fund was established there were about 12,000 union shoe workers in the state, but that this number has since dwindled to about 3,500.

NOTING THAT in the past few years about 30 shoe factories have closed their doors, Mr. de Rosa said that as they were closed and union members were laid off, the amount paid into the pension fund decreased. Under the fund agreement, workers get a pension after 30 years' employment in the industry.

"The reserve we have in the pension fund will take care of us for a while at the reduced rate, but what we really need is a break in the quota on foreign imports," Mr. de Rosa said. Moreover, he added, he doesn't think the 10% surcharge imposed under President Nixon's new economic "game plan" would "make enough difference in the importation of shoes to help." ■

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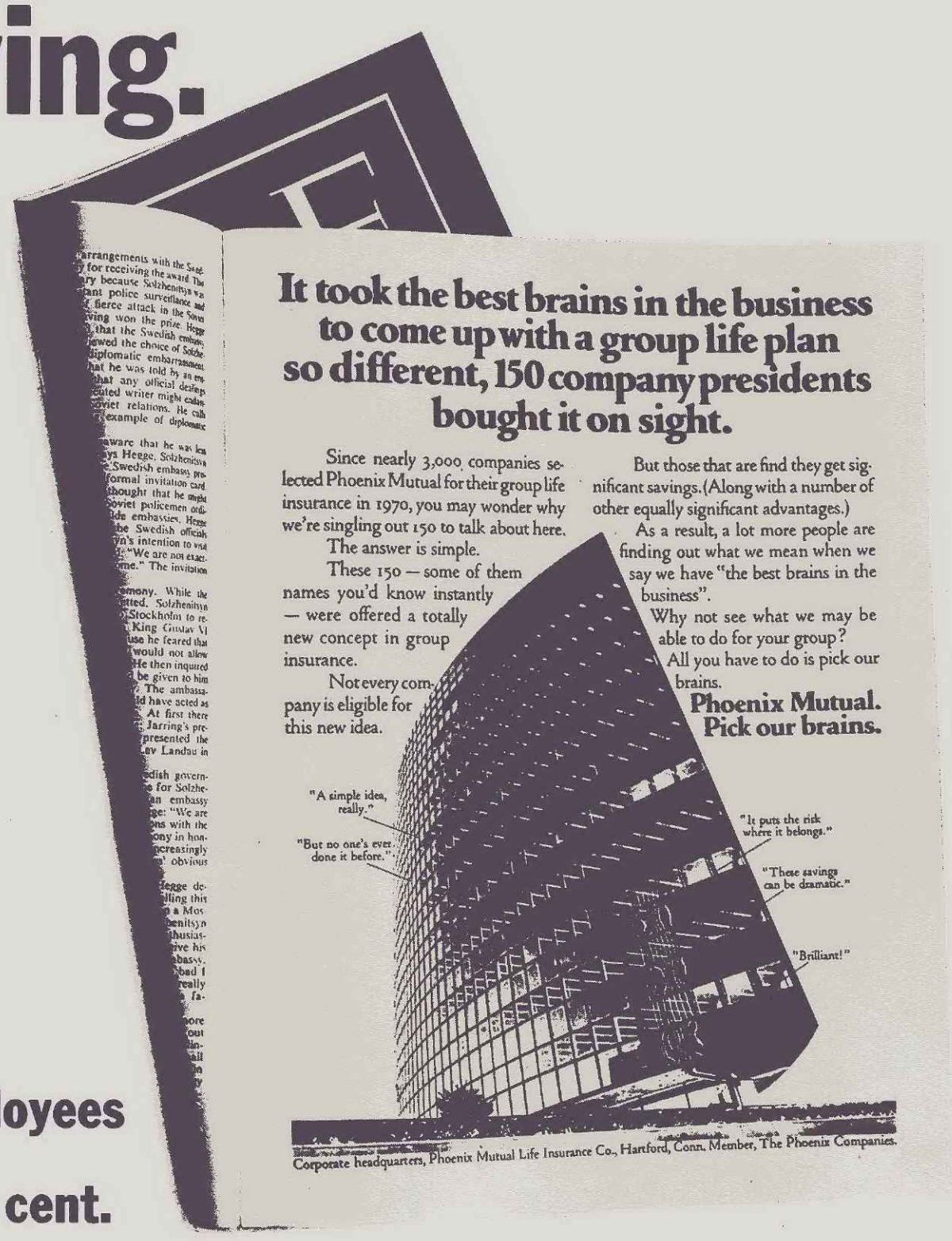

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Giles on the law

'Structural alteration' decision rules alleged co-insurer needn't reimburse

By JOHN W. GILES
Attorney at law

WASHINGTON—What is a "structural alteration?" Some courts have said that a "structural alteration" of a building or its equipment is one which affects some portion thereof in a vital and substantial manner, and changes its characteristic appearance. It denotes a change or substitution in a substantial manner.

Premises liability insurance policies commonly provide coverage for injuries occurring during ordinary repairs to the insured premises, but because of the unusual risk involved, exclude coverage for injuries occurring during "structural alterations" to the premises at least in the absence of permission and an additional premium. Generally speaking, such policies are construed in favor of the insured.

In a recent case in the U.S. Court of Appeals an insurer brought an action for partial reimbursement from an alleged co-insurer for amounts paid to satisfy a judgment against the insured. An employe of an independent contractor had been fatally injured, solely due to the negligence of the insured, while replacing a cooling system, used by the insured. The court held that the replacement of the cooling system, though perhaps a major undertaking, was not a "structural alteration" within the accepted meaning of that term, and thus did not come within the co-insurer's policy excluding injuries in connection with "structural alteration" of the premises. The court indicated that "structural alteration" would involve some substantial change in the characteristic appearance of the building itself, and not in the equipment within the building. (*Aetna Casualty and Surety Co.* v. *Ocean Accident & Guarantee Corp.* 386 Fed. 2nd 413.)

* * *

DOES THE implied warranty of fitness impose upon the builder the duty of delivering a perfect house? "No," says the court. No house is built without defects, and defects susceptible to remedy ordinarily would not warrant recision. However, in this case a good cause of action was stated against the builders of a house which, during heavy rains, permitted water and sewage to back up through tiles in the first floor of the house. The court held this was a major defect which would support an action for breach of warranty and for negligence. (*Theis* v. *Heuer*. Appellate Crt of Indiana. Division Two. 6/14/71.)

* * *

YOU ARE FAMILIAR with the exclusionary clause which provides for non-coverage of "injury to or destruction of any goods sold, handled, or distributed by the named insured, or work completed by or for the named insured, out of which the accident arises." Here a third party brought an action against the insured when a tramway erected by the insured was rendered inoperable due to a defective saddle made by the insured. In holding that the insurance company was bound to defend the insured, the court noted that the exclusionary clause was ambiguous as applied to the general facts in this case. The court followed the lead in the Rowland case 434 Pac 2*nd* 725, and found that the insurer was bound to assume the defense of the injured. In so doing, the court pointed out that although the insurance company may not have intended a comprehensive liability policy to cover the claim in question, it failed to effectuate its intent. No perversion of the policy's language is needed to bring about this conclusion. The opinion concluded by saying that the policy's exclusion only operated to exclude coverage of the defective saddle, i.e., the part manufactured by the insured that actually rendered the tramway inoperative, and that the insurer was required to defend the insured with respect to the lawsuit to recover damages for the rest of the tramway. (CA 3. *Pittsburgh Bridge and Iron Works* v. *Liberty Mutual Ins. Co.* 7/6/71.)

* * *

WHAT IS "limited intelligence" in a workmen's compensation case? Here the plaintiff sustained fractures of his right arm and received compensation for temporary total disability and permanent partial disability. He then filed a claim against his employer for compensation for permanent total disability, alleging that due to his "limited intelligence," the

Continued on page 42

Introducing a new concept in highway safety: safer drivers.

Here we are. A nation on wheels. Driving headlong into oblivion. To stop this murder we try our best to educate one another. We make laws stricter. We have highway crews widening, straightening and lighting. And Detroit padding, airbagging and bumpering.

All well and good. But as Detroit, the road crews and the legislatures mend their separate ways—who's to mend ours behind the wheel? That's the fundamental question in this crisis. Because it is we who are the accident makers.

Well, safer drivers are forthcoming. We're as sure of this as the doctors, researchers and legal experts who will systematically study driving performance at the new National Driving Center in North Carolina. Funded from the start by the Independent Insurance Agents of North Carolina and endorsed by the National Association of Insurance Agents, the Center will probe accidents in terms of medical, behavioral and social factors.

There is good reason for optimism. The National Driving Center will be staffed by some of the most respected men in their fields. It will have no end of facilities, the cooperation of legal and government forces nationwide, and multi-million dollar funding at its disposal.

It will establish Community Driving Centers to educate youth. It will test, educate and rehabilitate using the most advanced techniques available. And each new breakthrough will be studied by NDC's own legal division, so that The Center's growing knowledge can become firmly and fairly a part of the licensing process.

Unsafe drivers are not only a menace. They're uninsurable as well. For The Atlantic Companies and its agents, raising rates and cancelling policies is hardly the cure. Making safer drivers is the real solution. We believe The National Driving Center will have what it takes to find it.

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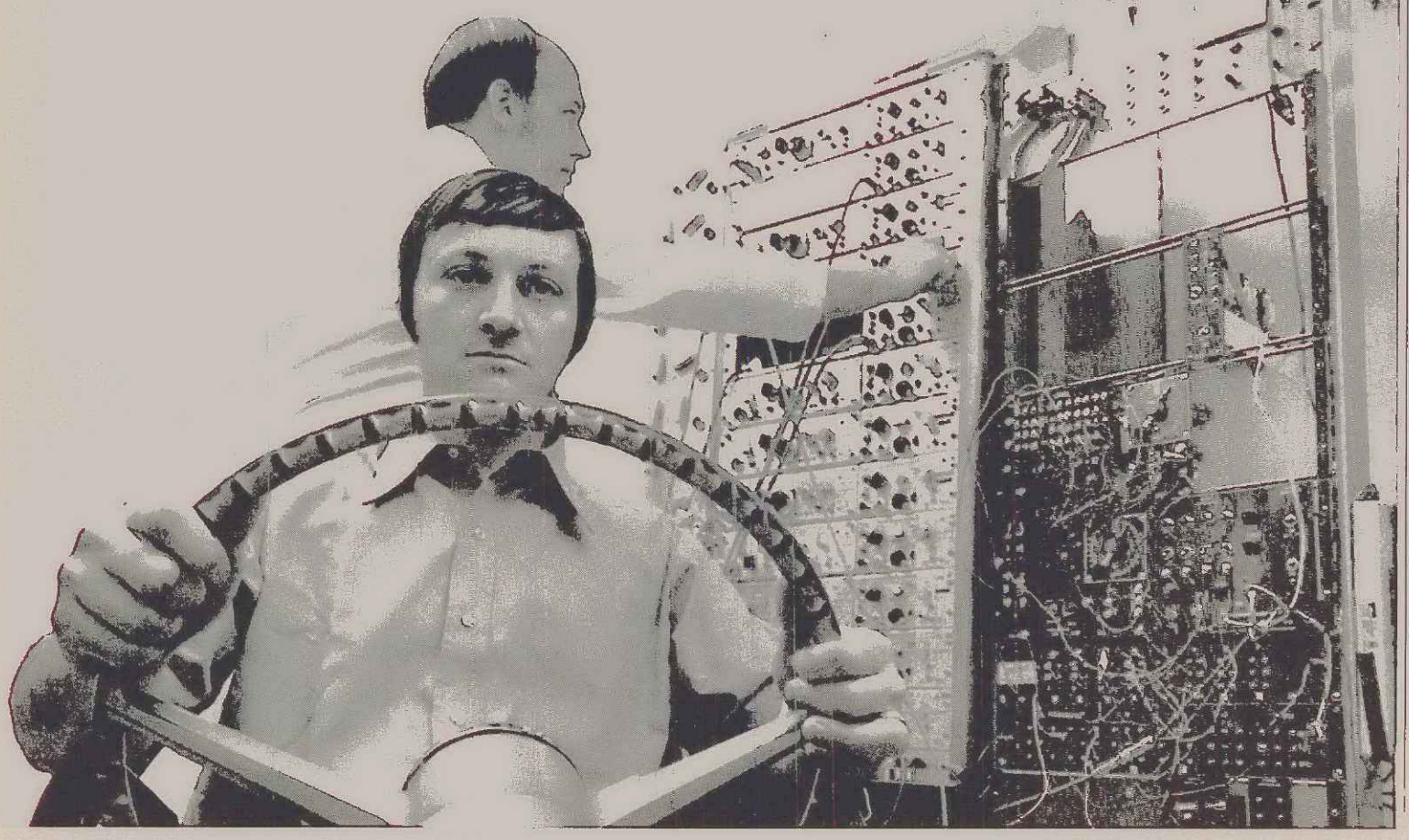

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benefit tax slants

Treasury has amended regulations on group coverage for employes

By JOSEPH S. ROBINSON

NEW YORK—As a general rule, the tax law excludes from an employe's income the cost of the first $50,000 of group term life coverage provided through employer contributions. However, in those states having group limits of less than $50,000, the amount of tax exemption to the employe is similarly restricted. (Treas. Regs. Sec. 1.79-3 (c) (3).)

The treasury has amended the regulations on group coverage purchased for employes. If a policy contains permanent insurance paid up values or similar benefits, the $50,000 exemption to the employe applies only to the part that is actually group term and only if the group-term portion is all that's paid by the company. Furthermore, each employe in the same class must also be eligible for the same protection. (T.D. 7132.)

* * *

INTERNAL REVENUE handed down a couple of new rulings involving discrimination patterns in pensions. In one case, IRS approved a plan under which most of the payout would go to the boss. The retirement pay was pegged at 50% of an employe's average career pay, and in the small corporation, the owner-officer's pay accounted for 80% of the payroll. The IRS didn't object, however because the 50% rule applied to everyone.

In the second situation, the sponsoring company did not fare as well. Here, the ABC Co. put in a pension that ostensibly covered all employes. But the plan had tough limitations such as non-forfeitability only after 15 years of service and continued employment with the company until age 65. The plan fell flat on its face because, as IRS pointed out, only a few top executives (all officers and stockholders) would benefit. The rest were migratory workers who move on after a brief stint with the company.

Internal Revenue did hold out hope if the ABC Co would modify the plan to incorporate less stringent vesting provisions and change its coverage requirements to take in employes with a minimal period of service. (Rev. Rul. 71-263.)

* * *

OTHER BENEFIT plan rulings worth noting:

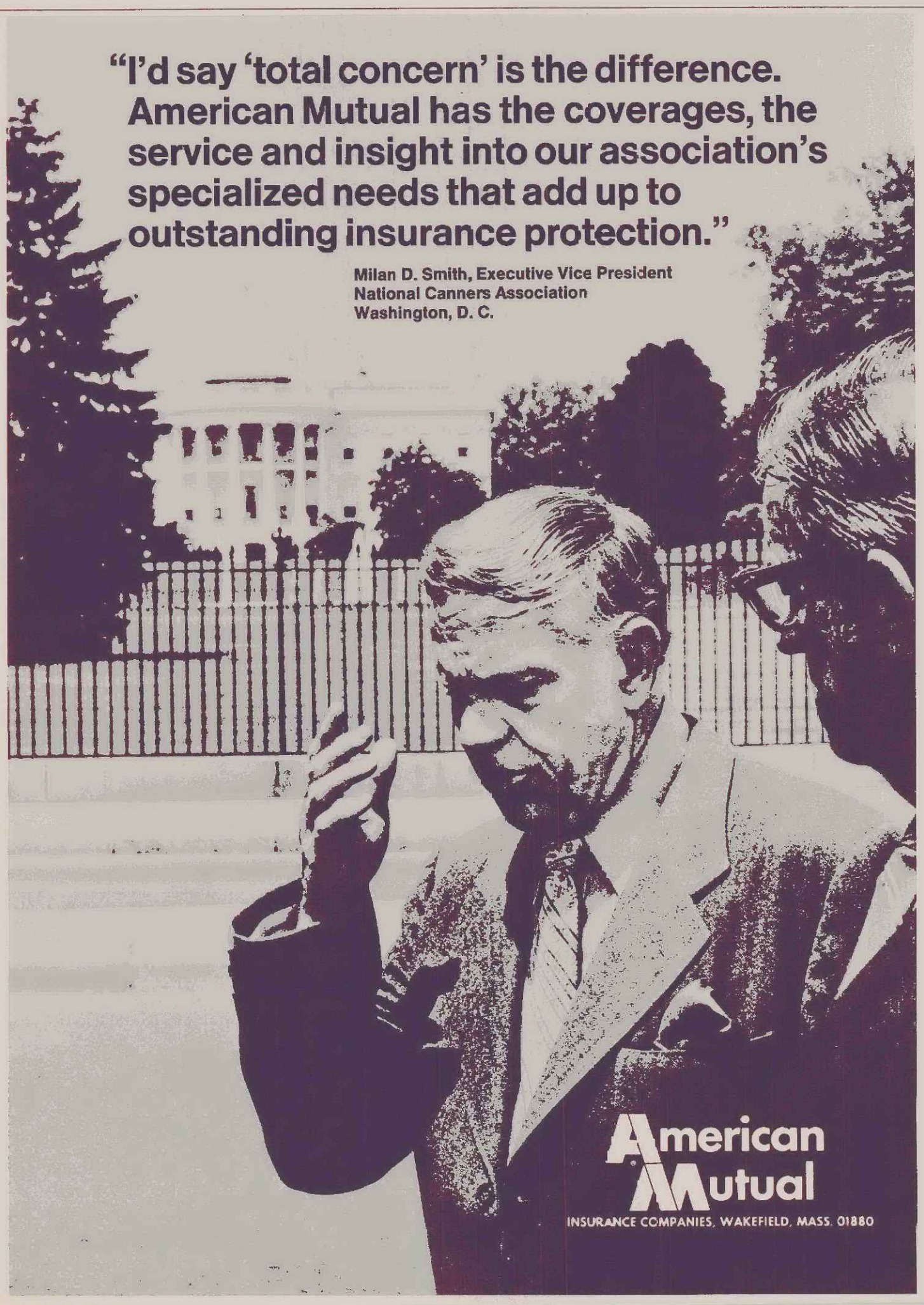
- Under the terms of a profit-sharing plan, an employe was allowed to withdraw any portion of employer contributions 18 months after they were made, irrespective of any other condition. IRS disqualified the plan. (Rev. Rul. 71-295.)
- A pension plan gave the trustee discretion to determine the option under which distribution will be made. This provision has been ruled okay provided the benefits of any one option are equal to those under any other option (Rev. Rul. 71-266.)
- A corporation set up a non-contributory pension plan giving employes $100 per month upon retirement at age 65. But the plan omitted provision for contributions on behalf of the employes prior to retirement. IRS turned thumbs down on such a plan.

* * *

ALERTING workers to the existence and terms of a pension plan does not mean that a copy of the plan itself must be delivered to each participant—an explanatory booklet will do. However, the substitute notification should make it clear that a copy of the complete plan is available to employes for their inspection. So says IRS. (Rev. Rul. 71-90.)

* * *

LATEST government estimates indicate average life expectancy at birth for all citizens was 70.5 in 1969, compared with 69.7 in 1960; 68.2 in 1950; 62.9 in 1940 and 48.2 in 1900. Average longevity for all people has increased by about 23 years, since the turn of the century. Longer life means more years of retirement—thus the cost of pension programs is rising. ■



Employers markets dental plan

WAUSAU, Wis.—Employers Insurance of Wausau has announced that it would market Wisconsin's "Blue Shield" dentistry plan. Sponsored by the Wisconsin State Dental Society, the plan has been operated for about three years by Wisconsin Dental Service Inc., a nonprofit organization.

The plan offers group insurance on four levels of dental care —diagnosis and prevention, basic care, prosthetics (crowns, bridges and dentures) and orthodontics (teeth straightening and other corrections of malformations).

So far, the plan only has about 20 group customers, representing about 10,000 persons.

WISCONSIN Dental Service will continue to underwrite the plan and process claims, according to the announcement.

Roy Menzel, executive director of the plan, said it was similar to Blue Shield in that it used insurance principles to spread the risk of dental care costs over a group of individuals. "However," he said, "in dental care there is less catastrophe to contend with. It's more like budgeting in advance for dental care."

Heavy emphasis is put on the prevention of tooth trouble by adopting good dental care habits. Patients have their choice of dentists under the plan. There are no waiting periods to become eligible and no pre-coverage examinations. Entire families are covered by the plan. Premiums are determined by the level of care selected by the policyholder.

"With few exceptions, the ordinary American family is finding the cost of dental care an increasingly alarming problem," H. E. Bliss, Employers Insurance of Wausau vp, said. More than 7 million people in the U.S. are covered by some form of dental insurance, he said, adding that the number is expected to increase to 100 million by 1980. ■

Interpol's security net is fine, wide and very quiet

LONDON—Millionaire banker's son George Harley Drummond walked into a sudden trap when he tried to cash travel checks in Germany. Local police were waiting at Frankfurt's main rail terminal to arrest him for his role in a $500,000 theft of American Express checks from a British printing works.

The incident was a fine example of the links that Interpol has achieved with Scotland Yard and other law agencies around the world.

George Drummond, a godson of Britain's King George VI, earned four years in a penitentiary for his rash act in trying to help crooks who had stolen the travel checks and sought his aid in cashing them. He never thought —since only 11 days had passed since the robbery—that Interpol liaison with American Express agents and international police forces would work so quickly.

BUT THE TRUTH was that from London word had gone to Paris, the office-base headquarters of the Interpol network, and then to Frankfurt, to keep him under surveillance.

The result was that American Express recovered many of its travel checks—believed to be as much as $200,000 worth of the $500,000 face value worth that went in the raid—and a crime gang was broken. The other checks are still missing, and may never be traced. For fraudsters are unlikely to try to cash them with police still actively in the hunt.

Insurers in both the U.S. and at Lloyd's benefited from the close-knit play of the enforcement agencies concerned, in which American Express security agents had a key part.

The printing factory in London, part of the American Banknote Corp. group, had cover for thefts from its premises. But with a substantial part of the haul recovered, at least $100,000 worth from Mr. Drummond, who once raced autos in the U.S., and more checks from other sources, there was less to pay out from the insurers.

SO IT IS THAT with international crime on the increase, with gems vanishing from one country and being passed on to crime syndicates in another country, and with art thefts likely to occur frequently, the big insurers have cause to be thankful for the detection, and protection, that Interpol provides. Insurers normally regard this as part of police services to the public, and are not recorded as paying out any rewards to the police, though money may occasionally go to underworld informants

It may be that Interpol is not as well-known in America as in some other countries. But the common explanation is that this is because of the wide-ranging setup of the Federal Bureau of Investigation, whose own agents are often stationed in world capitals and so maintain direct contact with local police forces, without the need to go through Interpol. This is the position in London, where Scotland Yard chiefs are in close touch at all times with the FBI representatives through the American Embassy.

Sources in London explained that the U.S. prefers to use its Treasury as its membership link with Interpol. So Treasury agents attend its conferences, and help to provide liaison on many Amer-

ican criminals who may try to get to Europe or other continents.

Some years ago the U.S. arranged for Interpol to issue an alert for an American charged with drug trafficking in Chicago. He was traced to Tangier, expelled to British-held Gibraltar, and returned to face indictment in Illinois. In the present year, Scotland Yard watched the moves of several American crime-syndicate men who were thought to be traveling from New York via London to a secret underworld conference in Tel Aviv.

INTERPOL was formed in 1923 but broke up during the war 30 years ago and was not re-formed until 1946, when 19 major countries agreed to operate it from Paris. Now it has more than 100 member nations, together with a remarkable criminal records office that carries details of many of the world's notorious criminals.

But unlike the highly organized setup of the FBI, it is unique in having no special detective agents of its own, despite fictional stories to the contrary.

It is a co-operative organization of police executives who circulate information on wanted men, or missing property, by telex and radio to all member forces. ■

the risk management manual is coming

october 25th issue

Pilots fight 'mutual aid' agreement

WASHINGTON—Opposition to continued use of a "mutual aid" strike insurance agreement among airlines will come from the Airline Pilots Assn. when the Civil Aeronautics Board opens hearings on the subject this fall.

"We are not favorable to the agreement," said an APA spokesman. "It affects pilots and crews. Because of it Piedmont made more during a recent strike than it did in business, and in the meantime our people were getting nothing."

Under the agreement, 11 major airlines share with one of their members that is struck any "windfall" coming from extra business during the strike.

The CAB scheduled hearings tentatively for Nov. 1 after union complaints that the agreement gives an unfair advantage to employers. ■

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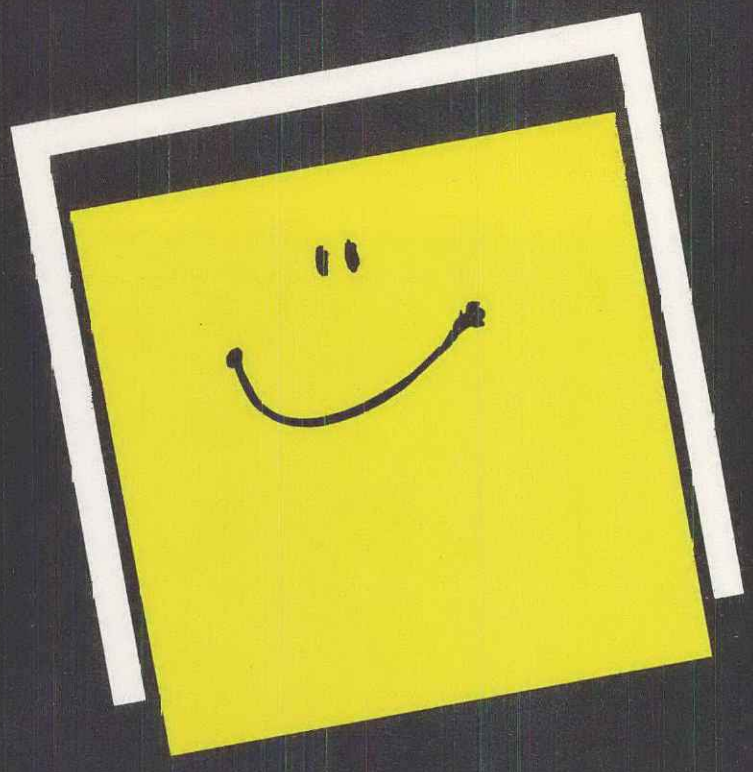

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business insurance/perspective

Product withdrawal expense: What cover you need and what you can get

by Garrett Redmond,
Vice President,
Fireman's Fund American Insurance Cos.,
San Francisco, Cal.

Garrett Redmond

'Our research also showed that insurance could not cover . . . the costs involved because of loss of customer faith.'

THE RECALL or withdrawal of products had been a source of confusion, contention and "no comment" for years before the recent soup recall publicity. No less clouded is the subject of insurance against the expenses of product withdrawal.

Until 1966, most product liability policyholders assumed that the obligation and cost for minimizing injury claims through product withdrawal automatically fell upon their insurer. The misunderstanding was clarified, at least in the insurance policy, in the 1966 product liability form that squarely placed the obligation for preventive steps upon the insured. The form also stipulated that if an insured failed to use due diligence in withdrawing a product the product liability coverage would be void with respect to the injuries or loss occurring after the date the dangers in the product became known.

This revelation aroused interest in the possibility of insurance against the expenses of product withdrawal, and agents and brokers approached Fireman's Fund with the opportunity to test the concept. Thus we became the first company to introduce a policy giving this coverage.

THE POLICY was developed through consultation with interested client companies. This research showed that of the many reasons for withdrawing a product, insurance could apply only to withdrawals of a fortuitous nature necessitated by the danger that a product could cause bodily harm, death, or, in some cases, property damage. For a withdrawal to be considered fortuitous, it would have to arise from an error or inadvertent omission in the manufacture or labeling of a product.

It was determined that insurance could not apply to a withdrawal necessary because of basically improper or faulty formulas or recipes; to products that fail to accomplish their intended purposes; to breaches of warranties; or to deterioration or changes in chemical structure, unless the result of an error or omission in the manufacture of the product.

Our research also showed that insurance could not cover one category of product withdrawal losses. This category includes the costs involved because of loss of customer faith and the expenses incurred to regain customer approval, or for redistribution or replacement by other products.

Consultation with interested clients showed that the following costs, on the other hand, could reasonably be paid:

- Telephone and telegraphic communications, radio and television announcements and newspaper advertising necessary to alert the public.
- Stationery, envelopes, production of announcements and postage for same.
- Remuneration paid to regular employes for necessary overtime in carrying out a product recall.
- The cost of hiring persons other than regular employes.
- The cost of disposal of products, provided the insured determines that specific methods of destruction other than usual garbage disposal are required to avoid further risk of bodily injury or death.

ALL OF THESE considerations met the basic criterion of providing coverage at a reasonable cost. As a further aid in meeting this requirement, it was determined that the insured should bear a deductible. The insured would also be required to bear a percentage of all expenses above that amount, so that there might be a control on the total expense incurred by any one insured.

Most firms selected $5,000 as the amount they could reasonably bear as a deductible and 20% became the agreed amount of all expenses to be borne by the insured above the deductible.

(To some firms, however, a deductible of $5,000 might cause financial embarrassment so Fireman's Fund will write the policy with a deductible as low as $1,000, but at a commensurately higher cost. A

Continued on following page

What's behind your product liability insurance policy?

by John G. Graff,
Assistant Vice President,
Interstate National Corp.,
Chicago, Ill.

John G. Graff

'In underwriting liability insurance measuring the risk is not the easy task that the phrase indicates.'

The following is a talk delivered to major executives of the Roper Corp. in Kankakee, Ill., but the message applies to other corporations as well.

WHAT DOES AN INSURANCE company look for in underwriting liability insurance? To be quite frank and to the point, I can tell you it is the same thing that Roper looks for in selling its products—a profit.

We are in business to pay our stockholders a dividend. Many times, lately, efforts to produce this profit have been very trying.

More specifically in underwriting liability insurance, we measure the risk and assess the cost for our assumption of the risk. Measuring the risk is not the easy task that the phrase indicates. However, before our product—the insurance policy —can be priced, we must determine the costs involved. In order to do this, we must be something of a prophet and project the future costs we will have to pay.

By far the largest overall cost of a liability insurance policy is the amount of losses that will be paid. If we can determine this amount, then we can quite accurately determine the cost of the insurance. Naturally the type of products involved will have a very great deal to say about the potential cost of the insurance. Roper stoves, for example, are more likely to injure someone than one of your drapery rods.

WE DEPEND to a very great extent on Rollins, Burdick & Hunter to give us all of the data needed to predicate the insurance costs. We look at your products—are they the kinds that in our experience, will produce severe claims? How many of each type of product do you manufacture? What has been your record as a manufacturer in the past on this coverage? If your insurance was unprofitable to prior insurance companies, why? Was the insurance just underpriced—which is always possible on a large risk—or is there something inherently wrong with your products? We want to know what your reputation is in your industry. We very well may have an engineer examine your products to advise as to their safety and accident potential. We may send an engineer to evaluate your production and especially your inspection techniques.

Engineers may also check to see what can happen to your product after it leaves your hands and before a customer buys it: Is it packaged in such a way as to avoid internal damage during shipping? In addition to all the technical data brokers obtain from you on new products, they also serve as liaisons between you and us. From their experience they know what information the company needs to calculate the lowest insurance costs for you. They also advise you on the various alternatives available to insure your liability exposures.

With a risk the size of yours there is going to be a frequency of smaller losses. No matter how good your products are, nor how well they are manufactured, some people are going to complain and some are not going to follow directions and will injure themselves. Therefore, your insurance program has been set up so that losses up to $25,000 are insured on a retro-

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Product . . .

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few firms prefer to absorb a large deductible and make a smaller percentage contribution, and the company will consider these proposals as well.)

Many companies have already purchased this coverage, and interest in the insurance has increased appreciably, of course, within recent months. Still, most firms do not have the insurance.

To determine the need for product withdrawal expense insurance, the risk manager should first develop a comprehensive withdrawal plan. Some questions he might ask include:

- Is there an effective, tightly administered quality control system?
- In the event of a product withdrawal, how extensive could it be? What are the maximum and minimum geographical areas that might be included?
- Are present plans sufficient to cope with a withdrawal immediately?
- Does the company have public relations and/or advertising personnel prepared to effect a withdrawal on short notice? If not, does the company have access to outside agencies already prepared to help with a withdrawal?
- Are up-to-date lists of product retailers readily available?
- Could temporary personnel be called in without delay, if necessary?
- Could a product be disposed of through ordinary garbage disposal or would special methods of destruction be required?

AFTER SUCH questions are answered in a withdrawal plan, the costs should be estimated by an accountant. If the estimated cost of withdrawal is more than the company is willing to absorb, then paying the cost of a fixed insurance premium would seem preferable to the possibility of paying the entire bill.

Another consideration is that the premiums for product withdrawal expense coverage are a fraction of the cost of product liability coverage, yet incurring the expense of a withdrawal may be required to keep the product liability in force.

'Another consideration is that incurring the expense of a withdrawal may be required to keep product liability in force.'

A frequent question concerns the fact that the policy does not cover the expenses of returning the product to the manufacturer's plant. However, in the vast majority of cases the products can be disposed of as readily in the places where they are located as by returning them to the point of origin.

If a product can be "worked over" and put back on the market (unlikely in 99% of withdrawal cases), then the cost of the return is properly a business expense of the manufacturing process.

THE INSURANCE does pay for the cost of telling consumers or users not to use the product. That is as far as it is necessary to go to avoid abrogating product liability coverage and, more importantly, to avoid injuring the public. However, if safety requires that a product be disposed of at a particular location or in some prescribed manner other than ordinary trash disposal, such special costs are covered.

Clearly the revised withdrawal procedures recently issued by the Food and Drug Administration will obligate manufacturers to exercise greater diligence in recalling products. At the same time, the list of firms with this exposure grows longer as the government becomes more involved in consumer protection.

Certainly quality control systems provide the best form of insurance against the necessity of product withdrawal. Until these systems become infallible, however, product withdrawal expense insurance can provide the best back-up protection. ■

What's . . .

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spective basis. This means that the actual premium cost you pay will be determined after the insurance expires, that is, retrospectively, based upon claims paid and expenses incurred.

In addition, to the company's normal costs is added the cost of paying and settling the losses. The cost of this retrospective insurance is, therefore, directly based on the losses paid. If you design and sell products that do not injure people nor cause property damage then you will only be paying a minimum carrying charge, however, if one or several of your products are bad and cause losses, then you will pay. You have determined yourselves after consultation with your brokers that as far as snow throwers, rotary mowers, mini-bikes and all terrain vehicles are concerned, you are not going to buy any insurance at all on the first $25,000 of each claim. You are, therefore, self-insuring this liability exposure.

There will always be some claims that, due to the seriousness of the injuries or large amount of property damage, will cost more than $25,000 to settle. You, therefore, carry further insurance to give all of the protection you feel is necessary to your assets from a catastrophic liability claim. It is really the second coverage that is most difficult to place. We are dealing in this policy primarily with severity of individual claims and not frequency. Many items enter into the insuring of claim severity.

Certainly rotary mowers, for example, can cause a very serious claim. It is not too likely, however, that more than, say, two people will be involved in an accident and unless your plants really "goof up" we do not expect the same product to cause, for example, 200 lawsuits around the country at the same time, as we had on just one pharmaceutical product.

Our decision on the cost of your insurance is guided by other risks of a similar nature that we write and also statistics available from all insurance companies.

Just as you purchase insurance to protect yourself, and spread the liability and risk, we as an insurance company, also need to protect ourselves from assuming too much liability, only we call it reinsurance. We are, therefore, able to spread the risk of loss to more than one company. The cost of our reinsurance is a very positive element in the ultimate cost of your insurance. We negotiate with companies worldwide to purchase the best reinsurance at the lowest cost possible. However, just like many insurance companies, reinsurers have had a difficult time making a profit and so their rates are increasing. This naturally must be reflected in the cost of your insurance. As I stated previously, an insurance company seeks to make a profit, just as you do. Because we make exhaustive studies of risks and other insurance statistics, we can arrive at a cost figure that hopefully will allow this. But we cannot ignore the fact that the company we are insuring wants to keep its insurance costs as low as possible so that it, too, remains a profit-making operation. This means that we must arrive at a fair and reasonable insurance cost figure that will benefit everyone concerned. ■

'Our decision on the cost of your insurance is guided by other risks of a similar nature that we write.'

John G. Graff is assistant vp of Interstate National Corp., a Chicago-based specialty insurance firm, and its subsidiary, Geo. F. Brown & Sons, Inc. A graduate of Iowa State University, he began his insurance career with the Hartford Accident and Indemnity Co., in Chicago, where he was a manager in the underwriting department. He came to Newhouse and Hawley, Chicago, as a liability underwriter and was promoted to assistant vp of that firm. Through a merger of the two companies in 1964, Mr. Graff was named manager of the liability department of Geo. F. Brown & Sons, Inc., which today is a part of Interstate National Corp.

Risk management notes

Hazards of placing cover by bid

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

IT IS COMMON practice for insurance buyers (especially public bodies) to place insurance by public bid. Theoretically, this results in the lowest premium cost and avoids the possibility of criticism for giving preferential treatment to any single broker or insurance company.

In fact, this procedure does not always serve the best interests of the buyer because many insurance companies refuse to quote on bid business, feeling that it is awarded solely on a price basis with no informed consideration given to claims handling, loss prevention, and other services. Many of the better insurance companies prefer to direct their efforts toward the acquisition of business that will remain on their books over a long period of time so during good years, loss paying power can be generated to take care of the occasional bad year. Preparation of quotations is not inexpensive and many insurance executives feel this expense is wasted on bid business.

The procedure is also not in the buyer's best interest because when the insurance being bid involves catastrophic exposures and high limits, many carriers both primary and excess may be needed in order to complete the placement. In some cases adequate coverage can only be obtained by proficient and orderly marshaling of many (often worldwide) markets. On bid business several brokers often go into the market simultaneously. This may result in blocking some markets, so that a single broker may have difficulty filling out the line. Furthermore, markets will often be approached at different price levels for the same line of coverage. When the line is finally placed, the highest price often prevails.

CONSIDERATION should be given to an alternate approach, which will avoid these disadvantages. This is to select a single broker in advance on a competitive basis. The technique recommended is to receive proposals from insurance brokers (a select few or anyone who wishes to apply) setting forth the following:

- Their comments on coverages proposed, along with alternate plans they may have to achieve the risk management and insurance goals.
- Description of how they would propose to market the insurance coverages.
- Description of how the broker's in-house specialists will be utilized to control the total cost of risk through loss prevention efforts.
- A list of insurance underwriters they would approach.
- A summary of the strengths and professional skills of the brokerage firm.
- Brief description of similar plans successfully achieved for others.
- Their fee for services, which would be a flat sum (perhaps modified by per diem or hourly rates) rather than percent of premium.

After providing the brokers with underwriting data (as much as possible) for the required insurance and risk service needs and allowing adequate time to develop their approaches, the points mentioned above should be presented by each broker in an interview. Following objective analysis of each interview, a single broker would be selected on the basis of the combination of factors that promises the most successful placement of insurance coverages, the best combination of risk services, and the best long-term relationship.

This approach has many advantages, some of which are:

- It concentrates selling efforts in the insurance marketplace.
- Since the broker's remuneration is not affected by the amount of insurance premiums, it encourages the broker to develop the direct-writing insurance market and to devise and implement non-insurance methods for the funding of risk.
- It avoids the chaotic market conditions caused by more than one broker approaching the insurance marketplace on a single line of insurance.
- It encourages efficient utilization of the entire insurance market.
- Over a long period of time, it will result in lower costs with maximum possible protection against catastrophic loss. ■

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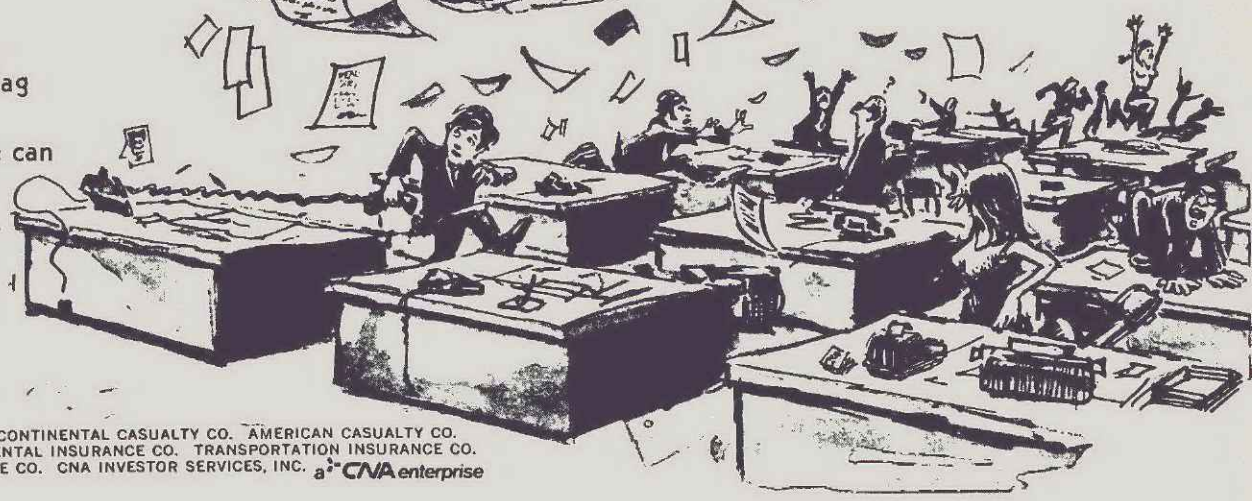

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U.K. profits reflect U.S. premium hikes

LONDON—Premium income received by Britain's top 300 insurance companies from business in the U.S. topped $1.2 billion last year, according to figures released to *Business Insurance* by the British Insurance Assn. This was nearly $130 million more than the previous year, with direct underwriting losses cut enough to show an encouraging response.

The sum does not include premiums payable to Lloyd's underwriters, who will issue their accounts separately later in the year.

Worldwide premium income reached nearly $9 billion but this includes personal life assurance, which was almost entirely written in the domestic British market.

General insurance premiums worldwide for auto, liability, and fire cover totaled nearly $5 billion so it will be seen that American business played an important role in the U. K. market.

DEALING WITH underwriting returns for these 300 companies, the British Insurance Assn. stated: "Fire and acident loss in the U.S. remained marginal, despite the severe impact of Hurricane Celia, which cost British insurance companies nearly $20 million, the costliest disaster since Huricane Betsy in 1965. . . The results of auto insurance, though still unprofitable, showed a welcome improvement."

It reveals that in the U.S. market British companies concentrated more on improving the quality of their business rather than on growth of business. The higher premium income, therefore, largely reflects the increased rates they charged for their cover.

Statistics show that on fire and liability risks in the U.S. the loss rate for British companies was 1.1% premium income, and on auto risks 4.9%. Worldwide underwriting losses represented 1.7% of premium income but because of higher returns from investments, the overall profit of the British companies rose by nearly 25%.

A British Insurance Assn. spokesman told *Business Insurance*: "The first quarter figures of some of our members for 1971 indicate that underwriting losses are running at a somewhat lower level than last year. Insurers are determined to lift premium income to levels which, after making proper allowance for the anticipated rate of inflation, will cover claims costs and provide underwriting profits out of which reserves can be built up." ■

IMCO acquisition

Dinsmore Associates, San Francisco insurance brokerage firm, has been acquired by IMCO Insurance Management Corp., headed by president Donald E. Bechtel.

the risk management manual is coming

october 25th issue

School cover problems in Dade County

PALM BEACH—In a re-evaluation of its insurance program, the Palm Beach County school board announced that 300 portable public school classrooms will be without insurance coverage this year.

In addition to the loss of fire and vandalism coverage for the portable school buildings, a school board official said they will have to pay higher premiums and larger deductible amounts on school facilities. The existing $1,000 deductible clause has been increased to $50,000 and the elimination of the coverage of the portable classrooms was due to the high risk involved in covering public buildings.

According to John Weisner, administrative assistant for business affairs for the school board, the greatest threat to public structures in Florida is the weather. The last two hurricanes cost insurance companies $42 million in claims.

The present cost of insurance for schools is $131,000, but the school board has been asked to authorize a $6,000 rate increase even though portables will not be included and the new deductible clause will be in force.

"In Dade County," Mr. Weisner stated, "they have a $750,000 deductible. I imagine they figure they can afford to lose a school, but not the entire system. The cost of replacement for each portable is $4,500."

The school board official said that 50 requests to bid on $46 million in school coverage were sent out to companies throughout the U.S., but only three responses were received. ■

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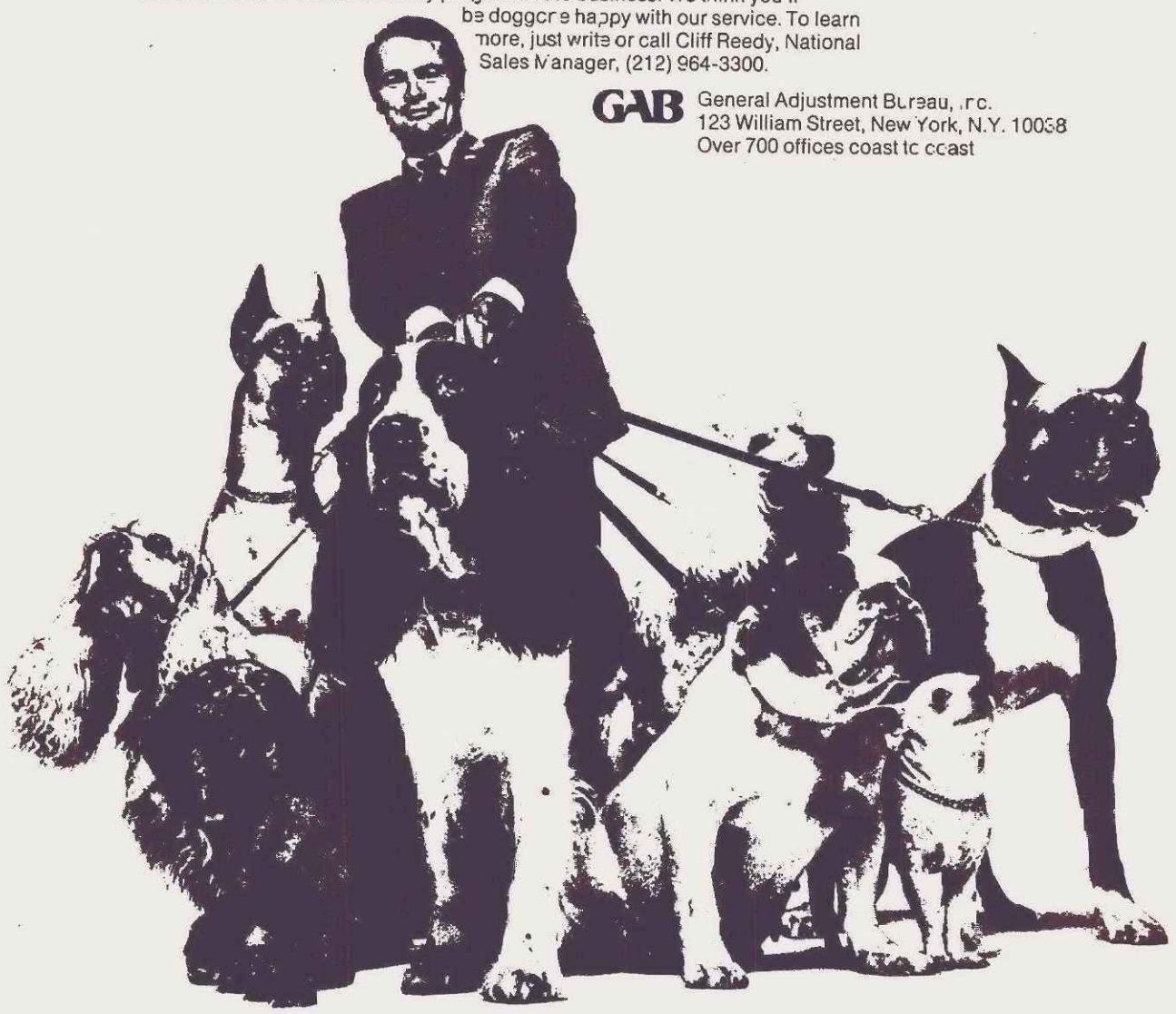

FDA asks safer polish packaging

WASHINGTON—The Food and Drug Administration has proposed packaging standards that may reduce the product liability possibilities in the furniture polish industry.

The standards are the second set proposed by the FDA to enforce the Poison Prevention Packaging Act of 1970. Last month the agency proposed standards for aspirin containers.

The furniture polish standards, however, would apply only to polishes containing 10% or more of petroleum distillates. Dr. Charles Edwards, FDA commissioner, has noted that petroleum distillate products, including furniture polishes, accounts for about 15% of the fatal poisonings of children under five years of age in the U.S. Between 1965 and 1970, said the FDA, at least 54 children under five died from the accidental swallowing of furniture polishes.

The agency proposal would require such polishes to be packaged so that 85% of a test group of 200 children couldn't open the container. The standards would also require that the flow of liquid couldn't be more than two milliliters (less than half a teaspoon) when the opened container is turned upside down and shaken or squeezed out.

Under FDA procedures the public is allowed 30 days to comment on the proposal until final action is taken. ■

New York carriers hit by $3.75 billion suit

By ANNETTE DUFFY

NEW YORK—The troubled marriage of insurance companies and agents in New York came to public attention as the longsome spat exploded into a $3.75 billion class action suit brought by 1,000 New York metropolitan area agents against 184 casualty insurance companies doing business in New York State.

Contract cancellations under the American agency system are at the heart of the trouble, which one agent said has "national implications."

It appears that many insurance companies have made a practice of terminating agency contracts over the past few years for such reasons as "unbalanced books of business." The terminations, say those close to the dispute, have been made in an effort to reverse heavy losses in auto and homeowner lines, although one agent interviewed said business coverages, especially in ghetto areas, have also been affected.

"UNBALANCED books of business" means a carrier contends an agent is not writing enough so-called good business to offset his less desirable policies. The suit, in substance, said the insurers are threatening their agents with termination unless they are able to tie in various lines of insurance, which is an illegal practice. At a Manhattan press conference held Sept. 16, Frederick Fagelson, an attorney for the agents' groups, claimed that insurers in some instances have told an agent with $50,000 of auto premiums to contract an additional $50,000 of property insurance. Mr. Fagelson cited this as one example of the coercion used by companies.

In their class action suit filed in federal court here, the Independent Insurance Agents' Assns. of Nassau, Suffolk and Queens counties demand restitution under federal antitrust laws. The suit claims damages of $1.25 billion. Under provisions of the Clayton and Sherman acts such damage claims are trebled, bringing the agents' suit to its huge total of $3.75 billion.

The sum includes:

- $500 million for formerly insured policyholders whose policies were canceled or who were refused normal coverage as a result of their agent's contracts being terminated. This figure is trebled to $1.5 billion.
- Another $500 million for injury and destruction to agency business in New York State as a result of contract cancellations, also trebled to $1.5 billion.
- And $250 million for damages resulting from practices of the insurers that "forced" agents to yield to unconscionable practices to avoid cancellation of their contracts. This sum is trebled to $750 million.

THE SUIT charges that "hundreds" of thousands of innocent insureds who had previously met all of the standards of the insurance companies were canceled or nonrenewed by these companies by reason of these agency terminations."

A Queens agent involved in the suit told *Business Insurance* that "a lot of producers are very concerned with personal lines, but the suit is general." He explained that an agency contract terminated after, say, 14 years often leaves an insured out in the cold as a result of inevitable changes during that period. "A guy who bought life insurance at 53 is now 67—and not so insurable. A business that was ok 14 years ago can now be marginal inner city business.

"I'll give you an example of a business risk that's had a big change," he went on. "I handle customs claim insurance at Kennedy International Airport. In the last 10 years there has been a huge increase in losses there—if I were to lose the insurer today I don't think I could replace much of that business."

This broker, who has been in business since 1957, said the trend in contract terminations intensified in the late 1960s. "Before that contracts were rarely canceled," he said, "and if they were the agent had a greater chance of

Continued on page 36

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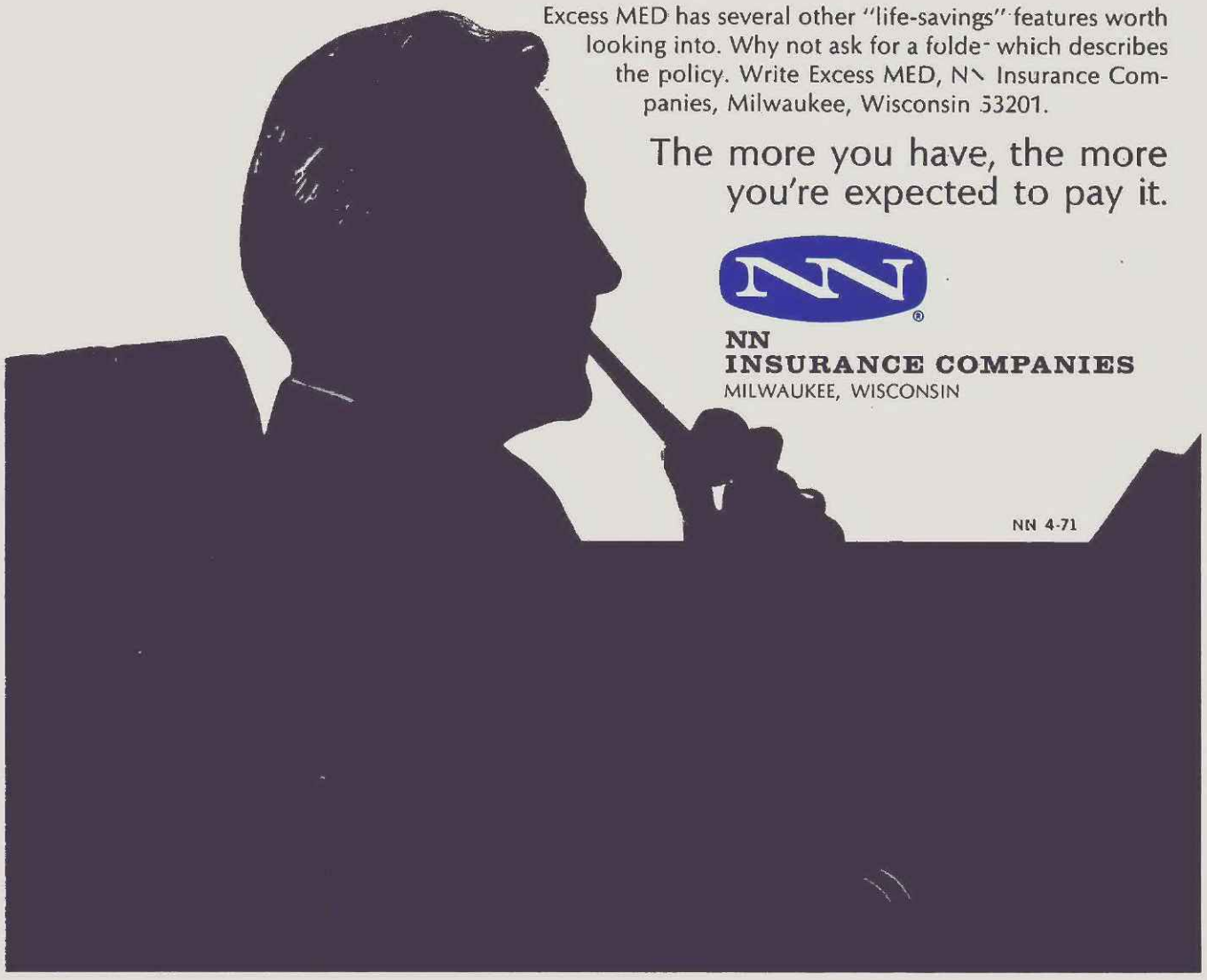
These days, according to the press, a $54,000 medical bill is not uncommon. Unfortunately, most major medical plans do not cover all the costs involved . . . they weren't designed to. Result: a threat to your cash-value life insurance, financial security, stocks and bonds. Heartbreak, because the more you have, the more you tend to lose.

Now comes Excess MED, a unique second generation medical policy from NN Insurance Companies, that takes over where your group, association or individual major medical runs out. This double deck protection is what you need. It pays up to $100,000 for all accidents or illnesses. Pays 100% — not 75% or 80% — of all eligible medical, surgical and dental expenses for all family members after only one family deductible is met. And the policy is guaranteed renewable for life.

Excess MED has several other "life-savings" features worth looking into. Why not ask for a folder which describes the policy. Write Excess MED, NN Insurance Companies, Milwaukee, Wisconsin 53201.

The more you have, the more you're expected to pay it.



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NN 4-71

Conservatives' social welfare plans for 1975 boost corporate pensions

LONDON—Corporate pension schemes have just been given a tremendous shot-in-the-arm boost in Britain by government's decision to bring in a new social welfare structure in 1975.

This is the plan behind the future long-term proposals, which will take all of the next four years to accomplish in such a way that they benefit every citizen. Employe benefits will rest on the surprise theme of a "two tier" pension facility for everyone at the end of their working lives.

The set-up that the currently ruling Conservative government proposes to put to the public, in contrast to the rejected Labor political scheme two years ago, provides that:

- There will be a basic hardship level pension for everyone in old age, provided by the country's public funds, which currently runs at $15 a week and up.
- There will be a substantial new, and additional, pension to make life more comfortable, from at least $42 a week and up.

BOTH OF THESE figures are provisional ones, which will naturally rise with inflation and the cost-of-living, and they will be hiked for husband-and-wife needs.

The surprise new change will be that the "comfort" of an extra pension will still, as at present, be provided by corporate schemes as far as possible. But the nation will set up a special reserve pension fund to aid employes who are not enrolled in corporate schemes by 1975. This differs from the rejected Labor plan, which sought to achieve an all-round increase in state-run pensions in keeping with its political line of "equal share for all," and would have reduced the need for corporate pensions.

The Conservative government, under Prime Minister Edward Heath, believes firmly in the merit of private initiative instead of public dependence. As it will be in office till 1975, it has every chance of getting its plans through to the public.

Social Services Minister Keith Joseph insisted when he revealed the new proposals in an official policy statement: "Every employe should have the opportunity to add a pension related to his earnings to his state-provided basic pension. The Heath government maintains that the great majority of people can best achieve this through the expansion and improvement of occupational schemes."

The details of the British government's schemes are of interest to every investment and coporate fund manager, as they show the compromise that can be achieved between clashing political doctrines with the ultimate aim of helping every corporate employe.

As far as corporate pension plans are concerned, the government will be satisfied if they achieve these goals:

- Security of funds, so that there is no danger of money being badly managed.
- Pensions at the end of an employe's working life must be on the basis of representing at least 1% annually of his earnings for every year he has worked before retirement.
- At least 50% of the pension should remain available for his widow.
- The real value of retirement pensions must be protected against inflation so that they rise in step with the cost of living.
- Transferability of pension rights from job to job.

If corporate schemes can meet these needs, as many already do, they will be favored by the government for their contribution to the nation's welfare conditions. But although 12 million people are already covered by corporate schemes at $3 billion-a-year premium levels, another 7 million employes may still be dependent on state aid when they retire.

SO FOR THEM will be created a special government-backed reserve fund, run by a twelve-man board of experts, which will operate pension schemes for all those outside corporate protection. It will have the same freedom as private enterprise in investing its cash, which is likely to roll in at the rate of nearly $1 billion a year in the beginning.

Membership will be compulsory by law for all employes over 21, who are not in corporate pension schemes. Professional men and other people who are self-employed will be brought under its control.

Pensions will be paid at rates to be aligned against their contributions, on top of the nation's basic pension, in the same way that corporate employes benefit from their own funds.

But with the Conservative government's firm belief in private enterprise, there will be deliberate revenue tax differentials so as to persuade as many working people as possible to join corporate pension schemes. It is this message that the country's top business leaders have welcomed. ■

If your insurance bills are piling up all over the map, we've got a plan that's made for you.

We're not a new type of world-wide insurance service organization. But we are one of the oldest and one of the best. We've learned a few things in our day.

A good part of our business life has been serving businesses which are essentially 'local' in character. Many of these United States firms have multiple locations where individual units have become interwoven with the economics of different parts of the country, yet are related one to the other.

Serving insurance needs—both integrated and decentralized—is reflected world-wide as well as 'locally'. Our service facilities extend throughout the world. We maintain well-staffed offices under the direction of firm principals who have intimate knowledge of local requirements and conditions.

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N.Y. suit . . .

Continued from page 35

seeking another insurance company to handle his business."

He attributed the change to a lack of competent insurance company employes. "They don't have men on the firing line—underwriters, etc.—who are truthfully able to carry their own weight. When things were going well years ago insurance companies sat back and stopped hiring good people, so now they, and we, are suffering the consequences.

"BASICALLY all we want," the agent concluded, "is partnership with insurers in the true sense of the word. If a company wants to terminate, both insurer and agent should be able to sit down and straighten things out. These arbitrary, silently-handed from on high cancellations have to stop. Our suit is not a get-rich quick scheme. New York agents are truly trying to get a meaningful agency contract."

This attitude appeared to run parallel to that expressed by Mr. Fagelson at the press conference. He declined to say if the suit would be dropped if a solution could be worked out between agents and companies. He did not, however, rule out such a settlement, and he did say he hoped for meetings on the highest levels "to come to grips with the problem."

Some of the major companies cited in the suit were Aetna Life & Casualty, Connecticut General Insurance Group, Maryland Casualty Co., Chubb Corp., CNA Financial Corp., Crum & Forster, Travelers Insurance Co. and Globe Indemnity Co. ■

Mance . . .

Continued from page 1

the number of American "names" who have applied to Lloyd's has no effect on the prospects of an "American Lloyd's" because such a U.S. institution is predicated on the idea of American underwriting companies—rather than individuals—rearranging themselves to take a part of the market. Laws in most states prohibit our Lloyd's concept of having individuals pledge their personal assets.

Q. What about the loss ratios on dram shop insurance and officers and directors liability insurance? We have the impression that these classes of coverage have relatively low loss ratios.

A. (By Peter Foden-Pattinson, chairman of the Lloyd's Underwriters Nonmarine Assn.) Dram shop is an area of great difficulty because the final incurred loss ratio depends upon the setflements, which are often long delayed. Directors and officers liability is a young class of coverage in which there is an increasing amount of interest. It takes a great deal of time to finalize settlements under directors and officers liability. There has been growing interest in this form of coverage among our underwriters and especially among Lloyd's clients. Rates have gone up tremendously, but we are sure that more and more clients are thinking about this form of coverage.

Q. What is the position of Lloyd's now in relation to the nonadmitted insurer legislation that was introduced in U.S. states chiefly to protect insurance purchasers against mail-order insurers?

A. (By Keith Brown of the New York law firm of LeBoeuf, Lamb, Leiby & McRae, Lloyd's U.S. counsel.) Laws in most states, as enacted, give reasonable protection to the rights of corporate insureds to place their business where they wish. The industrial insured exemption enacted in a number of states gives them this protection.

Q. Will the pension integration system offered this week by the Conservative government in England have an effect on the growth of Lloyd's life insurance subsidiary (Lloyd's Life Assurance Ltd., scheduled to start operations on Jan. 1, 1972)?

A. We have not seen the plan offered by the current government, but a plan (the Crossman Plan) was offered by the previous Labor government and we would assume without seeing the new plan that they are at least slightly different. Certainly, the method of integrating private and public pension systems would have a big effect on the life insurance industry. We'll wait to see what the government proposes before we make a judgment.

Q. Last fall, Sir Henry, you were interviewed in New York by Stephen Gilkenson, our eastern editor, and you told him that you did not expect that the airline industry's proposed captive insurance company would get off the ground. That has so far proved true, but what about captives generally?

A. I still don't think the airline captive will be alive. There has been a growth of captives, no doubt about it. But one of the few industries now considering a captive is the American utilities which conceive of a captive for property risks of nuclear energy installations, but even they are only "looking into a captive." There are major problems in spreading the liabilities in setting up captives. ■

Money may replace workers' sex life

SYDNEY, Australia—Members of the Hospital Research Employes Assn. here have asked for a night differential of 25% to compensate them for disruption of their sex life, according to Reuters News Service.

The 23,500-member union said that the money would compensate for "enormous strains placed on marital and general family relations by someone working irregular hours.

"The sexual activities of (night and lobster) shift workers definitely are interfered with by the odd hours worked. Money cannot compensate for this, but it's the best we can do."

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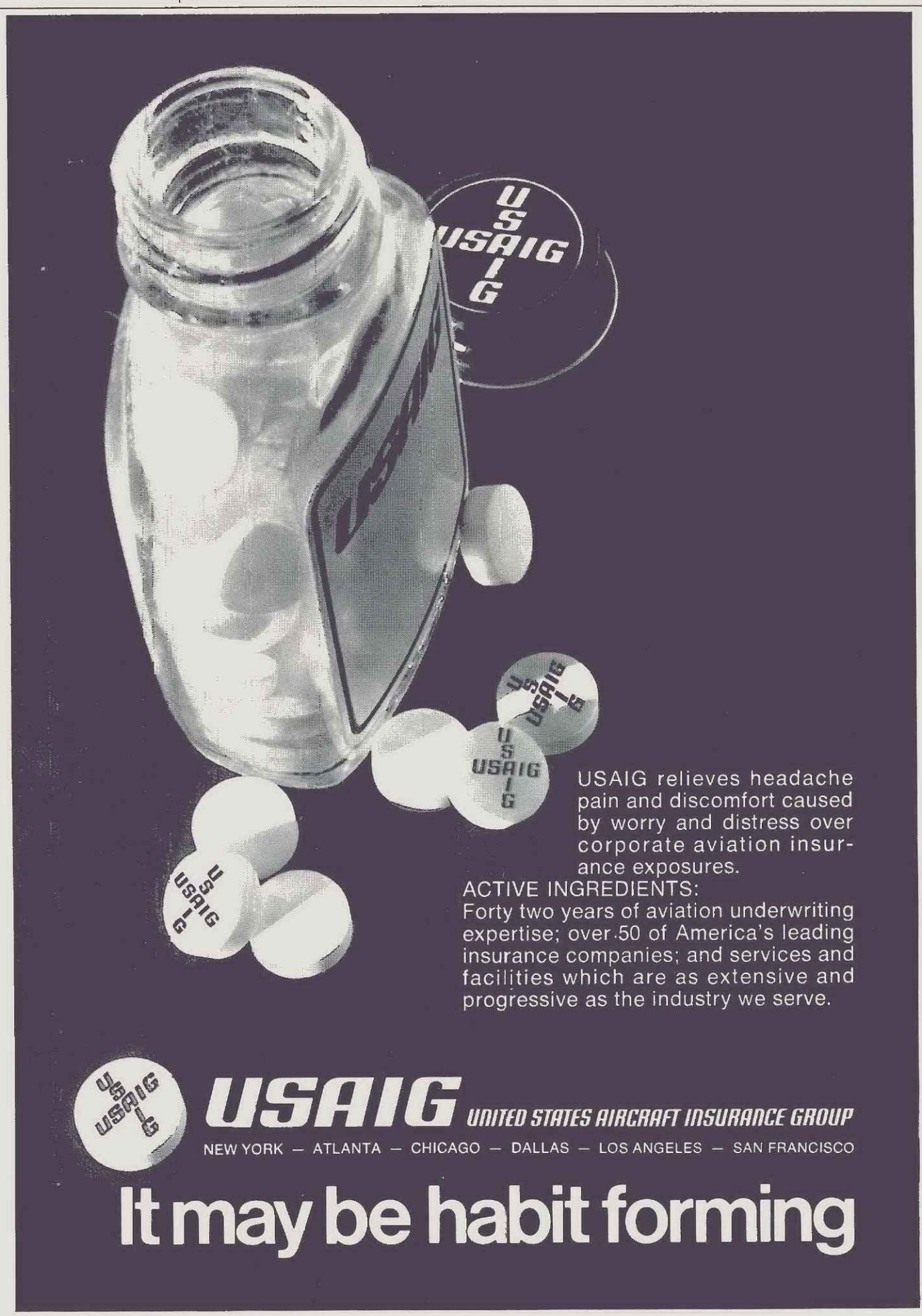

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Breezes . . .

Continued from page 1

numerical exemption which exempts some employers from the compensation system if they have fewer than so many employes. We also believe that workers should have better access to medical treatment for occupational diseases. After all, these are things that are brought on by American industry and should be paid for by American industry.

"BUT," MR. BAILEY emphasized, "we cannot support those people (primarily the labor movement) who are pushing for workmen's compensation benefits that are tied to the average industrial wage in an area. This is very unrealistic, it would be very expensive and the cost would have to be passed on to the industrial consumer."

The ASIM counsel also pointed out that on this particular subject the society's influence was somewhat limited.

"When you get into something like tying the benefit to the average industrial wage, cost factors come into play. This would be such a tremendous added expense for U.S. industry that it would be taken out of the hands of risk managers and put into the hands of top managements working in liaison with other businessmen—chambers of commerce, for example. We," Mr. Bailey said of ASIM, "can't say we represent the top 10 corporations in a state and say this is our policy on benefit levels. We can't speak for company presidents when cost factors of such proportions are being discussed."

The major deficiencies in state workmen's compensation systems today exist in three areas, Mr. Bailey said. These are inadequate wage replacement benefits, inadequate medical benefits and limitations on coverage for occupational diseases. He also said that ASIM supports a set of 22 minimum standards that have been proposed by the IAIABC. These range from support of a compulsory workmen's compensation law in every state to lowering the benefit waiting period to not more than three days. While these are the official minimums recommended by the association, few member states meet all 22. The problem, of course, is most acute in southeastern and Deep South states.

WHILE THERE are some who feel that the International Assn. of Industrial Accident Boards and Commissions is in a semi-moribund state, Mr. Bailey feels the group "carries a great deal of weight." However, he did say that the association "needs to push its members a little more into the area of professionalism. The individual compensation commissions need more money and better talent," he said, adding, "but this is not to say that we don't have some outstanding workmen's compensation commissioners and departments.

John F. Burton

"I am very much concerned with the outcome of this national workmen's compensation commission study. I'm afraid that if the states don't do more and make improvements in needed areas quickly you may see federal regulations or intervention within three years. This," he said, "would be disastrous."

Obviously, one who agrees with Mr. Bailey on this point is James J. Gaffney Jr., chairman of the Massachusetts Industrial Accident Board and outgoing president of the IAIABC.

In an interview with *Business Insurance* at the association's convention here, Mr. Gaffney said the threat of federal intervention in the workmen's compensation area is of "the most vital concern" to the association's membership at the moment.

"THE THREAT has increased to such a point that within the past month the National Workmen's Compensation Commission has been staffed and Prof. Burton made chairman. No one knows what the ultimate report of that commission will be," said Mr. Gaffney, a white-haired, red-faced Bostonian who strongly resembles a "Last Hurrah" politician.

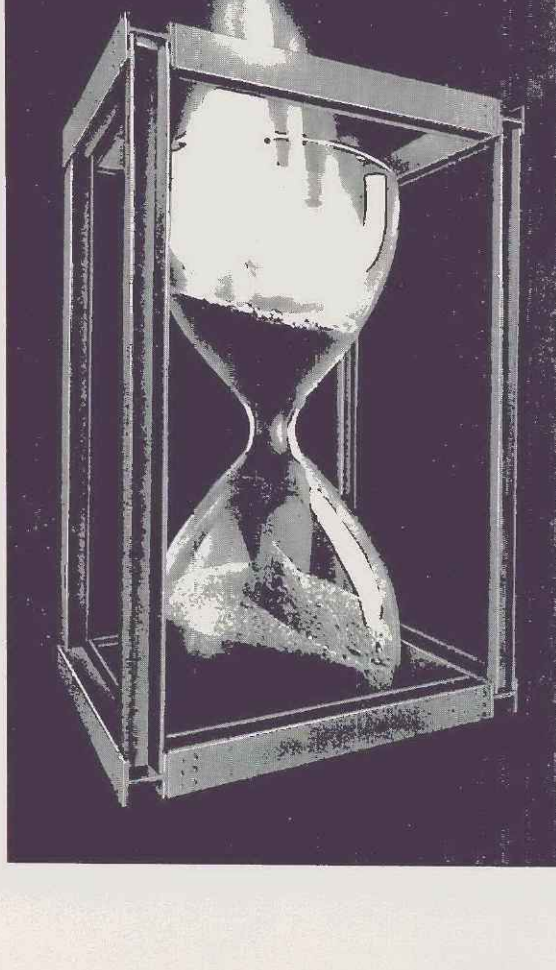
Mr. Gaffney said that in the year he has headed the IAIABC he has urged the states to adopt at least five minimum standards —unlimited medical coverage, adequate levels of disability pay, elimination of the numberical exemption, coverage for all occupational diseases, and provisions for adequate rehabilitation programs.

Although Mr. Gaffney discribes the IAIABC as "the clearing house of workmen's compensation ideas for industry, law, government and the insurance industry" and says that the annual convention is "the ranking worldwide forum on workmen's compensation," he admits that the body carries no weight of enforcement and that a lack of funds has precluded the hiring of even one full-time employe.

Dues levied on the individual state members are $200 a year and conference registration is $30 per member. Things are so tight, in fact, that a *Business Insurance* reporter covering a session paid $6.50 for the lukewarm roast beef luncheon at which HEW's Dr. Egeberg delivered his diplomatic speech.

THIS YEAR'S annual convention in Boston, as has been the practice in prior years, was heavily supported by cash contributions from companies and individuals outside the association membership and, somewhat questionably, from those who have a vested interest in attitudes and decisions of state workmen's compensation boards. Of 133 contributors listed in this year's program, 25 cash gifts were given by insurance companies that write workmen's compensation business throughout the nation. The remaining 108 cash gifts came from large private corporations (most of these self-insure workmen's compensation) and attorneys specializing in compensation cases. The gifts, Mr. Gaffney said, average about $200.

Moreover, this year's convention treasurer for the host state's Industrial Accident Board was Robert J. Plunkett, an attorney in the private Boston law practice of Samuel G. Sloan and Robert J. Plunkett. The firm, Mr. Gaffney said, specializes in compensation cases and, for the most part, represents claimants. The former IAIABC president and workmen's compensation head in Massachusetts did not make any apologies for what might appear to some to be a flirtation between the regulators and the regulated and, in fact, noted that Mr. Plunkett was a vp at Travelers Insurance Cos. at the time he was asked to serve as convention treasurer but has since retired to enter the private practice of workmen's compensation law. ■



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State Farm rebate not for fleets

A spokesman for State Farm Mutual Automobile Insurance Co., Bloomington, Ill., said that the company's $35 million rebate to policyholders in 30 states does not apply to the few commercial fleets underwritten by the State Farm. Commercial risks, which constitute about 2.5% of the company's business, will get premium reductions they may have earned from lower loss ratios when their policies come up for renegotiation and renewal.

Attica's aftermath: Survivors of hostages to receive state benefits

ATTICA, N.Y.—The sweep of state troopers through Attica State Prison here left much more in its wake than 40 deaths and a huge amount of personal and property damage. Aside from the sadness and shock, the aftermath of the brief, confined warfare was confusion, a confusion which spread to all points connected with the tragedy. One of those points was the benefits for the survivors of the 10 hostages who had died behind the walls.

The union which represented some of the hostages, the correction officers, and the state agency which will supply the benefits were no different than any other two segments of society which had been touched by the prisoner rebellion—they did not agree.

Council 82 of the American Federation of State, County and Municipal Employes announced, in the press, that survivors of the guards killed in the uprising would receive benefits amounting to three times the guard's annual salary. "This is the ordinary death benefit for which we contracted," a union spokesman told *Business Insurance*.

THE SPOKESMAN noted that prison guards' salaries averaged around $10,500 per year. He also said the arrangements for the civilian employes killed in the line of duty would be similar.

On the other hand, Leon Braun, deputy state controller in charge of the New York State Employe Retirement System, said, "These deaths will be considered accidental and the survivors will receive the accidental death benefit, which, in most cases, will be much more than the ordinary death benefit.

"The reports in the press that the survivors will get three times annual salary are in error," he went on. "I guess the union didn't know."

He explained that, under the accidental death benefit, a widow would receive 50% of her husband's final average salary for the rest of her life or until she remarried.

"THE SYSTEM has been noncontributory since 1960," Mr. Braun pointed out. "If any of the slain hostages had contributed before that, or voluntarily since, the amount of the contributions will go to his estate."

The survivors will also be eligible for workmen's compensation benefits, according to Mr. Braun, though the workmen's comp benefit is considered deductible from the other. The New York workmen's comp death benefit, for a widow, is 40% of salary up to a maximum of $48 per week. A widow with children could collect 66.66% of salary to a maximum of $80 weekly.

When asked about the possibility of accidental death benefits and workmen's comp for the survivors, the employe union spokesman answered, "That is something we have not explored."

Among the 100 to 150 persons injured after the order was given to move in and forcibly quell the rebellion were numerous other hostages and some of the advancing troopers, though the vast majority were inmates.

BOTH THE union spokesman and Mr. Braun agreed that medical costs would be taken care of under the state system. "All state employes have major medical coverage, Blue Cross—there's no problem," Mr. Braun noted.

The state employe retirement system provides accidental disability benefits in the amount of "75% of average salary for life or the length of the disability," he said. "The ordinary disability benefit would be one-third of average salary for life or length of disability."

And there is always the possibility of the survivors receiving less cut-and-dried recompense.

"We have asked the state to indemnify the survivors," the union man stated. "We have asked for a reasonable amount for pain and suffering."

He also explained that state employe union locals from "all over the state have been sending contributions. We want to establish a correction officers' benefit fund which will help the children of those who were killed at Attica."

It was assumed that the families of the 30 inmates killed in the uprising would not be eligible for any benefits though the answer to the question of liability in the action is still in the air and probably will be for months. ■

He's very cautious

If Robin Hugessen is killed by members of Women's Lib, his new insurance policy will pay $48,000. Mr. Hugessen is an English manufacturer of chastity belts who sells most of his products in the U.S.

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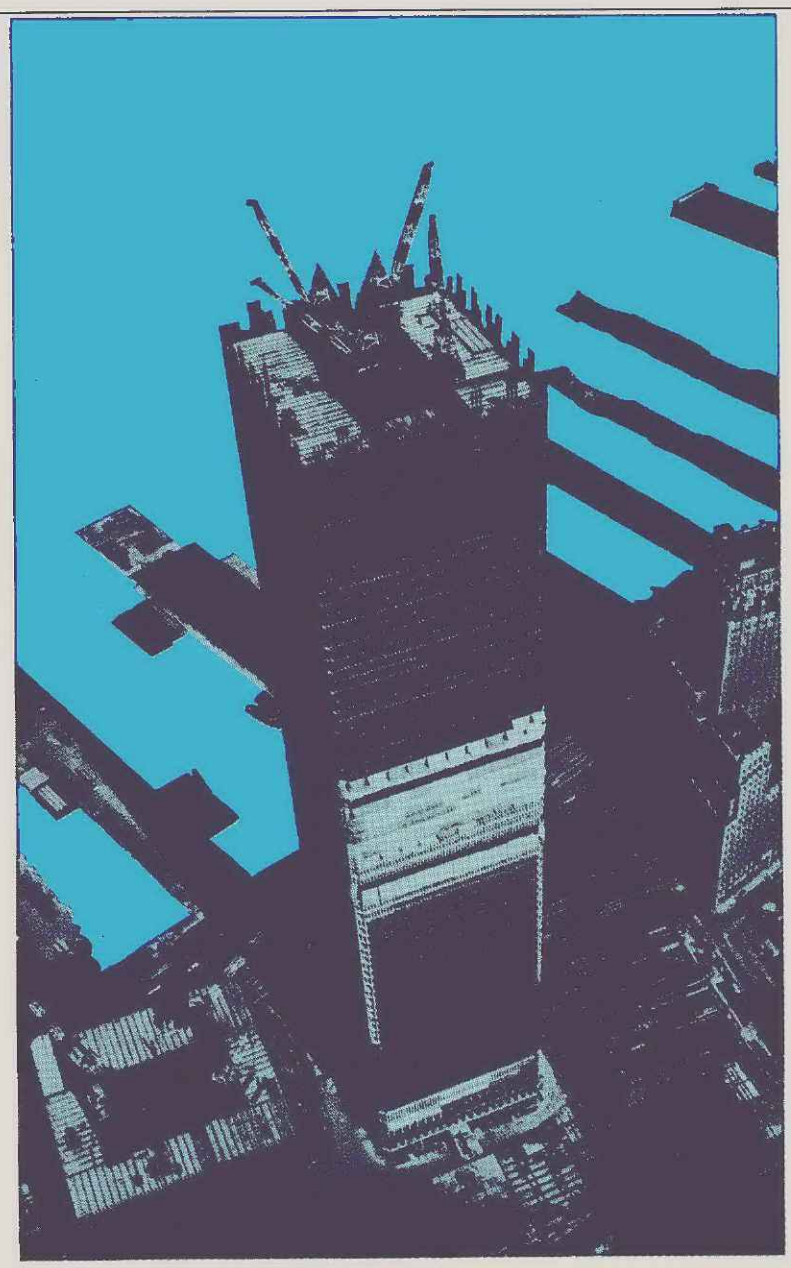

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Slater leaves IOS because he refuses to take 'harassment from dissidents'

By RICHARD BJORKLUND

CHICAGO—Somehow the setting didn't match the subject.

Inside the Pick-Congress hotel a contemplative man quietly answered questions put by reporters from Reuters News Service and *Business Insurance*; outside, Michigan Avenue basked in warm September sunshine.

The subject, by contrast, was explosive: IOS Ltd., better known as Investors Overseas Services, a fantastic financial combine of mutual funds and insurance companies built by Bernard Cornfeld, the flamboyant financial wizard of the Sixties.

Robert E. Slater, the subject of the press conference, is the former president of John Hancock Mutual Life Insurance Co. brought into IOS last year to succeed Mr. Cornfeld as president and to turn IOS around to profitability. He was in Chicago as a speaker on a life insurance program sponsored by Continental Life Assurance Co.

For about nine months Mr. Slater had worked with some success to bring profit out of confusion, but now the news of his resignation had leaked and it was left for Mr. Slater to explain why he chose to leave IOS when the objective of profitability was soon to be attained.

"I DECIDED in June to join National Liberty Corp. in Valley Forge, Pa., as vice chairman and chief executive officer because I saw no end to the legal harassment cooked up by dissident stockholders who were associated with Mr. Cornfeld and the former management of IOS," Mr. Slater recounted. "They have already tied up the present management with court decrees that prevent the managers and elected directors of IOS from making any major moves.

"Perhaps Robert L. Vesco, IOS chairman, and Dr. Milton F. Meissner, the exec vp, are willing to stay and take the harassment, but it's not for me," Mr. Slater continued. He said his decision was made in June to allow his 10-year-old daughter to move smoothly from her school in Geneva, Switzerland, IOS's international headquarters, to one in Pennsylvania.

Mr. Slater said that he would act as a consultant to IOS, particularly in the insurance field, if requested to do so by Mr. Vesco or Dr. Meissner, who may succeed Mr. Slater as president of the company.

"IOS," Mr. Slater explained, "has a string of profitable insurance companies which it set up over the past decade. They include International Life Insurance Co., London, IVM in Holland, Israeli Life, as well as companies in Argentina and Columbia. The whole group has insurance-in-force of more than $1 billion."

INSURANCE companies were, in fact, the most profitable part of the IOS operation, which was once valued at more than $2.5 billion and now is considered to be worth some $1.5 billion. Mr. Slater said that the heaviest share of IOS losses was incurred by the mutual fund sales corporation. General management costs of the company were small.

Mr. Slater's efforts to turn IOS around to profitability began in August of 1970 when he was brought into the company by Mr. Vesco, a young financial man who bought heavily into the complex and gained management control when Mr. Cornfeld was deposed as president but allowed for a time to return to a director's position.

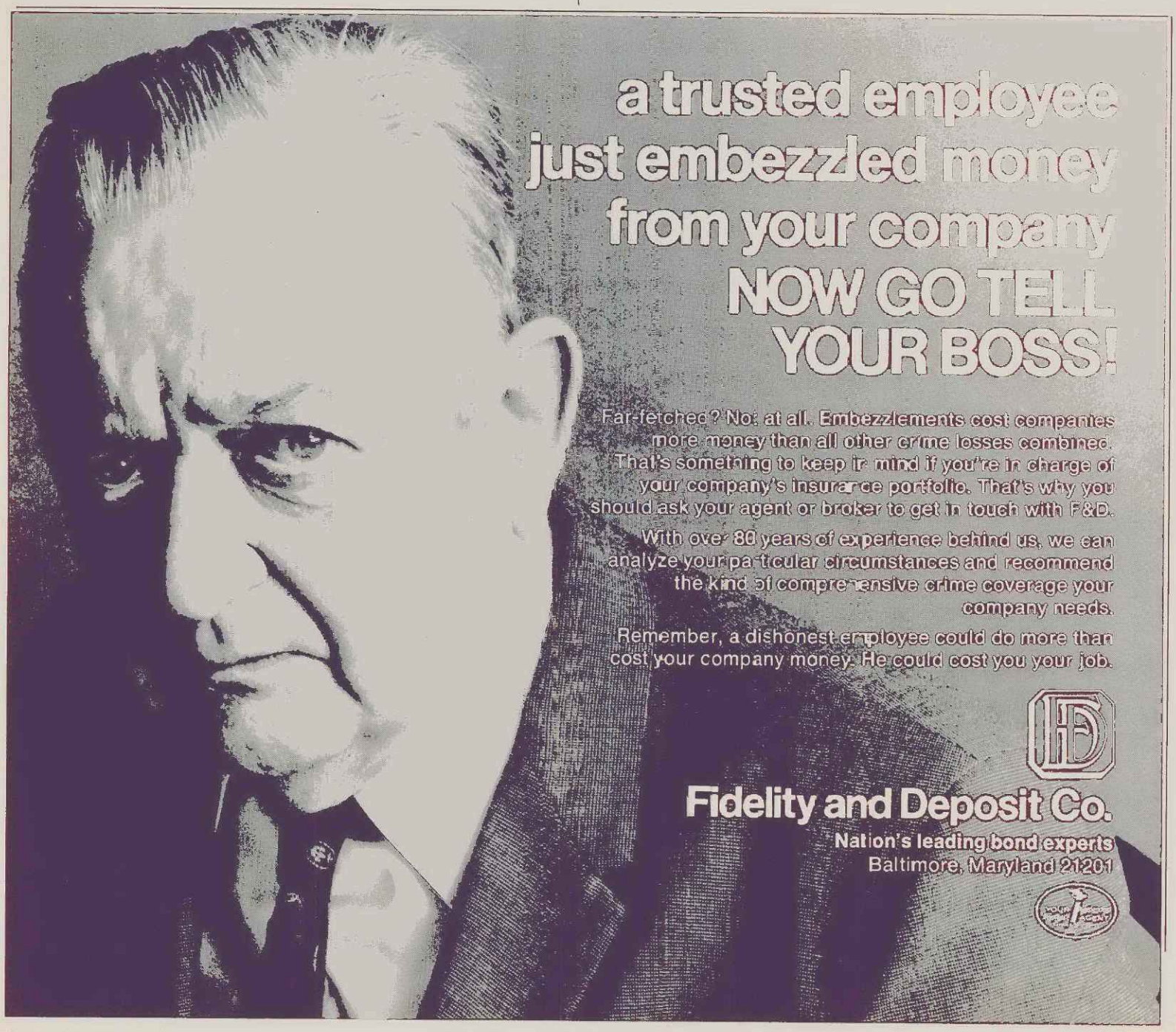
"The first directors' meeting I attended was the wildest three-ring circus I've ever witnessed," Mr. Slater recalled. "Mr. Cornfeld was extremely emotional, and he looked upon every management suggestion as personal criticism."

Sources close to IOS say that the current legal attack of nine or ten dissident stockholders, which is being fought in the courts in St. John's, New Brunswick, Canada, is in fact an effort to reinstate Mr. Cornfeld as chief executive officer. Mr. Slater neither confirms nor denies this allegation, but he calculates that the dissidents control about 25% of IOS shares, nearly enough to block confirmation of major management moves that require a two-thirds vote of the board.

MR. SLATER said that IOS lost money during the second quarter of the year, chiefly owing to a loss of about $230,000 during May. He said September was apparently a profitable month after the financial doldrums of July and August. "But even though we've turned the company around to profitability, I've had it as president and I look forward to my new association at National Liberty, which I've served as a director and consultant for the past year," Mr. Slater said.

The departing IOS president said that he had intended to keep his resignation secret until Oct. 1 to permit him to make a Sept. 28 appearance before the Securities and Exchange Commission to answer questions about the relationship between Investors Overseas Services and Mr. Vesco's International Controls Corp. SEC in 1967 obtained a consent agreement from IOS prohibiting the company from being associated with any American corporation.

Despite his misgivings about what he calls "continuing legal harassment," Mr. Slater said he does not subscribe to the "conspiracy theory" about Mr. Cornfeld's management of IOS expressed in "Do You Sincerely Want to Be Rich," a book by a team of London journalists that is lingering on the bestseller lists in this country and abroad. "They overstate their case," he said, "and they put the worst construction on everything." ■



Benefits continue for Mrs. Khrushchev

MOSCOW—The widow of Nikita Khrushchev will continue to get several state benefits, including a pension of 700 rubles a month (about $863), the Soviet government has disclosed.

The wife of the former Russian premier will also receive the use of their dacha on Moscow's outskirts, the government car and chauffeur and one servant.

Mrs. Khrushchev married the former premier in 1923 and they had three children. Mr. Khrushchev had been married before but his first wife and mother of his first two children died.

Claim mine act criterion denies worker benefits

NEW YORK—An unfair criterion for determining the presence of black lung disease is written into the Coal Mine Health and Safety Act of 1969, according to some of the doctors meeting here this week for an international scientific conference on the occupational disease.

The safety act stipulates that diagnosis be based mainly on X-ray findings. Those miners who do not meet this criterion, but who may nevertheless be severely disabled, may not get the benefits.

Dr. Marcus M. Key, of the National Institute for Occupational Safety and Health, a division of the United States Public Health Service, said, "We're locked into the wording of the law. We're partly studying thousands of miners who were denied benefits to see if they were treated unfairly."

ACCORDING TO Dr. Key, criteria other than X-ray findings are accepted by the Social Security Administration, which administers the benefits law, but these other criteria are based on long, expensive tests available only to a few miners. He said an amendment currently before the House would eliminate the requirement for positive X-ray findings.

The injustices of the situation were dramatized by the unexpected visit of a group of miners to the Waldorf-Astoria Hotel, the scene of the week-long scientific conference. The miners said they are disabled victims of black lung disease.

Dr. Irving J. Selikoff, chairman of the conference, said he agreed with many of the miners' complaints, which pointed up the fact that a large number of badly disabled miners are denied the benefits provided by the recent black lung legislation.

Dr. Selikoff, who allowed the miners to address the meeting, said one of the conference's purposes was to explore the adequacy of current diagnostic methods, as well as to arouse interest in treatment and prevention of the disease.

THE MINERS are members of a grass-roots organization called the Black Lung Assn. They came to New York by bus from the coal regions of Kentucky and West Virginia. The 25-hour trip was sponsored by medical students and others who are friends of the association.

The miners' spokesman was 52-year-old Hobert Grills of Evarts, Kentucky, who stooped over a cane as he addressed the meeting. "Miners all over the nation have been done wrong," he said, "by having to take cracker-box breath tests and snapshot X-rays. We'd like the public to know we're getting a rotten deal." Mr. Grills told his audience that he had worked in the mines for 26 years, retiring 10 years ago because of black lung disease. He said he has been denied special benefits under the Federal Coal Mine Health and Safety Act because "they don't think I'm sick enough."

Dr. Selikoff, an expert in occupationally caused lung diseases and a professor at Mount Sinai Medical Center here, proceeded to point out that the black blotches all over Mr. Grills's face were patches of coal dust that were permanently imbedded during mine explosions. The doctor noted as well that the rheumatoid arthritis that cripples the miner's body was also related to the lung disease, in an as yet unknown way. Dr. Selikoff took the hand of another of the miners and said, "See the ends of his fingers? They're bulbous—that's another sign of the disease in his lungs." The miner, William Worthington of Harlan County, Kentucky, said he could hardly walk a block but was not getting black lung benefits either.

The disease, technically called coal workers' pneumoconiosis, is the result of years of inhaling coal dust while working in the mines. The dust tends to accumulate in the lungs, blocking the free flow of fluid that cleanses the lungs and helps fight infection. ■

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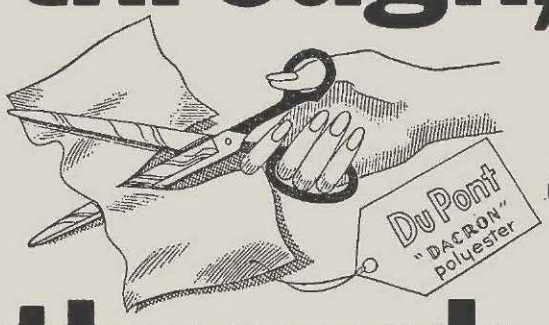

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Giles . . .

Continued from page 26

arm injury had rendered him unemployable. The plaintiff's intelligence quotient on the Wechsler-Bellevue scale was measured at 69. He had registered in the United States employment service in 1958 and had been unable to obtain employment through 1963. The district court's review of an administrative denial of the claim resulted in summary judgment for the employe. By its own motion, the appellate court raised the question of whether plaintiff's "limited intelligence" constituted a previous disability under section 8 (f) (1) of the Longshoremen's and Harbor Worker's Act, which provides that compensation costs stemming from a previous disability shall be paid for by the statutory second injury fund, and not by the employer. The district court had held the employer liable for all compensation costs. The U.S. court of appeals affirmed, saying that limited intelligence must be "manifest" to be a previous disability within the meaning of the second injury provision of the Longshoremen's and Harbor Workers Act.

While the decision in this particular case was correct, the court does not adequately define the meaning of "manifest." The absence of a clear definition of the term prevents employers and their insurance carriers from accurately predicting which disabilities are protected. One of the purposes of the Longshoremen's Act was to insure that the employer had a determinative liability. Cautious employers may exclude persons with disabilities which are protected because the employer prefers not to hazard an adverse ruling in a borderline case. (*American Mutual Ins. Co.* v. *Jones*, 426 Fed. 2nd 1263, D.C. Cir. 1970.)

* * *

IN NEW YORK State, if a landlord is notified to repair peeling plaster and paint that causes danger of lead poisoning to young children of a tenant, can the tenant make the repairs and charge the landlord?

According to common law in New York, a landlord is not obligated to repair or paint in the absence of an express agreement. While statutory duties to repair and paint have been imposed upon landlords these duties are enforceable only by the municipality.

However, there is a trend in the opposite direction as indicated by a recent decision of the supreme court of New Jersey, which held that in a modern setting the landlord should, in residential letting, be held to an implied covenant against latent defects, which is another way of saying habitability and living fitness. The New Jersey court in that case accepted the idea that landlord and tenant law, established in a rural society, requires modification so that it can adequately deal with the realities of modern urban living. Today, a landlord's covenant to repair, and the tenant's covenant to pay rent, are mutually dependent, instead of independent covenants. The court said it would prefer to follow the philosophy of the New Jersey court. The distinguishing fact situation here was that it involved the ingestion by children of flaking plaster and paint from the walls of a tenement house.

The court took judicial notice of the fact that in New York City slum apartments, as layers of paint peel away, the paint underneath becomes a menace to any young child who may pick off the flakes and put them in his mouth. This plaster and paint contains lead and may result in lead poisoning, causing mental retardation and even death. This is not painting for the comfort and enjoyment of the premises, it is a case of painting to preserve the life and health of the children. By making the repairs here, the tenant prevented a possible tort action against the landlord, had the children here actually suffered lead poisoning. The tenant, therefore, by his act of repairing, prevented the commission of an actionable tort, that might have resulted from his inaction. (New York Civ. Court, New York City, *Garcia* v. *Freeland Realty Inc*, 8/6/70.)

* * *

MUST AN insurer give timely notice of a disclaimer? The supreme court of New York has recently held that an automobile liability insurer that had not given any notice denying an injured taxicab passenger's claim, prior to proceedings to stay arbitration instituted over eight months after receiving a letter of claim, had violated a section of the insurance law requiring written notice of disclaimer as soon as reasonably possible and thereby had waived its defense on the policy, even though no prejudice to the claimant had resulted. The court also held that the passenger who had sustained injuries after he had stepped out of the cab, and was making payment when the car was struck by an unknown vehicle, was a person occupying the vehicle within an uninsured motorist endorsement of the policy issued to the cab driver's wife. (*Allstate Insurance Co.* v. *Flaumenbaum*, 1/27/70.)

* * *

HOW DO YOU prove fraud? Do you prove each of the elements by a "fair preponderence of the credible evidence?" No, you do not. It is firmly established under the law of the states that a party who alleges fraud, as either a defense or the basis of a claim, must prove the facts upon which his allegations rest by evidence that is "clear, precise and indubitable." The evidence must be so cogent "as to enable a jury to come to a clear conviction, without hesitancy of the truth of the precise facts alleged." The standard of proof is equally as exacting where fraud is raised as a defense to an action on a policy of insurance. (*Raray* v. *Lincoln National Life Insurance Co.*, 378 Fed 2nd 209.) ■

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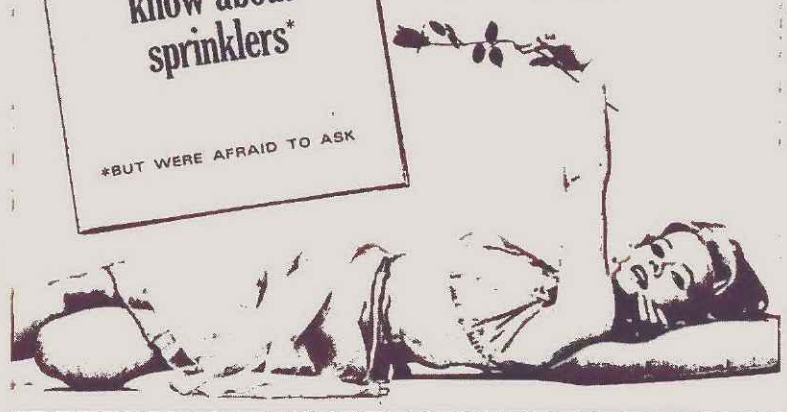

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N.Y. not at IAIABC, but possible rift denied

BOSTON—The 57th annual convention of the International Assn. of Industrial Accident Boards and Commissions here earlier this month drew more than 300 registrants from throughout the country, with one notable exception. Conspicuous by its absence from the meeting was the New York Workmen's Compensation Board, which is barely 200 air miles from the Bay State capital city.

That fact was a subject of some discussion among commissioners from other states and there was even some outside speculation that a rift had developed between the IAIABC and the New York Workmen's Compensation Board.

Asked about New York's absence and the possibility of a rift, James J. Gaffney Jr., chairman of the Massachusetts Industrial Accident Board and outgoing president of IAIABC, paused a very long time and replied: "I don't know about that. I don't remember seeing them in San Francisco last year either. "I think," he suggested after another pause, "you should talk to the New York board about that."

AN ADMINISTRATIVE assistant to Sol Senior, chairman of the New York Workmen's Compensation Board, when asked in New York about this later, responded:

"We did have representatives in San Francisco last year. Our reasons for not attending this year's convention were simply because we have an austerity program going on here in New York. And," he added, "when we got the program this year we ran down the list of subjects and speakers and decided that there didn't appear to be anything new, novel or exciting to justify that kind of expense.

"We are on the best of terms with the association and we are communicating with the various commissioners constantly," he told *Business Insurance*. "As far as this year was concerned attendance was dependent on the program. When we received it, we asked ourselves, 'Is there anything here that we are unaware of?' We found that the answer was 'no,' that most of the items on the program had been aired before.

"When you have a lackluster program—and I'm not being over critical, I hope, for we are, after all, a sophisticated state workmen's compensation department and what may be of interest to Mississippi, Alabama and Georgia is probably of little interest to us —we just couldn't justify the expense of sending four men up there at $300 a man," the source said.

NONETHELESS, some of the more enlightened workmen's compensation people attending the Boston confab thought the absence of New York representatives was the convention's loss and not New York's. Said one insurance industry workmen's compensation specialist:

"The New York workmen's compensation board is la creme de la creme of such state boards and their absence can't help but be a loss for less enlightened state boards that could benefit from their participation."

In any event, other states around the nation were well represented at the conference. Kentucky, for example, sent a delegation of four. Mississippi had three men there.

The latter trio, somewhat amusedly, were observed across a luncheon table on the opening day of the conference discussing the possibility of cutting out of the afternoon's session. The program was a demonstration of "The Boston Arm," a prosthetic device that has been used in loss of limb rehabilitation for some time. The Mississippi workmen's compensation people had seen the device before or were at least aware of it. Instead they were thinking of taking a 50-mile ride down Massachusett's south shore in a rented car to see Plymouth Rock, something they hadn't seen. ■

New Britain pension fund scrutinized

NEW BRITAIN, Conn.—Serious doubt about the city's ability to meet future pension needs has prompted Mayor Algert F. Politis to commission an immediate actuarial review.

The mayor of this hardware manufacturing center of 90,000 disclosed for the first time that both police and fire department pension plans may not be fiscally sound.

He added that there is no danger of running out of funds in the immediate future.

"WITHIN the next 5 or 10 years, however, we could have a problem," he said.

Mr. Politis was first advised of the potential problem by William McCarthy, acting finance director and, after checking with several private firms and banks, decided to order a top-to-bottom review —"just to see where we really stand." ■

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following the funds

Survey shows 876 pension funds are worth $67.3 billion and growing

NEW YORK—A survey of 714 corporations reports that the value of assets in the corporations' insured and noninsured pension plans totaled $67.3 billion in 1970, an increase of 48% over 1965. The surveyors, McGraw-Hill Publications Co.'s economics department and Standard & Poor's/InterCapitol Inc., called this an annual growth rate in the pension plans of 8.1%.

"The value of assets in noninsured private pension plans increased 52% or 8.7% per year," said Douglas Greenwald, chief economist for McGraw-Hill Publications. "The value of assets in insured private pension plans rose considerably slower than those in noninsured private pension plans."

He pointed out that the value of assets in the insured plans had increased only 31% from 1965 to 1970, an annual growth of 5.5%.

All of the 21 major industries represented in the survey reported gains in noninsured pension fund assets, as did all seven size classes. At the same time, three of the seven size classes showed declines in insured assets over the five-year time period and seven of the 21 industries reported decreases.

"The largest increase in the assets of noninsured funds occurred in those valued at $200 million or more," Mr. Greenwald noted. "In general, noninsured funds valued at $50 million or more grew faster than the smaller funds. The largest increase in insured plans occurred in funds valued at $200 million or more."

The survey was conducted in June. Of the 714 companies responding, 472 had noninsured plans only, 162 had both insured and noninsured plans and 80 had only insured plans, as of 1970. The survey, then, encompassed 714 companies with at least 876 pension plans. The survey covered only pension plans where the companies retained some kind of control over the management and placement of fund assets. It excluded pensions managed by unions or other organizations.

Average reported internal rates of return for all sizes of funds, according to the survey, were equal to or above actuarial assumptions for the period 1965 to 1969. However, except for funds valued at less than $1 million, reported internal rates of return were below actuarial assumptions in 1970.

ACTUARIAL assumptions increased every year for companies in all 21 major industries between 1965 and 1971. The assumptions for all size classes also increased every year, though the smaller sized funds were lower. The average assumption in 1965 for all industries was 3.71% while the average for 1971 was 4.88%.

There was a 63% growth in company contributions to both insured and noninsured plans between 1965 and 1970. The annual growth rate was 10.2%. Between 1970 and 1971, the survey showed that company contributions increased 23% when fund earnings declined. The respondents predicted a 19% rise in contributions over the next two years.

Regarding management of funds, Mr. Greenwald said, "A majority of funds were managed by banks and insurance companies in both 1965 and 1970. During the five-year interval, the share of all funds managed by banks and insurance companies declined significantly. The share of funds managed by independent investment counselors, alone or in combination with other managers, increased from 5% in 1965 to 22% in 1970."

About 80% of the companies in the survey evaluated fund performance in-house while the rest employed outside agents. However, 25% of those who used in-house evaluations also used outside agents.

Seventyfive percent of the respondents said that market averages were used to evaluate performance. The second most popular standard was the performance of other pension funds and was used by 65% of the companies. Fund investment objectives were used as the standard by 36% of the companies. These three were the most popular forms of evaluation, with some respondents using combinations, though some of the firms indicated that they used comparisons of the performances of two equally expert fund managers. The report also showed that insurance companies use their own industry's average performance as a standard.

Another aspect of fund management pointed up by the survey was that 20% of the cooperating companies said that they planned to select new fund managers during the next 18 months. Investment counselors will receive business from 80 plans, banks followed with 36 plans, brokers and insurance companies next with 15 and mutual funds with 10. All sizes of funds showed the preference for independent counselors. No company said they planned to install a new in-house manager. All this activity does not, however, necessarily mean changes in types of managers. In other words, a company served by a bank could well choose a second bank.

Seventyfive percent of the funds to receive new managers will come out of plans valued at $50 million or more and more than 50% will come from funds of more than $200 million. Eightyfour percent of the more than $3 billion to be allocated will come from already existing funds while the remaining will be new money.

THE SURVEY was conducted because McGraw-Hill Publications said that "many businessmen have told us of their desire to learn more about how other companies are managing their employe retirement funds and evaluating their performance." The survey is entitled the First Annual Survey of Pension Fund Management of U.S. Corporations, which indicates that this is just the beginning of this type of pension assessment. ■

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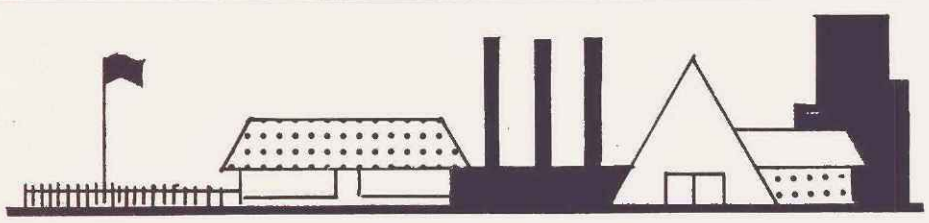

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